

notes to consolidated financial statements

International Business Machines Corporation
and Subsidiary Companies

Reconciliations to IBM as Reported

(Dollars in millions)	1999	1998	1997
ASSETS:			
Total reportable segments	\$ 59,308	\$ 60,106	\$ 54,242
Elimination of internal transactions	(5,776)	(7,519)	(6,287)
Unallocated amounts:			
Cash and marketable securities	4,563	4,295	6,062
Notes and accounts receivable	7,004	7,715	7,441
Deferred tax assets	5,428	5,376	4,746
Plant, other property and equipment	6,146	7,706	7,564
Pension assets	5,636	4,836	3,828
Other	5,186	3,585	3,903
Total IBM Consolidated	\$ 87,495	\$ 86,100	\$ 81,499

Revenue by Classes of Similar Products or Services

For the Personal Systems, Server, Software and Global Financing segments, the segment data on page 91 represents the revenue contributions from the products that are contained in the segments and that are basically similar in nature. The table below provides external revenue for similar classes of products within the Technology and Global Services segments. OEM hardware comprises primarily revenue from the sale of HDD storage files and semiconductors. Storage comprises externally attached direct access storage devices and tape storage devices. Other technology comprises advanced function printers and networking devices.

	Consolidated		
(Dollars in millions)	1999	1998	1997
Technology:			
OEM	\$ 7,800	\$ 6,756	\$ 5,560
Storage	2,389	2,439	2,644
Other technology	2,408	2,695	2,879
Global Services:			
Services	27,035	23,730	19,534
Maintenance	5,137	5,186	5,632

Major Customers

No single customer represents 10 percent or more of the company's total revenue.

Geographic Information

(Dollars in millions)	Revenue*			Long-lived Assets**		
	1999	1998	1997	1999	1998	1997
United States	\$ 37,171	\$ 35,303	\$ 32,663	\$ 19,309	\$ 18,450	\$ 17,802
Japan	10,411	8,567	9,765	4,710	4,310	3,635
Other countries	39,966	37,797	36,080	10,259	12,343	11,621
Total	\$ 87,548	\$ 81,667	\$ 78,508	\$ 34,278	\$ 35,103	\$ 33,058

* Revenues are attributed to countries based on location of customer.

** Includes all non-current assets except non-current financial instruments and deferred tax assets.

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Five-Year Comparison of Selected Financial Data

(Dollars in millions except per share amounts)

For the year:	1999	1998	1997	1996	1995
Revenue	\$ 87,548	\$ 81,667	\$ 78,508	\$ 75,947	\$ 71,940
Net income	7,712	6,328	6,093	5,429	4,178
Per share of common stock:					
Assuming dilution	4.12	3.29*	3.00*	2.50*	1.76*
Basic	4.25	3.38*	3.09*	2.56*	1.81*
Cash dividends paid on common stock	859	814	763	686	572
Per share of common stock	.47	.43*	.3875*	.325*	.25*
Investment in plant, rental machines and other property	5,959	6,520	6,793	5,883	4,744
Return on stockholders' equity	39.0%	32.6%	29.7%	24.8%	18.5%
At end of year:					
Total assets	\$ 87,495	\$ 86,100	\$ 81,499	\$ 81,132	\$ 80,292
Net investment in plant, rental machines and other property	17,590	19,631	18,347	17,407	16,579
Working capital	3,577	5,533	6,911	6,695	9,043
Total debt	28,354	29,413	26,926	22,829	21,629
Stockholders' equity	20,511	19,433	19,816	21,628	22,423

* Adjusted to reflect a two-for-one stock split effective May 10, 1999.

