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The following pages show — point by point — the unique features and practical analysis you’ll find in the enhanced Stock Report.
This easy-to-follow overview tear sheet combines Standard & Poor’s analysts’ evaluations with key statistics to give you a definitive picture of the stock’s overall value.

DATE OF REPORT
Stock Reports are updated weekly (selected Reports more often, as needed) so you know the information is always current.

SUMMARY
Gives you a concise, informative description of the company’s business.

STANDARD & POOR’S ANALYST OPINION*
Provides an overall buy, hold or sell recommendation based on STARS (Stock Appreciation Ranking System), which measures short-term appreciation potential for over 1,100 select stocks. Over the past 14 years, our “buy” stocks have appreciated more than 10-fold — a performance few professional money managers have been able to achieve!

OUTLOOK*
Brings you a proven, easy-to-follow stock evaluation system that uses our own exclusive proprietary quantitative model. Stocks with an Outlook of 5 are expected to generally outperform all other stocks, and those rated 1 are expected to underperform all other stocks on average.

FAIR VALUE*
Helps you quickly determine if the stock is a good buy based on Standard & Poor’s proprietary quantitative model and our analysis of what the stock is currently worth.

RISK
Rates the volatility of the stock’s price over the past year.

EARNINGS/DIVIDENDS RANKING
Offers a quick appraisal of the company’s long-term standings with our Earnings/Dividends Rankings — from A+ to D — which assess relative growth and stability of earnings and dividends over the past 10 years.

TECHNICAL EVALUATION*
Indicates whether the technical analysis signals a bullish, neutral or bearish outlook on the stock.

RELATIVE STRENGTH RANK
Shows you — on a scale of 1 to 99 — how the stock has performed compared to all other companies in our universe on a rolling 13-week basis.

INSIDER ACTIVITY
Gives you an insight as to insider sentiment by showing whether directors, officers and key employees are buying or selling the company’s stock during the most recent six months.

PRICE CHART
Concisely conveys almost four years of price movement — presented in a logarithmic format that illustrates true percent changes in price. It shows you at a glance weekly price ranges, weekly volume, a measure of how the stock is performing compared to the S&P 500, and 10 and 30 week moving averages. The triangles indicate if reported quarterly earnings were up ▲, down ▼ or the same ▼ as last year’s earnings for the same quarter.

OVERVIEW AND VALUATION
Gives you our analyst’s in-depth evaluation of the company’s current situation and expected future stock performance.

KEY STOCK STATISTICS
Highlights important statistics and estimates, including the value today of a $10,000 investment in the stock made five years ago, which assumes year-end reinvestment of dividends.

EARNINGS HISTORY
Provides, in easy-to-read tables, a quick look at the actual quarterly revenues, income and earnings per share data for the five previous years and for the quarters that have already been reported in the current year.

DIVIDEND DATA
Brings you a recent history of dividends paid, as well as dates for declaration, ex-dividend, stock of record and payment.

Please note: For stocks not currently followed by a Standard & Poor’s analyst, you get a Business Profile, Operational Review and Stock Performance Report in place of the Analyst Opinion, Overview and Valuation.

* Please see page 14 for more detailed information on our Analyst Opinion, Outlook, Fair Value, and Technical Evaluation.
STOCK REPORTS

5-JAN-02

Industry: Computers (Hardware)

Summary: The world’s largest technology company, IBM offers a diversified line of computer hardware equipment, application and system software, and related services.

S&P Opinion: Buy (★★★★★)

Overview - 18-OCT-01

We project at revenues for 2001, but growth could reach 5% when currency effects are excluded. The growth that we project on a constant currency basis reflects strength in Services, offset by pressure on sales, due to the downturn in the global economy. We project revenue growth to reach 8.5% in 2002. In 2001, IBM’s hardware sales have benefited from its new mainframe release and market share gains in software and servers, but sales have been limited by weakness in microelectronics and PCs. While IBM’s new Regatta server could bolster revenues in the fourth quarter, we believe this will be partly offset by likely recessionary conditions in the wake of the terrorist attacks on the United States. We expect gross margins to be roughly at the 36.7% level of 2000, as stronger gross margins in Services are offset by the weaker volumes in Hardware. We project 2001 EPS at $4.39, and estimate EPS at $4.95 for 2002.

