



1Q 2008 Earnings Presentation

April 16, 2008

www.ibm.com/investor

Forward Looking Statements

Certain comments made in this presentation may be characterized as forward looking under the Private Securities Litigation Reform Act of 1995.

Those statements involve a number of factors that could cause actual results to differ materially.

Additional information concerning these factors is contained in the Company's filings with the SEC. Copies are available from the SEC, from the IBM web site, or from IBM Investor Relations.

These charts and the associated remarks and comments are integrally related, and are intended to be presented and understood together.

1Q 2008 Summary

1Q EPS: \$1.65 +36%

- Strength in offerings that provide:
 - Cost and capital conservation
 - Shorter payback
 - Solution to specific client needs, e.g., risk, security, energy efficiency

- Emerging markets build-out

- Results supported by:
 - Annuity businesses
 - Cost and expense management
 - Cash and Balance sheet position

Expect EPS growth of 18% (at least \$8.50) in 2008

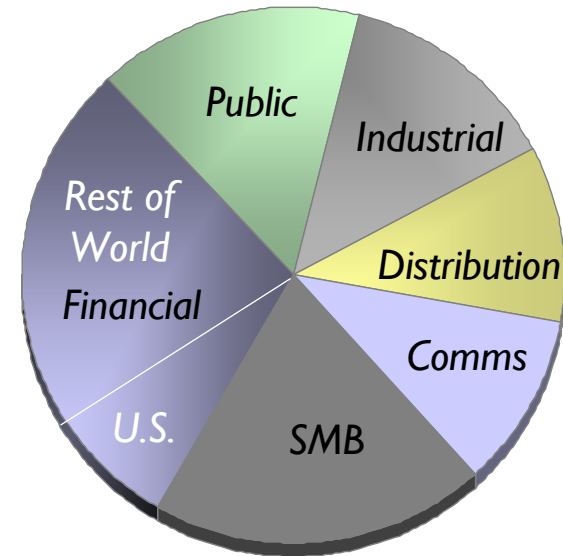
1Q 2008 Financial Summary

<i>\$ in Billions, except EPS</i>	<u>1Q08</u>	<u>B/(W) Yr/Yr</u>
Revenue	\$24.5	11%
@ CC		4%
GP %	41.5%	1.2 pts
Expense	\$7.0	(11%)
Pre-Tax Income	\$3.2	24%
Tax Rate	27.5%	1.0 pts
Net Income	\$2.3	26%
Shares (Diluted) (M)	1,404.3	8%
EPS	\$1.65	36%

Strong operating leverage

Revenue by Key Industry Sales Unit

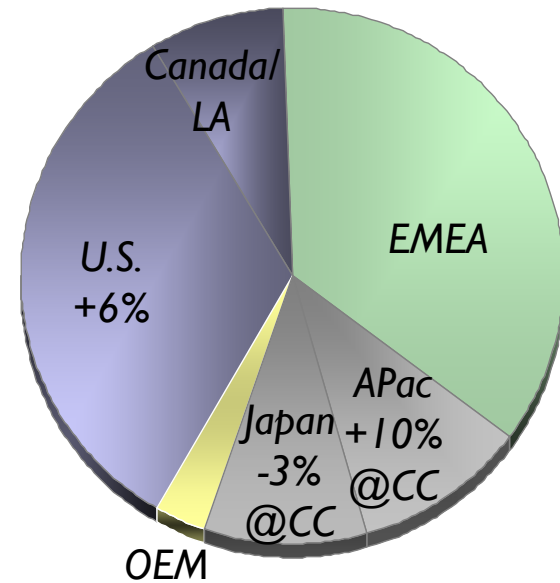
\$ in Billions	<u>1Q08</u>	<u>B/(W) Yr/Yr</u>	
		<u>Rptd</u>	<u>@CC</u>
Financial Services	\$6.9	14%	5%
Public	3.7	13%	8%
Industrial	3.1	14%	6%
Distribution	2.4	9%	3%
Communications	2.4	16%	10%
Small / Medium Business	4.6	10%	3%
All Sectors	\$23.9	12%	5%



