

1Q 2009 Earnings Presentation

April 20, 2009

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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 2009 Highlights

EPS	\$1.70	+4% yr/yr
Free Cash Flow*	\$1B	+\$450M yr/yr

- Delivering value to clients through adaptable offerings
 - Signings +10% yr/yr @CC, longer-term categories +27% @CC
- Driving favorable mix
 - Services, software and financing deliver 99% of segment pre-tax profit
- Investing to capture opportunities in emerging markets
 - Growth markets revenue growth +8 points higher than major markets
- Strengthening margin performance through mix to higher value and ongoing focus on productivity
 - GP margin +1.9 pts, PTI margin +1.3 pts, Net Income margin +1.1 pts
- Continuing investments for future growth

* Excluding GF Receivables

Expect EPS of at least \$9.20 in 2009

Financial Summary

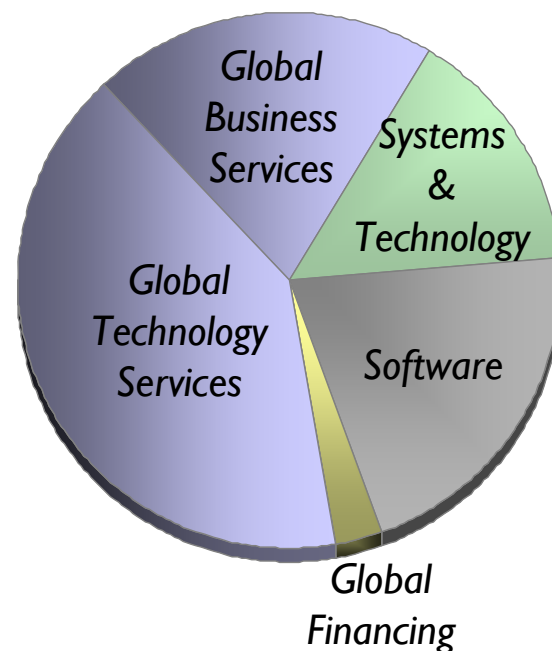
\$ in Billions, except EPS	<u>1Q09</u>	<u>B/(W)</u> <u>Yr/Yr</u>
Revenue	\$21.7	(11%)
@CC		(4%)
GP %	43.4%	1.9 pts
Expense	\$6.3	9%
Pre-Tax Income	\$3.1	(2%)
PTI Margin	14.4%	1.3 pts
Tax Rate	26.5%	1.0 pts
Net Income	\$2.3	(1%)
Net Income Margin	10.6%	1.1 pts
Shares (Diluted) (M)	1,349.5	4%
EPS	\$1.70	4%

Strong margin performance

Revenue by Segment

\$ in Billions

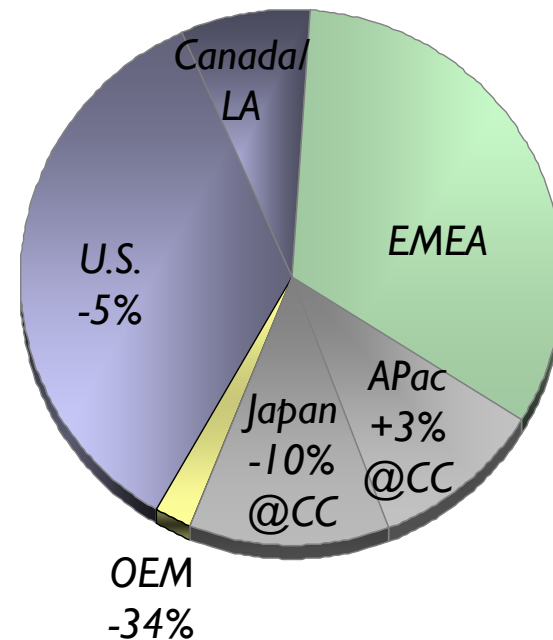
	<u>1Q09</u>	<u>B/(W) Rptd</u>	<u>Yr/Yr @CC</u>
Global Technology Services	\$8.8	(10%)	(1%)
Global Business Services	4.4	(10%)	(4%)
Systems & Technology	3.2	(23%)	(18%)
Software	4.5	(6%)	2%
Global Financing	0.6	(9%)	Flat
Total Segments	\$21.5	(11%)	(4%)
Total IBM	\$21.7	(11%)	(4%)



