

IBM REPORTS 2010 FIRST-QUARTER RESULTS

- o Diluted earnings per share of \$1.97, up 16 percent;
- o Revenue of \$22.9 billion, up 5 percent, flat adjusting for currency;
- o Net income of \$2.6 billion, up 13 percent;
- o Pre-tax income of \$3.5 billion, up 13 percent;
- o Pre-tax margin of 15.4 percent, up 1 point;
- o Gross profit margin of 43.6 percent, up 0.2 point;
- o Free cash flow of \$1.4 billion, up approximately \$400 million;
- o Software revenue up 11 percent;
- o Systems and Technology revenue up 5 percent;
- o Services revenue up 4 percent;
- o Services signings of \$12.3 billion, down 2 percent;
- o Consulting services signings up 18 percent;
- o Strategic Outsourcing signings up 6 percent;
- o Services backlog of \$134 billion, up \$8 billion year to year;
- o Full-year 2010 earnings-per-share expectations raised to at least \$11.20.

ARMONK, N.Y., April 19, 2010 . . . IBM (NYSE: IBM) today announced first-quarter 2010 diluted earnings of \$1.97 per share compared with diluted earnings of \$1.70 per share in the first quarter of 2009, an increase of 16 percent.

First-quarter net income was \$2.6 billion compared with \$2.3 billion in the first quarter of 2009, an increase of 13 percent. Total revenues for the first quarter of 2010 of \$22.9 billion increased 5 percent (flat, adjusting for currency) from the first quarter of 2009.

"In the first quarter, we drove significantly improved revenue growth rates from the fourth quarter across our businesses and geographies. We had strong results in strategic investment areas including growth markets, business analytics and Smarter Planet solutions," said Samuel J. Palmisano, IBM chairman, president and chief executive officer.

"Looking ahead, we are confident in our ability to grow revenue, and given our mix of higher-value business and productivity we will expand margins, grow profit, cash and EPS, and increase returns to shareholders. Thus, we expect full-year 2010 diluted earnings per share of at least \$11.20."

The company also said it expects constant-currency revenue growth for IBM and for its total services, software and hardware businesses in the second quarter.

From a geographic perspective, the Americas' first-quarter revenues were \$9.5 billion, an increase of 2 percent (flat, adjusting for currency) from the 2009 period. Revenues from Europe/Middle East/Africa were \$7.6 billion, up 5 percent (down 2 percent, adjusting for currency). Asia-Pacific revenues increased 10 percent (1 percent, adjusting for currency) to \$5.3 billion. OEM revenues were \$543 million, up 18 percent compared with the 2009 first quarter. Revenues from the company's growth markets organization increased 20 percent (8 percent, adjusting for currency) and represented 19 percent of geographic revenues.

Total Global Services revenues increased 4 percent (down 2 percent, adjusting for currency). Global Technology Services segment revenues increased 6 percent (flat, adjusting for currency) to \$9.3 billion. Global Business Services segment revenues were flat (down 5 percent, adjusting for currency) at \$4.4 billion.

IBM signed services contracts totaling \$12.3 billion, at actual rates, a decrease of 2 percent (7 percent, adjusting for currency), including 13 contracts greater than \$100 million.

Application Management signings decreased 23 percent, or approximately \$700 million. Without the impact of this decline, total services signings would have been up 4 percent year to year.

Signings in Transactional services (Consulting, Integrated Technology Services and Application Management Systems Integration) were \$5.5 billion, a decrease of

1 percent (6 percent, adjusting for currency). Total Outsourcing services (Strategic Outsourcing and Application Management Outsourcing) signings decreased 3 percent (8 percent, adjusting for currency) to \$6.8 billion.

Consulting services signings were up 18 percent, with 25 percent of signings related to Smarter Planet and Business Analytics. Strategic Outsourcing signings increased 6 percent.

The estimated services backlog at March 31 was \$134 billion at actual rates compared with \$126 billion in the first-quarter 2009.

Revenues from the Software segment were \$5.0 billion, an increase of 11 percent (5 percent, adjusting for currency) compared with the first quarter of 2009. Revenues from IBM's key middleware products, which include WebSphere, Information Management, Tivoli, Lotus and Rational products, were \$2.8 billion, an increase of 13 percent (8 percent, adjusting for currency) versus the first quarter of 2009. Operating systems revenues of \$499 million increased 1 percent (down 3 percent, adjusting for currency) compared with the prior-year quarter.

