

INTERNATIONAL BUSINESS MACHINES CORP
Form 424B3
October 31, 2013

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The information in this prospectus supplement is not complete and may change. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and they are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion dated October 31, 2013

PROSPECTUS SUPPLEMENT
(To Prospectus dated July 26, 2013)

€

International Business Machines Corporation

% Notes due

Interest on the Notes payable annually on

IBM may redeem some or all of the Notes at any time at a make-whole premium, or in whole at par if certain events occur involving changes in United States taxation, as set forth in this prospectus supplement. Application will be made to list the Notes on the New York Stock Exchange.

Per Note Total	Price to Public €	%	Underwriting Discounts and Commissions €	%	Proceeds to Company €	%
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The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities, or determined if this prospectus supplement or the accompanying prospectus are truthful or complete. Any representation to the contrary is a criminal offense.

The Underwriters expect to deliver the Notes to purchasers in book-entry form only through The Depository Trust Company, Clearstream or Euroclear, as the case may be, on November , 2013.

Joint Bookrunning Managers

Deutsche Bank

Goldman, Sachs & Co.

Société Générale Corporate & Investment Banking

UniCredit Bank

October , 2013

We have not authorized anyone to provide any information other than that contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any other information. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of this prospectus supplement.

References herein to "\$" and "dollars" are to the currency of the United States, References to "€" and "euro" are to the lawful currency of the member states of the European Monetary Union that have adopted the euro as their currency.

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The distribution of this prospectus supplement and accompanying prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this prospectus supplement and the accompanying prospectus come should inform themselves about and observe any such restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. See "Offering Restrictions."

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INTERNATIONAL BUSINESS MACHINES CORPORATION

International Business Machines Corporation (IBM) was incorporated in the State of New York on June 16, 1911, as the Computing-Tabulating-Recording Co. (C-T-R), a consolidation of the Computing Scale Co. of America, the Tabulating Machine Co. and The International Time Recording Co. of New York. Since that time, IBM has focused on the intersection of business insight and technological invention, and its operations and aims have been international in nature. This was signaled over 85 years ago, in 1924, when C-T-R changed its name to International Business Machines Corporation. And it continues today: IBM creates business value for clients and solves business problems through integrated solutions that leverage information technology and deep knowledge of business processes. IBM solutions typically create value by reducing a client's operational costs or by enabling new capabilities that generate revenue. These solutions draw from an industry leading portfolio of consulting, delivery and implementation services, enterprise software, systems and financing.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on their public reference room. Our SEC filings are also available to the public at the SEC's web site at (<http://www.sec.gov>).

The SEC allows us to "incorporate by reference" into this prospectus supplement and the accompanying prospectus the information we file with it. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus supplement and the accompanying prospectus, and later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until our offering is completed:

- i. Annual Report on Form 10-K for the year ended December 31, 2012;
- ii. Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013, June 30, 2013 and September 30, 2013; and
- iii. Current Reports on Form 8-K or filed portions of those reports, filed (but not portions of those reports which were furnished) January 4, 2013, January 22, 2013, January 23, 2013, February 1, 2013, February 7, 2013, April 18, 2013, April 19, 2013, May 3, 2013, May 6, 2013, July 17, 2013, July 18, 2013, July 31, 2013, September 10, 2013, October 16, 2013 and October 17, 2013.

We encourage you to read our periodic and current reports. Not only do we think these items are interesting reading, we think these reports provide additional information about our company which prudent investors find important. You may request a copy of these filings at no cost, by writing to or telephoning our transfer agent at the following address:

Computershare Trust Company, N.A.
P.O. Box 43078
Providence, Rhode Island 02940-3078
(781) 575-2727

USE OF PROCEEDS

The net proceeds from the sale of the Notes after deducting expenses to be paid by IBM are estimated to be € million and will be used for general corporate purposes.

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DESCRIPTION OF NOTES

The following description of the particular terms of the Notes supplements, and to the extent inconsistent replaces, the description of the general terms and provisions of the debt securities set forth in the accompanying prospectus.

General

The Notes will be issued under an Indenture (the "Senior Indenture") dated as of October 1, 1993 between IBM and The Bank of New York Mellon, as Trustee, as supplemented by the First Supplemental Indenture dated as of December 15, 1995, filed as an exhibit to the Registration Statement of which the accompanying prospectus is a part. The Notes will be unsecured and will have the same rank as all of IBM's other unsecured and unsubordinated debt. The Notes will bear interest from November , 2013, at the rate of interest stated on the cover page of this prospectus supplement. Interest on the Notes will be payable annually on of each year, commencing , 2014, to the persons in whose names such securities are registered at the close of business on the fifteenth calendar day preceding each . Interest on the Notes will be computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the Notes (or November , 2013 if no interest has been paid on the Notes), to but excluding the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Market Association. The Notes will mature on , .

The Notes will be subject to defeasance and covenant defeasance as provided in "Description of the Debt Securities Satisfaction and Discharge; Defeasance" in the accompanying prospectus. The Notes will be issued in denominations of €100,000 and integral multiples of €1,000.