Selected Quarterly Data

(Dollars in millions except per share amounts and stock prices)

	Revenue	Gross Profit	Net Income	Per Share of Common Stock			Stock Prices**	
				Earnings			High	Low
				Assuming Dilution	Basic	Dividends		
1999								
First quarter	\$ 20,317	\$ 7,258	\$ 1,470	\$.78	\$ 0.80	\$.11*	\$ 99.63*	\$ 80.88*
Second quarter	21,905	8,224	2,391	1.28	1.32	.12	132.00	81.50*
Third quarter	21,144	7,564	1,762	.93	.97	.12	139.19	117.56
Fourth quarter	24,182	8,883	2,089	1.12	1.16	.12	123.25	89.00
Total	\$ 87,548	\$ 31,929	\$ 7,712	\$ 4.12†	\$ 4.25	\$.47		
1998								
First quarter	\$ 17,618	\$ 6,450	\$ 1,036	\$.53*	\$.54*	\$.10*	\$ 54.19*	\$ 47.81*
Second quarter	18,823	7,146	1,452	.75*	.77*	.11*	64.66*	51.66*
Third quarter	20,095	7,467	1,494	.78*	.80*	.11*	69.06*	55.38*
Fourth quarter	25,131	9,809	2,346	1.24*	1.27*	.11*	94.97*	58.41*
Total	\$ 81,667	\$ 30,872	\$ 6,328	\$ 3.29*†	\$ 3.38*	\$.43*		

* Adjusted to reflect a two-for-one stock split effective May 10, 1999.

† Earnings Per Share (EPS) in each quarter is computed using the weighted-average number of shares outstanding during that quarter while EPS for the full year is computed using the weighted-average number of shares outstanding during the year. Thus, the sum of the four quarters' EPS does not equal the full-year EPS.

** The stock prices reflect the high and low prices for IBM's common stock on the New York Stock Exchange composite tape for the last two years.

stockholder information

International Business Machines Corporation
and Subsidiary Companies

IBM Stockholder Services

Stockholders with questions about their accounts should contact:
EquiServe, First Chicago Trust Division
Mail Suite 4688
P.O. Box 2530
Jersey City, New Jersey 07303-2530
(888) IBM-6700
Investors residing outside the United States, Canada and Puerto Rico should call (201) 324-0405.

Stockholders can also reach EquiServe, First Chicago Trust Division, via the Internet at: ibmfct@equiserve.com

Hearing-impaired stockholders with access to a telecommunications device (TDD) can communicate directly with EquiServe, First Chicago Trust Division, by calling (800) 490-1493. Stockholders residing outside the United States, Canada and Puerto Rico should call (201) 222-4489.

IBM on the Internet

Topics featured in this Annual Report can be found via the IBM home page on the Internet (<http://www.ibm.com>). Financial results, news on IBM products, services and other activities can also be found via that address. Stockholders of record can receive online account information and answers to frequently asked questions regarding stockholder accounts via the internet (<http://www.ibm.com/investor>).

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Annual Meeting

The IBM Annual Meeting of Stockholders will be held on Tuesday, April 25, 2000, at 10 a.m. (EST) in the Grand Ballroom at the Renaissance Cleveland Hotel in Cleveland, Ohio.

IBM Stock

IBM common stock is listed on the New York Stock Exchange, on other exchanges in the United States and around the world.

Stockholder Communications

Stockholders in the United States and Canada can get quarterly financial results, listen to a summary of Mr. Gerstner's Annual Meeting remarks and hear voting results from the meeting by calling (800) IBM-7800. Callers can also request printed copies of the information via mail or fax. Stockholders residing outside the United States, Canada and Puerto Rico should call (402) 573-9861.

Investors with other requests may write to:

IBM Stockholder Relations
IBM Corporation
New Orchard Road
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Literature for IBM Stockholders

The following literature on IBM is available without charge from EquiServe, First Chicago Trust Division
Mail Suite 4688
P.O. Box 2530
Jersey City, New Jersey 07303-2530
(888) IBM-6700
Investors residing outside the United States, Canada and Puerto Rico should call (201) 324-0405.

The Form 10-K Annual Report and Form 10-Q Quarterly Reports to the SEC provide additional information on IBM's business. The 10-K is issued in March; 10-Q reports are released in May, August and November.

