STANDARD & POOR'S

International Business Machines Corp

S&P Recommendation	Price	12-Mo. Target Price	Investment Style
BUY ★★★★★	$205.98 (as of Sep 21, 2012)	$227.00	Large-Cap Growth

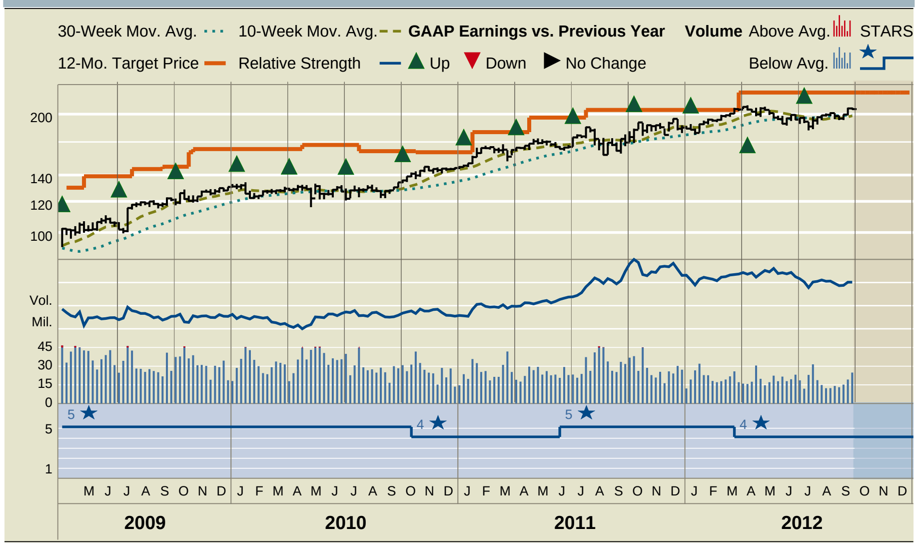
GICS Sector Information Technology
Sub-Industry IT Consulting & Other Services

Summary IBM's global capabilities include information technology services, software, computer hardware equipment, fundamental research, and related financing.

Key Stock Statistics (Source S&P, Vickers, company reports)

52-Wk Range	$210.69– 168.88	S&P Oper. EPS 2012**E**	15.15	Market Capitalization(B)	$235.389	Beta	0.66
Trailing 12-Month EPS	$13.71	S&P Oper. EPS 2013**E**	16.63	Yield (%)	1.65	S&P 3-Yr. Proj. EPS CAGR(%)	14
Trailing 12-Month P/E	15.0	P/E on S&P Oper. EPS 2012**E**	13.6	Dividend Rate/Share	$3.40	S&P Credit Rating	AA-
$10K Invested 5 Yrs Ago	$19,281	Common Shares Outstg. (M)	1,142.8	Institutional Ownership (%)	53		

Price Performance



Options: ASE, CBOE, P, Ph

Analysis prepared by Equity Analyst **Dylan Cathers** on Jul 19, 2012, when the stock traded at **$195.01**.

Highlights

- We think revenues will decline 1.0% this year. The company is dealing with a difficult comparison versus a year ago and unfavorable currency translation effects. We think the hardware segment will remain weak for a bit longer, as IBM introduces products in the second half of the year. The company continues its move away from hardware with the pending sale of its Retail Store Solutions business and another round of software-related acquisitions. We believe software will remain the primary growth driver going forward. Services will likely be flat this year. The company continues to post gains in emerging markets, which should add to both revenues and operating margins. We look for a revenue gain of 3.0% in 2013.
- We look for operating margins to widen above 20% this year, compared to 19% in 2011, reflecting ongoing cost reduction efforts, productivity gains, and an improved sales mix. Effective tax rates should benefit from more international business.
- Operating EPS in 2011 was $13.49. We estimate operating EPS of $15.15 for 2012 and $16.63 for 2013, aided by share buybacks.

Investment Rationale/Risk

- Despite our near-term concerns about IBM's revenue growth, we have a buy recommendation on the shares as we believe the company is well positioned to weather any economic storms that may arise, given its diversity. We think that healthy margin gains in the majority of the company's segments will help drive earnings per share, as will a robust share buyback program. A dividend yield recently near 2.0% adds appeal, in our view.
- Risks to our recommendation and target price include pricing pressure and other competitive risks, the potential for product transitions to go less smoothly than we project, and the possibility that antitrust and other lawsuits could hamper results.
- Our 12-month target price of $227 reflects a target multiple of 13.7X, which is at the high end of the five-year historical range for IBM, applied to our 2013 EPS estimate. Our target P/E is above a recent P/E of 13.2X for Information Technology Sector companies in the S&P 500 based on 2013 earnings estimates. We view the stock's valuation as attractive, given IBM's economies of scale and relatively steady earnings performance.

Qualitative Risk Assessment

LOW	**MEDIUM**	HIGH

Our risk assessment reflects what we view as IBM's competitively positioned solutions offerings, global market presence, and significant economies of scale, offset by what we see as an intensely competitive pricing environment.