Revenue by Geography

\$ in Billions

	<u>1Q08</u>	<u>B/(W) Rptd</u>	<u>Yr/Yr @CC</u>
Americas	\$9.9	8%	6%
Europe/ME/A	8.8	16%	4%
Asia Pacific	5.1	14%	3%
OEM	0.7	(16%)	(16%)
IBM	\$24.5	11%	4%

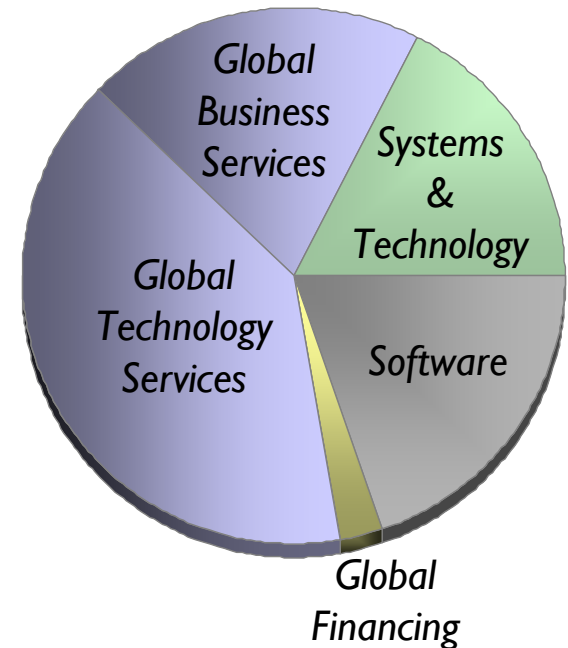


New Growth Mkts. Org.	19%	11%
BRIC Countries	26%	14%

Growth led by emerging countries

Revenue by Segment

\$ in Billions	<u>1Q08</u>	<u>B/(W) Yr/Yr</u>	
		<u>Rptd</u>	<u>@CC</u>
Global Technology Services	\$9.7	17%	9%
Global Business Services	4.9	17%	9%
Systems & Technology <i>without Printers</i>	4.2	(7%) (2%)	(12%) (7%)
Software	4.8	14%	6%
Global Financing	0.6	3%	(3%)
Total Segments	<u>24.3</u>	11%	4%
Total IBM	\$24.5	11%	4%



Strong performance in annuity businesses

Expense Summary

\$ in Billions	<u>1Q08</u>	B/(W) <u>Yr/Yr</u>	<u>Yr/Yr Drivers</u>		
			<u>Currency</u>	<u>Acq.*</u>	<u>Ops</u>
SG&A	\$5.6	(10%)	(6 pts)	(4 pts)	(1 pts)
RD&E	1.6	(4%)	(3 pts)	(3 pts)	2 pts
IP and Development Income	(0.3)	34%			
Other (Income)/Expense	(0.1)	(30%)			
Interest Expense	<u>0.2</u>	(144%)			
Total Expense & Other Income	\$7.0	(11%)	(6 pts)	(4 pts)	(1 pts)

* Includes Acquisitions made in the last twelve months

Strong operational expense management

Operational expense improved, excluding ASR interest

Margins by Segment

	External Gross Profit Margins		Total Pre-Tax Margins	
	<u>1Q08</u>	<u>B/(W) Yr/Yr Pts</u>	<u>1Q08</u>	<u>B/(W) Yr/Yr Pts</u>
<i>\$ in Billions</i>				
Global Technology Services	31.3%	2.2 pts	9.8%	2.0 pts
Global Business Services	25.0%	1.2 pts	11.2%	0.7 pts
Systems & Technology	37.0%	2.2 pts	3.3%	1.3 pts
Software	83.9%	0.3 pts	23.0%	1.6 pts
Global Financing	50.8%	(0.1 pts)	38.1%	(0.7 pts)
Total Segments	42.0%	1.5 pts	12.9%	1.7 pts
Total IBM	41.5%	1.2 pts	13.1%	1.3 pts

