

Quarterly earnings

First-Quarter Earnings Announcement

IBM REPORTS 2009 FIRST-QUARTER RESULTS

- Diluted earnings of \$1.70 per share, up 4 percent;
- Reiterates full-year 2009 earnings of at least \$9.20 per share;
- Free cash flow of \$1 billion, up \$450 million;
- Gross profit margin of 43.4 percent, up 1.9 points;
- Net income of \$2.3 billion, down 1 percent; net margin up 1.1 points;
- Revenue of \$21.7 billion, impacted by strong U.S. dollar, down 11 percent, down 4 percent adjusting for currency;
- Software pre-tax margin up 2.9 points; income up 5 percent;
- Global Services pre-tax margin up 1.6 points; income up 4 percent;
- Total services signings up 10 percent, longer-term signings up 27 percent, both adjusting for currency;
- 16 services deals greater than \$100 million;
- Growth markets revenue up 4 percent adjusting for currency;
- Returned nearly \$2.5 billion to shareholders in dividends and share repurchases.

ARMONK, N.Y., April 20, 2009 . . . IBM (NYSE: IBM) today announced first-quarter 2009 diluted earnings of \$1.70 per share compared with diluted earnings of \$1.64 per share in the first quarter of 2008, an increase of 4 percent as reported. First-quarter net income was \$2.30 billion compared with \$2.32 billion in the first quarter of 2008, a decrease of 1 percent. Total revenues for the first quarter of 2009 of \$21.7 billion decreased 11 percent (4 percent, adjusting for currency) from the first quarter of 2008.

"IBM continued to perform well in a very difficult economic environment. This was due to our long-term strategic focus: shifting into software and services, divesting of commodity businesses, and creating solutions that help clients reduce cost and conserve capital. At the same time we have a disciplined approach to cost and expense management giving us a strong financial position," said Samuel J. Palmisano, IBM chairman, president and chief executive officer.

"We are well-positioned to continue to move aggressively and leverage our strong cash performance to make the most of the opportunities that arise, including smarter planet initiatives and other strategic options. We remain ahead of pace for our 2010 roadmap of \$10 to \$11 per share."

IBM said that it expects full-year 2009 earnings of at least \$9.20 per share.

From a geographic perspective, the Americas' first-quarter revenues were \$9.3 billion, a decrease of 7 percent (3 percent, adjusting for currency) from the 2008 period. Revenues from Europe/Middle East/Africa were \$7.2 billion, down 18 percent (3 percent, adjusting for currency). Asia-Pacific revenues decreased 6 percent (3 percent, adjusting for currency) to \$4.8 billion. OEM revenues were \$461 million, down 34 percent compared with the 2008 first quarter. Revenues from the company's growth markets organization decreased 12 percent (up 4 percent, adjusting for currency) and represented 17 percent of geographic revenues.

Total Global Services revenues decreased 10 percent (2 percent, adjusting for currency). Global Technology Services segment revenues decreased 10 percent (1 percent, adjusting for currency) to \$8.8 billion. Global Business Services segment revenues decreased 10 percent (4 percent, adjusting for currency) to \$4.4 billion. IBM signed services contracts totaling \$12.5 billion, at actual rates, a decrease of 1 percent (up 10 percent, adjusting for currency), including 16 contracts greater than \$100 million. Shorter-term signings were \$5.5 billion, a decrease of 14 percent (5 percent, adjusting for currency). Longer-term signings increased 14 percent (27 percent, adjusting for currency) to \$7.0 billion. The estimated services backlog at March 31 was \$126 billion at actual rates compared with \$130 billion at year-end 2008.

Revenues from the Software segment were \$4.5 billion, a decrease of 6 percent (up 2 percent, adjusting for currency) compared with the first quarter of 2008; pre-tax income increased 5 percent. Revenues from IBM's middleware products, which primarily include WebSphere, Information Management, Tivoli, Lotus and Rational products, were \$3.6 billion, a decrease of 5 percent (up 4 percent, adjusting for currency) versus the first quarter of 2008. Operating systems revenues of \$492 million decreased 7 percent (flat, adjusting for currency) compared with the prior-year quarter.

For the WebSphere family of software products, which facilitate customers' ability to manage a wide variety of business processes using open standards to interconnect applications, data and operating systems, revenues increased 5 percent year over year. Revenues from Information Management software, which enables clients to leverage information on demand, decreased 8 percent. Revenues from Tivoli software, infrastructure software that enables clients to centrally manage networks including security and storage capability, decreased 1 percent, and revenues from Lotus software, which allows collaborating and messaging by clients in real-time communication and knowledge management, decreased 12 percent. Revenues from Rational software, integrated tools to improve the processes of software development, increased 9 percent.

Revenues from the Systems and Technology segment totaled \$3.2 billion for the quarter, down 23 percent (18 percent, adjusting for currency). Systems revenues decreased 22 percent (15 percent, adjusting for currency). Revenues from the converged System p products decreased 2 percent compared with the 2008 period. Revenues from System z mainframe server products decreased 19 percent compared with the year-ago period. Total delivery of System z computing power, which is measured in MIPS (millions of instructions per second), increased 18 percent. Revenues from the System x servers decreased 27 percent. Revenues from System Storage decreased 20 percent, and revenues from Retail Store Solutions decreased 38 percent. Revenues from Microelectronics OEM decreased 36 percent.