Quantitative Evaluations

S&P Quality Ranking A+

D	C	B-	B	B+	A-	A	**A+**

Relative Strength Rank MODERATE

60

LOWEST = 1 HIGHEST = 99

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	**E**3.60	**E**5.26	**E**15.15
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.

Dividend Data (Dates: mm/dd Payment Date: mm/dd/yy)

Amount ($)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.750	10/25	11/08	11/10	12/10/11
0.750	01/31	02/08	02/10	03/10/12
0.850	04/24	05/08	05/10	06/09/12
0.850	07/31	08/08	08/10	09/10/12

Dividends have been paid since 1916. Source: Company reports.

International Business Machines Corp

STANDARD &POOR'S

Business Summary July 19, 2012

CORPORATE OVERVIEW. With a corporate history dating back to 1911, International Business Machines has grown to be a major contributor to each major category that comprises the total information technology market: hardware, software, and services. The company is a leading server vendor, among the largest software vendors (behind Microsoft Corp.), and has the largest global services organization.

The company strives for innovation as a means of product differentiation, and had a research and development budget of $6.3 billion in 2011, up from $6.0 billion in 2010, which is approximately 6% of revenue for each year. IBM reports being awarded 6,180 patents in 2011, more than any other company for the 19th consecutive year.

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 2011.

CORPORATE STRATEGY. 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. IBM is focusing on higher value added segments such as services, at over 56% of 2011 sales (57% of 2010 sales), and software 23% (23%). Global financing represented approximately 2% (2%) of 2011 revenues, and is primarily used to leverage IBM's financial structuring and portfolio management, and to expand the customer base.

The Systems and Technology segment ($19 billion of revenue in 2011) focuses largely on servers and systems that provide required computing infrastructure for business. IBM has made a transition to more open systems; all IBM servers can run Linux, a key open source operating system. This segment also includes storage product operations that address information retention and archiving needs, microelectronics (semiconductor) operations, and retail store solutions. While IBM introduced the PC, it sold this business to Lenovo Group Ltd. in May 2005, for $1.75 billion.

IBM's Services segments (over $60 billion revenue in 2011) include Global Technology Services ($41 billion) and Global Business Services ($19 billion). Global Technology encompasses strategic outsourcing, integrated technology services, business transformation outsourcing, and maintenance. We believe the services operation has a strong position in emerging e-business services, with a services backlog of $141 billion as of the end of 2011, up from $137 billion at the end of 2009, as estimated by the company.

The Software segment ($25 billion revenue in 2011) has sought growth based on the strength of IBM's middleware and database offerings. IBM has made a number of acquisitions in recent years, including the February 2008 acquisitions of Cognos, which added offerings in business intelligence and performance management, and Net Integration Technologies Inc., which added a business server software solution for small and medium-sized businesses.

FINANCIAL TRENDS. An information technology industry downturn in 2009 turned to a recovery in 2010 and most of 2011, but may see a modest pace of growth in 2012, by our projections. We believe IBM's revenue growth is challenged by the sheer size of its business (which approached $107 billion in revenues in 2011). However, we see potential for continuing margin expansion as a result of restructuring efforts in the company's hardware business, a more software-oriented business mix, and productivity initiatives in its Services segments. The company spent about $15 billion on share repurchases in 2011, which we view as particularly aggressive in the context of a long-standing and ongoing program of share buybacks.

Corporate Information

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Officers

Chrmn
S.J. Palmisano

CFO
M. Loughridge

Pres & CEO
V.M. Rometty

SVP & General Counsel
R.C. Weber

Board Members

A. J. Belda	W. R. Brody
K. I. Chenault	M. L. Eskew
D. N. Farr	S. A. Jackson
A. N. Liveris	W. J. McNerney, Jr.
J. W. Owens	S. J. Palmisano
V. M. Rometty	J. E. Spero
S. Taurel	L. H. Zambrano Trevio

Domicile
New York

Founded
1910

Employees
433,362

Stockholders
504,093

International Business Machines Corp

STANDARD &POOR'S

Quantitative Evaluations

S&P Fair Value Rank 4+

1	2	3	4	5

LOWEST HIGHEST

Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation $231.10 Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that IBM is slightly undervalued by $25.12 or 12.2%.

Investability Quotient Percentile 100

LOWEST = 1 HIGHEST = 100

IBM scored higher than 100% of all companies for which an S&P Report is available.

Volatility LOW AVERAGE HIGH

Technical Evaluation BULLISH Since September, 2012, the technical indicators for IBM have been BULLISH.

