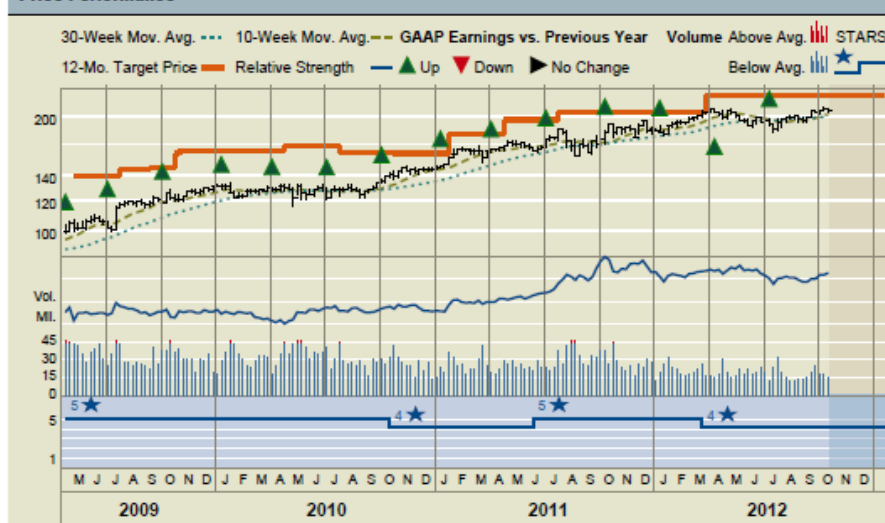


Rating:	BUY	Dividend:	\$3.40	52 Week Range:	\$177-\$212	Beta:	0.72
Intrinsic Value:	\$323.34	Div Yield:	1.80%	P/E Ratio:	13.8x	Forward P/E:	11.8x
Current Price:	\$192.20	3 Year FV:	21.07%	EPS (TTM):	\$13.55	5 Year CAGR:	11%
Market Cap:	\$217B	5 Year FV:	12.29%	Credit Rating:	AA-		

Price Performance



Investment Theme: Our buy recommendation on IBM is based on its strong position in IT services and software. These are two areas where IBM has expanded its focus. This is largely due to the high margin products and services offered through these segments.

The Global Business Services and Global Technology Services divisions at IBM are responsible for approximately 59% of the firm’s yearly revenues. While revenue has been flat in both of these segments on a year over year basis, gross margins

have increased by 1.7% and 1.6% respectively. This is in line with IBM’s strategy of focusing on profitability within its business segments. When adjusted for currency exchange rates, IBM’s software segment has also performed well on a sales and margin basis.

Overview: IBM has grown to over \$100B+ in revenues over the last few years and has chosen to focus on a profitability strategy. In order to pull this off, IBM continually changes its business mix towards higher-value more profitable technologies and market opportunities. They have executed on this strategy over the last five years, and should successfully increase total gross margins each year going forward. A major driver of success for IBM going forward will be the returning of capital to shareholders. IBM will do this using multiple techniques such as: share repurchases, dividends, acquisitions, and capital expenditures. IBM plans to spend \$70B to repurchase shares and issue dividends from now until 2015. They also plan to use \$20B to acquire companies.

Software is projected to become about half of IBM’s total profits by 2015, compared to only about 25% today. This will really help IBM in achieving its profitability goals because it is IBM’s highest margin segment. Additionally, growth markets, business analytics, cloud, and Smarter Planet should help the company grow going forward. Through these initiatives, IBM grew by 7% compared to last year.

Global operations are really helping IBM with scale and efficiency. It currently has operations in more than 170 countries. This is helping IBM to take advantage of what it refers to as “Growth Markets”. These include countries within Southeast Asian, Eastern Europe, Middle East, and Africa. The global integration of these regions has helped IBM save billions in enterprise productivity savings over the past five years.

Revenues are expected to grow by 2% over the next five years while EBIT is

Revenue/Earnings Data

Revenue (Million U.S. \$)					
	1Q	2Q	3Q	4Q	Year
2012	24,673	25,783	--	--	--
2011	24,607	26,666	26,157	29,486	106,916
2010	25,857	23,724	24,271	29,019	99,870
2009	21,711	23,250	23,566	27,230	95,758
2008	24,502	26,820	25,302	27,006	103,630
2007	22,029	23,772	24,119	28,866	98,786

Earnings Per Share (U.S. \$)					
	1Q	2Q	3Q	4Q	Year
2012	2.61	3.34	E3.60	E5.26	E15.15
2011	2.31	3.00	3.19	4.62	13.06
2010	1.97	2.61	2.82	4.18	11.52
2009	1.70	2.32	2.40	3.59	10.01
2008	1.65	1.98	2.05	3.28	8.93
2007	1.21	1.55	1.68	2.80	7.18

