

NON-GAAP SUPPLEMENTAL MATERIALS

Non-GAAP Supplemental Materials

In an effort to provide investors with additional information regarding the company's results as determined by generally accepted accounting principles (GAAP), the company also discusses, in its earnings press release and earnings presentation materials, the following Non-GAAP information which management believes provides useful information to investors.

Operating (Non-GAAP) Earnings Per Share and Related Income Statement Items

Management presents certain financial measures from continuing operations excluding the effects of certain acquisition-related charges, non-operating retirement-related costs and any related tax impacts. Management uses the term "operating" to describe this view of the company's financial results and other financial information. For acquisitions, these measures exclude the amortization of purchased intangible assets and acquisition-related charges such as in-process research and development, transaction costs, applicable restructuring and related expenses, and tax charges related to acquisition integration. For retirement-related costs, the company has characterized certain items as operating and others as non-operating. The company includes service cost, amortization of prior service cost and the cost of defined contribution plans in its operating results. Non-operating retirement-related costs include interest cost, expected return on plan assets, amortized actuarial gains/losses, the impacts of any plan curtailments/settlements, multi-employer plan costs, pension insolvency costs, and other costs. Non-operating costs primarily relate to changes in pension plan assets and liabilities which are tied to market performance, and management considers these costs to be outside the operational performance of the business. Management's calculation of these operating measures, as presented, may differ from similarly titled measures reported by other companies.

Overall, management believes that providing investors with an operating view as described above provides increased transparency and clarity into both the operational results of the business and the performance of the company's pension plans, improves visibility to management decisions and their impacts on operational performance, enables better comparison to peer companies, and allows the company to provide a long term strategic view of the business going forward. For its earnings per share guidance, the company is utilizing an operating view to establish its objectives and track its progress. The company's segment financial results and performance reflect operating earnings, consistent with the company's management and measurement system.

Non-GAAP Supplemental Materials

Constant Currency

Management refers to growth rates at constant currency or adjusting for currency so that certain financial results can be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons of the company's business performance. Financial results adjusted for currency are calculated by translating current period activity in local currency using the comparable prior year period's currency conversion rate. This approach is used for countries where the functional currency is the local currency. Generally, when the dollar either strengthens or weakens against other currencies, the growth at constant currency rates or adjusting for currency will be higher or lower than growth reported at actual exchange rates.

Cash Flow

Management uses a free cash flow measure to evaluate the company's operating results, plan share repurchase levels, evaluate strategic investments and assess the company's ability and need to incur and service debt. The entire free cash flow amount is not necessarily available for discretionary expenditures. The company defines free cash flow as net cash from operating activities less the change in Global Financing receivables and net capital expenditures, including the investment in software. A key objective of the Global Financing business is to generate strong returns on equity, and increasing receivables is the basis for growth. Accordingly, management considers Global Financing receivables as a profit-generating investment, not as working capital that should be minimized for efficiency. Therefore, management includes presentations of both free cash flow and cash flow from operations that exclude the effect of Global Financing receivables.

Non-GAAP Supplemental Materials

Reconciliation of Strategic Imperatives Revenue Growth*

	At Actual Rate	@ Constant Currency
2010	20%	19%
2011	23%	19%
2012	18%	20%
2013	17%	19%
2014	16%	19%

*Historical information on strategic imperatives revenue which has been measured on a consistent basis.

The above serves to reconcile the Non-GAAP financial information contained in “Historical Free Cash Flow performance” and “Free Cash Flow realization supports our Model” contain in the “Financial Overview” presentation. See the third slide in these supplemental materials for additional information on the use of these Non-GAAP financial measures.

Non-GAAP Supplemental Materials

Reconciliation of Free Cash Flow (excluding GF Receivables, adjusted for Taxes and Gains)

\$ in Billions	2010	2011	2012	2013	2014
Free Cash Flow (excluding GF Receivables)*	\$16.3	\$16.6	\$18.2	\$15.0	\$12.4
Less: Taxes and Gains					
Taxes**	1.8	1.2	2.4	(0.7)	(1.5)
Gains on assets sales and other***	<u>(0.8)</u>	<u>(0.3)</u>	<u>(0.7)</u>	<u>(0.2)</u>	<u>(1.5)</u>
Free Cash Flow (excluding GF Receivables, adjusted for Taxes and Gains)	15.3	15.7	16.5	15.9	15.4

* Free Cash Flow (excluding GF Receivables) for reconciliation and other information concerning these items refer to page 66 of the company's 2014 Annual Report, which is Exhibit 13 to the Form 10-K submitted to the SEC on February 24, 2015.

** Taxes (Continuing Operations Provision for Income Taxes less Income Taxes paid.)

*** Net gains on asset sales and other.

The above serves to reconcile the Non-GAAP financial information contained in "Historical Free Cash Flow performance" and "Free Cash Flow realization supports our Model" contain in the "Financial Overview" presentation. See the third slide in these supplemental materials for additional information on the use of these Non-GAAP financial measures.