Revenue by Geography

\$ in Billions

	<u>1Q09</u>	<u>B/(W) Rptd</u>	<u>Yr/Yr @CC</u>
Americas	\$9.3	(7%)	(3%)
Europe/ME/A	7.2	(18%)	(3%)
Asia Pacific	4.8	(6%)	(3%)
Total Geographies	\$21.2	(11%)	(3%)
IBM	\$21.7	(11%)	(4%)
<i>Major Markets</i>		<i>(10%)</i>	<i>(4%)</i>
<i>Growth Markets</i>		<i>(12%)</i>	<i>4%</i>
<i>BRIC Countries</i>		<i>(6%)</i>	<i>7%</i>



Growth markets 8 points faster than major markets

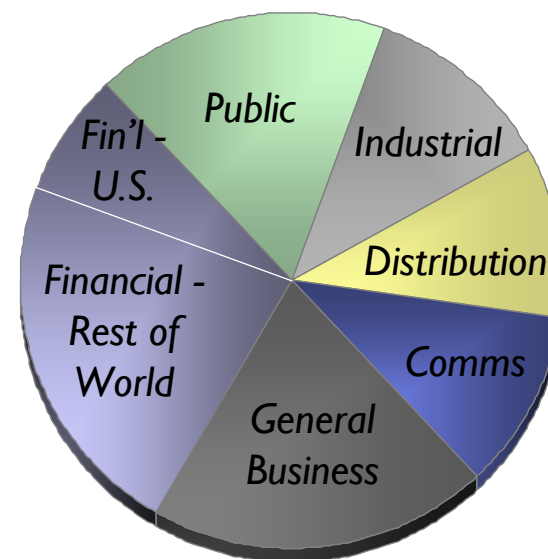
Revenue by Key Industry Sales Unit

\$ in Billions

B/(W) Yr/Yr
Rptd @CC

1Q09

	<u>1Q09</u>	<u>B/(W) Yr/Yr</u> <u>Rptd @CC</u>	
Financial Services	\$6.1	(10%)	(3%)
Public	3.6	(3%)	6%
Industrial	2.4	(20%)	(15%)
Distribution	2.1	(14%)	(7%)
Communications	2.2	(10%)	Flat
General Business	4.2	(12%)	(3%)
All Sectors	\$21.3	(11%)	(3%)
Total IBM	\$21.7	(11%)	(4%)



Led by Public Sector

Expense Summary

\$ in Billions	<u>1Q09</u>	<u>B/(W) Yr/Yr</u>	<u>B/(W) Yr/Yr Drivers</u>		
			<u>Currency</u>	<u>Acq.*</u>	<u>Ops</u>
SG&A	\$5.3	6%	8 pts	(2 pts)	Flat
RD&E	1.5	6%	5 pts	(3 pts)	4 pts
IP and Development Income	(0.3)	(2%)			
Other (Income)/Expense	(0.3)	143%			
Interest Expense	<u>0.1</u>	23%			
Total Expense & Other Income	\$6.3	9%	9 pts	(3 pts)	4 pts

* Includes Acquisitions made in the last twelve months

Disciplined expense management

Margins by Segment

	External Gross Profit Margins		Total Pre-Tax Margins	
	<u>1Q09</u>	<u>B/(W) Yr/Yr Pts</u>	<u>1Q09</u>	<u>B/(W) Yr/Yr Pts</u>
Global Technology Services	33.9%	2.6 pts	12.1%	2.3 pts
Global Business Services	26.5%	1.5 pts	11.3%	0.1 pts
Systems & Technology	34.0%	(3.0 pts)	0.8%	(2.5 pts)
Software	84.2%	0.3 pts	25.9%	2.9 pts
Global Financing	45.9%	(5.0 pts)	37.2%	(0.9 pts)
Total Segments	43.3%	1.3 pts	14.4%	1.5 pts
Total IBM	43.4%	1.9 pts	14.4%	1.3 pts