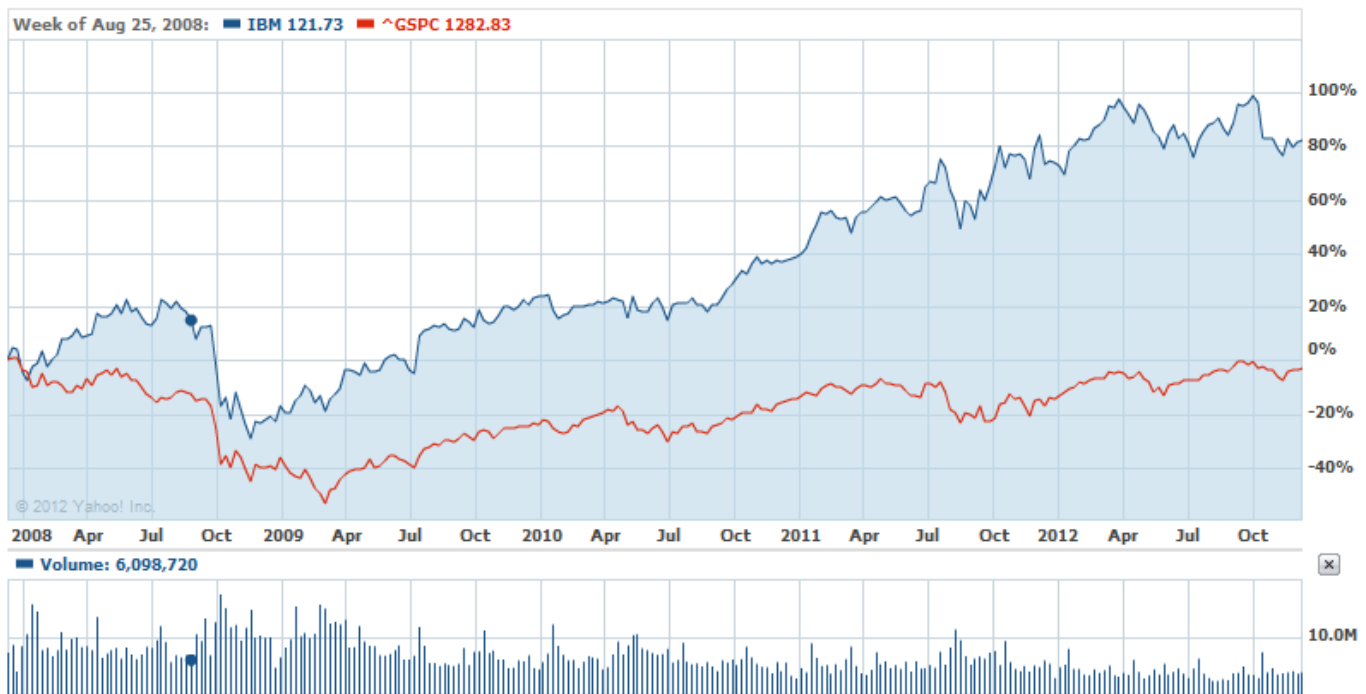
Fiscal year ended Dec. 31. Next earnings report expected: Mid October. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

projected to grow at 10+%. Focus areas will be Software and Global Technology Services. These are IBM’s highest margin business segments. Regional focus will be on BRIC countries and other emerging markets. Slowing in the European regions has impacted sales slightly, but not margins. BRIC countries also saw an 11% increase in revenues year over year (4% when adjusted for FX). This region is expected to provide much of the future growth in the software segment.

Despite IBM’s strong business model, it is still susceptible to the following risks:

- A downturn in economic environment and corporate spending budgets could impact the company’s business
- Client adoption rates for newer growth products may be slower than expected
- IBM is exposed to currency and customer financing risks that could impact revenue and business
- Risks related to acquisitions and alliances include integration challenges, failure to achieve objectives, and the assumption of liabilities
- The company could be impacted by its business with government clients

2012 Full Year Results as of Q3 '12: IBM failed to beat the street’s estimates for the third straight quarter, however, it still recorded \$24.7B in revenues and \$3.8B in net income and reaffirmed its full year guidance of \$15.10 in operating EPS. Diluted EPS excluding one-time pension charges was \$3.44 which was 8% higher than Q3 '11. These strong results are a direct result of expense controls, price increases, and share buybacks. All of which are critical in management’s long term strategy for the company. IBM should continue to drive profits globally with its strong product offerings and client relationships.



Investment Thesis: IBM has evolved from being a computer hardware vendor to a systems, services and software company that focuses on integrated solutions. While computer hardware (included in the Systems and Technology segment) accounted for about 18% of sales in 2011 (18% of sales in 2010), IBM has emphasized, through acquisitions and investments, services and software. These areas serving adjacent markets to hardware have gained momentum as IBM leverages its ability to offer total solutions to customers.

