UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED MARCH 31, 2024

1-2360

(Commission file number)

INTERNATIONAL BUSINESS MACHINES CORPORATION

(Exact name of registrant as specified in its charter)

New York	**13-0871985**
(State of incorporation)	(IRS employer identification number)
One New Orchard Road	
Armonk , New York	**10504**
(Address of principal executive offices)	(Zip Code)

914 - 499-1900

(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Capital stock, par value $.20 per share	IBM	New York Stock Exchange
		NYSE Chicago
1.125% Notes due 2024	IBM 24A	New York Stock Exchange
2.875% Notes due 2025	IBM 25A	New York Stock Exchange
0.950% Notes due 2025	IBM 25B	New York Stock Exchange
0.875% Notes due 2025	IBM 25C	New York Stock Exchange
0.300% Notes due 2026	IBM 26B	New York Stock Exchange
1.250% Notes due 2027	IBM 27B	New York Stock Exchange
3.375% Notes due 2027	IBM 27F	New York Stock Exchange
0.300% Notes due 2028	IBM 28B	New York Stock Exchange
1.750% Notes due 2028	IBM 28A	New York Stock Exchange
1.500% Notes due 2029	IBM 29	New York Stock Exchange
0.875% Notes due 2030	IBM 30A	New York Stock Exchange
1.750% Notes due 2031	IBM 31	New York Stock Exchange
3.625% Notes due 2031	IBM 31B	New York Stock Exchange
0.650% Notes due 2032	IBM 32A	New York Stock Exchange
1.250% Notes due 2034	IBM 34	New York Stock Exchange
3.750% Notes due 2035	IBM 35	New York Stock Exchange
4.875% Notes due 2038	IBM 38	New York Stock Exchange
1.200% Notes due 2040	IBM 40	New York Stock Exchange
4.000% Notes due 2043	IBM 43	New York Stock Exchange
7.00% Debentures due 2025	IBM 25	New York Stock Exchange
6.22% Debentures due 2027	IBM 27	New York Stock Exchange
6.50% Debentures due 2028	IBM 28	New York Stock Exchange
5.875% Debentures due 2032	IBM 32D	New York Stock Exchange
7.00% Debentures due 2045	IBM 45	New York Stock Exchange
7.125% Debentures due 2096	IBM 96	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section l3 or l5(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The registrant had 918,602,666 shares of common stock outstanding at March 31, 2024.

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Part I - Financial Information

Item 1. Consolidated Financial Statements:

INTERNATIONAL BUSINESS MACHINES CORPORATION
AND SUBSIDIARY COMPANIES
CONSOLIDATED INCOME STATEMENT
(UNAUDITED)

	Three Months Ended March 31,	
(Dollars in millions except per share amounts)	**2024**	**2023**
Revenue:		
Services	$ 7,470	$ 7,524
Sales	6,799	6,532
Financing	192	196
Total revenue	14,462	14,252
Cost:		
Services	5,239	5,310
Sales	1,381	1,322
Financing	99	110
Total cost	6,719	6,743
Gross profit	7,742	7,509
Expense and other (income):		
Selling, general and administrative	4,974	4,853
Research, development and engineering	1,796	1,655
Intellectual property and custom development income	(216)	(180)
Other (income) and expense	(317)	(245)
Interest expense	432	367
Total expense and other (income)	6,669	6,451
Income from continuing operations before income taxes	1,074	1,058
Provision for/(benefit from) income taxes	(502)	124
Income from continuing operations	$ 1,575	$ 934
Income/(loss) from discontinued operations, net of tax	30	(7)
Net income	$ 1,605	$ 927
Earnings/(loss) per share of common stock:		
Assuming dilution:		
Continuing operations	$ 1.69	$ 1.02
Discontinued operations	0.03	(0.01)
Total	$ 1.72	$ 1.01
Basic:		
Continuing operations	$ 1.72	$ 1.03
Discontinued operations	0.03	(0.01)
Total	$ 1.75	$ 1.02
Weighted-average number of common shares outstanding: (millions)		
Assuming dilution	933.4	917.8
Basic	917.2	907.5

(Amounts may not add due to rounding.)

(The accompanying notes are an integral part of the financial statements.)

INTERNATIONAL BUSINESS MACHINES CORPORATION
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended March 31,	
(Dollars in millions)	2024	2023
Net income	$ 1,605	$ 927
Other comprehensive income/(loss), before tax:		
Foreign currency translation adjustments	55	(87)
Net changes related to available-for-sale securities:		
Unrealized gains/(losses) arising during the period	0	15
Reclassification of (gains)/losses to net income	—	—
Total net changes related to available-for-sale securities	0	15
Unrealized gains/(losses) on cash flow hedges:		
Unrealized gains/(losses) arising during the period	176	(29)
Reclassification of (gains)/losses to net income	70	(122)
Total unrealized gains/(losses) on cash flow hedges	246	(151)
Retirement-related benefit plans:		
Prior service costs/(credits)	—	—
Net (losses)/gains arising during the period	1	2
Curtailments and settlements	2	(1)
Amortization of prior service (credits)/costs	(2)	(2)
Amortization of net (gains)/losses	261	131
Total retirement-related benefit plans	262	130
Other comprehensive income/(loss), before tax	563	(93)
Income tax (expense)/benefit related to items of other comprehensive income	(289)	53
Other comprehensive income/(loss), net of tax	273	(40)
Total comprehensive income	$ 1,878	$ 888

(Amounts may not add due to rounding.)

(The accompanying notes are an integral part of the financial statements.)

INTERNATIONAL BUSINESS MACHINES CORPORATION
AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

ASSETS

(Dollars in millions)	At March 31, 2024	At December 31, 2023
Assets:		
Current assets:		
Cash and cash equivalents	$ 14,603	$ 13,068
Restricted cash	162	21
Marketable securities	4,512	373
Notes and accounts receivable — trade (net of allowances of $ 152 in 2024 and $ 192 in 2023)	6,041	7,214
Short-term financing receivables:		
Held for investment (net of allowances of $ 125 in 2024 and $ 129 in 2023)	4,877	6,102
Held for sale	644	692
Other accounts receivable (net of allowances of $ 38 in 2024 and $ 109 in 2023)	760	640
Inventory, at lower of average cost or net realizable value:		
Finished goods	131	78
Work in process and raw materials	1,081	1,083
Total inventory	1,212	1,161
Deferred costs	1,047	998
Prepaid expenses and other current assets	2,804	2,639
Total current assets	36,663	32,908
Property, plant and equipment	18,071	18,122
Less: Accumulated depreciation	12,477	12,621
Property, plant and equipment — net	5,594	5,501
Operating right-of-use assets — net	3,204	3,220
Long-term financing receivables (net of allowances of $ 20 in 2024 and $ 27 in 2023)	4,927	5,766
Prepaid pension assets	7,545	7,506
Deferred costs	810	842
Deferred taxes	6,465	6,656
Goodwill	59,534	60,178
Intangible assets — net	10,750	11,036
Investments and sundry assets	1,678	1,626
Total assets	$ 137,169	$ 135,241

(Amounts may not add due to rounding.)

(The accompanying notes are an integral part of the financial statements.)

INTERNATIONAL BUSINESS MACHINES CORPORATION
AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET – (CONTINUED)
(UNAUDITED)

LIABILITIES AND EQUITY

(Dollars in millions except per share amounts)	At March 31, 2024	At December 31, 2023
Liabilities:		
Current liabilities:		
Taxes	$ 1,710	$ 2,270
Short-term debt	5,471	6,426
Accounts payable	3,588	4,132
Compensation and benefits	3,190	3,501
Deferred income	14,051	13,451
Operating lease liabilities	784	820
Other accrued expenses and liabilities	3,605	3,521
Total current liabilities	32,397	34,122
Long-term debt	54,033	50,121
Retirement and nonpension postretirement benefit obligations	10,421	10,808
Deferred income	3,488	3,533
Operating lease liabilities	2,583	2,568
Other liabilities	10,914	11,475
Total liabilities	113,836	112,628
Equity:		
IBM stockholders' equity:		
Common stock, par value $ 0.20 per share, and additional paid-in capital	60,145	59,643
Shares authorized: 4,687,500,000		
Shares issued: 2024 - 2,271,074,279		
2023 - 2,266,911,160		
Retained earnings	151,362	151,276
Treasury stock - at cost	(169,759)	(169,624)
Shares: 2024 - 1,352,471,614		
2023 - 1,351,897,514		
Accumulated other comprehensive income/(loss)	(18,488)	(18,761)
Total IBM stockholders' equity	23,261	22,533
Noncontrolling interests	72	80
Total equity	23,333	22,613
Total liabilities and equity	$ 137,169	$ 135,241

(Amounts may not add due to rounding.)

(The accompanying notes are an integral part of the financial statements.)

INTERNATIONAL BUSINESS MACHINES CORPORATION
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31,	
(Dollars in millions)	**2024**	**2023**
Cash flows from operating activities:		
Net income	$ 1,605	$ 927
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation (1)	533	527
Amortization of capitalized software and acquired intangible assets	598	547
Stock-based compensation	320	268
Net (gain)/loss on divestitures, asset sales and other (2)	(253)	(5)
Changes in operating assets and liabilities, net of acquisitions/divestitures (2)	1,365	1,509
Net cash provided by operating activities	4,168	3,774
Cash flows from investing activities:		
Payments for property, plant and equipment	(239)	(300)
Proceeds from disposition of property, plant and equipment	12	11
Investment in software	(134)	(168)
Acquisition of businesses, net of cash acquired	(82)	(22)
Divestitures of businesses, net of cash transferred	703	—
Purchases of marketable securities and other investments	(4,934)	(8,531)
Proceeds from disposition of marketable securities and other investments	464	1,050
Net cash provided by/(used in) investing activities	(4,210)	(7,960)
Cash flows from financing activities:		
Proceeds from new debt	5,486	9,432
Payments to settle debt	(2,106)	(2,125)
Short-term borrowings/(repayments) less than 90 days — net	1	(3)
Common stock repurchases for tax withholdings	(199)	(96)
Financing — other	216	(3)
Cash dividends paid	(1,522)	(1,497)
Net cash provided by/(used in) financing activities	1,877	5,708
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(159)	24
Net change in cash, cash equivalents and restricted cash	1,676	1,547
Cash, cash equivalents and restricted cash at January 1	13,089	7,988
Cash, cash equivalents and restricted cash at March 31	$ 14,765	$ 9,535

(1) Includes operating lease right-of-use assets amortization expense of $ 0.2 billion in 2024 and 2023.

(2) Prior period has been reclassified to conform to the change in 2024 presentation.

(Amounts may not add due to rounding.)

(The accompanying notes are an integral part of the financial statements.)

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

(Dollars in millions except per share amounts)	Common Stock and Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income/(Loss)	Total IBM Stockholders' Equity	Non-Controlling Interests	Total Equity
Equity - January 1, 2024	$ 59,643	$ 151,276	$ (169,624)	$ (18,761)	$ 22,533	$ 80	$ 22,613
Net income plus other comprehensive income/(loss):							
Net income		1,605			1,605		1,605
Other comprehensive income/(loss)				273	273		273
Total comprehensive income					$ 1,878		$ 1,878
Cash dividends paid — common stock ($ 1.66 per share)		(1,522)			(1,522)		(1,522)
Common stock issued under employee plans (4,163,119 shares)	502				502		502
Purchases (1,087,670 shares) and sales (513,570 shares) of treasury stock under employee plans — net		4	(134)		(130)		(130)
Changes in noncontrolling interests						(8)	(8)
Equity – March 31, 2024	$ 60,145	$ 151,362	$ (169,759)	$ (18,488)	$ 23,261	$ 72	$ 23,333

(Dollars in millions except per share amounts)	Common Stock and Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income/(Loss)	Total IBM Stockholders' Equity	Non-Controlling Interests	Total Equity
Equity - January 1, 2023	$ 58,343	$ 149,825	$ (169,484)	$ (16,740)	$ 21,944	$ 77	$ 22,021
Net income plus other comprehensive income/(loss):							
Net income		927			927		927
Other comprehensive income/(loss)				(40)	(40)		(40)
Total comprehensive income					$ 888		$ 888
Cash dividends paid — common stock ($ 1.65 per share)		(1,497)			(1,497)		(1,497)
Common stock issued under employee plans (2,380,928 shares)	332				332		332
Purchases (711,325 shares) and sales (283,834 shares) of treasury stock under employee plans — net		(2)	(60)		(62)		(62)
Changes in noncontrolling interests						(9)	(9)
Equity - March 31, 2023	$ 58,675	$ 149,253	$ (169,544)	$ (16,780)	$ 21,604	$ 68	$ 21,672

(Amounts may not add due to rounding.)

(The accompanying notes are an integral part of the financial statements.)

Notes to Consolidated Financial Statements

1. Basis of Presentation:

The accompanying Consolidated Financial Statements and footnotes of the International Business Machines Corporation (IBM or the company) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The financial statements and footnotes are unaudited. In the opinion of the company's management, these statements include all adjustments, which are only of a normal recurring nature, necessary to present a fair statement of the company's results of operations, financial position and cash flows.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amount of assets, liabilities, revenue, costs, expenses and other comprehensive income/(loss) that are reported in the Consolidated Financial Statements and accompanying disclosures. These estimates are based on management's best knowledge of current events, historical experience, actions that the company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. As a result, actual results may be different from these estimates.

In the first quarter of 2024, the company made changes to its organizational structure and management system to better align its portfolio to the market, increase transparency and improve segment comparability to peers. These changes did not impact the company's Consolidated Financial Statements, but did impact its reportable segments. Refer to note 4, "Segments," for additional information on the company's reportable segments. The segments are reported on a comparable basis for all periods.

For the three months ended March 31, 2024, the company reported a benefit from income taxes of $ 502 million and its effective tax rate was (46.7) percent. The rate was primarily driven by the resolution of certain tax audit matters. For the three months ended March 31, 2023, the company reported a provision for income taxes of $ 124 million and its effective tax rate was 11.7 percent.

Noncontrolling interest amounts, included as a reduction within other (income) and expense in the Consolidated Income Statement, were not material to the consolidated results for the periods presented.

The company has supplier finance programs with third-party financial institutions where the company agrees to pay the financial institutions the stated amounts of invoices from participating suppliers on the originally invoiced maturity date, which have an average term of 90 to 120 days, consistent with the company's standard payment terms. The financial institutions offer earlier payment of the invoices at the sole discretion of the supplier for a discounted amount. The company does not provide secured legal assets or other forms of guarantees under the arrangements. The company is not a party to the arrangements between its suppliers and the financial institutions. These obligations are recognized as accounts payable in the Consolidated Balance Sheet. The obligations outstanding under these programs at March 31, 2024 and December 31, 2023 were $ 113 million and $ 101 million, respectively.

Interim results are not necessarily indicative of financial results for a full year. The information included in this Form 10-Q should be read in conjunction with the company's 2023 Annual Report.

Within the financial statements and tables presented, certain columns and rows may not add due to the use of rounded numbers for disclosure purposes. Percentages presented are calculated from the underlying whole-dollar amounts. Certain prior-period amounts have been reclassified to conform to the change in current-period presentation. This is annotated where applicable.

2. Accounting Changes:

New Standards to be Implemented

Income Tax Disclosures

Standard/Description–Issuance date: December 2023. This guidance requires disaggregated disclosure of the tax rate reconciliation into eight categories, with further disaggregation required for items greater than a specific threshold. Additionally, the guidance requires the disclosure of income taxes paid disaggregated by federal, state and foreign jurisdictions.

Effective Date and Adoption Considerations–The guidance is effective January 1, 2025 and early adoption is permitted. The company expects to adopt the guidance as of the effective date.

Effect on Financial Statements or Other Significant Matters–As the guidance is a change to disclosures only, it will impact the “Taxes” note within the company's annual financial statements but will not impact the consolidated financial results.

Segment Reporting Disclosures

Standard/Description–Issuance date: November 2023. This guidance requires the disclosure of significant segment expenses that are regularly provided to a company's chief operating decision maker and included within each reported measure of segment profit or loss. The company must also disclose “other segment items,” which is the difference between segment revenue less significant expenses for each reported measure of segment profit or loss, and a description of its composition. This guidance also requires all segment annual disclosures to be provided on an interim basis.

Effective Date and Adoption Considerations–The guidance is effective for annual periods beginning in 2024, and for interim periods beginning January 1, 2025, and is required to be applied on a retrospective basis to all prior periods presented. Early adoption is permitted. The company will adopt the guidance as of the effective date.

Effect on Financial Statements or Other Significant Matters–As the guidance is a change to disclosures only, it will impact the “Segments” note within the company's quarterly and annual financial statements but will not have an impact in the consolidated financial results.

Standards Implemented

Disclosures of Supplier Finance Program Obligations

Standard/Description–Issuance date: September 2022. This guidance requires an entity to provide certain interim and annual disclosures about the use of supplier finance programs in connection with the purchase of goods or services.

Effective Date and Adoption Considerations–The guidance was effective January 1, 2023 with certain annual disclosures required beginning in 2024 and early adoption was permitted. The company adopted the guidance as of the effective date.

Effect on Financial Statements or Other Significant Matters– The guidance did not have a material impact in the consolidated financial results. Refer to note 1, "Basis of Presentation," for additional information.

3. Revenue Recognition:

Disaggregation of Revenue

The following tables provide details of revenue by major products/service offerings and revenue by geography.

Revenue by Major Products/Service Offerings

(Dollars in millions)

For the three months ended March 31:	2024	2023 [1]
Hybrid Platform & Solutions	$ 4,098	$ 3,850
Transaction Processing	1,800	1,742
Total Software	$ 5,899	$ 5,591
Business Transformation	2,317	2,283
Application Operations	1,938	1,989
Technology Consulting	931	925
Total Consulting	$ 5,186	$ 5,197
Hybrid Infrastructure	1,803	1,709
Infrastructure Support	1,273	1,389
Total Infrastructure	$ 3,076	$ 3,098
Financing [2]	193	196
Other	108	169
Total revenue	$ 14,462	$ 14,252

(1) Recast to reflect segment changes.

(2) Contains lease and loan financing arrangements which are not subject to the guidance on revenue from contracts with customers.

Revenue by Geography

(Dollars in millions)

For the three months ended March 31:	2024	2023
Americas	$ 7,296	$ 7,078
Europe/Middle East/Africa	4,313	4,331
Asia Pacific	2,853	2,843
Total	$ 14,462	$ 14,252

Remaining Performance Obligations

The remaining performance obligation (RPO) disclosure provides the aggregate amount of the transaction price yet to be recognized as of the end of the reporting period and an explanation as to when the company expects to recognize these amounts in revenue. It is intended to be a statement of overall work under contract that has not yet been performed and does not include contracts in which the customer is not committed, such as certain as-a-Service, governmental, term software license and services offerings. The customer is not considered committed when they are able to terminate for convenience without payment of a substantive penalty. The disclosure includes estimates of variable consideration, except when the variable consideration is a sales-based or usage-based royalty promised in exchange for a license of intellectual property. Additionally, as a practical expedient, the company does not include contracts that have an original duration of one year or less. RPO estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustment for revenue that has not materialized and adjustments for currency.

At March 31, 2024, the aggregate amount of the transaction price allocated to RPO related to customer contracts that are unsatisfied or partially unsatisfied was approximately $ 56 billion. Approximately 70 percent of the amount is expected to be recognized as revenue in the subsequent two years , approximately 27 percent in the subsequent three to five years and the balance thereafter.

Revenue Recognized for Performance Obligations Satisfied (or Partially Satisfied) in Prior Periods

For the three months ended March 31, 2024, revenue recognized for performance obligations satisfied or partially satisfied in prior periods was immaterial.

Reconciliation of Contract Balances

The following table provides information about notes and accounts receivable–trade, contract assets and deferred income balances.

(Dollars in millions)	At March 31, 2024	At December 31, 2023
Notes and accounts receivable — trade (net of allowances of $ 152 in 2024 and $ 192 in 2023)	$ 6,041	$ 7,214
Contract assets [1]	$ 527	$ 505
Deferred income (current)	$ 14,051	$ 13,451
Deferred income (noncurrent)	$ 3,488	$ 3,533

(1) Included within prepaid expenses and other current assets in the Consolidated Balance Sheet.

The amount of revenue recognized during the three months ended March 31, 2024 that was included within the deferred income balance at December 31, 2023 was $ 4.3 billion and was primarily related to software and services.

The following table provides roll forwards of the notes and accounts receivable–trade allowance for expected credit losses for the three months ended March 31, 2024 and the year ended December 31, 2023.

(Dollars in millions)

January 1, 2024	Additions / (Releases)	Write-offs [1]	Foreign currency and other	March 31, 2024
$ 192	$(8)	$(29)	$(3)	$ 152

January 1, 2023	Additions / (Releases)	Write-offs [1]	Foreign currency and other	December 31, 2023
$ 233	$ 32	$(79)	$ 6	$ 192

(1) The majority of the write-offs during the period related to receivables which had been previously reserved.

The contract assets allowance for expected credit losses was not material in any of the periods presented.

4. Segments:

In the first quarter of 2024, the company made changes to its organization structure and management system to better align its portfolio with the market, increase transparency and improve segment comparability to peers. These changes did not impact the company's Consolidated Financial Statements, but did impact its reportable segments. Due to the removal of certain components of segment profitability, as described below, the company also updated the title of its segment performance metric from pre-tax income from continuing operations to segment profit.

The following table displays the segment updates:

Reportable Segment Change		Resulting Segment Implications
The Weather Company asset divestiture	-	Software Segment
	+	Other-divested businesses
Security Services realignment	-	Software Segment
	+	Consulting Segment
Removal of stock-based compensation and net interest allocations from segment profitability	-	Software Segment, Consulting Segment, Infrastructure Segment, Financing Segment [(1)]
	+	Other

(1) Presentation of interest for the Financing Segment did not change.

The following tables reflect the results of continuing operations of the company's segments consistent with the management and measurement system utilized within the company and have been recast for the prior-year periods to reflect the company's segment changes described above. These results are used by the chief operating decision maker, both in evaluating the performance of, and in allocating resources to, each of the segments.

SEGMENT INFORMATION

(Dollars in millions)	Software	Consulting	Infrastructure	Financing	Total Segments
For the three months ended March 31, 2024:					
Revenue	$ 5,899	$ 5,186	$ 3,076	$ 193	$ 14,354
Segment profit	$ 1,500	$ 424	$ 311	$ 92	$ 2,327
Revenue year-to-year change	5.5 %	(0.2)%	(0.7)%	(1.6)%	1.9 %
Segment profit year-to-year change	8.8 %	(0.6)%	1.4 %	(8.4)%	5.2 %
Segment profit margin	25.4 %	8.2 %	10.1 %	47.7 %	16.2 %
For the three months ended March 31, 2023 (1)					
Revenue	$ 5,591	$ 5,197	$ 3,098	$ 196	$ 14,083
Segment profit	$ 1,379	$ 427	$ 307	$ 100	$ 2,213
Segment profit margin	24.7 %	8.2 %	9.9 %	51.2 %	15.7 %

(1) Recast to reflect segment changes.

Reconciliations to IBM as Reported:

(Dollars in millions) For the three months ended March 31:	2024	2023 (1)
Revenue:		
Total reportable segments	$ 14,354	$ 14,083
Other–divested businesses	35	94
Other revenue	73	75
Total revenue from continuing operations	$ 14,462	$ 14,252
Pre-tax income from continuing operations:		
Total reportable segment profit	$ 2,327	$ 2,213
Amortization of acquired intangible assets	(428)	(392)
Acquisition-related (charges)/income (2)	(60)	(3)
Non-operating retirement-related (costs)/income	(96)	5
Stock-based compensation	(320)	(268)
Net interest excluding the Financing segment	(223)	(217)
Workforce rebalancing charges	(374)	(259)
Other–divested businesses (3)	239	13
Unallocated corporate amounts and other	9	(33)
Total pre-tax income from continuing operations	$ 1,074	$ 1,058

(1) Recast to reflect segment changes.

(2) 2024 includes the impact of foreign exchange call option contracts in connection with the planned acquisition of StreamSets and webMethods from Software AG. Refer to note 16, "Derivative Financial Instruments," for additional information.

(3) 2024 includes a gain on the sale of The Weather Company assets. Refer to note 5, "Acquisitions & Divestitures," for additional information.

5. Acquisitions & Divestitures:

Acquisitions

Purchase price consideration for all acquisitions was paid primarily in cash. All acquisitions, unless otherwise stated, were for 100 percent of the acquired business and are reported in the Consolidated Statement of Cash Flows, net of acquired cash and cash equivalents.

During the three months ended March 31, 2024, the company completed two acquisitions within the Software segment and one acquisition within the Consulting segment at an aggregate cost of $ 255 million. These acquisitions are expected to enhance the company's portfolio of products and services capabilities and further advance IBM's hybrid cloud and AI strategy. These acquisitions did not have a material impact in the company's Consolidated Financial Statements.

At March 31, 2024, the remaining cash to be remitted by the company related to certain first-quarter 2024 acquisitions was $ 157 million. Of the amount outstanding, $ 144 million was recorded as restricted cash in the Consolidated Balance Sheet, most of which was paid in April 2024. The amount outstanding is primarily a non-cash investing activity for purposes of the company's Consolidated Statement of Cash Flows as of March 31, 2024.

The following table reflects the purchase price related to the first-quarter acquisitions and the resulting purchase price allocation as of March 31, 2024.

(Dollars in millions)	Amortization Life (in years)	All Acquisitions
Current assets		$ 17
Property, plant and equipment/noncurrent assets		2
Intangible assets:		
Goodwill	N/A	195
Client relationships	2 - 7	31
Completed technology	7	37
Trademarks	3	0
Total assets acquired		$ 284
Current liabilities		13
Noncurrent liabilities		15
Total liabilities assumed		$ 29
Total purchase price		$ 255

N/A – not applicable

The valuation of the assets acquired and liabilities assumed is subject to revision. If additional information becomes available, the company may further revise the purchase price allocation as soon as practical, but no later than one year from the acquisition date.

Transactions Announced — On December 18, 2023, the company entered into a definitive agreement with Software AG to acquire StreamSets and webMethods, Software AG's Super iPaaS (integration platform-as-a-service) enterprise technology platforms, for approximately € 2.13 billion in cash. StreamSets will add data ingestion capabilities to watsonx, and webMethods will provide clients and partners additional integration and API management tools for their hybrid multi-cloud environments. The acquisition is expected to close in mid-year 2024 subject to customary closing conditions, including regulatory clearance, and upon closing, will be integrated into the Software segment. In connection with the planned acquisition, on December 18, 2023 the company entered into foreign exchange call option contracts for a premium of $ 49 million to purchase a total of € 2.13 billion on June 18, 2024 at a strike price of 1.095 . Refer to note 16, "Derivative Financial Instruments," for additional information.

On April 24, 2024, the company announced its intent to acquire all of the outstanding shares of HashiCorp, Inc., (HashiCorp). The combination of IBM's and HashiCorp's combined portfolios will help clients manage growing application and infrastructure complexity and create a comprehensive end-to-end hybrid cloud platform designed for the AI era. Under the terms of the definitive agreement, HashiCorp shareholders will receive $ 35 per share in cash, representing a total enterprise value of approximately $ 6.4 billion. The transaction is expected to close by the end of 2024, subject to approval by HashiCorp shareholders, regulatory approvals and other customary closing conditions. Upon closing, HashiCorp will be integrated into the Software segment.

Divestitures

The Weather Company Assets — In August 2023, IBM and Zephyr Buyer, L.P., a wholly-owned subsidiary of Francisco Partners (collectively, Francisco), entered into a definitive agreement under which Francisco would acquire The Weather Company assets from IBM for $ 1,100 million inclusive of $ 250 million of contingent consideration, of which $ 200 million is contingent on Francisco's attainment of certain investment return metrics. The assets include The Weather Company's digital consumer-facing offerings, The Weather Channel mobile and cloud-based digital properties including Weather.com, Weather Underground and Storm Radar, as well as its enterprise offerings for broadcast, media, aviation, advertising technology and data solutions for other emerging industries.

The transaction closed on January 31, 2024. Upon closing, the company received cash proceeds of $ 750 million and provided seller financing to Francisco in the form of a $ 100 million loan with a term of 7 years. The cash proceeds from the sale were included in cash from investing activities within the Consolidated Statement of Cash Flows. The seller financing is a non-cash investing activity. The company recognized a pre-tax gain on sale of $ 241 million at closing in other (income) and expense in the Consolidated Income Statement. As discussed in note 4, "Segments," in the first quarter of 2024, The Weather Company assets previously reported in the Software segment were moved and recast to the Other–divested businesses category.

6. Other (Income) and Expense :

Components of other (income) and expense are as follows:

(Dollars in millions)

For the three months ended March 31:	**2024**	**2023**
Other (income) and expense:		
Foreign currency transaction losses/(gains) [1]	$ (205)	$ 88
(Gains)/losses on derivative instruments [1]	287	(142)
Interest income	(210)	(170)
Net (gains)/losses from securities and investment assets	(10)	5
Retirement-related costs/(income)	96	(5)
Other [2]	(274)	(22)
Total other (income) and expense	$ (317)	$ (245)

(1) The company uses financial hedging instruments to limit specific currency risks related to foreign currency-based transactions. The hedging program does not hedge 100 percent of currency exposures and defers, versus eliminates, the impact of currency. Refer to note 16, "Derivative Financial Instruments," for additional information on foreign exchange risk.

(2) 2024 includes a pre-tax gain of $ 241 million from the divestiture of The Weather Company assets. Refer to note 5, "Acquisitions & Divestitures," for additional information.

7. Earnings Per Share of Common Stock :

The following table provides the computation of basic and diluted earnings per share of common stock for the three months ended March 31, 2024 and 2023.

(Dollars in millions except per share amounts)

For the three months ended March 31:	2024	2023
Number of shares on which basic earnings per share is calculated:		
Weighted-average shares outstanding during period	917,178,779	907,526,887
Add — Incremental shares under stock-based compensation plans	14,256,390	8,609,239
Add — Incremental shares associated with contingently issuable shares	1,996,144	1,709,153
Number of shares on which diluted earnings per share is calculated	933,431,312	917,845,279
Income from continuing operations	$ 1,575	$ 934
Income/(loss) from discontinued operations, net of tax	30	(7)
Net income on which basic earnings per share is calculated	$ 1,605	$ 927
Income from continuing operations	$ 1,575	$ 934
Net income applicable to contingently issuable shares	—	—
Income from continuing operations on which diluted earnings per share is calculated	$ 1,575	$ 934
Income/(loss) from discontinued operations, net of tax, on which diluted earnings per share is calculated	30	(7)
Net income on which diluted earnings per share is calculated	$ 1,605	$ 927
Earnings/(loss) per share of common stock:		
Assuming dilution		
Continuing operations	$ 1.69	$ 1.02
Discontinued operations	0.03	(0.01)
Total	$ 1.72	$ 1.01
Basic		
Continuing operations	$ 1.72	$ 1.03
Discontinued operations	0.03	(0.01)
Total	$ 1.75	$ 1.02

Stock options to purchase 61,359 shares and 960,929 shares were outstanding as of March 31, 2024 and 2023, respectively, but were not included in the computation of diluted earnings per share because the exercise price of the options during the respective period was greater than the average market price of the common shares, and therefore, the effect would have been antidilutive.

8. Financial Assets & Liabilities:

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The company classifies certain assets and liabilities based on the following fair value hierarchy:

- Level 1–Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date;
- Level 2–Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3–Unobservable inputs for the asset or liability.

When available, the company uses unadjusted quoted market prices in active markets to measure the fair value and classifies such items as Level 1. If quoted market prices are not available, fair value is based upon internally developed models that use current market-based or independently sourced market parameters such as interest rates and currency rates. Items valued using internally generated models are classified according to the lowest level input or value driver that is significant to the valuation.

The determination of fair value considers various factors including interest rate yield curves and time value underlying the financial instruments. For derivatives and debt securities, the company uses a discounted cash flow analysis using discount rates commensurate with the duration of the instrument.