Business mix and productivity drive margin expansion

Services Segments

Global Technology Services (GTS)

\$ in Billions	<u>B/(W) Yr/Yr</u>		
	<u>1Q09</u>	<u>Rptd</u>	<u>@CC</u>
Revenue (External)	\$8.8	(10%)	(1%)
Gross Margin (External)	33.9%	2.6 pts	
PTI Margin	12.1%	2.3 pts	

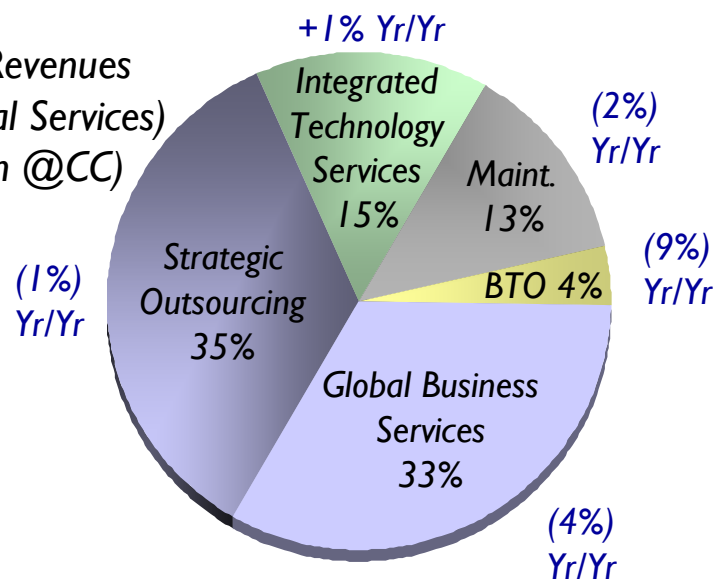
Global Business Services (GBS)

\$ in Billions	<u>B/(W) Yr/Yr</u>		
	<u>1Q09</u>	<u>Rptd</u>	<u>@CC</u>
Revenue (External)	\$4.4	(10%)	(4%)
Gross Margin (External)	26.5%	1.5 pts	
PTI Margin	11.3%	0.1 pts	

<u>GTS Signings</u>	<u>1Q09</u>	<u>Yr/Yr</u>	<u>@CC</u>
Integrated Technology Svcs (ST)	\$1.9	(16%)	(7%)
Outsourcing (LT)	5.6	8%	22%
Total GTS Signings	\$7.5	1%	13%

<u>GBS Signings</u>	<u>1Q09</u>	<u>Yr/Yr</u>	<u>@CC</u>
Consulting & Systems Integ. (ST)	\$3.6	(13%)	(4%)
Application Outsourcing (LT)	1.4	44%	49%
Total GBS Signings	\$5.0	(2%)	6%
Total Global Services Signings	\$12.5	(1%)	10%

1Q09 Revenues
(% of Total Services)
(Growth @CC)



Strong signings growth and margin expansion

Software Segment

B/(W) Yr/Yr

\$ in Billions

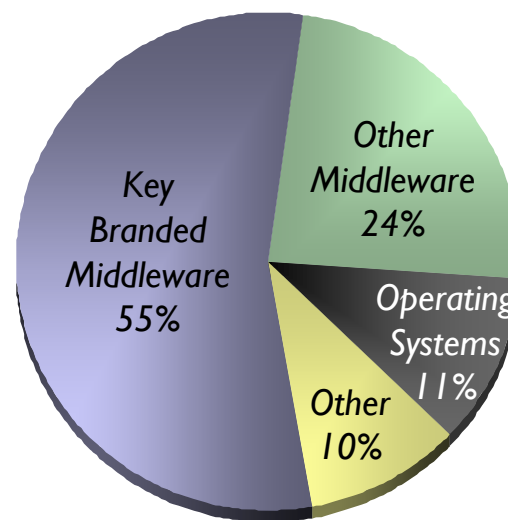
	<u>1Q09</u>	<u>Rptd</u>	<u>@CC</u>
Revenue (External)	\$4.5	(6%)	2%
Gross Margin (External)	84.2%	0.3 pts	
PTI Margin	25.9%	2.9 pts	

