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**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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**FORM 10-K**

ANNUAL REPORT

pursuant to Section 13 or 15 (d) of the  
Securities Exchange Act of 1934  
FOR THE YEAR ENDED DECEMBER 31, 2002

1-2360

(Commission file number)

**INTERNATIONAL BUSINESS MACHINES CORPORATION**

(Exact name of registrant as specified in its charter)

**NEW YORK**

(State of Incorporation)

**13-0871985**

(IRS Employer Identification Number)

**ARMONK, NEW YORK**

(Address of principal executive offices)

**10504**

(Zip Code)

**914-499-1900**

(Registrant's telephone number)

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of each class</u>	<u>Voting shares outstanding at February 28, 2003</u>	<u>Name of each exchange on which registered</u>
Capital stock, par value \$.20 per share	1,726,322,381	New York Stock Exchange Chicago Stock Exchange Pacific Stock Exchange
6.45% Notes due 2007		New York Stock Exchange
5.375% Notes due 2009		New York Stock Exchange
7.50% Debentures due 2013		New York Stock Exchange
8.375% Debentures due 2019		New York Stock Exchange
7.00% Debentures due 2025		New York Stock Exchange
6.22% Debentures due 2027		New York Stock Exchange
6.50% Debentures due 2028		New York Stock Exchange
7.00% Debentures due 2045		New York Stock Exchange
7.125% Debentures due 2096		New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes  No

The aggregate market value of the voting stock held by non-affiliates of the registrant at February 28, 2003 was \$134.6 billion.

Documents incorporated by reference:

Portions of IBM's Annual Report to Stockholders for the year ended December 31, 2002 into Parts I, II and IV of Form 10-K.

Portions of IBM's definitive Proxy Statement dated March 10, 2003 into Part III of Form 10-K.

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## PART I

### Item 1. Business:

International Business Machines Corporation (IBM) was incorporated in the State of New York on June 16, 1911, as the Computing-Tabulating-Recording Co. (C-T-R), a consolidation of the Computing Scale Co. of America, the Tabulating Machine Co., and The International Time Recording Co. of New York. In 1924, C-T-R adopted the name International Business Machines Corporation.

IBM uses advanced information technology to provide customer solutions. The company operates primarily in a single industry using several segments that create value by offering a variety of solutions that include, either singularly or in some combination, technologies, systems, products, services, software and financing.

Organizationally, the company's major operations comprise a Global Services segment; three hardware product segments—Systems Group, Personal Systems Group and Technology Group; a Software segment; a Global Financing segment and an Enterprise Investments segment. The segments are determined based on several factors, including customer base, homogeneity of products, technology and delivery channels.

IBM offers its products through its global sales and distribution organizations. The sales and distribution organizations have both a geographic focus (in the Americas, Europe/Middle East/Africa, and Asia Pacific) and a specialized and global industry focus. In addition, these organizations include a global sales and distribution effort devoted exclusively to small and medium businesses. IBM also offers its products through a variety of third party distributors and resellers, as well as through its on-line channels.

While the company's various proprietary intellectual property rights are important to its success, IBM believes its business as a whole is not materially dependent on any particular patent or license, or any particular group of patents or licenses. IBM owns or is licensed under a number of patents, which vary in duration, relating to its products. Licenses under patents owned by IBM have been and are being granted to others under reasonable terms and conditions. These protections may not prevent competitors from independently developing products and services similar to or duplicative of the company's nor can there be any assurance that these protections will adequately deter misappropriation or improper use of the company's technology. Also, there can be no assurances that IBM will be able to obtain from third parties the licenses it needs in the future.

IBM's businesses employ a wide variety of components, supplies and raw materials from a substantial number of suppliers around the world. Certain of the company's businesses rely on a single or limited number of suppliers, although the company makes every effort to assure that alternative sources are available if the need arises. The failure of the company's suppliers to deliver components, supplies and raw materials in sufficient quantities and in a timely manner could adversely affect the company's business.

IBM's revenues are affected by such factors as the introduction of new products, the length of the sales cycles and the seasonality of technology purchases. As a result, the company's results are difficult to predict. These factors historically have resulted in lower revenue in the first quarter than in the immediately preceding fourth quarter.

The value of unfilled orders is not a meaningful indicator of future revenues from the company's product offerings due to the significant proportion of revenue from services, the volume of products delivered from shelf inventories, and the shortening of product delivery schedules. With respect to the company's Global Services segment, in 2002 the company signed contracts totaling \$53 billion, which contributed to a services backlog at December 31, 2002 of \$112 billion, compared with \$102 billion at the end of 2001.

The company operates in businesses that are subject to intense competitive pressures. The company's businesses face a significant number of competitors, ranging from Fortune 50 companies to

an increasing number of relatively small, rapidly growing and highly specialized organizations. The company believes that its combination of technology, performance, quality, reliability, price and the breadth of products and service offerings are important competitive factors.

