

Edgar Filing: INTERNATIONAL BUSINESS MACHINES CORP - Form 8-K

Also, on June 4, 2002, the company announced that it would record pre-tax charges of approximately \$2.0B to \$2.5B, primarily in the second quarter, associated with the company's exit from the hard disk drive business, write-offs of assets in the Microelectronics business, and charges related to productivity initiatives, principally workforce reductions. IBM will describe these actions in additional detail when the company announces second quarter results on July 17, 2002. Exhibit IV of this Form 8-K is the registrant's press release dated June 4, 2002, regarding actions to strengthen the company's strategic and competitive position.

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: July 09, 2002

By: /s/ Robert F. Woods

(Robert F. Woods)
Vice President and Controller

Exhibit I

INTERNATIONAL BUSINESS MACHINES CORPORATION

COMPARATIVE FINANCIAL RESULTS

CONTINUING/DISCONTINUED OPERATIONS FORMAT

2001

(Unaudited; Dollars in millions except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Qu
REVENUE				
Global Services	\$8,471	\$8,742	\$8,682	\$9,0
Gross profit margin	25.5%	27.6%	28.4%	28.
Hardware	7,812	7,918	6,834	8,0
Gross profit margin	32.1%	32.1%	26.9%	30.
Software	2,918	3,036	3,201	3,7
Gross profit margin	80.2%	82.4%	81.5%	85.
Global Financing	832	845	822	9
Gross profit margin	47.3%	48.2%	51.0%	55.
Enterprise Investments/Other	276	293	244	3
Gross profit margin	49.5%	43.3%	40.8%	45.

Edgar Filing: INTERNATIONAL BUSINESS MACHINES CORP - Form 8-K

TOTAL REVENUE	20,309	20,834	19,783	22,1
GROSS PROFIT	7,535	7,987	7,434	8,9
Gross profit margin	37.1%	38.3%	37.6%	40.
EXPENSE AND OTHER INCOME				
S,G&A	4,083	4,182	4,085	4,
Expense to revenue	20.1%	20.1%	20.6%	21.
R,D&E	1,209	1,284	1,252	1,
Expense to revenue	6.0%	6.2%	6.3%	5.
Intellectual property and custom development income	(265)	(354)	(393)	(4
Other (income) & expense	(69)	(124)	29	(1
Interest expense	70	58	53	
	-----	-----	-----	-----
TOTAL EXPENSE AND OTHER INCOME	5,028	5,046	5,026	5,3
Expense to revenue	24.8%	24.2%	25.4%	24.
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	2,507	2,941	2,408	3,5
Pre-tax margin	12.3%	14.1%	12.2%	16.
Provision for income taxes	730	850	695	1,0
Effective tax rate	29.1%	28.9%	28.9%	28.
NET INCOME FROM CONTINUING OPERATIONS	1,777	2,091	1,713	2,5
Net margin	8.8%	10.0%	8.7%	11.
Preferred stock dividends	5	5	0	
NET INCOME FROM CONTINUING OPERATIONS APPLICABLE TO COMMON SHAREHOLDERS	\$1,772	\$2,086	\$1,713	\$2,5
	=====	=====	=====	=====
DISCONTINUED OPERATIONS (NET OF TAX)	(27)	(46)	(118)	(2
	-----	-----	-----	-----
NET INCOME AFTER DISCONTINUED OPERATIONS	\$1,745	\$2,040	\$1,595	\$2,3
	=====	=====	=====	=====
EARNINGS PER SHARE				

COMMON STOCK FROM CONTINUING OPERATIONS:				
- ASSUMING DILUTION	\$1.00	\$1.17	\$0.97	\$1.
- BASIC	\$1.02	\$1.20	\$0.99	\$1.
COMMON STOCK FROM DISCONTINUED OPERATIONS:				
- ASSUMING DILUTION	(\$0.02)	(\$0.03)	(\$0.07)	(\$0.
- BASIC	(\$0.02)	(\$0.03)	(\$0.07)	(\$0.
COMMON STOCK FROM TOTAL OPERATIONS:				
- ASSUMING DILUTION	\$0.98	\$1.15**	\$0.90	\$1.