1Q09 Revenue

Yr/Yr

	<u>Rptd</u>	<u>@CC</u>
WebSphere Family	5%	14%
Information Management	(8%)	1%
Tivoli	(1%)	8%
Lotus	(12%)	(3%)
Rational	9%	19%
Key Branded Middleware	(4%)	5%
Total Middleware	(5%)	4%
Total Software	(6%)	2%

*1Q09 Revenue
(% of Total Software)*



Growth driven by share gains in Branded Middleware

Systems & Technology Segment

\$ in Billions

B/(W) Yr/Yr

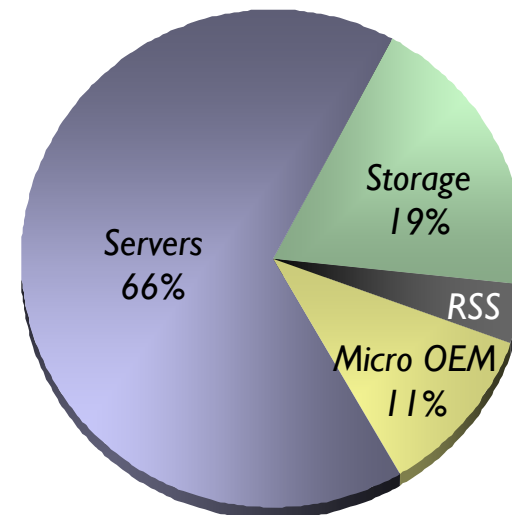
	<u>1Q09</u>	<u>Rptd</u>	<u>@CC</u>
Revenue (External)	\$3.2	(23%)	(18%)
Gross Margin (External)	34.0%	(3.0 pts)	
PTI Margin	0.8%	(2.5 pts)	

1Q09 Revenue

Yr/Yr

	<u>Rptd</u>	<u>@CC</u>
System z	(19%)	(12%)
Converged System p	(2%)	5%
System x Servers	(27%)	(22%)
Storage	(20%)	(14%)
Retail Store Solutions	(38%)	(32%)
Total Systems	(22%)	(15%)
Microelectronics OEM	(36%)	(36%)
Total Systems & Technology	(23%)	(18%)