Business Summary: IBM Corporation provides information technology (IT) products and services worldwide. The company operates in five segments: Global Technology Services, Global Business Services, Software, Systems and Technology, and Global Financing. The revenue breakdown by segment is as follows: Global Technology Services (\$41B), Global Business Services (\$19B), Software (\$25B), Systems and Technology (\$19B), and Global Financing (\$2B). The company operates in over 170 countries. The global scope of operations is reflected in the mix of revenue sources in 2011, with the Americas representing about 43%, EMEA (Europe, Middle East and Africa) 33%, and Asia Pacific 24%. The company's revenue from the so-called BRIC countries (Brazil, Russia, India and China) grew 19% in FY 2011.

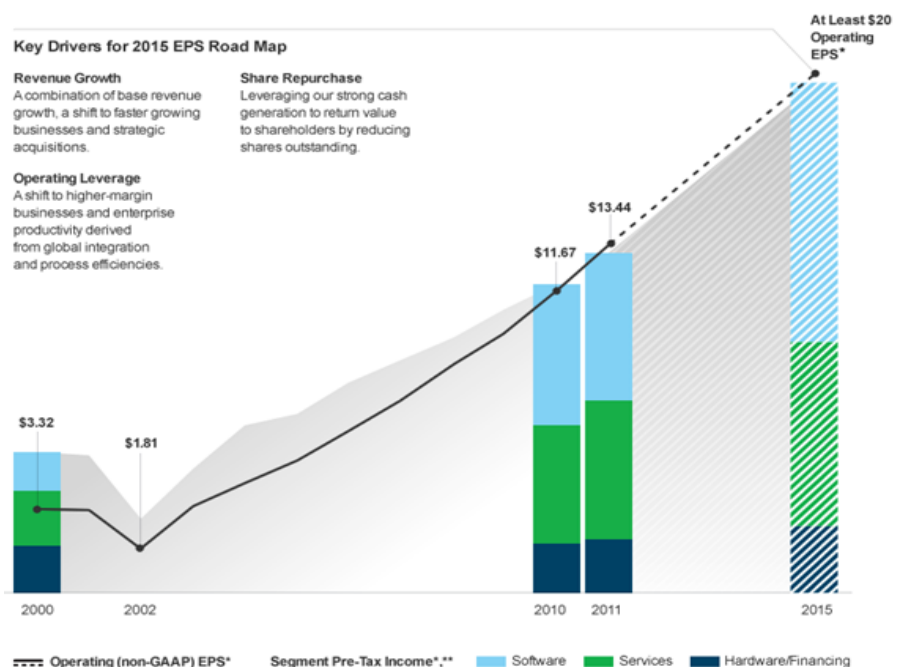


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Industry Trends: IBM has evolved from being a computer hardware vendor to a systems, services and software company that focuses on integrated solutions. While computer hardware (included in the Systems and Technology segment) accounted for about 18% of sales in 2011 (18% of sales in 2010), IBM has emphasized -- through acquisitions and investments -- services and software. These areas serving adjacent markets to hardware have gained momentum as IBM leverages its ability to offer total solutions to customers.

Management Trends: The management team at IBM, led by Virginia Rometty, has a laser-focus on the strategy to the right. The primary goal is to deliver \$20 in operating EPS by 2015. This would be primarily driven through keeping expenses in check and the repurchasing of stock. As you can see, there is a growing focus on higher margin product and service segments like software and global technology services. This, coupled with disposal of its computer hardware business, has helped IBM grow margins and revenues over the last 10+ years.

Financial Trend Analysis: The financial trends for IBM over the last five year have been mostly positive. EBIT and net margins have grown by 42% and 52% respectively, and have been accelerating in the most recent periods. SG&A over that same period is also decreasing as a percentage of sales. These factors, coupled with pricing increases across multiple products and services, have led to significant increases in margins.



Revenues, which have only grown at a 2% CAGR, have not seen the same growth as profits over the last five years. This slowing in revenue, however, is not alarming at this point as it is more in line with IBM's profit-focused strategy. Return

on equity has grown sharply (73% in 2011 vs. 37% in 2007) due to IBM’s focus on profitability and repurchasing of stock.

Financial Health: IBM’s balance sheet is very strong. It currently has over \$12B in cash and cash equivalents and long term debt to total capital ratio of 0.11. Additionally, IBM generates more than \$20B in operating cash flows per year. Much of this cash being generated goes towards investments in research and development and stock repurchases. IBM also does a great job of managing expenses. Over the last five years COGS, operating expenses, and total expenses have decreased as a percentage of revenues.

Competitive Analysis: IBM has multiple competitors across all of the segments it does business in. These competitors vary from technology conglomerates (i.e. Hewlett Packard, Microsoft, Google, etc.) to consulting companies (i.e. Accenture). While it is important to note that these competitors do pressure, sales, products, services, and ability to deliver to clients, IBM has done a fantastic job of maintaining or boosting pricing of its products. It also manages expenses better than any of those firms.