In determining the fair value of financial instruments, the company considers certain market valuation adjustments to the “base valuations” calculated using the methodologies described below for several parameters that market participants would consider in determining fair value:

- Counterparty credit risk adjustments are applied to financial instruments, taking into account the actual credit risk of a counterparty as observed in the credit default swap market to determine the true fair value of such an instrument.
- Credit risk adjustments are applied to reflect the company’s own credit risk when valuing all liabilities measured at fair value. The methodology is consistent with that applied in developing counterparty credit risk adjustments, but incorporates the company’s own credit risk as observed in the credit default swap market.

The company holds investments primarily in time deposits, certificates of deposit, and U.S. government debt that are designated as available-for-sale. The primary objective of the company’s cash and debt investment portfolio is to protect principal by investing in very liquid investment securities with highly rated counterparties.

The company’s standard practice is to hold all of its debt security investments classified as available-for-sale until maturity. No impairments for credit losses and no material non-credit impairments were recorded for the three months ended March 31, 2024 and 2023, respectively.

Certain non-financial assets such as property, plant and equipment, operating right-of-use assets, goodwill and intangible assets are also subject to nonrecurring fair value measurements if they are deemed to be impaired. The impairment models used for non-financial assets depend on the type of asset. There were no material impairments of non-financial assets for the three months ended March 31, 2024 and 2023, respectively.

The following table presents the company's financial assets and financial liabilities that are measured at fair value on a recurring basis at March 31, 2024 and December 31, 2023.

(Dollars in millions)	Fair Value Hierarchy Level	At March 31, 2024 Assets [6]	At March 31, 2024 Liabilities [7]	At December 31, 2023 Assets [6]	At December 31, 2023 Liabilities [7]
Cash equivalents: [1]					
Time deposits and certificates of deposit [2]	2	$ 7,232	N/A	$ 7,206	N/A
Money market funds	1	487	N/A	494	N/A
Total cash equivalents		$ 7,719	N/A	$ 7,699	N/A
Equity investments	1	7	N/A	25	N/A
Debt securities-current [2][3]	2	4,512	N/A	373	N/A
Debt securities-noncurrent [2][4]	2,3	108	N/A	8	N/A
Derivatives designated as hedging instruments:					
Interest rate contracts	2	—	436	2	299
Foreign exchange contracts	2	263	102	131	275
Derivatives not designated as hedging instruments:					
Foreign exchange contracts [5]	2	23	25	115	19
Equity contracts	2	55	1	93	—
Total		$ 12,686	$ 564	$ 8,446	$ 593

(1) Included within cash and cash equivalents in the Consolidated Balance Sheet.

(2) Available-for-sale debt securities with carrying values that approximate fair value.

(3) Term deposits and U.S. treasury bills that are reported within marketable securities in the Consolidated Balance Sheet. The March 31, 2024 balance includes proceeds from the first quarter 2024 debt issuance. Refer to note 12, "Borrowings," for additional information.

(4) March 31, 2024 includes a $ 100 million seller financing loan in connection with the divestiture of The Weather Company assets reported within investments and sundry assets in the Consolidated Balance Sheet. Refer to note 5, "Acquisitions & Divestitures," for additional information.

(5) Asset amounts include $ 12 million and $ 62 million at March 31, 2024 and December 31, 2023, respectively, related to foreign exchange call option contracts in connection with the planned acquisition of StreamSets and webMethods from Software AG. Refer to note 16, "Derivative Financial Instruments," for additional information.

(6) The gross balances of derivative assets contained within prepaid expenses and other current assets, and investments and sundry assets in the Consolidated Balance Sheet at March 31, 2024 were $ 328 million and $ 12 million, respectively, and at December 31, 2023 were $ 304 million and $ 37 million, respectively.

(7) The gross balances of derivative liabilities contained within other accrued expenses and liabilities, and other liabilities in the Consolidated Balance Sheet at March 31, 2024 were $ 95 million and $ 469 million, respectively, and at December 31, 2023 were $ 294 million and $ 299 million, respectively.

N/A – not applicable

Financial Assets and Liabilities Not Measured at Fair Value

Short-Term Receivables and Payables

Short-term receivables (excluding the current portion of long-term receivables) and other investments are financial assets with carrying values that approximate fair value. Accounts payable, other accrued expenses and short-term debt (excluding the current portion of long-term debt) are financial liabilities with carrying values that approximate fair value. If measured at fair value in the financial statements, these financial instruments would be classified as Level 3 in the fair value hierarchy, except for short-term debt which would be classified as Level 2.

Loans and Long-Term Receivables

Fair values are based on discounted future cash flows using current interest rates offered for similar loans to clients with similar credit ratings for the same remaining maturities. At March 31, 2024 and December 31, 2023, the difference between the carrying amount and estimated fair value for loans and long-term receivables was immaterial. If measured at fair value in the financial statements, these financial instruments would be classified as Level 3 in the fair value hierarchy.

Long-Term Debt

Fair value of publicly traded long-term debt is based on quoted market prices for the identical liability when traded as an asset in an active market. For other long-term debt (including long-term finance lease liabilities) for which a quoted market price is not available, an expected present value technique that uses rates currently available to the company for debt with similar terms and remaining maturities is used to estimate fair value. The carrying amount of long-term debt was $ 54,033 million and $ 50,121 million, and the estimated fair value was $ 51,656 million and $ 48,284 million at March 31, 2024 and December 31, 2023, respectively. If measured at fair value in the financial statements, long-term debt (including the current portion) would be classified as Level 2 in the fair value hierarchy.

9. Financing Receivables:

Financing receivables primarily consist of client loan and installment payment receivables (loans), investment in sales-type and direct financing leases (collectively referred to as client financing receivables) and commercial financing receivables. Loans are provided primarily to clients to finance the purchase of IBM hardware, software and services. Payment terms on these financing arrangements are for terms generally up to seven years . Investment in sales-type and direct financing leases relate principally to the company's Infrastructure products and are for terms generally up to five years . Commercial financing receivables, which consist of both held-for-investment and held-for-sale receivables, relate primarily to working capital financing for business partners and distributors of IBM products and services. Payment terms for working capital financing generally range from 30 to 60 days.

A summary of the components of the company's financing receivables is presented as follows:

	Client Financing Receivables		Commercial Financing Receivables		
(Dollars in millions) At March 31, 2024	Client Loan and Installment Payment Receivables (Loans)	Investment in Sales-Type and Direct Financing Leases	Held for Investment	Held for Sale [(1)]	Total
Financing receivables, gross	$ 5,983	$ 3,949	$ 441	$ 644	$ 11,017
Unearned income	(446)	(402)	—	—	(848)
Unguaranteed residual value	—	424	—	—	424
Amortized cost	$ 5,537	$ 3,971	$ 441	$ 644	$ 10,593
Allowance for credit losses	(82)	(57)	(6)	—	(145)
Total financing receivables, net	$ 5,455	$ 3,914	$ 435	$ 644	$ 10,448
Current portion	$ 2,949	$ 1,493	$ 435	$ 644	$ 5,521
Noncurrent portion	$ 2,506	$ 2,421	$ —	$ —	$ 4,927

	Client Financing Receivables		Commercial Financing Receivables		
(Dollars in millions) At December 31, 2023	Client Loan and Installment Payment Receivables (Loans)	Investment in Sales-Type and Direct Financing Leases	Held for Investment	Held for Sale [(1)]	Total
Financing receivables, gross	$ 7,060	$ 4,261	$ 1,160	$ 692	$ 13,173
Unearned income	(486)	(429)	—	—	(915)
Unguaranteed residual value	—	458	—	—	458
Amortized cost	$ 6,574	$ 4,290	$ 1,160	$ 692	$ 12,716
Allowance for credit losses	(87)	(63)	(6)	—	(156)
Total financing receivables, net	$ 6,486	$ 4,227	$ 1,155	$ 692	$ 12,560
Current portion	$ 3,427	$ 1,520	$ 1,155	$ 692	$ 6,793
Noncurrent portion	$ 3,059	$ 2,707	$ —	$ —	$ 5,766

(1) The carrying value of the receivables classified as held for sale approximates fair value.

The company has a long-standing practice of taking mitigation actions, in certain circumstances, to transfer credit risk to third parties. These actions may include credit insurance, financial guarantees, nonrecourse secured borrowings, transfers of receivables recorded as true sales in accordance with accounting guidance or sales of equipment under operating lease. Sale of receivables arrangements are also utilized in the normal course of business as part of the company's cash and liquidity management.

Financing receivables pledged as collateral for secured borrowings were $ 193 million and $ 232 million at March 31, 2024 and December 31, 2023, respectively. These borrowings are included in note 12, "Borrowings."

Transfer of Financial Assets

The company has an existing agreement with a third-party investor to sell IBM short-term commercial financing receivables on a revolving basis. This agreement previously allowed for sales up to $ 3.0 billion. In December 2023, the company amended and renewed its agreement for a one-year term to sell these receivables up to $ 1.9 billion, which reduced to $ 1.3 billion in January 2024. In addition, the company enters into agreements with third-party financial institutions to sell certain of its client financing receivables, including both loan and lease receivables, for cash proceeds. There were no material client financing receivables transferred for the three months ended March 31, 2024 and 2023.

The following table presents the total amount of commercial financing receivables transferred.

(Dollars in millions)

For the three months ended March 31:	2024	2023
Commercial financing receivables:		
Receivables transferred during the period	$ 1,802	$ 2,233
Receivables uncollected at end of period [(1)]	$ 655	$ 780

(1) Of the total amount of commercial financing receivables sold and derecognized from the Consolidated Balance Sheet, the amounts presented remained uncollected from business partners as of March 31, 2024 and 2023.

The transfer of these receivables qualified as true sales and therefore reduced financing receivables. The cash proceeds from the sales are included in cash flows from operating activities. For the three months ended March 31, 2024 and 2023, the net loss, including fees, associated with the transfer of commercial financial receivables was $ 15 million and $ 24 million, respectively, and is included in other (income) and expense in the Consolidated Income Statement.

Financing Receivables by Portfolio Segment

The following tables present the amortized cost basis for client financing receivables at March 31, 2024 and December 31, 2023, further segmented by three classes: Americas, Europe/Middle East/Africa (EMEA) and Asia Pacific. The commercial financing receivables portfolio segment is excluded from the tables in the sections below as the receivables are short term in nature and the current estimated risk of loss and resulting impact to the company's financial results are not material.

(Dollars in millions)

At March 31, 2024:	Americas	EMEA	Asia Pacific	Total
Amortized cost	$ 5,722	$ 2,511	$ 1,275	$ 9,508
Allowance for credit losses:				
Beginning balance at January 1, 2024	$ 92	$ 48	$ 11	$ 150
Write-offs	$ 0	$ 0	$ —	$ 0
Recoveries	0	0	0	0
Additions/(releases)	(10)	0	1	(10)
Other [(1)]	0	(1)	0	(1)
Ending balance at March 31, 2024	$ 82	$ 46	$ 12	$ 139

(1) Primarily represents translation adjustments.

(Dollars in millions) At December 31, 2023:	Americas	EMEA	Asia Pacific	Total
Amortized cost	$ 6,488	$ 3,007	$ 1,368	$ 10,863
Allowance for credit losses:				
Beginning balance at January 1, 2023	$ 88	$ 60	$ 20	$ 168
Write-offs	$ (9)	$ (1)	$ (8)	$ (18)
Recoveries	0	2	3	5
Additions/(releases)	5	(14)	(4)	(12)
Other [1]	7	1	(1)	8
Ending balance at December 31, 2023	$ 92	$ 48	$ 11	$ 150

(1) Primarily represents translation adjustments.

When determining the allowances, financing receivables are evaluated either on an individual or a collective basis. For the company's policy on determining allowances for credit losses, refer to note A, "Significant Accounting Policies," in the company's 2023 Annual Report.

Past Due Financing Receivables

The company summarizes information about the amortized cost basis for client financing receivables, including amortized cost aged over 90 days and still accruing, billed invoices aged over 90 days and still accruing, and amortized cost not accruing.

(Dollars in millions) At March 31, 2024:	Total Amortized Cost	Amortized Cost > 90 Days [1]	Amortized Cost > 90 Days and Accruing [1]	Billed Invoices > 90 Days and Accruing	Amortized Cost Not Accruing [2]
Americas	$ 5,722	$ 102	$ 33	$ 3	$ 71
EMEA	2,511	41	12	4	30
Asia Pacific	1,275	8	0	0	8
Total client financing receivables	$ 9,508	$ 152	$ 45	$ 8	$ 109

(Dollars in millions) At December 31, 2023:	Total Amortized Cost	Amortized Cost > 90 Days [1]	Amortized Cost > 90 Days and Accruing [1]	Billed Invoices > 90 Days and Accruing	Amortized Cost Not Accruing [2]
Americas	$ 6,488	$ 111	$ 40	$ 6	$ 71
EMEA	3,007	31	1	1	31
Asia Pacific	1,368	9	1	0	8
Total client financing receivables	$ 10,863	$ 151	$ 43	$ 7	$ 110

(1) At a contract level, which includes total billed and unbilled amounts for financing receivables aged greater than 90 days.

(2) Of the amortized cost not accruing, there was a related allowance of $ 105 million and $ 106 million at March 31, 2024 and December 31, 2023, respectively. Financing income recognized on these receivables was immaterial for the three months ended March 31, 2024 and 2023, respectively.

Credit Quality Indicators

The company's credit quality indicators, which are based on rating agency data, publicly available information and information provided by customers, are reviewed periodically based on the relative level of risk. The resulting indicators are a numerical rating system that maps to Moody's Investors Service credit ratings as shown below. The company uses information provided by Moody's, where available, as one of many inputs in its determination of customer credit ratings. The credit quality of the customer is evaluated based on these indicators and is assigned the same risk rating whether the receivable is a lease or a loan.

The following tables present the amortized cost basis for client financing receivables by credit quality indicator at March 31, 2024 and December 31, 2023, respectively. Receivables with a credit quality indicator ranging from Aaa to Baa3 are considered investment grade. All others are considered non-investment grade. The credit quality indicators reflect mitigating credit enhancement actions taken by customers which reduce the risk to IBM. Gross write-offs by vintage year at March 31, 2024 and December 31, 2023 were not material.

(Dollars in millions)	Americas		EMEA		Asia Pacific	
At March 31, 2024:	**Aaa – Baa3**	**Ba1 – C**	**Aaa – Baa3**	**Ba1 – C**	**Aaa – Baa3**	**Ba1 – C**
Vintage year:						
2024	$ 241	$ 219	$ 73	$ 108	$ 125	$ 26
2023	1,929	782	552	413	398	57
2022	1,426	216	557	297	349	38
2021	504	61	227	60	83	33
2020	115	54	66	44	74	19
2019 and prior	111	63	56	57	56	17
Total	$ 4,327	$ 1,395	$ 1,531	$ 980	$ 1,085	$ 189

(Dollars in millions)	Americas		EMEA		Asia Pacific	
At December 31, 2023:	**Aaa – Baa3**	**Ba1 – C**	**Aaa – Baa3**	**Ba1 – C**	**Aaa – Baa3**	**Ba1 – C**
Vintage year:						
2023	$ 2,292	$ 1,028	$ 750	$ 520	$ 501	$ 70
2022	1,645	268	687	374	386	42
2021	655	85	284	83	110	40
2020	205	79	106	60	97	22
2019	104	23	58	38	40	8
2018 and prior	55	50	16	30	39	12
Total	$ 4,955	$ 1,533	$ 1,901	$ 1,106	$ 1,174	$ 195

Modifications

The company did not have any significant modifications due to financial difficulty during the three months ended March 31, 2024 or for the year ended December 31, 2023.

10. Leases:

Accounting for Leases as a Lessor

The following table presents amounts included in the Consolidated Income Statement related to lessor activity.

(Dollars in millions) For the three months ended March 31:	2024	2023
Lease income — sales-type and direct financing leases:		
Sales-type lease selling price	$ 113	$ 90
Less: Carrying value of underlying assets [1]	(28)	(30)
Gross profit	$ 85	$ 61
Interest income on lease receivables	69	59
Total sales-type and direct financing lease income	$ 154	$ 119
Lease income — operating leases	18	26
Variable lease income	20	21
Total lease income	$ 192	$ 166

(1) Excludes unguaranteed residual value.

11. Intangible Assets Including Goodwill:

Intangible Assets

The following tables present the company's intangible asset balances by major asset class.

	At March 31, 2024		
(Dollars in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount (1)
Intangible asset class:			
Capitalized software	$ 1,566	$ (663)	$ 903
Client relationships	9,014	(3,699)	5,316
Completed technology	5,726	(2,668)	3,059
Patents/trademarks	1,808	(458)	1,350
Other (2)	151	(28)	123
Total	$ 18,266	$ (7,516)	$ 10,750

	At December 31, 2023		
(Dollars in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount (1)
Intangible asset class:			
Capitalized software	$ 1,636	$ (762)	$ 874
Client relationships	9,053	(3,500)	5,553
Completed technology	5,713	(2,510)	3,203
Patents/trademarks	1,821	(436)	1,385
Other (2)	41	(20)	22
Total	$ 18,265	$ (7,229)	$ 11,036

(1) Amounts as of March 31, 2024 and December 31, 2023 include a decrease in net intangible asset balances of $ 57 million and an increase of $ 50 million, respectively, due to foreign currency translation.

(2) Other intangibles are primarily acquired proprietary and non-proprietary technology licenses, data, business processes, methodologies and systems.

The net carrying amount of intangible assets decreased $ 287 million during the first three months of 2024, primarily due to intangible asset amortization, partially offset by additions of capitalized software and acquired intangibles. The aggregate intangible asset amortization expense was $ 598 million and $ 547 million for the three months ended March 31, 2024 and 2023, respectively. In the first three months of 2024, the company retired $ 224 million of fully amortized intangible assets, impacting both the gross carrying amount and accumulated amortization by this amount.

The future amortization expense relating to intangible assets currently recorded in the Consolidated Balance Sheet was estimated to be the following at March 31, 2024:

(Dollars in millions)	Capitalized Software	Acquired Intangibles	Total
Remainder of 2024	$ 443	$ 1,321	$ 1,764
2025	310	1,729	2,040
2026	140	1,705	1,845
2027	10	1,686	1,695
2028	—	1,384	1,384
Thereafter	—	2,022	2,022

Goodwill

The changes in the goodwill balances by segment for the three months ended March 31, 2024 and for the year ended December 31, 2023 were as follows:

(Dollars in millions) Segment	Balance 1/1/2024	Goodwill Additions	Purchase Price Adjustments	Divestitures	Foreign Currency Translation and Other Adjustments (1)	Balance 3/31/2024
Software	$ 46,447	$ 91	$ (4)	$ —	$ (304)	$ 46,230
Consulting	8,883	96	0	—	(57)	8,922
Infrastructure	4,384	8	—	—	(11)	4,381
Other (2)	464	—	—	(464)	—	—
Total	$ 60,178	$ 195	$ (4)	$ (464)	$ (372)	$ 59,534

(Dollars in millions) Segment	Balance 1/1/2023	Goodwill Additions	Purchase Price Adjustments	Divestitures	Foreign Currency Translation and Other Adjustments (1)	Balance 12/31/2023
Software (3)	$ 42,712	$ 3,538	$ (17)	$ —	$ 214	$ 46,447
Consulting (3)	8,409	403	2	—	69	8,883
Infrastructure	4,363	12	—	—	8	4,384
Other (3)	464	—	—	—	—	464
Total	$ 55,949	$ 3,953	$ (15)	$ —	$ 291	$ 60,178

(1) Primarily driven by foreign currency translation.

(2) The company derecognized goodwill related to the divestiture of The Weather Company assets. Refer to note 5, "Acquisitions & Divestitures," for additional information.

(3) Recast to reflect segment changes.

There were no goodwill impairment losses recorded during the first three months of 2024 or full-year 2023 and the company has no accumulated impairment losses. Purchase price adjustments recorded in the first three months of 2024 and full-year 2023 were related to acquisitions that were still subject to the measurement period that ends at the earlier of 12 months from the acquisition date or when information becomes available. Net purchase price adjustments recorded in the first three months of 2024 and full-year 2023 were not material.

12. Borrowings:

Short-Term Debt

The company's total short-term debt at March 31, 2024 and December 31, 2023 was $ 5,471 million and $ 6,426 million, respectively, and primarily consisted of current maturities of long-term debt detailed in "Long-Term Debt" below.

Long-Term Debt

Pre-Swap Borrowing

(Dollars in millions)	Maturities	Balance 3/31/2024	Balance 12/31/2023
U.S. dollar debt (weighted-average interest rate at March 31, 2024): (1)			
3.0 %	2024	$ 3,002	$ 5,003
5.1 %	2025	1,605	1,601
3.7 %	2026	5,800	5,201
3.3 %	2027	4,119	3,619
5.0 %	2028	1,313	1,313
3.6 %	2029	3,750	3,250
2.0 %	2030	1,350	1,350
4.8 %	2031	500	—
4.4 %	2032	1,850	1,850
4.8 %	2033	750	750
4.9 %	2034	1,000	—
8.0 %	2038	83	83
4.5 %	2039	2,745	2,745
2.9 %	2040	650	650
4.0 %	2042	1,107	1,107
5.3 %	2044	1,000	—
7.0 %	2045	27	27
4.7 %	2046	650	650
4.3 %	2049	3,000	3,000
3.0 %	2050	750	750
4.2 %	2052	1,400	1,400
5.1 %	2053	650	650
5.3 %	2054	1,400	—
7.1 %	2096	316	316
		$ 38,819	$ 35,317
Euro debt (weighted-average interest rate at March 31, 2024): (1)			
1.1 %	2024	$ 809	$ 829
1.6 %	2025	3,237	3,315
2.3 %	2027	2,158	2,210
0.7 %	2028	1,942	1,989
1.5 %	2029	1,079	1,105
0.9 %	2030	1,079	1,105
2.7 %	2031	2,698	2,762
0.7 %	2032	1,726	1,768
1.3 %	2034	1,079	1,105
3.8 %	2035	1,079	1,105
1.2 %	2040	917	939
4.0 %	2043	1,079	1,105
		$ 18,883	$ 19,335
Other currencies (weighted-average interest rate at March 31, 2024 in parentheses): (1)			
Pound sterling (4.9 %)	2038	$ 948	$ 955
Japanese yen (0.5 %)	2024–2028	1,167	1,251
Other (13.2 %)	2024–2026	193	241
		$ 60,010	$ 57,099
Finance lease obligations (4.8 %)	2024–2034	705	499
		$ 60,715	$ 57,598
Less: net unamortized discount		847	838
Less: net unamortized debt issuance costs		174	154
Add: fair value adjustment (2)		(191)	(60)
		$ 59,502	$ 56,546
Less: current maturities		5,469	6,425
Total		$ 54,033	$ 50,121

(1) Includes notes, debentures, bank loans and secured borrowings.

(2) The portion of the company's fixed-rate debt obligations that is hedged is reflected in the Consolidated Balance Sheet as an amount equal to the sum of the debt's carrying value and a fair value adjustment representing changes in the fair value of the hedged debt obligations attributable to movements in benchmark interest rates.

The company's indenture governing its debt securities and its various credit facilities each contain significant covenants which obligate the company to promptly pay principal and interest, limit the aggregate amount of secured indebtedness and sale and leaseback transactions to 10 percent of the company's consolidated net tangible assets, and restrict the company's ability to merge or consolidate unless certain conditions are met. The credit facilities also include a covenant on the company's consolidated net interest expense ratio, which cannot be less than 2.20 to 1.0, as well as a cross default provision with respect to other defaulted indebtedness of at least $ 500 million.

The company is in compliance with its debt covenants and provides periodic certifications to its lenders. The failure to comply with its debt covenants could constitute an event of default with respect to the debt to which such provisions apply. If certain events of default were to occur, the principal and interest on the debt to which such event of default applied would become immediately due and payable.

On February 5, 2024, IBM International Capital Pte. Ltd (IIC), a wholly owned finance subsidiary of the company, issued $ 5.5 billion of U.S. dollar fixed rate notes (IIC Notes) in tranches with maturities ranging from 2 to 30 years and coupons ranging from 4.6 to 5.3 percent. These notes are fully and unconditionally guaranteed by the company.

IIC is a 100 percent owned finance subsidiary of IBM, as described by the SEC in Rule 13-01(a)(4)(vi) of Regulation S-X, the primary purpose of which is to borrow money to be made available for the benefit of IBM and its affiliates. As such, IIC has no assets or operations, and will have no assets or operations, other than as related to the issuance, administration and repayment of the IIC Notes and any other debt securities that IIC may issue in the future that are fully and unconditionally guaranteed by IBM. No other subsidiary of the company guarantees the IIC Notes.

Pre-swap annual contractual obligations of long-term debt outstanding at March 31, 2024, were as follows:

(Dollars in millions)	Total
Remainder of 2024	$ 4,335
2025	5,048
2026	6,241
2027	6,384
2028	3,912
Thereafter	34,794
Total	$ 60,715

Interest on Debt

(Dollars in millions) For the three months ended March 31:	2024	2023
Cost of financing	$ 85	$ 90
Interest expense	432	367
Interest capitalized	2	4
Total interest paid and accrued	$ 519	$ 462

Lines of Credit

The company has a $ 2.5 billion Three-Year Credit Agreement and a $ 7.5 billion Five-Year Credit Agreement (the Credit Agreements) with maturity dates of June 20, 2026 and June 22, 2028, respectively. The Credit Agreements permit the company and its subsidiary borrowers to borrow up to $ 10 billion on a revolving basis. At March 31, 2024, there were no borrowings by the company, or its subsidiaries, under these credit facilities.

13. Commitments:

The company's extended lines of credit to third-party entities include unused amounts of $ 1.8 billion and $ 1.4 billion at March 31, 2024 and December 31, 2023, respectively. A portion of these amounts was available to the company's business partners to support their working capital needs. In addition, the company has committed to provide future financing to its clients in connection with client purchase agreements for $ 1.7 billion and $ 1.9 billion at March 31, 2024 and December 31, 2023, respectively. The company collectively evaluates the allowance for these arrangements using a provision methodology consistent with the portfolio of the commitments. Refer to note A, "Significant Accounting Policies," in the company's 2023 Annual Report for additional information. The allowance for these commitments is recorded in other liabilities in the Consolidated Balance Sheet and was not material at March 31, 2024.

The company has applied the guidance requiring a guarantor to disclose certain types of guarantees, even if the likelihood of requiring the guarantor's performance is remote. The following is a description of arrangements in which the company is the guarantor.

The company is a party to a variety of agreements pursuant to which it may be obligated to indemnify the other party with respect to certain matters. Typically, these obligations arise in the context of contracts entered into by the company, under which the company customarily agrees to hold the party harmless against losses arising from a breach of representations and covenants related to such matters as title to the assets sold, certain intellectual property rights, specified environmental matters, third-party performance of nonfinancial contractual obligations and certain income taxes. In each of these circumstances, payment by the company is conditioned on the other party making a claim pursuant to the procedures specified in the particular contract, the procedures of which typically allow the company to challenge the other party's claims. While indemnification provisions typically do not include a contractual maximum on the company's payment, the company's obligations under these agreements may be limited in terms of time and/or nature of claim, and in some instances, the company may have recourse against third parties for certain payments made by the company.

It is not possible to predict the maximum potential amount of future payments under these or similar agreements due to the conditional nature of the company's obligations and the unique facts and circumstances involved in each particular agreement. Historically, payments made by the company under these agreements have not had a material effect on the company's business, financial condition or results of operations.

In addition, the company guarantees certain loans and financial commitments. The maximum potential future payment under these financial guarantees and the fair value of these guarantees recognized in the Consolidated Balance Sheet at March 31, 2024 and December 31, 2023 was not material.

Changes in the company's warranty liability for standard warranties, which are included in other accrued expenses and liabilities and other liabilities in the Consolidated Balance Sheet, and for extended warranty contracts, which are included in deferred income in the Consolidated Balance Sheet, are presented in the following tables.

Standard Warranty Liability

(Dollars in millions)	2024	2023
Balance at January 1	$ 65	$ 79
Current-period accruals	17	17
Accrual adjustments to reflect actual experience	7	(17)
Charges incurred	(20)	(21)
Balance at March 31	$ 69	$ 58

Extended Warranty Liability

(Dollars in millions)	2024	2023
Balance at January 1	$ 184	$ 272
Revenue deferred for new extended warranty contracts	5	9
Amortization of deferred revenue	(32)	(37)
Other [1]	(3)	1
Balance at March 31	$ 154	$ 244
Current portion	$ 94	$ 129
Noncurrent portion	$ 60	$ 116

(1) Other primarily consists of foreign currency translation adjustments.

The decrease in extended warranty liability is primarily due to the company's shift to alternative maintenance and support offerings without a warranty element.

14. Contingencies:

As a company with a substantial employee population and with clients in more than 175 countries, IBM is involved, either as plaintiff or defendant, in a variety of ongoing claims, demands, suits, investigations, tax matters and proceedings that arise from time to time in the ordinary course of its business. The company is a leader in the information technology industry and, as such, has been and will continue to be subject to claims challenging its IP rights and associated products and offerings, including claims of copyright and patent infringement and violations of trade secrets and other IP rights. In addition, the company enforces its own IP against infringement, through license negotiations, lawsuits or otherwise. Further, given the rapidly evolving external landscape of cybersecurity, AI, privacy and data protection laws, regulations and threat actors, the company and its clients have been and will continue to be subject to actions or proceedings in various jurisdictions. Also, as is typical for companies of IBM's scope and scale, the company is party to actions and proceedings in various jurisdictions involving a wide range of labor and employment issues (including matters related to contested employment decisions, country-specific labor and employment laws, and the company's pension, retirement and other benefit plans), as well as actions with respect to contracts, product liability, cybersecurity, data privacy, securities, foreign operations, competition law and environmental matters. These actions may be commenced by a number of different parties, including competitors, clients, current or former employees, government and regulatory agencies, stockholders and representatives of the locations in which the company does business. Some of the actions to which the company is party may involve particularly complex technical issues, and some actions may raise novel questions under the laws of the various jurisdictions in which these matters arise.

The company records a provision with respect to a claim, suit, investigation or proceeding when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Any recorded liabilities, including any changes to such liabilities for the quarter ended March 31, 2024 were not material to the Consolidated Financial Statements.

In accordance with the relevant accounting guidance, the company provides disclosures of matters for which the likelihood of material loss is at least reasonably possible. In addition, the company also discloses matters based on its consideration of other matters and qualitative factors, including the experience of other companies in the industry, and investor, customer and employee relations considerations.

With respect to certain of the claims, suits, investigations and proceedings discussed herein, the company believes at this time that the likelihood of any material loss is remote, given, for example, the procedural status, court rulings, and/or the strength of the company's defenses in those matters. With respect to the remaining claims, suits, investigations and proceedings discussed in this note, except as specifically discussed herein, the company is unable to provide estimates of reasonably possible losses or range of losses, including losses in excess of amounts accrued, if any, for the following reasons. Claims, suits, investigations and proceedings are inherently uncertain, and it is not possible to predict the ultimate outcome of these matters. It is the company's experience that damage amounts claimed in litigation against it are unreliable and unrelated to possible outcomes, and as such are not meaningful indicators of the company's potential liability. Further, the company is unable to provide such an estimate due to a number of other factors with respect to these claims, suits, investigations and proceedings, including considerations of the procedural status of the matter in question, the presence of complex or novel legal theories, and/or the ongoing discovery and development of information important to the matters.

The company reviews claims, suits, investigations and proceedings at least quarterly, and decisions are made with respect to recording or adjusting provisions and disclosing reasonably possible losses or range of losses (individually or in the aggregate), to reflect the impact and status of settlement discussions, discovery, procedural and substantive rulings, reviews by counsel and other information pertinent to a particular matter.