IBM may, without the consent of the holders of Notes, issue additional notes having the same ranking and the same interest rate, maturity and other terms as the Notes (except for the price to the public, issue date and the initial interest accrual date), provided however, that no such additional notes may be issued unless such additional notes are fungible with the Notes for U.S. federal income tax purposes. Any additional notes having such similar terms, together with the Notes, will constitute a single series of notes under the Senior Indenture. No additional notes may be issued if an event of default has occurred with respect to the Notes.

The currency of payment for the Notes is the euro. However, when interests in the Notes are held through DTC, all payments in respect of such DTC Notes will be made in U.S. dollars, unless the holder of a beneficial interest in the DTC Notes elects to receive payment in euro. See " Issuance in Euro."

Issuance in Euro

Initial holders will be required to pay for the Notes in euro. The Bank of New York Mellon, as Trustee, is prepared to arrange for the conversion of U.S. dollars into euro to facilitate payment for the Notes by U.S. purchasers. Each conversion will be made by The Bank of New York Mellon on the terms and subject to the conditions, limitations and charges as The Bank of New York Mellon may from time to time establish in accordance with regular foreign exchange practices, and subject to United States laws and regulations. All costs of conversion will be borne by the holder.

Notes which are offered and sold in the United States (the "DTC Notes") will be represented by beneficial interests in a fully registered permanent global Note (the "DTC global Note") which will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee for DTC. While interests in the DTC Notes are held through the DTC global Note, all payments in respect of such Notes will be made in U.S. dollars, except as otherwise provided in this section.

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The paying agent will determine the amount of any U.S. dollar payment based on the highest firm bid quotation, expressed in U.S. dollars, that it receives at approximately 11:00 a.m., Brussels time two Business Days before the applicable payment date (if no rate is quoted on that date, the paying agent will use the last date on which the rate was quoted). To determine the highest quote, the paying agent will request quotes from three (or, if three are not available, then two) recognized foreign exchange dealers in London (which may include the Underwriters, their affiliates or the paying agent) for the purchase, and settlement on the applicable payment date, of the total amount of euro then payable. The holder will be responsible for all currency exchange costs, such amount to be deducted from the U.S. dollar payments. If no bid quotations are available, IBM will make payments in euro, unless the euro is unavailable due to the imposition of exchange controls or other circumstances beyond IBM's control. In that case, IBM will make payments as described under "Exchange Rates and Exchange Controls."

The holder of a beneficial interest in the DTC Notes may elect to receive a payment or payments in euro by notifying the DTC participant through which its Notes are held on or prior to the applicable Record Date of (1) the holder's election to receive all or a portion of the payment in euro, and (2) wire transfer instructions to a euro account located outside of the United States. DTC must be notified of an election and wire transfer instructions (1) on or prior to the third New York Business Day (as defined below) after the Record Date for any payment of interest, and (2) on or prior to the fifth New York Business Day prior to the date for any payment of principal. DTC will notify the paying agent of an election and wire transfer instructions (1) on or prior to 5:00 p.m. New York City time on the fifth New York Business Day after the Record Date for any payment of interest, and (2) on or prior to 5:00 p.m. New York City time on the third New York Business Day prior to the date for any payment of principal. If complete instructions are forwarded to DTC through DTC participants and by DTC to the paying agent on or prior to such dates, such holder will receive payment in euro outside of DTC; otherwise, only U.S. dollar payments will be made by the paying agent to DTC.

The term "Business Day" means any day other than a Saturday or Sunday that is (1) not a day on which banking institutions are authorized or required by law or executive order to close in the City of New York, and (2) a TARGET Settlement Day.

The term "New York Business Day" means any day other than a Saturday or Sunday or a day on which banking institutions in the City of New York are authorized or required by law or executive order to close.

As of December 31, 2012, the euro/U.S.\$ rate of exchange was €0.7580/U.S.\$1 and as of October 30, 2013, the euro/U.S.\$ rate of exchange was €0.7280/U.S.\$1.

Exchange Rates and Exchange Controls

An investment in the Notes by a purchaser whose home currency is not the euro entails significant risks. These risks include the possibility of significant changes in rates of exchange between the holder's home currency and the euro and the possibility of the imposition or modification of foreign exchange controls. These risks generally depend on factors over which IBM has no control, such as economic and political events and the supply of and the demand for the relevant currencies. In recent years, rates of exchange between the euro and certain currencies have been highly volatile, and each holder should be aware that volatility may occur in the future. Fluctuations in any particular exchange rate that have occurred in the past, however, are not necessarily indicative of fluctuations in the rate that may occur during the term of the Notes. Depreciation of the euro against the holder's home currency would result in a decrease in the effective yield of such Note below its coupon rate and, in certain circumstances, could result in a loss to the holder.

If the euro is unavailable to IBM due to the imposition of exchange controls or other circumstances beyond IBM's control or the euro is no longer used by the member states of the

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European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of such Note will be made in U.S. dollars until such currency is again available to IBM or so used. The amount payable on any date in euro will be converted into U.S. dollars on the basis of the most recently available market exchange rate for the euro. Any payment in respect of such Note so made in U.S. dollars will not constitute an event of default under the Senior Indenture.

Applicable Law and Foreign Currency Judgments

The Notes will be governed by and construed in accordance with the internal laws of the State of New York. Courts in the United States customarily have not rendered judgments for money damages denominated in any currency other than the U.S. dollar.