Drivers of Future Growth:

- While revenues were down slightly year over year, IBM has done a tremendous job of managing expenses and growing margins (both on an operating and gross basis)
- IBM continues to use cash to perform shareholder-friendly activities including annual dividend increases and share buybacks
- IT spending is projected to grow at an annual compounded rate of 11.5% globally over the next four years and IBM is well-positioned to take advantage of that growth
- IBM is well positioned internationally with 43% of its revenue coming from the EMEA region and 24% coming from the Asia Pacific region
- Recent acquisitions have been more in line with the software and services portion of its business (higher margins)
- IBM has shown the ability to divest businesses that are not considered to be a core part of their strategy. IBM will continue to focus on high margin businesses
- IBM has a goal of earnings \$20 per share by 2015, a target that is 15-20% higher than street estimates

Valuation:

DCF Model - IBM					Current		Projected				2011-2016
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	CAGR
EBIT	15,100.00	17,388.00	18,636.00	20,194.00	21,513.00	21,016.00	22,007.99	23,278.96	24,197.16	25,483.86	3%
Taxes	4,071.00	4,381.00	4,713.00	4,890.00	5,148.00	5,254.00	5,502.00	5,819.74	6,049.29	6,370.96	4%
NOPAT	11,029.00	13,007.00	13,923.00	15,304.00	16,365.00	15,762.00	16,505.99	17,459.22	18,147.87	19,112.89	3%
+Depreciation	4,038.00	4,140.00	3,773.00	3,657.00	3,589.00	3,506.09	3,582.55	3,699.74	3,756.74	3,867.08	2%
-CapEx	4,630.00	4,185.00	3,447.00	4,185.00	4,108.00	4,013.10	4,100.62	4,234.76	4,300.00	4,426.29	2%
-ΔNWC		(2,298.00)	6,364.00	(5,379.00)	1,251.00	515.77	203.29	311.54	151.53	293.33	
FCF	10,437.00	15,260.00	7,885.00	20,155.00	14,595.00	14,739.22	15,784.63	16,612.66	17,453.08	18,260.35	
Terminal Value										412,528.06	
PV of Cash Flows						13,974.70	14,189.62	14,159.36	14,104.08	330,068.87	
Enterprise Value	386,497										
Plus: Cash	12,468										
Less: LTD	22,857										
Equity Value	376,108										
Current Shares Outstanding	1,163										
Equity Value Per Share	323										

WACC Calculation:

Valuation Assumptions:

WACC Calculation	
Marginal tax rate	25%
Risk free rate	1.61%
Market risk premium	5.90%
Beta	0.72
Cost of equity	5.86%
Total debt (M)	24,766
Interest Payments on LT Debt	700.00
Cost of debt pre-tax	2.83%
After tax cost of debt	2.12%
Share price	\$189.64
Market capitalization (M)	214,280
Total debt (M)	24,766
Total capital	239,046
% equity capital	89.64%
% debt capital	10.36%
Weighted average cost of capital	5.47%

Valuation Assumptions	
Current Price	192.20
2013 Est. EPS	14.19
2014 Est. EPS	15.01
Revenue Growth	2%
Tax Rate	25%
WACC	5%
Terminal Growth Rate	3%

Total Return Calculation:

Total Return Calculation	
Current Price	189.64
Fair Value	323.34
Div 1	3.30
Div 2	3.55
Div 3	4.10
Div 4	4.51
Div 5	4.96
Ttl Ann Ret 3 yr to FV	21.07%
Ttl Ann Ret 5 yr to FV	12.98%

Income Statement Projection:

	Projections					
	2011	2012	2013	2014	2015	2016
Net Sales or Revenues	106,916	104,446	106,724	110,215	111,913	115,200
Cost of Goods Sold	52,224	50,762	51,610	53,032	53,580	54,878
Selling, General & Admin Expenses	29,091	28,277	28,749	29,541	29,846	30,569
Depreciation	3,589	3,506	3,583	3,700	3,757	3,867
EBIT	21,513	21,016	22,008	23,279	24,197	25,484
Pretax Income	21,003	21,016	22,008	23,279	24,197	25,484
Income Taxes	5,148	5,254	5,502	5,820	6,049	6,371
Net Income to Common Shareholders	15,855	15,762	16,506	17,459	18,148	19,113

Shareholder Information:

Common Shares Outstanding (M)	1,163	1,163	1,163	1,163	1,163	1,163
EPS - Continuing Operations	13.06	13.55	14.19	15.01	15.60	16.43
Dividends (\$M)	3,373	3,839	4,129	4,767	5,244	5,768
Dividends per Share	2.90	3.30	3.55	4.10	4.51	4.96

Average Margins:

Gross Margin:	50%
Operating Margin:	21%
Net Margin	15%

Historical Financial Information:

