

INTERNATIONAL BUSINESS MACHINES CORP  
Form 8-K  
March 12, 2007

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT PURSUANT TO SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report: **March 12, 2007**  
(Date of earliest event reported)

**INTERNATIONAL BUSINESS MACHINES CORPORATION**  
(Exact name of registrant as specified in its charter)

**New York**  
(State of Incorporation)

**1-2360**  
(Commission File Number)

**13-0871985**  
(IRS employer Identification No.)

**ARMONK, NEW YORK**  
(Address of principal executive offices)

**10504**  
(Zip Code)

**914-499-1900**  
(Registrant's telephone number)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))



Item 7.01 (Regulation FD Disclosure)

Attachment I of this Form 8-K contains information that is being posted on IBM's Investor Relations website ([www.ibm.com/investor/](http://www.ibm.com/investor/)). All of the information in Attachment I is hereby furnished.

IBM's web site ([www.ibm.com](http://www.ibm.com)) contains a significant amount of information about IBM, including financial and other information for investors ([www.ibm.com/investor/](http://www.ibm.com/investor/)). IBM encourages investors to visit its various web sites from time to time, as information is updated and new information is posted.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Date: March 12, 2007

By: /s/ Timothy S. Shaughnessy  
Timothy S. Shaughnessy  
Vice President and Controller

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### IBM ADOPTS NEW REPORTING FORMAT

In the fourth quarter 2006 earnings presentation, IBM stated its intent to focus its discussions of financial performance on the IBM segment view, as this is how the business is managed and is the best reflection of the company's strategy.

Beginning with the release of first quarter 2007 earnings in April, IBM will change the presentation of revenue and gross margin in its earnings press release to reflect this segment focus. As a result of this change, IBM will now provide external segment gross profit dollars and gross profit margins for all its segments, including the two services segments individually. In the schedules below, IBM is providing historical revenue and gross margin information for the segments.

Prior to the fourth quarter of 2006, the segment view for software and services was consistent with the same categories in the Consolidated Statement of Earnings. As the company continues to move its strategic direction towards delivering solutions which bring integrated software and services capabilities to our clients, the alignment between segment and categories will diverge over time. To avoid confusion between the segment view and the Consolidated Statement of Earnings, IBM intends to change its presentation of revenue and cost in its Consolidated Statement of Earnings in future 10-K and 10-Q filings to the categories of Sales, Services, and Financing beginning with the first quarter 2007 10-Q.

These changes only impact the formats for the primary reporting of IBM's revenue and gross profit details, and do not reflect any changes in the company's reportable segment results or in the company's organization.

### SUMMARY OF CHANGES AND NEW DISCLOSURES

- EARNINGS PRESS RELEASE FORMAT:** IBM is providing an example of the new press release format, which will now include external segment revenue and gross profit in the Comparative Financial Results Exhibit (Schedule 1). There is no change to the existing Consolidated Statement of Financial Position and Segment exhibits.
  - HISTORICAL SEGMENT GROSS PROFIT:** IBM is providing 2004, 2005, and 2006 by quarter for external segment revenue, gross profit, and gross profit margin (Schedule 2). The only information provided in this view which has not been previously disclosed is the external gross profit dollars and gross profit margins for the individual Global Technology Services and Global Business Services segments as well as Other.
  - CONSOLIDATED STATEMENT OF EARNINGS:** IBM is providing an example of the Consolidated Statement of Earnings that will reflect the revenue and cost categories of, Services, Sales, and Financing. In this construct, Hardware and Software have been categorized as Sales, and Other, which
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represented a very small component of revenue and cost, has been reclassified to the category consistent with the activity (Schedule 3). This change does not impact previously reported total revenue, cost, earnings, or cash flow.

**See the following schedules for these changes:**

Schedule 1:	Comparative Financial Results Exhibit	Press Release format
Schedule 2:	External Segment Revenue and Gross Profit History	
Schedule 3:	Consolidated Statement of Earnings in 10-Q and 10-K filings	

Amounts in schedules may not total due to rounding.

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## Schedule 1: Comparative Financial Results Exhibit Press Release format

