

INTERNATIONAL BUSINESS MACHINES CORP

Form 10-Q

July 31, 2013

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

**FORM 10 - Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)**

**OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE QUARTER ENDED JUNE 30, 2013**

**1-2360**

(Commission file number)

**INTERNATIONAL BUSINESS MACHINES CORPORATION**

(Exact name of registrant as specified in its charter)

**New York**

(State of incorporation)

**13-0871985**

(IRS employer identification number)

**Armonk, New York**

(Address of principal executive offices)

**10504**

(Zip Code)

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**914-499-1900**

(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The registrant has 1,095,425,823 shares of common stock outstanding at June 30, 2013.

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AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENT OF EARNINGS  
(UNAUDITED)**

(Dollars in millions except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
<b>Revenue:</b>				
Services	\$ 14,312	\$ 14,833	\$ 28,586	\$ 29,653
Sales	10,119	10,426	18,748	19,782
Financing	493	523	998	1,021
<b>Total revenue</b>	<b>24,924</b>	<b>25,783</b>	<b>48,332</b>	<b>50,456</b>
<b>Cost:</b>				
Services	9,326	9,785	18,852	19,770
Sales	3,202	3,435	6,133	6,761
Financing	264	282	537	526
<b>Total cost</b>	<b>12,792</b>	<b>13,502</b>	<b>25,522</b>	<b>27,056</b>
<b>Gross profit</b>	<b>12,132</b>	<b>12,281</b>	<b>22,810</b>	<b>23,400</b>
<b>Expense and other income:</b>				
Selling, general and administrative	6,680	5,837	12,257	11,723
Research, development and engineering	1,548	1,587	3,193	3,188
Intellectual property and custom development income	(247)	(289)	(430)	(545)
Other (income) and expense	(91)	(132)	(151)	(190)
Interest expense	98	117	192	226
<b>Total expense and other income</b>	<b>7,988</b>	<b>7,120</b>	<b>15,060</b>	<b>14,403</b>
<b>Income before income taxes</b>	<b>4,144</b>	<b>5,161</b>	<b>7,750</b>	<b>8,997</b>
Provision for income taxes	918	1,280	1,492	2,049
<b>Net income</b>	<b>\$ 3,226</b>	<b>\$ 3,881</b>	<b>\$ 6,258</b>	<b>\$ 6,948</b>
<b>Earnings per share of common stock:</b>				
Assuming dilution	\$ 2.91	\$ 3.34	\$ 5.60	\$ 5.95
Basic	\$ 2.93	\$ 3.38	\$ 5.65	\$ 6.02
<b>Weighted-average number of common shares outstanding: (millions)</b>				
Assuming dilution	1,109.4	1,161.9	1,116.7	1,168.1
Basic	1,100.9	1,149.0	1,107.3	1,154.1
<b>Cash dividend per common share</b>	<b>\$ 0.95</b>	<b>\$ 0.85</b>	<b>\$ 1.80</b>	<b>\$ 1.60</b>

(Amounts may not add due to rounding.)

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(The accompanying notes are an integral part of the financial statements.)

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**INTERNATIONAL BUSINESS MACHINES CORPORATION  
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)**

(Dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
<b>Net income</b>	\$ 3,226	\$ 3,881	\$ 6,258	\$ 6,948
<b>Other comprehensive income/(loss), before tax:</b>				