

April 26, 2006

## IBM Chief Offers an Upbeat Outlook

**Palmisano Says Tech Giant Is Stronger in Core Sectors; Dividend Is Raised by 50%**

By **CHARLES FORELLE**  
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TULSA, Okla. -- **International Business Machines** Corp. Chief Executive Samuel J. Palmisano sounded optimistic notes about the tech giant's prospects at its annual meeting, following a year marked by layoffs, a turbulent pension freeze and inconsistent financial performance.

"I am convinced that the headwinds we faced as we entered this decade are now largely behind us," Mr. Palmisano said. He added that the company had improved its competitive position in its core areas of hardware, software and services. "We have transformed this company from top to bottom," he said.



**Samuel J. Palmisano**

IBM increased its quarterly dividend by 50% -- the largest percentage increase in its history, IBM said -- to 30 cents a share from 20 cents. IBM's board also authorized an additional \$4 billion for stock buybacks, raising the amount available to \$6.5 billion. The company said the moves were reflective of its strong cash position and cash-generating capabilities.

At the meeting, shareholders approved a proposal calling for a simple majority vote, not a supermajority, on all matters requiring shareholder approval. IBM, whose board recommended against the proposal, says its rules don't specifically require supermajority voting, though under New York law a supermajority would be needed for such matters as a merger or dissolution, unless IBM changes its certificate of incorporation to require otherwise.


The proposal passed with 61.5% of votes cast in favor. Mr. Palmisano said the board would "take this matter under advisement."

Four other stockholder proposals each received more than 40% of votes cast, including one calling for clearer disclosure of executive compensation. IBM grants restricted stock, performance stock units and stock options, and makes long-term incentive-plan payouts to top executives along with maintaining executive retirement and deferred-compensation plans. The proposal, submitted by former IBM employee Janet Krueger, recommended that IBM disclose "in plain English" the projected obligations under the various plans for each executive.

IBM has long had testy relations with its veteran employees and retirees, many of whom say IBM broke its past promises with a series of changes over more than a decade to pension and retirement medical benefits.

Mr. Palmisano defended his own compensation -- which included \$6.9 million in salary and bonus last year, plus

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\$9.5 million realized from options exercises -- in response to questions from shareholders, saying he and the other executives are compensated on long-term objectives. IBM's shares have declined since Mr. Palmisano became CEO in 2002.



One shareholder and IBM employee, Jim Askew, said he believes Mr. Palmisano's executive pension could entitle him to between \$10,000 and \$22,000 a day upon retirement. "Is \$10,000 a day enough?" he asked Mr. Palmisano. "Do you think you'll be able to live on that?"

Mr. Palmisano didn't directly respond, but he said that some pension benefits for executives stem from a plan that was recently limited and was put in place to retain executives at a time when the company's fortunes ebbed in the 1990s.

He also addressed the company's move, announced earlier this year, to freeze employee pension plans, stopping the accrual of new benefits in 2007. "This was a very, very hard thing for me to do personally," Mr. Palmisano said. He said the change was necessary to secure IBM's future. In an allusion to labor costs faced by airlines and automotive companies, he said he wanted to ensure that in the future IBM doesn't suffer "some of what we read about in the papers today."

In 4 p.m. composite trading on the New York Stock Exchange, IBM shares rose 56 cents, or 0.7%, to \$82.67.

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