FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
SEC Accession No. 0000950112-95-001268

(HTML Version on secdatabase.com)

FILER

INTERNATIONAL BUSINESS MACHINES CORP
CIK:**51143**| IRS No.: **130871985** | State of Incorp.:**NY** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-02360** | Film No.: **95535993**
SIC: **3570** Computer & office equipment

Business Address
OLD ORCHARD RD
ARMONK NY 10504
9147651900

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

F O R M 1 0 - Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED MARCH 31, 1995

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)

Armonk, New York	10504
(Address of principal executive offices)	(Zip Code)

914-765-1900
____
(Registrant's telephone number)

The registrant has 580,663,853 shares of common stock outstanding at March 31, 1995.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(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 ____X____ NO ________.

INDEX

	Page

ITEM 1.

INTERNATIONAL BUSINESS MACHINES CORPORATION
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31:
(UNAUDITED)

(Dollars in millions except for per share amounts)	1995	1994
Revenue:		
Hardware sales	$ 7,727	$ 6,268
Software	2,873	2,583
Services	2,445	1,836
Maintenance	1,821	1,768

Rentals and financing	869	918
Total revenue	15,735	13,373
Cost:		
Hardware sales	4,795	4,379
Software	1,005	1,260
Services	1,974	1,557
Maintenance	900	871
Rentals and financing	397	366
Total cost	9,071	8,433
Gross profit	6,664	4,940
Operating expenses:		
Selling, general and administrative	3,633	3,149
Research, development and engineering	913	1,100
Total operating expenses	4,546	4,249
Operating income	2,118	691
Other income, principally interest	246	408
Interest expense	180	414
Earnings before income taxes	2,184	685
Income tax provision	895	293
Net earnings	1,289	392
Preferred stock dividends and transaction costs	47	21
Net earnings applicable to common shareholders	$ 1,242	$ 371
Net earnings per share of common stock	$ 2.12	$ .64
Average number of common shares outstanding (millions)	585.2	582.1
Cash dividends per common share	$ .25	$ .25

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

INTERNATIONAL BUSINESS MACHINES CORPORATION

AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

ASSETS

(Dollars in millions)	At March 31 1995	At December 31 1994
Current assets:		
Cash	$ 1,042	$ 1,240
Cash equivalents	8,030	6,682
Marketable securities - at cost, which approximates market	1,418	2,632
Notes and accounts receivable - net of allowances	14,070	15,182
Sales-type leases receivable	6,693	6,351
Inventories, at lower of average cost or market		
Finished goods	878	1,442
Work in process	5,032	4,636
Raw materials	301	256
Total inventories	6,211	6,334
Prepaid expenses and other current assets	3,567	2,917
Total current assets	41,031	41,338
Plant, rental machines and other property	45,604	44,820
Less: accumulated depreciation	28,780	28,156
Plant, rental machines and other property - net	16,824	16,664
Investments and other assets:		
Software, less accumulated amortization (1995, $10,898; 1994, $10,793)	2,782	2,963
Investments and sundry assets	20,243	20,126
Total investments and other assets	23,025	23,089
Total Assets	$ 80,880	$ 81,091

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

INTERNATIONAL BUSINESS MACHINES CORPORATION
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION - (CONTINUED)
(UNAUDITED)

LIABILITIES AND STOCKHOLDERS' EQUITY

(Dollars in millions)	At March 31 1995	At December 31 1994
Current liabilities:		
Taxes	$ 1,937	$ 1,771
Accounts payable and accruals	15,847	17,885
Short-term debt	10,106	9,570
Total current liabilities	27,890	29,226
Long-term debt	12,519	12,548
Other liabilities	14,381	14,023
Deferred income taxes	2,004	1,881
Total liabilities	56,794	57,678
Stockholders' equity:		
Preferred stock - par value $.01 per share Shares authorized - 150,000,000 Shares issued: 1995 - 2,624,961 1994 - 11,145,000	255	1,081
Common stock - par value $1.25 per share Shares authorized - 750,000,000 Shares issued: 1995 - 582,925,033 1994 - 588,180,244	7,276	7,342
Retained earnings	12,976	12,352

Translation and other adjustments	3,579	2,638
Total stockholders' equity	24,086	23,413
Total liabilities and stockholders' equity	$ 80,880	$ 81,091

INTERNATIONAL BUSINESS MACHINES CORPORATION
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31:
UNAUDITED)