*1Q09 Revenue
(% of Total S&TG)*



System p gained 4 points of share; total Systems held share

Cash Flow Analysis

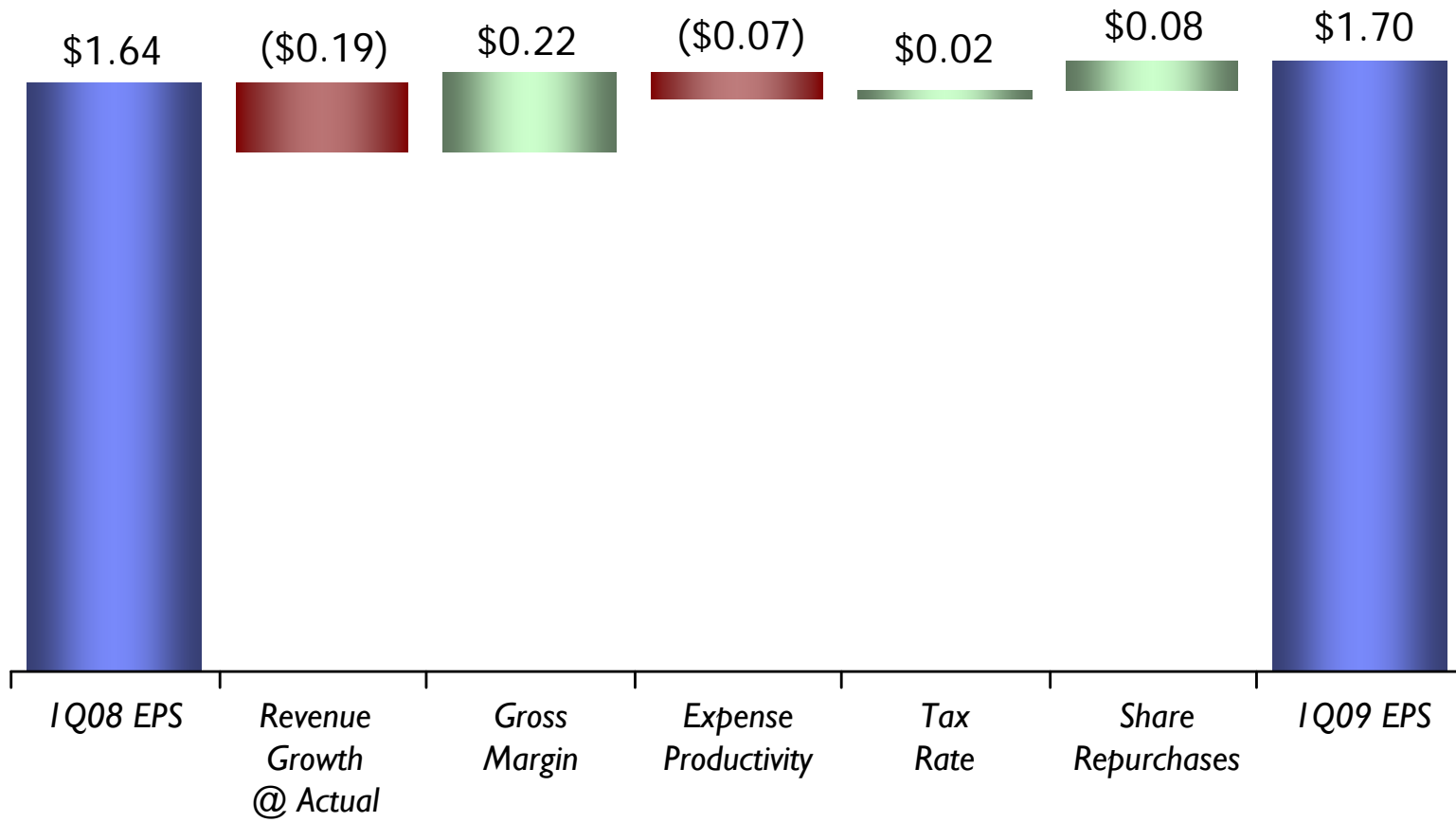
\$ in Billions	<u>1Q09</u>	<u>B/(W)</u> <u>Yr/Yr</u>	<u>FY08</u>
Net Cash from Operations	\$4.4	\$0.2	\$18.8
Less: Global Financing Receivables	<u>2.6</u>	<u>0.2</u>	<u>0.0</u>
Net Cash from Operations (excluding GF Receivables)	1.8	0.0	18.8
Net Capital Expenditures	<u>(0.8)</u>	<u>0.5</u>	<u>(4.5)</u>
Free Cash Flow (excluding GF Receivables)	1.0	0.4	14.3
Acquisitions	0.0	4.9	(6.3)
Divestitures	0.4	0.3	0.1
Dividends	(0.7)	(0.1)	(2.6)
Share Repurchases	(1.8)	0.7	(10.6)
Non-GF Debt	(1.9)	(0.2)	(3.2)
Other (includes GF A/R & GF Debt)	<u>2.4</u>	<u>(2.6)</u>	<u>5.0</u>
Change in Cash & Marketable Securities	(\$0.6)	\$3.5	(\$3.2)

Balance Sheet Summary

\$ in Billions	<u>Mar. 08</u>	<u>Dec. 08</u>	<u>Mar. 09</u>
Cash & Marketable Securities	\$12.0	\$12.9	\$12.3
Non-GF Assets*	74.6	61.8	59.1
Global Financing Assets*	35.2	34.9	30.5
Total Assets	121.8	109.5	101.9
Other Liabilities	57.8	62.0	57.3
Non-GF Debt	8.9	9.6	7.6
Global Financing Debt	26.2	24.4	23.4
Total Debt	35.2	33.9	31.0
Total Liabilities	92.9	95.9	88.3
Equity	28.9	13.6	13.7
Non-GF Debt / Capital	26%	49%	42%
Global Financing Leverage	6.9	7.0	7.0