Intense competitive pressures could affect prices or demand for the company's products and services, resulting in reduced profit margins and /or loss of market opportunity. Unlike many of its competitors, the company has a portfolio of businesses and must allocate resources across these businesses while competing with companies that specialize in one or more of these product lines. As a result, the company may not fund or invest in certain of its businesses to the same degree that its competitors do and these competitors may have greater financial, technical and marketing resources available to them than the businesses against which they compete.

The company operates in more than 160 countries worldwide and derives more than half of its revenues from sales outside the United States. Changes in the laws or policies of the countries in which the company operates could affect the company's business in that country and the company's results of operations. The company's results of operations also could be affected by economic and political changes in those countries and by macroeconomic changes, including recessions and inflation.

The Audit Committee of the Board of Directors approved the categories of all non-audit services performed by the company's independent accountants during the period covered by this report.

The following information is included in IBM's 2002 Annual Report to Stockholders and is incorporated herein by reference:

Segment information and revenue by classes of similar products or services—Pages 100 to 104.

Financial information by geographic areas—Page 104.

Amount spent during each of the last three years on research and development activities—Page 90.

Financial information regarding environmental activities—Page 87.

The number of persons employed by the registrant—Page 60.

The management discussion overview—Pages 43 and 44.

Available information—Page 107.

Forward-looking and Cautionary Statements: Certain statements contained in this Annual Report may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("Reform Act"). The company may also make forward-looking statements in other reports filed with the Securities and Exchange Commission, in materials delivered to stockholders and in press releases. In addition, the company's representatives may from time to time make oral forward-looking statements. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Words such as "anticipates," "believes," "expects," "estimates," "intends," "plans," "projects," and similar expressions, may identify such forward-looking statements. The company assumes no obligation to update or revise any forward-looking statements. In accordance with the Reform Act, set forth below are cautionary statements that accompany those forward-looking statements. Readers should carefully review these cautionary statements as they identify certain important factors that could cause actual results to differ materially from those in the forward-looking statements and from historical trends. The following cautionary statements are not exclusive and are in addition to other factors discussed elsewhere in this Annual Report, in the company's filings with the Securities and Exchange Commission or in materials incorporated therein by reference.

New Products and the Pace of Technological Change: The company's results of operations depend on the continued successful development and marketing of new and innovative products and services. The development of new products and services requires significant capital investments by the company's various businesses and the success of these products and services depends on their acceptance by customers and business partners. Further, the company's businesses are characterized by rapid technological changes and corresponding shifts in customer demand, resulting in unpredictable product

transitions and shortened life cycles and increasing emphasis on being first to market with new products and services.

There can be no assurance that the company will successfully introduce new products and services, that these products and services will be accepted by customers, or that the company's businesses will recoup or realize a return on their capital investments. In addition, from time to time the company may experience difficulties or delays in the development, production or marketing of new products and services.

**Volatility of Stock Prices:** The company's stock price is affected by a number of factors, including quarterly variations in results, the competitive landscape, general economic and market conditions and estimates and projections by the investment community. As a result, like other technology companies, the company's stock price is subject to significant volatility.

**Dependence on and Compensation of Key Personnel:** Much of the future success of the company depends on the continued service and availability of skilled personnel, including technical, marketing and staff positions. Experienced personnel in the information technology industry are in high demand and competition for their talents is intense. There can be no assurance that the company will be able to successfully retain and attract the key personnel it needs. Many of the company's key personnel receive a total compensation package that includes stock options and other equity awards. New regulations, volatility in the stock market and other factors could diminish the value of the company's equity awards, putting the company at a competitive disadvantage or forcing the company to use more cash compensation.

**Currency and Customer Financing Risks:** The company derives a significant percentage of its non-U.S. revenues from its affiliates operating in local currency environments and its results are affected by changes in the relative values of non-U.S. currencies and the U.S. dollar. Further, inherent in the company's customer financing business are risks related to the concentration of credit risk and the creditworthiness of the customer, interest rate and currency fluctuations on the associated debt and liabilities and the determination of residual values. The company employs a number of strategies to manage these risks, including the use of derivative financial instruments. Derivatives involve the risk of non-performance by the counterparty. In addition, there can be no assurance that the company's efforts to manage these risks will be successful.

**Distribution Channels:** The company offers its products directly and through a variety of third party distributors and resellers. Changes in the financial or business condition of these distributors and resellers could subject the company to losses and affect its ability to bring its products to market.

**Acquisitions and Alliances:** The company has made and expects to continue to make acquisitions or enter into alliances from time to time. Acquisitions and alliances present significant challenges and risks relating to the integration of the business into the company, and there can be no assurances that the company will manage acquisitions and alliances successfully.