Revenues from the WebSphere family of software products, which delivers capabilities that enable clients to integrate and manage business processes across the organization, increased 13 percent year over year. Revenues from Information Management software, which enables clients to integrate, manage and use information to gain business value, increased 11 percent. Revenues from Tivoli software, which helps clients manage technology and business assets by providing visibility, control and automation across the organization, increased 23 percent, and revenues from Lotus software, which connects people and processes for more effective communication and increased productivity through collaboration, messaging and social networking software, increased 1 percent. Revenues from Rational software, which supports software development for both IT and embedded system solutions, increased 7 percent.

Revenues from the Systems and Technology segment totaled \$3.4 billion for the quarter, up 5 percent (2 percent, adjusting for currency) from the first quarter of 2009. Systems revenues increased 4 percent (1 percent, adjusting for currency). Revenues from the System x increased 36 percent. Revenues from POWER Systems decreased 17 percent compared with the 2009 period. Revenues from System z mainframe server products decreased 17 percent compared with the year-ago period. Total delivery of System z computing power, as measured in MIPS (millions of instructions per second), decreased 19 percent. Revenues from System Storage increased 11 percent, and revenues from Retail Store Solutions increased 38 percent. Revenues from Microelectronics OEM increased 16 percent.

Global Financing segment revenues decreased 7 percent (12 percent, adjusting for currency) in the first quarter to \$537 million.

The company's total gross profit margin was 43.6 percent in the 2010 first quarter compared with 43.4 percent in the 2009 first-quarter period, led by improving margins in both services segments and software.

Total expense and other income increased 2 percent to \$6.5 billion compared with the prior-year period. In each period, the company had gains from the sale of business operations that were largely offset by workforce rebalancing charges. SG&A expense of \$5.7 billion increased 8 percent year over year and included workforce rebalancing charges of approximately \$560 million, the majority of which was in Europe and Asia, compared with prior-year expense of \$5.3 billion that included \$265 million of workforce rebalancing charges. RD&E expense of \$1.5 billion increased 2 percent compared with the year-ago period. Intellectual property and custom development income decreased to \$261 million compared with \$268 million a year ago. Other (income) and expense was income of \$545 million including a gain of \$591 million from the sale of Product Lifecycle Management operations, compared with prior-year income of \$304 million that included \$298 million from the sale of certain elements of the company's logistics process operations. Interest expense decreased to \$82 million compared with \$136 million in the prior year.

IBM's tax rate in the first-quarter 2010 was 26.0 percent compared with 26.5 percent in the first quarter of 2009.

The weighted-average number of diluted common shares outstanding in the first-quarter 2010 was 1.32 billion compared with 1.35 billion shares in the same period of 2009. As of March 31, 2010, there were 1.28 billion basic common shares outstanding.

Debt, including Global Financing, totaled \$26.3 billion, compared with \$26.1 billion at year-end 2009. From a management segment view, Global Financing debt totaled \$22.2 billion versus \$22.4 billion at year-end 2009, resulting in a debt-to-equity ratio of 7.0 to 1. Non-global financing debt totaled \$4.1 billion, an increase of \$357 million since year-end 2009, resulting in a debt-to-capitalization ratio of 17.7 percent from 16.0 percent.

IBM ended the first-quarter 2010 with \$14.0 billion of cash on hand and generated free cash flow of \$1.4 billion, up approximately \$400 million year over year. The company returned \$4.7 billion to shareholders through \$0.7 billion in dividends and \$4.0 billion of share repurchases. The balance sheet remains strong, and the company is well positioned to support its full-year objectives.

Forward-Looking and Cautionary Statements

Except for the historical information and discussions contained herein, statements contained in this release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, including the following: a downturn in economic environment and corporate IT spending budgets; the company's failure to meet growth and productivity objectives, a failure of the company's innovation initiatives; risks from investing in growth opportunities; failure of the company's intellectual property portfolio to prevent competitive offerings and the failure of the company to obtain necessary licenses; breaches of data security; fluctuations in revenue and purchases, impact of local legal, economic, political and health conditions; adverse effects from environmental matters, tax matters and the company's pension plans; ineffective internal controls; the company's use of accounting estimates; the company's ability to attract and retain key personnel and its reliance on critical skills; impact of relationships with critical suppliers; currency fluctuations and customer financing risks; impact of changes in market liquidity conditions and customer credit risk on receivables; reliance on third party distribution channels; the company's ability to successfully manage acquisitions and alliances; risk factors related to IBM securities; and other risks, uncertainties and factors discussed in the company's Form 10-Q, Form 10-K and in the company's other filings with the U.S. Securities and Exchange Commission (SEC) or in materials incorporated therein by reference. The company assumes no obligation to update or revise any forward-looking statements.