Whether any losses, damages or remedies finally determined in any claim, suit, investigation or proceeding could reasonably have a material effect on the company's business, financial condition, results of operations or cash flows will depend on a number of variables, including: the timing and amount of such losses or damages; the structure and type of any such remedies; the significance of the impact any such losses, damages or remedies may have in the Consolidated Financial Statements; and the unique facts and circumstances of the particular matter that may give rise to additional factors. While the company will continue to defend itself vigorously, it is possible that the company's business, financial condition, results of operations or cash flows could be affected in any particular period by the resolution of one or more of these matters.

The following is a summary of the more significant legal matters involving the company.

On June 8, 2021, IBM sued GlobalFoundries U.S. Inc. (GF) in New York State Supreme Court for claims including fraud and breach of contract relating to a long-term strategic relationship between IBM and GF for researching, developing, and manufacturing advanced semiconductor chips for IBM. GF walked away from its obligations and IBM is now suing to recover amounts paid to GF, and other compensatory and punitive damages, totaling more than $ 1.5 billion. On September 14, 2021, the court ruled on GF's motion to dismiss. On April 7, 2022, the Appellate Division unanimously reversed the lower court's dismissal of IBM's fraud claim. IBM's claims for breaches of contract, promissory estoppel, and fraud are proceeding.

On June 2, 2022, a putative class action lawsuit was filed in the United States District Court for the Southern District of New York alleging that the IBM Pension Plan miscalculated certain joint and survivor annuity pension benefits by using outdated actuarial tables in violation of the Employee Retirement Income Security Act of 1974. IBM, the Plan Administrator Committee, and the IBM Pension Plan are named as defendants. On April 4, 2024, the court dismissed the lawsuit with prejudice.

As disclosed in the Kyndryl Form 10 and subsequent Kyndryl public filings, in 2017 BMC Software, Inc. (BMC) filed suit against IBM in the United States District Court for the Southern District of Texas in a dispute involving IBM's former managed infrastructure services business. On May 30, 2022, the trial court awarded BMC $ 718 million in direct damages and $ 718 million in punitive damages, plus interest and fees. IBM appealed and expects a decision soon. IBM does not believe it has any material exposure relating to this litigation. No material liability or related indemnification asset has been recorded by IBM.

The company is party to, or otherwise involved in, proceedings brought by U.S. federal or state environmental agencies under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), known as "Superfund," or laws similar to CERCLA. Such statutes require potentially responsible parties to participate in remediation activities regardless of fault or ownership of sites. The company is also conducting environmental investigations, assessments or remediations at or in the vicinity of several current or former operating sites globally pursuant to permits, administrative orders or agreements with country, state or local environmental agencies, and is involved in lawsuits and claims concerning certain current or former operating sites.

The company is also subject to ongoing tax examinations and governmental assessments in various jurisdictions. Along with many other U.S. companies doing business in Brazil, the company is involved in various challenges with Brazilian tax authorities regarding non-income tax assessments and non-income tax litigation matters. The total potential amount related to all these matters for all applicable years is approximately $ 400 million. The company believes it will prevail on these matters and that this amount is not a meaningful indicator of liability.

Notes to Consolidated Financial Statements — (continued)

15. Equity Activity:

Reclassifications and Taxes Related to Items of Other Comprehensive Income

(Dollars in millions) For the three months ended March 31, 2024:	Before Tax Amount	Tax (Expense)/ Benefit	Net of Tax Amount
Other comprehensive income/(loss):			
Foreign currency translation adjustments	$ 55	$ (154)	$ (99)
Net changes related to available-for-sale securities:			
Unrealized gains/(losses) arising during the period	$ 0	$ 0	$ 0
Reclassification of (gains)/losses to other (income) and expense	—	—	—
Total net changes related to available-for-sale securities	$ 0	$ 0	$ 0
Unrealized gains/(losses) on cash flow hedges:			
Unrealized gains/(losses) arising during the period	$ 176	$ (47)	$ 129
Reclassification of (gains)/losses to:			
Cost of services	(4)	1	(3)
Cost of sales	(12)	4	(8)
Cost of financing	2	0	1
SG&A expense	(3)	1	(2)
Other (income) and expense	79	(20)	59
Interest expense	9	(2)	6
Total unrealized gains/(losses) on cash flow hedges	$ 246	$ (63)	$ 183
Retirement-related benefit plans: (1)			
Prior service costs/(credits)	$ —	$ —	$ —
Net (losses)/gains arising during the period	1	0	0
Curtailments and settlements	2	0	2
Amortization of prior service (credits)/costs	(2)	0	(1)
Amortization of net (gains)/losses	261	(72)	189
Total retirement-related benefit plans	$ 262	$ (72)	$ 189
Other comprehensive income/(loss)	$ 563	$ (289)	$ 273

(1) These accumulated other comprehensive income (AOCI) components are included in the computation of net periodic pension cost. Refer to note 18, “Retirement-Related Benefits,” for additional information.

Notes to Consolidated Financial Statements — (continued)

Reclassifications and Taxes Related to Items of Other Comprehensive Income

(Dollars in millions) For the three months ended March 31, 2023:	Before Tax Amount	Tax (Expense)/ Benefit	Net of Tax Amount
Other comprehensive income/(loss):			
Foreign currency translation adjustments	$ (87)	$ 56	$ (30)
Net changes related to available-for-sale securities:			
Unrealized gains/(losses) arising during the period	$ 15	$ (4)	$ 11
Reclassification of (gains)/losses to other (income) and expense	—	—	—
Total net changes related to available-for-sale securities	$ 15	$ (4)	$ 11
Unrealized gains/(losses) on cash flow hedges:			
Unrealized gains/(losses) arising during the period	$ (29)	$ 6	$ (23)
Reclassification of (gains)/losses to:			
Cost of services	2	0	2
Cost of sales	(14)	4	(10)
Cost of financing	5	(1)	4
SG&A expense	(10)	3	(7)
Other (income) and expense	(126)	32	(94)
Interest expense	21	(5)	16
Total unrealized gains/(losses) on cash flow hedges	$ (151)	$ 38	$ (113)
Retirement-related benefit plans: (1)			
Prior service costs/(credits)	$ —	$ 1	$ 1
Net (losses)/gains arising during the period	2	0	2
Curtailments and settlements	(1)	0	(1)
Amortization of prior service (credits)/costs	(2)	1	(2)
Amortization of net (gains)/losses	131	(38)	93
Total retirement-related benefit plans	$ 130	$ (38)	$ 92
Other comprehensive income/(loss)	$ (93)	$ 53	$ (40)

(1) These AOCI components are included in the computation of net periodic pension cost. Refer to note 18, "Retirement-Related Benefits," for additional information.

Accumulated Other Comprehensive Income/(Loss) (net of tax)

(Dollars in millions)	Net Unrealized Gains/(Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments (1)	Net Change Retirement-Related Benefit Plans	Net Unrealized Gains/(Losses) on Available-For-Sale Securities	Accumulated Other Comprehensive Income/ (Loss)
January 1, 2024	$ (106)	$ (3,488)	$ (15,165)	$ (1)	$ (18,761)
Other comprehensive income before reclassifications	129	(99)	0	0	30
Amount reclassified from accumulated other comprehensive income	54	—	189	—	243
Total change for the period	$ 183	$ (99)	$ 189	$ 0	$ 273
March 31, 2024	$ 76	$ (3,588)	$ (14,976)	$ (1)	$ (18,488)

(Dollars in millions)	Net Unrealized Gains/(Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments (1)	Net Change Retirement-Related Benefit Plans	Net Unrealized Gains/(Losses) on Available-For-Sale Securities	Accumulated Other Comprehensive Income/ (Loss)
January 1, 2023	$ (135)	$ (3,591)	$ (13,013)	$ (1)	$ (16,740)
Other comprehensive income before reclassifications	(23)	(30)	2	11	(39)
Amount reclassified from accumulated other comprehensive income	(90)	—	90	—	0
Total change for the period	$ (113)	$ (30)	$ 92	$ 11	$ (40)
March 31, 2023	$ (248)	$ (3,621)	$ (12,921)	$ 10	$ (16,780)

(1) Foreign currency translation adjustments are presented gross except for any associated hedges which are presented net of tax.

16. Derivative Financial Instruments:

The company operates in multiple functional currencies and is a significant lender and borrower in the global markets. In the normal course of business, the company is exposed to the impact of interest rate changes and foreign currency fluctuations, and to a lesser extent equity and commodity price changes and client credit risk. The company limits these risks by following established risk management policies and procedures, including the use of derivatives, and, where cost effective, financing with debt in the currencies in which assets are denominated. For interest rate exposures, derivatives are used to better align rate movements between the interest rates associated with the company's lease and other financial assets and the interest rates associated with its financing debt. Derivatives are also used to manage the related cost of debt. For foreign currency exposures, derivatives are used to better manage the cash flow volatility arising from foreign exchange rate fluctuations.

In the Consolidated Balance Sheet, the company does not offset derivative assets against liabilities in master netting arrangements nor does it offset receivables or payables recognized upon payment or receipt of cash collateral against the fair values of the related derivative instruments. At March 31, 2024 and December 31, 2023, the amount recognized in other accounts receivables for the right to reclaim cash collateral was $ 68 million and $ 11 million, respectively. At March 31, 2024, there was no amount recognized in accounts payable for the obligation to return cash collateral. At December 31, 2023, the amount recognized in accounts payable for such obligation was $ 7 million. The company restricts the use of cash collateral received to rehypothecation, and therefore reports it in restricted cash in the Consolidated Balance Sheet. There was no cash collateral rehypothecated at March 31, 2024. At December 31, 2023, the amount rehypothecated was $ 7 million. Additionally, if derivative exposures covered by a qualifying master netting agreement had been netted in the Consolidated Balance Sheet at March 31, 2024 and December 31, 2023, the total derivative asset and liability positions each would have been reduced by $ 194 million and $ 235 million, respectively.

As discussed in note 5, “Acquisitions & Divestitures,” in December 2023, in connection with the announced acquisition of StreamSets and webMethods from Software AG, the company entered into foreign exchange call option contracts (the call options) with a total notional amount of $ 2.3 billion (€ 2.13 billion) and a total premium paid of $ 49 million. The call options are being accounted for as non-hedge derivatives. For the three months ended March 31, 2024, the company recorded an unrealized loss of $ 50 million in other (income) and expense in the Consolidated Income Statement. At March 31, 2024 and December 31, 2023, the fair value of the call options was $ 12 million and $ 62 million respectively, and is included in prepaid expenses and other current assets in the Consolidated Balance Sheet.

In its hedging programs, the company may use forward contracts, futures contracts, interest-rate swaps, cross-currency swaps, equity swaps, and options depending upon the underlying exposure. The company is not a party to leveraged derivative instruments.

A brief description of the major hedging programs, categorized by underlying risk, follows.

Interest Rate Risk

Fixed and Variable Rate Borrowings

The company issues debt in the global capital markets to fund its operations and financing business. Access to cost-effective financing can result in interest rate mismatches with the underlying assets. To manage these mismatches and to reduce overall interest cost, the company may use interest-rate swaps to convert specific fixed-rate debt issuances into variable-rate debt (i.e., fair value hedges) and to convert specific variable-rate debt issuances into fixed-rate debt (i.e., cash flow hedges). At March 31, 2024 and December 31, 2023, the total notional amount of the company’s interest-rate swaps was $ 6.7 billion. The weighted-average remaining maturity of these instruments at March 31, 2024 and December 31, 2023 was approximately 5.2 years and 5.5 years, respectively. These interest-rate contracts were accounted for as fair value hedges. The company did not have any cash flow hedges relating to this program outstanding at March 31, 2024 and December 31, 2023.

Forecasted Debt Issuance

The company is exposed to interest rate volatility on future debt issuances. To manage this risk, the company may use instruments such as forward starting interest-rate swaps to lock in the rate on the interest payments related to the forecasted debt issuances. There were no instruments outstanding at March 31, 2024 and December 31, 2023.

In connection with cash flow hedges of forecasted interest payments related to the company's borrowings, the company recorded net losses (before taxes) of $ 117 million and $ 121 million at March 31, 2024 and December 31, 2023, respectively, in AOCI. The company estimates that $ 14 million of the deferred net losses (before taxes) on derivatives in AOCI at March 31, 2024 will be reclassified to net income within the next 12 months, providing an offsetting economic impact against the underlying interest payments.

Foreign Exchange Risk

Long-Term Investments in Foreign Subsidiaries (Net Investment)

A large portion of the company’s foreign currency denominated debt portfolio is designated as a hedge of net investment in foreign subsidiaries to reduce the volatility in stockholders’ equity caused by changes in foreign currency exchange rates in the functional currency of major foreign subsidiaries with respect to the U.S. dollar. At March 31, 2024 and December 31, 2023, the carrying value of debt designated as hedging instruments was $ 15.5 billion and $ 15.9 billion, respectively. The company also uses foreign currency derivatives for this risk management purpose. At March 31, 2024 and December 31, 2023, the total notional amount of derivative instruments designated as net investment hedges was $ 5.8 billion and $ 4.9 billion, respectively. At March 31, 2024 and December 31, 2023, the weighted-average remaining maturity of these instruments was approximately 0.2 years and 0.1 years, respectively.

Anticipated Royalties and Cost Transactions

The company’s operations generate significant nonfunctional currency, third-party vendor payments and intercompany payments for royalties and goods and services among the company’s non-U.S. subsidiaries and with the company. In anticipation of these foreign currency cash flows and in view of the volatility of the currency markets, the company selectively employs foreign exchange forward contracts to manage its currency risk. These forward contracts are accounted for as cash flow hedges. At March 31, 2024, the maximum remaining length of time over which the company hedged its exposure is approximately two years . At March 31, 2024 and December 31, 2023, the total notional amount of forward contracts designated as cash flow hedges of forecasted royalty and cost transactions was $ 9.6 billion and $ 9.2 billion, respectively. At both March 31, 2024 and December 31, 2023, the weighted-average remaining maturity of these instruments was approximately 0.6 years.

At March 31, 2024 and December 31, 2023, in connection with cash flow hedges of anticipated royalties and cost transactions, the company recorded net gains (before taxes) of $ 248 million and $ 40 million, respectively, in AOCI. The company estimates that $ 186 million of deferred net gains (before taxes) on derivatives in AOCI at March 31, 2024 will be reclassified to net income within the next 12 months, providing an offsetting economic impact against the underlying anticipated transactions.

Foreign Currency Denominated Borrowings

The company is exposed to exchange rate volatility on foreign currency denominated debt. To manage this risk, the company may employ forward contracts or cross-currency swaps to convert the principal, or principal and interest payments of foreign currency denominated debt to debt denominated in the functional currency of the borrowing entity. These derivatives are accounted for as cash flow hedges. At March 31, 2024, the maximum length of time remaining over which the company hedged its exposure was approximately seven years . At both March 31, 2024 and December 31, 2023, the total notional amount of derivative instruments designated as cash flow hedges of foreign-currency denominated debt was $ 5.2 billion.

At March 31, 2024 and December 31, 2023, in connection with previously terminated cross-currency swaps, the company recorded net losses (before taxes) of $ 62 million and $ 68 million, respectively, in AOCI, of which $ 21 million of deferred net losses (before taxes) is estimated to be reclassified to net income within the next 12 months.

At March 31, 2024 and December 31, 2023, in connection with forward contracts, the company has recorded net gains (before taxes) of $ 51 million and $ 23 million, respectively, in AOCI. Approximately $ 62 million of losses (before taxes) related to the initial forward points excluded from the assessment of hedge effectiveness is expected to be amortized to other (income) and expenses within the next 12 months.

Subsidiary Cash and Foreign Currency Asset/Liability Management

The company uses its Global Treasury Centers to manage the cash of its subsidiaries. These centers principally use currency swaps to convert cash flows in a cost-effective manner. In addition, the company uses forward contracts to economically hedge, on a net basis, the foreign currency exposure of a portion of the company's nonfunctional currency assets and liabilities. The terms of these forward and swap contracts are generally less than one year . The changes in the fair values of these contracts and of the underlying hedged exposures are generally offsetting and are recorded in other (income) and expense in the Consolidated Income Statement. At March 31, 2024 and December 31, 2023, the total notional amount of derivative instruments in economic hedges of foreign currency exposure was $ 7.3 billion and $ 6.7 billion, respectively.

Equity Risk Management

The company is exposed to market price changes in certain broad market indices and in the company's own stock primarily related to certain obligations to employees. Changes in the overall value of these employee compensation obligations are recorded in SG&A expense in the Consolidated Income Statement. Although not designated as accounting hedges, the company utilizes derivatives, including equity swaps and futures, to economically hedge the exposures related to its employee compensation obligations. The derivatives are linked to the total return on certain broad market indices or the total return on the company's common stock, and are recorded at fair value with gains or losses also reported in SG&A expense in the Consolidated Income Statement. At March 31, 2024 and December 31, 2023, the total notional amount of derivative instruments in economic hedges of these compensation obligations was $ 1.3 billion and $ 1.2 billion, respectively.

Notes to Consolidated Financial Statements — (continued)

Cumulative Basis Adjustments for Fair Value Hedges

At March 31, 2024 and December 31, 2023, the following amounts were recorded in the Consolidated Balance Sheet related to cumulative basis adjustments for fair value hedges:

(Dollars in millions)	March 31, 2024	December 31, 2023
Short-term debt:		
Carrying amount of the hedged item	$ —	$ (1)
Cumulative hedging adjustments included in the carrying amount — assets/(liabilities) (1)	$ —	$ (1)
Long-term debt:		
Carrying amount of the hedged item	$ (6,499)	$ (6,629)
Cumulative hedging adjustments included in the carrying amount — assets/(liabilities) (1)	$ 191	$ 61

(1) Includes ($ 188) million and ($ 200) million of hedging adjustments on discontinued hedging relationships at March 31, 2024 and December 31, 2023, respectively.

The Effect of Derivative Instruments in the Consolidated Income Statement

The total amounts of income and expense line items presented in the Consolidated Income Statement in which the effects of fair value hedges, cash flow hedges, net investment hedges and derivatives not designated as hedging instruments are recorded and the total effect of hedge activity on these income and expense line items are as follows:

(Dollars in millions)	Total		Gains/(Losses) of Total Hedge Activity	
For the three months ended March 31:	2024	2023	2024	2023
Cost of services	$ 5,239	$ 5,310	$ 4	$ (2)
Cost of sales	$ 1,381	$ 1,322	$ 12	$ 14
Cost of financing	$ 99	$ 110	$ (3)	$ (3)
SG&A expense	$ 4,974	$ 4,853	$ 74	$ 59
Other (income) and expense	$ (317)	$ (245)	$ (287)	$ 142
Interest expense	$ 432	$ 367	$ (15)	$ (14)

(Dollars in millions) For the three months ended March 31:	Consolidated Income Statement Line Item	Gain (Loss) Recognized in Consolidated Income Statement — Recognized on Derivatives 2024	Recognized on Derivatives 2023	Attributable to Risk Being Hedged [(2)] 2024	Attributable to Risk Being Hedged [(2)] 2023
Derivative instruments in fair value hedges: [(1)]					
Interest rate contracts	Cost of financing	$ (27)	$ 13	$ 22	$ (17)
	Interest expense	(138)	53	110	(68)
Derivative instruments not designated as hedging instruments:					
Foreign exchange contracts	Other (income) and expense	(207)	16	N/A	N/A
Equity contracts	SG&A expense	71	49	N/A	N/A
Total		$ (302)	$ 131	$ 131	$ (84)

(Dollars in millions) For the three months ended March 31:	Recognized in OCI 2024	Recognized in OCI 2023	Consolidated Income Statement Line Item	Reclassified from AOCI 2024	Reclassified from AOCI 2023	Amounts Excluded from Effectiveness Testing [(3)] 2024	Amounts Excluded from Effectiveness Testing [(3)] 2023
	Gain (Loss) Recognized in Consolidated Income Statement and Other Comprehensive Income						
Derivative instruments in cash flow hedges:							
Interest rate contracts	$ —	$ —	Cost of financing	$ (1)	$ (1)	$ —	$ —
			Interest expense	(4)	(3)	—	—
Foreign exchange contracts			Cost of services	4	(2)	—	—
Amount included in the assessment of effectiveness	166	(29)	Cost of sales	12	14	—	—
Amount excluded from the assessment of effectiveness	10	—	Cost of financing	(1)	(4)	—	—
			SG&A expense	3	10	—	—
			Other (income) and expense	(61)	126	(18)	—
			Interest expense	(5)	(17)	—	—
Instruments in net investment hedges: [(4)]							
Foreign exchange contracts	612	(224)	Cost of financing	—	—	4	5
			Interest expense	—	—	22	22
Total	$ 787	$ (253)		$ (52)	$ 122	$ 8	$ 28

(1) The amount includes changes in clean fair values of the derivative instruments in fair value hedging relationships and the periodic accrual for coupon payments required under these derivative contracts.

(2) The amount includes basis adjustments to the carrying value of the hedged item recorded during the period and amortization of basis adjustments recorded on de-designated hedging relationships during the period.

(3) The company's policy is to recognize all fair value changes in amounts excluded from effectiveness testing for net investment hedges in net income each period. For cash flow hedges of foreign currency denominated debt, the amounts excluded from effectiveness testing are amortized to net income over the life of the hedging instrument.

(4) Instruments in net investment hedges include derivative and non-derivative instruments with the amounts recognized in OCI providing an offset to the translation of foreign subsidiaries.

N/A - not applicable

For the three months ending March 31, 2024 and 2023, there were no material gains or losses excluded from the assessment of hedge effectiveness (for fair value or cash flow hedges), or associated with an underlying exposure that did not or was not expected to occur (for cash flow hedges); nor are there any anticipated in the normal course of business.

17. Stock-Based Compensation:

Stock-based compensation cost for stock awards and stock options is measured at grant date, based on the fair value of the award, and is recognized over the employee requisite service period. The following table presents total stock-based compensation cost included in income from continuing operations.

(Dollars in millions)

For the three months ended March 31:	2024	2023
Cost	$ 56	$ 46
Selling, general and administrative	171	149
Research, development and engineering	93	74
Pre-tax stock-based compensation cost	$ 320	$ 268
Income tax benefits	(120)	(67)
Total net stock-based compensation cost	$ 200	$ 201

Pre-tax stock-based compensation cost for the three months ended March 31, 2024 increased $ 52 million compared to the corresponding period in the prior year due to increases in restricted stock units ($ 28 million), performance share units ($ 15 million) and stock options ($ 8 million). The increases are driven by stock-based compensation awards granted by the company as part of its annual cycles for executives and other employees.

Total unrecognized compensation cost related to non-vested awards at March 31, 2024 was $ 1.9 billion and is expected to be recognized over a weighted-average period of approximately 2.6 years.

18. Retirement-Related Benefits:

The company offers defined benefit (DB) pension plans, defined contribution plans, as well as nonpension postretirement plans primarily consisting of retiree medical benefits.

IBM U.S. Retirement Plan Changes

Effective January 1, 2024, IBM changed how it provides certain retirement-related benefits in the U.S. IBM is providing a new benefit to most U.S. employees under its existing U.S. Qualified Personal Pension Plan (Qualified PPP) called the Retirement Benefit Account (RBA). This is in place of any IBM contributions to the U.S. employees' 401(k) Plus accounts. IBM U.S. regular full-time and part-time employees with at least one year of service will participate in the RBA. Each eligible employee's RBA is credited monthly with an amount equal to five percent of their eligible pay with no employee contribution required. Under the RBA, eligible employees earn six percent interest through 2026 and starting in 2027, will earn interest equal to the 10-year U.S. Treasury Yield, subject to a three percent minimum per year through 2033. Eligible employees also received a salary increase effective January 1, 2024 for the difference between the IBM 401(k) Plus contribution percent they were previously entitled to receive and the five percent RBA pay credit. Since the RBA is a component of the Qualified PPP, it is funded by the trust for the Qualified PPP along with all other benefits in the Qualified PPP.

As a result of this change, inactive pension plan participants no longer represent substantially all of the participants in the Qualified PPP. As required by U.S. GAAP, this changed the amortization period of unrecognized actuarial losses from the average remaining life expectancy of inactive plan participants to the average remaining service period of active plan participants in 2024. Recognized actuarial losses for the U.S. Plans increased by approximately $ 100 million for the three months ended March 31, 2024 as compared to the prior-year period, primarily driven by the change in amortization period. There was no impact to funded status, retiree benefit payments or funding requirements of the Qualified PPP due to the change in amortization period.

Notes to Consolidated Financial Statements — (continued)

The following table provides the pre-tax cost for all retirement-related plans.

(Dollars in millions) For the three months ended March 31:	2024	2023	Yr. to Yr. Percent Change
Retirement-related plans — cost:			
Defined benefit pension and defined contribution plans — cost	$ 323	$ 281	14.8 %
Nonpension postretirement plans — cost	30	32	(6.0)
Total	$ 353	$ 314	12.7 %

Cost/(Income) of Retirement Plans

The following table provides the components of the cost/(income) for the company's retirement- related benefit plans.

(Dollars in millions)	U.S. Plans		Non-U.S. Plans	
For the three months ended March 31:	2024	2023	2024	2023
Service cost (1)	$ 98	$ —	$ 44	$ 44
Interest cost (2)	254	272	267	288
Expected return on plan assets (2)	(340)	(382)	(389)	(356)
Amortization of prior service costs/(credits) (2)	—	—	5	5
Recognized actuarial losses (2)	129	27	130	102
Curtailments and settlements (2)	—	—	2	(1)
Multi-employer plans	—	—	4	4
Other costs/(credits) (2)	—	—	8	9
Total net periodic pension (income)/cost of defined benefit plans	$ 140	$ (82)	$ 72	$ 95
Cost of defined contribution plans	12	172	99	97
Total defined benefit pension and defined contribution plans cost recognized in the Consolidated Income Statement	$ 152	$ 90	$ 171	$ 192

(1) Increase in U.S. Plans service cost in 2024 is due to the Qualified PPP plan changes described above.

(2) These components of net periodic pension cost are included in other (income) and expense in the Consolidated Income Statement.

Cost of Nonpension Postretirement Plans

The following table provides the components of the cost for the company's nonpension postretirement plans.

(Dollars in millions)	U.S. Plan		Non-U.S. Plans	
For the three months ended March 31:	2024	2023	2024	2023
Service cost	$ 1	$ 1	$ 1	$ 1
Interest cost (1)	27	29	11	9
Expected return on plan assets (1)	—	—	0	(1)
Amortization of prior service costs/(credits) (1)	(7)	(7)	0	0
Recognized actuarial losses (1)	—	—	0	0
Curtailments and settlements (1)	—	—	—	—
Total nonpension postretirement plans cost recognized in the Consolidated Income Statement	$ 20	$ 23	$ 11	$ 9

(1) These components of net periodic pension cost are included in other (income) and expense in the Consolidated Income Statement.

Plan Contributions

The company does not anticipate any significant changes to the expected plan contributions in 2024 from the amounts disclosed in the 2023 Annual Report. The table below includes contributions to the following plans:

(Dollars in millions)	Plan Contributions	
For the three months ended March 31:	2024	2023
U.S. nonpension postretirement benefit plans	$ 89	$ 109
Non-U.S. DB and multi-employer plans [(1)]	14	7
Total plan contributions	$ 103	$ 117

(1) Amounts reported net of refunds.

During the three months ended March 31, 2024 and 2023, the company contributed $ 89 million and $ 109 million of U.S. Treasury Securities, respectively, to the U.S. nonpension postretirement benefit plan. Additionally, during the three months ended March 31, 2024 and 2023, the company contributed $ 210 million and $ 192 million of U.S. Treasury securities, respectively, to the Active Medical Trust. Contributions made with U.S. Treasury securities are considered a non-cash transaction.

19. Subsequent Events :

On April 30, 2024, the company announced that the Board of Directors approved an increase in the quarterly dividend to $ 1.67 per common share. The dividend is payable June 10, 2024 to stockholders of record on May 10, 2024.

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION
FOR THE THREE MONTHS ENDED MARCH 31, 2024

Snapshot

Organization of Information:

In the first quarter of 2024, we made changes to our organizational structure and management system to better align our portfolio to the market, increase transparency and improve segment comparability to peers. These changes did not impact our Consolidated Financial Statements, but did impact our reportable segments. The segments are reported on a comparable basis for all periods. In addition, due to the removal of certain components of segment profitability we also updated the title of our segment performance metric from pre-tax income from continuing operations to segment profit. Refer to note 4, "Segments," for additional information on our reportable segments.

Within the tables presented, certain columns and rows may not add due to the use of rounded numbers for disclosure purposes. Percentages presented are calculated from the underlying whole-dollar amounts. Certain prior-period amounts have been reclassified to conform to the current period presentation. This is annotated where applicable.

Currency:

The references to "adjusted for currency" or "at constant currency" in the Management Discussion do not include operational impacts that could result from fluctuations in foreign currency rates. When we refer to growth rates at constant currency or adjust such growth rates for currency, it is done so that certain financial results can be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons of its business performance. Financial results adjusted for currency are calculated by translating current period activity in local currency using the comparable prior-year period's currency conversion rate. This approach is used for countries where the functional currency is the local currency. 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. Refer to "Currency Rate Fluctuations" for additional information.

Operating (non-GAAP) Earnings:

In an effort to provide better transparency into the operational results of the business, supplementally, management separates business results into operating and non-operating categories. Operating earnings from continuing operations is a non-GAAP measure that excludes the effects of certain acquisition-related charges, intangible asset amortization, expense resulting from basis differences on equity method investments, retirement-related costs and their related tax impacts. Due to the unique, non-recurring nature of the enactment of the U.S. Tax Cuts and Jobs Act (U.S. tax reform), management characterizes the one-time provisional charge recorded in the fourth quarter of 2017 and adjustments to that charge as non-operating. Adjustments primarily include true-ups, accounting elections and any changes to regulations, laws or audit adjustments that affect the recorded one-time charge. For acquisitions, operating (non-GAAP) earnings exclude the amortization of purchased intangible assets and acquisition-related charges such as in-process research and development, transaction costs, applicable retention, restructuring and related expenses, tax charges related to acquisition integration and pre-closing charges, such as financing costs. These charges are excluded as they may be inconsistent in amount and timing from period to period and are significantly impacted by the size, type and frequency of our acquisitions. Given its unique and temporary nature, management has also characterized as non-operating expense, the mark-to-market impact on the foreign exchange call option contracts to economically hedge the foreign currency exposure related to the purchase price of our announced acquisition of StreamSets and webMethods from Software AG. The mark-to-market impact is recorded in other (income) and expense in the Consolidated Income Statement and reflects the fair value changes in the derivative contracts. All other spending for acquired companies is included in both earnings from continuing operations and in operating (non-GAAP) earnings. For retirement-related costs, management characterizes certain items as operating and others as non-operating, consistent with GAAP. We include defined benefit plan and nonpension postretirement benefit plan service costs, multi-employer plan costs and the cost of defined contribution plans in operating earnings. Non-operating retirement-related costs include defined benefit plan and nonpension postretirement benefit plan amortization of prior service costs, interest cost, expected return on plan assets, amortized actuarial gains/losses, the impacts of any plan curtailments/settlements and pension insolvency costs and other costs. Non-operating retirement-related costs are primarily related to changes in pension plan assets and liabilities which are tied to financial market performance, and we consider these costs to be outside of the operational performance of the business.

Overall, management believes that supplementally providing investors with a view of operating earnings as described above provides increased transparency and clarity into both the operational results of the business and the performance of our pension plans; improves visibility to management decisions and their impacts on operational performance; enables better comparison to peer companies; and allows us to provide a long-term strategic view of the business going forward. In addition, these non-GAAP measures provide a perspective consistent with areas of interest we routinely receive from investors and analysts. Our reportable segment financial results reflect pre-tax operating earnings from continuing operations, consistent with our management and measurement system.