Edgar Filing: INTERNATIONAL BUSINESS MACHINES CORP - Form 8-K

- BASIC	\$1.00	\$1.17	\$0.92	\$1.
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (M's)				
DILUTED	1,781.2	1,777.7	1,767.9	1,758
BASIC	1,740.9	1,738.2	1,731.8	1,722

* Earnings per share (EPS) in each quarter is computed using the weighted-average number of shares outstanding during the quarter while EPS for the full year is computed using the weighted-average number of shares outstanding during the year. Thus, the sum of the quarters' EPS may not equal the full-year EPS.

** Does not total due to rounding.

INTERNATIONAL BUSINESS MACHINES CORPORATION

COMPARATIVE FINANCIAL RESULTS

CONTINUING/DISCONTINUED OPERATIONS FORMAT

2002

(Unaudited; Dollars in millions except per share amounts)

	First Quarter

REVENUE	
Global Services	\$8,229
Gross profit margin	26.0%
Hardware	5,884
Gross profit margin	24.5%
Software	2,897
Gross profit margin	81.1%
Global Financing	783
Gross profit margin	56.6%
Enterprise Investments/Other	237
Gross profit margin	56.2%
TOTAL REVENUE	18,030
GROSS PROFIT	6,500
Gross profit margin	36.1%
EXPENSE AND OTHER INCOME	
S,G&A	4,023
Expense to revenue	22.3%
R,D&E	1,135
Expense to revenue	6.3%
Intellectual property and custom development income	(296)
Other (income) & expense	(205)

Edgar Filing: INTERNATIONAL BUSINESS MACHINES CORP - Form 8-K

Interest expense	30

TOTAL EXPENSE AND OTHER INCOME	4,687
Expense to revenue	26.0%
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	1,813
Pre-tax margin	10.1%
Provision for income taxes	529
Effective tax rate	29.2%
NET INCOME FROM CONTINUING OPERATIONS	1,284
Net margin	7.1%
Preferred stock dividends	0
NET INCOME FROM CONTINUING OPERATIONS APPLICABLE TO COMMON SHAREHOLDERS	\$1,284
	=====
DISCONTINUED OPERATIONS (NET OF TAX)	(92)

NET INCOME AFTER DISCONTINUED OPERATIONS	\$1,192
	=====
EARNINGS PER SHARE	

COMMON STOCK FROM CONTINUING OPERATIONS:	
- ASSUMING DILUTION	\$0.73
- BASIC	\$0.75
COMMON STOCK FROM DISCONTINUED OPERATIONS:	
- ASSUMING DILUTION	(\$0.05)
- BASIC	(\$0.05)
COMMON STOCK FROM TOTAL OPERATIONS:	
- ASSUMING DILUTION	\$0.68
- BASIC	\$0.69*
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (M's)	
DILUTED	1,753.0
BASIC	1,718.4

* Does not total due to rounding.

Exhibit II

INTERNATIONAL BUSINESS MACHINES CORPORATION

SEGMENT DATA

Edgar Filing: INTERNATIONAL BUSINESS MACHINES CORP - Form 8-K

CONTINUING OPERATIONS FORMAT

2001

(UNAUDITED)

FIRST QUARTER

(Dollars in millions)

	***** External	Revenue Internal	***** Total
SEGMENTS			
Global Services	\$ 8,471	\$589	\$9,060
Enterprise Systems	3,136	167	3,303
Personal and Printing Systems	3,176	18	3,194
Technology *	1,574	339	1,913
Software	2,918	214	3,132
Global Financing	834	226	1,060
Enterprise Investments	253	1	254
TOTAL SEGMENTS	20,362	1,554	21,916
Eliminations / Other*	(53)	(1,554)	(1,607)
TOTAL IBM	\$20,309	\$0	\$20,309

* Reclassified to conform with 2002 presentation.