Optional Redemption

The Notes will be redeemable, as a whole or in part, at IBM's option, at any time or from time to time, on at least 30 days, but not more than 60 days, prior notice to holders of the Notes given in accordance with "Description of the Debt Securities Notice to Holders" in the accompanying prospectus, at a redemption price equal to the greater of:

100% of the principal amount of the Notes to be redeemed; or

the Optional Redemption Price,

plus, in each case, accrued and unpaid interest on the Notes to, but excluding, the redemption date.

Notwithstanding the foregoing, installments of interest on Notes that are due and payable on interest payment dates falling on or prior to a redemption date will be payable on the interest payment date to the registered holders as of the close of business on the relevant record date according to the Notes and the Senior Indenture.

"Optional Redemption Price" means the price, expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards), at which the yield (as calculated by the trustee) on the Notes, if they were to be purchased at such price on the third dealing day prior to the date fixed for redemption, would be equal to the yield on such dealing day of the Reference Bond on the basis of the average of four quotations of the average midmarket annual yield to maturity of the Reference Bond prevailing at 11:00 a.m. (Central European time) on such dealing day as determined by the trustee.

"Reference Bond" means, in relation to any Optional Redemption Price calculation, the German Government DBR % due , or if such bond is no longer in issue, such other European government bond as the trustee may, with the advice of three brokers of, and/or market makers in, European government bonds selected by the trustee, determine to be appropriate for determining the Optional Redemption Price.

On and after the redemption date, interest will cease to accrue on the Notes or any portion of the Notes called for redemption (unless we default in the payment of the redemption price and accrued and unpaid interest). On or before the redemption date, we will deposit with a paying agent (or the trustee) money sufficient to pay the redemption price of and accrued and unpaid interest on the Notes to be redeemed on that date. If fewer than all of the Notes are to be redeemed, the Notes to be redeemed shall be selected by the trustee by a method the trustee deems to be fair and appropriate.

The Notes are also subject to redemption prior to maturity if certain events occur involving United States taxation. If any of these special tax events do occur, the Notes will be redeemed at a redemption price of 100% of their principal amount plus accrued and unpaid interest to the date of redemption. See "Description of Notes Redemption for Tax Reasons."

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Payments of Additional Amounts

IBM will, subject to the exceptions and limitations set forth below, pay as additional interest on the Notes such additional amounts as are necessary in order that the net payment by IBM or a paying agent of the principal of and interest on the Notes to a holder who is not a United States person (as defined below), after deduction for any present or future tax, assessment or other governmental charge of the United States or a political subdivision or taxing authority of or in the United States, imposed by withholding with respect to the payment, will not be less than the amount provided in the Notes to be then due and payable; provided, however, that the foregoing obligation to pay additional amounts shall not apply:

(1) to any tax, assessment or other governmental charge that is imposed or withheld solely by reason of the holder, or a fiduciary, settlor, beneficiary, member or shareholder of the holder if the holder is an estate, trust, partnership or corporation, or a person holding a power over an estate or trust administered by a fiduciary holder, being considered as:

(a) being or having been present or engaged in a trade or business in the United States or having had a permanent establishment in the United States;

(b) having a current or former relationship with the United States, including a relationship as a citizen or resident of the United States;

(c) being or having been a personal holding company, a passive foreign investment company or a controlled foreign corporation with respect to the United States or a corporation that has accumulated earnings to avoid United States federal income tax;

(d) being or having been a "10-percent shareholder" of IBM as defined in section 871(h)(3) of the United States Internal Revenue Code of 1986, as amended (the "Code") or any successor provision; or

(e) being a bank receiving payments on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business;

(2) to any holder that is not the sole beneficial owner of the Notes, or a portion of the Notes, or that is a fiduciary or partnership, but only to the extent that a beneficiary or settlor with respect to the fiduciary, a beneficial owner or member of the partnership would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment;

(3) to any tax, assessment or other governmental charge that is imposed otherwise or withheld solely by reason of a failure of the holder or any other person to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the Notes, if compliance is required by statute, by regulation of the United States Treasury Department or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge;

(4) to any tax, assessment or other governmental charge that is imposed otherwise than by withholding by us or a paying agent from the payment;

(5) to any tax, assessment or other governmental charge that is imposed or withheld solely by reason of a change in law, regulation or administrative or judicial interpretation that becomes effective more than 15 days after the payment becomes due or is duly provided for, whichever occurs later;

(6) to any estate, inheritance, gift, sales, excise, transfer, wealth or personal property tax or similar tax, assessment or other governmental charge;

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(7) to any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of or interest on any Notes, if such payment can be made without such withholding by any other paying agent;

(8) to any Notes where such withholding is imposed on a payment to an individual and is required to be made pursuant to European Union Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;

(9) to any Notes presented for payment by, or on behalf of, a holder who would have been able to avoid such withholding or deduction by presenting the relevant Notes to another paying agent in a member state of the European Union;

(10) any taxes that are imposed or withheld pursuant to Sections 1471 through 1474 of the Code (or any amended or successor version of such Sections), any Treasury regulations promulgated thereunder, any official interpretations thereof or any agreements entered into in connection with the implementation thereof;

(11) with respect to any payment to the extent such payment could have been made without such deduction or withholding if the holder or beneficial owner of the Notes had presented the Notes for payment (where presentation is permitted or required for payment) within 30 days after the date on which such payment became due and payable or date on which payment thereof is duly provided for, whichever is later, except for Additional Amounts with respect to Taxes that would have been imposed had the Holder or beneficial owner presented the Notes for payment within such 30-day period; and

(12) in the case of any combination of items (1), (2), (3), (4), (5), (6), (7), (8), (9), (10) and (11).

The Notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable to the Notes. Except as specifically provided under this heading " Payments of Additional Amounts" and under the heading " Redemption for Tax Reasons," IBM shall not be required to make any payment with respect to any tax, assessment or other governmental charge imposed by any government or a political subdivision or taxing authority of, or in any government or political subdivision.

As used under this heading " Payments of Additional Amounts" and under the heading " Redemption for Tax Reasons", the term "United States" means the United States of America (including the states and the District of Columbia) and its territories, possessions and other areas subject to its jurisdiction, and the term "United States person" means any individual who is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States, any state of the United States or the District of Columbia (other than a partnership that is not treated as a United States person under any applicable Treasury regulations), or any estate or trust the income of which is subject to United States federal income taxation regardless of its source.

Redemption for Tax Reasons

If, as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated under the laws) of the United States (or any political subdivision or taxing authority of or in the United States), or any change in, or amendments to, an official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment is announced or becomes effective on or after the date of this prospectus supplement, IBM becomes, or based upon a written opinion of independent counsel selected by IBM, will become obligated to pay additional amounts as described herein under the heading " Payments of Additional Amounts" with

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respect to the Notes, then IBM may at its option redeem, in whole, but not in part, the Notes on not less than 30 nor more than 60 days prior notice, at a redemption price equal to 100% of their principal amount, together with interest accrued but unpaid on those Notes to the date fixed for redemption.

Book-Entry System

Notes which are offered and sold outside the United States (the "international Notes") will be represented by beneficial interests in a fully registered permanent global note (the "international global note") without interest coupons attached, which will be registered in the name of, and shall be deposited on or about _____, with a common depositary for, and in respect of interests held through, Euroclear Bank, S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, societe anonyme ("Clearstream").

Notes which are offered and sold in the United States (the "DTC Notes" and, together with the international Notes, the "Notes") will be represented by beneficial interests in a fully registered permanent global Note (the "DTC global Note" and, together with the international global Note, the "global Notes"), without interest coupons attached, which will be deposited on or about _____, with The Bank of New York Mellon, as custodian for, and registered in the name of Cede & Co., as nominee for, The Depository Trust Company.

Together, the Notes represented by the global Notes will equal the aggregate principal amount of the Notes outstanding at any time. The amount of Notes represented by each of the DTC global Note and the international global Note is evidenced by the register maintained for that purpose by the registrar. Beneficial interests in the global Notes will be shown on, and transfers thereof will be affected only through, records maintained by DTC, Euroclear and Clearstream and their participants. Except as described herein, individual registered certificates will not be issued in exchange for beneficial interests in the global Notes.

A holder of DTC Notes will receive all payments under the DTC Notes in U.S. dollars, unless such holder makes an election as described herein for payment in euro. The amount payable in U.S. dollars will be equal to the amount of euro otherwise payable exchanged into U.S. dollars at the euro/U.S.\$ rate of exchange prevailing two Business Days prior to the relevant payment date. See " Issuance in Euro" herein.

Euroclear advises that it was created in 1968 to hold securities for its participants ("Euroclear Participants") and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear is operated by Euroclear Bank (the "Euroclear Operator"). Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "Terms and Conditions"). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding through Euroclear participants.

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Distributions with respect to Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Terms and Conditions, to the extent received by the U.S. Depository for Euroclear.

Clearstream holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream customers through electronic book-entry changes in accounts of Clearstream customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream in any of 36 currencies, including United States Dollars. Clearstream provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream also deals with domestic securities markets in over 30 countries through established depository and custodial relationships. Clearstream is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier, "CSSF", which supervises Luxembourg banks. Clearstream's customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Clearstream's U.S. customers are limited to securities brokers and dealers, and banks. Currently, Clearstream has approximately 2,000 customers located in over 80 countries, including all major European countries, Canada, and the United States. Indirect access to Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream. Clearstream has established an electronic bridge with the Euroclear Operator to facilitate settlement of trades between Clearstream and Euroclear.

Distributions with respect to the Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures, to the extent received by the U.S. Depository for Clearstream.

Individual certificates in respect of Notes will not be issued in exchange for the Global Notes, except in very limited circumstances. If Euroclear, Clearstream or DTC notifies us that it is unwilling or unable to continue as a clearing system in connection with a Global Note or, in the case of DTC only, DTC ceases to be a clearing agency registered under the Exchange Act, and in each case we do not appoint a successor clearing system within 90 days after receiving such notice from Euroclear, Clearstream or DTC or on becoming aware that DTC is no longer so registered, we will issue or cause to be issued individual certificates in registered form on registration of transfer of, or in exchange for, book-entry interests in the Notes represented by such Global Notes upon delivery of such Global Notes for cancellation.