(Dollars in millions)	1995	1994
Cash flow from operating activities:		
Net earnings	$ 1,289	$ 392
Adjustments to reconcile net earnings to cash provided from operating activities:		
Effect of restructuring charges	(864)	(680)
Depreciation	1,033	1,093
Amortization of software	417	733
Changes in operating assets and liabilities	597	805
Gain on disposition of investment assets	(7)	(264)
Net cash provided from operating activities	2,465	2,079
Cash flow from investing activities:		
Payments for plant, rental machines and other property, net of proceeds	(567)	(503)
Investment in software	(236)	(293)
Purchases of marketable securities and other investments	(399)	(472)
Proceeds from marketable securities and other investments	1,574	972
Proceeds from sale of Federal Systems Company	--	1,503
Net cash provided from investing activities	372	1,207

Cash flow from financing activities:		
Proceeds from new debt	929	1,808
Payments to settle debt	(1,915)	(3,072)
Short-term borrowings less than 90 days - net	572	398
Preferrred stock transcations - net	(826)	--
Common stock transactions - net	(627)	82
Cash dividends paid	(152)	(159)
Net cash used in financing activities	(2,019)	(943)
Effect of exchange rate changes on cash and cash equivalents	332	(93)
Net change in cash and cash equivalents	1,150	2,250
Cash and cash equivalents at January 1	7,922	5,861
Cash and cash equivalents at March 31	$ 9,072	$ 8,111

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

Notes to Consolidated Financial Statements

1. In the opinion of the management of International Business Machines Corporation (the company), all adjustments necessary to a fair statement of the results for the unaudited three month period have been made. In addition to the adjustments for normal recurring accruals, in the first quarter of 1994, the company recorded charges of $296 million for software writedowns, and an after-tax gain of $248 million for the sale of its Federal Systems Company (FSC).

2. The company implemented Statement of Financial Accounting Standards (SFAS) 116, "Accounting for Contributions Received and Contributions Made," effective January 1, 1995. This standard requires that contributions made, including unconditional promises to give, are recognized as expenses in the period, at their fair values. The implementation of this standard did not have a material effect on the company's financial position or results of operations.

3. The translation and other adjustments line of Stockholders' Equity includes equity translation adjustments of $3,734 million at March 31, 1995, and $2,742 million at December 31, 1994.

4. The Consolidated Statement of Financial Position at March 31, 1995 includes balances relative to restructuring programs in accounts payable and accruals of approximately $.4 billion, and $.9 billion in plant, rental machines and other property provided for capacity related actions. At December 31, 1994, the approximate restructuring balances were $1.3 billion in accounts payable and accruals, $.1 billion in other liabilities, and $.9 billion in plant, rental machines and other property. Although utilization of restructuring reserves in the first quarter of 1995 was slightly lower than anticipated, the company has determined that the restructuring reserve balances are adequate to cover committed restructuring actions and will be fully utilized prior to December 31, 1995.

5. A supplemental Consolidated Statement of Operations schedule has been provided for informational purposes only, to exclude the effects of the FSC sale and software writedowns recorded in the first quarter of 1994. This supplemental statement is shown in Exhibit 99 on page 16. This information is presented voluntarily and is provided solely to assist in understanding the effects of these items on the Consolidated Statement of Operations.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

FOR THE THREE MONTHS ENDED MARCH 31, 1995

The company's first quarter results were strong as revenue, earnings, and earnings per share showed significant improvement over the first quarter of 1994. The overall gross profit margin rose to 42.4 percent and has remained stable for 10 straight quarters. The balance sheet continued to strengthen as the company completed the quarter with $10.5 billion in cash, despite spending $1.4 billion for common and preferred stock buybacks and approximately $.9 billion in restructuring costs. Although the first quarter results are encouraging, it's important to remember that the first quarter of last year was relatively weak, which makes this year's first quarter performance look especially strong. The results also benefited from the strength of some currencies versus the U.S. dollar. The company's hardware offerings remain under price and competitive pressure.