2001

(UNAUDITED)

SECOND QUARTER

(Dollars in millions)

	***** External	Revenue Internal	***** Total
Segments			
Global Services	\$ 8,742	\$650	\$9,392
Enterprise Systems	3,477	205	3,682
Personal and Printing Systems	3,067	14	3,081

Edgar Filing: INTERNATIONAL BUSINESS MACHINES CORP - Form 8-K

Technology *	1,380	388	1,768
Software	3,036	236	3,272
Global Financing	838	217	1,055
Enterprise Investments	287	0	287
TOTAL SEGMENTS	20,827	1,710	22,537
Eliminations / Other*	7	(1,710)	(1,703)
TOTAL IBM	\$20,834	\$0	\$20,834

* Reclassified to conform with 2002 presentation.

2001
(UNAUDITED)
THIRD QUARTER

(Dollars in millions)

	***** External	Revenue Internal	***** Total
Segments			
Global Services	\$ 8,682	\$ 684	\$ 9,366
Enterprise Systems	3,056	175	3,231
Personal and Printing Systems	2,829	18	2,847
Technology *	1,006	416	1,422
Software	3,201	236	3,437
Global Financing	814	204	1,018
Enterprise Investments	242	1	243
TOTAL SEGMENTS	19,830	1,734	21,564
Eliminations / Other*	(47)	(1,734)	(1,781)
TOTAL IBM	\$19,783	\$0	\$19,783

* Reclassified to conform with 2002 presentation.

2001
(UNAUDITED)
FOURTH QUARTER

Edgar Filing: INTERNATIONAL BUSINESS MACHINES CORP - Form 8-K

(Dollars in millions)	***** External	Revenue Internal	***** Total
Segments			
Global Services	\$ 9,061	\$ 724	\$ 9,785
Enterprise Systems	4,074	163	4,237
Personal and Printing Systems	2,910	23	2,933
Technology *	1,189	308	1,497
Software	3,784	295	4,079
Global Financing	921	189	1,110
Enterprise Investments	336	2	338
TOTAL SEGMENTS	22,275	1,704	23,979
Eliminations / Other*	(134)	(1,704)	(1,838)
TOTAL IBM	\$22,141	\$0	\$22,141

* Reclassified to conform with 2002 presentation.

2001
(UNAUDITED)
Full Year

(Dollars in millions)	***** External	Revenue Internal	***** Total
Segments			
Global Services	\$34,956	\$2,647	\$37,603
Enterprise Systems	13,743	710	14,453
Personal and Printing Systems	11,982	73	12,055
Technology *	5,149	1,451	6,600
Software	12,939	981	13,920
Global Financing	3,407	836	4,243

Edgar Filing: INTERNATIONAL BUSINESS MACHINES CORP - Form 8-K

Enterprise Investments	1,118	4	1,122
TOTAL SEGMENTS	83,294	6,702	89,996
Eliminations / Other*	(227)	(6,702)	(6,929)
TOTAL IBM	\$83,067	\$0	\$83,067

* Reclassified to conform with 2002 presentation.

INTERNATIONAL BUSINESS MACHINES CORPORATION
SEGMENT DATA CONTINUING OPERATIONS FORMAT
2002
(UNAUDITED)

FIRST QUARTER

(Dollars in millions)

	***** External	Revenue Internal	***** Total
SEGMENTS			
Global Services	\$ 8,229	\$ 640	\$ 8,869
Enterprise Systems	2,484	166	2,650
Personal and Printing Systems	2,511	13	2,524
Technology*	930	236	1,166
Software	2,897	227	3,124
Global Financing	768	186	954
Enterprise Investments	231	1	232
TOTAL SEGMENTS	18,050	1,469	19,519
Eliminations / Other*	(20)	(1,469)	(1,489)
TOTAL IBM	\$18,030	\$0	\$18,030

* Reclassified to conform with 2002 presentation.