If individual certificates are issued, an owner of a beneficial interest in the Global Notes will be entitled to physical delivery in definitive form of Notes represented by the Global Notes equal in principal amount to its beneficial interest and to have those Notes registered in its name. Notes issued in definitive form will be issued as registered Notes in denominations of €100,000 and multiples of €1,000 in addition thereto. You may transfer the definitive Notes by presenting them for registration to the registrar at its New York office. Notes presented for registration must be duly endorsed by you or your attorney duly authorized in writing, or accompanied by a written instrument or instruments of transfer in form satisfactory to us or the trustee duly executed by you or your attorney duly authorized in writing. We may require you to pay a sum sufficient to cover any tax or other government charge that may be imposed in connection with any exchange or registration of transfer of definitive Notes.

In the case of a transfer of part of a holding of Notes represented by one certificate, a new certificate shall be issued to the transferee in respect of the part transferred and a further new certificate in respect of the balance of the holding not transferred shall be issued to the transferor. Any new certificates shall be obtained at the specified office of the registrar within three business days of receipt by the registrar. For the purposes of this paragraph, "business day" means a day, other than a

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Saturday or Sunday, on which banks are open for business in the place of the specified office of the registrar.

If IBM issues definitive Notes, IBM will do so at the office of The Bank of New York Mellon, the paying agent and registrar for the Notes, including any successor paying agent and registrar for the notes, currently located at 4 New York Plaza, New York, New York 10004.

We may pay interest on definitive Notes, other than interest at maturity or upon redemption, by mailing a check to the address of the person entitled to the interest as it appears on the security register at the close of business on the record date corresponding to the relevant interest payment date.

Notwithstanding the foregoing, the common depositary, as holder of the Notes, may require the paying agent to make payments of interest, other than interest due at maturity or upon redemption, by wire transfer of immediately available funds into an account maintained in euro by the common depositary, by sending appropriate wire transfer instructions. The paying agent must receive these instructions not less than ten days prior to the applicable interest payment date.

The paying agent will pay the principal and interest payable at maturity or upon redemption by wire transfer of immediately available funds against presentation of a Note at the office of the paying agent.

Title to book-entry interests in the Notes will pass by book-entry registration of the transfer within the records of Euroclear, Clearstream or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Notes may be transferred within Euroclear and within Clearstream and between Euroclear and Clearstream in accordance with procedures established for these purposes by Euroclear and Clearstream. Book-entry interests in the Notes may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfers of book-entry interests in the Notes between Euroclear and Clearstream and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream, Luxembourg and DTC.

Euroclear, Clearstream and DTC Arrangements

So long as DTC or its nominee or Euroclear, Clearstream or the nominee of their common depositary is the registered holder of the global Notes, DTC, Euroclear, Clearstream or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such global notes for all purposes under the Senior Indenture and the Notes. Payments of principal, interest and additional amounts, if any, in respect of the global Notes will be made to DTC, Euroclear, Clearstream or such nominee, as the case may be, as the registered holder thereof. None of IBM, any agent or any underwriter or any affiliate of any of the above or any person by whom any of the above is controlled (as such term is defined in the United States Securities Act of 1933, as amended), have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by Euroclear or Clearstream for the paying agent, to the cash accounts of Euroclear or Clearstream customers in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Notes through DTC will receive, to the extent received by DTC from the paying agent, all distributions with respect to book-entry interests in the Notes from the paying agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

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Interest on the Notes (other than interest on redemption) will be paid to the holder shown on the register on the applicable record date. Trading between the DTC global Note and the international global Note will therefore be net of accrued interest from the record date to the relevant interest payment date.

Because DTC, Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in the global Notes to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holdings of book-entry interests in the Notes through Euroclear, Clearstream and DTC will be reflected in the book-entry accounts of each such institution. As necessary, the registrar will adjust the amounts of the Notes on the register for the accounts of (i) the common depository for Euroclear and Clearstream and (ii) Cede & Co. to reflect the amounts of Notes held through Euroclear and Clearstream, and DTC, respectively.

Beneficial ownership of Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream and DTC. Interests in the global Notes will be in uncertificated book-entry form.

Secondary Market Trading in Relation to Registered Global Notes

Trading between Euroclear and/or Clearstream Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream to purchasers of book-entry interests in the international Notes through Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the DTC Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations if payment is effected in U.S. dollars, or free of payment if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC Seller and Euroclear/Clearstream Purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in a DTC global Note to the account of a Euroclear or Clearstream account holder wishing to purchase a beneficial interest in an international global Note, the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream account holder to DTC by 12:00 noon, New York City time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream account holder. On the settlement date, the custodian will instruct the registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the DTC global Note and (ii) increase the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream and evidenced by the international global Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, as the case may be, for credit to the relevant account holder on the first business day following the settlement date but for value on the settlement date.