Insider Activity UNFAVORABLE NEUTRAL FAVORABLE

Expanded Ratio Analysis

	2011	2010	2009	2008
Price/Sales	2.09	1.89	1.83	1.12
Price/EBITDA	8.52	7.84	7.42	5.36
Price/Pretax Income	10.63	9.58	9.68	6.96
P/E Ratio	14.08	12.74	13.08	9.43
Avg. Diluted Shares Outstg (M)	1,213.8	1,287.4	1,341.4	1,381.8

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	7.06	1.37	2.13	2.27
Net Income	6.89	8.91	11.31	11.66
Ratio Analysis (Annual Avg.)				
Net Margin (%)	14.83	14.57	13.23	11.39
% LT Debt to Capitalization	52.92	50.18	49.11	42.34
Return on Equity (%)	73.43	70.91	61.63	46.98

Company Financials Fiscal Year Ended Dec. 31

Per Share Data (U.S. $)	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Tangible Book Value	NM	NM	NM	NM	8.72	8.93	13.97	11.86	12.36	10.84
Cash Flow	17.02	15.27	13.73	12.49	10.22	9.39	8.10	7.82	7.01	5.61
Earnings	13.06	11.52	10.01	8.93	7.18	6.06	4.91	4.94	4.34	3.07
S&P Core Earnings	12.67	10.78	9.43	6.04	6.94	5.88	3.93	4.06	3.00	0.08
Dividends	2.90	2.50	2.15	1.90	1.50	1.10	0.78	0.70	0.63	0.59
Payout Ratio	22%	22%	21%	21%	21%	18%	16%	14%	15%	19%
Prices:High	194.90	147.53	132.85	130.93	121.46	97.88	99.10	100.43	94.54	126.39
Prices:Low	146.64	116.00	81.76	69.50	88.77	72.73	71.85	90.82	73.17	54.01
P/E Ratio:High	15	13	13	15	17	16	20	20	22	41
P/E Ratio:Low	11	10	8	8	12	12	15	18	17	18
Income Statement Analysis (Million U.S. $)										
Revenue	106,916	99,870	95,757	103,630	98,786	91,424	91,134	96,293	89,131	81,186
Operating Income	26,194	24,100	23,660	21,680	18,765	16,912	14,564	15,890	14,790	11,175
Depreciation	4,800	4,831	4,994	4,930	4,405	4,983	5,188	4,915	4,701	4,379
Interest Expense	411	368	402	1,477	1,431	278	220	139	145	145
Pretax Income	21,003	19,723	18,138	16,715	14,489	13,317	12,226	12,028	10,874	7,524
Effective Tax Rate	24.5%	24.8%	26.0%	26.2%	28.1%	29.3%	34.6%	29.8%	30.0%	29.1%
Net Income	15,855	14,833	13,425	12,334	10,418	9,416	7,994	8,448	7,613	5,334
S&P Core Earnings	15,371	13,883	12,648	8,340	10,072	9,116	6,395	6,923	5,270	111
Balance Sheet & Other Financial Data (Million U.S. $)										
Cash	11,922	11,651	13,974	12,907	16,146	10,656	13,686	10,570	7,647	5,975
Current Assets	50,928	48,116	48,935	49,004	53,177	44,660	45,661	46,970	44,998	41,652
Total Assets	116,433	113,452	109,022	109,524	120,431	103,234	105,748	109,183	104,457	96,484
Current Liabilities	42,123	40,562	36,002	42,435	44,310	40,091	35,152	39,798	37,900	34,550
Long Term Debt	22,857	21,846	21,932	22,689	23,039	13,780	15,425	14,828	16,986	19,986
Common Equity	20,138	23,046	22,637	13,465	28,470	28,506	33,098	29,747	27,864	22,782
Total Capital	43,189	45,018	44,687	45,096	51,509	42,286	48,523	44,575	44,850	42,768
Capital Expenditures	4,100	4,185	3,447	4,171	4,630	4,362	3,842	4,368	4,393	4,753
Cash Flow	20,655	19,664	18,419	17,264	14,823	14,399	13,182	13,363	12,314	9,713
Current Ratio	1.2	1.2	1.4	1.2	1.2	1.1	1.3	1.2	1.2	1.2
% Long Term Debt of Capitalization	52.9	48.5	49.1	71.6	44.7	32.6	31.7	33.3	37.9	46.7
% Net Income of Revenue	14.8	14.9	14.0	11.9	10.6	10.3	8.8	8.8	8.5	6.6
% Return on Assets	13.8	13.3	12.3	10.7	9.3	9.0	7.4	7.9	7.6	5.7
% Return on Equity	73.4	64.9	74.4	58.8	36.6	30.6	24.7	29.3	30.1	23.1

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

International Business Machines Corp

Sub-Industry Outlook

Our fundamental outlook for the IT Consulting & Other Services sub-industry is neutral. Spending on consulting and infrastructure-based services quickened in 2010. In 2011, there was increased increased interest from clients on projects that are more discretionary in nature. This included longer-term consulting and large scale systems integration. More recently, however, a level of caution has been seen among clients given a hazy outlook for the global economy, particularly in Europe.