Financial Results Summary — Three Months Ended March 31

(Dollars and shares in millions except per share amounts) **For the three months ended March 31:**	**2024**	**2023**	**Yr. to Yr. Percent/ Margin Change**
Revenue [1]	$ 14,462	$ 14,252	1.5 %
Gross profit margin	53.5 %	52.7 %	0.8 pts.
Total expense and other (income)	$ 6,669	$ 6,451	3.4 %
Income from continuing operations before income taxes	$ 1,074	$ 1,058	1.4 %
Provision for/(benefit from) income taxes from continuing operations [2]	$ (502)	$ 124	nm
Income from continuing operations	$ 1,575	$ 934	68.6 %
Income from continuing operations margin	10.9 %	6.6 %	4.3 pts.
Income/(loss) from discontinued operations, net of tax	$ 30	$ (7)	nm
Net income	$ 1,605	$ 927	73.0 %
Earnings per share from continuing operations - assuming dilution	$ 1.69	$ 1.02	65.7 %
Consolidated earnings per share - assuming dilution	$ 1.72	$ 1.01	70.3 %
Weighted-average shares outstanding - assuming dilution	933.4	917.8	1.7 %
	At 3/31/2024	**At 12/31/2023**	
Assets	$ 137,169	$ 135,241	1.4 %
Liabilities	$ 113,836	$ 112,628	1.1 %
Equity	$ 23,333	$ 22,613	3.2 %

(1) Year-to-year revenue growth of 2.5 percent adjusted for currency.

(2) 2024 benefit from income taxes due to the resolution of certain tax audit matters.

nm - not meaningful

The following table provides the company's operating (non-GAAP) earnings for the first quarter of 2024 and 2023.

(Dollars in millions except per share amounts) For the three months ended March 31:	2024	2023	Yr. to Yr. Percent Change
Net income as reported	$ 1,605	$ 927	73.0 %
Income/(loss) from discontinued operations, net of tax	30	(7)	nm
Income from continuing operations	$ 1,575	$ 934	68.6 %
Non-operating adjustments (net of tax):			
Acquisition-related charges	$ 346	$ 305	13.5 %
Non-operating retirement-related costs/(income)	91	5	nm
U.S. tax reform impacts	(448)	5	nm
Operating (non-GAAP) earnings [(1)]	$ 1,564	$ 1,249	25.2 %
Diluted operating (non-GAAP) earnings per share [(1)]	$ 1.68	$ 1.36	23.5 %

(1) Refer to page 64 for a more detailed reconciliation of net income to operating earnings.

nm - not meaningful

Macroeconomic Environment:

Our business profile positions us well in challenging macroeconomic times. Our diversification across geographies, industries, clients and business mix and our recurring revenue base provides some stability in revenue, profit and cash generation. In the current environment, clients and partners are turning to technology to improve productivity and customer experience. Businesses and governments around the world are looking for opportunities to deploy AI at scale, offer better services, unlock productivity and seize new market opportunities. More recently, geopolitical events and the interest rate environment are adding to the uncertainty. In response, clients are leveraging technologies like hybrid cloud and AI that boost productivity and competitiveness.

In the first three months of 2024, movements in global currencies continued to impact our reported year-to-year revenue and profit. We execute hedging programs which defer, but do not eliminate, the impact of currency. The (gains)/losses from these hedging programs are reflected primarily in other income and expense. Refer to "Currency Rate Fluctuations," for additional information.

Financial Performance Summary — Three Months Ended March 31:

In the first quarter of 2024, we reported $14.5 billion in revenue, income from continuing operations of $1.6 billion and operating (non-GAAP) earnings of $1.6 billion. Diluted earnings per share from continuing operations was $1.69 as reported and $1.68 on an operating (non-GAAP) basis. We generated $4.2 billion in cash from operations and $1.9 billion in free cash flow, and delivered shareholder returns of $1.5 billion in dividends. Our first-quarter performance reflects solid revenue performance, gross margin expansion and cash generation, demonstrating the quality of our portfolio, our hybrid cloud and AI strategy, and the strength of our diversified business model. We continued to focus on the fundamentals of our business which, combined with our strong cash generation, position us to invest both organically and through strategic acquisitions while continuing to return value to shareholders through dividends.

Total revenue grew 1.5 percent as reported and 3 percent adjusted for currency compared to the prior-year period, led by Software. Software delivered revenue growth of 5.5 percent as reported and 5.9 percent adjusted for currency, with growth in both Hybrid Platform & Solutions and Transaction Processing, and continued strength in our high-value, recurring revenue base. Hybrid Platform & Solutions revenue was up 6.5 percent as reported and 6.7 percent adjusted for currency, with growth across Red Hat, Automation and Data & AI. Transaction Processing, with its strong base of recurring revenue, grew 3.4 percent as reported and 3.9 percent adjusted for currency, as clients continue to value this portfolio of mission-critical software. Consulting revenue decreased 0.2 percent as reported but grew 1.7 percent adjusted for currency, reflecting organic growth as clients continue to prioritize large data and technology transformation projects focused on driving productivity with AI and analytics. Infrastructure revenue decreased 0.7 percent year to year as reported but grew 0.2 percent adjusted for currency, with growth in Hybrid Infrastructure reflecting strong demand across our hardware portfolio, offset by a decline in Infrastructure Support reflecting product cycle dynamics.

From a geographic perspective, Americas revenue increased 3.1 percent as reported (3.2 percent adjusted for currency). Europe/Middle East/Africa (EMEA) decreased 0.4 percent as reported and 2.1 percent adjusted for currency. Asia Pacific increased 0.3 percent as reported (7.9 percent adjusted for currency).

Gross margin of 53.5 percent increased 0.8 points year to year with continued margin expansion driven by revenue growth, portfolio mix and ongoing productivity actions. Operating (non-GAAP) gross margin of 54.7 percent increased 1.0 points compared to the prior-year period due to the same dynamics.

Total expense and other (income) increased 3.4 percent in the first quarter of 2024 versus the prior-year period primarily driven by higher workforce rebalancing charges, the effects of currency, higher non-operating retirement-related cost and higher spending reflecting our continued focus on talent and portfolio innovation to drive our strategy; partially offset by higher gains on divestitures primarily driven by the divestiture of The Weather Company assets and the benefits from productivity actions. Total operating (non-GAAP) expense and other (income) increased 0.7 percent year to year, driven primarily by the factors described above, excluding the higher non-operating retirement-related costs.

Pre-tax income from continuing operations was $1.1 billion and pre-tax margin was 7.4 percent in the first quarter of 2024, both approximately flat compared to the prior-year period. Our gross margin expansion and the benefits from productivity actions enabled continued investments to drive innovation. Our first-quarter 2024 pre-tax income includes a gain from the sale of The Weather Company assets of $241 million and workforce rebalancing charges of approximately $375 million. The year-to-year workforce rebalancing charges and divestiture dynamics were a net benefit to our pre-tax income from continuing operations year-to-year performance of approximately 8.2 points and pre-tax margin of approximately 0.8 points. The continuing operations benefit from income taxes for the first quarter of 2024 was $502 million, compared to a provision for income taxes of $124 million in the first quarter of 2023. The current-year benefit is primarily driven by the resolution of certain tax audit matters. Net income from continuing operations of $1.6 billion increased 68.6 percent and the net income from continuing operations margin was 10.9 percent, up 4.3 points year to year.

Operating (non-GAAP) pre-tax income from continuing operations of $1.7 billion increased 14.4 percent compared to the prior-year period and the operating (non-GAAP) pre-tax margin from continuing operations increased 1.3 points to 11.5 percent primarily driven by the combination of our revenue growth and gross margin performance and the benefits from productivity actions. The year-to-year workforce rebalancing charges and divestiture dynamics were a net benefit to our operating (non-GAAP) pre-tax income from continuing operations year-to-year performance of approximately 8.2 points and operating (non-GAAP) pre-tax margin of approximately 0.8 points. The operating (non-GAAP) income tax provision for the first quarter of 2024 was $94 million, compared to $200 million in the first quarter of 2023. The operating (non-GAAP) income tax provision year-to-year change was primarily driven by the same factor described above. Operating (non-GAAP) net income from continuing operations of $1.6 billion increased 25.2 percent and the operating (non-GAAP) net income margin from continuing operations of 10.8 percent was up 2.0 points year to year.

Diluted earnings per share from continuing operations of $1.69 in the first quarter of 2024 increased 65.7 percent and operating (non-GAAP) diluted earnings per share of $1.68 increased 23.5 percent versus the first quarter of 2023.

At March 31, 2024, the balance sheet remained strong with financial flexibility to support and invest in the business. Cash and cash equivalents, restricted cash and marketable securities at March 31, 2024 of $19.3 billion increased $5.8 billion from December 31, 2023 and debt of $59.5 billion at March 31, 2024 increased $3.0 billion.

Total assets increased $1.9 billion ($3.2 billion adjusted for currency) from December 31, 2023 primarily driven by increases in cash and cash equivalents and marketable securities; partially offset by a decrease in receivables. Total liabilities increased $1.2 billion ($2.5 billion adjusted for currency) from December 31, 2023 primarily driven by an increase in debt and deferred income; partially offset by decreases in tax liabilities and accounts payable. Total equity of $23.3 billion increased $0.7 billion from December 31, 2023 primarily driven by first-quarter 2024 net income and common stock issuances; partially offset by dividends paid.

Cash provided by operating activities was $4.2 billion in the first quarter of 2023, an increase of $0.4 billion compared to the first quarter of 2023 and free cash flow was $1.9 billion, an increase of $0.6 billion versus the prior-year period. Refer to page 60 for additional information on free cash flow. Net cash used in investing activities of $4.2 billion, decreased $3.7 billion and net cash provided by financing activities of $1.9 billion decreased $3.8 billion compared to the prior-year period.

Management Discussion – (continued)

First Quarter in Review

Results of Continuing Operations

Segment Details

As discussed in the "Organization of Information" section, we made changes to our organizational structure and management system in the first quarter of 2024. With these changes, we revised our reportable segments and updated the title of our segment performance metric from pre-tax income from continuing operations to segment profit.

The following table presents each reportable segment's revenue and gross margin results, followed by an analysis of the first quarter of 2024 versus the first quarter of 2023 reportable segments results. Prior-year results have been recast to conform with the changes as described in note 4, "Segments."

(Dollars in millions) For the three months ended March 31:	2024	2023 (1)	Yr. to Yr. Percent/Margin Change	Yr. to Yr. Percent Change Adjusted For Currency
Revenue:				
Software	$ 5,899	$ 5,591	5.5 %	5.9 %
Gross margin	82.4 %	82.6 %	(0.2) pts.	
Consulting	5,186	5,197	(0.2) %	1.7 %
Gross margin	25.3 %	25.5 %	(0.2) pts.	
Infrastructure	3,076	3,098	(0.7) %	0.2 %
Gross margin	54.2 %	51.8 %	2.3 pts.	
Financing	193	196	(1.6) %	(1.5)%
Gross margin	48.5 %	43.9 %	4.6 pts.	
Other	108	169	(36.1) %	(36.6)%
Gross margin	(176.7)%	(74.9)%	(101.9) pts.	
Total revenue	$ 14,462	$ 14,252	1.5 %	2.5 %
Total gross profit	$ 7,742	$ 7,509	3.1 %	
Total gross margin	53.5 %	52.7 %	0.8 pts.	
Non-operating adjustments:				
Amortization of acquired intangible assets	170	148	14.9 %	
Operating (non-GAAP) gross profit	$ 7,913	$ 7,658	3.3 %	
Operating (non-GAAP) gross margin	54.7 %	53.7 %	1.0 pts.	

(1) Recast to reflect segment changes.

Software

(Dollars in millions) For the three months ended March 31:	2024	2023 (1)	Yr. to Yr. Percent Change	Yr. to Yr. Percent Change Adjusted For Currency
Software revenue:	$ 5,899	$ 5,591	5.5 %	5.9 %
Hybrid Platform & Solutions	$ 4,098	$ 3,850	6.5 %	6.7 %
Red Hat			8.7	9.1
Automation			13.1	13.4
Data & AI			0.6	0.8
Security			(2.8)	(2.8)
Transaction Processing	1,800	1,742	3.4	3.9

(1) Recast to reflect segment changes.

Software revenue of $5,899 million increased 5.5 percent as reported (5.9 percent adjusted for currency) in the first quarter of 2024 compared to the prior-year period, driven by revenue growth in both Hybrid Platform & Solutions and Transaction Processing. This revenue performance continues to reflect growth in our high-value, recurring revenue base.

Hybrid Platform & Solutions revenue of $4,098 million increased 6.5 percent as reported (6.7 percent adjusted for currency) in the first quarter of 2024 compared to the prior-year period, driven by growth in Red Hat, Automation and Data & AI. Red Hat revenue increased 8.7 percent as reported (9.1 percent adjusted for currency), reflecting solid performance across the three key solutions – RHEL, OpenShift and Ansible. OpenShift and Ansible each contributed double-digit revenue growth in the first quarter of 2024 compared to the prior-year period. Automation revenue increased 13.1 percent as reported (13.4 percent adjusted for currency), reflecting the contribution from Apptio, acquired in the third-quarter 2023, and the strength of our IT Automation portfolio, which together unlock the full benefits of a FinOps solution for technology investments across hybrid cloud environments. Data & AI revenue increased 0.6 percent as reported (0.8 percent adjusted for currency) reflecting strong growth in Data Fabric, driven by client demand for our watsonx platform, and Asset & Supply Chain Management. Security revenue decreased 2.8 percent as reported and adjusted for currency in the first quarter of 2024 compared to the prior-year period. While we had revenue declines in Data Security and Threat Management, we delivered revenue growth in Identity and Access Management.

Across Hybrid Platform & Solutions, our annual recurring revenue (ARR) was $13.9 billion. ARR is a key performance metric management uses to assess the health and growth trajectory of our Hybrid Platform & Solutions business within the Software segment. The metric was updated in the first quarter of 2024 to reflect the organizational changes described in note 4, “Segments,” and to simplify the calculation. ARR is calculated by using the current quarter’s recurring revenue and then multiplying that value by four. This value includes the following consumption models: (1) software subscription agreements, including committed term licenses, (2) as-a-service arrangements such as SaaS and PaaS, and (3) maintenance and support contracts. ARR should be viewed independently of revenue as this performance metric and its inputs may not represent revenue that will be recognized in future periods.

Transaction Processing revenue of $1,800 million increased 3.4 percent as reported (3.9 percent adjusted for currency) in the first quarter of 2024 compared to the prior-year period, on its strong base of recurring revenue. Clients continue to value this portfolio of mission-critical software which supports growing workloads on our hardware platforms. In addition, we had revenue growth in generative AI application modernization capabilities such as watsonx Code Assistant for Z.

(Dollars in millions) For the three months ended March 31:		2024		2023 (1)	Yr. to Yr. Percent/ Margin Change
Software:					
Gross profit	$	4,860	$	4,618	5.2 %
Gross profit margin		82.4 %		82.6 %	(0.2)pts.
Segment profit	$	1,500	$	1,379	8.8 %
Segment profit margin		25.4 %		24.7 %	0.8 pts.

(1) Recast to reflect segment changes.

Software gross profit margin decreased 0.2 points to 82.4 percent in the first quarter of 2024 compared to the prior-year period. In the first quarter, segment profit of $1,500 million increased 8.8 percent and segment profit margin of 25.4 percent increased 0.8 points compared to the prior-year period. The segment profit margin expansion reflects our operating leverage from revenue growth in the quarter and continued productivity actions, partially offset by key investments in innovation and approximately 1 point of impact from currency.

Consulting

(Dollars in millions) For the three months ended March 31:		2024		2023 (1)	Yr. to Yr. Percent Change	Yr. to Yr. Percent Change Adjusted For Currency
Consulting revenue:	$	5,186	$	5,197	(0.2)%	1.7 %
Business Transformation	$	2,317	$	2,283	1.5 %	3.3 %
Technology Consulting		931		925	0.6	3.1
Application Operations		1,938		1,989	(2.6)	(0.7)

(1) Recast to reflect segment changes.

Consulting revenue of $5,186 million decreased 0.2 percent as reported, but increased 1.7 percent adjusted for currency in the first quarter of 2024 compared to the prior-year period. Clients continue to prioritize large data and technology transformation projects focused on driving productivity with AI and analytics, which is also reflected in our year-to-year growth in Consulting signings this quarter. At the same time, we saw both a lengthening of backlog duration driven by large scale digital transformations and a reduced level of revenue realization in the quarter as clients tightened discretionary spending. Our strategic partnerships continued to account for approximately 40 percent of our Consulting revenue with both AWS and Azure practices reflecting double-digit growth year-to-year in the quarter. We also continue to expand our business focused on generative AI with more clients migrating from experimenting to deploying AI at scale. Additionally, our Red Hat consulting practice grew revenue year to year at a double-digit rate in the first quarter of 2024.

In the first quarter of 2024, Business Transformation revenue of $2,317 million increased 1.5 percent as reported (3.3 percent adjusted for currency) compared to the prior-year period, led by supply chain and finance transformations. In addition, customer experience transformation offerings contributed to revenue growth in the quarter.

Technology Consulting revenue of $931 million increased 0.6 percent as reported (3.1 percent adjusted for currency) in the first quarter of 2024 compared to the prior-year period. Cloud modernization projects grew at a double-digit rate. In addition, strategic partnerships and Red Hat engagements each delivered double-digit revenue growth year to year.

Application Operations revenue of $1,938 million decreased 2.6 percent as reported (0.7 percent adjusted for currency) compared to the prior-year period, reflecting a decline in on-premise custom application management projects, partially offset by growth in cloud-based application management offerings.

(Dollars in millions) For the three months ended March 31:	2024	2023 (1)	Yr. to Yr. Percent/ Margin Change
Consulting:			
Gross profit	$ 1,314	$ 1,325	(0.9) %
Gross profit margin	25.3 %	25.5 %	(0.2)pts.
Segment profit	$ 424	$ 427	(0.6) %
Segment profit margin	8.2 %	8.2 %	0.0 pts.

(1) Recast to reflect segment changes.

In the first quarter of 2024, Consulting gross profit margin of 25.3 percent decreased 0.2 points on a year-to-year basis. Segment profit of $424 million decreased 0.6 percent and the segment profit margin of 8.2 percent was flat year to year in first-quarter 2024 compared to the prior-year period. The segment profit margin includes an impact of approximately 1 point from currency, offset by improvements from our pricing and productivity actions.

Consulting Signings and Book-to-Bill

(Dollars in millions) For the three months ended March 31:	2024	2023 (1)	Yr. to Yr. Percent Change	Yr. to Yr. Percent Change Adjusted For Currency
Total Consulting signings	$ 5,511	$ 5,382	2.4 %	4.3 %

(1) Recast to reflect segment changes.

In the first quarter of 2024, Consulting signings grew 2.4 percent as reported and 4.3 percent adjusted for currency. We had solid demand for our offerings as clients prioritize larger transformation projects. Our book-to-bill ratio for the trailing twelve-months remains over 1.15. Book-to-bill represents the ratio of IBM Consulting signings to its revenue over the same period. The metric is a useful indicator of the demand of our business over time.

Signings are management's initial estimate of the value of a client's commitment under a services contract within IBM Consulting. There are no third-party standards or requirements governing the calculation of signings. The calculation used by management involves estimates and judgments to gauge the extent of a client's commitment, including the type and duration of the agreement, and the presence of termination charges or wind-down costs.

Contract extensions and increases in scope are treated as signings only to the extent of the incremental new value. Total signings can vary over time due to a variety of factors including, but not limited to, the timing of signing a small number of larger contracts. Signings associated with an acquisition will be recognized on a prospective basis.

Management believes the estimated values of signings disclosed provide an indication of our forward-looking revenue. Signings are used to monitor the performance of the business and viewed as useful information for management and shareholders. The conversion of signings into revenue may vary based on the types of services and solutions, contract duration, customer decisions, and other factors, which may include, but are not limited to, the macroeconomic environment.

Infrastructure

(Dollars in millions) For the three months ended March 31:	2024	2023	Yr. to Yr. Percent Change	Yr. to Yr. Percent Change Adjusted For Currency
Infrastructure revenue:	$ 3,076	$ 3,098	(0.7)%	0.2 %
Hybrid Infrastructure	$ 1,803	$ 1,709	5.5 %	6.3 %
IBM Z			4.1	4.7
Distributed Infrastructure			6.3	7.1
Infrastructure Support	1,273	1,389	(8.3)	(7.3)

Infrastructure revenue of $3,076 million decreased 0.7 percent as reported, but increased 0.2 percent adjusted for currency in the first quarter of 2024 compared to the prior-year period, with a decline in Infrastructure Support and growth in Hybrid Infrastructure.

Hybrid Infrastructure revenue of $1,803 million increased 5.5 percent as reported (6.3 percent adjusted for currency) in the first quarter of 2024 compared to the prior-year period. Within Hybrid Infrastructure, revenue growth was broad based with strong demand for our hardware offerings across IBM Z, Power and Storage. IBM Z revenue increased 4.1 percent as reported (4.7 percent adjusted for currency). This was the eighth quarter of z16 product availability. Our z16 program continues to resonate with clients and surpass the total revenue performance of the z15 program. IBM Z is uniquely positioned for AI with the first processor designed with on-chip acceleration for real-time AI inferencing. IBM Z remains an enduring platform, not only driving hardware adoption but also related software, storage and services. Distributed Infrastructure revenue increased 6.3 percent as reported (7.1 percent adjusted for currency), driven primarily by double-digit growth in Storage and Power systems. The revenue performance in Storage was driven by demand for high-end storage tied to the z16 cycle. In addition, clients are interested in our Storage offerings for data-curation, model-building, and fine-tuning in support of generative AI. Within Power, revenue performance was driven by demand for data intensive workloads.

Infrastructure Support revenue of $1,273 million decreased 8.3 percent as reported (7.3 percent adjusted for currency) in the first quarter of 2024 compared to the prior-year period, driven by volume decline in support of non-IBM equipment and IBM product cycle dynamics.

(Dollars in millions) For the three months ended March 31:	2024	2023 (1)	Yr. to Yr. Percent/ Margin Change
Infrastructure:			
Gross profit	$ 1,666	$ 1,606	3.7 %
Gross profit margin	54.2 %	51.8 %	2.3 pts.
Segment profit	$ 311	$ 307	1.4 %
Segment profit margin	10.1 %	9.9 %	0.2 pts.

(1) Recast to reflect segment changes.

Infrastructure gross profit margin of 54.2 percent increased 2.3 points in the first quarter of 2024 compared to the prior-year period, with margin expansion in Hybrid Infrastructure and Infrastructure Support. The increase in margin within Hybrid Infrastructure was across both IBM Z and Distributed Infrastructure, as a result of productivity initiatives including streamlining our supply chain. In the first quarter of 2024, Infrastructure segment profit of $311 million increased 1.4 percent and the segment profit margin of 10.1 percent increased 0.2 points compared to the prior-year period. The segment profit and margin reflects benefits from higher IP and custom development income and productivity actions, partially offset by portfolio mix and approximately 1 point of impact from currency.

Management Discussion – (continued)

Financing

Refer to pages 61 through 63 for a discussion of Financing's segment results.

Geographic Revenue

In addition to the revenue presentation by reportable segment, we also measure revenue performance on a geographic basis.

(Dollars in millions) For the three months ended March 31:	2024	2023	Yr. to Yr. Percent Change	Yr. to Yr. Percent Change Adjusted For Currency
Total Revenue	$ 14,462	$ 14,252	1.5 %	2.5 %
Americas	$ 7,296	$ 7,078	3.1 %	3.2 %
Europe/Middle East/Africa (EMEA)	4,313	4,331	(0.4)	(2.1)
Asia Pacific	2,853	2,843	0.3	7.9

Americas revenue of $7,296 million increased 3.1 percent as reported and 3.2 percent adjusted for currency. The U.S. increased 3.4 percent. Canada decreased 6.4 percent as reported and 6.7 percent adjusted for currency. Latin America increased 12.8 percent as reported and 13.8 percent adjusted for currency, with Brazil increasing 11.6 percent as reported and 8.2 percent adjusted for currency.

In EMEA, total revenue of $4,313 million decreased 0.4 percent as reported and 2.1 percent adjusted for currency, driven primarily by Infrastructure, reflecting product cycle dynamics. The UK increased 4.1 percent as reported and was flat adjusted for currency. Germany, France and Italy increased 4.1 percent, 3.3 percent and 1.5 percent, respectively, as reported, and 3.0 percent, 2.2 percent and 0.4 percent, respectively, adjusted for currency.

Asia Pacific revenue of $2,853 million increased 0.3 percent as reported and 7.9 percent adjusted for currency. Japan increased 3.2 percent as reported and 15.8 percent adjusted for currency. India increased 5.7 percent as reported and 6.6 percent adjusted for currency. Australia and China decreased 8.5 percent and 5.7 percent, respectively, as reported, and 4.9 percent and 2.4 percent, respectively, adjusted for currency.

Expense

Total Expense and Other (Income)

(Dollars in millions) For the three months ended March 31:	2024	2023	Yr. to Yr. Percent Change
Total expense and other (income)	$ 6,669	$ 6,451	3.4 %
Non-operating adjustments:			
Amortization of acquired intangible assets	$ (257)	$ (244)	5.5 %
Acquisition-related charges	(60)	(3)	nm
Non-operating retirement-related (costs)/income	(96)	5	nm
Operating (non-GAAP) expense and other (income)	$ 6,255	$ 6,209	0.7 %
Total expense-to-revenue ratio	46.1 %	45.3 %	0.8 pts.
Operating (non-GAAP) expense-to-revenue ratio	43.3 %	43.6 %	(0.3)pts.

nm - not meaningful

For additional information regarding total expense and other (income) for both expense presentations, refer to the following analyses by category.

Selling, General and Administrative Expense

(Dollars in millions) For the three months ended March 31:	2024	2023	Yr. to Yr. Percent Change
Selling, general and administrative expense:			
Selling, general and administrative — other	$ 3,915	$ 3,886	0.7 %
Advertising and promotional expense	$ 279	$ 314	(11.3)
Workforce rebalancing charges	375	259	45.1
Amortization of acquired intangible assets	257	243	5.8
Stock-based compensation	171	149	14.8
Provision for/(benefit from) expected credit loss expense	(23)	2	nm
Total selling, general and administrative expense	$ 4,974	$ 4,853	2.5 %
Non-operating adjustments:			
Amortization of acquired intangible assets	$ (257)	$ (243)	5.8 %
Acquisition-related charges	(10)	(3)	nm
Operating (non-GAAP) selling, general and administrative expense	$ 4,706	$ 4,607	2.1 %

nm - not meaningful

Total selling, general and administrative (SG&A) expense increased 2.5 percent in the first quarter of 2024 versus the prior-year period driven primarily by the following factors:

- Higher workforce rebalancing charges (2 points); and
- Higher net spending reflecting our continued investment to drive our hybrid cloud and AI strategy, partially offset by benefits from productivity actions.

Operating (non-GAAP) expense increased 2.1 percent year to year, primarily driven by the same factors.

Benefit from expected credit loss expense was $23 million in the first quarter of 2024 compared to a provision of $2 million in the first quarter of 2023. The year-to-year change was primarily driven by lower specific reserve requirements in the current year. Refer to "Receivables and Allowances" section on page 55 for additional information.

Research, Development and Engineering

(Dollars in millions) For the three months ended March 31:	2024	2023	Yr. to Yr. Percent Change
Research, development and engineering expense	$ 1,796	$ 1,655	8.5 %

Research, development and engineering (RD&E) expense in the first quarter of 2024 increased 8.5 percent year to year primarily driven by investments to drive innovation in AI, hybrid cloud and quantum.

Intellectual Property and Custom Development Income

(Dollars in millions) For the three months ended March 31:	2024	2023	Yr. to Yr. Percent Change
Intellectual property and custom development income:			
Licensing of intellectual property including royalty-based fees	$ 72	$ 61	18.7 %
Custom development income	144	115	24.9
Sales/other transfers of intellectual property	—	4	(100.0)
Total	$ 216	$ 180	20.3 %

Total intellectual property and custom development income in the first quarter of 2024 increased 20.3 percent year to year. The increase was primarily driven by joint development and licensing agreements with a Japanese consortium to leverage our intellectual property and expertise on advanced semiconductors.

The timing and amount of licensing, sales or other transfers of IP may vary significantly from period to period depending upon the timing of licensing agreements, economic conditions, industry consolidation and the timing of new patents and know-how development.

Other (Income) and Expense

(Dollars in millions) For the three months ended March 31:	2024	2023	Yr. to Yr. Percent Change
Other (income) and expense:			
Foreign currency transaction losses/(gains)	$ (205)	$ 88	nm
(Gains)/losses on derivative instruments (1)	287	(142)	nm
Interest income	(210)	(170)	24.1
Net (gains)/losses from securities and investment assets	(10)	5	nm
Retirement-related costs/(income)	96	(5)	nm
Other	(274)	(22)	nm
Total other (income) and expense	$ (317)	$ (245)	29.4 %
Non-operating adjustments:			
Amortization of acquired intangible assets	$ —	$ (1)	(100.0)%
Acquisition-related charges (1)	(50)	(1)	nm
Non-operating retirement-related (costs)/income	(96)	5	nm
Operating (non-GAAP) other (income) and expense	$ (463)	$ (242)	91.7 %

(1) 2024 includes a loss of $50 million on foreign exchange call option contracts related to the company's planned acquisition of StreamSets and webMethods from Software AG. Refer to note 16, "Derivative Financial Instruments," for additional information.

nm - not meaningful

Total other (income) and expense was income of $317 million in the first quarter of 2024 and increased $72 million compared to the prior-year period. The year-to-year change was primarily driven by:

- Higher gains on divestitures ($230 million) primarily driven by the divestiture of The Weather Company assets (included in "Other" in the table above). Refer to note 5, "Acquisitions & Divestitures," for additional information; and
- Higher interest income ($41 million) primarily driven by a higher average cash balance in the current year; partially offset by
- Net exchange losses (including derivative instruments) in the current year versus net exchange gains in the prior year ($136 million); and

- Higher non-operating retirement-related cost of $101 million primarily driven by an increase in recognized actuarial losses of the Qualified PPP due to the change in amortization period as described in note 18, "Retirement-Related Benefits," partially offset by lower interest costs.

Operating (non-GAAP) other (income) and expense was income of $463 million in the first quarter of 2024 and increased $221 million compared to the prior-year period. The year-to-year change was primarily driven by the factors described above, excluding the higher non-operating retirement-related costs.

Interest Expense

(Dollars in millions) For the three months ended March 31:	2024	2023	Yr. to Yr. Percent Change
Interest expense	$ 432	$ 367	17.5 %

Interest expense of $432 million in the first quarter of 2024 increased $64 million compared to the prior-year period. Interest expense is presented in cost of financing in the Consolidated Income Statement if the related external borrowings are to support the Financing external business. Overall interest expense (excluding capitalized interest) for the first quarter of 2024 was $517 million, an increase of $60 million year to year primarily driven by higher average interest rates and a higher average debt balance in the current year.

Retirement-Related Plans

The following table provides the total pre-tax cost for all retirement-related plans. The operating cost amounts are included in the Consolidated Income Statement within the caption (e.g., Cost, SG&A, RD&E) relating to the job function of the plan participants. The non-operating cost amounts are included in other (income) and expense.

(Dollars in millions) For the three months ended March 31:	2024	2023	Yr. to Yr. Percent Change
Retirement-related plans — cost:			
Service cost	$ 143	$ 46	209.7 %
Multi-employer plans	4	4	1.2
Cost of defined contribution plans	111	269	(58.8)
Total operating costs	$ 257	$ 319	(19.2)%
Interest cost	$ 558	$ 599	(6.8)%
Expected return on plan assets	(730)	(739)	(1.2)
Recognized actuarial losses	259	129	100.1
Amortization of prior service costs/(credits)	(2)	(2)	nm
Curtailments/settlements	2	(1)	nm
Other costs	8	9	(3.3)
Total non-operating costs/(income)	$ 96	$ (5)	nm
Total retirement-related plans — cost	$ 353	$ 314	12.7 %

nm - not meaningful

Total pre-tax retirement-related plan cost increased by $40 million compared to the first quarter of 2023, primarily driven by an increase in recognized actuarial losses ($129 million) and higher service cost ($97 million), partially offset by lower cost of defined contribution plans ($158 million) and lower interest costs ($41 million).

