

INTERNATIONAL BUSINESS MACHINES CORP
Form 8-K
May 12, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report: **May 12, 2004**
(Date of earliest event reported)

INTERNATIONAL BUSINESS MACHINES CORPORATION

(Exact name of registrant as specified in its charter)

New York
(State of Incorporation)

1-2360
(Commission File Number)

13-0871985
(IRS employer Identification No.)

ARMONK, NEW YORK
(Address of principal executive offices)

10504
(Zip Code)

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

Item 5. Other Events

Attachment I of this Form 8-K contains presentation materials that are being used by John E. Kelly III, Senior Vice President and Group Executive, Systems and Technology Group, during a conference call with IT analysts today.

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

SIGNATURE

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

Date: May 12, 2004

By:

/s/ Andrew Bonzani
(Andrew Bonzani)
Assistant Secretary &
Associate General
Counsel

Good afternoon in the east; good morning out west

Thanks for joining

I'll provide business update; Bernie Meyerson will provide technology update

[Link to searchable text of slide shown above](#)

Formed STG earlier this year

We're a systems business with incredible chip making capabilities

Top priority is to provide leadership technology for IBM servers

Extremely committed to OEM business: 2/3 external 1/3 internal

Four major segments: Power Architecture, ASICs, value added foundry and E&TS

Performance improvements will be based more on integration and less on lithography

Common objectives and incentives

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No coincidence that our upswing was around the time of POWER4 launch

Now we've had 13 consecutive quarters of server share growth

Also produced Summit chip set and T-rex

Begin shipping POWER5 in iSeries this quarter

[Link to searchable text of slide shown above](#)

POWER5 is a truly incredible microprocessor

Delivering our third generation of dual-core while others consider their first

More than a quarter billion transistors on a die smaller than 400 square millimeters

[Link to searchable text of slide shown above](#)

Our value proposition same for OEMs as it is for IBM

Provide a combination of assets: IP, design skills, ASICs, Power Architecture, foundry

We're able to integrate these offerings

[Link to searchable text of slide shown above](#)

These technology leaders have chosen to join with IBM at our 300 mm development center in East Fishkill

Two groups:

AMD, Sony and Toshiba on SOI

Chartered, Infineon and Samsung on bulk silicon

Creating a global technology platform

Overseas companies have invested more than half a billion dollars and created more than 150 jobs in our NY facility

Leverage with suppliers and tool makers

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From development, we move into manufacturing

Our fabs are designed to be flexible

300 mm designed from 130 nm to 65 nm

Burlington designed from .25 to .13

We'll use our partners to supplement our capacity

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Slide 8

Much has been written on our yields recently. I want to take a minute to let you know where things stand.

As our CFO, John Joyce, said when we reported our first quarter earnings, our 200 mm yields are at or above plan while our 300 mm yields, while improving, are not yet where we want them to be.

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The next chart illustrates those comments. As you can see, our 130 nm, 300 mm defect densities – the number of defects in a given section of silicon – are showing rapid improvement. As you can see, we are getting much closer to where we want to be.

It's important to point out here that we are working on extremely complex logic. At a given lithography node we can provide up to 20 percent higher speeds than our competition, though in some cases these advanced chips are more difficult to yield. And while the traditional foundries currently have less than 20 percent of their volumes in 130 nm or smaller, about 50 percent of our volumes are 130 nm or below.

As John Joyce suggested, we expect to do a better job of meeting customer demand in second quarter

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We are totally and deeply committed to Power Architecture

World's most scalable architecture

At high end: third generation of dual core microprocessors

970 series used in PowerMacs and Xserve and in IBM blade servers

Embedded series in wide range of applications including Blue Gene

Agreement with AMCC expands Power, but we will continue to design and build embedded Power cores as building blocks

Binary compatibility across lines

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Power Everywhere launched on March 31

Just last week announced that Power will be used in in car collision avoidance system in United Arab Emirates

Licensing widely to expand community and ecosystem

Power Everywhere website has more than 40K hits

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Leader in high end 5 consecutive years

Differentiated offerings:

More than 90 percent first time right designs. Huge advantage for customers

Unique technologies such as eDRAM

Higher gate counts

Lower power

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Less capital intensive

Strong customer interest

Profitable every quarter

Growing strongly

More than 1000 engineers worldwide

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Customer response validates our strategy

Customer list is a who's who of technology leaders

Expecting improved financial results this year

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[LOGO]

Technology Business Update

John E. Kelly III

Senior Vice President and Group Executive

Systems and Technology Group / Technology

May 12, 2004

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IBM Systems and Technology Group

Technology Strategy

[GRAPHIC]

Support IBM systems

Leadership technology

Leverage OEM and E&TS businesses for scale

Server Revenue Share

[CHART]

POWER5 Leadership

World s most advanced microprocessor

Third generation dual core

Simultaneous multithreading

Dynamic power management

High level of integration

[GRAPHIC]

[GRAPHIC]

Lithography	130nm
Transistors	276M
Area	389 mm²

Technology Value Proposition

				Customer Partnerships
[LOGO]	IP Power Architecture	ASICS Technology Foundry	Design Services Skills	[LOGO] [LOGO] [LOGO] [LOGO] Others...

Time to Market

High Performance

Customization

Technology Development Partnerships

[GRAPHIC]

Manufacturing Strategy

[CHART]

7

Improving Yields

IBM Defect Densities

130nm, 300mm

[CHART]

Power Architecture Investment

[CHART]

Power Everywhere

Architecture for Silicon Innovation

Launched March 31st

New application: UAE University-Telematics

New licensees: Sony, AMCC

www.ibm.com/power:

>40K hits

>1000 inquiries

>600 downloads

[GRAPHIC]

Proven ASIC Success

Gate Count

[LOGO]

[LOGO]

[LOGO]

[LOGO]

High-end leader / deploying into low power segment

Differentiated ASICs

First Time Right > 90%

Unique technologies, i.e. eDRAM

Very high gate count

Very low power

Engineering and Technology Services (E&TS)

[CHART]

1Q04 double-digit revenue growth both year-to-year and sequentially

More than 1000 engineers designing chips to systems

Technology Client Perspective

[LOGO]	NV40 launch	First time right 220M xsistors
[LOGO]	2003 Supplier of The Year	2nd year in a row
[LOGO]	100% of sub-micron capacity	Based on yields
[LOGO]	xServeG5 launch	2 GHz at half the power
[LOGO]	Outstanding supplier	10 year relationship
[LOGO]	\$325M capacity investment New workstation for digital content	Cell processors New workstation for digital content
[LOGO]	Leading ASIC supplier	Across product line