Valuation - 18-OCT-01

We recommend buying the shares. We have been impressed with the strength of IBM’s 2001 results to date despite a weak economy. Favorable reviews of IBM’s new server line show that the company continues to introduce compelling new technology, leveraging its healthy patent portfolio. In addition, we continue to like IBM for the long term, based on its leadership position in services; the annuity-like revenue stream provided by IBM’s services business yields a more stable earnings base during the current uncertain macro environment. While revenue growth will likely remain lackluster in 2001, IBM’s competitive position has been bolstered by important new server and software offerings. With the shares trading at a discount to their intrinsic value, based on our discounted cash flow analysis, we believe the stock is undervalued.

Key Stock Statistics

P/E on S&P Est. 2001  28.6  Beta  1.24
S&P EPS Est. 2002  4.95  Shareholders  673,270
Dividend Rate/Share  0.56  Market cap. (B)  $216,4
Shs. outstanding (M)  172.26  Inst. holdings  52%
Avg. daily vol. (M)  6.518

Fiscal Year Ending Dec. 31


Revenue (Million $)

1Q  21,044  19,348  20,317  17,618  17,308  16,559
2Q  21,568  21,651  21,905  18,823  18,872  18,183
3Q  20,428  21,781  21,144  20,095  18,605  18,062
4Q  25,616  24,182  25,131  23,723  23,143
Yr.  88,396  87,548  81,667  78,508  75,947

Earnings Per Share ($)

1Q  0.98  0.83  0.78  0.53  0.59  0.35
2Q  1.15  1.06  1.28  0.75  0.73  0.63
3Q  0.90  1.08  0.93  0.78  0.69  0.61
4Q  E1.36  1.48  1.12  1.24  1.06
Yr.  E4.39  4.44  4.12  3.28  3.01

Next earnings report expected: mid January

Dividend Data (Dividends have been paid since 1916.)

Amount ($)  Date Decl.  Ex-Div. Date  Stock of Record  Payment Date

0.130  Jan. 30  Feb. 07  Feb. 09  Mar. '01
0.140  Apr. 24  May. 08  May. 10  Jun. '01
0.140  Jul. 31  Aug. 08  Aug. 10  Sep. '01
0.140  Oct. 30  Nov. 07  Nov. 09  Dec. '01

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BUSINESS SUMMARY
Gives you a comprehensive background of the company’s business position — with practical information about such topics as its industry, key products and services, subsidiaries, sources of revenue, joint ventures with other companies, and more.

PER SHARE DATA
Brings you a complete historical perspective on the most important per share data. Includes the Payout Ratio which can aid your evaluation of dividend policy on a historical basis.

INCOME STATEMENT ANALYSIS
Facilitates year-to-year comparisons — with the percent changes — of revenues, operating income, depreciation, interest expense, pretax profits, net income, and more.

BALANCE SHEET AND OTHER FINANCIAL DATA
Gives you an easy-to-follow look at major company finances, including cash position, assets and liabilities, long-term debt, total capitalization, and cash flow.

RATIO ANALYSIS
Provides a close-up look at the company’s financial picture through comprehensive analysis of past performance, including long-term debt as a percentage of invested capital and percent return on assets and equity.
International Business Machines (IBM), still the world’s largest computer concern, is no longer just a computer vendor. Although hardware accounts for nearly 43% of sales, IBM has focused on key areas such as services (which provides 37% of sales, versus 15% in 1994), and software (about 14%). Software and services contributed 67% of 2000 pretax profits. Considered key growth engines, services and software have gained momentum as IBM has leveraged its unique capabilities in offering e-business (electronic business) solutions, in light of the fact that the Internet is emerging as a business tool in streamlining everything from supply chain management to customer service.