According to a survey by IDC, a global industry provider of IT data, spending on IT and business services worldwide is expected to increase at a compound annual growth rate of 4.5% between 2011 and 2016. IDC expects there to be pockets of strength, including growth of 5.3% in business process outsourcing and 7.4% in hosting infrastructure services. IDC looks for IT consulting services spending to increase 3.8% annually between 2011 and 2016.

We see modest near-term growth prospects, and believe some IT service companies will look to supplement growth via acquisitions and partnerships. We point to the acquisitions of Perot Systems by Dell Inc. (DELL 11, Hold) and Affiliated Computer Services by Xerox Corp. (XRX 8, Hold). Another strategy we think is gaining momentum involves focusing on smaller and shorter duration IT service contracts, which often involve reduced upfront costs and provide a faster return on investment.

In the government marketplace, we view increased spending on IT-related defense and homeland security initiatives as positive factors, as well as interest in IT-related projects within the health care sector. In the near term, however, results could be impacted by ongoing budget issues.

Longer term, we think computer services concerns will continue to benefit from the effects of an increasingly global economy, deregulation, an IT labor shortage, and e-business opportunities. Also, corporations and governments will likely continue to need services and systems that can help boost productivity and cut costs. We think cost-cutting initiatives will be a source of strength for the India-based outsourcing companies in the group.

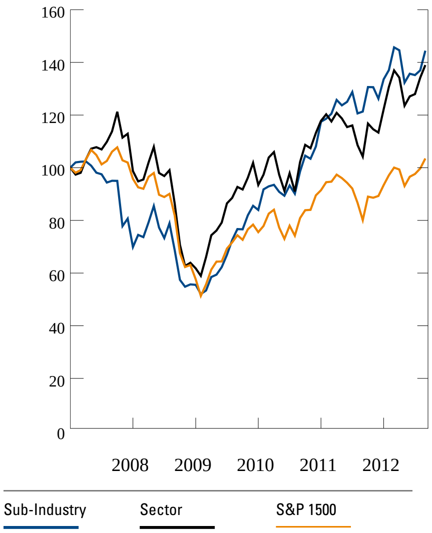
Year to date through September 14, the S&P IT Consulting & Other Services Index rose 15.2%, while the S&P 1500 increased 16.6%. In 2011, it gained 16.8%, versus a 0.3% decrease for the larger index. In general, we favor companies that have broad-based exposure to different verticals and are able to deliver services from locations around the world.

--Dylan Cathers

Stock Performance

GICS Sector: Information Technology
Sub-Industry: IT Consulting & Other Services

Based on S&P 1500 Indexes
Month-end Price Performance as of 08/31/12



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : IT Consulting & Other Services Peer Group*: Information Technology Services - Larger Cos.

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. $)	Recent Stock Price($)	52 Week High/Low($)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.($)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Intl Bus. Machines	**IBM**	**235,389**	**205.98**	**210.69/168.88**	**0.66**	**1.7**	**15**	**231.10**	**A+**	**100**	**14.8**	**52.9**
Acxiom Corp	ACXM	1,458	18.65	18.93/9.30	1.28	Nil	19	15.90	B	93	3.8	27.2
CGI Group	GIB	6,284	27.21	27.71/17.01	0.83	Nil	18	NA	B+	90	10.1	17.0
Infosys Ltd ADS	INFY	27,838	48.72	61.48/37.93	1.21	1.7	16	50.80	NR	92	24.5	NA
Unisys Corp	UIS	968	22.28	27.43/13.77	NM	Nil	5	12.70	C	20	3.7	NA
Wipro Ltd ADS	WIT	22,007	9.00	11.49/7.61	1.74	1.2	19	8.60	NR	72	15.1	7.2

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

S&P Analyst Research Notes and other Company News

July 19, 2012
IBM posts $3.51 vs. $3.09 Q2 non-GAAP EPS on 3.3% revenue drop. Capital IQ consensus forecast was $3.43. Raises '12 op. EPS expectations to at least $15.10.

July 19, 2012
08:35 am ET ... S&P MAINTAINS BUY OPINION ON SHARES OF INTERNATIONAL BUSINESS MACHINES (IBM 188.25****): We are lifting our 2012 operating EPS estimate by $0.06 to $15.15 after IBM posts Q2 operating EPS of $3.51, vs. $3.09, $0.08 above our estimate. We are keeping our P/E-based 12-month target price of $227. We now see revenues declining 1.0% this year, versus our prior 1% growth estimate, reflecting weaker technology spending in select areas (such as Systems and Technology) and a foreign exchange headwind. Still, we believe IBM is doing a good job expanding operating margins, as sales shift towards higher margin software. We keep our 2013 EPS forecast of $16.63. /D. Cathers

July 13, 2012
International Business Machines Corporation announced that Abraham Thomas took up his new role as IBM's SA country GM. Abraham Thomas succeeds Oliver Fortuin. Fortuin, who is leaving the company to establish his own business, will remain with the company until the end of the month, or longer, depending on the transition phase. Fortuin has been the company's local country head for three years, before which he was HP's country manager between November 2008 and May 2009. He headed HP's Technology Services Group since April 2007 and was previously responsible for HP's services and outsourcing business. Prior to joining HP, Fortuin had spent a decade with the company. Thomas has been with the company for 25 years, during which time he held a variety of senior executive roles, including MD of IBM India and IBM Global Services India, VP of General Business in the Association of Southeast Asian Nations (ASEAN)/South Asia), and director of the Financial Services Sector for IBM ASEAN/South Asia. Most recently, Thomas was VP of Systems and Technology Group, for IBM's Growth Markets Unit, based in Shanghai. He has a Business Administration degree from the National University of Singapore.