Exhibit III

Contact: Yasuo Hirano
Hitachi, Ltd.
+81-3-3258-2057
yasuo_hirano@hdq.hitachi.co.jp

Scott Brooks
IBM Corporation
914-499-6734
srbrooks@us.ibm.com

HITACHI AND IBM REACH DEFINITIVE AGREEMENT
ON HARD DISK DRIVE OPERATIONS

TOKYO, Japan and SAN JOSE, Calif. -- June 4, 2002 -- Hitachi, Ltd. (NYSE: HIT, TSE: 6501) and IBM today announced that they have reached a definitive agreement to transfer their hard disk drive (HDD) operations to a new standalone company under majority Hitachi ownership. These plans were originally announced in April as part of a larger storage relationship between the two companies.

Hitachi has agreed to purchase the majority of IBM's HDD-related assets for \$2.05 billion, which includes the transfer of IBM's HDD-related intellectual property portfolio to the new organization. Hitachi will initially own 70 percent of this new company and will make a series of fixed payments to IBM before assuming full ownership after three years.

The new company will be based in San Jose, California, and managed by an independent team comprising executives from Hitachi and IBM's existing HDD operations. The chief executive officer will be Dr. Jun Naruse, Corporate Managing Director of Hitachi, Ltd., formerly CEO of Hitachi Data Systems, and the chief operating officer will be Dr. Douglas Grose, currently general manager of IBM's Storage Technology Division. Hitachi will select the new company's board of directors, and IBM will not be involved in its operations.

The new organization will bring together approximately 24,000 employees, about 18,000 from IBM and 6,000 from Hitachi, with major manufacturing operations at 11 locations around the world. Certain IBM HDD operations are not included in the deal.

Hitachi estimates the new company may deliver approximately \$5 billion in sales in fiscal year 2003, and will target annual sales of \$7 billion by fiscal year 2006. IBM and Hitachi have each agreed to multi-year HDD supply commitments from the new company.

-more-

HITACHI AND IBM REACH DEFINITIVE AGREEMENT/PAGE 2

Pending the completion of applicable regulatory processes, the deal is expected to close before year-end.

"The purchase of IBM's HDD business brings us the valuable business assets required for long-term success in this highly competitive market," said Masaaki Hayashi, Senior Vice President and Director, Hitachi, Ltd. "By combining HDD research, development, manufacturing, marketing and sales into an independently operating company, we are creating a new industry leader fully focused on the \$20 billion disk-drive market. This new company is uniquely positioned for success by its broad customer portfolio, its unparalleled technological capabilities and its strong position in key growth markets, including storage-intensive consumer electronics."

"Customers will benefit from the increased efficiencies of the new company and its ability to quickly bring advanced technologies and products to market," said John E. Kelly III, senior vice president and general manager of IBM's Technology

Edgar Filing: INTERNATIONAL BUSINESS MACHINES CORP - Form 8-K

Group. "The singular focus on the HDD business will provide employees with the dedicated resources necessary to fully apply their industry-leading expertise to developing new HDD technologies and market opportunities."

In addition, IBM and Hitachi are proceeding with separate negotiations related to a planned multi-year alliance to research and develop new open standards-based technologies specific to next-generation storage networks, systems and solutions. The companies have created a process to review joint projects designed to improve interoperability, reduce complexity and improve cost of ownership for storage systems customers. Additional information on this alliance will be announced when negotiations are finalized.

#

-Cautionary Statement-

Statements in this document contain forward-looking information which reflect Hitachi's current views with respect to certain future events and financial performance. Actual results may differ materially from this forecast. Further, this forward-looking information is based upon assumptions of future events which may not prove to be accurate.

