

INTERNATIONAL BUSINESS MACHINES CORP
Form 8-K
March 07, 2005

**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: March 7, 2005

(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)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

- o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

 - o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

 - o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 7.01 (Regulation FD Disclosure)

Attachment I of this Form 8-K, which is hereby furnished, contains additional information about return on invested capital in the document entitled Understanding Our Company: An IBM Prospectus that is being delivered to stockholders along with the IBM Annual Report 2004.

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: March 7, 2005

By:

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

RECONCILIATION OF IBM TOTAL RETURN ON INVESTED CAPITAL (ROIC)

ROIC = Income from continuing operations excluding Interest expense/Invested Capital

Invested Capital = Long-term debt + Stockholders equity

The reconciliation to the most comparable U.S. GAAP measurements for the numerator and denominator are as follows:

| (dollars in millions) | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | |
|---|---------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Numerator: | | | | | | | | | |
| Income from continuing operations | \$ 8,448 | \$ 7,613 | \$ 5,334 | \$ 8,146 | \$ 7,874 | \$ 7,359 | \$ 5,469 | \$ 5,528 | |
| Add: Interest expense, after tax * | 97 | 102 | 103 | 103 | 100 | 91 | 98 | 96 | |
| Income from continuing operations, excluding interest expense | (a) \$ 8,545 | \$ 7,715 | \$ 5,437 | \$ 8,249 | \$ 7,974 | \$ 7,450 | \$ 5,567 | \$ 5,624 | |
| Denominator: | | | | | | | | | |
| Long-term debt | \$ 14,828 | \$ 16,986 | \$ 19,986 | \$ 15,963 | \$ 18,371 | \$ 14,124 | \$ 15,508 | \$ 13,696 | |
| Stockholders equity | 29,747 | 27,864 | 22,782 | 23,448 | 20,550 | 20,426 | 19,383 | 19,816 | |
| IBM Invested Capital | (b) \$ 44,575 | \$ 44,850 | \$ 42,768 | \$ 39,411 | \$ 38,921 | \$ 34,550 | \$ 34,891 | \$ 33,512 | |
| Total IBM ROIC | (a)/(b) | 19% | 17% | 13% | 21% | 20% | 22% | 16% | 17% |

* Calculated using IBM's consolidated effective tax rate for each respective period.

RECONCILIATION OF RETURN ON INVESTED CAPITAL
EXCLUDING NON-GLOBAL FINANCING BUSINESS
AND ONE-TIME PENSION SETTLEMENT CHARGE

The reconciliation to the most comparable U.S. GAAP measurements for the numerator and denominator is as follows:

| (dollars in millions) | 2004 | |
|--|---------|---------------|
| Numerator: | | |
| Income from continuing operations | \$ | 8,448 |
| Less: Global Financing net income | | (937) |
| Non-Global Financing income from continuing operations | \$ | 7,511 |
| Add: Interest Expense, after tax* | | 97 |
| Add: One-time pension charge, after tax ** | | 195 |
| Non-Global Financing income from continuing operations, excluding interest expense and one-time pension charge | (a) \$ | 7,803 |
| Denominator: | | |
| <u>Total IBM Invested Capital:</u> | | |
| Long-term debt | \$ | 14,828 |
| Stockholders' equity | | 29,747 |
| Add: One-time pension charge, net of tax** (Retained Earnings) | | 195 |
| Adjusted Stockholders' Equity | | 29,942 |
| IBM Invested Capital, adjusted for one-time pension charge | | 44,770 |
| <u>Total Global Financing Invested Capital:</u> | | |
| Long-term debt *** | \$ | 14,435 |
| Stockholders' equity | | 3,255 |
| Global Financing Invested Capital | \$ | 17,690 |
| Non-Global Financing Invested Capital, adjusted for one-time pension charge | (b) \$ | 27,080 |
| Return on Invested Capital excluding Non-Global Financing Business and one-time Pension Settlement Charge | (a)/(b) | 29% |

* Calculated using IBM's consolidated effective tax rate.

** Calculated using IBM's U.S. marginal tax rate.

*** Allocated based on ratio of Global Financing debt to total debt.