May 10, 2012
08:26 am ET ... S&P MAINTAINS BUY OPINION ON SHARES OF INTERNATIONAL BUSINESS MACHINES CORP. (IBM 201.23****): After IBM's analyst day yesterday, we continue to see the company as well positioned to meet its 2015 operating EPS goal of at least $20. We are keeping our 2012 and 2013 EPS forecasts of $15.09 and $16.63, respectively. We think IBM's massive R&D engine will be a driving force in the years to come. Further, we believe that its ability to closely integrate enterprise hardware, software, and services remains unmatched, despite its rivals all trying to emulate the "IBM model". However, we do have some concerns about the pace of revenue growth, as we see just a 1% gain this year. /D. Cathers

April 24, 2012
UP 3.51 to 202.13... IBM says its board approved a 13% increase in IBM's regular quarterly dividend to $0.85 per share from $0.75 per share, and also authorized $7B in additional funds for use in IBM's stock repurchase program.

April 18, 2012
IBM posts $2.78 vs. $2.41 Q1 non-GAAP EPS on slight revenue rise. But co.'s $24.67B Q1 revenue below Capital IQ consensus forecast of $24.81B. IBM raises at least $14.85 '12 non-GAAP EPS forecast to at least $15.00.

April 18, 2012
09:51 am ET ... S&P MAINTAINS BUY OPINION ON SHARES OF INTERNATIONAL BUSINESS MACHINES (IBM 202.46****): Q1 operating EPS of $2.78, vs. $2.41, is $0.15 above our estimate. We cut our 2012 revenue growth estimate to 1% from 2%. IBM's Systems & Technology segment continues to show weakness, particularly System Z, though its gross margin is improving. Services are likely to grow slowly, but gross margins should improve. We think Software will be a driver of revenues going forward. Despite weak total revenue growth, we see improving profitability and raise our 2012 EPS estimate by $0.16 to $15.09 and 2013's forecast by $0.22 to $16.63. We keep our 12-month target price of $227. /D. Cathers

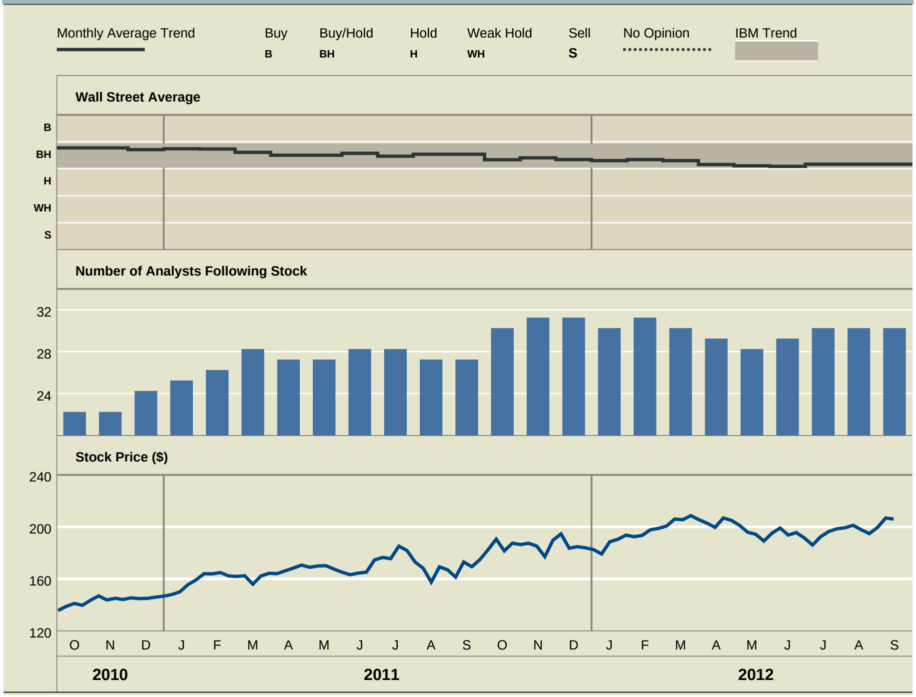
March 16, 2012
10:16 am ET ... S&P LOWERS OPINION ON SHARES OF IBM TO BUY FROM STRONG BUY, ON VALUATION (IBM 207.01****): To reflect higher peer valuations, we are raising our 12-month target price to $227 from $205, using a peer-premium P/E of 15.2X our 2012 EPS estimate of $14.93. However, given the strong run the shares have had since the company reported results on January 19, we are lowering our opinion to buy from strong buy, given the smaller appreciation potential we see. Our fundamental outlook for IBM is unchanged, and we anticipate revenue growth of just 2.0% this year, as we see headwinds from Europe's weak economy and softness in the hardware business, offset by strong software sales. /D. Cathers