Annual Income Statement					
	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
	USD	USD	USD	USD	USD
				restated	
Income Statement					
Net Sales or Revenues	106,916.0	99,870.0	95,758.0	103,630.0	98,786.0
Operating Expenses - Total	86,130.0	81,214.0	78,413.0	86,986.0	84,952.0
Cost of Goods Sold	52,224.0	49,358.0	47,215.0	53,147.0	52,090.0
Selling, General & Admin Expenses	29,091.0	27,025.0	26,204.0	28,389.0	27,661.0
Depreciation, Depletion & Amortization	4,815.0	4,831.0	4,994.0	5,450.0	5,201.0
Depreciation	3,589.0	3,657.0	3,773.0	4,140.0	4,038.0
Amortization of Intangibles	1,226.0	1,174.0	1,221.0	1,310.0	1,163.0
Amortization of Deferred Charges	-	-	-	-	-
Other Operating Expenses	0.0	0.0	0.0	0.0	0.0
Operating Income	20,786.0	18,656.0	17,345.0	16,644.0	13,834.0
Extraordinary Credit - Pretax	880.0	805.0	371.0	0.0	0.0
Extraordinary Charge - Pretax	658.0	764.0	702.0	679.0	700.0
Non-Operating Interest Income	136.0	92.0	106.0	343.0	565.0
Interest Expense On Debt	519.0	476.0	511.0	688.0	620.0
Pretax Equity In Earnings	-	-	-	-	-
Reserves- Increase(Decrease)	-	-	-	-	-
Other Income/Expense - Net	369.0	1,405.0	1,516.0	1,080.0	1,401.0
Interest Capitalized	9.0	5.0	13.0	15.0	9.0
Pretax Income	21,003.0	19,723.0	18,138.0	16,715.0	14,489.0
Income Taxes	5,148.0	4,890.0	4,713.0	4,381.0	4,071.0
Current Domestic Income Tax	697.0	469.0	593.0	543.0	1,226.0
Current Foreign Income Tax	3,239.0	3,127.0	2,347.0	1,927.0	2,105.0
Deferred Domestic Income Tax	990.0	1,225.0	1,526.0	1,479.0	664.0
Deferred Foreign Income Tax	222.0	69.0	247.0	432.0	76.0
Income Tax Credits	0.0	0.0	0.0	0.0	0.0
Minority Interest	0.0	0.0	0.0	0.0	0.0
Equity In Earnings	0.0	0.0	-	-	-
After Tax Other Income/Expense	0.0	0.0	0.0	-	0.0
Discontinued Operations	0.0	0.0	0.0	0.0	0.0
Net Income Before Extra Items/Preferred Div	15,855.0	14,833.0	13,425.0	12,334.0	10,418.0
Extr Items & Gain(Loss) Sale of Assets	0.0	0.0	0.0	0.0	0.0
Net Income Before Preferred Dividends	15,855.0	14,833.0	13,425.0	12,334.0	10,418.0
Preferred Dividend Require	0.0	0.0	0.0	0.0	0.0
Net Income to Common Shareholders	15,855.0	14,833.0	13,425.0	12,333.0	10,418.0
EPS Incl Extraordinary Items	13.1	11.5	10.0	8.9	7.2
EPS - Continuing Operations	13.1	11.5	10.0	8.9	7.2
Dividend Per Share	2.9	2.5	2.2	1.9	1.5
Common Shares Used to Calc Diluted EPS	1,213,767,985.0	1,287,355,388.0	1,341,352,754.0	1,387,800,000.0	1,423,039,793.0