Global Financing segment revenues decreased 9 percent (flat, adjusting for currency) in the first quarter to \$578 million.

The company's total gross profit margin was 43.4 percent in the 2009 first quarter compared with 41.5 percent in the 2008 first-quarter period, led by improving margins in services and software.

Total expense and other income decreased 9 percent to \$6.3 billion compared with the prior-year period. SG&A expense decreased 6 percent to \$5.3 billion including workforce rebalancing charges of approximately \$265 million. RD&E expense of \$1.5 billion decreased 6 percent compared with the year-ago period. Intellectual property and custom development income decreased to \$268 million compared with \$274 million a year ago. Other (income) and expense was income of \$304 million including a net gain of \$298 million relating to the sale of certain elements of the company's logistics process, compared with income of \$125 million from a year ago. Interest expense decreased to \$136 million compared with \$178 million in the prior year.

IBM's tax rate in the first-quarter 2009 was 26.5 percent compared with 27.5 percent in the first quarter of 2008, a decline of 1.0 point.

The weighted-average number of diluted common shares outstanding in the first-quarter 2009 was 1.35 billion compared with 1.41 billion shares in the same period of 2008. As of March 31, 2009, there were 1.32 billion basic common shares outstanding.

Debt, including Global Financing, totaled \$31.0 billion, compared with \$33.9 billion at year-end 2008. From a management segment view, Global Financing debt decreased \$1.0 billion from year-end 2008 to a total of \$23.4 billion at March 31, 2009, resulting in a debt-to-equity ratio of 7.0 to 1. Non-global financing debt totaled \$7.6 billion, a decrease of \$1.9 billion since year-end 2008, resulting in a debt-to-capitalization ratio of 42.4 percent from 48.7 percent, which reflects the adoption of SFAS No. 160 referenced in the Consolidated Statement of Financial Position.

IBM ended the first quarter of 2009 with \$12.3 billion of cash on hand and generated free cash flow of \$1.0 billion, up \$450 million year over year, excluding Global Financing receivables. The company returned nearly \$2.5 billion to shareholders through \$675 million in dividends and \$1.8 billion of share repurchases. The balance sheet remains strong, and the company is well positioned to take advantage of opportunities.

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 the 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 protection; 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; competitive conditions; 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 –

- showing non-Global Financing debt-to-capitalization ratio;
- adjusting for free cash flow;
- 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/1q09. Presentation charts will be available on the Web site prior to 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,	
	2009	2008	Percent Change
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REVENUE			
Global Technology Services	\$8,754	\$9,677	-9.5%
Gross profit margin	33.9%	31.3%	
Global Business Services	4,397	4,911	-10.5%
Gross profit margin	26.5%	25.0%	
Software	4,539	4,847	-6.3%
Gross profit margin	84.2%	83.9%	
Systems and Technology	3,228	4,219	-23.5%
Gross profit margin	34.0%	37.0%	
Global Financing	578	633	-8.5%
Gross profit margin	45.9%	50.8%	
Other	213	216	-0.9%
Gross profit margin	52.7%	-19.9%	
TOTAL REVENUE	21,711	24,502	-11.4%
GROSS PROFIT	9,431	10,166	-7.2%

Gross profit margin	43.4%	41.5%	
EXPENSE AND OTHER INCOME			
S,G&A	5,264	5,620	-6.3%
Expense to revenue	24.2%	22.9%	
R,D&E	1,480	1,569	-5.7%
Expense to revenue	6.8%	6.4%	
Intellectual property and custom development income	(268)	(274)	-2.2%
Other (income) and expense	(304)	(125)	142.8%
Interest expense	136	178	-23.2%
TOTAL EXPENSE AND OTHER INCOME	6,309	6,968	-9.5%
Expense to revenue	29.1%	28.4%	
INCOME BEFORE INCOME TAXES			
Pre-tax margin	3,122	3,198	-2.4%
	14.4%	13.1%	
Provision for income taxes	827	879	-5.9%
Effective tax rate	26.5%	27.5%	
NET INCOME	\$2,295	\$2,319	-1.0%
	=====	=====	
Net margin	10.6%	9.5%	
EARNINGS/(LOSS)PER SHARE OF COMMON STOCK:			
ASSUMING DILUTION	\$1.70	\$1.64*	3.7%
BASIC	\$1.71	\$1.67*	2.4%
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (M's)			
ASSUMING DILUTION	1,349.5	1,411.4*	
BASIC	1,344.3	1,394.3*	

* Restated to reflect the implementation of FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities."