Broad-based margin expansion

Services Segments

Global Technology Services (GTS)

\$ in Billions	<u>B/(W) Yr/Yr</u>		
	<u>1Q08</u>	<u>Rptd</u>	<u>@CC</u>
Revenue (External)	\$9.7	17%	9%
Gross Margin (External)	31.3%	2.2 pts	
PTI Margin	9.8%	2.0 pts	

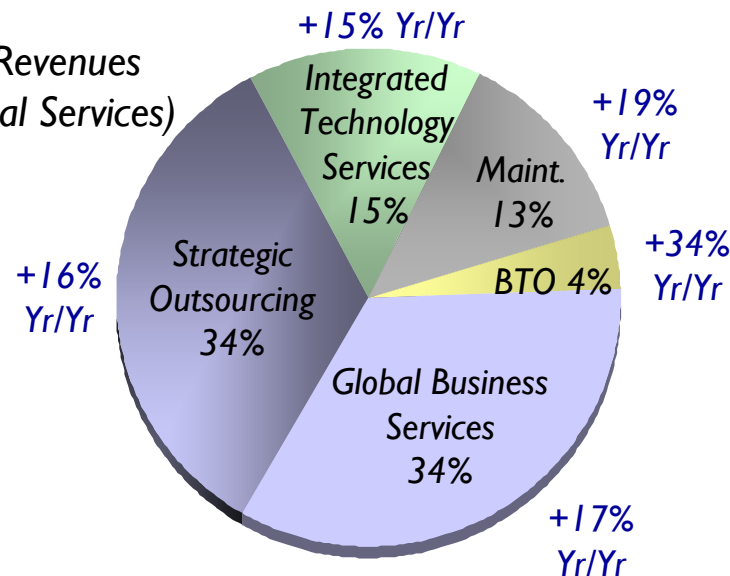
Global Business Services (GBS)

\$ in Billions	<u>B/(W) Yr/Yr</u>		
	<u>1Q08</u>	<u>Rptd</u>	<u>@CC</u>
Revenue (External)	\$4.9	17%	9%
Gross Margin (External)	25.0%	1.2 pts	
PTI Margin	11.2%	0.7 pts	

<u>Global Services Signings @CC</u>	<u>1Q08</u>	<u>Yr/Yr</u>
Total Short Term Signings	5.6	6%
Total Long Term Signings	5.2	(10%)
Total Signings @CC	\$10.8	(2%)

<u>Global Services Signings @ Act.</u>	<u>1Q08</u>	<u>Yr/Yr</u>
Total Short Term Signings	6.5	13%
Total Long Term Signings	6.1	Flat
Total Signings @ Actual	\$12.6	6%

1Q08 Revenues
(% of Total Services)



Continued momentum in Services

Systems & Technology Segment

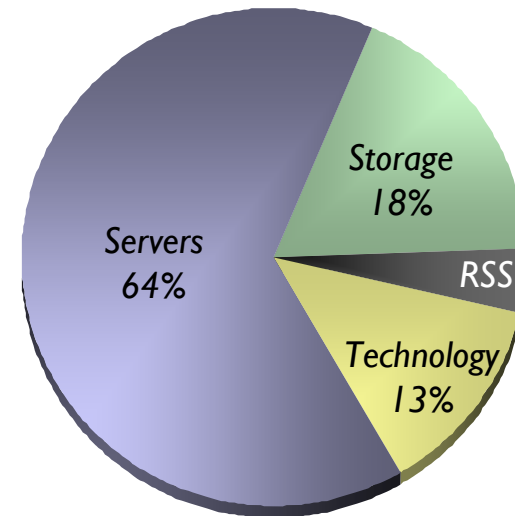
\$ in Billions

B/(W) Yr/Yr

	<u>1Q08</u>	<u>Rptd</u>	<u>@CC</u>
Revenue (External)	\$4.2	(7%)	(12%)
without Printers		(2%)	(7%)
Gross Margin (External)	37.0%	2.2 pts	
PTI Margin	3.3%	1.3 pts	

