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Annual report makes case for changed IBM

By **THE JOURNAL NEWS**
 THE JOURNAL NEWS
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IBM has been a major American corporation for a long, long time. So long, in fact, that you might not think it needs any introduction. But this year, the Armonk-based technology giant does just that.

On the Web

www.ibm.com/annualreport/2004

For the first time, IBM has split its annual report to shareholders into two volumes. The first, simply titled "IBM annual report 2004," has all the usual suspects: chairman's letter, management discussion of the business and detailed financial tables.

The second, "Understanding our company, an IBM prospectus," is a colorful 48-page introduction to everything IBM.

It's filled with fun facts (65 percent of women execs are working moms), history (the research division was founded in 1945) and explanations of IBM's strategy.

It turns out that even a \$96.3 billion corporation can feel "misunderstood," as Mike Wing, vice president of strategic communications, puts it.

"The company has changed a lot in ways," Wing said. "Our investors and a whole range of other constituencies that we care about, from clients to employees to vendors to communities, may not appreciate the degree to which the company has changed."

In his letter to shareholders, Samuel J. Palmisano explains the new IBM he's helped shape since becoming chairman, president and chief executive just a few years ago.

IBM has "achieved a new degree of clarity about our business model — innovation for the enterprise," Palmisano writes.

Palmisano states it clearly for those who haven't gotten the message: "It is not our strength or intention to participate directly in consumer markets."

IBM's emphasis on "the enterprise" — business speak for big corporations — has been increasing in recent years.

This transformation has required the sale of prized technologies, such as the business that makes hard-disk drives Big Blue invented. The pending sale of IBM's PC arm to China's Lenovo shows that executives are willing to make hard choices to rid themselves of entire businesses when they no longer serve corporate goals, Palmisano argues.

"These kinds of decisions are hard for many companies — indeed, some won't make them — because it means parting with business models and technologies that were once their crown jewels," he writes.

Of course, IBM is also remaking itself by adding technology and expanding its services capabilities. Since 1999, IBM Corp. has acquired 58 companies, spending \$11 billion.

Wing said the prospectus was a chance for IBM to tell the story behind its strategic decisions, most notably 2002's \$3.5 billion purchase of PricewaterhouseCooper's Consulting. "People have seen us making some big moves and acquiring some companies without understanding why," he said.

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Wing said he hopes readers will find the prospectus a valuable guide to the business, and added that it's something other companies might like to emulate.

"This isn't the typical front-of-the-book marketing type thing a lot of people do in annual report. It's intended to make a case for IBM to a range of audiences and back it up with lots and lots of facts," Wing said.

IBM printed just over 2 million copies of its annual report, which shareholders will receive in coming weeks.

Presidential Life Corp.

of Nyack didn't file its annual report on Tuesday as planned because it needs more time to restate results due to an accounting mistake, the company reported in a filing with the U.S. Securities and Exchange Commission. Last month, Presidential Life said it would restate financial statements for fiscal years 2001-2003 and the first three quarters of 2004 due to an accounting error in the way a troubled investment was recorded. Presidential Life said it will file its Form 10-K for 2004 by the close of business on March 31. Presidential Life said the restatement for 2003 will result in net income of about \$38.3 million, or \$1.31 a share, as opposed to the originally reported \$31.3 million, or \$1.07 per share. Net income for 2004 will be about \$66 million, or \$2.25 a share.

USI Holdings Corp.

, an insurance broker and benefits manager based in Briarcliff Manor, has notified the Securities and Exchange Commission that it will be late in filing its 2004 annual report to shareholders. USI Holdings said a December decision to sell some operations required the company to reclassify the businesses as discontinued operations in the years before 2004. The company said it could not complete the reclassification in time.

SEMEX Corp.

, an Armonk company that provides materials to the semiconductor industry, said it has completed a financial reorganization with its preferred shareholders, ACI Capital America Fund LP and Exeter Venture Lenders LP. As of Dec. 31, SEMEX owed the companies about \$21.5 million through several financial instruments. The shareholders exchanged the instruments for \$14.5 million of series C preferred stock, which initially carries a 5 percent annual dividend and must be redeemed by SEMEX Corp. on June 30, 2008, and 11 million shares of common stock. SEMEX was delisted from the Nasdaq Stock Market earlier this month because the company failed to meet the requirements on minimum market value or bid price. Shares trade on the Over-The-Counter-Bulletin under the symbol SEMEX.

Athena Women's Wellness

A group of women doctors practicing in the Access Medical Group has formed a new unit called to specialize in women's health. About 10 specialists in internal medicine, oncology, dermatology, hematology, endocrinology, infectious disease and obstetrics and gynecology have created the new practice, which for now will be run from within their current offices in the Access Medical Group, which has a total of about 30 doctors. For more information about Athena Women's Wellness, call 914-328-9696 (White Plains), 914-245-9500 (Yorktown), 914-965-6868 (Yonkers), 914-245-4000 (Mahopac) or 845-561-4450 (Newburgh).

Eberlin & Eberlin

J. Robert Folchetti & Associates

, a civil engineering and environmental consulting firm based in Somers. Chief executive John Folchetti said it makes sense for the two firms to mesh their skills because municipalities are increasingly demanding a landscape architecture component with site plan proposals. Eberlin & Eberlin is designing synthetic athletic fields for the Ossining and Irvington school districts as well as expanding a sports field at Flint Park in Larchmont. Last year's death of Monroe Eberlin, the son of company founder Ralph Eberlin, led to the alliance. Ron Tetelman, a landscape architect, who joined Eberlin & Eberlin in 1980, said he was seeking a partnership with an engineering firm that would allow his firm to stay independent.

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