

INTERNATIONAL BUSINESS MACHINES CORP  
Form 10-Q  
April 29, 2014

**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 MARCH 31, 2014**

**1-2360**

(Commission file number)

**INTERNATIONAL BUSINESS MACHINES CORPORATION**

(Exact name of registrant as specified in its charter)

**New York**

**13-0871985**

(State of incorporation)

(IRS employer identification number)

**Armonk, New York**

**10504**

(Address of principal executive offices)

(Zip Code)

**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 had 1,012,183,432 shares of common stock outstanding at March 31, 2014.





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**Part I - Financial Information**

**Item 1. Consolidated Financial Statements:**

**INTERNATIONAL BUSINESS MACHINES CORPORATION  
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF EARNINGS  
(UNAUDITED)**

**Three Months Ended March 31,**

**(Dollars in millions except per share amounts)**

**2014**

**2013**

**Revenue:**

Services

\$

13,982

\$

	14,274
Sales	
	7,984
	8,629
Financing	
	517
	505
<b>Total revenue</b>	
	22,484
	23,408
<b>Cost:</b>	

Services

9,101

9,526

Sales

2,561

2,931

Financing

278

	273
<b>Total cost</b>	
	11,941
	12,730
<b>Gross profit</b>	
	10,543
	10,678
<b>Expense and other (income):</b>	

Selling, general and administrative



	6,289
	5,577
Research, development and engineering	
	1,501
	1,644
Intellectual property and custom development income	
	(207)
	(183)
Other (income) and expense	

	(126)
	(60)
Interest expense	
	105
	94
<b>Total expense and other (income)</b>	
	7,563
	7,072
<b>Income before income taxes</b>	
	2,980
	3,606
	18

Provision for income taxes

596

574

**Net income**

\$

2,384

\$

3,032

**Earnings per share of common stock:**

Assuming dilution

\$ 2.29

\$ 2.70

Basic

\$ 2.30

\$ 2.72

**Weighted-average number of common shares outstanding: (millions)**

Assuming dilution

1,041.8

1,124.0

Basic

1,035.2

1,113.7

**Cash dividend per common share**

\$

0.95

\$

0.85

(Amounts may not add due to rounding.)

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

**INTERNATIONAL BUSINESS MACHINES CORPORATION  
AND SUBSIDIARY COMPANIES**

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

**Three Months Ended March 31,**

**(Dollars in millions)**



**2014**

**2013**

**Net income**

\$

2,384

\$

3,032

**Other comprehensive income/(loss), before tax:**

**Foreign currency translation adjustments**

(61)

**Net changes related to available-for-sale securities:**

Unrealized gains/(losses) arising during the period

0

(3)

Reclassification of (gains)/losses to net income

4

1

Subsequent changes in previously impaired securities arising during the period

—

1

**Total net changes related to available-for-sale securities**

4

(1)

**Unrealized gains/(losses) on cash flow hedges:**

Unrealized gains/(losses) arising during the period

88

360

Reclassification of (gains)/losses to net income

(1)

(56)

**Total unrealized gains/(losses) on cash flow hedges**

87

305

28

**Retirement-related benefit plans:**

Prior service costs/(credits)

1

33

Net (losses)/gains arising during the period

32

(15)

29

Curtailments and settlements

4

—

Amortization of prior service (credits)/cost

(29)

(30)

Amortization of net (gains)/losses

649

886

**Total retirement-related benefit plans**

656

875

**Other comprehensive income/(loss), before tax**

687

773

**Income tax (expense)/benefit related to items of other comprehensive income**

(241)

(480)

**Other comprehensive income/(loss)**

446

293

**Total comprehensive income/(loss)**

\$

2,830

\$

3,325

(Amounts may not add due to rounding)



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

**INTERNATIONAL BUSINESS MACHINES CORPORATION  
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(UNAUDITED)**

**ASSETS**

**At March 31,**

**At December 31,**

**(Dollars in millions)**

**2014**

**2013**

**Assets:**

Current assets:

Cash and cash equivalents

\$ 9,409

\$ 10,716

Marketable securities

295

Notes and accounts receivable - trade (net of allowances of \$305

in 2014 and \$291 in 2013)

9,682

10,465

Short-term financing receivables (net of allowances of \$317 in 2014

and \$308 in 2013)

18,329

19,787

Other accounts receivable (net of allowances of \$36 in 2014 and

\$36 in 2013)

1,650

1,584

Inventories, at lower of average cost or market:

Finished goods

472

444

38

Work in process and raw materials

1,984

1,866

Total inventories

2,456

2,310

Deferred taxes

1,708

	1,651
Prepaid expenses and other current assets	
	4,430
	4,488
Total current assets	
	47,959
	51,350



Property, plant and equipment

40,478

40,475

Less: Accumulated depreciation

26,795

26,654

Property, plant and equipment — net

13,683

13,821

Long-term financing receivables (net of allowances of \$93 in 2014

and \$80 in 2013)

11,918

12,755

Prepaid pension assets

6,110

	5,551
Deferred taxes	
	3,034
	3,051
Goodwill	
	31,214
	31,184
Intangible assets — net	
	3,698
	3,871

Investments and sundry assets

5,030

4,639

**Total assets**

\$

122,646

\$

126,223

(Amounts may not add due to rounding.)

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

**INTERNATIONAL BUSINESS MACHINES CORPORATION  
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION – (CONTINUED)  
(UNAUDITED)**

**LIABILITIES AND EQUITY**

**(Dollars in millions)**

**At March 31,**

**At December 31,**

**2014**

**2013**

**Liabilities:**

Current liabilities:

Taxes

\$

2,245

\$

4,633

Short-term debt

9,312

6,862

Accounts payable

	6,865
	7,461
Compensation and benefits	
	3,664
	3,893
Deferred income	
	13,681
	12,557
Other accrued expenses and liabilities	



	5,292
	4,748
Total current liabilities	
	41,058
	40,154
Long-term debt	
	34,668
	32,856
Retirement and nonpension postretirement benefit obligations	

	16,031
	16,242
Deferred income	
	4,042
	4,108
Other liabilities	
	10,106
	9,934
<b>Total liabilities</b>	
	105,906

103,294

**Equity:**

IBM stockholders' equity:

Common stock, par value \$0.20 per share, and additional paid-in capital

51,943

51,594

Shares authorized: 4,687,500,000

Shares issued: 2014 - 2,210,627,775

2013 - 2,207,522,548

Retained earnings

131,431

130,042

Treasury stock - at cost

(145,612)

(137,242)

Shares: 2014 - 1,198,444,343

2013 - 1,153,131,611

Accumulated other comprehensive income/(loss)

(21,156)

(21,602)

Total IBM stockholders' equity

16,607

22,792

Noncontrolling interests

133

137

**Total equity**

16,740

22,929

**Total liabilities and equity**

\$

122,646

\$

126,223

(Amounts may not add due to rounding.)



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

**INTERNATIONAL BUSINESS MACHINES CORPORATION  
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)**

**Three Months Ended March 31,**

**(Dollars in millions)**

**2014**

**2013**

**Cash flows from operating activities:**

Net income

\$

2,384