<u>1Q08 Revenue</u>	<u>Yr/Yr</u>
System z	10%
Legacy System i	(21%)
Converged System p	2%
System x Servers	Flat
Storage	10%
Retail Store Solutions	(3%)
Total Systems	2%
Technology	(20%)
Total Systems & Technology w/o Printers	(2%)

*1Q08 Revenue
(% of Total S&TG)*



Margin expansion and profit growth

Software Segment

\$ in Billions	<u>B/(W) Yr/Yr</u>		
	<u>1Q08</u>	<u>Rptd</u>	<u>@CC</u>
Revenue (External)	\$4.8	14%	6%
Gross Margin (External)	83.9%	0.3 pts	
PTI Margin	23.0%	1.6 pts	

<u>1Q08 Revenue</u>	<u>Yr/Yr</u>
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Websphere Family	20%
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Information Management	27%
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Tivoli	9%
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Lotus	17%
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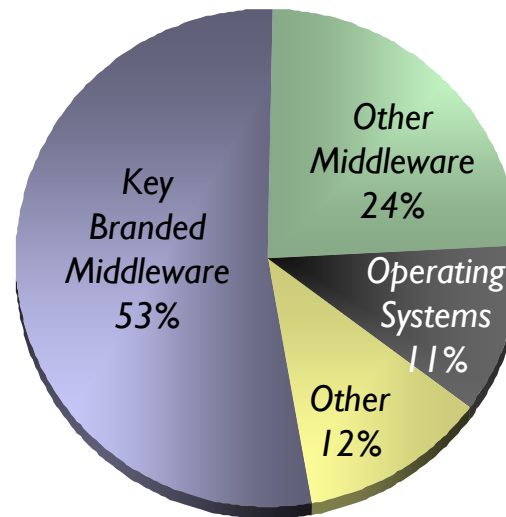
Rational	3%
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Key Branded Middleware	19%
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Total Middleware	16%
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Total Software	14%
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*1Q08 Revenue
(% of Total Software)*



Key Branded Middleware drives Software growth

Cash Flow Analysis

\$ in Billions	<u>1Q08</u>	B/(W) <u>Yr/Yr</u>	<u>FY07</u>	B/(W) <u>Yr/Yr</u>
	Net Cash from Operations	\$4.2	\$1.2	\$16.1
Less: Global Financing Receivables	<u>2.4</u>	<u>0.3</u>	<u>(1.3)</u>	<u>(1.0)</u>
Net Cash from Operations (excluding GF Receivables)	1.8	0.9	17.4	2.1
Net Capital Expenditures	<u>(1.2)</u>	<u>(0.1)</u>	<u>(5.0)</u>	<u>(0.2)</u>
Free Cash Flow (excluding GF Receivables)	0.6	0.8	12.4	1.9
Acquisitions	(5.0)	(4.8)	(1.0)	2.8
Divestitures	0.0	0.0	0.3	0.3
Dividends	(0.6)	(0.1)	(2.1)	(0.5)
Share Repurchases	(2.4)	1.0	(18.8)	(10.7)
Non-GF Debt	(1.7)	(2.1)	10.9	12.1
Other (includes GF A/R & GF Debt)	<u>4.9</u>	<u>0.9</u>	<u>3.8</u>	<u>2.7</u>
Change in Cash & Marketable Securities	(\$4.1)	(\$4.2)	\$5.5	\$8.5