INTERNATIONAL BUSINESS MACHINES CORPORATION  
COMPARATIVE FINANCIAL RESULTS

(Dollars in millions)	Three Months Ended December 31,		Percent Change	
	2006	2005		
<b>REVENUE</b>				
Global Technology Services	\$ 8,590	\$ 8,020	7.1	%
Gross margin	29.9	% 30.9	%	
Global Business Services	4,223	3,980	6.1	%
Gross margin	24.7	% 20.4	%	
Systems and Technology	7,070	6,849	3.2	%
Gross margin	41.8	% 41.6	%	
Software	5,607	4,901	14.4	%
Gross margin	86.5	% 86.3	%	
Global Financing	620	603	2.9	%
Gross margin	48.6	% 57.4	%	
Other	147	74	97.2	%
Gross margin	-6.9	% 66.2	%	
<b>TOTAL REVENUE</b>	<b>26,257</b>	<b>24,427</b>	<b>7.5</b>	<b>%</b>
<b>GROSS PROFIT</b>	<b>11,701</b>	<b>10,765</b>	<b>8.7</b>	<b>%</b>
Gross margin	44.6	% 44.1	%	
<b>EXPENSE AND OTHER INCOME</b>				
S,G&A	5,620	5,252	7.0	%
% of revenue	21.4	% 21.5	%	
R,D&E	1,587	1,459	8.8	%
% of revenue	6.0	% 6.0	%	
Intellectual property and custom development income	(241 )	(228 )	5.8	%
Other (income) and expense	(150 )	(334 )	-55.0	%
Interest expense	71	48	48.0	%
<b>TOTAL EXPENSE AND OTHER INCOME</b>	<b>6,887</b>	<b>6,197</b>	<b>11.1</b>	<b>%</b>
% of revenue	26.2	% 25.4	%	
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	<b>4,814</b>	<b>4,568</b>	<b>5.4</b>	<b>%</b>
Pretax margin	18.3	% 18.7	%	
Provision for income taxes	1,350	1,348	0.2	%
Effective tax rate	28.0	% 29.5	%	
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>3,464</b>	<b>3,220</b>	<b>7.6</b>	<b>%</b>

Net margin

13.2 % 13.2 %

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**Schedule 2: External Segment Revenue and Gross Profit History**

(Dollars in millions)	1Q 06	2Q 06	3Q 06	4Q 06	FY 06	
<b>External Segment Revenue</b>						
Global Technology Services	\$ 7,719	\$ 7,955	\$ 8,058	\$ 8,590	\$ 32,322	
Global Business Services	3,848	3,939	3,959	4,223	15,969	
Systems and Technology Group	4,419	5,014	5,466	7,070	21,970	
Software	3,907	4,241	4,406	5,607	18,161	
Global Financing	582	576	587	620	2,365	
Total Segments	20,475	21,725	22,476	26,111	90,787	
Other	184	165	141	147	637	
Total IBM	\$ 20,659	\$ 21,890	\$ 22,617	\$ 26,257	\$ 91,424	
<b>External Segment Gross Profit \$</b>						
Global Technology Services	\$ 2,253	\$ 2,368	\$ 2,437	\$ 2,565	\$ 9,623	
Global Business Services	823	923	904	1,044	3,694	
Systems and Technology Group	1,413	1,831	2,087	2,952	8,284	
Software	3,290	3,573	3,760	4,848	15,471	
Global Financing	307	294	285	302	1,188	
Total Segments	8,086	8,989	9,472	11,711	38,259	
Other	2	25	19	(10)	36	
Total IBM	\$ 8,088	\$ 9,014	\$ 9,492	\$ 11,701	\$ 38,295	
<b>External Segment Gross Profit Margin</b>						
Global Technology Services	29.2	% 29.8	% 30.2	% 29.9	% 29.8	%
Global Business Services	21.4	% 23.4	% 22.8	% 24.7	% 23.1	%
Systems and Technology Group	32.0	% 36.5	% 38.2	% 41.8	% 37.7	%
Software	84.2	% 84.2	% 85.3	% 86.5	% 85.2	%
Global Financing	52.8	% 51.1	% 48.6	% 48.6	% 50.3	%
Total Segments	39.5	% 41.4	% 42.1	% 44.9	% 42.1	%
Other	1.2	% 14.9	% 13.6	% -6.9	% 5.7	%
Total IBM	39.1	% 41.2	% 42.0	% 44.6	% 41.9	%

(Dollars in millions)	1Q 05	2Q 05	3Q 05	4Q 05	FY 05	
<b>External Segment Revenue</b>						
Global Technology Services	\$ 7,822	\$ 7,872	\$ 7,787	\$ 8,020	\$ 31,501	
Global Business Services	3,887	4,129	3,910	3,980	15,906	
Systems and Technology Group	4,289	4,855	4,988	6,849	20,981	
Personal Computing Division	2,319	557			2,876	
Software	3,814	4,056	4,059	4,901	16,830	
Global Financing	579	620	599	603	2,401	
Total Segments	22,710	22,089	21,343	24,353	90,495	
Other	198	182	186	74	639	
Total IBM	\$ 22,908	\$ 22,270	\$ 21,529	\$ 24,427	\$ 91,134	
<b>External Segment Gross Profit \$</b>						
Global Technology Services	\$ 2,186	\$ 2,254	\$ 2,310	\$ 2,476	\$ 9,226	
Global Business Services	657	879	740	813	3,088	
Systems and Technology Group	1,666	2,007	1,949	2,851	8,473	
Personal Computing Division	295	(50)			245	
Software	3,197	3,422	3,448	4,229	14,296	
Global Financing	314	326	326	346	1,312	
Total Segments	8,314	8,838	8,774	10,715	36,640	
Other	(60 )	(62 )	(36 )	49	(108 )	
Total IBM	\$ 8,254	\$ 8,775	\$ 8,738	\$ 10,765	\$ 36,532	
<b>External Segment Gross Profit Margin</b>						
Global Technology Services	27.9	% 28.6	% 29.7	% 30.9	% 29.3	%
Global Business Services	16.9	% 21.3	% 18.9	% 20.4	% 19.4	%
Systems and Technology Group	38.8	% 41.3	% 39.1	% 41.6	% 40.4	%
Personal Computing Division	12.7	% -9.0	%		8.5	%
Software	83.8	% 84.4	% 84.9	% 86.3	% 84.9	%
Global Financing	54.2	% 52.6	% 54.4	% 57.4	% 54.6	%
Total Segments	36.6	% 40.0	% 41.1	% 44.0	% 40.5	%
Other	-30.6	% -34.3	% -19.1	% 66.2	% -16.9	%
Total IBM	36.0	% 39.4	% 40.6	% 44.1	% 40.1	%