Results of Operations

(Dollars in millions)	Three Months Ended March 31	
	1995	1994
Revenue	$ 15,735	$ 13,373
Cost	9,071	8,433
Gross profit	$ 6,664	$ 4,940
Gross profit margin	42.4%	36.9%
Net earnings	$ 1,289	$ 392

The company recorded first quarter 1995 earnings of $1.3 billion or $2.12 per common share, compared with $.4 billion or $.64 per common share in the first quarter of 1994. The company's first quarter 1994 results included an after-tax gain of $248 million ($.43 per common share) from the sale of the Federal Systems Company and an after-tax writedown of $192 million ($.33 per common share) relating to a change in software amortization periods. Excluding these items, the company's adjusted earnings per common share was $.54. Total revenue was $15.7 billion, an increase of 17.7 percent over the same period last year. The average number of common shares outstanding for the period was 585.2 million in 1995 versus 582.1 million in 1994.

Reported revenue grew in all geographic areas in the first quarter. Revenue from the United States totaled $6.1 billion, an increase of 15.8 percent from last year's first quarter. Revenue from Europe/Middle East/Africa was $5.4 billion, an increase of 15.8 percent over the comparable period of last year, while revenue from Asia-Pacific was $1.9 billion, an increase of 26.4 percent. Revenue from Latin America totaled $.7 billion, a year-over-year increase of 8.4 percent. Revenue from Canada was $.6 billion, an increase of 24.5 percent over first quarter 1994.

Changes in currency exchange rates contributed approximately 6 percentage points to the 17.7 percent revenue improvement over the first quarter of 1994, although the revenue gains were largely offset by corresponding increases in costs and expenses due to currency.

IBM's overall gross profit margin was 42.4 percent in the first quarter compared with 36.9 percent in the first quarter of 1994, and 39.2 percent after adjusting for $296 million in software accounting charges.

Total expenses declined 3.4 percent in the first quarter (7.9 percent on a constant currency basis). From year-end 1992 through March 31, 1995, expenses have been reduced by a cumulative $6.5 billion toward the company's $8 billion expense reduction goal.

Results of Operations - (continued)

Hardware Sales

(Dollars in millions)	Three Months Ended March 31	
	1995	1994
Total revenue	$ 7,727	$ 6,268
Total cost	4,795	4,379
Gross profit	$ 2,932	$ 1,889
Gross profit margin	37.9%	30.1%

Revenue from hardware sales increased 23.3 percent from the comparable period of 1994, with about a 6 percentage point benefit from currency in 1995.

System/390* revenue growth was particularly strong in the quarter and demand for this product line remains strong. AS/400* revenue also experienced significant growth in the first quarter and RISC System/6000* products had double-digit revenue growth over first quarter 1994 levels. Personal computers increased revenue year over year and were particularly strong in Asia-Pacific and Latin America, while improving in the U.S. and weakening in Europe.

The company's storage products revenue had solid growth year over year driven by high-end shipments of its RAMAC product. Original Equipment Manufacturer (OEM) products continued strong growth in all areas compared to first quarter 1994.

Hardware sales gross profit dollars increased 55.2 percent when compared to first quarter 1994. The increase was driven by cost improvements as a result of prior restructuring actions and increased revenue growth in all key product areas. Although margins increased, they continue to be affected by competitive pricing pressures on high-end products and personal computers.

Software

(Dollars in millions)	Three Months Ended

	March 31	
	1995	1994
Total revenue	$ 2,873	$ 2,583
Total cost	1,005	1,260
Gross profit	$ 1,868	$ 1,323
Gross profit margin	65.0%	51.2%

Revenue from software increased 11.2 percent from the first quarter of 1994, with about a 6 percentage point benefit from currency. The increase was primarily driven by higher one-time-charge revenue in distributed software associated with the strong AS/400 shipments in the quarter, and strong sales of desktop software.

Results of Operations - (continued)

Software gross profit dollars increased 41.2 percent from the first quarter of 1994. The first quarter 1994 gross profit and gross profit margin was affected by the accounting charges relating to the change in software amortization periods. Excluding the effects of this change, 1995 gross profit dollars would have increased 15.4 percent and gross profit margin would have increased 2.3 points over 1994 first quarter levels.

Services Other Than Maintenance

(Dollars in millions)	Three Months Ended March 31	
	1995	1994
Total revenue	$ 2,445	$ 1,836
Total cost	1,974	1,557
Gross profit	$ 471	$ 279
Gross profit margin	19.3%	15.2%

Services revenue increased 33.2 percent, or about 27 percent at constant currency, when compared to the first quarter of 1994. The increase was primarily driven by strong growth in managed operations for both systems and networking activity. Services gross profit dollars increased 68.8 percent over the first quarter of 1994.