Balance Sheet Summary

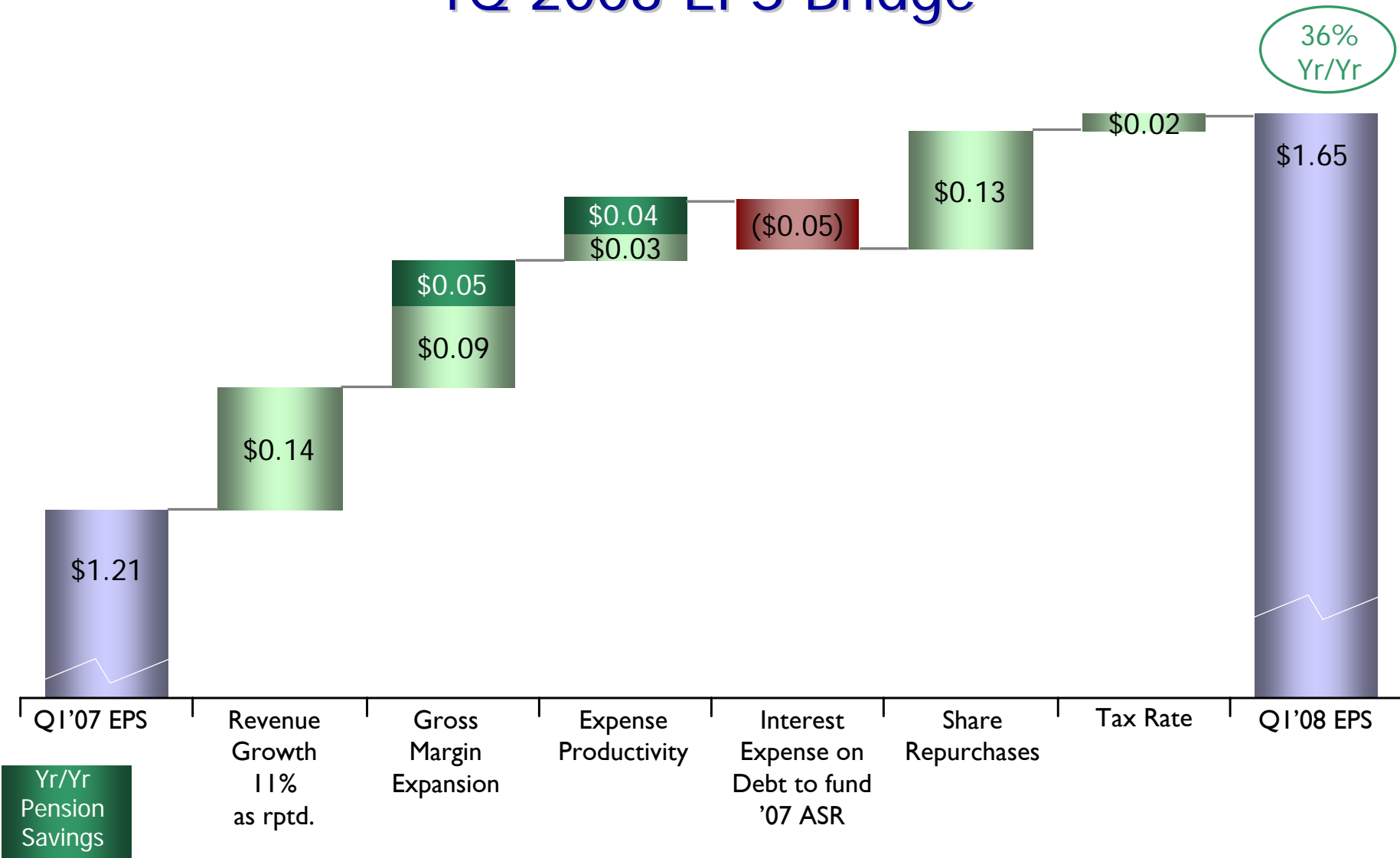
<i>\$ in Billions</i>	<u>Mar. 07</u>	<u>Dec. 07</u>	<u>Mar. 08</u>
Cash & Marketable Securities	\$10.8	\$16.1	\$12.0
Non-GF Assets*	59.7	67.5	74.6
Global Financing Assets*	31.1	36.8	35.2
Total Assets	101.6	120.4	121.8
Other Liabilities	49.9	56.7	57.9
Non-GF Debt	0.7	10.7	8.9
Global Financing Debt	23.2	24.5	26.2
Total Debt	23.9	35.3	35.2
Total Liabilities	73.8	92.0	93.1
Equity	27.8	28.5	28.7