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Trading between Euroclear/Clearstream Seller and DTC Purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream accountholder to the account of a DTC participant wishing to purchase a beneficial interest in the DTC global Note, the Euroclear or Clearstream participant must send to Euroclear or Clearstream delivery free of payment instructions by 7:45 p.m., Luxembourg/Brussels time as the case may be, one business day prior to the settlement date. Euroclear or Clearstream, as the case may be, will in turn transmit appropriate instructions to the common depository for Euroclear and Clearstream and the registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear and Clearstream accountholder, as the case may be.

On the settlement date, the common depository for Euroclear and Clearstream will (a) transmit appropriate instructions to the custodian who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the registrar to (i) decrease the amount of the Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream and evidenced by the international global Notes and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the DTC global Note.

Although the foregoing sets out the procedures of Euroclear, Clearstream and DTC in order to facilitate the transfers of interests in the Notes among participants of DTC, Clearstream and Euroclear, none of Euroclear, Clearstream or DTC is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither IBM, the registrar, the Trustee, any paying agent, any underwriter or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the United States Securities Act of 1933, as amended, will have any responsibility for the performance by DTC, Euroclear and Clearstream or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

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UNITED STATES TAXATION

General

This section summarizes the material U.S. tax consequences to holders of Notes. It represents the views of our tax counsel, Cravath, Swaine & Moore LLP. However, the discussion is limited in the following ways:

The discussion only covers you if you buy your Notes in the initial offering at the initial offering price to the public.

The discussion only covers you if you hold your Notes as a capital asset (that is, for investment purposes), and if you do not have a special tax status.

The discussion does not cover tax consequences that depend upon your particular tax situation in addition to your ownership of Notes. We suggest that you consult your tax advisor about the consequences of holding Notes in your particular situation.

The discussion is based on current law. Changes in the law may change the tax treatment of the Notes.

The discussion does not cover state, local or foreign law.

The discussion does not apply to you if you are a Non-U.S. Holder of Notes (as defined below) and if you (a) own, actually or constructively, 10% or more of the voting stock of the Company, (b) are a "controlled foreign corporation" related, directly or indirectly, to the Company through stock ownership, or (c) are a bank making a loan in the ordinary course of its business.

We have not requested a ruling from the Internal Revenue Service (the "IRS") on the tax consequences of owning the Notes. As a result, the IRS could disagree with portions of this discussion.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, changes to any of which subsequent to the date of this Prospectus Supplement may affect the tax consequences described herein. If you are considering buying Notes, we suggest that you consult your tax advisor about the tax consequences of holding the Notes in your particular situation.

Tax Consequences to U.S. Holders

This section applies to you if you are a "U.S. Holder". A "U.S. Holder" is:

an individual U.S. citizen or resident alien;

a corporation, or entity taxable as a corporation, that was created under U.S. law (federal, or state or the District of Columbia); or

an estate or trust whose world-wide income is subject to U.S. federal income tax.

If a partnership holds Notes, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner of a partnership holding Notes, we suggest that you consult your tax advisor.

Interest

All holders of Notes will be taxable on the U.S. dollar value of euro payable as interest on the Notes, whether or not they elect to receive payments in euro. If you receive interest in the form of U.S. dollars, you will be considered to have received interest in the form of euro and to have sold those euro for U.S. dollars.

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If you are a cash method taxpayer (including most individual holders), you will be taxed on the value of the euro when it is received by you (if you receive euro) or when it is deemed received by you (if you receive U.S. dollars). The value of the euro will be determined using a "spot rate" in effect at such time. "Spot rate" generally means a currency exchange rate that reflects a market exchange rate available to the public for euro.

If you are an accrual method taxpayer, you will be taxed on the value of the euro payable as interest as the interest accrues on the Notes. In determining the value of the euro for this purpose, you may use the average foreign currency exchange rate during the relevant interest accrual period (or, if that period spans two taxable years, during the portion of the interest accrual period in the relevant taxable year). The average rate for an accrual period (or partial period) is the simple average of the spot rates for each business day of such period, or other average exchange rate for the period reasonably derived and consistently applied by you. When interest is actually paid, you will generally also recognize exchange gain or loss, taxable as ordinary income or loss, equal to the difference between (a) the value of the euro received as interest, as translated into U.S. dollars using the spot rate on the date of receipt, and (b) the U.S. dollar amount previously included in income with respect to such payment. If you receive interest in the form of U.S. dollars, clause (a) will be calculated on the basis of the value of the euro you would have received instead of U.S. dollars. If you do not wish to accrue interest income using the average exchange rate, certain alternative elections may be available.

Your tax basis in the euro you receive (or are considered to receive) as interest will be the aggregate amount reported by you as income with respect to the receipt of the euro.

Sale, Redemption or Retirement of Notes

On the sale, redemption or retirement of your Note:

If you receive the principal payment on your Note in the form of U.S. dollars, you will be considered to have received the principal in the form of euro and to have sold those euro for U.S. dollars.

You will have taxable gain or loss equal to the difference between the amount received or deemed received by you and your tax basis in the Note. Upon your receipt (or deemed receipt) of euro, those euro are valued for this purpose at the spot rate of the euro. In case of a redemption or retirement of the Note, the spot rate is determined as of the date of the redemption or retirement. In case of a sale on an established securities market, the spot rate is determined as of (i) the settlement date of the sale for a cash basis taxpayer (or, upon election, an accrual basis taxpayer) or (ii) the trade date of the sale for a non-electing accrual basis taxpayer. Your tax basis in the Note is the U.S. dollar value of the euro amount paid for the Note, determined on the date of purchase.