Financial highlights include the following:

**Income Statement Analysis (Million $$)**

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<td>81,667</td>
<td>78,508</td>
<td>75,947</td>
<td>71,940</td>
<td>64,052</td>
<td>62,716</td>
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<td>13,639</td>
<td>13,116</td>
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<td>11,546</td>
<td>9,202</td>
<td>7,462</td>
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<td>Pretax Inc.</td>
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<td>13,198</td>
<td>9,464</td>
<td>6,759</td>
<td>6,478</td>
<td>5,717</td>
<td>4,542</td>
<td>3,573</td>
<td>4,588</td>
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<tr>
<td>Earnings</td>
<td>4,513</td>
<td>4,159</td>
<td>4,475</td>
<td>4,018</td>
<td>3,676</td>
<td>3,955</td>
<td>4,197</td>
<td>4,710</td>
<td>5,149</td>
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<tr>
<td>Dividends</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
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<tr>
<td>Income</td>
<td>8,093</td>
<td>7,712</td>
<td>6,328</td>
<td>6,093</td>
<td>5,429</td>
<td>4,417</td>
<td>3,021</td>
<td>3,577</td>
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**Balance Sheet & Other Fin. Data (Million $$)**

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<td>Tangible Bk. Val.</td>
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<td>10.65</td>
<td>9.84</td>
<td>9.62</td>
<td>10.00</td>
<td>9.72</td>
<td>9.30</td>
<td>7.73</td>
<td>11.96</td>
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<td>Cash Flow</td>
<td>6.95</td>
<td>7.40</td>
<td>5.64</td>
<td>4.99</td>
<td>4.30</td>
<td>3.57</td>
<td>3.05</td>
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<td>-0.91</td>
</tr>
<tr>
<td>Earnings</td>
<td>4.44</td>
<td>4.12</td>
<td>3.29</td>
<td>3.01</td>
<td>2.56</td>
<td>1.81</td>
<td>1.26</td>
<td>-3.51</td>
<td>-3.01</td>
</tr>
<tr>
<td>Dividends</td>
<td>0.51</td>
<td>0.47</td>
<td>0.44</td>
<td>0.39</td>
<td>0.33</td>
<td>0.25</td>
<td>0.25</td>
<td>0.40</td>
<td>1.21</td>
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<tr>
<td>Payout Ratio</td>
<td>11%</td>
<td>11%</td>
<td>13%</td>
<td>13%</td>
<td>13%</td>
<td>14%</td>
<td>14%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Prices - High</td>
<td>134.93</td>
<td>139.18</td>
<td>94.96</td>
<td>56.75</td>
<td>41.50</td>
<td>28.65</td>
<td>19.09</td>
<td>14.96</td>
<td>25.09</td>
</tr>
<tr>
<td>Prices - Low</td>
<td>80.06</td>
<td>80.87</td>
<td>47.81</td>
<td>31.78</td>
<td>20.78</td>
<td>17.56</td>
<td>12.84</td>
<td>12.18</td>
<td>20.87</td>
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<tr>
<td>Cash Flow</td>
<td>12,586</td>
<td>13,851</td>
<td>10,783</td>
<td>10,091</td>
<td>9,085</td>
<td>8,133</td>
<td>7,134</td>
<td>-3,324</td>
<td>-2,072</td>
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<td>Curr. Ratio</td>
<td>1.2</td>
<td>1.1</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
<td>1.3</td>
<td>1.4</td>
<td>1.2</td>
<td>1.1</td>
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<tr>
<td>% LT Debt of Cap.</td>
<td>47.1</td>
<td>39.2</td>
<td>42.5</td>
<td>39.1</td>
<td>29.8</td>
<td>29.3</td>
<td>53.2</td>
<td>41.4</td>
<td>30.2</td>
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<tr>
<td>% Net Inc.of Revs.</td>
<td>9.2</td>
<td>8.8</td>
<td>7.7</td>
<td>7.8</td>
<td>7.2</td>
<td>5.8</td>
<td>4.7</td>
<td>NM</td>
<td>NM</td>
</tr>
<tr>
<td>% Ret. on Assets</td>
<td>9.2</td>
<td>8.9</td>
<td>7.6</td>
<td>7.5</td>
<td>6.8</td>
<td>5.2</td>
<td>4.7</td>
<td>NM</td>
<td>NM</td>
</tr>
<tr>
<td>% Ret. on Equity</td>
<td>7.5</td>
<td>8.8</td>
<td>9.2</td>
<td>8.6</td>
<td>9.5</td>
<td>8.1</td>
<td>6.5</td>
<td>NM</td>
<td>NM</td>
</tr>
</tbody>
</table>

**Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs. Bold denotes diluted EPS (FASB 128)-prior periods restated. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked.**
ANALYSTS’ OPINIONS
Gives you a quick look at what the “Street” thinks about the stock. Covering the current investment ratings of key analysts on Wall Street who follow the company, it provides their buy, hold and sell recommendations. It also categorizes the analysts by national brokerage firms, regional brokerage houses, and independent non-brokerage businesses such as Standard & Poor’s.