Annual Balance Sheet

	12/31/2011 USD	12/31/2010 USD	12/31/2009 USD	12/31/2008 USD restated	12/31/2007 USD
Assets					
Cash & ST Investments	12,468.0	12,162.0	14,247.0	12,907.0	16,146.0
Cash	11,922.0	10,661.0	12,183.0	12,741.0	14,991.0
Short Term Investments	546.0	1,501.0	2,064.0	166.0	1,155.0
Receivables (Net)	29,561.0	28,225.0	26,793.0	27,555.0	28,789.0
Inventories - Total	2,595.0	2,450.0	2,494.0	2,701.0	2,664.0
Raw Materials	2,006.0	2,018.0	1,961.0	2,177.0	1,996.0
Finished Goods	589.0	432.0	533.0	524.0	668.0
Other Current Assets	6,304.0	5,279.0	5,401.0	5,841.0	5,578.0
Current Assets - Total	50,928.0	48,116.0	48,935.0	49,004.0	53,177.0
Long Term Receivables	10,984.0	11,108.0	11,261.0	11,183.0	11,603.0
Investment In Unconsolidated Subsidiaries	131.0	653.0	592.0	0.0	1,150.0
Other Investments	880.0	588.0	875.0	-	790.0
Property Plant & Equipment - Net	13,883.0	14,096.0	14,165.0	14,305.0	15,081.0
Other Assets	36,124.0	35,671.0	28,999.0	27,762.0	37,117.0
Deferred Charges	4,627.0	4,921.0	4,773.0	1,601.0	19,113.0
Tangible Other Assets	1,659.0	1,858.0	1,211.0	5,057.0	1,612.0
Intangible Other Assets	29,838.0	28,892.0	23,015.0	21,104.0	16,392.0
Total Assets	112,930.0	110,232.0	104,827.0	102,254.0	118,918.0
Liabilities					
Accounts Payable	8,517.0	7,804.0	7,436.0	7,014.0	8,054.0
ST Debt & Current Portion of LT Debt	8,463.0	6,778.0	4,168.0	11,236.0	12,235.0
Accrued Payroll	5,099.0	5,028.0	4,505.0	4,623.0	4,645.0
Income Taxes Payable	3,313.0	4,216.0	3,826.0	2,743.0	3,673.0
Other Current Liabilities	16,731.0	16,736.0	16,067.0	16,819.0	15,703.0
Current Liabilities - Total	42,123.0	40,562.0	36,002.0	42,435.0	44,310.0
Long Term Debt	22,857.0	21,846.0	21,932.0	22,689.0	23,039.0
LT Debt Excl Capital Leases	22,857.0	21,846.0	21,932.0	22,689.0	23,039.0
Non-Convertible Debt	22,857.0	21,846.0	21,932.0	22,689.0	23,039.0
Provision for Risks & Charges	22,529.0	19,625.0	19,696.0	19,452.0	13,582.0
Deferred Income	3,847.0	3,666.0	3,562.0	3,171.0	3,060.0
Deferred Taxes	(2,954.0)	(2,842.0)	(3,725.0)	(7,270.0)	(449.0)
Deferred Taxes - Credit	549.0	378.0	470.0	-	1,064.0
Deferred Taxes - Debit	3,503.0	3,220.0	4,195.0	7,270.0	1,513.0
Other Liabilities	4,292.0	4,203.0	4,605.0	8,192.0	6,907.0
Total Liabilities	92,694.0	87,060.0	82,072.0	88,669.0	90,449.0
Shareholders' Equity					
Minority Interest	97.0	126.0	118.0	119.0	0.0
Common Equity	20,139.0	23,046.0	22,637.0	13,466.0	28,469.0
Common Stock	436.0	432.0	425.0	419.0	412.0
Capital Surplus	47,695.0	44,986.0	41,385.0	38,710.0	34,776.0
Other Appropriated Reserves	(23,737.0)	(21,289.0)	(20,297.0)	(21,845.0)	(7,167.0)
Retained Earnings	104,857.0	92,532.0	80,899.0	70,353.0	60,640.0
Unrealized Foreign Exchange Gain(Loss)	1,838.0	2,382.0	1,836.0	-	3,428.0
Unrealized Gain(Loss) on Marketable Secur	13.0	164.0	(368.0)	0.0	325.0
(Less) Treasury Stock	110,963.0	96,161.0	81,243.0	74,171.0	63,945.0
Total Shareholders Equity	20,138.0	23,046.0	22,637.0	13,466.0	28,470.0
Total Liabilities & Shareholders Equity	112,930.0	110,232.0	104,827.0	102,254.0	118,918.0
Common Shares Outstanding	1,163.2	1,228.0	1,305.3	1,339.1	1,385.2