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

(Dollars in Millions)	At March 31, 2009	At December 31, 2008
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ASSETS		
Current Assets:		
Cash & cash equivalents	\$12,294	\$12,741
Marketable securities	1	166
Notes and A/R ---- trade (net of allowances of \$244 in 2009 and \$226 in 2008)	9,170	10,906
Short-term financing receivables (net of allowances of \$362 in 2009 and \$351 in 2008)	12,952	15,477
Other accounts receivable (net of allowances of \$53 in 2009 and \$55 in 2008)	1,341	1,172
Inventories, at lower of average cost or market:		
Finished goods	568	524
Work in process and raw materials	2,191	2,176
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Total inventories	2,759	2,701
Deferred taxes	1,410	1,542
Prepaid expenses and other current assets	4,068	4,299
Total Current Assets	43,995	49,004
Plant, rental machines, and other property	37,592	38,445
Less: Accumulated depreciation	23,865	24,140
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Plant, rental machines, and other property (net)	13,727	14,305
Long-term financing receivables (net of allowances of \$174 in 2009 and \$179 in 2008)	10,035	11,183
Prepaid pension assets	1,946	1,601
Deferred taxes	6,523	7,270
Goodwill	18,070	18,226
Intangible assets -- net	2,721	2,878
Investments and sundry assets	4,928	5,058
Total Assets	\$101,944	\$109,524

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Taxes	\$2,032	\$2,743
Short-term debt	9,870	11,236
Accounts payable	5,878	7,014
Compensation and benefits	3,368	4,623
Deferred income	10,407	10,239
Other accrued expenses and liabilities	5,870	6,580
Total Current Liabilities	37,425	42,435
Long-term Debt		
Retirement & nonpension postretirement	21,106	22,689
Deferred income	18,276	19,452
Other liabilities	3,230	3,171
	8,214	8,192 *
Total Liabilities	88,252	95,939 *
EQUITY		
Common Stock	39,430	39,129
Retained Earnings	71,968	70,353
Noncontrolling Interests*	92	119 *
Treasury Stock	(76,148)	(74,171)
Accumulated G/L not in Retained Earnings	(21,649)	(21,845)
Total Stockholders' Equity	13,693	13,584 *
Total Liabilities and Stockholders' Equity	\$101,944	\$109,524

* Reflects implementation of SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements -- an amendment of ARB No. 51."

INTERNATIONAL BUSINESS MACHINES CORPORATION
CASH FLOW ANALYSIS
(Unaudited)

(Dollars in Millions)	Three Months Ended March 31,	
	2009	2008
Net Cash from Operations	\$4,386	\$4,202
Less: Global Financing (GF) Accounts Receivable	2,584	2,397
Net Cash from Operations (Excluding GF Accounts Receivable)	1,802	1,804
Net Capital Expenditures	(760)	(1,212)
Free Cash Flow (excluding GF Accounts Receivable)	1,043	593
Acquisitions	(21)	(4,962)
Divestitures	356	29
Share Repurchase	(1,765)	(2,427)
Dividends	(675)	(554)
Non-GF Debt	(1,915)	(1,720)
Other (including GF Accounts Receivable, GF Debt)	2,367	4,921
Change in Cash & Marketable Securities	(\$612)	(\$4,119)

INTERNATIONAL BUSINESS MACHINES CORPORATION
SEGMENT DATA
(Unaudited)

(Dollars in Millions)	FIRST-QUARTER 2009				
	External	Internal	Total	Pre-tax Income	Pre-tax Margin
SEGMENTS					
Global Technology Services	\$8,754	\$342	\$9,096	\$1,104	12.1%
% change	-9.5%	-11.9%	-9.6%	11.7%	
Global Business Services	4,397	232	4,629	521	11.3%
% change	-10.5%	-9.9%	-10.4%	-10.0%	
Software	4,539	614	5,153	1,335	25.9%
% change	-6.3%	-8.0%	-6.5%	5.4%	
Systems and Technology	3,228	176	3,404	28	0.8%
% change	-23.5%	-9.6%	-22.9%	-80.7%	
Global Financing	578	390	968	360	37.2%
% change	-8.5%	0.9%	-5.0%	-7.2%	

TOTAL REPORTABLE SEGMENTS	21,498	1,754	23,251	3,348	14.4%
% change	-11.5%	-7.4%	-11.2%	-0.6%	
Eliminations / Other	213	(1,754)	(1,540)	(226)	
TOTAL IBM CONSOLIDATED	\$21,711	\$0	\$21,711	\$3,122	14.4%
% change	-11.4%		-11.4%	-2.4%	

FIRST-QUARTER 2008

(Dollars in Millions)	Revenue			Pre-tax Income	Pre-tax Margin
	External	Internal	Total		
SEGMENTS					
Global Technology Services	\$9,677	\$388	\$10,065	\$988	9.8%
Global Business Services	4,911	258	5,169	579	11.2%
Software	4,847	667	5,514	1,267	23.0%
Systems and Technology	4,219	195	4,414	145	3.3%
Global Financing	633	386	1,019	388	38.1%
TOTAL REPORTABLE SEGMENTS	24,286	1,894	26,180	3,368	12.9%
Eliminations / Other	216	(1,894)	(1,679)	(170)	
TOTAL IBM CONSOLIDATED	\$24,502	\$0	\$24,502	\$3,198	13.1%