ANALYSTS’ CONSENSUS OPINION
The consensus opinion reflects the average buy/hold/sell recommendation of Wall Street analysts, adjusted by S&P’s Quantitative Research staff. First, a stock’s average recommendation is computed. Then it is compared to the recommendations on all other stocks. Only companies that score high relative to all other companies merit a consensus opinion of “Buy.”

NUMBER OF ANALYSTS FOLLOWING STOCK
Gives you a graphic evaluation of the stock’s sponsorship — how many analysts are following the stock in any given month. You get a better perspective on the average opinion when you know whether it comes from two analysts or 32.

STANDARD & POOR’S STARS
Provides an easy way to pick out the stocks that Standard & Poor’s analysts believe will do best in the next six to 12 months. STARS (Stock Appreciation Ranking System) rates over 1,100 select stocks from one to five STARS — five STARS signifies a superior performer and a “Buy”, four STARS indicates an above-average potential and an “Accumulate”, three STARS is an average performer and a “Hold”, two STARS means a below-average outlook and an “Avoid”, and one STAR indicates a well below-average performer and a “Sell”. You can also quickly see how the stock’s STARS rankings have changed over recent years in the Analysts’ Opinion Buy/Hold/Sell graph.

ANALYSTS’ CONSENSUS EARNINGS ESTIMATES
Gives you a quick overview of a company’s earnings outlook, which should influence any investment decision. It shows graphically where these consensus earnings estimates have been heading in recent months — so you can instantly see if the analysts have become more bullish or more bearish over time. You also get Wall Street analysts’ consensus estimates in a tabular form for the next two years — broken out as average, highest and lowest.
**Wall Street Consensus**

Analysts' Recommendations

**Analysts' Opinions**

- Stock Prices
  - No. of Ratings
  - % of 1 Mo.
  - % of 3 Mo.
  - % of Nat'l
  - % of Reg'l
  - Broker

- Analysts' Opinion
  - Analysts' Consensus Opinion

**Analysts' Earnings Estimate**

- Annual Earnings Per Share
  - '00
  - '01
  - '02

- Current Analysts' Consensus Estimates
  - Fiscal years
  - S&P
  - Estimated
  - Estimated S&P 500

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INDUSTRY OUTLOOK
Gives you a comprehensive investment outlook of the company’s industry — with the latest information on new developments and trends, as well as expert analysis of the events and forces that are affecting its growth.

INDUSTRY STOCK PERFORMANCE
Shows you — in a clear graph — how the S&P 1500 Industry Index has performed over the past five years, with a relative strength measure as compared to the S&P 500.

INDUSTRY PARTICIPANTS (PEER GROUP)
Lists the other companies within the industry that constitute the company’s peers for purposes of comparison — including such vital statistics as stock price, P/E ratio, Standard & Poor’s Quality Ranking, return on equity, pretax margin, and more.
INDUSTRY OUTLOOK

The S&P Computers (Hardware) industry index has been quite volatile over the past year. However, on a year-to-date basis, the index has outperformed the broader market. Through December 14, 2001, the index has registered a 1.6% decline versus the S&P Super 1500’s 13.8% fall. S&P believes the volatility of the index reflects intense pessimism regarding the sector, due to the growing investor concern that an earnings recovery by hardware vendors will likely be delayed until 2002, especially following the September 11th terrorist attacks in the United States. However, this was offset by optimism that when an earnings recovery does occur, it could be quite dramatic, given the fiscal stimulus programs proposed by the U.S. government as well as the fact that the earnings comparisons for the group should be easy during 2002. We remain neutral on the group: near-term earnings visibility remains poor, but a strong earnings recovery could occur by the middle of next year.

The long-term fundamentals in the computer industry remain attractive, reflecting the global appetite for technology products that increase both productivity and communication. Global competition is forcing firms to become more productive, a task being accomplished largely through the employment of technology. Long-term demand trends are healthy, but the industry’s paradigm hasn’t changed -- vendors must consistently introduce faster, cheaper versions of successful products, while keeping a tight rein on operating expenses.