*Excluding Cash & Marketable Securities

EPS Bridge – 1Q08 to 1Q09



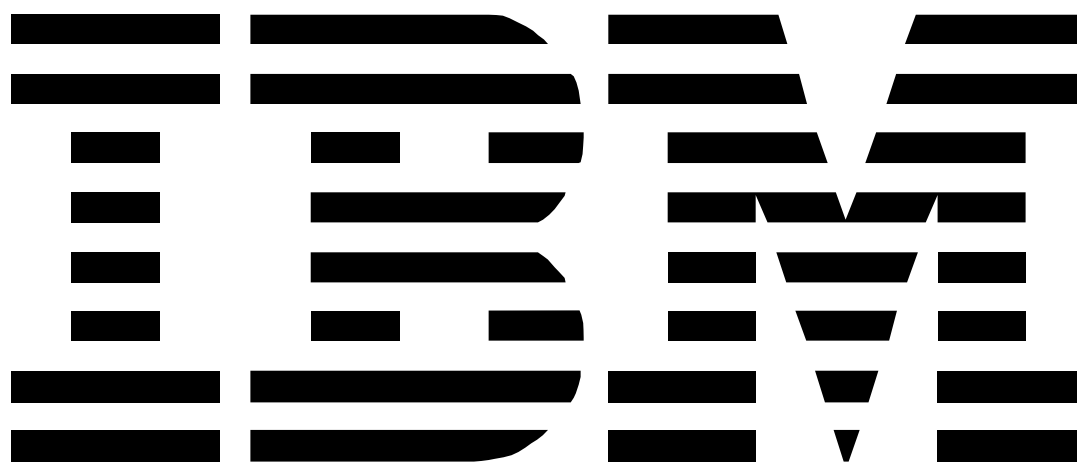
1Q 2009 Summary

- IBM's transformation positions the company for the current environment
 - Shifting to higher value
 - Globalizing operations
 - Delivering value to clients with adaptable offerings
 - Investing to capture opportunity in growth markets

- Cost and expense initiatives improve our balance point
 - Delivers margin improvement today
 - Provides leverage when the economy turns

- Positioned to capture future opportunities
 - "Smarter Planet" initiatives, business analytics and new compute models
 - Strong profit and cash flow support continued investments

*Expect EPS of at least \$9.20 in 2009
Ahead of pace for 2010 roadmap*



Supplemental Materials

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

- Currency – Year/Year Comparison
- Supplemental Segment Information – Global Services
- Supplemental Segment Information – Systems & Technology, Software
- Global Financing Portfolio
- Cash Flow (FAS 95)
- Non-GAAP Supplementary Materials
 - Constant Currency, Cash Flow, Debt-to-Capital Ratio
 - Reconciliation of Revenue Growth
 - Reconciliation of Debt-to-Capital Ratio
- Computation of Global Financing Return on Equity

Currency – Year/Year Comparison

Quarterly Averages per US \$

	<u>1Q09</u>	<u>Yr/Yr</u>	<u>4/17 Spot</u>	<u>Yr/Yr @ 4/17 Spot</u>		
				<u>2Q09</u>	<u>3Q09</u>	<u>4Q09</u>
Euro	0.77	(15%)	0.77	(20%)	(15%)	(1%)
Pound	0.70	(38%)	0.67	(33%)	(27%)	(5%)
Yen	93	11%	99	5%	8%	(3%)
IBM Revenue Impact		(8 pts)		~(8-9 pts)	~(6-7 pts)	(1 pts)
	<u>(US\$B)</u>	<u>Yr/Yr</u>	<i>Negative Yr/Yr growth signifies a translation hurt</i>			
Revenue As Reported	\$21.7	(11%)	IBM hedges its major cross-border cash flows to mitigate the effect of currency volatility in the year-over-year results. The impact of these hedging programs is principally reflected in Other Income and Expense, as well as Cost of Goods Sold.			
Currency Impact	(1.9)	(8 pts)				
Revenue @CC	\$23.6	(4%)				