*Excluding Cash & Marketable Securities

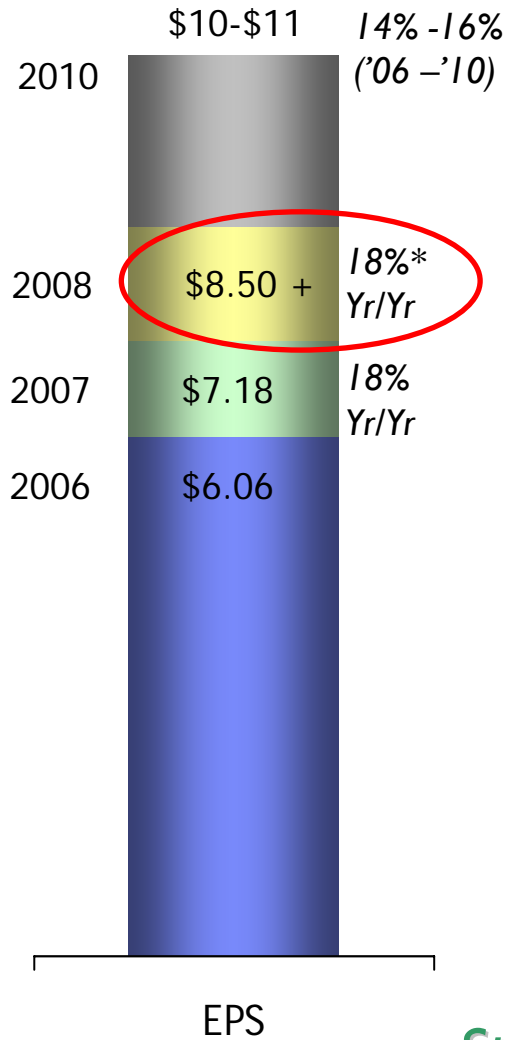
Non-GF Debt / Capital	3%	30%	26%
Global Financing Leverage	6.9	7.1	6.9