Annual Cash Flow Statement

	12/31/2011 USD	12/31/2010 USD	12/31/2009 USD	12/31/2008 USD restated	12/31/2007 USD
Operations					
Net Income / Starting Line	15,855.0	14,833.0	13,425.0	-	10,418.0
Depreciation, Depletion & Amortization	4,815.0	4,831.0	4,994.0	5,450.0	5,201.0
Depreciation & Depletion	3,589.0	3,657.0	3,773.0	-	4,038.0
Amortization of Intangible Assets	1,226.0	1,174.0	1,221.0	1,310.0	1,163.0
Deferred Income Taxes & Investment Tax Credit	1,212.0	1,294.0	1,773.0	1,900.0	740.0
Deferred Income Taxes	1,212.0	1,294.0	1,773.0	1,900.0	740.0
Investment Tax Credits	0.0	0.0	0.0	0.0	0.0
Other Cash Flow	354.0	(172.0)	163.0	321.0	621.0
Funds From Operations	22,236.0	20,786.0	20,355.0	20,005.0	16,980.0
Extraordinary Items	0.0	0.0	0.0	-	0.0
Funds From/For Other Operating Activities	(2,390.0)	(1,237.0)	418.0	(1,193.0)	(890.0)
Dec(Inc) In Receivables	(1,279.0)	(489.0)	2,131.0	274.0	(1,408.0)
Dec(Inc) In Inventories	(163.0)	92.0	263.0	(102.0)	182.0
Inc(Dec) In Accounts Payable	451.0	174.0	170.0	(860.0)	(142.0)
Inc(Dec) In Income Taxes Payable	-	-	-	-	-
Inc(Dec) In Other Accruals	-	-	-	-	-
Dec(Inc) In Other Assets/Liabilities	(1,399.0)	(1,014.0)	(2,146.0)	(505.0)	478.0
Net Cash Flow - Operating Activities	19,846.0	19,549.0	20,773.0	18,812.0	16,090.0
Investing					
Capital Expenditures (Addition to Fixed Assets)	(4,108.0)	(4,185.0)	(3,447.0)	(4,171.0)	(4,630.0)
Additions To Other Assets	(559.0)	(569.0)	(630.0)	(716.0)	(875.0)
Net Assets From Acquisitions	(1,811.0)	(5,922.0)	(1,194.0)	(6,313.0)	(1,009.0)
Increase In Investments	(1,594.0)	(6,129.0)	(5,604.0)	(4,590.0)	(30,449.0)
Decrease In Investments	3,345.0	7,877.0	3,599.0	6,100.0	31,441.0
Disposal of Fixed Assets	622.0	825.0	730.0	421.0	847.0
Other Use/(Source) - Investing	291.0	404.0	183.0	17.0	0.0
Other Uses - Investing	(291.0)	(404.0)	(184.0)	(17.0)	0.0
Other Sources - Investing	0.0	0.0	1.0	0.0	0.0
Net Cash Flow - Investing	(4,396.0)	(8,507.0)	(6,729.0)	(9,286.0)	(4,675.0)
Financing					
Net Proceeds From Sale/Issue of Com & Pref	2,453.0	3,774.0	3,052.0	3,774.0	4,123.0
Proceeds From Stock Options	0.0	0.0	0.0	-	-
Other Proceeds From Sale/Issuance of Stock	2,453.0	3,774.0	3,052.0	3,774.0	4,123.0
Com/Pfd Purchased	(15,046.0)	(15,376.0)	(7,429.0)	(10,578.0)	(18,828.0)
Long Term Borrowings	9,996.0	8,055.0	6,683.0	13,829.0	21,744.0
Reduction In Long Term Debt	(8,947.0)	(6,522.0)	(13,495.0)	(10,248.0)	(11,306.0)
Inc(Dec) In Short Term Borrowings	1,321.0	817.0	(651.0)	(6,025.0)	1,674.0
Cash Dividends Paid - Total	(3,473.0)	(3,177.0)	(2,860.0)	(2,585.0)	(2,147.0)
Common Dividends (Cash)	3,473.0	3,177.0	2,860.0	2,585.0	2,147.0
Preferred Dividends (Cash)	0.0	0.0	0.0	0.0	0.0
Other Source (Use) - Financing	0.0	0.0	0.0	(1.0)	0.0
Other Sources - Financing	0.0	0.0	0.0	0.0	0.0
Other Uses - Financing	0.0	0.0	0.0	(1.0)	0.0
Net Cash Flow - Financing	(13,696.0)	(12,429.0)	(14,700.0)	(11,834.0)	(4,740.0)
Effect of Exchange Rate On Cash	(493.0)	(135.0)	98.0	58.0	294.0
Inc(Dec) In Cash & Short Term Investments	1,261.0	(1,522.0)	(558.0)	(2,250.0)	6,969.0