Maintenance

(Dollars in millions)	Three Months Ended March 31	
	1995	1994
Total revenue	$ 1,821	$ 1,768
Total cost	900	871
Gross profit	$ 921	$ 897
Gross profit margin	50.6%	50.7%

Maintenance revenue increased 3.0 percent from the first quarter of 1994 and was benefited by about 5 percentage points from currency. The gross profit dollars were essentially flat when compared to the first quarter of 1994.

Rentals and Financing

(Dollars in millions)	Three Months Ended March 31	
	1994	1995
Total revenue	$ 869	$ 918
Total cost	397	366
Gross profit	$ 472	$ 552
Gross profit margin	54.3%	60.1%

Rentals and financing revenue decreased 5.3 percent from the comparable period of 1994, and had a benefit of about 4 percentage points due to currency. This rate of decline shows an improvement over last year as new financing originations were up substantially in the first quarter of 1995.

Gross profit dollars decreased 14.5 percent from the first quarter of 1994, due primarily to declining margins in rentals which reflects pricing pressures on the high-end products in recent years.

Expenses

(Dollars in millions)	Three Months Ended March 31	
	1995	1994
Selling, general and administrative	$ 3,633	$ 3,149
Percentage of revenue	23.1%	23.5%
Research, development and engineering	$ 913	$ 1,100
Percentage of revenue	5.8%	8.2%

Selling, general and administrative expense increased 15.4 percent from first quarter 1994. The first quarter 1994 results included the $382 million gain from the sale of FSC. Excluding this gain and the effects of currency (approximately $200M), selling, general and administrative expense would have decreased by about $100M. Research, development and engineering expense, which is performed primarily in the United States, decreased 17 percent from the first quarter of 1994. These decreases reflect the company's focus on productivity and expense controls.

Other income, principally interest, and interest expense decreased from 1994 first quarter levels due primarily to the switch to the REAL currency in Brazil in July 1994. This change lowered the company's interest income and interest expense, as well as the exchange gains and losses associated with the local currency cash deposits and borrowings, which are a component of selling, general and administrative expense.

The company's interest expense, in addition to the effect of the new Brazilian monetary policy, also declined year over year due to the reduction of both "core" debt and debt to support the company's worldwide customer financing operations.

Interest on total borrowings of the company and its subsidiaries, which includes interest expense and interest costs associated with rentals and financing, amounted to $389 million for the first quarter of 1995. Of this amount, $4 million was capitalized.

The effective tax rate for the three months of 1995 was 41.0 percent versus 42.8 percent for the same period in 1994. This decrease was due to a number of factors, including the mix of earnings and weighting of tax rates on a country-by-country basis.

Financial Condition

The company's financial condition continued to strengthen during the first quarter of 1995. The total of cash, cash equivalents, and marketable securities at March 31, 1995 was virtually flat from year-end levels of $10.5 billion, despite spending $1.4 billion in common and preferred stock buybacks and $.9 billion in restructuring costs.

Working Capital

(Dollars in millions)	At March 31 1995	At December 31 1994
Current assets	$ 41,031	$ 41,338
Current liabilities	27,890	29,226
Working capital	$ 13,141	$ 12,112

Working capital at March 31, 1995 was $13.1 billion compared to $12.1 billion at December 31, 1994. Total current assets declined $.3 billion from year-end 1994 with decreases in accounts receivable of $.8 billion and $.1 billion in inventories, offset by an increase in prepaid expenses of $.6 billion. The decrease in accounts receivable largely results from the normally lower volumes associated with the first quarter. The decline in inventories reflects the company's continuing efforts to improve management of inventories, particularly personal computer inventories. The increase in prepaid expenses results primarily from the normal increase in deferred account activity from year-end levels.

Current liabilities declined $1.3 billion from December 31, 1994, due to a decrease in accounts payable and accruals of $2.0 billion, offset by increases in taxes of $.2 billion and short-term debt of $.5 billion. The decrease in accounts payable and accruals relates to the normal seasonal decline in accounts payable from their year-end levels, as well as lower restructuring accrual balances resulting from implementation of the company's restructuring programs. Most of the increase in taxes and short-term debt results from the impact of currency fluctuation on these balances from December 31, 1994.