Strong Balance Sheet & Cash position

1Q 2008 EPS Bridge



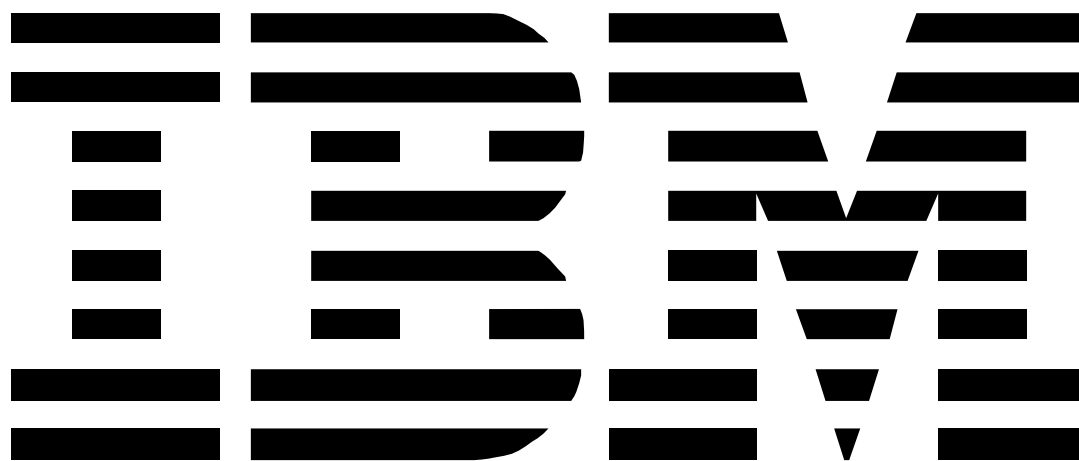
1Q 2008 Wrap-Up



- Services momentum continued with strong revenue and profit performance
- Systems & Technology had successful z10 launch
- Software continued to enhance capabilities with Cognos acquisition
- Growth Markets infrastructure build-out contributed to double-digit growth @CC
- U.S. performance improved
- Financial strength & flexibility

Strong Operating Model delivered 36% EPS growth

* 19% Yr/Yr excluding 2007 Printer Gain



Supplemental Materials

Some columns and rows in these materials, including the supplemental exhibits, may not add due to rounding

- Supplemental Segment Information – Global Services
- Supplemental Segment Information – Systems & Technology, Software
- Currency – Year/Year Comparison
- Cash Flow (FAS 95)
- Non-GAAP Supplementary Materials
 - Divested Printing Systems Division
 - Constant Currency, Cash Flow
 - Interest Expense
 - Reconciliation of Asia Pacific Revenue Growth

Supplemental Segment Information – 1Q 2008

<i>Global Services</i>	<u>Revenue Growth</u>	
	<u>Yr/Yr</u>	<u>@CC</u>
Strategic Outsourcing	16%	7%
Business Transformation Outsourcing	34%	28%
Integrated Tech Services	15%	7%
Maintenance	<u>19%</u>	<u>11%</u>
Global Technology Services	17%	9%
Global Business Services	17%	9%

<i>Global Services</i>	<u>Signings (\$B)</u>	
	<u>1Q08</u>	<u>Yr/Yr</u>
<u>Global Services Signings @CC</u>		
GBS Short-Term	\$3.6	7%
GTS Short-Term	2.0	4%
GBS Long-Term	0.9	(1%)
GTS Long-Term	4.4	(12%)
SO		(9%)
BTO		(27%)

Global Services Signings @ Actual

GBS Short-Term	\$4.1	14%
GTS Short-Term	2.3	11%
GBS Long-Term	1.0	7%
GTS Long-Term	5.2	(2%)
SO		1%
BTO		(22%)

Supplemental Segment Information – 1Q 2008

Systems & Technology Group	Revenue				Software	Revenue Growth	
	Yr/Yr	@CC	GP%	Share		Yr/Yr	@CC
System z	10%	2%	↓	↑	Websphere Family	20%	12%
Legacy System i	(21%)	(27%)	↓	↓	Information Management	27%	19%
Converged System p	2%	(3%)	↑	↑	Tivoli	9%	3%
System x Servers	Flat	(6%)	↑	↓	Lotus	17%	8%
System Storage	10%	3%	↑	↑	Rational	<u>3%</u>	<u>(4%)</u>
Retail Store Solutions	(3%)	(9%)	↑	↓	Key Branded Middleware	19%	12%
Total Systems	2%	(4%)	↑		Other Middleware	<u>8%</u>	<u>1%</u>
Technology	(20%)	(20%)	↓		Total Middleware	16%	8%
Total Systems & Technology without Printers	(2%)	(7%)	↑		Operating Systems	1%	(5%)
					Other Software/Services	<u>17%</u>	<u>8%</u>
					Total Software	14%	6%

Technology = Microelectronics OEM



Currency – Year/Year Comparison

Quarterly Averages per US \$

	<u>1Q08</u>	<u>Yr/Yr</u>	<u>4/15 Spot</u>	<u>Yr/Yr @ 4/15 Spot</u>		
				<u>2Q08</u>	<u>3Q08</u>	<u>4Q08</u>
Euro	0.67	13%	0.63	15%	13%	8%
Pound	0.51	1%	0.51	(1%)	(3%)	(4%)
Yen	105	12%	102	16%	14%	10%