Supplemental Segment Information – 1Q 2009

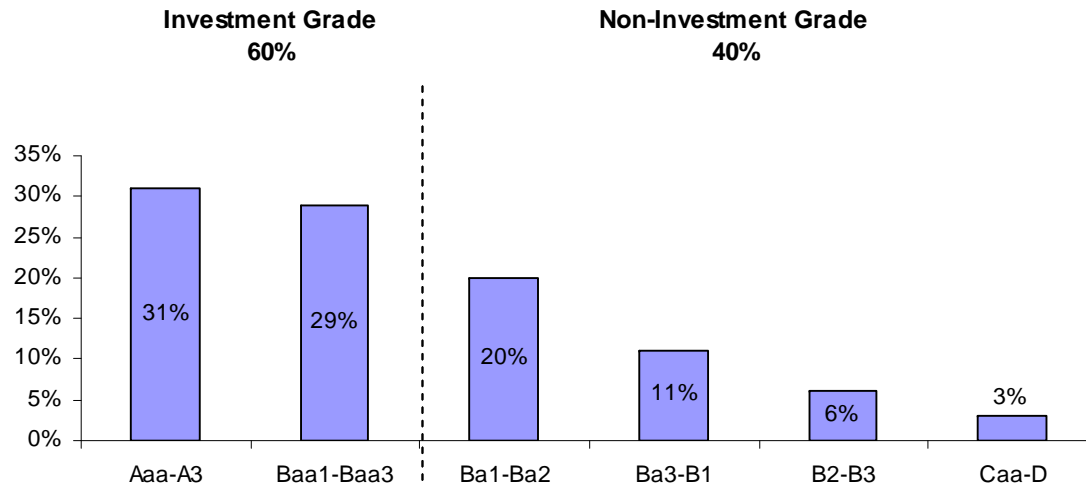
<i>Global Services</i>	<u>Revenue Growth</u>		<i>Global Services</i>	<u>Signings (\$B)</u>		
	<u>Yr/Yr</u>	<u>@CC</u>		<u>1Q09</u>	<u>Yr/Yr</u>	<u>@CC</u>
Strategic Outsourcing	(9%)	(1%)	<u>Global Services Shorter-Term</u>	\$5.5	(14%)	(5%)
Business Transformation Outsourcing	(20%)	(9%)	GBS (C&SI)	3.6	(13%)	(4%)
Integrated Tech Services	(7%)	1%	GTS (ITS)	1.9	(16%)	(7%)
Maintenance	<u>(9%)</u>	<u>(2%)</u>	<u>Global Services Longer-Term</u>	\$7.0	14%	27%
Global Technology Services	(10%)	(1%)	GBS (App. Outsourcing)	1.4	44%	49%
Global Business Services	(10%)	(4%)	GTS (SO & BTO)	5.6	8%	22%
			SO		8%	23%
			BTO		9%	19%
Backlog	\$126B					
<u>Change in Backlog due to Currency</u>						
Quarter-to-Quarter	(\$4B)					
Year-to-Year	(\$15B)					

Supplemental Segment Information – 1Q 2009

Systems & Technology Group	Revenue				Software	Revenue Growth	
	Yr/Yr	@CC	GP%	Share		Yr/Yr	@CC
System z	(19%)	(12%)	↓	↓	WebSphere Family	5%	14%
Converged System p	(2%)	5%	↓	↑	Information Management	(8%)	1%
System x Servers	(27%)	(22%)	↓	↓	Tivoli	(1%)	8%
System Storage	(20%)	(14%)	↓	↓	Lotus	(12%)	(3%)
Retail Store Solutions	(38%)	(32%)	↓	↓	Rational	<u>9%</u>	<u>19%</u>
Total Systems	(22%)	(15%)	↓	=	Key Branded Middleware	(4%)	5%
Microelectronics OEM	(36%)	(36%)	↓		Other Middleware	<u>(6%)</u>	<u>2%</u>
Total Systems & Technology	(23%)	(18%)	↓		Total Middleware	(5%)	4%
					Operating Systems	(7%)	Flat
					Other Software/Services	<u>(17%)</u>	<u>(10%)</u>
					Total Software	(6%)	2%