Financial Condition - (continued)

Investments

The company's capital expenditures for plant, rental machines and other property were approximately $.8 billion for the first quarters of both 1995 and 1994.

In addition to software development expense included in research, development and engineering expense, the company capitalized $.2 billion of software costs during the first quarter of 1995, down $.1 billion from the comparable 1994 period. Amortization of capitalized software costs amounted to $.4 billion in the first quarter of 1995 and $.7 billion for the comparable 1994 period (including $.3 billion in accelerated amortization resulting from the software amortization change implemented in the first quarter of 1994).

Long Term Liabilities and Stockholders' Equity

Long-term debt was $12.5 billion at March 31, 1995, remaining virtually flat from year-end 1994. Other non-current liabilities at $14.4 billion increased $.4 billion from December 31, 1994, principally the result of the currency impact of a weaker U.S. dollar versus the majority of worldwide currencies.

Stockholders' equity increased from $23.4 billion at December 31, 1994 to $24.1 billion at March 31, 1995, as a result of increases in net retained earnings of $.6 billion, and equity translation adjustments of $1.0 billion due to the majority of worldwide currencies strengthening versus the U.S. dollar during the period. Preferred and common stock issued declined $.9 billion due to implementation of the stock buyback programs announced in in January of 1995.

Cash Flow

(Dollars in millions)	Three Months Ended March 31	
	1995	1994

Net cash provided from (used in):		
Operating activities	$ 2,465	$ 2,079
Investing activities	372	1,207
Financing activities	(2,019)	(943)
Effect of exchange rate changes on cash and cash equivalents	332	(93)
Net change in cash and cash equivalents	$ 1,150	$ 2,250

Financial Condition - (continued)

For the three months ended March 31, 1995, the company had an overall net increase in cash and cash equivalents of $1.2 billion compared to a net increase of $2.3 billion for the same period in 1994.

Net cash provided from operating activities was $2.5 billion for the first three months of 1995, versus $2.1 billion in the comparable 1994 period. The period-to-period improvement in cash flow from operations is mainly driven by the improvement in net earnings and lower accounts receivable balances, offset by a decrease in liabilities resulting from implementation of the company's restructuring plans.

Net cash provided from investing activities was $.4 billion for the first three months of 1995, compared to a net source of funds in the amount of $1.2 billion in the same period of 1994. The decreased cash flow from investing activities compared to the 1994 period is attributable to the proceeds derived from the sale of FSC in March 1994, partially offset by significant cash inflows during the first quarter of 1995 from the sale of marketable securities.

Net cash used in financing activities amounted to $2.0 billion for the three months ended March 31, 1995, an increase of $1.0 billion from the comparable 1994 period, principally the result of the company's buyback of preferred and common stock on the open market.

Liquidity

During the first quarter of 1995, the company received total cash proceeds of approximately $1.1 billion from the sale and securitization of receivables, primarily trade. At March 31, 1995, the company had a net balance of $1.4 billion in assets under management from the securitization of lease and trade receivables, a decline of $.4 billion from December 31, 1994.

On January 11, 1995 the company commenced a tender offer to purchase for cash any and all of the Series A 7 1/2 percent preferred stock represented by 44.6 million outstanding depositary shares for a price of $25.00 net per depositary share. Under this offer, depositary shares tendered and purchased by the company were not entitled to the regular quarterly dividend, or any accrued dividends for the first quarter of 1995. This offer and withdrawal rights expired on February 8, 1995. Through February 8, 1995, the company purchased 34.1 million depositary shares under this offer.

On February 28, 1995, the company's Board of Directors authorized IBM to repurchase any of its remaining 10.5 million outstanding Series A 7 1/2 percent preferred stock depositary shares from time to time in the open market and in private transactions, depending on market conditions.

Financial Condition - (continued)

On January 31, 1995, the Board of Directors authorized the company to repurchase up to $2.5 billion of IBM common shares on the open market. The company plans to purchase the shares from time to time, depending on market conditions. Through March 31, 1995, the company repurchased approximately 6.9 million shares of IBM common stock for approximately $540 million under this program.

On March 15, 1995, the company announced it will call on May 1, 1995 all of the outstanding 9 percent notes due May 1998, at a redemption price of 100 percent of the principal amount. IBM issued $500 million of these notes in May 1988. Payment of the call price for the 9 percent notes, together with accrued interest thereon from the last interest payment on November 1, 1994, will be made on or after May 1, 1995.