Presentation of Information in this Press Release

In an effort to provide investors with additional information regarding the company's results as determined by generally accepted accounting principles (GAAP), the company has also disclosed in this press release the following non-GAAP information which management believes provides useful information to investors:

IBM Results -

- o presenting non-global financing debt-to-capitalization ratio;
- o adjusting for free cash flow;
- o adjusting for currency (i.e., at constant currency).

The rationale for management's use of non-GAAP measures is included as part of the supplementary materials presented within the first-quarter earnings materials. These materials are available on the IBM investor relations Web site at www.ibm.com/investor and are being included in Attachment II ("Non-GAAP Supplementary Materials") to the Form 8-K that includes this press release and is being submitted today to the SEC.

Conference Call and Webcast

IBM's regular quarterly earnings conference call is scheduled to begin at 4:30 p.m. EDT, today. Investors may participate by viewing the Webcast at www.ibm.com/investor/1q10. Presentation charts will be available on the Web site shortly before the Webcast.

Financial Results Below (certain amounts may not add due to use of rounded numbers; percentages presented are calculated from the underlying whole-dollar amounts).

INTERNATIONAL BUSINESS MACHINES CORPORATION
COMPARATIVE FINANCIAL RESULTS
(Unaudited; Dollars in millions except per share amounts)

	Three Months Ended March 31,		
	2010	2009	Percent Change
	-----	-----	-----
REVENUE			
Global Technology Services	\$9,306	\$8,754	6.3%
Gross profit margin	34.4%	33.9%	
Global Business Services	4,410	4,397	0.3%
Gross profit margin	27.3%	26.5%	
Software	5,018	4,539	10.6%
Gross profit margin	84.6%	84.2%	
Systems and Technology	3,385	3,228	4.9%
Gross profit margin	33.6%	34.0%	
Global Financing	537	578	-7.1%
Gross profit margin	49.8%	45.9%	
Other	200	213	-6.5%
Gross profit margin	-35.7%	52.7%	
TOTAL REVENUE	22,857	21,711	5.3%
GROSS PROFIT	9,976	9,431	5.8%
Gross profit margin	43.6%	43.4%	
EXPENSE AND OTHER INCOME			
S,G&A	5,677	5,264	7.8%
Expense to revenue	24.8%	24.2%	
R,D&E	1,509	1,480	2.0%
Expense to revenue	6.6%	6.8%	
Intellectual property and custom development income	(261)	(268)	-2.4%
Other (income) and expense	(545)	(304)	79.6%

Interest expense	82	136	-39.6%
TOTAL EXPENSE AND OTHER INCOME	6,462	6,309	2.4%
Expense to revenue	28.3%	29.1%	
INCOME BEFORE INCOME TAXES	3,515	3,122	12.6%
Pre-tax margin	15.4%	14.4%	
Provision for income taxes	914	827	10.4%
Effective tax rate	26.0%	26.5%	
NET INCOME	\$2,601	\$2,295	13.3%
	=====	=====	
Net margin	11.4%	10.6%	
EARNINGS PER SHARE OF COMMON STOCK:			
ASSUMING DILUTION	\$1.97	\$1.70	15.9%
BASIC	\$2.00	\$1.71	17.0%
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (M's):			
ASSUMING DILUTION	1,321.6	1,349.5	
BASIC	1,301.2	1,344.3	

INTERNATIONAL BUSINESS MACHINES CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited)

(Dollars in Millions)	At March 31, 2010	At December 31, 2009
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ASSETS		
Current Assets:		
Cash and cash equivalents	\$12,472	\$12,183
Marketable securities	1,505	1,791
Notes and accounts receivable - trade (net of allowances of \$214 in 2010 and \$217 in 2009)	9,324	10,736
Short-term financing receivables (net of allowances of \$415 in 2010 and \$438 in 2009)	13,083	14,914
Other accounts receivable (net of allowances of \$9 in 2010 and \$15 in 2009)	1,104	1,143
Inventories, at lower of average cost or market:		
Finished goods	555	533
Work in process and raw materials	1,969	1,960
	-----	-----
Total inventories	2,524	2,494
Deferred taxes	1,565	1,730
Prepaid expenses and other current assets	4,121	3,946