Global Financing Portfolio

1Q09 - \$22.4B External Receivables



	<u>1Q09</u>	<u>1Q08</u>
Identified Loss Rate	1.7%	0.9%
Anticipated Loss Rate	0.6%	0.5%
Reserve Coverage	2.3%	1.4%

Client Days Delinquent Outstanding	3.8	4.3
Commercial A/R > 30 Days	\$63M	\$100M

Cash Flow (FAS 95)

\$ in Billions

	<u>1Q09</u>	<u>1Q08</u>
Net Income from Operations	\$2.3	\$2.3
Depreciation / Amortization of Intangibles	1.2	1.3
Stock-based Compensation	0.1	0.2
Working Capital / Other	(1.9)	(2.0)
Global Financing A/R	2.6	2.4
Net Cash provided by Operating Activities	4.4	4.2
Capital Expenditures, net of payments & proceeds	(0.8)	(1.2)
Divestitures, net of cash transferred	0.4	0.0
Acquisitions, net of cash acquired	0.0	(5.0)
Marketable Securities / Other Investments, net	0.4	0.4
Net Cash used in Investing Activities	0.0	(5.8)
Debt, net of payments & proceeds	(2.4)	(0.8)
Dividends	(0.7)	(0.6)
Common Stock Repurchases	(1.8)	(2.4)
Common Stock Transactions - Other	0.2	1.0
Net Cash used in Financing Activities	(4.6)	(2.8)
Effect of Exchange Rate changes on Cash	(0.2)	0.2
Net Change in Cash & Cash Equivalents	(\$0.4)	(\$4.2)

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/or earnings presentation materials, the following Non-GAAP information which management believes provides useful information to investors.

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.

Debt-to-Capital Ratio

Management presents its debt-to-capital ratio excluding the Global Financing business. A financing business is managed on a leveraged basis. The company funds its Global Financing segment using a debt-to-equity ratio target of approximately 7 to 1. Given this significant leverage, the company presents a debt-to-capital ratio which excludes the Global Financing segment debt and equity because we believe this is more representative of the company's core business operations.

Non-GAAP Supplementary Materials

Reconciliation of Revenue Growth

	<u>1Q09 Yr/Yr</u>	
	<u>As Rptd</u>	<u>@CC</u>
Asia Pacific Revenue, other than Japan	(12%)	3%
Japan Revenue	1%	(10%)
India	(10%)	12%
China	14%	11%
Distribution Sector – Growth Markets	2%	22%

The above serves to reconcile the Non-GAAP financial information contained in the “Revenue by Geography” and “Revenue by Key Industry Sales Unit” 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.

Non-GAAP Supplementary Materials

Reconciliation of Debt-to-Capital Ratio

	<u>1Q08</u>	<u>FY08</u>	<u>1Q09</u>
Non-GF Debt / Capital	26%	49%	42%
IBM Consolidated Debt / Capital	55%	71%	69%

The above serves to reconcile the Non-GAAP financial information contained in the "Balance Sheet Summary" discussion regarding the non-GF debt to capital ratio in the company's earnings presentation. See Slide 24 of this presentation for additional information on the use of these Non-GAAP financial measures.

Computation of Global Financing Return on Equity

The following are details on the computation of IBM's Global Financing Return on Equity. The Global Financing segment is in the business of providing financing to IBM's clients and its business partners, and is measured as if it were a standalone entity. A financing business is managed on a leveraged basis and therefore, we measure the profitability of a financing entity based on its after-tax earnings in relation to the equity employed in the business.

\$ in Millions		<u>1Q09</u>
Numerator:		
Global Financing After Tax Income*		\$ 235
Annualized After Tax Income	(a)	\$ 940
Denominator:		
Average Global Financing Equity**	(b)	\$3,420
Global Financing Return on Equity	(a)/(b)	28%

* Calculated based upon an estimated tax rate principally based on Global Financing's geographic mix of earnings as IBM's provision for income taxes is determined on a consolidated basis.

** Average of ending equity for the Global Financing Segment for the last two quarters.