An audio cassette recording of the 1999 Annual Report will be available for sight-impaired stockholders in June.

IBM Credit Corporation's Annual Report is available in April.

"IBM Environment and Well-Being: Progress Report" reports on IBM's environmental, safety and energy programs.

"Valuing Diversity: An Ongoing Commitment" communicates to the company's entire community of employees, customers, stockholders, vendors, suppliers, business partners and employment applicants the importance IBM places on the diversity of the company's workplace and marketplace.

General Information

For answers to general questions about IBM from within the continental United States, call (800) IBM-4YOU. From outside the United States, call (770) 863-1234.

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Printed in U.S.

G507-0501-05

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a quick look back

In January of this year, we sampled expert opinion – including IBM employees, via a survey on our intranet – to compile a list of IBM's most significant contributions to the 20th century. Herewith our top 10 (and three more we couldn't resist).

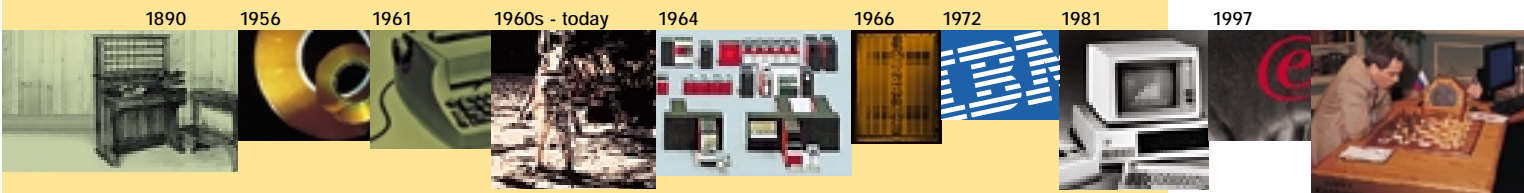
Hollerith Tabulating Machine, 1890 Punch-card tabulating machine first demonstrated the possibilities of large-scale automated computation and came of age with U.S. Social Security accounting in 1937.

Disk Storage, 1956 Beginning with the original RAMAC disk drive, IBM has introduced every significant advance in magnetic disk technology.

Relational Database and SQL (Structured Query Language), 1970 This more flexible, standardized way to store and retrieve data became the foundation for most modern data management systems, including IBM's hugely popular DB2. SQL is an industry standard for database access.

RISC (Reduced Instruction Set Computer) Architecture, 1980 Boosts computer speed by using simplified machine instructions for frequently used functions. It is the basis for most workstations and UNIX-based servers in use today.

Three more for the ages. They didn't make the top 10, but we couldn't exit the 20th century without a bow to:



FORTRAN (FORmula TRANslation Language), 1957 The first modern computer language, and still the basis for all important numerical analysis programs.

Manned Space Exploration, 1960s-today In a long partnership with NASA, IBM developed systems for telemetry monitoring, trajectory calculations, mission command, and fail-safe software for running multiple programs at once.

System/360, 1964 Redefined business computing by introducing the concept of compatibility across a family of systems and peripheral equipment.

Single-cell DRAM (Dynamic Random Access Memory), 1966 The one-transistor memory cell became the mainstay of modern computer memory systems. DRAMs have been called the "crude oil" of the information age.

IBM Personal Computer, 1981 Introduced personal computing to a mass market and helped legitimize the then-novel PC for the business world.

e-business, 1997 IBM coined the term and defined an enormous new industry category to describe the broad implications of the Internet as a medium for real business and institutional transformation.

Selectric Typewriter, 1961 Iconic "golf ball" typing element symbolized stunningly elegant product design and prefigured modern-day word processing.

IBM Logo, 1972 Paul Rand's classic eight-bar design has withstood the test of time. It focused attention on the importance of corporate branding and the central role a company's ubiquitous logo could play in maintaining it.

Deep Blue, 1997 First computer to defeat a reigning chess world champion. The win sparked a fundamental re-examination of the relationship between people and machines.