March 2, 2012
International Business Machines Corp. announced the formation of a new Watson Healthcare Advisory Board. The initial nine-member board represents organizations in various areas of healthcare delivery, and includes: Charles Barnett, Ascension Health, President, Healthcare Operations and Chief Operating Officer. Barnett now oversees Ascension Health operations nationwide; Dr. Michael Barr, American College of Physicians ACP, Senior Vice President is responsible for promoting best practices according to the principles of patient-centered care and professionalism through the development of innovative products and services, quality improvement programs and educational initiatives for internists and other healthcare professionals; Dr. Herbert Chase, Columbia University Faculty, Professor of Clinical Medicine (in Biomedical Informatics) has collaborated with IBM Research on the Watson technology and related use cases in healthcare; Dr. Lynda Chin, The University of Texas MD Anderson Cancer Center, Professor and Chair, Department of Genomic Medicine. Actively involved in the Cancer Genome Atlas (TCGA) and the International Cancer Genome Consortium (ICGC), Dr. Chin is a recognized leader in the translation of the cancer genome; Chris Coburn, Cleveland Clinic, Executive Director of Innovation, has built a high performing team of nearly three dozen professionals in collaboration with some of the nation's top venture capitalists; Dr. Douglas Henley, American Academy of Family Physicians (AAFP), Executive Vice President and Chief Executive Officer; Dr. Michael K Magill, The Department of Family and Preventive Medicine, University of Utah School of Medicine, Past President, Association of Departments of Family Medicine; Dr. Steven Shapiro, University of Pittsburgh School of Medicine, Chief Medical & Scientific Officer. Dr. Shapiro's primary focus is working with his colleagues across UPMC and the School of Medicine to develop improved models of clinical care based upon good science and smart technology; Dr. David R. Spriggs, Head, Division of Solid Tumor Oncology; Vice Chair Experimental Therapeutics, Department of Medicine, Winthrop Rockefeller Chair of Medical Oncology.

January 20, 2012
IBM posts $4.71 vs. $4.25 Q4 non-GAAP EPS on 2% revenue rise. Capital IQ consensus forecast was $4.62. Sees '12 non-GAAP EPS of at least $14.85.

International Business Machines Corp

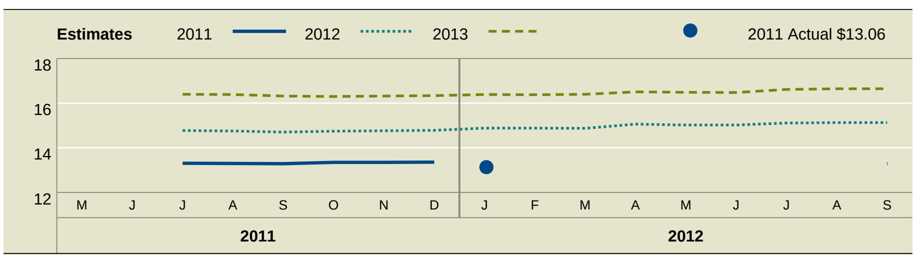
Analysts' Recommendations



Of the total 47 companies following IBM, 33 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	8	24	8	8
Buy/Hold	5	15	4	4
Hold	17	52	18	15
Weak Hold	0	0	0	1
Sell	0	0	0	1
No Opinion	3	9	3	4
Total	**33**	**100**	**33**	**33**

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2013	16.69	17.10	16.46	26	12.3
2012	15.16	15.38	15.08	26	13.6
2013 vs. 2012	**▲ 10%**	**▲ 11%**	**▲ 9%**	**0%**	**▼ -10%**
Q3'13	3.99	4.11	3.82	16	51.6
Q3'12	3.61	3.72	3.51	23	57.1
Q3'13 vs. Q3'12	**▲ 11%**	**▲ 10%**	**▲ 9%**	**▼ -30%**	**▼ -10%**

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

Wall Steet Consensus Opinion

BUY/HOLD

Companies Offering Coverage

Over 30 firms follow this stock; not all firms are displayed.
Argus Research Company
BMO Capital Markets, U.S. Equity Research
Barclays
BofA Merrill Lynch
CA Cheuvreux
CLSA Asia-Pacific Markets
Canaccord Genuity
Capstone Investments
Caris & Company
Citigroup Inc
Collins Stewart LLC
Cowen and Company, LLC
Credit Agricole Securities (USA) Inc.
Credit Suisse
Daiwa Capital Markets America Inc.
Daiwa Securities Capital Markets Co. Ltd.
Davenport & Company
Day By Day
Deutsche Bank
FBN Securities, Inc.
FBR Capital Markets & Co.
First Global Stockbroking (P) Ltd.
Gleacher & Company, Inc.
Goldman Sachs
Hamburger Sparkasse AG
IDC
ISI Group Inc.
JP Morgan
Janney Montgomery Scott LLC
Kaufman Bros., L.P.

