

Consolidated Statement of Cash Flows

INTERNATIONAL BUSINESS MACHINES CORPORATION
and Subsidiary Companies

(dollars in millions)

FOR THE YEAR ENDED DECEMBER 31:

	2001	2000*	1999*
CASH FLOW FROM OPERATING ACTIVITIES:			
Net income	\$ 7,723	\$ 8,093	\$ 7,712
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation	4,195	4,513	6,159
Amortization of software	625	482	426
Deferred income taxes	658	29	(713)
Gain on asset sales	(317)	(792)	(4,791)
Write-down of impaired investment assets	405	—	—
Other changes that provided/(used) cash:			
Receivables	3,284	(4,720)	(1,677)
Inventories	337	(55)	301
Other assets	(545)	(643)	(130)
Accounts payable	(969)	2,245	(3)
Other liabilities	(1,131)	122	2,827
NET CASH PROVIDED FROM OPERATING ACTIVITIES	14,265	9,274	10,111
CASH FLOW FROM INVESTING ACTIVITIES:			
Payments for plant, rental machines and other property	(5,660)	(5,616)	(5,959)
Proceeds from disposition of plant, rental machines and other property	1,165	1,619	1,207
Investment in software	(655)	(565)	(464)
Purchases of marketable securities and other investments	(778)	(750)	(2,628)
Proceeds from marketable securities and other investments	738	1,393	2,616
Proceeds from sale of the Global Network	—	—	4,880
Acquisitions	(916)	(329)	(1,321)
NET CASH USED IN INVESTING ACTIVITIES	(6,106)	(4,248)	(1,669)
CASH FLOW FROM FINANCING ACTIVITIES:			
Proceeds from new debt	4,535	9,604	6,133
Short-term borrowings/(repayments) less than 90 days—net	2,926	(1,400)	276
Payments to settle debt	(7,898)	(7,561)	(7,510)
Preferred stock transactions—net	(254)	—	—
Common stock transactions—net	(3,652)	(6,073)	(6,645)
Cash dividends paid	(966)	(929)	(879)
NET CASH USED IN FINANCING ACTIVITIES	(5,309)	(6,359)	(8,625)
Effect of exchange rate changes on cash and cash equivalents	(83)	(147)	(149)
Net change in cash and cash equivalents	2,767	(1,480)	(332)
Cash and cash equivalents at January 1	3,563	5,043	5,375
CASH AND CASH EQUIVALENTS AT DECEMBER 31	\$ 6,330	\$ 3,563	\$ 5,043
SUPPLEMENTAL DATA:			
Cash paid during the year for:			
Income taxes	\$ 2,279	\$ 2,697	\$ 1,904
Interest	\$ 1,247	\$ 1,447	\$ 1,574

* Reclassified to conform with 2001 presentation.

The accompanying notes on pages 75 through 105 are an integral part of the financial statements.