Factors that could cause actual results to differ materially from the forecast include, but are not limited to: rapid technological change; uncertainty as to the new company's ability to continue to develop products and to market products that incorporate new technology on a timely and cost-effective basis and achieve market acceptance; fluctuations in product demand and industry capacity; increasing commoditization of information technology products, and intensifying price competition in the market for such products; fluctuations in rates of exchange for the U.S. dollar and other currencies in which the new company makes significant sales or in which the new company's assets and liabilities are denominated; uncertainty as to the new company's access to liquidity or long-term financing, particularly in the context of restrictions on availability of credit prevailing in U.S.; uncertainty as to the new company's ability to implement measures to reduce the potential negative impact of fluctuations in product demand and/or exchange rates; general economic conditions and the regulatory and trade environment of the new company's major markets, continued stagnation or deterioration of the Japanese or other East Asian economies, or direct or indirect restriction by other nations of imports; uncertainty as to the new company's access to, or protection for, certain intellectual property rights; the new company's dependence on alliances with other corporations in designing or developing certain products; and the market prices of equity securities in Japan, declines in which may result in write-downs of equity securities Hitachi holds.

#

HITACHI AND IBM REACH DEFINITIVE AGREEMENT/PAGE 3

ADDITIONAL HITACHI PRESS CONTACTS:
Japan: Tsuyoshi Miyata, Hirotaka Ohno
Hitachi, Ltd.
Tel: +81-3-3258-2057
tsuyoshi_miyata@hdq.hitachi.co.jp
hirotaka_ohn@hdq.hitachi.co.jp

Singapore: Yuji Hoshino
Hitachi Asia Ltd.
Tel: +65-231-2522
yhoshino@has.hitachi.com.sg

US: Masahiro Takahashi

Edgar Filing: INTERNATIONAL BUSINESS MACHINES CORP - Form 8-K

Hitachi America, Ltd.
Tel: +1-650-244-7902
masahiro.takahashi@hal.hitachi.com

UK: Kantaro Tanii
Hitachi Europe Ltd.
Tel: +44-1628-585379
Kantaro.tanii@hitachi-eu.com

Exhibit IV

Contact: Bill Hughes
(914) 499-6565
bhughes@us.ibm.com

IBM ANNOUNCES ACTIONS TO STRENGTHEN STRATEGIC AND COMPETITIVE POSITION; ANTICIPATES SECOND-QUARTER CHARGE

ARMONK, N.Y., June 4, 2002 . . . IBM today announced a series of actions to improve further the company's competitive and strategic position in the changing information technology industry.

As announced yesterday, Hitachi Ltd., has agreed to purchase IBM's disk drive operations and form a new company majority-owned by Hitachi. In addition, IBM and Hitachi are proceeding with separate negotiations related to a planned multi-year alliance to research and develop open technologies for next-generation storage networks, systems and solutions. The companies have created a process to review joint projects designed to improve interoperability, reduce complexity and improve cost of ownership for storage systems customers.

IBM also is realigning its Microelectronics Division to increase operational efficiencies and capitalize on emerging growth opportunities. As part of this realignment, the Division will increase its use of leading-edge copper technology and close older aluminum technology capacity. The Division will increase its focus on custom-chip design and manufacturing, and advanced foundry, while adding new technology design services, which were announced today.

Further, IBM is rebalancing skills and reducing its workforce in other business units and headquarters staffs. These actions will enhance IBM's competitiveness by improving productivity and operational efficiencies over the long term. The majority of the employees affected by these actions have been notified.

- more -

- 2 -

As a result of all of these actions, IBM will record pre-tax charges of approximately \$2.0 billion to \$2.5 billion, primarily in the second quarter. These include charges associated with the company's exit from the hard disk drive business, write-offs of assets in the Microelectronics business, and charges related to productivity initiatives, principally workforce reduction.

Edgar Filing: INTERNATIONAL BUSINESS MACHINES CORP - Form 8-K

"These actions will not only substantially lower IBM's annual operating expenses, more important, they strengthen the company's strategic position in the near and long term," said John R. Joyce, senior vice president and chief financial officer.

"We are moving quickly to occupy the strategic areas in the technology and storage marketplace," added Nick Donofrio, senior vice president, Technology and Manufacturing. "At our core, we are a technology company, and we will continue to focus on leading-edge products, such as our copper technology and move away from maturing technologies, and align our operations to meet that shift in demand. The actions we are taking now will better position IBM in areas where there is both long-term growth and profitability."

IBM will describe today's actions in additional detail when the company announces second-quarter results in mid-July.

#