As described in the “Operating (non-GAAP) Earnings” section, management characterizes certain retirement-related costs as operating and others as non-operating. Utilizing this characterization, operating retirement-related costs in the first quarter of 2024 were $257 million, a decrease of $61 million compared to the first quarter of 2023. The decrease was primarily driven by lower cost of defined contribution plans ($158 million), partially offset by higher service cost ($97 million) due to the U.S. retirement plan changes. Including the related employee salary increase effective January 1, 2024, the net impact to our first-quarter 2024 operating costs from the U.S. retirement plan changes was immaterial. Refer to note

18,"Retirement Related Benefits," for additional information. Non-operating costs/(income) was $96 million of cost in the first quarter of 2024 compared to income of $5 million in the prior-year period. The year-to-year change was primarily driven by an increase in recognized actuarial losses, due to the change in amortization period of the Qualified PPP as described in note 18, "Retirement-Related Benefits," partially offset by lower interest costs.

Taxes

The continuing operations benefit from income taxes for the first quarter of 2024 was $502 million, compared to a provision for income taxes of $124 million in the first quarter of 2023. The current-year benefit is primarily driven by the resolution of certain tax audit matters. The operating (non-GAAP) income tax provision for the first quarter of 2024 was $94 million, compared to $200 million in the first quarter of 2023. The operating (non-GAAP) income tax provision year-to-year change was primarily driven by the same factor described above.

IBM's tax provision and effective tax rate are impacted by recurring factors including the geographical mix of income before taxes, incentives, changes in unrecognized tax benefits and discrete tax events, such as the settlement of income tax audits and changes in or new interpretations of tax laws. The GAAP tax provision and effective tax rate could also be affected by adjustments to the previously recorded charges for U.S. tax reform attributable to any changes in law, new regulations and guidance, and audit adjustments, among others.

During the fourth quarter of 2020, the U.S. Internal Revenue Service (IRS) concluded its examination of the company's U.S. income tax returns for 2013 and 2014 and issued a final Revenue Agent's Report (RAR) proposing adjustments related to certain cross-border transactions that occurred in 2013. The company filed its IRS Appeals protest in the first quarter of 2021, and in October of 2023, the IRS issued a revised RAR. These adjustments, if sustained, would increase the company's income subject to tax by approximately $4.2 billion, with tax calculated at the relevant federal income tax rate. The company continues to strongly disagree with the IRS position and will pursue resolution at IRS Appeals and then court, if necessary. In the first quarter of 2024, the IRS concluded its examination of the company's U.S. income tax returns for 2015 and 2016 and issued a final RAR proposing adjustments related to certain cross-border transactions that occurred in 2015. The proposed adjustments, if sustained, would increase the company's income subject to tax by approximately $1.2 billion, with tax calculated at the relevant federal income tax rate. The company strongly disagrees with the IRS position and will pursue resolution at IRS Appeals and then court, if necessary. In the fourth quarter of 2021, the IRS commenced its audit of the company's U.S. tax returns for 2017 and 2018. The company anticipates that this audit will be completed in 2024. With respect to major U.S. state and foreign taxing jurisdictions, the company is generally no longer subject to tax examinations for years prior to 2016. The company is no longer subject to income tax examination of its U.S. federal tax return for years prior to 2013. The open years contain matters that could be subject to differing interpretations of applicable tax laws and regulations as it relates to the amount and/or timing of income, deductions, and tax credits. Although the outcome of tax audits is always uncertain, the company believes that adequate amounts of tax, interest and penalties have been provided for any adjustments that are expected to result for these years.

The company is involved in a number of income tax-related matters in India challenging tax assessments issued by the India Tax Authorities. As of March 31, 2024, the company had recorded $572 million as prepaid income taxes in India. A significant portion of this balance represents cash tax deposits paid over time to protect the company's right to appeal various income tax assessments made by the India Tax Authorities. Although the outcome of tax audits is always uncertain, the company believes that adequate amounts of tax, interest and penalties have been provided for any adjustments that are expected to result for these years.

The amount of unrecognized tax benefits at March 31, 2024 is $8,365 million which can be reduced by $567 million associated with timing adjustments, potential transfer pricing adjustments, and state income taxes. The net amount of $7,798 million, if recognized, would favorably affect the company's effective tax rate.

Financial Position

Dynamics

Our balance sheet at March 31, 2024 continues to provide us with flexibility to support and invest in the business.

Cash and cash equivalents, restricted cash and marketable securities at March 31, 2024 were $19,278 million, an increase of $5,815 million compared to December 31, 2023. Total debt of $59,504 million at March 31, 2024 increased $2,957 million from December 31, 2023 primarily due to net debt issuances. We issued $5,486 million of debt in the first quarter of 2024 to increase our financial liquidity and plan for our future debt maturities. We continue to manage our debt levels while being acquisitive and without sacrificing investments in our business.

In the first three months of 2024, we generated $4,168 million in cash from operating activities, an increase of $394 million compared to the first three months of 2023. Our free cash flow at March 31, 2024 was $1,910 million, an increase of $570 million versus the prior year. Refer to pages 59 through 60 for additional information on free cash flow. Our strong cash generation positions us to invest both organically and through strategic acquisitions. At the same time, we continue to return value to shareholders through dividends. We returned $1,522 million to shareholders through dividends and completed three acquisitions in the first quarter of 2024. Our cash generation supports investment and deployment of capital to areas with the most attractive long-term opportunities.

Our pension plans were well funded at the end of 2023, with worldwide qualified plans funded at 111 percent. Overall pension funded status as of the end of March 2024 was fairly consistent with year-end 2023. We expect contributions for all retirement-related plans to be approximately $1.5 billion in 2024, a decrease of approximately $0.3 billion compared to 2023.

IBM Working Capital

(Dollars in millions)	At March 31, 2024	At December 31, 2023
Current assets	$ 36,663	$ 32,908
Current liabilities	32,397	34,122
Working capital	$ 4,266	$ (1,214)
Current ratio	1.13:1	0.96:1

Working capital increased $5,480 million from the year-end 2023 position. Current assets increased $3,755 million ($4,226 million adjusted for currency) primarily in cash and cash equivalents and marketable securities; partially offset by a decrease in receivables mainly from collections of seasonally higher year-end balances. Current liabilities decreased $1,725 million ($1,299 million adjusted for currency) due to declines in short-term debt mainly due to maturities, taxes payable, and accounts payable, partially offset by an increase in deferred income mainly driven by annual customer billings.

Receivables and Allowances

Roll Forward of Total IBM Receivables Allowance for Credit Losses

(Dollars in millions)

January 1, 2024	Additions / (Releases) [1]	Write-offs [2][3]	Foreign currency and other [3]	March 31, 2024
$457	$(20)	$(89)	$(14)	$335

(1) Additions/(Releases) for allowance for credit losses are recorded in expense.

(2) Refer to note A, "Significant Accounting Policies," in our 2023 Annual Report for additional information regarding allowance for credit loss write-offs.

(3) Includes activity related to discontinued operations.

Excluding receivables classified as held for sale, the total IBM receivables provision coverage was 2.0 percent at March 31, 2024, a decrease of 30 basis points compared to December 31, 2023. The decrease in coverage is due to declines in reserves primarily driven by write-offs; partially offset by the overall decrease in total receivables. The write-offs during the three months ended March 31, 2024 primarily related to receivables from discontinued operations which had been previously reserved. Refer to Financing's "Financial Position" on page 61 for additional details regarding the Financing segment receivables and allowances.

Noncurrent Assets and Liabilities

(Dollars in millions)	At March 31, 2024	At December 31, 2023
Noncurrent assets	$ 100,506	$ 102,333
Long-term debt	$ 54,033	$ 50,121
Noncurrent liabilities (excluding debt)	$ 27,405	$ 28,385

The decrease in noncurrent assets of $1,827 million ($1,000 million adjusted for currency) is primarily due to a decrease in long-term financing receivables as a result of declines from seasonally higher year-end balances and a decrease in goodwill driven by the sale of The Weather Company assets in the first quarter of 2024.

Long-term debt increased $3,912 million ($4,331 million adjusted for currency) primarily from new debt issuances; partially offset by reclassifications to short-term debt to reflect upcoming maturities.

Noncurrent liabilities (excluding debt) decreased $980 million ($557 million adjusted for currency) primarily driven by a decrease in income tax reserves from the resolution of certain tax audit matters and a decrease in retirement and nonpension postretirement benefit obligations.

Debt

Our funding requirements are continually monitored as we execute our strategies to manage the overall asset and liability profile. Additionally, we maintain sufficient flexibility to access global funding sources as needed.

(Dollars in millions)	At March 31, 2024	At December 31, 2023
Total debt	$ 59,504	$ 56,547
Financing segment debt (1)	$ 9,921	$ 11,879
Non-Financing debt	$ 49,583	$ 44,668

(1) Refer to Financing’s “Financial Position” on page 61 for additional details.

Total debt of $59,504 million increased $2,957 million ($3,380 million adjusted for currency) from December 31, 2023, primarily driven by proceeds from issuances of $5,486 million; partially offset by maturities of $2,106 million.

Non-Financing debt of $49,583 million increased $4,915 million ($5,242 million adjusted for currency) from December 31, 2023, primarily driven by our first quarter debt issuances to increase our financial liquidity and plan for our future debt maturities.

Financing segment debt of $9,921 million decreased $1,958 million ($1,862 million adjusted for currency) from December 31, 2023, primarily due to lower funding requirements associated with financing receivables.

Financing provides financing solutions predominantly for IBM’s external client assets, and the debt used to fund Financing assets is primarily composed of intercompany loans. Total debt changes generally correspond with the level of client and commercial financing receivables, the level of cash and cash equivalents, the change in intercompany and external payables and the change in intercompany investment from IBM. The terms of the intercompany loans are set by the company to substantially match the term, currency and interest rate variability underlying the financing receivable. The Financing debt-to-equity ratio remained at 9.0 to 1 at March 31, 2024.

Interest expense relating to debt supporting Financing's external client and internal business is included in the "Financing Results of Operations" and in note 4, "Segments." In the Consolidated Income Statement, the external debt-related interest expense supporting Financing's internal financing to the company is classified as interest expense.

Equity

Total equity increased $720 million from December 31, 2023, primarily driven by an increase from net income of $1,605 million and common stock of $502 million; partially offset by dividends paid of $1,522 million.

Cash Flow

Our cash flows from operating, investing and financing activities, as reflected in the Consolidated Statement of Cash Flows on page 7, are summarized in the table below. These amounts also include the cash flows associated with the Financing business.

(Dollars in millions)

For the three months ended March 31:	2024	2023
Net cash provided by/(used in):		
Operating activities	$ 4,168	$ 3,774
Investing activities	(4,210)	(7,960)
Financing activities	1,877	5,708
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(159)	24
Net change in cash, cash equivalents and restricted cash	$ 1,676	$ 1,547

Net cash provided by operating activities increased $394 million as compared to the first three months of 2023. The increase was primarily driven by performance-related improvements within net income and timing of balance sheet dynamics including performance-based compensation payments and sales cycle working capital. Changes in operating assets and liabilities, net of acquisitions/divestitures in the Consolidated Statement of Cash Flows also includes the reduction of tax reserves which is reflected as a non-cash adjustment to reconcile net income/(loss) to cash from operating activities.

Net cash used in investing activities decreased $3,750 million mainly driven by lower purchases of marketable securities and other investments; partially offset by an increase in cash provided by divestitures.

Net cash provided by financing activities decreased $3,831 million mainly due to a decrease in net cash provided by debt of $3,923 million primarily driven by a lower level of net issuances in the current year.

Looking Forward

Technology has proven to be a fundamental source of competitive advantage. Continued demand for technology will serve as a major driving force behind global economic and business growth as businesses look to scale, offer better services, drive efficiencies and seize new market opportunities. AI-driven productivity in particular continues to be a top priority for businesses for both cost reductions and new revenue opportunities.

Enterprise AI continues to gain traction. In 2024, we anticipate more clients moving from experimenting to deploying AI at scale to unlock productivity. We believe our comprehensive AI strategy is well positioned to help clients scale AI. We developed our watsonx platform for clients to build their AI solutions, spanning from foundation model training to data preparation and governance. We have leveraged watsonx to build AI assistants throughout our software portfolio, our consultants are helping clients navigate the AI landscape and are also leveraging AI technologies in the delivery of those services, and our Infrastructure segment is playing a larger role as clients leverage their hardware investments in their AI strategies. For example, as AI becomes widely adopted, IBM Z is uniquely advantaged. Our full-stack focus, from on-chip AI processing to AI accelerator cards, to watsonx platform support, allows models to be built and trained on any platform, and easily deployed on IBM Z. Our Storage offerings are benefiting from generative AI where industry-leading performance and scalability is utilized for data-curation, model-building, and fine-tuning.

We are committed to an open innovation ecosystem around AI, to help our clients maximize flexibility and leverage skills and we believe IBM with Red Hat can be a key driver of open-source AI. We have recently released a family of state-of-the-art open-source code models from our Granite series, and Red Hat and IBM launched InstructLab to evolve and improve AI models. Our partner ecosystem remains essential to both AI and hybrid cloud growth and we continue to progress strategy partnerships with industry leaders.

We continue to invest in emerging technologies, bringing new innovations to market. In early April 2024, we installed a Quantum System One at Rensselaer Polytechnic Institute, the first IBM quantum system on a college campus anywhere in the world. This installation will advance research in critical areas such as energy, storage, materials science and financial modeling. As we remain focused on portfolio optimization, we closed the sale of The Weather Company assets in January. To complement our portfolio, we completed three acquisitions in the first quarter of 2024, and we expect to close the announced acquisition of StreamSets and webMethods from Software AG by mid-year.

On April 24, 2024, we announced our intent to acquire all of the outstanding shares of HashiCorp. The combination of IBM's and HashiCorp's combined portfolios will help clients manage growing application and infrastructure complexity and create a comprehensive end-to-end hybrid cloud platform designed for the AI era. Under the terms of the definitive agreement, HashiCorp shareholders will receive $35 per share in cash, representing a total enterprise value of approximately $6.4 billion. The transaction is expected to close by the end of 2024, subject to approval by HashiCorp shareholders, regulatory approvals and other customary closing conditions. Upon closing, HashiCorp will be integrated into the Software segment.

We had a positive start to 2024. We continue to invest organically and inorganically, bring new products and innovation to market, expand our ecosystem and drive productivity across our business. Our first quarter performance is another proof point of this progress. We are a more focused business that has delivered sustained revenue and cash flow growth – a business well positioned for the future.

Retirement-Related Plans

Our pension plans are well funded. Contributions for all retirement-related plans are expected to be approximately $1.5 billion in 2024, of which $0.2 billion generally relates to legally required contributions to non-U.S. defined benefit and multi-employer plans. The expected decrease of $0.3 billion in total contributions for 2024 is primarily driven by ongoing dynamics of our retirement-related plans, including the change in U.S. retirement-related benefits in first-quarter 2024, described in note 18, "Retirement-Related Benefits". We expect 2024 pre-tax retirement-related plan cost to be approximately $1.5 billion, an increase of approximately $0.3 billion compared to 2023. Within total retirement-related plan cost, operating retirement-related plan cost is expected to be approximately $1.1 billion, a decrease of approximately $0.1 billion compared to 2023. Non-operating retirement-related plan cost is expected to be approximately $0.4 billion, an increase of approximately $0.5 billion compared to 2023, primarily driven by higher recognized actuarial losses, partially offset by lower interest cost.

Currency Rate Fluctuations

Changes in the relative values of non-U.S. currencies to the USD affect our financial results and financial position. At March 31, 2024, currency changes resulted in assets and liabilities denominated in local currencies being translated into fewer dollars than at year-end 2023. We use financial hedging instruments to limit specific currency risks related to foreign currency-based transactions.

Movements in currency, and the fact that we do not hedge 100 percent of our currency exposures, will result in a currency impact to our revenues, profit and cash flows throughout 2024. We execute a hedging program which defers, versus eliminates, the volatility of currency impacts on our financial results. During periods of sustained movements in currency, the marketplace and competition adjust to the changing rates over time.

We translate revenue, cost and expense in our non-U.S. operations at current exchange rates in the reported period. References to "adjusted for currency" or "constant currency" reflect adjustments based upon a simple mathematical formula. However, this constant currency methodology that we utilize to disclose this information does not incorporate any operational actions that management could take to mitigate fluctuating currency rates. Based on the currency rate movements in the first quarter of 2024, revenue from continuing operations increased 1.5 percent as reported and 3 percent at constant currency compared to the prior year. In the first quarter of 2024, currency translation and hedging negatively impacted year-to-year pre-tax income growth and operating (non-GAAP) pre-tax income growth by approximately $200 million and $150 million, respectively. From a segment perspective, in the first quarter of 2024, currency translation and hedging negatively impacted our Software, Consulting and Infrastructure segment profit margin year-to-year growth by approximately one point each. We view these amounts as a theoretical maximum impact to our as-reported financial results. Hedging and certain underlying foreign currency transaction gains and losses are allocated to our segment results. Considering the operational responses mentioned above, movements of exchange rates, and the nature and timing of hedging instruments, it is difficult to predict future currency impacts on any particular period.

For non-U.S. subsidiaries and branches that operate in U.S. dollars or whose economic environment is highly inflationary, translation adjustments are reflected in results of operations. Generally, we manage currency risk in these entities by linking prices and contracts to U.S. dollars.

Liquidity and Capital Resources

In our 2023 Annual Report, on pages 30 to 32, there is a discussion of our liquidity including two tables that present three years of data. The table presented on page 30 includes net cash from operating activities, cash and cash equivalents, restricted cash and short-term marketable securities, and the size of our global credit facilities for each of the past three years. For the three months ended, or at, as applicable, March 31, 2024, those amounts are $4.2 billion of net cash from operating activities, $19.3 billion of cash and cash equivalents, restricted cash and short-term marketable securities and $10.0 billion in global credit facilities, respectively. While we have no current plans to draw on these credit facilities, they are available as back-up liquidity.

The major rating agencies' ratings on our debt securities at March 31, 2024 appear in the following table and remain unchanged from December 31, 2023.

IBM Ratings:	**Standard and Poor's**	**Moody's Investors Service**	**Fitch Ratings**
Senior long-term debt	A-	A3	A-
Commercial paper	A-2	Prime-2	F1

We have ample financial flexibility, supported by our strong liquidity position and cash flows, to operate at a single A credit rating. Debt levels have increased $3.0 billion from December 31, 2023, driven by debt issuances; partially offset by maturities. In the first quarter of 2024, we issued $5.5 billion of debt to increase our financial liquidity and plan for our future debt maturities. Refer to note 12, “Borrowings,” for additional information.

We do not have “ratings trigger” provisions in our debt covenants or documentation, which would allow the holders to declare an event of default and seek to accelerate payments thereunder in the event of a change in credit rating. Our debt covenants are well within the required levels. Our contractual agreements governing derivative instruments contain standard market clauses which can trigger the termination of the agreement if our credit rating were to fall below investment grade. At March 31, 2024, the fair value of those instruments that were in a liability position was $564 million, before any applicable netting, and this position is subject to fluctuations in fair value period to period based on the level of our outstanding instruments and market conditions. We have no other contractual arrangements that, in the event of a change in credit rating, would result in a material adverse effect on our financial position or liquidity.

We prepare our Consolidated Statement of Cash Flows in accordance with applicable accounting standards for cash flow presentation on page 7 of this Form 10-Q and highlight causes and events underlying sources and uses of cash in that format on page 57. For the purpose of running its business, IBM manages, monitors and analyzes cash flows in a different manner.

Management uses free cash flow as a measure to evaluate its operating results, plan shareholder return levels, strategic investments and assess its ability and need to incur and service debt. The entire free cash flow amount is not necessarily available for discretionary expenditures. We define free cash flow as net cash from operating activities less the change in Financing receivables and net capital expenditures, including the investment in software. A key objective of the Financing business is to generate strong returns on equity, and our Financing receivables are the basis for that growth. Accordingly, management considers Financing receivables as a profit-generating investment, not as working capital that should be minimized for efficiency. Therefore, management includes presentations of both free cash flow and net cash from operating activities that exclude the effect of Financing receivables.

The following is management's view of cash flows for the first three months of 2024 and 2023 prepared in a manner consistent with the description above.

(Dollars in millions)

For the three months ended March 31:	2024	2023
Net cash from operating activities per GAAP	$ 4,168	$ 3,774
Less: change in Financing receivables	1,897	1,977
Net cash from operating activities, excluding Financing receivables	$ 2,271	$ 1,797
Capital expenditures, net	(361)	(457)
Free cash flow	$ 1,910	$ 1,340
Acquisitions	(82)	(22)
Divestitures	703	—
Dividends	(1,522)	(1,497)
Non-Financing debt	5,244	9,692
Other (includes Financing net receivables and Financing debt)	(437)	(762)
Change in cash, cash equivalents, restricted cash and short-term marketable securities	$ 5,815	$ 8,752

In the first three months of 2024, we generated $1.9 billion in free cash flow, an increase of $0.6 billion versus the prior-year period. The increase was primarily driven by performance-related improvements within net income and approximately $400 million from timing of balance sheet dynamics including performance-based compensation payments, sales cycle working capital and capital expenditures. In the first quarter of 2024, we continued to return value to shareholders with $1.5 billion in dividends.

Events that could temporarily change the historical cash flow dynamics discussed previously and in our 2023 Annual Report include significant changes in operating results, material changes in geographic sources of cash, unexpected adverse impacts from litigation, future pension funding requirements, periods of severe downturn in the capital markets or the timing of tax payments. Whether any litigation has such an adverse impact will depend on a number of variables, which are more completely described in note 14, "Contingencies," in this Form 10-Q. With respect to pension funding, we expect to make legally mandated pension plan contributions to certain non-U.S. defined benefit plans of approximately $200 million in 2024. Contributions related to all retirement-related plans are expected to be approximately $1.5 billion in 2024. Refer to "Retirement-Related Plans" for additional information. Financial market performance could increase the legally mandated minimum contributions in certain non-U.S. countries that require more frequent remeasurement of the funded status. We are not quantifying any further impact from pension funding because it is not possible to predict future movements in the capital markets or changes in pension plan funding regulations. In 2024, we are not legally required to make any contributions to the U.S. defined benefit pension plans.

Our cash flows are sufficient to fund our current operations and obligations, including investing and financing activities such as dividends and debt service. When additional requirements arise, we have several liquidity options available. These options may include the ability to borrow additional funds at reasonable interest rates and utilizing our committed global credit facilities. Our overall shareholder payout remains at a comfortable level and we remain fully committed to our long-standing dividend policy.

Financing

Financing is a reportable segment that facilitates IBM clients' acquisition of hardware, software and services by providing financing solutions, while generating solid returns on equity.

Results of Operations

(Dollars in millions) For the three months ended March 31:	2024	2023	Yr. to Yr. Percent Change
Revenue	$ 193	$ 196	(1.6)%
Segment profit (1)	$ 92	$ 100	(8.4)%

(1) Prior-year amounts recast to reflect segment changes.

For the three months ended March 31, 2024, financing revenue decreased 1.6 percent as reported (1.5 percent adjusted for currency) compared to the prior-year period, primarily driven by client financing revenue due to a decrease in assets.

Financing segment profit decreased 8.4 percent to $92 million compared to the prior-year period and the segment profit margin of 47.7 percent decreased 3.5 points year to year. The decrease in segment profit was primarily driven by settlements on non-accrual assets in the prior year.

Financial Position

(Dollars in millions)	At March 31, 2024	At December 31, 2023
Cash and cash equivalents	$ 410	$ 555
Client financing receivables:		
Net investment in sales-type and direct financing leases (1)	3,922	4,237
Client loans	5,455	6,486
Total client financing receivables	$ 9,377	$ 10,723
Commercial financing receivables:		
Held for investment	435	1,155
Held for sale	644	692
Other receivables	27	26
Total external receivables (2)	$ 10,483	$ 12,596
Intercompany assets (3)	786	963
Other assets	256	294
Total assets	$ 11,935	$ 14,409
Intercompany payables (3)(4)	$ 384	$ 423
Debt (5)	9,921	11,879
Other liabilities	528	783
Total liabilities (4)	$ 10,833	$ 13,085
Total equity (4)	$ 1,102	$ 1,324
Total liabilities and equity	$ 11,935	$ 14,409

(1) Includes deferred initial direct costs which are expensed in IBM's consolidated financial results.

(2) The difference between the decrease in total external receivables of $2.1 billion (from $12.6 billion in December 2023 to $10.5 billion in March 2024) and the $1.9 billion change in Financing segment's receivables disclosed in the free cash flow presentation on page 60 is primarily attributable to currency impacts.

(3) This entire amount is eliminated for purposes of IBM's consolidated financial results and therefore does not appear in the Consolidated Balance Sheet.

(4) Prior-year amounts recast to reflect segment changes.

(5) Financing segment debt is primarily composed of intercompany loans.

Financing Segment Receivables and Allowances

The following table presents external Financing segment receivables excluding receivables classified as held for sale, and immaterial miscellaneous receivables.

(Dollars in millions)	At March 31, 2024	At December 31, 2023
Amortized cost [1]	$ 9,957	$ 12,034
Specific allowance for credit losses	110	111
Unallocated allowance for credit losses	34	45
Total allowance for credit losses	145	156
Net financing receivables	$ 9,813	$ 11,878
Allowance for credit losses coverage	1.5 %	1.3 %

(1) Includes deferred initial direct costs which are expensed in IBM's consolidated financial results.

The percentage of Financing segment receivables reserved increased from 1.3 percent at December 31, 2023 to 1.5 percent at March 31, 2024, primarily driven by the decline in amortized cost.

We continue to apply our rigorous credit policies. Approximately 73 percent of the total external portfolio was with investment grade clients, essentially flat compared to December 31, 2023. This investment grade percentage is based on the credit ratings of the companies in the portfolio and reflects certain mitigation actions taken to reduce the risk to IBM.

For additional information relating to the company's credit quality and mitigation actions, including sales of receivables, refer to note 9, "Financing Receivables."

Return on Equity Calculation

(Dollars in millions) For the three months ended March 31:	2024	2023 [1]
Numerator:		
Financing after-tax segment profit [2]	$ 75	$ 82
Annualized after-tax segment profit (A)	$ 300	$ 329
Denominator:		
Average Financing equity (B) [3]	$ 1,213	$ 1,302
Financing return on equity (A)/(B)	24.7 %	25.3 %

(1) Prior-year amounts recast to reflect segment changes.

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

(3) Average of the ending equity for Financing for the last two quarters.

Return on equity was 24.7 percent compared to 25.3 percent for the three months ended March 31, 2024, and 2023, respectively. The decrease was driven by a decrease in net income partially offset by a lower average equity balance.

Residual Value

The following table presents the recorded amount of unguaranteed residual value for sales-type and direct financing leases at March 31, 2024 and December 31, 2023. In addition, the table presents the run out of when the unguaranteed residual value assigned to equipment on leases at March 31, 2024 is expected to be returned to the company. The unguaranteed residual value for operating leases at March 31, 2024 and December 31, 2023 was not material. For additional information related to the company's residual value, refer to note A, "Significant Accounting Policies," in the company's 2023 Annual Report.

Unguaranteed Residual Value

			Estimated Run Out of March 31, 2024 Balance			
(Dollars in millions)	At December 31, 2023	At March 31, 2024	2024	2025	2026	2027 and Beyond
Sales-type and direct financing leases	$ 458	$ 424	$ 33	$ 137	$ 124	$ 130

GAAP Reconciliation

The tables below provide a reconciliation of our income statement results as reported under GAAP to our operating earnings presentation which is a non-GAAP measure. Management's calculation of operating (non-GAAP) earnings, as presented, may differ from similarly titled measures reported by other companies. Refer to the "Operating (non-GAAP) Earnings" section for management's rationale for presenting operating earnings information.

(Dollars in millions except per share amounts) For the three months ended March 31, 2024:	GAAP	Acquisition-Related Adjustments	Retirement-Related Adjustments	U.S. Tax Reform Impacts [1]	Operating (non-GAAP)
Gross profit	$ 7,742	$ 170	$ —	$ —	$ 7,913
Gross profit margin	53.5 %	1.2 pts.	— pts.	— pts.	54.7 %
SG&A	$ 4,974	$ (268)	$ —	$ —	$ 4,706
Other (income) and expense [2]	$ (317)	$ (50)	$ (96)	$ —	$ (463)
Total expense and other (income)	$ 6,669	$ (318)	$ (96)	$ —	$ 6,255
Pre-tax income from continuing operations	$ 1,074	$ 488	$ 96	$ —	$ 1,658
Pre-tax margin from continuing operations	7.4 %	3.4 pts.	0.7 pts.	— pts.	11.5 %
Provision for/(benefit from) income taxes [3]	$ (502)	$ 142	$ 5	$ 448	$ 94
Effective tax rate	(46.7)%	22.3 pts.	3.0 pts.	27.0 pts.	5.6 %
Income from continuing operations	$ 1,575	$ 346	$ 91	$ (448)	$ 1,564
Income margin from continuing operations	10.9 %	2.4 pts.	0.6 pts.	(3.1)pts.	10.8 %
Diluted earnings per share from continuing operations	$ 1.69	$ 0.37	$ 0.10	$ (0.48)	$ 1.68

(Dollars in millions except per share amounts) For the three months ended March 31, 2023:	GAAP	Acquisition-Related Adjustments	Retirement-Related Adjustments	U.S. Tax Reform Impacts	Operating (non-GAAP)
Gross profit	$ 7,509	$ 148	$ —	$ —	$ 7,658
Gross profit margin	52.7 %	1.0 pts.	— pts.	— pts.	53.7 %
SG&A	$ 4,853	$ (246)	$ —	$ —	$ 4,607
Other (income) and expense	$ (245)	$ (2)	$ 5	$ —	$ (242)
Total expense and other (income)	$ 6,451	$ (247)	$ 5	$ —	$ 6,209
Pre-tax income from continuing operations	$ 1,058	$ 396	$ (5)	$ —	$ 1,449
Pre-tax margin from continuing operations	7.4 %	2.8 pts.	0.0 pts.	— pts.	10.2 %
Provision for income taxes [3]	$ 124	$ 91	$ (10)	$ (5)	$ 200
Effective tax rate	11.7 %	3.1 pts.	(0.7) pts.	(0.3)pts.	13.8 %
Income from continuing operations	$ 934	$ 305	$ 5	$ 5	$ 1,249
Income margin from continuing operations	6.6 %	2.1 pts.	0.0 pts.	0.0 pts.	8.8 %
Diluted earnings per share from continuing operations	$ 1.02	$ 0.33	$ 0.01	$ 0.01	$ 1.36

(1) 2024 includes a benefit from income taxes due to the resolution of certain tax audit matters.

(2) Acquisition-Related Adjustments in 2024 includes a loss of $50 million on foreign exchange call option contracts related to the company's planned acquisition of StreamSets and webMethods from Software AG. Refer to note 16, "Derivative Financial Instruments," for additional information.

(3) The tax impact on operating (non-GAAP) pre-tax income from continuing operations is calculated under the same accounting principles applied to theGAAP pre-tax income which employs an annual effective tax rate method to the results.