Any such gain or loss (except to the extent attributable to foreign currency gain or loss) will be capital gain or loss, and will be long term capital gain or loss if you held the Note for more than one year.

You will realize foreign currency gain or loss on the Note to the extent the U.S. dollar value of the euro paid for the Note, based on the spot rate on the applicable disposition date referred to above, is greater or less than the U.S. dollar value of the euro paid for the Note, based on the spot rate at the time you acquired the Note. Any resulting foreign currency gain or loss will be ordinary income or loss. You will only recognize such foreign currency gain or loss to the extent you have gain or loss, respectively, on the overall sale or retirement of the Note. A non-electing accrual basis taxpayer selling the Notes on an established securities market will also realize foreign currency gain or loss on the receipt of euro to the extent (i) the U.S. dollar value of the

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euro determined at the spot rate on the settlement date of the sale differs from (ii) the U.S. dollar value of the euro determined at the spot rate on the trade date of the sale.

If you sell a Note between interest payment dates, a portion of the amount you receive reflects interest that has accrued on the Note but has not yet been paid by the sale date. That amount is treated as ordinary interest income and not as sale proceeds.

Your tax basis in the euro you receive (or are considered to receive) on sale or retirement of the Note will be the U.S. dollar value of euro reported by you as received on the sale or retirement of the Note (or, in the case of non-electing accrual basis taxpayer that sells the Notes on an established securities market, on the receipt of such euro, as explained above).

Sale of Euro

If you receive (or are considered to receive) euro as principal or interest on a Note, and you later sell (or are considered to sell) those euro for U.S. dollars, you will have taxable gain or loss equal to the difference between the amount of U.S. dollars received and your tax basis in the euro. In addition, when you purchase a Note in euro, you will have taxable gain or loss if your tax basis in the euro is different from the U.S. dollar value of the euro on the date of purchase. Any such gain or loss is foreign currency gain or loss taxable as ordinary income or loss.

Foreign Currency Loss

In general, any foreign currency loss claimed by you from a sale, redemption or retirement of your Note or foreign currency received in respect of such Note will be treated as a "reportable transaction" for U.S. federal income tax purposes to the extent that the amount of the loss equals or exceeds certain threshold amounts. You should consult your own tax advisors concerning the application of the reportable transaction regulations to your investment in the Notes, including any requirement to file IRS Form 8886 with your tax return.

Information Reporting and Backup Withholding

Under U.S. federal tax rules concerning information reporting to the IRS:

Assuming you hold your Notes through a broker or other securities intermediary, the intermediary must provide information to the IRS concerning interest and sale or retirement proceeds on your Notes, unless an exemption applies.

Similarly, unless an exemption applies, you must provide the intermediary with your Taxpayer Identification Number for its use in reporting information to the IRS. If you are an individual, this is your social security number. You are also required to comply with other IRS requirements concerning information reporting.

If you are subject to these requirements but do not comply, the intermediary must withhold at a rate currently equal to 28% on all amounts payable to you on the Notes (including principal payments). If the intermediary withholds payments, you may use the withheld amount as a credit against your federal income tax liability.

All individuals are subject to these requirements. Some holders, including all corporations, tax-exempt organizations and individual retirement accounts, are exempt from these requirements.

Tax Consequences to Non-U.S. Holders

This section applies to you if you are a "Non-U.S. Holder." A "Non-U.S. Holder" is:

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an individual who is a nonresident alien;

a corporation organized or created under non-U.S. law; or

an estate or trust that is not taxable in the United States on its worldwide income.

Withholding Taxes

Generally, payments of principal and interest on the Notes will not be subject to U.S. withholding taxes.

However, for the exemption from withholding taxes on interest to apply to you, you must meet one of the following requirements:

You provide a completed IRS Form W-8BEN (or substitute form) to the bank, broker or other intermediary through which you hold your Notes. The Form W-8BEN contains your name, address and a statement that you are the beneficial owner of the Notes and that you are not a U.S. Holder.

You hold your Notes directly through a "qualified intermediary", and the qualified intermediary has sufficient information in its files indicating that you are not a U.S. Holder. A qualified intermediary is a bank, broker or other intermediary that (1) is either a U.S. or non-U.S. entity (2) is acting out of a non-U.S. branch or office and (3) has signed an agreement with the IRS providing that it will administer all or part of the U.S. tax withholding rules under specified procedures.

You are entitled to an exemption from withholding tax on interest under a tax treaty between the United States and your country of residence. To claim this exemption, you must generally complete Form W-8BEN and fill out Part II of the form to state your claim for treaty benefits. In some cases, you may instead be permitted to provide documentary evidence of your claim to the intermediary, or a qualified intermediary may already have some or all of the necessary evidence in its files.

The interest income on the Notes is effectively connected with the conduct of your trade or business in the U.S., and is not exempt from U.S. tax under a tax treaty. To claim this exemption, you must complete Form W-8ECI.

Even if you meet one of the above requirements, interest paid to you will be subject to withholding tax under any of the following circumstances:

The withholding agent or an intermediary knows or has reason to know that you are not entitled to an exemption from withholding tax. Specific rules apply for this test.