The computer industry continues to benefit from the proliferation of Internet-related computing. The Internet is becoming an attractive vehicle for corporations to reduce cost, but this adds complexity to existing computing infrastructures and requires additional levels of service and support from technology suppliers. S&P believes, IBM, as one of the world’s largest services firms, should be a key beneficiary of this trend. Indeed, as price pressures in the PC industry have intensified, hardware vendors are seeking to offset this negative impact to earnings by offering higher-margin services, servers and storage. While the Internet is also driving demand for higher-margin servers and storage, the boost from increased participation in these markets will likely take longer to pay off (compared with services). For aggressive investors, we view Dell Computer as an attractive long-term play on this trend.

INDUSTRY: COMPUTERS (HARDWARE)
*PEER GROUP: COMPUTER HARDWARE - LARGE SYSTEM VENDORS

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<td>Int’l Business Machines</td>
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<td>4.50</td>
<td>3%</td>
<td>35%</td>
<td>1.24</td>
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<td>1</td>
<td>216,364</td>
<td>39.7</td>
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<td>NM</td>
<td>-1.01</td>
<td>-38%</td>
<td>-94%</td>
<td>NM</td>
<td>Nil</td>
<td>C</td>
<td>1</td>
<td>NM</td>
<td>NM</td>
<td>Nil</td>
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<td>Compaq Computer</td>
<td>CPQ</td>
<td>11.38</td>
<td>NM</td>
<td>-0.80</td>
<td>-2%</td>
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<td>1.55</td>
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<td>B-</td>
<td>19,295</td>
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<td>4.5</td>
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<td>2.15</td>
<td>NM</td>
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<td>11%</td>
<td>0.13</td>
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<td>C</td>
<td>91</td>
<td>NM</td>
<td>NM</td>
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<td>-1%</td>
<td>-33%</td>
<td>1.47</td>
<td>1.4</td>
<td>A</td>
<td>44,996</td>
<td>21.9</td>
<td>9.5</td>
<td>19.3</td>
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<td>Intergraph Corp</td>
<td>INGR</td>
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<td>26</td>
<td>0.52</td>
<td>13%</td>
<td>139%</td>
<td>0.66</td>
<td>Nil</td>
<td>C</td>
<td>711</td>
<td>3.6</td>
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<td>NCR</td>
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<td>17</td>
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<td>-16%</td>
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<td>Nil</td>
<td>NR</td>
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<td>-25%</td>
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<td>C</td>
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<td>Sun Microsystems</td>
<td>SUNW</td>
<td>13.93</td>
<td>NM</td>
<td>0.08</td>
<td>-4%</td>
<td>-55%</td>
<td>NM</td>
<td>Nil</td>
<td>B+</td>
<td>45,155</td>
<td>11.0</td>
<td>8.7</td>
<td>13.7</td>
</tr>
</tbody>
</table>

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NEWS HEADLINES
Gives you ready access to filtered investment-oriented news so you don’t have to spend hours leafing through financial periodicals. It reports the cover stories that Standard & Poor’s experts feel may have an impact on the future price of the company’s stock — presented in a brief, highly readable style giving you the most complete story in the shortest amount of time.
International Business Machines Corporation

STOCK REPORTS

07-JAN-02

NEWS HEADLINES

- 11/01/01  UP 0.92 to 108.99... Was down 1.17... Morgan Stanley initiates coverage with neutral... Co. unavailable...

- 11/11/01  UP 1.74 to 109.81... Was down 1.17... Morgan Stanley initiates coverage with neutral... Co. unavailable...

- 10/31/01  DOWN 0.01 to 108.06... Morgan Stanley initiates coverage with neutral... Co. unavailable...

- 10/31/01  UP 0.78 to 108.85... Was down 1.17... Morgan Stanley initiates coverage with neutral... Co. unavailable...