Wall Street Consensus vs. Performance

For fiscal year 2012, analysts estimate that IBM will earn $15.16. For the 2nd quarter of fiscal year 2012, IBM announced earnings per share of $3.34, representing 22% of the total annual estimate. For fiscal year 2013, analysts estimate that IBM's earnings per share will grow by 10% to $16.69.

Source: S&P, Capital IQ Estimates, Inc.

Glossary

S&P STARS
Since January 1, 1987, Standard and Poor's Equity Research Services has ranked a universe of common stocks based on a given stock's potential for future performance. Under proprietary STARS (STock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350 Index or S&P 500 Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P 12-Month Target Price
The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Fair Value.

Investment Style Classification
Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

S&P EPS Estimates
Standard & Poor's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P EPS estimates reflect either forecasts of S&P equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to Standard & Poor's Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

S&P Core Earnings
Standard & Poor's Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the Standard & Poor's definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

Qualitative Risk Assessment
The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations
In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking
Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

S&P Fair Value Rank
Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calculation
The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Insider Activity
Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Funds From Operations FFO
FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

Investability Quotient (IQ)
The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

S&P's IQ Rationale:
Intl Bus. Machines

	Raw Score	Max Value
Proprietary S&P Measures	56	115
Technical Indicators	32	40
Liquidity/Volatility Measures	18	20
Quantitative Measures	66	75
IQ Total	**172**	**250**

Volatility
Rates the volatility of the stock's price over the past year.

Technical Evaluation
In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank
Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)
An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

S&P Issuer Credit Rating
A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Exchange Type
ASE - American Stock Exchange; AU - Australia Stock Exchange; BB - Bulletin Board; NGM - Nasdaq Global Market; NNM - Nasdaq Global Select Market; NSC - Nasdaq Capital Market; NYS - New York Stock Exchange; OTN - Other OTC (Over the Counter); OTC - Over the Counter; QB - OTCQB; QX - OTCQX; TS - Toronto Stock Exchange; TXV - TSX Venture Exchange; NEX - NEX Exchange.

S&P Equity Research Services
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Abbreviations Used in S&P Equity Research Reports
CAGR- Compound Annual Growth Rate; **CAPEX**- Capital Expenditures; **CY**- Calendar Year; **DCF**- Discounted Cash Flow; **EBIT**- Earnings Before Interest and Taxes; **EBITDA**- Earnings Before Interest, Taxes, Depreciation and Amortization; **EPS**- Earnings Per Share; **EV**- Enterprise Value; **FCF**- Free Cash Flow; **FFO**- Funds From Operations; **FY**- Fiscal Year; **P/E**- Price/Earnings ; **PEG Ratio**- P/E-to-Growth Ratio; **PV**- Present Value; **R&D**- Research & Development; **ROE**- Return on Equity; **ROI**- Return on Investment; **ROIC**- Return on Invested Capital; **ROA**- Return on Assets; **SG&A**- Selling, General & Administrative Expenses; **WACC**- Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

Required Disclosures

In contrast to the qualitative STARS recommendations covered in this report, which are determined and assigned by S&P equity analysts, S&P's quantitative evaluations are derived from S&P's proprietary Fair Value quantitative model. In particular, the Fair Value Ranking methodology is a relative ranking methodology, whereas the STARS methodology is not. Because the Fair Value model and the STARS methodology reflect different criteria, assumptions and analytical methods, quantitative evaluations may at times differ from (or even contradict) an equity analyst's STARS recommendations. As a quantitative model, Fair Value relies on history and consensus estimates and does not introduce an element of subjectivity as can be the case with equity analysts in assigning STARS recommendations.

S&P Global STARS Distribution

In North America: As of June 29, 2012, research analysts at Standard & Poor's Equity Research Services North America recommended 37.5% of issuers with buy recommendations, 57.5% with hold recommendations and 5.0% with sell recommendations.

In Europe: As of June 29, 2012, research analysts at Standard & Poor's Equity Research Services Europe recommended 32.5% of issuers with buy recommendations, 50.8% with hold recommendations and 16.7% with sell recommendations.

In Asia: As of June 29, 2012, research analysts at Standard & Poor's Equity Research Services Asia recommended 34.7% of issuers with buy recommendations, 57.8% with hold recommendations and 7.5% with sell recommendations.

Globally: As of June 29, 2012, research analysts at Standard & Poor's Equity Research Services globally recommended 36.5% of issuers with buy recommendations, 56.4% with hold recommendations and 7.1% with sell recommendations.

★★★★★ **5-STARS (Strong Buy)**: Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy)**: Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ **3-STARS (Hold)**: Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ **2-STARS (Sell)**: Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★☆☆☆☆ **1-STARS (Strong Sell)**: Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In North America the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

For All Regions: All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed in this research report.