Total Current Assets	45,697	48,935
Plant, rental machines, and other property	39,018	39,596
Less: Accumulated depreciation	25,178	25,431
Plant, rental machines, and other property - net	13,841	14,165
Long-term financing receivables (net of allowances of \$94 in 2010 and \$97 in 2009)	9,542	10,644
Prepaid pension assets	3,289	3,001
Deferred taxes	3,537	4,195
Goodwill	20,889	20,190
Intangible assets - net	2,618	2,513
Investments and sundry assets	5,794	5,379
Total Assets	<u>\$105,208</u>	<u>\$109,022</u>
LIABILITIES AND EQUITY		
Current Liabilities:		
Taxes	\$2,775	\$3,826
Short-term debt	5,014	4,168
Accounts payable	6,345	7,436
Compensation and benefits	3,701	4,505
Deferred income	11,456	10,845
Other accrued expenses and liabilities	5,285	5,223
Total Current Liabilities	<u>34,575</u>	<u>36,002</u>
Long-term debt	21,305	21,932
Retirement and nonpension postretirement benefit obligations	15,216	15,953
Deferred income	3,456	3,562
Other liabilities	8,506	8,819
Total Liabilities	<u>83,059</u>	<u>86,267</u>
Contingencies and Commitments		
Equity:		
IBM Stockholders' Equity:		
Common stock	42,665	41,810
Retained earnings	82,783	80,900
Treasury stock -- at cost	(85,238)	(81,243)
Accumulated other comprehensive income/(loss)	(18,178)	(18,830)
Total IBM stockholders' equity	<u>22,033</u>	<u>22,637</u>
Noncontrolling interests	116	118
Total Equity	<u>22,149</u>	<u>22,755</u>
Total Liabilities and Equity	<u>\$105,208</u>	<u>\$109,022</u>

INTERNATIONAL BUSINESS MACHINES CORPORATION
CASH FLOW ANALYSIS
(Unaudited)

(Dollars in Millions)	Three Months Ended	
	March 31,	
	2010	2009
	-----	-----
Net Cash from Operations	\$4,437	\$4,386
Less: Global Financing (GF)		
Accounts Receivable	2,101	2,584
Net Cash from Operations (Excluding GF Accounts Receivable)	2,335	1,802
Net Capital Expenditures	(904)	(760)
Free Cash Flow (Excluding GF Accounts Receivable)	1,432	1,043
Acquisitions	(824)	(21)
Divestitures	0	356
Share Repurchase	(4,017)	(1,765)
Dividends	(718)	(675)
Non-GF Debt	341	(1,915)
Other (including GF Accounts Receivable, GF Debt)	3,789	2,367
Change in Cash and Marketable Securities	\$3	(\$612)

INTERNATIONAL BUSINESS MACHINES CORPORATION
SEGMENT DATA
(Unaudited)

FIRST-QUARTER 2010					
(Dollars in Millions)	----- Revenue -----		----- Total -----	Pre-tax Income/ (Loss)	Pre-tax Margin
	External	Internal	-----	-----	-----
	-----	-----	-----	-----	-----
SEGMENTS					
Global Technology Services	\$9,306	\$320	\$9,626	\$964	10.0%
% change	6.3%	-6.4%	5.8%	-12.6%	
Global Business Services	4,410	203	4,613	445	9.7%
% change	0.3%	-12.5%	-0.4%	-14.6%	
Software	5,018	758	5,776	2,052	35.5%
% change	10.6%	23.5%	12.1%	53.7%	
Systems and Technology	3,385	173	3,559	(170)	-4.8%
% change	4.9%	-1.6%	4.5%	nm	

Global Financing	537	403	941	427	45.4%
% change	-7.1%	3.5%	-2.9%	18.7%	
TOTAL REPORTABLE SEGMENTS	22,657	1,858	24,515	3,719	15.2%
% change	5.4%	5.9%	5.4%	11.1%	
Eliminations / Other	200	(1,858)	(1,658)	(205)	
TOTAL IBM CONSOLIDATED	\$22,857	\$0	\$22,857	\$3,515	15.4%
% change	5.3%		5.3%	12.6%	

nm - not meaningful

FIRST-QUARTER 2009

(Dollars in Millions)	External	Revenue Internal	Total	Pre-tax Income/ (Loss)	Pre-tax Margin
SEGMENTS					
Global Technology Services	\$8,754	\$342	\$9,096	\$1,104	12.1%
Global Business Services	4,397	232	4,629	521	11.3%
Software	4,539	614	5,153	1,335	25.9%
Systems and Technology	3,228	176	3,404	28	0.8%
Global Financing	578	390	968	360	37.2%
TOTAL REPORTABLE SEGMENTS	21,498	1,754	23,251	3,348	14.4%
Eliminations / Other	213	(1,754)	(1,540)	(226)	
TOTAL IBM CONSOLIDATED	\$21,711	\$0	\$21,711	\$3,122	14.4%

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