

Consolidated Statement of Stockholders' Equity

INTERNATIONAL BUSINESS MACHINES CORPORATION
and Subsidiary Companies

(dollars in millions)	Preferred Stock	Common Stock	Retained Earnings	Treasury Stock	Employee Benefits Trust	Accumulated Gains and (Losses) Not Affecting Retained Earnings	Total
1999*							
Stockholders' equity, January 1, 1999	\$ 247	\$ 10,121	\$ 10,141	\$ (133)	\$ (1,854)	\$ 911	\$ 19,433
Net income plus gains and losses not affecting retained earnings:							
Net income			7,712				<u>\$ 7,712</u>
Gains and losses not affecting retained earnings (net of tax):							
Foreign currency translation adjustments (net of tax expense of \$180)						(549)	(549)
Minimum pension liability adjustment						3	3
Net unrealized gains on marketable securities (net of tax expense of \$456)						796	<u>796</u>
Total gains and losses not affecting retained earnings							<u>250</u>
Subtotal: Net income plus gains and losses not affecting retained earnings							<u>\$ 7,962</u>
Cash dividends declared—common stock			(859)				(859)
Cash dividends declared—preferred stock			(20)				(20)
Common stock issued under employee plans (22,927,141 shares)		741	(1)				740
Purchases (6,418,975 shares) and sales (6,606,223 shares) of treasury stock under employee plans—net			(95)	(50)			(145)
Other treasury shares purchased, not retired (70,711,971 shares)				(7,192)			(7,192)
Fair value adjustment of employee benefits trust		318			(308)		10
Increase due to shares issued by subsidiary			37				37
Tax effect—stock transactions			545				545
Stockholders' equity, December 31, 1999	\$ 247	\$ 11,762	\$ 16,878	\$ (7,375)	\$ (2,162)	\$ 1,161	\$ 20,511
2000*							
Net income plus gains and losses not affecting retained earnings:							
Net income			8,093				<u>\$ 8,093</u>
Gains and losses not affecting retained earnings (net of tax):							
Foreign currency translation adjustments (net of tax expense of \$289)						(538)	(538)
Minimum pension liability adjustment						7	7
Net unrealized losses on marketable securities (net of tax benefit of \$506)						(925)	<u>(925)</u>
Total gains and losses not affecting retained earnings							<u>(1,456)</u>
Subtotal: Net income plus gains and losses not affecting retained earnings							<u>\$ 6,637</u>
Cash dividends declared—common stock			(909)				(909)
Cash dividends declared—preferred stock			(20)				(20)
Common stock issued under employee plans (17,275,350 shares)		615	1				616
Purchases (8,799,382 shares) and sales (9,074,212 shares) of treasury stock under employee plans—net			(259)	6			(253)
Other treasury shares purchased, not retired (58,867,226 shares)				(6,431)			(6,431)
Fair value adjustment of employee benefits trust		(439)			450		11
Increase due to shares remaining to be issued in acquisition			40				40
Tax effect—stock transactions			422				422
Stockholders' equity, December 31, 2000	\$ 247	\$ 12,400	\$ 23,784	\$ (13,800)	\$ (1,712)	\$ (295)	\$ 20,624

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and Subsidiary Companies

(dollars in millions)	Preferred Stock	Common Stock	Retained Earnings	Treasury Stock	Employee Benefits Trust	Accumulated Gains and (Losses) Not Affecting Retained Earnings	Total
2001							
Stockholders' equity, December 31, 2000	\$ 247	\$ 12,400	\$ 23,784	\$ (13,800)	\$ (1,712)	\$ (295)	\$ 20,624
Net income plus gains and losses not affecting retained earnings:							
Net income			7,723				<u>\$ 7,723</u>
Gains and losses not affecting retained earnings (net of tax):							
Cumulative effect of adoption of SFAS No. 133 on Jan. 1 (net of tax expense of \$120)						219	219
Net unrealized gains on SFAS No. 133 cash flow hedge derivatives during 2001 (net of tax expense of \$44)						77	77
Foreign currency translation adjustments (net of tax expense of \$323)						(539)	(539)
Minimum pension liability adjustment						(216)	(216)
Net unrealized gains on marketable securities (net of tax expense of \$58)						92	<u>92</u>
Total gains and losses not affecting retained earnings							<u>(367)</u>
Subtotal: Net income plus gains and losses not affecting retained earnings							<u>\$ 7,356</u>
Cash dividends declared—common stock			(956)				(956)
Cash dividends declared—preferred stock			(10)				(10)
Preferred stock purchased and retired (10,184,043 shares)	(247)		(7)				(254)
Common stock issued under employee plans (19,572,623 shares)		774	(1)				773
Purchases (2,237,935 shares) and sales (11,801,053 shares) of treasury stock under employee plans—net		32	(391)	1,032			673
Other treasury shares purchased, not retired (48,841,196 shares)				(5,091)			(5,091)
Dissolution of employee benefits trust (20,000,000 shares)		546		(2,255)	1,712		3
Decrease in shares remaining to be issued in acquisition		(6)					(6)
Tax effect—stock transactions		502					502
Stockholders' equity, December 31, 2001	\$ —	\$ 14,248	\$ 30,142	\$ (20,114)	\$ —	\$ (662)	\$ 23,614

* Reclassified to conform with 2001 presentation.

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