Part II - Other Information

Item 6(a). Exhibits

Exhibit Number

11	Statement re: computation of per share earnings.
99	Supplemental Consolidated Statement of Operations schedule.

Item 6(b). Reports on Form 8-K

No reports on Form 8-K were filed during the first quarter of 1995.

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: May 9, 1995

By:

J. B. York

J. B. York
Senior Vice President and Chief Financial Officer

* S/390, AS/400 and RISC System/6000 are trademarks of the International Business Machines Corporation.

EXHIBIT 11

COMPUTATION OF FULLY DILUTED EARNINGS PER SHARE UNDER TREASURY STOCK METHOD SET FORTH IN ACCOUNTING PRINCIPLES BOARD OPINION NO. 15

	For Three Months Ended	
	March 31, 1995	March 31, 1994
Number of shares on which earnings per share is based:		
Average outstanding during period	585,226,523	582,067,170
Add - Incremental shares under stock option and stock purchase plans	6,909,834	2,184,080
- Incremental shares related to 5 3/4% CGI convertible bonds (average)	7,715,388	7,715,400
Number of shares on which fully diluted earnings per share is based	599,851,745	591,966,650
Net earnings applicable to common shareholders (millions)	$ 1,242	$ 371
- Net earnings effect of interest on 5 3/4% CGI convertible bonds (millions)	4	4
Net earnings on which fully diluted earnings per share is based (millions)	$ 1,246	$ 375
Fully diluted earnings per share	$ 2.08	$ .63
Published earnings per share	$ 2.12	$ .64

EXHIBIT 99

INTERNATIONAL BUSINESS MACHINES CORPORATION
AND SUBSIDIARY COMPANIES
SUPPLEMENTAL CONSOLIDATED STATEMENT OF OPERATIONS (1)
FOR THE THREE MONTHS ENDED MARCH 31:
(UNAUDITED)

(Dollars in millions except for per share amounts)	1995	1994
Revenue:		
Hardware sales	$ 7,727	$ 6,268
Software	2,873	2,583
Services	2,445	1,836
Maintenance	1,821	1,768
Rentals and financing	869	918
Total revenue	15,735	13,373
Cost:		
Hardware sales	4,795	4,379
Software	1,005	964
Services	1,974	1,557
Maintenance	900	871
Rentals and financing	397	366
Total cost	9,071	8,137
Gross profit	6,664	5,236
Operating expenses:		
Selling, general and administrative	3,633	3,531
Research, development and engineering	913	1,100
Total operating expenses	4,546	4,631
Operating income	2,118	605
Other income, principally interest	246	408
Interest expense	180	414
Earnings before income taxes	2,184	599
Income tax provision	895	263
Net earnings	1,289	336
Preferred stock dividends and transaction costs	47	21
Net earnings applicable to common shareholders	$ 1,242	$ 315

	=======	=======
Net earnings per share of common stock	$ 2.12	$ .54
Average number of common shares outstanding (millions)	585.2	582.1

(1) Supplemental information provided for comparative purposes: 1994 excludes effects of the FSC sale and accounting charges for writedown of software.

Printed on Recycled Paper

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM IBM CORPORATION'S FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<MULTIPLIER> 1,000,000

<S>	<C>
<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	DEC-31-1995
<PERIOD-END>	MAR-31-1995
<CASH>	9,072
<SECURITIES>	1,418
<RECEIVABLES>	12,596
<ALLOWANCES>	0
<INVENTORY>	6,211
<CURRENT-ASSETS>	41,031
<PP&E>	45,604
<DEPRECIATION>	28,780
<TOTAL-ASSETS>	80,880
<CURRENT-LIABILITIES>	27,890
<BONDS>	0
<COMMON>	7,276
<PREFERRED-MANDATORY>	0
<PREFERRED>	255
<OTHER-SE>	16,555
<TOTAL-LIABILITY-AND-EQUITY>	80,880
<SALES>	7,727
<TOTAL-REVENUES>	15,735
<CGS>	4,795
<TOTAL-COSTS>	9,071
<OTHER-EXPENSES>	4,546
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	180
<INCOME-PRETAX>	2,184
<INCOME-TAX>	895
<INCOME-CONTINUING>	1,289
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	1,289
<EPS-PRIMARY>	2.12
<EPS-DILUTED>	2.08

</TABLE>