Forward-Looking and Cautionary Statements

Except for the historical information and discussions contained herein, statements contained in this Form 10-Q may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on the company's current assumptions regarding future business and financial performance. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, including, but not limited to, the following: a downturn in economic environment and client spending budgets; a failure of the company's innovation initiatives; damage to the company's reputation; 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; the company's ability to successfully manage acquisitions, alliances and dispositions, including integration challenges, failure to achieve objectives, the assumption of liabilities and higher debt levels; fluctuations in financial results; impact of local legal, economic, political, health and other conditions; the company's failure to meet growth and productivity objectives; ineffective internal controls; the company's use of accounting estimates; impairment of the company's goodwill or amortizable intangible assets; the company's ability to attract and retain key employees and its reliance on critical skills; impacts of relationships with critical suppliers; product quality issues; impacts of business with government clients; reliance on third party distribution channels and ecosystems; cybersecurity and data privacy considerations; adverse effects related to climate change and environmental matters; tax matters; legal proceedings and investigatory risks; the company's pension plans; currency fluctuations and customer financing risks; impact of changes in market liquidity conditions and customer credit risk on receivables; potential failure of the separation of Kyndryl Holdings, Inc. to qualify for tax-free treatment; risk factors related to IBM securities; and other risks, uncertainties and factors discussed in the company's Form 10-Qs, Form 10-K and in the company's other filings with the U.S. Securities and Exchange Commission or in materials incorporated therein by reference. Any forward-looking statement in this Form 10-Q speaks only as of the date on which it is made. Except as required by law, the company assumes no obligation to update or revise any forward-looking statements.

Item 4. Controls and Procedures

The company's management evaluated, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the company's disclosure controls and procedures were effective as of the end of the period covered by this report. There has been no change in the company's internal control over financial reporting that occurred during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

Part II — Other Information

Item 1. Legal Proceedings

Refer to note 14, "Contingencies," in this Form 10-Q.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds and Issuer Repurchases of Equity Securities

The following table provides information relating to the company's repurchase of common stock for the first quarter of 2024.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under The Program (1)
January 1, 2024 - January 31, 2024	—	$ —	—	$ 2,007,611,768
February 1, 2024 - February 29, 2024	—	$ —	—	$ 2,007,611,768
March 1, 2024 - March 31, 2024	—	$ —	—	$ 2,007,611,768
Total	—	$ —	—	

(1) On October 30, 2018, the Board of Directors authorized $4.0 billion in funds for use in the company's common stock repurchase program. The company stated that it would repurchase shares on the open market or in private transactions depending on market conditions. The common stock repurchase program does not have an expiration date. This table does not include shares tendered to satisfy the exercise price in connection with cashless exercises of employee stock options or shares tendered to satisfy tax withholding obligations in connection with employee equity awards. The company suspended its share repurchase program at the time of the Red Hat closing in 2019.

Item 5. Other Information

Amendment to By-Laws

As disclosed in the company's 2024 Proxy Statement filed on March 11, 2024, Joseph R. Swedish was not a nominee for election at the company's annual meeting of stockholders held on April 30, 2024, and his term on the Board of Directors ended. As a result, Article III, Section 2 of the company's By-Laws was amended to decrease the number of directors to thirteen, effective April 30, 2024. The full text of IBM's By-Laws, as amended effective April 30, 2024, is included as Exhibit 3.2 to this report.

Item 6. Exhibits

Exhibit Number	
3.2	The By-Laws of IBM, as amended through April 30, 2024.
4.1	The instruments defining the rights of the holders of the 4.700% Notes due 2026, the 4.600% Notes due 2027, the 4.600% Notes due 2029, the 4.750% Notes due 2031, the 4.900% Notes due 2034, the 5.250% Notes due 2044 and the 5.300% Notes due 2054 are Exhibits 4.2, 4.3, 4.4, 4.5, 4.6, 4.7 and 4.8 to Form 8-K, filed February 2, 2024, and are hereby incorporated by reference.
10.1	Forms of LTPP equity award agreements for (i) stock options, restricted stock, restricted stock units, cash-settled restricted stock units, SARs, (ii) performance share units, and (iii) retention restricted stock unit awards, cash-settled retention restricted stock units, effective February 19, 2024.
10.2	Form of Noncompetition Agreement.
22	Subsidiary Issuer of Guaranteed Securities.
31.1	Certification by principal executive officer pursuant to Rule 13A-14(a) or 15D-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by principal financial officer pursuant to Rule 13A-14(a) or 15D-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document – the instance document does not appear on the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File – the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

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 thereunto duly authorized.

International Business Machines Corporation
(Registrant)

Date: April 30, 2024

By: /s/ Nicolás A. Fehring
Nicolás A. Fehring
Vice President and Controller

Exhibit 3.2

BY-LAWS

of

INTERNATIONAL BUSINESS MACHINES CORPORATION

Adopted April 29,1958

As Amended Through

April 30, 2024

TABLE OF CONTENTS

BY-LAWS

OF

INTERNATIONAL BUSINESS MACHINES CORPORATION

ARTICLE I

DEFINITIONS

In these By-laws, and for all purposes hereof, unless there be something in the subject or context inconsistent therewith:

(a) ‘Board' shall mean the Board of Directors of the Corporation.

(b) 'Certificate of Incorporation' shall mean the restated Certificate of Incorporation as filed on May 27, 1992, together with any and all amendments and subsequent restatements thereto.

(c) 'Chairman of the Board', 'Vice Chairman, 'Chairman of the Executive Committee', 'Chief Executive Officer,' 'Chief Financial Officer', 'Chief Accounting Officer', 'President', 'Executive Vice President', 'Senior Vice President', 'Vice President', 'Treasurer', 'Secretary', or 'Controller', as the case may be, shall mean the person at any given time occupying the particular office with the Corporation.

(d) 'Corporation' shall mean International Business Machines Corporation.

(e) ‘Exchange Act’ shall mean the Securities Exchange Act of 1934, as amended.

(f) ‘Lead Director’ shall mean, at any given time, the lead, independent member of the Board of Directors of the Corporation occupying such position.

(g) 'stockholders' shall mean the stockholders of the Corporation.

ARTICLE II

MEETINGS OF STOCKHOLDERS

SECTION 1. Place of Meetings. Meetings of the stockholders of the Corporation shall be held at such place either within or outside the State of New York as may from time to time be fixed by the Board or specified or fixed in the notice of any such meeting.

SECTION 2. Annual Meetings. The annual meeting of the stockholders of the Corporation for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held on the last Tuesday of April of each year, if not a legal holiday, or, if such day shall be a legal holiday, then on the next succeeding day not a legal holiday, or any other day as determined by the Board. If the directors to be elected at such annual meeting shall not have been elected thereat or at any adjournment thereof, the Board shall forthwith call a special meeting of the stockholders for the election of directors to be held as soon thereafter as convenient and give notice thereof as provided in these By-laws in respect of the notice of an annual meeting of the stockholders. At such special meeting the stockholders may elect the directors and transact other business with the same force and effect as at an annual meeting of the stockholders duly called and held.

SECTION 3. Special Meetings. Special meetings of the stockholders, unless otherwise provided by law, may be called at any time by the Chairman of the Board or by the Board, and shall be called by the Board upon written request delivered to the Secretary of the Corporation by the holder(s) with the power to vote and dispose of at least 25% of the outstanding shares of the Corporation. Such request shall be signed by each such holder, stating the number of shares owned by each holder, and shall indicate the purpose of the requested meeting and provide the other information required for the submission of business at an annual meeting pursuant to Section 7 of this Article II. In addition, any stockholder(s) requesting a special meeting shall promptly provide any other information reasonably requested by the Corporation. Business conducted at a special meeting shall be limited to that specified in the notice of meeting.

SECTION 4. Notice of Meetings. Notice of each meeting of the stockholders, annual or special, shall be given in the name of the Chairman of the Board, a Vice Chairman or the President or a Vice President or the Secretary. Such notice shall state the purpose or purposes for which the meeting is called and the date and hour when and the place where it is to be held. A copy thereof shall be duly delivered or transmitted to all stockholders of record entitled to vote at such meeting, and all stockholders of record who, by reason of any action proposed to be taken at such meeting, would be entitled to have their stock appraised if such action were taken, not less than ten or more than sixty days before the day on which the meeting is called to be held. If mailed, such copy shall be directed to each stockholder at the address listed on the record of stockholders of the Corporation, or if the stockholder shall have filed with the Secretary a written request that notices be mailed to some other address, it shall be mailed to the address designated in such request. Nevertheless, notice of any meeting of the stockholders shall not be required to be given to any stockholder who shall waive notice thereof as hereinafter provided in Article IX of these By-laws. Except when expressly required by law, notice of any adjourned meeting of the stockholders need not be given nor shall publication of notice of any annual or special meeting thereof be required.

SECTION 5. Quorum. Except as otherwise provided by law, at all meetings of the stockholders, the presence of holders of record of a majority of the outstanding shares of stock of the Corporation having voting power, in person or represented by proxy and entitled to vote thereat, shall be necessary to constitute a quorum for the transaction of business. In the absence of a quorum at any such meeting or any adjournment or adjournments thereof, a majority in voting interest of those present in person or represented by proxy and entitled to vote thereat, or, in the absence of all the stockholders, any officer entitled to preside at, or to act as secretary of, such meeting, may adjourn such meeting from time to time without further notice, other than by announcement at the meeting at which such adjournment shall be taken, until a quorum shall be present thereat. At any adjourned meeting at which a quorum shall be present any business may be transacted which might have been transacted at the meeting as originally called.

SECTION 6. Organization. At each meeting of the stockholders, the Chairman of the Board, or in the absence of the Chairman of the Board, the President, or in the absence of the Chairman of the Board and the President, a Vice Chairman, or if the Chairman of the Board, the President, and all Vice Chairmen shall be absent therefrom, an Executive Vice President, or if the Chairman of the Board, the President, all Vice Chairmen and all Executive Vice Presidents shall be absent therefrom, a Senior Vice President shall act as chairman. The Secretary, or, if the Secretary shall be absent from such meeting or unable to act, the person whom the Chairman of such meeting shall appoint secretary of such meeting shall act as secretary of such meeting and keep the minutes thereof.

SECTION 7. Items of Business. The items of business at all meetings of the stockholders shall be, insofar as applicable, as follows:

-- Call to order.

-- Proof of notice of meeting or of waiver thereof.

-- Appointment of inspectors of election, if necessary.

-- A quorum being present.

-- Reports.

-- Election of directors

-- Other business specified in the notice of the meeting.

-- Adjournment.

Any items of business not referred to in the foregoing may be taken up at the meeting as the chairman of the meeting shall determine.

No business shall be transacted at any annual meeting of stockholders, except business as may be: (i) specified in the notice of meeting (including stockholder proposals included in the Corporation’s proxy materials under Rule 14a-8 of Regulation 14A under the Exchange Act), (ii) otherwise brought before the meeting by or at the direction of the Board of Directors, (iii) a proper subject for the meeting which is timely submitted by a stockholder of the Corporation entitled to vote at such meeting who complies fully with the notice requirements set forth below or (iv) a director nomination submitted by a stockholder in accordance with Section 11 of this Article II.

For (a) business to be properly submitted by a stockholder before any annual meeting under subparagraph (iii) above, or (b) any stockholder to properly nominate any person for election as a director of the Corporation (other than director nominations submitted in accordance with Section 11 of this Article II), a stockholder must give timely notice in writing of such business or nomination to the Secretary of the Corporation in accordance with this Section 7. To be considered timely, a stockholder's notice must be received by the Secretary at the principal executive offices of the Corporation not less than 120 calendar days nor more than 150 calendar days before the anniversary date of the Corporation's proxy statement released to stockholders in connection with the prior year's annual meeting.

However, if no annual meeting was held in the previous year, or if the date of the applicable annual meeting has been changed by more than 30 days from the anniversary date of the prior year's annual meeting, a stockholder's notice must be received by the Secretary not later than the 10th calendar day following the date on which the Corporation publicly announces the date of the applicable annual meeting.

A stockholder's notice to the Secretary to submit business or nominate directors (other than director nominations submitted in accordance with Section 11 of this Article II) at an annual meeting of stockholders shall set forth: (i) the name and address of the stockholder, (ii) the number of shares of stock held of record and beneficially by such stockholder, (iii) the name in which all such shares of stock are registered on the stock transfer books of the Corporation, (iv) a representation that the stockholder intends to appear at the meeting in person or by proxy to submit the business specified in such notice, (v) a brief description of the business desired to be submitted to the annual meeting, including the complete text of any resolutions intended to be presented at the annual meeting, and the reasons for conducting such nomination or business at the annual meeting, (vi) any personal or other material interest of the stockholder in the nomination or business to be submitted, and (vii) all other information which may be required to be disclosed under applicable law, including in connection with a solicitation of proxies, with respect to such nomination or business. Such notice shall include a true, complete and signed questionnaire with respect to such stockholder and, if applicable, with respect to each nominee of such stockholder for election as a director of the Corporation, in a form which shall be provided by the Secretary of the Corporation upon written request. In addition, a stockholder submitting such notice shall promptly provide any other information reasonably requested by the Corporation.

The stockholder submitting such notice shall, no later than five (5) business days following the record date for the applicable meeting, deliver to the Secretary at the principal executive offices of the Corporation, a written notice disclosing any changes to the information so submitted, as of such record date.

The chairman of the meeting shall determine all matters relating to the efficient conduct of the meeting, including, but not limited to, the items of business, as well as the maintenance of order and decorum. The chairman shall, if the facts warrant, determine and declare that any putative nomination or business was not properly brought before the meeting in accordance with the procedures prescribed by this Section 7, in which case such nomination shall not be considered or such business shall not be transacted. The order in which items of business will be considered will be determined by the chairman.

Notwithstanding the foregoing provisions of this Section 7, a stockholder who seeks to have any proposal included in the Corporation's proxy materials shall comply with the requirements of Rule 14a-8 under Regulation 14A of the Exchange Act.

SECTION 8. Voting. Except as otherwise provided by law, each holder of record of shares of stock of the Corporation having voting power shall be entitled at each meeting of the stockholders to one vote for every share of such stock standing in the stockholder's name on the record of stockholders of the Corporation:

(a) on the date fixed pursuant to the provisions of Section 5 of Article VII of these By-laws as the record date for the determination of the stockholders who shall be entitled to vote at such meeting, or

(b) if such record date shall not have been so fixed, then at the close of business on the day next preceding the day on which notice of such meeting shall have been given, or

(c) if such record date shall not have been so fixed and if no notice of such meeting shall have been given, then at the time of the call to order of such meeting.

Any vote on stock of the Corporation at any meeting of the stockholders may be given by the stockholder of record entitled thereto in person or by proxy appointed by such stockholder or by the stockholder's attorney thereunto duly authorized and delivered or transmitted to the secretary of such meeting at or prior to the time designated in the order of business for turning in proxies. At all meetings of the stockholders at which a quorum shall be present, all matters (except where otherwise provided by law, the Certificate of Incorporation or these By-laws) shall be decided by the vote of a majority in voting interest of the stockholders present in person or represented by proxy and entitled to vote thereat. Unless required by law, or determined by the chairman of the meeting to be advisable, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or by the stockholder's proxy as such, if there be such proxy.

SECTION 9. List of Stockholders. A list, certified by the Secretary, of the stockholders of the Corporation entitled to vote shall be produced at any meeting of the stockholders upon the request of any stockholder of the Corporation pursuant to the provisions of applicable law, the Certificate of Incorporation or these By-laws.

SECTION 10. Inspectors of Election. Prior to the holding of each annual or special meeting of the stockholders, two inspectors of election to serve thereat shall be appointed by the Board, or, if the Board shall not have made such appointment, by the Chairman of the Board. If there shall be a failure to appoint inspectors, or if, at any such meeting, any inspector so appointed shall be absent or shall fail to act or the office shall become vacant, the chairman of the meeting may, and at the request of a stockholder present in person and entitled to vote at such meeting shall, appoint such inspector or inspectors of election, as the case may be, to act thereat. The inspectors of election so appointed to act at any meeting of the stockholders, before entering upon the discharge of their duties, shall be sworn faithfully to execute the duties of inspectors at such meeting, with strict impartiality and according to the best of their ability, and the oath so taken shall be subscribed by them. Such inspectors of election shall take charge of the polls, and, after the voting on any question, shall make a certificate of the results of the vote taken. No director or candidate for the office of director shall act as an inspector of an election of directors. Inspectors need not be stockholders.

SECTION 11. Proxy Access.

(a) The Corporation shall include in its proxy statement for an annual meeting of the stockholders, the name, together with the required information specified below, of any person nominated for election to the Board by a stockholder that satisfies, or by a group of no more than 20 stockholders that satisfy, the requirements of this Section 11, and who expressly elects at the time of providing the notice required by this Section 11 to have its nominee included in the Corporation's proxy materials pursuant to this Section 11. The number of stockholders to be counted towards the 20-stockholder limit in the foregoing sentence shall be the aggregate number of record stockholders and beneficial owners whose ownership is counted for the purposes of satisfying the ownership requirements set forth in paragraph (e) of this Section 11. Two or more funds that are (i) under common management and investment control or (ii) under common management and funded primarily by the same employer or (iii) a "group of investment companies," as such term is defined in Section 12(d)(1)(G)(ii) of the Investment Company Act of 1940, as amended, shall be treated as one stockholder for purposes of determining the aggregate number of stockholders in this paragraph and shall be treated as one person for the purpose of determining "ownership" as defined in paragraph (d) of this Section 11; provided that the funds provide documentation reasonably satisfactory to the Corporation to demonstrate that such funds satisfy the requirements of clause (i), (ii) or (iii) above. No stockholder may be a member of more than one group using the proxy access procedures set forth in this Section 11, and no shares of stock may be attributed to more than one stockholder or group of stockholders. If any person purports to be a member of more than one group of stockholders, such person shall only be deemed to be a member of the group that has the largest ownership position (as reflected in the notice provided pursuant to this Section 11).

For purposes of this Section 11, the information that the Corporation will be required to include in its proxy statement is: (i) the information concerning the nominee and the stockholder or group of stockholders who nominated such nominee that is required to be disclosed in the Corporation's proxy statement by the regulations promulgated under the Exchange Act; and (ii) if such stockholder or group of stockholders so elects, a statement pursuant to paragraph (j) of this Section 11. To be timely, this required information must be included in the notice required to be submitted to the Secretary of the Corporation pursuant to paragraph (b) of this Section 11. Nothing in this Section 11 shall limit the Corporation's ability to solicit against or for, and include in its proxy materials its own statements relating to, any nominee or any nominating stockholder or group of stockholders.

(b) For nominations pursuant to this Section 11 to be properly submitted, the submitting stockholder or group of stockholders must give timely notice in writing of such nominations to the Secretary of the Corporation. To be considered timely, such notice and any other information required by this Section 11 must be received by the Secretary at the principal executive offices of the Corporation not less than 120 calendar days nor more than 150 calendar days before the anniversary date of the Corporation's proxy statement released to stockholders in connection with the prior year's annual meeting. However, if no annual meeting was held in the previous year, or if the date of the applicable annual meeting has been changed by more than 30 days from the anniversary date of the prior year's annual meeting, a stockholder's notice must be received by the Secretary not later than the 10th calendar day following the date on which the Corporation publicly announces the date of the applicable annual meeting.

(c) The number of stockholder nominees nominated pursuant to this Section 11 (including any nominees that were submitted by a stockholder or group of stockholders for inclusion in the Corporation's proxy materials pursuant to this Section 11, but either are subsequently withdrawn or that the Board decides to nominate as Board nominees) appearing in the Corporation's proxy materials with respect to an annual meeting of stockholders, together with any nominees who were previously elected to the Board, after being nominated pursuant to this Section 11, at any of the preceding two annual meetings and who are re-nominated for election at such annual meeting by the Board, shall not exceed the greater of two or 20% of the number of directors in office as of the last day on which notice of a nomination in accordance with the procedures set forth in this Section 11 may be received by the Secretary of the Corporation pursuant to this Section 11, or if such amount is not a whole number, the closest whole number below 20%. In the event that one or more vacancies for any reason occurs on the Board after the last day on which notice of a nomination in accordance with the procedures set forth in this Section 11 may be received by the Secretary of the Corporation pursuant to Section 11, but before the date of the annual meeting of stockholders and the Board resolves to reduce the size of the Board in connection therewith, the maximum number of stockholder nominees nominated pursuant to this Section 11 included in the Corporation's proxy materials shall be calculated based on the number of directors in office as so reduced. Any stockholder or group of stockholders submitting more than one nominee for inclusion in the Corporation's proxy materials pursuant to this Section 11 shall rank its nominees based on the order that such stockholder or group of stockholders desires such nominees to be selected for inclusion in the Corporation's proxy materials in the event that the total number of stockholder nominees submitted by stockholders or groups of stockholders pursuant to this Section 11 exceeds the maximum number of stockholder nominees provided for in this Section 11. In the event that the number of stockholder nominees submitted by stockholders or groups of stockholders pursuant to this Section 11 exceeds the maximum number of stockholder nominees provided for in this Section 11, the highest ranking stockholder nominee who meets the requirements of this Section 11 from each stockholder or group of stockholders will be selected for inclusion in the Corporation's proxy materials until the maximum number is reached, going in order of the amount (largest to smallest) of shares of common stock of the Corporation each stockholder or group of stockholders disclosed as owned in its respective notice of a nomination submitted to the Corporation in accordance with the procedures set forth in this Section 11. If the maximum number is not reached after the highest ranking stockholder nominee who meets the requirements of this Section 11 from each stockholder or group of stockholders has been selected, this process will continue as many times as necessary, following the same order each time, until the maximum number is reached.

(d) For purposes of this Section 11, a stockholder or group of stockholders shall be deemed to "own" only those outstanding shares of common stock of the Corporation as to which the stockholder or any member of a group of stockholders possesses both (i) the full voting and investment rights pertaining to the shares and (ii) the full economic interest in (including the opportunity for profit and risk of loss on) such shares; provided that the number of shares calculated in accordance with clauses (i) and (ii) shall not include any shares (x) sold by such stockholder or any of its affiliates in any transaction that has not been settled or closed, (y) borrowed by such stockholder or any of its affiliates for any purposes or purchased by such stockholder or any of its affiliates pursuant to an agreement to resell or (z) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such stockholder or any of its affiliates, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of shares of outstanding common stock of the Corporation, in any such case which instrument or agreement has, or is intended to have, the purpose or effect of (1) reducing in any manner, to any extent or at any time in the future, such stockholder's or affiliates' full right to vote or direct the voting of any such shares, and/or (2) hedging, offsetting or altering to any degree gain or loss arising from the full economic ownership of such shares by such stockholder or affiliate. A person's ownership of shares shall be deemed to continue during any period in which (i) the person has loaned such shares, provided that the person has the power to recall such loaned shares on five business days' notice and has recalled such shares within five business days of being notified that any of their nominees will be included in the Corporation's proxy materials; or (ii) the person has delegated any voting power by means of a proxy, power of attorney or other instrument or arrangement which is revocable at any time by the person. Whether outstanding shares of the common stock of the Corporation are "owned" for these purposes shall be determined by the Board. For purposes of this Section 11, the term "affiliate" or "affiliates" shall have the meaning ascribed thereto under the General Rules and Regulations under the Exchange Act.

(e) In order to make a nomination pursuant to this Section 11, a stockholder or group of stockholders must have owned (as defined above) 3% or more of the Corporation's outstanding common stock continuously for at least three years as of both the date the written notice of the nomination is delivered to or mailed and received by the Corporation in accordance with this Section 11 and the record date for determining stockholders entitled to vote at the annual meeting of stockholders, and must continue to hold at least 3% of the Corporation's outstanding common stock through the meeting date. Within the time period specified in this Section 11 for providing notice of a nomination in accordance with the procedures set forth in this Section 11, a stockholder or group of stockholders must provide the following information in writing to the Secretary of the Corporation: (i) one or more written statements from the record holder of the shares (or for beneficial owners, proof of ownership from each intermediary through which the shares are or have been held during the requisite three-year holding period in a form that would be deemed by the Corporation to be acceptable pursuant to Rule 14a-8(b)(2) under the Exchange Act for purposes of a shareholder proposal) verifying that, as of the date the written notice of the nomination is delivered to or mailed and received by the Secretary of the Corporation, the stockholder or group of stockholders owns, and has owned continuously for the preceding three years, at least 3% of the Corporation's outstanding common stock, and the stockholder or group of stockholders' agreement to provide, within five business days after the record date for the annual meeting of stockholders, written statements from the record holder and intermediaries verifying such stockholder or group of stockholders' continuous ownership of at least 3% of the Corporation's outstanding common stock through the record date; (ii) the written consent of each stockholder nominee to being named in the proxy statement as a nominee and to serve as a director if elected and (iii) a copy of the Schedule 14N that has been filed with the Securities and Exchange Commission as required by Rule 14a-18 under the Exchange Act.

(f) Within the time period specified in this Section 11 for providing notice of a nomination in accordance with the procedures set forth in this Section 11, a stockholder or group of stockholders must provide a representation and agreement that such stockholder or group of stockholders: (i) acquired at least 3% of the Corporation's outstanding common stock in the ordinary course of business and not with the intent to change or influence control at the Corporation, and does not presently have such intent, (ii) presently intends to maintain qualifying ownership of at least 3% of the Corporation's outstanding common stock through the date of the annual meeting and to vote such shares at the annual meeting, (iii) has not nominated and will not nominate for election to the Board at the annual meeting of stockholders any person other than the nominee or nominees being nominated pursuant to this Section 11, (iv) has not engaged and will not engage in, and has not and will not be a "participant" in another person's, “solicitation” within the meaning of Rule 14a-1(l) under the Exchange Act, in support of the election of any individual as a director at the annual meeting of stockholders other than its nominee or a nominee of the Board, (v) will not distribute to any stockholder any form of proxy for the annual meeting of stockholders other than the form distributed by the Corporation, and (vi) will provide facts, statements and other information in all communications with the Corporation and stockholders of the Corporation that are or will be true and correct in all material respects and do not and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

(g) Within the time period specified in this Section 11 for providing notice of a nomination in accordance with the procedures set forth in this Section 11, a stockholder or group of stockholders must provide an undertaking that the stockholder or group of stockholders agrees to: (i) assume all liability stemming from any legal or regulatory violation arising out of the stockholder or group of stockholders’ communications with the stockholders of the Corporation or out of the information that the such stockholder or group of stockholders provided to the Corporation, (ii) comply with all other laws and regulations applicable to any solicitation in connection with the annual meeting of stockholders, and (iii) indemnify and hold harmless the Corporation and each of its directors, officers and employees individually against any liability, loss or damages in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Corporation or any of its directors, officers or employees arising out of any nomination submitted by the stockholder or group of stockholders pursuant to this Section 11. In the case of a nomination by a group of stockholders, the stockholder group shall, in the notice required by this Section 11, designate one member of the group that is authorized to receive communications, notices and inquiries from the Corporation and to act on behalf of all members of the group with respect to all matters relating to the nomination under this Section 11 (including withdrawal of the nomination).

The inspector of elections shall not give effect to the stockholder or group of stockholders’ votes with respect to the election of directors if such stockholder or group of stockholders does not comply with the undertaking) above.

(h) Within the time period specified in this Section 11 for providing notice of a nomination in accordance with the procedures set forth in this Section 11, the applicable stockholder or group of stockholders must deliver to the Secretary of the Corporation, at the principal executive offices of the Corporation, (i) all information and materials required by Section 7 of this Article II in connection with the nomination of any person for election as a director of the Corporation and (ii) a written representation and agreement that such person (x) is not and will not become a party to any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Corporation, will act or vote on any issue or question that has not been disclosed to the Corporation, (y) may not be, and may not become, a party to any compensatory, payment, indemnification or other financial agreement, arrangement or understanding with any person or entity other than the Corporation in connection with service or action as a director that has not been disclosed to the Corporation, and (z) will comply with all of the Corporation's corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines, and any other Corporation policies and guidelines applicable to directors. At the request of the Corporation, the stockholder nominee must submit all completed and signed questionnaires required of directors of the Corporation. In addition, such stockholder or group of stockholders shall provide the Secretary of the Corporation with notice of changes to such information, in the manner provided in Section 7 of this Article II, and shall promptly provide any other information reasonably requested by the Corporation.

The Corporation may request such additional information as necessary to permit the Board to determine if each stockholder nominee is independent under the listing standards of the principal U.S. securities exchange upon which the common stock of the Corporation is listed (including any additional independence standards that are applicable to audit, compensation or other board committees), any applicable rules of the Securities and Exchange Commission (including under the definition of a "non-employee director" under Exchange Act Rule 16b-3), the definition of "outside director" under Section 162(m) of the Internal Revenue Code of 1986, as amended (or any successor provision) and any publicly disclosed standards used by the Board in determining and disclosing the independence of the Corporation's directors. If the Board determines that a stockholder nominee is not independent under any of the foregoing standards, the stockholder nominee will be ineligible for inclusion in the Corporation's proxy materials.

(i) In the event that any information or communications provided by the stockholder or group of stockholders or the stockholder nominee to the Corporation or its stockholders ceases to be true and correct in all material respects or omits a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, each stockholder or group of stockholders or stockholder nominee, as the case may be, shall promptly notify the Secretary of the Corporation of any defect in such previously provided information and of the information that is required to correct any such defect.

(j) The stockholder or group of stockholders may provide to the Secretary of the Corporation, at the time the information required by this Section 11 is provided, a written statement for inclusion in the Corporation's proxy statement for the annual meeting of stockholders, not to exceed 500 words, in support of the stockholder nominee's candidacy. Only one such statement may be submitted by a stockholder or group of stockholders for each of their director nominees. Notwithstanding anything to the contrary contained in this Section 11, the Corporation may omit from its proxy materials any information or statement that it, in good faith, believes would violate any applicable law or regulation.

(k) The Corporation shall not be required to include, pursuant to this Section 11, any stockholder nominee in its proxy materials for any meeting of stockholders: (i) for which the Secretary of the Corporation receives a notice that a stockholder or group of stockholders has nominated a person for election to the Board pursuant to the advance notice requirements for stockholder nominees for director, (ii) if the stockholder nominee is, or has been within the three years preceding the date the Corporation first mails to the stockholders its notice of meeting that includes the name of the stockholder nominee, an officer or director of a company that is a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914, of the Corporation, (iii) who is not independent under any of the independence standards referred to in paragraph (h) of this Section 11, (iv) if the stockholder nominee serves as a director at more than four other public companies, or at more than two other public companies if the stockholder nominee also serves as an executive officer of another public company, as of the date the Corporation first mails to the stockholders its notice of meeting that includes the name of the stockholder nominee, (v) if the stockholder nominee or the stockholder or group of stockholders who has nominated such stockholder nominee has engaged in or is currently engaged in, or has been or is a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1(l) under the Exchange Act, in support of the election of any individual as a director at the meeting other than such stockholder nominee or a nominee of the Board, (vi) who is or becomes a party to any compensatory, payment or other financial agreement, arrangement or understanding with any person other than the Corporation that has not been disclosed to the Corporation, (vii) who is a named subject of a criminal proceeding (excluding traffic violations and other minor offenses) pending as of the date the Corporation first mails to the stockholders its notice of meeting that includes the name of the stockholder nominee, or who, within the ten years preceding such date, was convicted in such a criminal proceeding, (viii) who upon becoming a member of the Board, would cause the Corporation to be in violation of these By-Laws, the Certificate of Incorporation, the rules and listing standards of the principal U.S. exchange upon which the common stock of the Corporation is listed, or any applicable state or federal law, rule or regulation, (ix) if such stockholder nominee or the applicable stockholder or group of stockholders shall have provided information to the Corporation in respect to such nomination that was untrue in any material respect or omitted to state a material fact necessary in order to make the statement made, in light of the circumstances under which it was made, not misleading, as determined by the Board, or (x) if the stockholder or group of stockholders or applicable stockholder nominee otherwise contravenes any of the agreements, representations or undertakings made by such stockholder or group of stockholders or stockholder nominee or fails to comply with its obligations pursuant to this Section 11. For purposes of clause (ii) above, a "competitor" of the Corporation is any company engaged in any business or other activities that are competitive with any aspect of the Corporation's business to an extent that is more than de minimis, as determined by the Board.