IBM Revenue Impact		7 pts		~7-8 pts	~6-7 pts	~3-4 pts
	<u>(US\$B)</u>	<u>Yr/Yr</u>		<i>Negative Yr/Yr growth signifies a translation hurt</i>		
Revenue As Reported	\$24.5	11%		IBM hedges its major cross-border cash flows to mitigate the effect of currency volatility in the year-over-year results.		
Currency Impact	1.6	7 pts		The impact of these hedging programs is principally reflected in Other Income and Expense, as well as Cost of Goods Sold.		
Revenue @CC	\$22.9	4%				

Cash Flow (FAS 95)

\$ in Billions

	<u>1Q08</u>	<u>1Q07</u>
Net Income from Operations	\$2.3	\$1.8
Depreciation / Amortization of Intangibles	1.3	1.2
Stock-based Compensation	0.2	0.2
Working Capital / Other	(2.0)	(2.3)
Global Financing A/R	2.4	2.1
Net Cash provided by Operating Activities	4.2	3.0
Capital Expenditures, net of payments & proceeds	(1.2)	(1.1)
Divestitures, net of cash transferred	0.0	0.0
Acquisitions, net of cash acquired	(5.0)	(0.2)
Marketable Securities / Other Investments, net	0.4	(1.1)
Net Cash used in Investing Activities	(5.8)	(2.4)
Debt, net of payments & proceeds	(0.8)	1.2
Dividends	(0.6)	(0.5)
Common Stock Repurchases	(2.4)	(3.4)
Common Stock Transactions - Other	1.0	0.9
Net Cash used in Financing Activities	(2.8)	(1.7)
Effect of Exchange Rate changes on Cash	0.2	0.1
Discontinued Operations	--	0.0
Net Change in Cash & Cash Equivalents	(\$4.2)	(\$1.1)

Non-GAAP Supplementary 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.

[Divested Printing Systems Division](#)

Management presents certain financial results without Printing Systems Division (PSD) revenue and the divestiture-related gain. In June 2007, the company divested 51 percent of its shares in a wholly-owned subsidiary, InfoPrint Solutions, that was based on PSD. Given this divestiture, management believes that presenting certain financial information without PSD revenue and the divestiture-related gain is more representative of the company's performance and provides additional insight into, and clarifies the basis for, historical and/or future performance, which may be more useful for investors.

Non-GAAP Supplementary Materials

Constant Currency

Management refers to growth rates at constant currency or adjusting for currency so that the business 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. 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 includes presentations of both cash flow from operations and free cash flow that exclude the effect of Global Financing Receivables. For a financing business, increasing receivables is the basis for growth. Receivables are viewed as an investment and an income-producing asset. Therefore, management presents financing receivables as an investing activity. Management's view is that this presentation gives the investor the best perspective of cash available for new investment or for distribution to shareholders.

Non-GAAP Supplementary Materials

Interest Expense

Management presents certain financial results excluding the effects of a higher level of interest expense as a result of the company's Accelerated Share Repurchase executed in the second quarter of 2007. Given its unique nature, management believes that presenting certain financial information without this higher level of interest expense is more representative of the company's operational performance and provides additional insight into, and clarifies the basis for, historical and/or future performance, which may be more useful for investors.

Non-GAAP Supplementary Materials

Reconciliation of Asia Pacific Revenue Growth

	<u>1Q08 Yr/Yr</u>	
	<u>As Rptd</u>	<u>@ CC</u>
Asia Pacific Revenue, other than Japan	18%	10%
Japan Revenue	11%	(3%)

The above serves to reconcile the Non-GAAP financial information contained in the "Geographic Revenue" discussion regarding revenue growth in certain countries in the company's earnings presentation. See Slide 24 of this presentation for additional information on the use of these Non-GAAP financial measures.