Annual Ratios

	12/31/2011 USD	12/31/2010 USD	12/31/2009 USD	12/31/2008 USD restated	12/31/2007 USD
Valuation Measures					
Market Cap	213,886.0	180,220.3	170,868.7	112,698.3	149,743.8
Net Sales or Revenues	106,916.0	99,870.0	95,758.0	103,630.0	98,786.0
Total Debt	31,320.0	28,624.0	26,100.0	33,925.0	35,274.0
Net Assets	112,930.0	110,232.0	104,827.0	102,254.0	118,918.0
Enterprise Value	232,835.0	196,808.3	182,839.7	132,943.3	168,871.8
EBITDA	26,328.0	25,025.0	23,630.0	22,838.0	20,301.0
EBIT	21,513.0	20,194.0	18,636.0	17,388.0	15,100.0
Capital Expenditure	4,108.0	4,185.0	3,447.0	4,171.0	4,630.0
Valuation					
Price/Earnings	14.1	12.7	13.1	9.5	15.1
Price/Sales	2.0	1.8	1.8	1.1	1.5
Price/Cash Flow	10.0	9.1	8.6	-	9.1
Price/Book Value	10.6	7.8	7.5	8.4	5.3
Price/Tangible BV	NEG	NEG	NEG	NEG	12.4
Enterprise Value					
Enterprise Value / Sales	2.2	2.0	1.9	1.3	1.7
Enterprise Value/ EBITDA	8.8	7.9	7.7	5.8	8.3
Enterprise Value / EBIT	10.8	9.7	9.8	7.6	11.2
Enterprise Value / Cash Flow	10.5	9.5	9.0	6.6	9.9
Enterprise Value / Free Cash Flow	19.0	16.1	12.6	11.0	18.1
Credit Statistics					
Total Debt/ Enterprise Value	0.1	0.1	0.1	0.3	0.2
Net Debt / Enterprise Value	0.1	0.1	0.1	0.2	0.1
Total Debt / EBITDA	1.2	1.1	1.1	1.5	1.7
Net Debt / EBITDA	0.7	0.7	0.5	0.9	0.9
EBITDA / Interest Expense	50.7	52.6	46.2	33.2	32.7
EBTIDA - Capex / Interest Expense	42.8	43.8	39.5	27.1	25.3
EBIT/ Interest Expense	41.5	42.4	36.5	25.3	24.4
Liquidity Leverage					
Quick Ratio	1.0	1.0	1.1	1.0	1.0
Current Ratio	1.2	1.2	1.4	1.2	1.2
Cash Flow/Current Liabilities	0.5	0.5	0.6	0.4	0.4
Long Term Debt / Equity	113.5	94.8	96.9	168.5	80.9
Total Debt / Equity	155.5	124.2	115.3	251.9	123.9
Long Term Debt / Total Capital	53.0	48.5	49.1	62.6	44.7
Total Debt / Total Capital	60.7	55.3	53.4	71.4	55.3
Working Capital / Total Capital	20.4	16.8	28.9	18.1	17.2
Profitability Ratios					
Gross Margin	46.65%	45.74%	45.48%	43.46%	42.00%
Gross Margin - 5 Yr Average	44.73%	43.73%	42.60%	-	39.43%
EBITDA Margin	24.62%	25.06%	24.68%	22.04%	20.55%
EBITDA Margin - 5 Yr Average	23.39%	22.55%	21.31%	19.93%	19.02%
EBIT Margin	20.12%	20.22%	19.46%	16.78%	15.29%
EBIT Margin - 5 Yr Average	18.38%	17.35%	15.94%	14.58%	13.67%
Pre-Tax Margin	19.64%	19.75%	18.94%	16.13%	14.67%
Pre-Tax Margin - 5 Yr Average	17.83%	16.81%	15.43%	-	13.35%
Net Margin	14.83%	14.85%	14.02%	11.90%	10.55%
Net Margin - 5 Yr Average	13.23%	12.34%	11.11%	-	9.38%

Efficiency Ratios					
Sales Per Employee	0.2	0.2	0.2	0.3	0.3
Operating Profit Per Employee	0.0	0.0	0.0	0.0	0.0
Net Income Per Employee	0.0	0.0	0.0	0.0	0.0
Assets Per Employee	0.3	0.3	0.3	0.3	0.3
Total Asset Turnover	0.9	0.9	0.9	1.0	0.8
Inventory Turnover	20.7	20.0	18.2	-	19.0
Receivable Turnover	3.7	3.6	3.5	-	3.6
Payable Turnover	6.4	6.5	6.5	-	6.5
Management Effectiveness					
Return on Equity	73.43%	64.94%	74.37%	58.83%	36.57%
Return on Equity - 5 Yr Average	61.63%	53.10%	45.02%	35.99%	30.22%
Return On Assets	14.51%	14.08%	13.28%	11.55%	9.91%
Return On Assets - 5 Yr Average	12.66%	11.67%	10.39%	9.38%	8.67%
Return On Invested Capital	31.32%	30.08%	28.53%	22.98%	18.82%
Return On Invested Capital - 5 Yr Average	26.35%	23.70%	20.61%	18.18%	16.64%
Dividend Ratios					
Dividend Per Share	2.9	2.5	2.2	-	1.5
Dividend Yield	1.58%	1.70%	1.64%	-	1.39%
Dividend Payout Ratio	22.21%	21.70%	21.48%	-	20.89%
Growth Rates					
Sales	7.06%	4.29%	(7.60%)	4.90%	8.05%
Sales - 5 Yr	3.18%	1.85%	(0.11%)	3.06%	4.00%
EBITDA	5.21%	5.90%	3.47%	-	9.27%
EBITDA - 5 Yr	7.22%	7.90%	6.71%	-	11.00%
Net Income	6.89%	10.49%	8.85%	18.39%	9.76%
Net Income - 5 Yr	10.81%	13.33%	9.75%	10.22%	23.82%
EPS	13.37%	15.08%	12.09%	24.37%	18.48%
EPS - 5 Yr	16.60%	18.65%	15.22%	15.52%	18.52%
Capital Expenditure	(1.84%)	21.41%	(17.36%)	-	6.14%
Capital Expenditure - 5 Yr	(1.19%)	1.72%	(4.63%)	-	(0.52%)
Research & Development	3.85%	3.54%	(8.16%)	-	0.75%
Research & Development - 5 Yr	0.49%	0.62%	2.41%	-	7.70%
Stock Performance					
Price Close	183.9	146.8	130.9	84.2	108.1
% Change	25.29%	12.12%	55.54%	(22.15%)	11.27%
Total Return	27.27%	14.03%	58.09%	(20.39%)	12.82%

Notes:

Sources: S&P, Thomson ONE Banker, Value Line, IBM SEC Filings, IBM Company Updates