- 10/31/01  9:00 am... IBM (IBM 108.07) MORGAN STANLEY INITIATES WITH NEUTRAL... Analyst Rebecca Runkle says core competencies, positioning should allow IBM to maintain, if not grow, key market shares in next 5 yrs... However, valuation suggests limited upside from current levels... With broadest, deepest product portfolio, enviable account penetration, thinks IBM well positioned to weather economic storm -...question is, will growth strategy finally kick-in... Tech. segment weakness, potential slowdown in Services momentum, investor concern about Gerstner succession may provide more attractive entry points... Would be more aggressive at $85-$90... Sees $4.33 '01 EPS, $4.70 '02./Freund

- 10/17/01  UP 4.42 to 106.37... Posts $0.90 vs. $1.08 3Q EPS on 6% revenue decline... CFO reportedly says 4Q EPS consensus estimate reasonable... S&P maintains buy... Bear Stearns raises target...  5./Freund

- 10/01/01  UP 0.92 to 108.99... Was down 1.17... Morgan Stanley initiates coverage with neutral... Co. unavailable...

- 11/11/01  UP 1.41 to 109.48... Was down 1.17... Morgan Stanley initiates coverage with neutral... Co. unavailable...

- 11/11/01  UP 1.67 to 109.74... Was down 1.17... Morgan Stanley initiates coverage with neutral... Co. unavailable...

- 10/31/01  DOWN 0.01 to 108.06... Morgan Stanley initiates coverage with neutral... Co. unavailable...

- 10/31/01  UP 0.14 to 108.21... Was down 1.17... Morgan Stanley initiates coverage with neutral... Co. unavailable...

- 10/31/01  UP 0.78 to 108.85... Was down 1.17... Morgan Stanley initiates coverage with neutral... Co. unavailable...

- 10/31/01  9:00 am... IBM (IBM 108.07) MORGAN STANLEY INITIATES WITH NEUTRAL... Analyst Rebecca Runkle says core competencies, positioning should allow IBM to maintain, if not grow, key market shares in next 5 yrs... However, valuation suggests limited upside from current levels... With broadest, deepest product portfolio, enviable account penetration, thinks IBM well positioned to weather economic storm -...question is, will growth strategy finally kick-in... Tech. segment weakness, potential slowdown in Services momentum, investor concern about Gerstner succession may provide more attractive entry points... Would be more aggressive at $85-$90... Sees $4.33 '01 EPS, $4.70 '02./Freund

- 10/17/01  UP 4.42 to 106.37... Posts $0.90 vs. $1.08 3Q EPS on 6% revenue decline... CFO reportedly says 4Q EPS consensus estimate reasonable... S&P maintains buy... Bear Stearns raises target...  5./Freund

- 10/17/01  UP 3.45 to 105.30... Posts $0.90 vs. $1.08 3Q EPS on 6% revenue decline... CFO reportedly says 4Q EPS consensus estimate reasonable... S&P maintains buy... Bear Stearns raises target...  5./Freund

- 10/17/01  UP 2.65 to 104.50... Posts $0.90 vs. $1.08 3Q EPS on 6% revenue decline... CFO reportedly says 4Q EPS consensus estimate reasonable... S&P maintains buy... Bear Stearns raises target...  5./Freund

- 10/17/01  UP 2.53 to 104.37... Posts $0.90 vs. $1.08 3Q EPS on 6% revenue decline... S&P, Salomon SB maintain buy... Bear Stearns raises target...  5./UPDATE.

- 10/17/01  UP 1.05 to 102.90... Posts $0.90 vs. $1.08 3Q EPS on 6% revenue decline... S&P, Salomon SB maintain buy... Bear Stearns raises target...  5./UPDATE.

- 10/17/01  2:20 pm... UPDATE... IBM (IBM 104.70) UP 2.85, POSTS $0.90 3Q EPS... SALOMON SB REITERATES BUY... Analyst John Jones says 3Q in line... Saw positives in all segments: Services rev. growth was 9%, gross margins increased sustainably 180 BP y/y; Software revs up 14% with traction in Database, WebSphere, Tivoli; Mainframes, AS400, storage strength show IBM's favorable centralized computing positioning... Notes CFO expressed comfort with 4Q consensus EPS, which along with good results favorable for stock sentiment... Sees $4.37 '01 EPS, $4.85 '02... Notes IBM's solid offensive, defensive investment characteristics, compelling valuation make it top choice in group./Freund