(Dollars in millions)	1Q 04	2Q 04	3Q 04	4Q 04	FY 04	
<b>External Segment Revenue</b>						
Global Technology Services	\$ 7,087	\$ 7,353	\$ 7,464	\$ 8,178	\$ 30,082	
Global Business Services	3,954	3,938	3,864	4,446	16,201	
Systems and Technology Group	4,225	4,640	4,665	6,443	19,973	
Personal Computing Division	2,377	2,679	2,713	2,968	10,737	
Software	3,706	3,695	3,846	4,895	16,141	
Global Financing	665	652	634	656	2,607	
Total Segments	22,014	22,957	23,187	27,585	95,741	
Other	161	141	162	87	552	
Total IBM	\$ 22,175	\$ 23,098	\$ 23,349	\$ 27,671	\$ 96,293	
<b>External Segment Gross Profit \$</b>						
Global Technology Services	\$ 1,916	\$ 1,980	\$ 2,082	\$ 2,123	\$ 8,102	
Global Business Services	707	777	675	944	3,104	
Systems and Technology Group	1,644	1,924	1,869	2,875	8,311	
Personal Computing Division	249	293	278	375	1,194	
Software	3,088	3,096	3,259	4,210	13,652	
Global Financing	403	387	381	391	1,562	
Total Segments	8,007	8,458	8,544	10,917	35,926	
Other	(115 )	(52 )	(9 )	(179 )	(356 )	
Total IBM	\$ 7,892	\$ 8,406	\$ 8,533	\$ 10,738	\$ 35,569	
<b>External Segment Gross Profit Margin</b>						
Global Technology Services	27.0	% 26.9	% 27.9	% 26.0	% 26.9	%
Global Business Services	17.9	% 19.7	% 17.5	% 21.2	% 19.2	%
Systems and Technology Group	38.9	% 41.5	% 40.1	% 44.6	% 41.6	%
Personal Computing Division	10.5	% 10.9	% 10.2	% 12.6	% 11.1	%
Software	83.3	% 83.8	% 84.7	% 86.0	% 84.6	%
Global Financing	60.6	% 59.4	% 60.0	% 59.6	% 59.9	%
Total Segments	36.4	% 36.8	% 36.8	% 39.6	% 37.5	%
Other	-71.7	% -36.7	% -5.8	% -206.0	% -64.6	%
Total IBM	35.6	% 36.4	% 36.5	% 38.8	% 36.9	%

## Schedule 3: Consolidated Statement of Earnings in 10-Q and 10-K filings

**INTERNATIONAL BUSINESS MACHINES CORPORATION  
AND SUBSIDIARY COMPANIES  
CONSOLIDATED STATEMENT OF EARNINGS  
(UNAUDITED)**

<b>(Dollars in millions)</b>	<b>Three Months Ended December 31,</b>	
	<b>2006</b>	<b>2005</b>
<b>Revenue :</b>		
Services	\$ 12,788	\$ 12,019
Sales	12,845	11,804
Financing	625	605
<b>Total revenue</b>	<b>26,257</b>	<b>24,427</b>
<b>Cost:</b>		
Services	9,230	8,728
Sales	5,006	4,677
Financing	320	257
<b>Total cost</b>	<b>14,556</b>	<b>13,662</b>
<b>Gross profit</b>	<b>11,701</b>	<b>10,765</b>
<b>Expense and other income :</b>		
Selling, general and administrative	5,620	5,252
Research, development and engineering	1,587	1,459
Intellectual property and custom development income	(241 )	(228 )
Other (income) and expense	(150 )	(334 )
Interest expense	71	48
<b>Total expense and other income</b>	<b>6,887</b>	<b>6,197</b>
<b>Income from continuing operations before income taxes</b>	<b>4,814</b>	<b>4,568</b>
Provision for income taxes	1,350	1,348
<b>Income from continuing operations</b>	<b>3,464</b>	<b>3,220</b>