(l) Notwithstanding anything to the contrary set forth in this Section 11, the Board or the chairman of the annual meeting of stockholders shall declare a nomination by a stockholder or group of stockholders to be invalid, and such nomination shall be disregarded notwithstanding that proxies in respect of such vote may have been received by the Corporation, if: (i) the stockholder nominee(s) and/or the applicable stockholder (or any member of any group of stockholders) shall have failed to comply or breached its or their obligations under this Section 11, including, but not limited to, a breach of any representations, agreements or undertakings required under this Section 11, or if any of the events or conditions referred to in paragraph (k) of this Section 11 has occurred, in each case as determined by the Board or the chairman of the annual meeting of stockholders or (ii) the stockholder or group of stockholders (or a qualified representative thereof) does not appear at the annual meeting of stockholders to present any nomination pursuant to this Section 11.

(m) Any stockholder nominee who is included in the Corporation's proxy materials for a particular annual meeting of stockholders but either: (i) withdraws from or becomes ineligible or unavailable for election at the annual meeting of stockholders, or (ii) does not receive at least 25% of the votes cast in favor of the stockholder nominee's election, will be ineligible to be a stockholder nominee pursuant to this Section 11 for the next two annual meetings of stockholders.

(n) The Board (or any other person or body duly authorized by the Board), at all times acting in good faith, shall have the power and authority to interpret this Section 11 and to make any and all determinations necessary or advisable pursuant to this Section 11.

ARTICLE III

BOARD OF DIRECTORS

SECTION 1. General Powers. The business and affairs of the Corporation shall be managed by the Board. The Board may exercise all such authority and powers of the Corporation and do all such lawful acts and things as are not by law, the Certificate of Incorporation or these By-laws, directed or required to be exercised or done by the stockholders.

SECTION 2. Number; Qualifications; Election; Term of Office. The number of directors of the Corporation shall be thirteen, but the number thereof may be increased to not more than twenty-five, or decreased to not less than nine, by amendment of these By-laws. The directors shall be elected at the annual meeting of the stockholders. At each meeting of the stockholders for the election of directors at which a quorum is present, the vote required for election of a director shall, except in a contested election, be the affirmative vote of a majority of the votes cast in favor of or against such nominee. In a contested election, a nominee receiving a plurality of the votes cast at such election shall be elected. An election shall be considered to be contested if, as of the record date for such meeting, there are more nominees for election than positions on the Board to be filled by election at the meeting. Each director shall hold office until the annual meeting of the stockholders which shall be held next after the election of such director and until a successor shall have been duly elected and qualified, or until death, or until the director shall have resigned as hereinafter provided in Section 10 of this Article III, or until the director shall have been removed as hereinafter provided in Section 11 of this Article III.

SECTION 3. Place of Meetings. Meetings of the Board shall be held at such place either within or outside State of New York as may from time to time be fixed by the Board or specified or fixed in the notice of any such meeting.

SECTION 4. First Meeting. The Board shall meet for the purpose of organization and the transaction of other business following each annual meeting of stockholders at such time and place as shall be specified in a notice thereof given as hereinafter provided in Section 7 of this Article III.

SECTION 5. Regular Meetings. Regular meetings of the Board shall be held at times and dates fixed by the Board or at such other times and dates as the Chairman of the Board shall determine and as shall be specified in the notice of such meetings. Notice of regular meetings of the Board need not be given except as otherwise required by law or these By-laws.

SECTION 6. Special Meetings. Special meetings of the Board may be called by the Chairman of the Board, provided, however, that if the Chairman of the Board is unavailable, a special meeting of the Board may be called by agreement of each of the remaining members of the Executive Committee.

SECTION 7. Notice of Meetings. Notice of each special meeting of the Board (and of each regular meeting for which notice shall be required) shall be given by the Secretary as hereinafter provided in this Section 7, in which notice shall be stated the time, place and, if required by law or these By-laws, the purposes of such meeting. Notice of each such meeting shall be mailed, postage prepaid, to each director, by first-class mail, at least four days before the day on which such meeting is to be held, or shall be sent by facsimile transmission or comparable medium, or be delivered personally or by telephone, before the time at which such meeting is to be held. Notice of any such meeting need not be given to any director who shall waive notice thereof as provided in Article IX of these By-laws. Any meeting of the Board shall be a legal meeting without notice thereof having been given, if all the directors of the Corporation then holding office shall be present thereat.

SECTION 8. Quorum and Manner of Acting. A majority of the Board shall be present in person at any meeting of the Board in order to constitute a quorum for the transaction of business at such meeting. Participation in a meeting by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other shall constitute presence in person at a meeting. Except as otherwise expressly required by law or the Certificate of Incorporation and except also as specified in Section 1, Section 5, and Section 6 of Article IV, in Section 3 of Article V and in Article XII of these By-laws, the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board. In the absence of a quorum at any meeting of the Board, a majority of the directors present thereat may adjourn such meeting from time to time until a quorum shall be present thereat. Notice of any adjourned meeting need not be given. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called. The directors shall act only as a Board and the individual directors shall have no power as such.

SECTION 9. Organization. At each meeting of the Board, the Chairman of the Board, or in the case of the Chairman's absence therefrom, the Lead Director, or in the case of the Lead Director's absence therefrom, the President, or in the case of the President's absence therefrom, a Vice Chairman, or in the case of the absence of all such persons, another director chosen by a majority of directors present, shall act as chairman of the meeting and preside thereat. The Secretary, or if the Secretary shall be absent from such meeting, any person appointed by the chairman, shall act as secretary of the meeting and keep the minutes thereof.

SECTION 10. Resignations.

(a) Any director of the Corporation may resign at any time by giving written notice of resignation to the Board or the Chairman of the Board or the Secretary. Subject to Section 10(b), any such resignation shall take effect at the time specified therein, or if the time when it shall become effective shall not be specified therein, then it shall take effect immediately upon its receipt; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

(b) In an uncontested election, any incumbent nominee for director who does not receive an affirmative vote of a majority of the votes cast in favor of or against such nominee shall promptly tender his or her resignation after such election. The independent directors of the Board, giving due consideration to the best interests of the Corporation and its stockholders, shall evaluate the relevant facts and circumstances, and shall make a decision, within 90 days after the election, on whether to accept the tendered resignation. Any director who tenders a resignation pursuant to this provision shall not participate in the Board's decision. The Board will promptly disclose publicly its decision and, if applicable, the reasons for rejecting the tendered resignation.

SECTION 11. Removal of Directors. Any director may be removed, either with or without cause, at any time, by a vote of the stockholders.

SECTION 12. Vacancies. Any vacancy in the Board, whether arising from death, resignation, removal, an increase in the number of directors or any other cause, may be filled by the Board.

SECTION 13. Retirement of Directors. The Board may prescribe a retirement policy for directors on or after reaching a certain age, provided, however, that such retirement shall not cut short the annual term for which any director shall have been elected by the stockholders.

ARTICLE IV

EXECUTIVE AND OTHER COMMITTEES

SECTION 1. Executive Committee. The Executive Committee shall be comprised of the Chairman of the Board, and each of the respective chairs of the (i) Audit Committee, (ii) Executive Compensation and Management Resources Committee, (iii) Directors and Corporate Governance Committee, in each case including any successor committee, and (iv) the Lead Director, if such person is does not fall within one of the roles set forth in clause (i), (ii) or (iii) above. The Chairman of the Board shall serve as the Chairman of the Executive Committee to preside at all meetings of such Committee. The Secretary, or if the Secretary shall be absent from such meeting, any person appointed by the chairman, shall act as secretary of the meeting and keep the minutes thereof.

SECTION 2. Powers of the Executive Committee. To the extent permitted by law, the Executive Committee may exercise all the powers of the Board in the management of specified matters where such authority is delegated to it by the Board, and also, to the extent permitted by law, the Executive Committee shall have, and may exercise, all the powers of the Board in the management of the business and affairs of the Corporation (including the power to authorize the seal of the Corporation to be affixed to all papers which may require it; but excluding the power to appoint a member of the Executive Committee) in such manner as the Executive Committee shall deem to be in the best interests of the Corporation and not inconsistent with any prior specific action of the Board. An act of the Executive Committee taken within the scope of its authority shall be an act of the Board. The Executive Committee shall render in the form of minutes a report of its several acts at each regular meeting of the Board and at any other time when so directed by the Board.

SECTION 3. Meetings of the Executive Committee. Regular meetings of the Executive Committee shall be held at such times, on such dates and at such places as shall be fixed by resolution adopted by a majority of the Executive Committee, of which regular meetings notice need not be given, or as shall be fixed by the Chairman of the Executive Committee or in the absence of the Chairman of the Executive Committee the Chief Executive Officer and specified in the notice of such meeting. Special meetings of the Executive Committee may be called by the Chairman of the Executive Committee or by the Chief Executive Officer. Notice of each such special meeting of the Executive Committee (and of each regular meeting for which notice shall be required), stating the time and place thereof shall be mailed, postage prepaid, to each member of the Executive Committee, by first-class mail, at least four days before the day on which such meeting is to be held, or shall be sent by facsimile transmission or comparable medium, or be delivered personally or by telephone, at least twenty-four hours before the time at which such meeting is to be held; but notice need not be given to a member of the Executive Committee who shall waive notice thereof as provided in Article IX of these By-laws, and any meeting of the Executive Committee shall be a legal meeting without any notice thereof having been given, if all the members of such Committee shall be present thereat.

SECTION 4. Quorum and Manner of Acting of the Executive Committee. Four members of the Executive Committee or, if the Lead Director does not fall within one of the roles set forth in clause (i), (ii) or (iii) of Section 1 of this Article V, five members of the Executive Committee, shall constitute a quorum for the transaction of business, and the act of a majority of the members of the Executive Committee present at a meeting at which a quorum shall be present shall be the act of the Executive Committee. Participating in a meeting by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other shall constitute presence at a meeting of the Executive Committee. The members of the Executive Committee shall act only as a committee and individual members shall have no power as such.

SECTION 5. Other Committees. The Board may, by resolution adopted by a majority of the Board, designate members of the Board to constitute other committees, which shall have, and may exercise, such powers as the Board may by resolution delegate to them, and shall in each case consist of such number of directors as the Board may determine; provided, however, that each such committee shall have at least three directors as members thereof. Such a committee may either be constituted for a specified term or may be constituted as a standing committee which does not require annual or periodic reconstitution. A majority of all the members of any such committee may determine its action and its quorum requirements and may fix the time and place of its meetings, unless the Board shall otherwise provide. Participating in a meeting by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other shall constitute presence at a meeting of such other committees.

In addition to the foregoing, the Board may, by resolution adopted by a majority of the Board, create a committee of indeterminate membership and duration and not subject to the limitations as to the membership, quorum and manner of meeting and acting prescribed in these By-laws, which committee, in the event of a major disaster or catastrophe or national emergency which renders the Board incapable of action by reason of the death, physical incapacity or inability to meet of some or all of its members, shall have, and may exercise all the powers of the Board in the management of the business and affairs of the Corporation (including, without limitation, the power to authorize the seal of the Corporation to be affixed to all papers which may require it and the power to fill vacancies in the Board). An act of such committee taken within the scope of its authority shall be an act of the Board.

SECTION 6. Changes in Committees; Resignations; Removals; Vacancies. The Board shall have power, by resolution adopted by a majority of the Board, at any time to change or remove the members of, to fill vacancies in, and to discharge any committee created pursuant to these By-laws, either with or without cause. Any member of any such committee may resign at any time by giving written notice to the Board or the

Chairman of the Board or the Secretary. Such resignation shall take effect upon receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective. Any vacancy in any committee, whether arising from death, resignation, an increase in the number of committee members or any other cause, shall be filled by the Board in the manner prescribed in these By-laws for the original appointment of the members of such committee.

ARTICLE V

OFFICERS

SECTION 1. Number and Qualifications. The officers of the Corporation shall include the Chairman of the Board, and may include one or more Vice Chairmen, the President, one or more Vice Presidents (one or more of whom may be designated as Executive Vice Presidents or as Senior Vice Presidents or by other designations), the Treasurer, the Secretary and the Controller. Officers shall be elected from time to time by the Board, each to hold office until a successor shall have been duly elected and shall have qualified, or until death, or until resignation as hereinafter provided in Section 2 of this Article V, or until removed as hereinafter provided in Section 3 of this Article V.

SECTION 2. Resignations. Any officer of the Corporation may resign at any time by giving written notice of resignation to the Board, the Chairman of the Board, the Chief Executive Officer or the Secretary. Any such resignation shall take effect at the time specified therein, or, if the time when it shall become effective shall not be specified therein, then it shall become effective upon its receipt; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 3. Removal. Any officer of the Corporation may be removed, either with or without cause, at any time, by a resolution adopted by a majority of the Board at any meeting of the Board.

SECTION 4. Vacancies. A vacancy in any office, whether arising from death, resignation, removal or any other cause, may be filled for the unexpired portion of the term of office which shall be vacant, in the manner prescribed in these By-laws for the regular election or appointment to such office.

SECTION 5. Chairman of the Board. The Chairman of the Board shall, if present, preside at each meeting of the stockholders and of the Board and shall perform such other duties as may from time to time be assigned by the Board. The Chairman may sign certificates representing shares of the stock of the Corporation pursuant to the provisions of Section 1 of Article VII of these By-laws; sign, execute and deliver in the name of the Corporation all deeds, mortgages, bonds, contracts or other instruments authorized by the Board, except in cases where the signing, execution or delivery thereof shall be expressly delegated by the Board or these By-laws to some other officer or agent of the Corporation or where they shall be required by law otherwise to be signed, executed and delivered; and affix the seal of the Corporation to any instrument which shall require it. The Chairman of the Board, when there is no President or in the absence or incapacity of the President, shall perform all the duties and functions and exercise all the powers of the President.

SECTION 6. Vice Chairman. Each Vice Chairman shall perform all such duties as from time to time may be assigned by the Board or the Chairman of the Board. The Vice Chairman may sign certificates representing shares of the stock of the Corporation pursuant to the provisions of Section 1 of Article VII of these By-laws; sign, execute and deliver in the name of the Corporation all deeds, mortgages, bonds, contracts or other instruments authorized by the Board, except in cases where the signing, execution or delivery thereof shall be expressly delegated by the Board or these By-laws to some officer or agent of the Corporation or where they shall be required by law otherwise to be signed, executed and delivered; and affix the seal of the Corporation to any instrument which shall require it; and in general, perform all duties incident to the office of Vice Chairman.

SECTION 7. President. The President shall perform all such duties as from time to time may be assigned by the Board or the Chairman of the Board. The President may sign certificates representing shares of the stock of the Corporation pursuant to the provisions of Section 1 of Article VII of these By-laws; sign, execute and deliver in the name of the Corporation all deeds mortgages, bonds, contracts or other instruments authorized by the Board, except in cases where the signing, execution or delivery thereof shall be expressly delegated by the Board or these By-laws to some other officer or agent of the Corporation or where they shall be required by law otherwise to be signed, executed and delivered, and affix the seal of the Corporation to any instrument which shall require it; and, in general, perform all duties incident to the office of President. The President shall in the absence or incapacity of the Chairman of the Board and the Lead Director, perform all the duties and functions and exercise all the powers of the Chairman of the Board.

SECTION 8. Designated Officers. (a) Chief Executive Officer. Either the Chairman of the Board, or an officer, as the Board of Directors may designate, shall be the Chief Executive Officer of the Corporation. The officer so designated shall have, in addition to the powers and duties applicable to the office set forth in Section 5 or 7 of this Article V, general and active supervision over the business and affairs of the Corporation and over its several officers, agents, and employees, subject, however, to the control of the Board. The Chief Executive Officer shall see that all orders and resolutions of the Board are carried into effect, be an ex officio member of all committees of the Board (except the Audit Committee, the Directors and Corporate Governance Committee, and committees specifically empowered to fix or approve the Chief Executive Officer's compensation or to grant or administer bonus, option or other similar plans in which the Chief Executive Officer is eligible to participate), and, in general, shall perform all duties incident to the position of Chief Executive Officer and such other duties as may from time to time be assigned by the Board. (b) Other

Designated Officers. The Board of Directors may designate officers to serve as Chief Financial Officer, Chief Accounting Officer and other such designated positions and to fulfill the responsibilities of such designated positions in addition to their duties as officers as set forth in this Article V.

SECTION 9. Executive Vice Presidents, Senior Vice Presidents and Vice Presidents. Each Executive and Senior Vice President shall perform all such duties as from time to time may be assigned by the Board or the Chairman of the Board or a Vice Chairman or the President. Each Vice President shall perform all such duties as from time to time may be assigned by the Board or the Chairman of the Board or a Vice Chairman or the President or an Executive or a Senior Vice President. Any Vice President may sign certificates representing shares of stock of the Corporation pursuant to the provisions of Section 1 of Article VII of these By-laws.

SECTION 10. Treasurer. The Treasurer shall:

(a) have charge and custody of, and be responsible for, all the funds and securities of the Corporation, and may invest the same in any securities, may open, maintain and close accounts for effecting any and all purchase, sale, investment and lending transactions in securities of any and all kinds for and on behalf of the Corporation or any employee pension or benefit plan fund or other fund established by the Corporation, as may be permitted by law;

(b) keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation;

(c) deposit all moneys and other valuables to the credit of the Corporation in such depositaries as may be designated by the Board or the Executive Committee;

(d) receive, and give receipts for, moneys due and payable to the Corporation from any source whatsoever;

(e) disburse the funds of the Corporation and supervise the investment of its funds, taking proper vouchers therefor;

(f) render to the Board, whenever the Board may require, an account of all transactions as Treasurer; and

(g) in general, perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board or the Chairman of the Board or a Vice Chairman or the President or an Executive or Senior Vice President.

SECTION 11. Secretary. The Secretary shall:

(a) keep or cause to be kept in one or more books provided for the purpose, the minutes of all meetings of the Board, the Executive Committee and other committees of the Board and the stockholders;

(b) see that all notices are duly given in accordance with the provisions of these By-laws and as required by law;

(c) be custodian of the records and the seal of the Corporation and affix and attest the seal to all stock certificates of the Corporation and affix and attest the seal to all other documents to be executed on behalf of the Corporation under its seal;

(d) see that the books, reports, statements, certificates and other documents and records required by law to be kept and filed are properly kept and filed; and

(e) in general, perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned by the Board or the Chairman of the Board or a Vice Chairman or the President or an Executive or Senior Vice President.

SECTION 12. Controller. The Controller shall:

(a) have control of all the books of account of the Corporation;

(b) keep a true and accurate record of all property owned by it, of its debts and of its revenues and expenses;

(c) keep all accounting records of the Corporation (other than the accounts of receipts and disbursements and those relating to the deposits of money and other valuables of the Corporation, which shall be kept by the Treasurer);

(d) render to the Board, whenever the Board may require, an account of the financial condition of the Corporation; and

(e) in general, perform all the duties incident to the office of Controller and such other duties as from time to time may be assigned by the Board or the Chairman of the Board or a Vice Chairman or the President or an Executive or Senior Vice President.

SECTION 13. Compensation. The compensation of the officers of the Corporation shall be fixed from time to time by the Board; provided, however, that the Board may delegate to a committee the power to fix or approve the compensation of any officers. An officer of the Corporation shall not be prevented from receiving compensation by reason of being also a director of the Corporation; but any such officer who shall also be a director shall not have any vote in the determination of the amount of compensation paid to such officer.

ARTICLE VI

CONTRACTS, CHECKS, DRAFTS, BANK ACCOUNTS, ETC.

SECTION 1. Execution of Contracts. Except as otherwise required by law or these By-laws, any contract or other instrument may be executed and delivered in the name and on behalf of the Corporation by any officer (including any assistant officer) of the Corporation. The Board or the Executive Committee may authorize any agent or employee to execute and deliver any contract or other instrument in the name and on behalf of the Corporation, and such authority may be general or confined to specific instances as the Board or such Committee, as the case may be, may by resolution determine.

SECTION 2. Loans. Unless the Board shall otherwise determine, the Chairman of the Board or a Vice Chairman or the President or any Vice President, acting together with the Treasurer or the Secretary, may effect loans and advances at any time for the Corporation from any bank, trust company or other institution, or from any firm, corporation or individual, and for such loans and advances may make, execute and deliver promissory notes, bonds or other certificates or evidences of indebtedness of the Corporation, but in making such loans or advances no officer or officers shall mortgage, pledge, hypothecate or transfer any securities or other property of the Corporation, except when authorized by resolution adopted by the Board.

SECTION 3. Checks, Drafts, etc. All checks, drafts, bills of exchange or other orders for the payment of money out of the funds of the Corporation, and all notes or other evidences of indebtedness of the Corporation, shall be signed in the name and on behalf of the Corporation by such persons and in such manner as shall from time to time be authorized by the Board or the Executive Committee or authorized by the Treasurer acting together with either the General Manager of an operating unit or a nonfinancial Vice President of the Corporation, which authorization may be general or confined to specific instances.

SECTION 4. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositaries as the Board or the Executive Committee may from time to time designate or as may be designated by any officer or officers of the Corporation to whom such power of designation may from time to time be delegated by the Board or the Executive Committee. For the purpose of deposit and for the purpose of collection for the account of the Corporation, checks, drafts and other orders for the payment of money which are payable to the order of the Corporation may be endorsed, assigned and delivered by any officer, employee or agent of the Corporation.

SECTION 5. General and Special Bank Accounts. The Board or the Executive Committee may from time to time authorize the opening and keeping of general and special bank accounts with such banks, trust companies or other depositaries as the Board or the Executive Committee may designate or as may be designated by any officer or officers of the Corporation to whom such power of designation may from time to time be delegated by the Board or the Executive Committee. The Board or the Executive Committee may make such special rules and regulations with respect to such bank accounts, not inconsistent with the provisions of these By-laws, as it may deem expedient.

SECTION 6. Indemnification. The Corporation shall, to the fullest extent permitted by applicable law as in effect at any time, indemnify any person made, or threatened to be made, a party to an action or proceeding whether civil or criminal (including an action or proceeding by or in the right of the Corporation) by reason of the fact that such person is (i) an officer or director of the Corporation or (ii) an officer or director of the Corporation who is asked to serve in any capacity at the request of the Corporation in any corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against, in each case, judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys' fees actually and necessarily incurred as a result of such action or proceeding, or any appeal therein. Such indemnification shall be a contract right that vests upon the occurrence or alleged occurrence of any act or omission to act that forms the basis for or is related to the claim for which indemnification is sought and shall include the right to be paid advances of any expenses incurred by such person in connection with such action, suit or proceeding, and the right to be indemnified for expenses incurred by such person in connection with successfully establishing a right to indemnification, in each case consistent with the provisions of applicable law in effect at any time. Indemnification shall be deemed to be 'permitted' within the meaning of the first sentence hereof if it is not expressly prohibited by applicable law as in effect at the time. The indemnification rights hereunder shall continue as to any such person who has ceased to be an officer or director of the Corporation and shall inure to the benefit of the heirs, executors and administrators of any such person. If the right of indemnification provided for in this Section 6 is amended or repealed, such amendment or repeal will not limit the indemnification provided for herein with respect to any acts or omissions to act occurring prior to any such amendment or repeal.

ARTICLE VII

SHARES

SECTION 1. Stock Certificates. The shares of the Corporation shall be represented by certificates, or shall be uncertificated shares. Each owner of stock of the Corporation shall be entitled to have a certificate, in such form as shall be approved by the Board, certifying the number of shares of stock of the Corporation owned. To the extent that shares are represented by certificates, such certificates of stock shall be signed in the name of the Corporation by the Chairman of the Board or a Vice Chairman or the President or a Vice President and by the Secretary and sealed with the seal of the Corporation (which seal may be a facsimile, engraved or printed); provided, however, that where any such certificate is signed by a registrar, other than the Corporation or its employee, the signatures of the Chairman of the Board, a Vice

Chairman, the President, the Secretary, and transfer agent or a transfer clerk acting on behalf of the Corporation upon such certificates may be facsimiles, engraved or printed. In case any officer, transfer agent or transfer clerk acting on behalf of the Corporation ceases to be such officer, transfer agent, or transfer clerk before such certificates shall be issued, they may nevertheless be issued by the Corporation with the same effect as if they were still such officer, transfer agent or transfer clerk at the date of their issue.

SECTION 2. Books of Account and Record of Stockholders. There shall be kept at the office of the Corporation correct books of account of all its business and transactions, minutes of the proceedings of stockholders, Board, and Executive Committee, and a book to be known as the record of stockholders, containing the names and addresses of all persons who are stockholders, the number of shares of stock held, and the date when the stockholder became the owner of record thereof.

SECTION 3. Transfers of Stock. Transfers of shares of stock of the Corporation shall be made on the record of stockholders of the Corporation only upon authorization by the registered holder thereof, or by an attorney thereunto authorized by power of attorney duly executed and filed with the Secretary or with a transfer agent or transfer clerk, and on surrender of the certificate or certificates for such shares properly endorsed, provided such shares are represented by a certificate, or accompanied by a duly executed stock transfer power and the payment of all taxes thereon. The person in whose names shares of stock shall stand on the record of stockholders of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation. Whenever any transfers of shares shall be made for collateral security and not absolutely and written notice thereof shall be given to the Secretary or to such transfer agent or transfer clerk, such fact shall be stated in the entry of the transfer.

SECTION 4. Regulations. The Board may make such additional rules and regulations as it may deem expedient, not inconsistent with these By-laws, concerning the issue, transfer and registration of certificated or uncertificated shares of stock of the Corporation. It may appoint, or authorize any officer or officers to appoint, one or more transfer agents or one or more transfer clerks and one or more registrars and may require all certificates of stock to bear the signature or signatures of any of them.

SECTION 5. Fixing of Record Date. The Board shall fix a time not exceeding sixty nor less than ten days prior to the date then fixed for the holding of any meeting of the stockholders or prior to the last day on which the consent or dissent of the stockholders may be effectively expressed for any purpose without a meeting, as the time as of which the stockholders entitled to notice of and to vote at such meeting or whose consent or dissent is required or may be expressed for any purpose, as the case may be, shall be determined, and all persons who were holders of record of voting stock at such time, and no others, shall be entitled to notice of and to vote at such meeting or to express their consent or dissent, as the case may be. The Board may fix a time not exceeding sixty days preceding the date fixed for the payment of any dividend or the making of any distribution or the allotment of rights to subscribe for securities of the Corporation, or for the delivery of evidences of rights or evidences of interests arising out of any change, conversion or exchange of capital stock or other securities, as the record date for the determination of the stockholders entitled to receive any such dividend, distribution, allotment, rights or interests, and in such case only the stockholders of record at the time so fixed shall be entitled to receive such dividend, distribution, allotment, rights or interests.

SECTION 6. Lost, Destroyed or Mutilated Certificates. The holder of any certificate representing shares of stock of the Corporation shall immediately notify the Corporation of any loss, destruction or mutilation of such certificate, and the Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it which the owner thereof shall allege to have been lost or destroyed or which shall have been mutilated, and the Corporation may, in its discretion, require such owner or the owner's legal representatives to give to the Corporation a bond in such sum, limited or unlimited, and in such form and with such surety or sureties as the Board in its absolute discretion shall determine, to indemnify the Corporation against any claim that may be made against it on account of the alleged loss or destruction of any such certificate, or the issuance of such new certificate. Anything to the contrary notwithstanding, the Corporation, in its absolute discretion, may refuse to issue any such new certificate, except pursuant to legal proceedings under the laws of the State of New York.

SECTION 7. Inspection of Records. The record of stockholders and minutes of the proceedings of stockholders shall be available for inspection, within the limits and subject to the conditions and restrictions prescribed by applicable law.

SECTION 8. Auditors. The Board shall employ an independent public or certified public accountant or firm of such accountants who shall act as auditors in making examinations of the consolidated financial statements of the Corporation and its subsidiaries in accordance with generally accepted auditing standards. The auditors shall certify that the annual financial statements are prepared in accordance with generally accepted accounting principles, and shall report on such financial statements to the stockholders and directors of the Corporation. The Board's selection of auditors shall be presented for ratification by the stockholders at the annual meeting. Directors and officers, when acting in good faith, may rely upon financial statements of the Corporation represented to them to be correct by the officer of the Corporation having charge of its books of account, or stated in a written report by the auditors fairly to reflect the financial condition of the Corporation.

ARTICLE VIII

OFFICES

SECTION 1. Principal Office. The principal office of the Corporation shall be at such place in the Town of North Castle, County of Westchester and State of New York as the Board shall from time to time determine.

SECTION 2. Other Offices. The Corporation may also have an office or offices other than said principal office at such place or places as the Board shall from time to time determine or the business of the Corporation may require.

ARTICLE IX

WAIVER OF NOTICE

Whenever under the provisions of any law of the State of New York, the Certificate of Incorporation or these By-laws or any resolution of the Board or any committee thereof, the Corporation or the Board or any committee thereof is authorized to take any action after notice to the stockholders, directors or members of any such committee, or after the lapse of a prescribed period of time, such action may be taken without notice and without the lapse of any period of time, if, at any time before or after such action shall be completed, such notice or lapse of time shall be waived by the person or persons entitled to said notice or entitled to participate in the action to be taken, or, in the case of a stockholder, by an attorney thereunto authorized. Attendance at a meeting requiring notice by any person or, in the case of a stockholder, by the stockholder's attorney, agent or proxy, shall constitute a waiver of such notice on the part of the person so attending, or by such stockholder, as the case may be.

ARTICLE X

FISCAL YEAR

The fiscal year of the Corporation shall end on the thirty-first day of December in each year.

ARTICLE XI

SEAL

The Seal of the Corporation shall consist of two concentric circles with the IBM logotype appearing in bold face type within the inner circle and the words 'International Business Machines Corporation' appearing within the outer circle.

ARTICLE XII

AMENDMENTS

These By-laws may be amended or repealed or new By-laws may be adopted by the stockholders at any annual or special meeting, if the notice thereof mentions that amendment or repeal or the adoption of new By-laws is one of the purposes of such meeting. These By-laws, subject to the laws of the State of New York, may also be amended or repealed or new By-laws may be adopted by the affirmative vote of a majority of the Board given at any meeting, if the notice thereof mentions that amendment or repeal or the adoption of new By-laws is one of the purposes of such meeting.

Exhibit 10.1

International Business Machines Corporation ("IBM")

Equity Award Agreement

Plan	**[IBM 1999 Long-Term Performance Plan (the "Plan")]**
Award Type	**[Stock Options, Restricted Stock, Restricted Stock Units, Cash-Settled Restricted Stock Units, SARs]**
Purpose	The purpose of this Award is to retain selected employees and executives. You recognize that this Award represents a potentially significant benefit to you and is awarded for the purpose stated here.
Awarded to **Home Country** **Global ID**	**Sample** **United States (USA) [Employee ID]** **[Global ID]**
Award Agreement	This Equity Award Agreement, together with the "Terms and Conditions of Your Equity Award Effective [Date]" ("Terms and Conditions") document and the Plan [*http://w3.ibm.com/hr/exec/comp/eq_prospectus.html*,] [https://w3cms.s3-api.us-geo.objectstorage.softlayer.net/inline-files/LTPP_1999_august_2007_prospectus.pdf], both of which are incorporated herein by reference, together constitute the entire agreement between you and IBM with respect to your Award. This Equity Award Agreement shall be governed by the laws of the State of New York, without regard to conflicts or choice of law rules or principles.
Grant	Date of Grant: [**Month Date, Year**] **[Exercise Price: $XX]** Number of **[Options/Units/Shares/SARs]** Awarded: [**XX**]
Vesting	This Award vests as set forth below, subject to your continued employment with the Company as described in the Terms and Conditions document.