The IRS notifies the withholding agent that information that you or an intermediary provided concerning your status is false.

An intermediary through which you hold the Notes fails to comply with the procedures necessary to avoid withholding taxes on the Notes. In particular, an intermediary is generally required to forward a copy of your Form W-8BEN (or other documentary information concerning your status) to the withholding agent for the Notes. However, if you hold your Notes through a qualified intermediary or if there is a qualified intermediary in the chain of title between you and the withholding agent for the Notes the qualified intermediary will not generally forward this information to the withholding agent.

We suggest that you consult your tax advisor about the specific methods for satisfying these requirements.

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Sales or Retirement of Notes

If you sell a Note or it is redeemed, you will not be subject to U.S. federal income tax on any gain unless one of the following applies:

The gain is connected with a trade or business that you conduct in the United States.

You are an individual, you are present in the United States for at least 183 days during the year in which you dispose of the Note, and certain other conditions are satisfied.

The gain represents accrued interest, in which case the rules for interest would apply.

U.S. Trade or Business

If you hold your Note in connection with a trade or business that you are conducting in the United States:

Any interest on the Note, and any gain from disposing of the Note, generally will be subject to income tax as if you were a U.S. Holder.

If you are a corporation, you may be subject to an additional "branch profits tax" on your earnings that are connected with your U.S. trade or business, including earnings from the Note. This tax is 30%, but may be reduced or eliminated by an applicable income tax treaty.

Estate Taxes

If you are an individual, your Notes will not be subject to U.S. estate tax when you die. However, this rule only applies if, at your death, payments on the Notes were not subject to U.S. federal withholding tax and not connected to a trade or business that you were conducting in the United States.

Information Reporting and Backup Withholding

U.S. federal income tax rules concerning information reporting and backup withholding are described above. These rules apply to Non-U.S. Holders as follows:

Principal and interest payments you receive will be automatically exempt from the usual rules if you provide the tax certifications needed to avoid withholding tax on interest, as described above. The exemption does not apply if the recipient of the applicable form knows or has reason to know that you should be subject to the usual information reporting or backup withholding rules. In addition, interest payments made to you will generally be reported to the IRS on Form 1042-S.

Sale proceeds you receive on a sale of your Notes through a broker may be subject to information reporting and/or backup withholding if you are not eligible for an exemption. In particular, information reporting and backup reporting may apply if you use the United States office of a broker, and information reporting (but not generally backup withholding) may apply if you use the foreign office of a broker that has certain connections to the United States.

In general, you may file Form W-8BEN to claim an exemption from information reporting and backup withholding. We suggest that you consult your tax advisor concerning information reporting and backup withholding on a sale of your Notes.

European Union Tax Reporting and Withholding

Directive 2003/48/EC (the "Directive") of the Council of the European Union relating to the taxation of savings income, became effective on July 1, 2005. Under the Directive, if a paying agent for

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interest on a debt claim is resident in one member state of the European Union and an individual who is the beneficial owner of the interest is a resident of another member state, then the former member state is required to provide information (including the identity of the recipient) to authorities of the latter member state. "Paying agent" is defined broadly for this purpose and generally includes any agent of either payor or payee. Luxembourg and Austria have opted instead to withhold tax on the interest during a transitional period (currently at a rate of 35%), subject to the ability of the individual to avoid withholding taxes through voluntary disclosure of the investment to the individual's member state.

The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-members of the European Union to the exchange of information relating to such payments. In addition, certain non-members of the European Union (Switzerland, Liechtenstein, Andorra, Monaco and San Marino), as well as dependent and associated territories of the United Kingdom and the Netherlands, have adopted equivalent measures effective on the same date, and some (including Switzerland) have exercised the option to apply withholding taxes as described above. In addition, the member states have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a paying agent in a member state to an individual beneficial owner resident in one of those territories.

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Deutsche Bank AG, London Branch, Goldman, Sachs & Co., Société Générale and UniCredit Bank AG are acting as joint bookrunning managers of the offering, and as representatives of the underwriters named below.

Subject to terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each underwriter named below has severally agreed to purchase, and IBM has agreed to sell to that underwriter, the principal amount of Notes set forth opposite the underwriter's name.

Underwriter	Principal Amount of Notes
Deutsche Bank AG, London Branch	€
Goldman, Sachs & Co.	
Société Générale	
UniCredit Bank AG	
Total	€

The underwriting agreement provides that the obligation of the several underwriters to pay for and accept delivery of the Notes is subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the Notes if any are taken.

IBM has been advised by the underwriters that the underwriters propose to offer the Notes directly to the public at the public offering price set forth on the cover page of this prospectus supplement and may offer some of the Notes to dealers at the public offering price less a concession not to exceed % of the principal amount of the Notes. Any underwriter may allow, and such dealers may reallow, a concession not in excess of % of the principal amount per Note to certain other dealers. After the initial offering of the Notes to the public, the representatives may change the public offering price and concessions. The offering of the Notes by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

The following table shows the underwriting discounts and commissions that IBM is to pay to the underwriters in connection with this offering (expressed as a percentage of the principal amount of the Notes).