S&P Global Quantitative Recommendations Distribution

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In Asia: As of June 29, 2012, Standard & Poor's Quantitative Services Asia recommended 53.5% of issuers with buy recommendations, 18.6% with hold recommendations and 27.9% with sell recommendations.

Globally: As of June 29, 2012, Standard & Poor's Quantitative Services globally recommended 47.2% of issuers with buy recommendations, 19.4% with hold recommendations and 33.4% with sell recommendations.

Additional information is available upon request.

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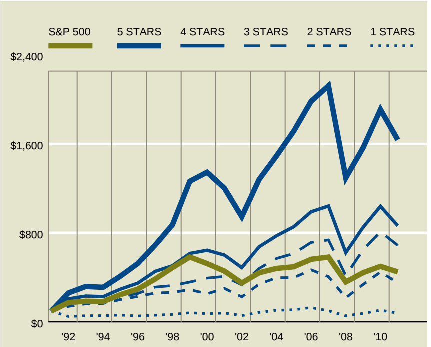
U.S. STARS Cumulative Model Performance
Hypothetical Growth Due to Price Appreciation of $100
For the Period 12/31/1986 through 08/31/2012



The performance above represents only the results of Standard & Poor's model portfolios. Model performance has inherent limitations. Standard & Poor's maintains the models and calculates the model performance shown, but does not manage actual assets. The U.S. STARS model performance chart is only an illustration of Standard & Poor's (S&P) research; it shows how U.S. common stocks, ADRs (American Depositary Receipts) and ADSs (American Depositary Shares), collectively "equities", that received particular STARS rankings performed. STARS categories are models only; they are not collective investment funds. The STARS performance does not show how any actual portfolio has performed. STARS model performance does not represent the results of actual trading of investor assets. Thus, the model performance shown does not reflect the impact that material economic and market factors might have had on decision-making if actual investor money had been managed. Performance is calculated using a time-weighted rate of return. While model performance for some or all STARS categories performed better than the S&P 500 for the period shown, the performance during any shorter period may not have, and there is no assurance that they will perform better than the S&P 500 in the future. STARS does not take into account any particular investment objective, financial situation or need and is not intended as an investment recommendation or strategy. Investments based on the STARS methodology may lose money. High returns are not necessarily the norm and there is no assurance that they can be sustained. Past model performance of STARS is no guarantee of future performance.

For model performance calculation purposes, the equities within each STARS category at December 31, 1986 were equally weighted. Thereafter, additions to the composition of the equities in each STARS category are made at the average value of the STARS category at the preceding month end with no rebalancing. Deletions are made at the closing price of the day that the deletion is made. Performance was calculated from inception through March 31, 2003 on a monthly basis. Thereafter, performance is calculated daily. Equities in each STARS category will change over time, and some or all of the equities that received STARS rankings during the time period shown may not have maintained their STARS ranking during the entire period.

The model performance does not consider taxes and brokerage commissions, nor does it reflect the deduction of any advisory or other fees charged by advisors or other parties that investors will incur when their accounts are managed in accordance with the models. The imposition of these fees and charges would cause actual performance to be lower than the performance shown. For example, if a model returned 10 percent on a $100,000 investment for a 12-month period (or $10,000) and an annual asset-based fee of 1.5 percent were imposed at the end of the period (or $1,650), the net return would be 8.35 percent (or $8,350) for the year. Over 3 years, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.1%, a total fee of $5,375 and a cumulative net return of 27.2% (or $27,200). Fees deducted on a frequency other than annual would result in a different cumulative net return in the preceding example.

The Standard & Poor's 500 index is the benchmark for U.S. STARS. The S&P 500 index is calculated in U.S. dollars and does not take into account the reinvestment of dividends. Indexes are unmanaged, statistical composites and their returns do not include payment of any sales charges or fees an investor would pay to purchase the securities they represent. Such costs would lower performance. It is not possible to invest directly in an index. The S&P 500 index includes a different number of constituents and has different risk characteristics than the STARS equities. Some of the STARS equities may have been included in the S&P 500 index for some (but not necessarily all) of the period covered in the chart, and some such equities may not have been included at all. The S&P 500 excludes ADRs and ADSs. The methodology for calculating the return of the S&P 500 index differs from the methodology of calculating the return for STARS. Past performance of the S&P 500 index is no guarantee of future performance.

An investment based upon the models should only be made after consulting with a financial advisor and with an understanding of the risks associated with any investment in securities, including, but not limited to, market risk, currency risk, political and credit risks, the risk of economic recession and the risk that issuers of securities or general stock market conditions may worsen, over time. Foreign investing involves certain risks, including currency fluctuations and controls, restrictions on foreign investments, less governmental supervision and regulation, less liquidity and the potential for market volatility and political instability. As with any investment, investment returns and principal value will fluctuate, so that when redeemed, an investor's shares may be worth more or less than their original cost.

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