Options/Units/Shares/SARs	Date
[number of shares]	**[month date year]**
[number of shares]	**[month date year]**
["]	["]

Options expire, subject to the Terms and Conditions document, on: [month date year]

Terms and Conditions of Your Equity Award

Refer to the Terms and Conditions document [*http://w3.ibm.com/hr/exec/comp/eq_prospectus.html]* [attached] for an explanation of the terms and conditions applicable to your Award, including those relating to:

- Cancellation and rescission of awards (also see below)
- Jurisdiction, governing law, expenses, taxes and administration
- Non-solicitation of Company employees and clients, if applicable
- Treatment of your Award in the event of death or disability or leave of absence
- Treatment of your Award upon termination of employment, including retirement or for cause

It is strongly recommended that you print the Terms and Conditions document for later reference.

Termination of Employment	For the purposes of the Plan and this Equity Award Agreement, in determining when you cease to be an employee for the cancellation of any Award, you will be deemed to be terminated if you are no longer employed by IBM or a subsidiary corporation that employed you when the Award was granted unless approved by a method designated by those administering the Plan.
Cancellation and Rescission	You understand that IBM may cancel, modify, rescind, suspend, withhold or otherwise limit or restrict this Award in accordance with the terms of the Plan. You understand that the Rescission Period that has been established for this Award is 12 months. Refer to the Terms and Conditions document and the Plan for further details.
Data Privacy, Electronic Delivery	By accepting this Award, you agree that data, including your personal data, necessary to administer this Award may be exchanged among IBM and its subsidiaries and affiliates as necessary, and with any vendor engaged by IBM to administer this Award, subject to the Terms and Conditions document; you also consent to receiving information and materials in connection with this Award or any subsequent awards under IBM's long-term performance plans, including without limitation any prospectuses and plan documents, by any means of electronic delivery available now and/or in the future (including without limitation by e-mail, by Web site access and/or by facsimile), such consent to remain in effect unless and until revoked in writing by you.
Extraordinary Compensation	Your participation in the Plan is voluntary. The value of this Award is an extraordinary item of income, is not part of your normal or expected compensation and shall not be considered in calculating any severance, redundancy, end of service payments, bonus, long-service awards, pension, retirement or other benefits or similar payments. The Plan is discretionary in nature. This Award is a one-time benefit that does not create any contractual or other right to receive additional awards or other benefits in the future. Future grants, if any, are at the sole grace and discretion of IBM, including but not limited to, the timing of the grant, the number of units and vesting provisions. This Equity Award Agreement is not part of your employment agreement, if any.
Accept Your Award	This Award is considered valid when you accept it. This Award will be cancelled unless you accept it by 11:59 p.m. Eastern time two business days prior to the first vesting date in the "Vesting" section of this Agreement. [By pressing the Accept button below to accept your Award, you acknowledge having received and read this Equity Award Agreement, the Terms and Conditions document and the Plan under which this Award was granted and] [To record your acceptance of the Award and your acknowledgment that you have received and read this Equity Award Agreement, the Terms and Conditions document and the Plan under which this Award was granted, you must electronically sign this Agreement via Adobe Sign. Further by accepting this Award] you agree (i) not to hedge the economic risk of this Award or any previously-granted outstanding awards, which includes entering into any derivative transaction on IBM securities (e.g., any short sale, put, swap, forward, option, collar, etc.), (ii) to comply with the terms of the Plan, this Equity Award Agreement and the Terms and Conditions document, including those provisions relating to cancellation and rescission of awards and jurisdiction and governing law, (iii) that if you are, or become, subject to the terms of IBM's Executive Officer Compensation Recovery Policy in effect from time to time, you agree to comply with the terms of such policy including provisions regarding repayment to IBM, and (iv) that, unless you are an Illinois worker or resident (in which case any previous awards remain unaffected by this Award), by your acceptance of this Award, all awards previously granted to you under the Plan or other IBM Long-Term Performance Plans are subject to jurisdiction, governing law, expenses, taxes and administration section of the Terms and Conditions document (unless at the time of your termination of employment you primarily worked or lived in Colorado, in which case the jurisdiction, governing law, expenses, taxes and administration terms of your previous awards shall apply).

International Business Machines Corporation ("IBM")

Equity Award Agreement

Plan	**[IBM 1999 Long-Term Performance Plan (the "Plan")]**
Award Type	**Performance Share Units (PSUs)**
Purpose	The purpose of this Award is to retain selected executives. You recognize that this Award represents a potentially significant benefit to you and is awarded for the purpose stated here.
Awarded to **Home Country** **Global ID**	**Sample** **United States (USA) [Employee ID]** **[Global ID]**
Award Agreement	This Equity Award Agreement, together with the "Terms and Conditions of Your Equity Award Effective [Date]" ("Terms and Conditions") document and the Plan [*http://w3.ibm.com/hr/exec/comp/eq_prospectus.html*,] [https://w3cms.s3-api.us-geo.objectstorage.softlayer.net/inline-files/LTPP_1999_august_2007_prospectus.pdf], both of which are incorporated herein by reference, together constitute the entire agreement between you and IBM with respect to your Award. This Equity Award Agreement shall be governed by the laws of the State of New York, without regard to conflicts or choice of law rules or principles.

Grant

Date of Grant	**# PSUs Awarded**	**Performance Period**	**Date of Payout**
[month day year]	[amount]	[dates]	[date]
[month day year]	[amount]	[dates]	[date]
["]	["]	["]	["]

Vesting

You can earn the PSUs awarded above based on IBM's performance in achieving cumulative financial targets of IBM revenue, operating earnings per share and free cash flow, weighted 40/30/30 respectively, over the 3-year Performance Period applicable to the award. Performance against each of the targets will be subject to separate payout calculations according to the following table (**which will be applied separately for each award of PSUs listed above**):

% of Target	<70%	70%	80%	90%	100%	110%	≥120%
% of PSUs earned	0%	25%	50%	75%	100%	125%	150%

After the percentage of PSUs earned is determined, such percentage is further subject to a Relative Return on Invested Capital (ROIC) modifier over the three-year Performance Period that could result in (1) the percentage of PSUs earned being reduced up to 20 points if the performance falls below the S&P 500 Index median; or (2) the percentage of PSUs earned being increased up to 20 points when IBM exceeds the median performance of both the S&P 500 Index and the S&P Information Technology Index. The relative ROIC modifier has no effect on the percentage of PSUs earned when IBM's ROIC performance falls between the S&P 500 Index and the S&P Information Technology Index median. The final number of PSUs earned under this Award is generally determined after the ROIC modifier is applied. In the event the final percentage of PSUs earned is 0% based on IBM's performance in achieving cumulative financial targets of revenue, operating earnings per share and free cash flow, the relative ROIC modifier would not apply.

Payout of Awards

Following the Date of Payout, the Company shall either (a) deliver to you a number of shares of Capital Stock equal to the number of your earned PSUs, or (b) make a cash payment to you equal to the Fair Market Value on the Date of Payout of the number of your earned PSUs at the end of the Performance Period, in either case, net of any applicable tax withholding, and the respective PSUs shall thereafter be cancelled.

All payouts under this Award are subject to the provisions of the Plan, this Agreement and the Terms and Conditions document, including those relating to the cancellation and rescission of awards.

International Business Machines Corporation ("IBM")
Equity Award Agreement

Terms and Conditions of Your Equity Award	Refer to the Terms and Conditions document [http://w3.ibm.com/hr/exec/comp/eq_prospectus.shtml] [attached] for an explanation of the terms and conditions applicable to your Award, including those relating to: • Cancellation and rescission of awards (also see below) • Jurisdiction, governing law, expenses, taxes and administration • Non-solicitation of Company employees and clients, if applicable • Treatment of your Award in the event of death or disability or leave of absence • Treatment of your Award upon termination of employment, including retirement or for cause, (i) if you are on the performance team, or any successor team thereto, and (ii) under all other circumstances. It is strongly recommended that you print the Terms and Conditions document for later reference.
Termination of Employment	For the purposes of the Plan and this Equity Award Agreement, in determining when you cease to be an employee for the cancellation of any Award, you will be deemed to be terminated if you are no longer employed by IBM or a subsidiary corporation that employed you when the Award was granted unless approved by a method designated by those administering the Plan.
Cancellation and Rescission	You understand that IBM may cancel, modify, rescind, suspend, withhold or otherwise limit or restrict this Award in accordance with the terms of the Plan, including, without limitation, canceling or rescinding this Award if you render services for a competitor prior to, or during the Rescission Period. You understand that the Rescission Period that has been established is 12 months. Refer to the Terms and Conditions document and the Plan for further details.
Data Privacy, Electronic Delivery	By accepting this Award, you agree that data, including your personal data, necessary to administer this Award may be exchanged among IBM and its subsidiaries and affiliates as necessary, and with any vendor engaged by IBM to administer this Award, subject to the Terms and Conditions document; you also consent to receiving information and materials in connection with this Award or any subsequent awards under IBM's long-term performance plans, including without limitation any prospectuses and plan documents, by any means of electronic delivery available now and/or in the future (including without limitation by e-mail, by Web site access and/or by facsimile), such consent to remain in effect unless and until revoked in writing by you.
Extraordinary Compensation	Your participation in the Plan is voluntary. The value of this Award is an extraordinary item of income, is not part of your normal or expected compensation and shall not be considered in calculating any severance, redundancy, end of service payments, bonus, long-service awards, pension, retirement or other benefits or similar payments. The Plan is discretionary in nature. This Award is a one-time benefit that does not create any contractual or other right to receive additional awards or other benefits in the future. Future grants, if any, are at the sole grace and discretion of IBM, including but not limited to, the timing of the grant, the number of units and vesting provisions. This Equity Award Agreement is not part of your employment agreement, if any.

International Business Machines Corporation ("IBM")
Equity Award Agreement

Accept Your Award

This Award is considered valid when you accept it. This Award will be cancelled unless you accept it by 11:59 p.m. Eastern time two business days prior to the end of the Performance Period in the "Grant" section of this Agreement. [By pressing the Accept button below to accept your Award, you acknowledge having received and read this Equity Award Agreement, the Terms and Conditions document and the Plan under which this Award was granted and] [To record your acceptance of the Award and your acknowledgment that you have received and read this Equity Award Agreement, the Terms and Conditions document and the Plan under which this Award was granted, you must electronically sign this Agreement via Adobe Sign. Further by accepting this Award] you agree (i) not to hedge the economic risk of this Award or any previously-granted outstanding awards, which includes entering into any derivative transaction on IBM securities (e.g., any short sale, put, swap, forward, option, collar, etc.), (ii) to comply with the terms of the Plan, this Equity Award Agreement and the Terms and Conditions document, including without limitation those provisions relating to cancellation and rescission of awards and jurisdiction and governing law, (iii) that if you are, or become, subject to the terms of IBM's Executive Officer Compensation Recovery Policy in effect from time to time, you agree to comply with the terms of such policy including without limitation provisions regarding repayment to IBM; and (iv) that, unless you are an Illinois worker or resident, by your acceptance of this Award, all awards previously granted to you under the Plan or other IBM Long-Term Performance Plans are subject to (A) jurisdiction, governing law, expenses, taxes and administration section of the Terms and Conditions document (unless) at the time of your termination of employment you primarily worked or lived in Colorado, in which case the jurisdiction, governing law, expenses, taxes and administration terms of your previous awards shall apply) and (B) any cancellation, rescission or recovery required by applicable laws, rules, regulations or standards, including without limitation any requirements or standards of the U.S. Securities and Exchange Commission or the New York Stock Exchange.

International Business Machines Corporation ("IBM")

Equity Award Agreement

Plan	**[IBM 1999 Long-Term Performance Plan (the "Plan")]**
Award Type	**[Retention Restricted Stock Units, Cash-Settled Retention Restricted Stock Units]**
Purpose	The purpose of this Award is to retain selected employees and executives. You recognize that this Award represents a potentially significant benefit to you and is awarded for the purpose stated here.
Awarded to **Home Country** **Global ID**	**Sample** **United States (USA) [Employee ID]** **[Global ID]**
Award Agreement	This Equity Award Agreement, together with the "Terms and Conditions of Your Equity Award Effective [Date]" ("Terms and Conditions") document and the Plan [*http://w3.ibm.com/hr/exec/comp/eq_prospectus.html*,] [https://w3cms.s3-api.us-geo.objectstorage.softlayer.net/inline-files/LTPP_1999_august_2007_prospectus.pdf], both of which are incorporated herein by reference, together constitute the entire agreement between you and IBM with respect to your Award. This Equity Award Agreement shall be governed by the laws of the State of New York, without regard to conflicts or choice of law rules or principles.
Grant	Date of Grant: [**Month Date, Year**] Number of Units Awarded: [**XX**]
Vesting	This Award vests as set forth below, subject to your continued employment with the Company as described in the Terms and Conditions document.

Units	Date
[number of units]	**[month date year]**
[number of units]	**[month date year]**
["]	["]

Terms and Conditions of Your Equity Award

Refer to the Terms and Conditions document [*http://w3.ibm.com/hr/exec/comp/eq_prospectus.html]* [attached] for an explanation of the terms and conditions applicable to your Award, including those relating to:

- Cancellation and rescission of awards (also see below)
- Jurisdiction, governing law, expenses, taxes and administration
- Non-solicitation of Company employees and clients, if applicable
- Treatment of your Award in the event of death or disability or leave of absence
- Treatment of your Award upon termination of employment, including retirement or for cause

It is strongly recommended that you print the Terms and Conditions document for later reference.

Termination of Employment	For the purposes of the Plan and this Equity Award Agreement, in determining when you cease to be an employee for the cancellation of any Award, you will be deemed to be terminated if you are no longer employed by IBM or a subsidiary corporation that employed you when the Award was granted unless approved by a method designated by those administering the Plan.
Cancellation and Rescission	You understand that IBM may cancel, modify, rescind, suspend, withhold or otherwise limit or restrict this Award in accordance with the terms of the Plan, including, without limitation, canceling or rescinding this Award if you render services for a competitor prior to, or during the Rescission Period. You understand that the Rescission Period that has been established is three years. Refer to the Terms and Conditions document and the Plan for further details.
Data Privacy, Electronic Delivery	By accepting this Award, you agree that data, including your personal data, necessary to administer this Award may be exchanged among IBM and its subsidiaries and affiliates as necessary, and with any vendor engaged by IBM to administer this Award, subject to the Terms and Conditions document; you also consent to receiving information and materials in connection with this Award or any subsequent awards under IBM's long-term performance plans, including without limitation any prospectuses and plan documents, by any means of electronic delivery available now and/or in the future (including without limitation by e-mail, by Web site access and/or by facsimile), such consent to remain in effect unless and until revoked in writing by you.
Extraordinary Compensation	Your participation in the Plan is voluntary. The value of this Award is an extraordinary item of income, is not part of your normal or expected compensation and shall not be considered in calculating any severance, redundancy, end of service payments, bonus, long-service awards, pension, retirement or other benefits or similar payments. The Plan is discretionary in nature. This Award is a one-time benefit that does not create any contractual or other right to receive additional awards or other benefits in the future. Future grants, if any, are at the sole grace and discretion of IBM, including but not limited to, the timing of the grant, the number of units and vesting provisions. This Equity Award Agreement is not part of your employment agreement, if any.
Accept Your Award	This Award is considered valid when you accept it. This Award will be cancelled unless you accept it by 11:59 p.m. Eastern time two business days prior to the first vesting date in the "Vesting" section of this Agreement. [By pressing the Accept button below to accept your Award, you acknowledge having received and read this Equity Award Agreement, the Terms and Conditions document and the Plan under which this Award was granted and] [To record your acceptance of the Award and your acknowledgment that you have received and read this Equity Award Agreement, the Terms and Conditions document and the Plan under which this Award was granted, you must electronically sign this Agreement via Adobe Sign. Further by accepting this Award] you agree (i) not to hedge the economic risk of this Award or any previously-granted outstanding awards, which includes entering into any derivative transaction on IBM securities (e.g., any short sale, put, swap, forward, option, collar, etc.), (ii) to comply with the terms of the Plan, this Equity Award Agreement and the Terms and Conditions document, including those provisions relating to cancellation and rescission of awards and jurisdiction and governing law, (iii) that if you are, or become, subject to the terms of IBM's Executive Officer Compensation Recovery Policy in effect from time to time, you agree to comply with the terms of such policy including provisions regarding repayment to IBM; and (iv) that, unless you are an Illinois worker or resident (in which case any previous awards remain unaffected by this Award), by your acceptance of this Award , all awards previously granted to you under the Plan or other IBM Long-Term Performance Plans are subject to jurisdiction, governing law, expenses, taxes and administration section of the Terms and Conditions document (unless at the time of your termination of employment you primarily worked or lived in Colorado, in which case the jurisdiction, governing law, expenses, taxes and administration terms of your previous awards shall apply).

NONCOMPETITION AGREEMENT

In recognition of your critical role as a senior executive with International Business Machines Corporation ("IBM") and your access to IBM Confidential Information and/or IBM customer goodwill by virtue of your position, your membership on any corporate leadership team, and/or your appointment as an IBM Fellow; and/or as mutually agreed upon consideration for your promotion or hiring as a senior executive, including your eligibility for awards to be granted to you under an IBM Long-Term Performance Plan (which constitutes independent consideration for Paragraph 1(e) herein); and/or for other good and valuable consideration, you ("Employee" or "you") agree to the terms and conditions herein of this Noncompetition Agreement (the "Agreement"). Capitalized terms not otherwise defined shall have the meaning ascribed to them in Paragraph 2.

1. Covenants.

You acknowledge and agree that:

a) the compensation that you will receive in connection with this Agreement, including any equity awards, cash and/or other compensation, your position as a senior executive, and/or your appointment to or continued membership on any corporate leadership team or any successor team or group, if applicable, and/or your appointment as an IBM Fellow, if applicable, is consideration for your work at IBM, your agreement to the terms and conditions of this Agreement, and your compliance with the post-employment restrictive covenants included in this Agreement.

b) (i) the business in which IBM and its affiliates (collectively, the "Company") are engaged is intensely competitive; (ii) your employment by IBM and/or your membership on any corporate leadership team, if applicable, and/or your role as an IBM Fellow, if applicable, requires that you have access to, and knowledge of, IBM Confidential Information, including IBM Confidential Information that pertains not only to your business or unit, but also to the Company's global operations; (iii) you are given access to, and develop relationships with, actual and prospective customers of the Company at the time and expense of the Company; and (iv) by your training, experience and expertise, you and your services to the Company are, and will continue to be, extraordinary, special and unique.

c) (i) the disclosure of IBM Confidential Information would place the Company at a serious competitive disadvantage and would do serious damage, financial and otherwise, to the business of the Company; and (ii) you will keep in strict confidence, and will not, directly or indirectly, at any time during or after your employment with IBM, disclose, furnish, disseminate, make available, rely on or use, except in the course of performing your duties of employment with IBM, any IBM Confidential Information or any other trade secrets or confidential business and technical information of the Company or its customers or vendors, without limitation as to when or how you may have acquired such information.

d) (i) IBM Confidential Information, whether reduced to writing, maintained on any form of electronic media, or maintained in your mind or memory and whether compiled by the Company and/or you, is owned by the Company; (ii) IBM Confidential Information includes, but is not limited to, information that derives independent economic value from not being generally known to or readily ascertainable through proper means by others who can obtain economic value from its disclosure or use, and is the subject of efforts that are reasonable under the circumstances to maintain the secrecy of such information; (iii) IBM Confidential Information includes, but is not limited to, information that constitutes a trade secret of the Company; and (iv) the retention, disclosure and/or use of such IBM Confidential Information by you during or after your employment with IBM (except in the course of performing your duties and obligations to the Company) shall constitute a misappropriation of the Company's trade secrets.

e) during your employment with IBM and for twelve (12) months following the termination of your employment either by you or by IBM: (i) you will not directly or indirectly, within the Restricted Area, Engage in or Associate with (a) any Business Enterprise or (b) any competitor of the Company, if performing the duties and responsibilities of such engagement or association could result in you (1) intentionally or unintentionally using, disclosing, or relying upon IBM Confidential Information to which you had access by virtue of your job duties or other responsibilities with IBM or (2) exploiting customer goodwill cultivated in the course of your employment with IBM; however, in the event that your employment with IBM is terminated by IBM as a direct result of a resource action and not for Cause, the post-employment restriction in this clause will not apply; and (ii) you will not directly or indirectly solicit, for competitive business purposes, any actual or prospective customer of the Company which you were directly or indirectly involved with or exposed to confidential information about as part of your job responsibilities during the last twelve (12) months of your employment with IBM.

f) during your employment with IBM and for two (2) years following the termination of your employment either by you or by IBM for any reason, you will not directly or indirectly, within the Restricted Area, hire, solicit or make an offer to, or attempt to or participate or assist in any effort to hire, solicit, or make an offer to, any Employee of the Company to be employed or to perform services outside of the Company.

g) provided that for licensed attorneys, the forgoing restrictions are enforceable only to the extent consistent with ethical rules applicable to the attorney.

2. Definitions.

The following terms have the meanings provided below.

a) "Business Enterprise" means any entity that engages or intends to engage in, or owns or controls an interest in any entity that engages in or intends to engage in, competition with, or during your restrictive period becomes competitive with, any business unit or division of the Company in which you worked at any time during the three (3) year period prior to the termination of your employment.

b) "Cause" means, as reasonably determined by IBM, the occurrence of any of the following: (i) embezzlement, misappropriation of corporate funds or other material acts of dishonesty; (ii) commission or conviction of any felony or of any misdemeanor involving moral turpitude, or entry of a plea of guilty or nolo contendere to any felony or misdemeanor (other than a minor traffic violation or other minor infraction); (iii) engagement in any activity that you know or should know could harm the business or reputation of the Company; (iv) failure to adhere to the Company's corporate codes, policies or procedures; (v) a breach of any covenant in any employment agreement or any intellectual property agreement, or a breach of any other provision of your employment agreement, in either case if the breach is not cured to the Company's satisfaction within a reasonable period after you are provided with notice of the breach (no notice and cure period is required if the breach cannot be cured); (vi) failure by you to perform your duties or follow management direction, which failure is not cured to the Company's satisfaction within a reasonable period of time after a written demand for substantial performance is delivered to you (no notice or cure period is required if the failure to perform cannot be cured); (vii) violation of any statutory, contractual or common law duty or obligation to the Company, including, without limitation, the duty of loyalty; (viii) rendering of services for any organization or engaging directly or indirectly in any business which is or becomes competitive with the Company, or which organization or business, or the rendering of services to such organization or business, is or becomes otherwise prejudicial to or in conflict with the interests of the Company; or (ix) acceptance of an offer to Engage in or Associate with any business which is or becomes competitive with the Company; provided, however, that the mere failure to achieve performance objectives shall not constitute Cause.

c) "Employee of the Company" means any employee of the Company who worked within the Restricted Area at any time in the twelve (12) month period immediately preceding any actual or attempted hiring, solicitation or making of an offer.

d) "Engage in or Associate with" includes, without limitation, engagement or association as a sole proprietor, owner, employer, director, partner, principal, joint venturer, associate, employee, member, consultant, or contractor. The phrase also includes engagement or association as a shareholder or investor during the course of your employment with IBM, and includes beneficial ownership of five percent (5%) or more of any class of outstanding stock of a Business Enterprise or competitor of the Company following the termination of your employment with IBM.

e) "IBM Confidential Information" is any information, whether or not labeled IBM Confidential, of a confidential or secret nature that is disclosed to you, or created or learned by you, in the course of your employment with the Company, that relates to the business of the Company, including but not limited to trade secrets. Examples of IBM Confidential Information include, but are not limited to: the Company's formulae, patterns, compilations, programs, devices, methods, techniques, software, tools, systems, and processes, the Company's selling, manufacturing, and servicing methods and business techniques, implementation strategies, and information about any of the foregoing, the Company's training, service, and business manuals, promotional materials, training courses, and other training and instructional materials, vendor and product information, customer and prospective customer lists, other customer and prospective customer information, client data, global strategic plans, marketing plans, information about the Company's management techniques and management strategies, information regarding long-term business opportunities, information regarding the development status of specific Company products, assessments of the global competitive landscape of the industries in which the Company competes, plans for investment in or acquisition, divestiture or disposition of products or companies or business units, expansion plans, financial status and plans, compensation information, and personnel information.

f) "Restricted Area" means any geographic area in the world in which you worked or for which you had job responsibilities, including supervisory responsibilities, during the last twelve (12) months of your employment with IBM. You acknowledge that IBM is a global company and that the responsibilities of certain IBM employees, including, without limitation, members on any corporate leadership team, may be global in scope.

3. <u>Acknowledgements.</u>

You acknowledge that a mere agreement not to disclose, use or rely on IBM Confidential Information after your employment by IBM ends would be inadequate, standing alone, to protect IBM's legitimate business interests. You acknowledge that disclosure of, use of, or reliance on IBM Confidential Information, whether or not intentional, is often difficult or impossible for the Company to detect until it is too late to obtain any effective remedy. You acknowledge that the Company will suffer irreparable harm if you fail to comply with Paragraph 1 or otherwise improperly disclose, use, or rely on IBM Confidential Information. You acknowledge that the restrictions set forth in Paragraph 1 are reasonable as to geography, scope and duration. You acknowledge that you have the right to consult with counsel prior to signing this Agreement.

4. <u>Injunctive Relief.</u>

You agree that the Company would suffer irreparable harm if you were to breach, or threaten to breach, any provision of this Agreement and that the Company would by reason of such breach, or threatened breach, be entitled to injunctive relief in a court of appropriate jurisdiction, without the need to post any bond, and you further consent and stipulate to the entry of such injunctive relief in such a court prohibiting you from breaching, or further breaching, this Agreement. This Paragraph shall not, however, diminish the right of the Company to claim and recover damages in addition to injunctive relief.

5. Severability.

In the event that any one or more of the provisions of this Agreement shall be held to be invalid or unenforceable, the validity and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. Moreover, if any one or more of the provisions contained in this Agreement shall be held to be excessively broad as to duration, geographic scope, activity or subject, such provisions shall be construed by limiting and reducing them so as to be enforceable to the maximum extent allowed by applicable law. Furthermore, a determination in any jurisdiction that this Agreement, in whole or in part, is invalid or unenforceable shall not in any way affect or impair the validity or enforceability of this Agreement in any other jurisdiction.

6. Headings.

The headings in this Agreement are inserted for convenience and reference only and shall in no way affect, define, limit or describe the scope, intent or construction of any provision hereof.

7. Waiver.

The failure of IBM to enforce any terms, provisions or covenants of this Agreement shall not be construed as a waiver of the same or of the right of IBM to enforce the same. Waiver by IBM of any claim for breach or default by you (or by any other employee or former employee of IBM) of any term or provision of this Agreement (or any similar agreement between IBM and you or any other employee or former employee of IBM) shall not operate as a waiver of any other claim for breach or default.

8. Successors and Assigns.

This Agreement shall inure to the benefit of and be binding upon IBM, any successor organization which shall succeed to IBM by acquisition, merger, consolidation or operation of law, or by acquisition of assets of IBM and any assigns. You may not assign your obligations under this Agreement.

9. Disclosure of Existence of Covenants.

You agree that while employed by IBM and for two (2) years thereafter, you will communicate the contents of this Agreement to any person, firm, association, partnership, corporation or other entity which you intend to be employed by, associated with or represent, prior to accepting such employment, association or representation.

10. Notice to IBM of Prospective Position.

You agree that if, at any time during your employment or within twelve (12) months following the termination of your employment with IBM, you are offered and intend to accept a position with any person, firm, association, partnership, corporation or other entity other than the Company, you will provide the Senior Vice President & Chief Human Resources Officer for IBM Corporation with two (2) weeks' written notice prior to accepting any such position. This two (2) weeks' written notice is separate from any other notice obligations you may have under agreements with IBM. If for any reason you cannot, despite using your best efforts, provide the two (2) weeks' written notice prior to accepting any such position, you agree that you will provide two (2) weeks' written notice prior to commencing that new position. You acknowledge and agree that a two (2) week written notice period is appropriate and necessary to permit IBM to determine whether, in its view, your proposed new position could lead to a violation of this Agreement, and you agree that you will provide IBM with such information as IBM may request to allow IBM to complete its assessment (except that you need not provide any information that would constitute confidential or trade secret information of any entity other than the Company). During the notice period required by this Paragraph, IBM may choose, in its sole discretion, to limit your duties in your position with IBM and to restrict your access to IBM's premises, systems, products, information, and employees. IBM is committed to protect its trade secrets and other confidential and proprietary information, and will take all necessary and appropriate steps to do so. You agree to cooperate with IBM in good faith to ensure that its trade secrets and other confidential and proprietary information are not disclosed, either intentionally or inadvertently.

11. No Oral Modification.

This Agreement may not be changed orally, but may be changed only in a writing signed by the Employee and a duly authorized representative of IBM.

12. Entire Agreement.

Although this Agreement sets forth the entire understanding between the

Employee and IBM concerning the restrictive covenants herein, this Agreement does not impair, diminish, restrict or waive any other restrictive covenant, nondisclosure obligation or confidentiality obligation of the Employee to the Company under any other agreement, policy, plan or program of the Company. Nothing herein affects your rights, immunities or obligations under any federal, state or local law, including under the Defend Trade Secrets Act of 2016, as described in the Company's Business Conduct Guidelines, or prohibits you from reporting possible violations of law or regulation to a government agency, as protected by law. The Employee and IBM represent that, in executing this Agreement, the Employee and IBM have not relied upon any representations or statements made, other than those set forth herein, with regard to the subject matter, basis or effect of this Agreement.

13. Governing Law and Choice of Forum.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to its or any other jurisdiction's conflict of law rules. The parties agree that any action or proceeding with respect to this Agreement shall be brought exclusively in the state and federal courts sitting in New York County or Westchester County, New York. The parties agree to the personal jurisdiction thereof, and irrevocably waive any objection to the venue of such action, including any objection that the action has been brought in an inconvenient forum. Notwithstanding this Paragraph, if you reside in Massachusetts, and have resided for at least thirty (30) days immediately preceding, at the time of the termination of your employment with IBM, any action or proceeding with respect to this Agreement may be brought in the county where you reside.

INTERNATIONAL BUSINESS MACHINES CORPORATION

________________________________ ________________________________

Nickle LaMoreaux
Senior Vice President & Chief Human Resources Officer

________ ____________
Talent ID Date

Exhibit 22

Subsidiary Issuer of Guaranteed Securities

As of March 31, 2024, the following registered notes issued by IBM International Capital Pte. Ltd., a private company limited by shares incorporated under the laws of the Republic of Singapore and a 100% owned “finance subsidiary” (as described by the U.S. Securities and Exchange Commission in Rule 13-01(a)(4)(vi) of Regulation S-X) of International Business Machines Corporation (“IBM”), were fully and unconditionally guaranteed by IBM: 4.700% Notes due 2026, 4.600% Notes due 2027, 4.600% Notes due 2029, 4.750% Notes due 2031, 4.900% Notes due 2034, 5.250% Notes due 2044 and 5.300% Notes due 2054.

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13A-14(a) OR 15D-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Arvind Krishna, certify that:

1. I have reviewed this quarterly report on Form 10-Q of International Business Machines Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2024

/s/ Arvind Krishna

Arvind Krishna
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13A-14(a) OR 15D-14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, James J. Kavanaugh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of International Business Machines Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2024

/s/ James J. Kavanaugh

James J. Kavanaugh
Senior Vice President and Chief Financial Officer

Exhibit 32.1

INTERNATIONAL BUSINESS MACHINES CORPORATION

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of International Business Machines Corporation (the “Company”) on Form 10-Q for the period ending March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Arvind Krishna, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Arvind Krishna

Arvind Krishna
Chairman and Chief Executive Officer
April 30, 2024

A signed original of this written statement required by Section 906 has been provided to IBM and will be retained by IBM and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

INTERNATIONAL BUSINESS MACHINES CORPORATION

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of International Business Machines Corporation (the “Company”) on Form 10-Q for the period ending March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James J. Kavanaugh, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James J. Kavanaugh

James J. Kavanaugh
Senior Vice President and Chief Financial Officer
April 30, 2024

A signed original of this written statement required by Section 906 has been provided to IBM and will be retained by IBM and furnished to the Securities and Exchange Commission or its staff upon request.