- 10/17/01  9:02 am... IBM (IBM 101.85) POSTS $0.90 3Q EPS... BEAR STEARNS RAISES TARGET... Analyst Andrew Neff says given tough economic, competitive environment, IBM delivered well... Notes key here is that mgmt did not lower guidance as was feared; despite weak, uncertain demand environment, IBM clearly stated it comfortable with current $1.34 4Q EPS estimate... In tough macro setting, IBM well positioned to weather difficult volume, pricing environment -- raises $105 target to $115, which represents 10% premium to market multiple (21x) on his new $4.85 '02 EPS est. (down from $5.00)... Maintains attractive... Says one should not extrapolate from IBM's results to other computer cos./Freund

- 10/16/01  Posts $0.90 vs. $1.08 3Q EPS on 6% revenue decline... CFO reportedly says while 4Q will be challenging, EPS consensus estimate reasonable... S&P still buy...
Standard & Poor’s
Stock Reports
Filled with objective, in-depth analysis you won’t find anywhere else.

No comparable service offers the complete guidance you’ll find in Standard & Poor’s STOCK REPORTS — bringing you the three definitive types of investment analysis: fundamental, quantitative and technical evaluations. Here’s what makes page one of this unique investment tool so powerful:

FUNDAMENTAL ANALYSIS

Standard & Poor’s Analyst Opinion

In conducting fundamental analyses of selected stocks, our widely respected researchers constantly examine hundreds of companies’ fundamentals to bring you the best possible forecast of stock price movement available today.

This is the same, proven methodology used in perhaps the most referred-to intelligence from Standard & Poor’s: STARS, Stock Appreciation Ranking System. Designed to meet the needs of aggressive investors, STARS identifies those stocks that offer a potentially superior market performance over a six- to 12-month period.

Using a simple one- to five-star rating system, our analysts rank the immediate appreciation potential of over 1,100 stocks. Based on their analysis of a company’s historic earnings, sales, products, management, and markets, they rate our five-STAR stocks to be significantly undervalued at the current market price. Standard & Poor’s buy recommendations derived from STARS rankings have generally outperformed all market indexes by a wide margin.

QUANTITATIVE ANALYSIS

Outlook
Fair Value

Using Standard & Poor’s unique quantitative model, our computers calculate each stock’s weekly Fair Value to reflect the price at which it should sell today. Based on the company’s earnings, growth potential, return on equity relative to the S&P 500 and its
industry group, price to book ratio history, current yield relative to the S&P 500 and other factors, we show the current fair price given today’s S&P 500 level.

In applying our Fair Value calculations, our computer ranks each stock in one of five Outlook groups — ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to outperform all others.

Important in the quantitative analysis is our exclusive Timing Index, which analyzes trend and the momentum of determinant factors in Fair Value for that stock. To identify a stock that is in a strengthening or weakening position, we indicate a positive (+) or negative (–) next to the Outlook ranking. Using these rankings, here’s what action you should take:

- 5+ = Buy
- 5  = Hold if in portfolio
- 4+ = Hold if in portfolio
- 4– = Sell
- 3+ = Hold if in portfolio
- 3– = Sell
- 2+ = Hold if in portfolio
- 2– = Sell
- 1+ = Hold if in portfolio
- 1– = Sell

The Timing Index helps you pick the right time to buy stocks, but its most important function is to tell you when it is time to sell. Because Group 5 stocks historically produced the best results, we recommend buying only Group 5 stocks with a positive Timing Index. Then, hold onto each one for as long as it remains in a positive trend (positive Timing Index), even if that stock drops all the way down to Group 1 ranking. This will reduce your transaction costs and substantially raise your chances of outperforming the market in the long run. It will also raise your number of transactions which qualify as long-term capital gains for tax purposes. Standard & Poor’s provides quantitative analysis on over 2,200 stocks.

**TECHNICAL ANALYSIS**

*Technical Evaluation*

In researching the past market history of prices and trading volume for each company, our analysts apply special technical methods and formulas to identify and project price trends for the stock.

They analyze what the price of the stock is doing and evaluate the interrelationships between the moving averages to ultimately determine buy or sell signals — and to decide whether they’re bullish, neutral or bearish for the stock. We also include the date the signals were initiated so you can take advantage of a recent or ongoing uptrend in price, or see how a stock has done over time since our last technical signal was generated.