## **Item 2. Properties:**

At December 31, 2002, IBM's manufacturing and development facilities in the United States had aggregate floor space of 34 million square feet, of which 23 million was owned and 11 million was leased. Of these amounts, 4 million square feet was vacant and 2 million square feet was being leased to non-IBM businesses. Similar facilities in 16 other countries totaled 15 million square feet, of which 10 million was owned and 5 million was leased. Of these amounts, 1 million square feet was vacant and 2 million square feet was being leased to non-IBM businesses.

Although improved production techniques, productivity gains and infrastructure reduction actions have resulted in reduced manufacturing floor space, continuous upgrading of facilities is essential to maintain technological leadership, improve productivity, and meet customer demand. For additional information on expenditures for plant, rental machines and other property, refer to "Investments" on pages 56 of IBM's 2002 Annual Report to Stockholders which is incorporated herein by reference.

**Executive Officers of the Registrant (at March 10, 2003):**

	<u>Age</u>	<u>Officer since</u>
Chairman of the Board, President and Chief Executive Officer		
Samuel J. Palmisano . . . . .	51	1997
Senior Vice Presidents:		
Nicholas M. Donofrio, Group Executive . . . . .	57	1995
Douglas T. Elix, Group Executive . . . . .	54	1999
J. Bruce Harreld, Strategy . . . . .	52	1995
Paul M. Horn, Research . . . . .	56	1996
Jon C. Iwata, Communications . . . . .	40	2002
John R. Joyce, Chief Financial Officer . . . . .	49	1999
John E. Kelly III, Group Executive . . . . .	49	2000
Abby F. Kohnstamm, Marketing . . . . .	49	1998
J. Michael Lawrie, Group Executive . . . . .	49	2001
Edward M. Lineen, General Counsel . . . . .	62	2002
Mark Loughridge, Group Executive . . . . .	49	1998
J. Randall MacDonald, Human Resources . . . . .	54	2000
Steven A. Mills, Group Executive . . . . .	51	2000
Robert W. Moffat, Jr., Group Executive . . . . .	46	2002
Linda S. Sanford, Group Executive . . . . .	50	2000
Stephen M. Ward, Jr., Group Executive . . . . .	47	2003
William M. Zeitler, Group Executive . . . . .	55	2000
Vice Presidents:		
Daniel E. O'Donnell, Secretary . . . . .	55	1998
Jesse J. Greene, Jr., Treasurer . . . . .	57	2002
Robert F. Woods, Controller . . . . .	47	2000

(1) Member of the Board of Directors.

All executive officers are elected by the Board of Directors and serve until the next election of officers in conjunction with the annual meeting of the stockholders as provided in the By-laws. Each executive officer named above, with the exception of J. Randall MacDonald and Jesse J. Greene, Jr. have been an executive of IBM or its subsidiaries during the past five years.

Mr. MacDonald was with GTE (now Verizon Communications), a telecommunications company, as executive vice president of human resources and administration until joining IBM in 2000. He was with GTE for 17 years holding positions of increasing responsibility. Before joining GTE, Mr. MacDonald held human resources positions at Ingersoll-Rand Corporation and Sterling Drug, Inc.

Mr. Greene was with Compaq Computer Corporation (now a part of Hewlett-Packard Company), a computer company, as Senior Vice President and Chief Financial Officer until joining IBM in 2002. He was with Compaq for two years. Before joining Compaq, Mr. Greene served as Corporate Senior Vice President and Director of Business Strategy and Information Technology at Eastman Kodak Company. During six years at Kodak, Mr. Greene held a number of financial positions including Vice President of Finance and Treasurer. Before joining Kodak, Mr. Greene spent 23 years at IBM in a variety of financial positions including Assistant Treasurer.

**Item 3. Legal Proceedings:**

Refer to note O "Contingencies and Commitments" on page 88 of IBM's 2002 Annual Report to Stockholders which is incorporated herein by reference.

**Item 4. Submission of Matters to a Vote of Security Holders:**

Not applicable.

**PART II**

**Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters:**

Refer to pages 106 and 107 of IBM's 2002 Annual Report to Stockholders which are incorporated herein by reference solely as they relate to this item.

IBM common stock is listed on the New York Stock Exchange, Chicago Stock Exchange and Pacific Stock Exchange. There were 680,296 common stockholders of record at February 28, 2003.

**Item 6. Selected Financial Data:**

Refer to pages 105 and 106 of IBM's 2002 Annual Report to Stockholders which are incorporated herein by reference.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations:**

Refer to pages 43 through 63 of IBM's 2002 Annual Report to Stockholders which are incorporated herein by reference.

**Item 7a. Quantitative and Qualitative Disclosures About Market Risks:**

Refer to the section titled "Market Risk" on pages 58 and 59 of IBM'S 2002 Annual Report to Stockholders which is incorporated herein by reference.

**Item 8. Financial Statements and Supplementary Data:**

Refer to page 42 and 64 through 104 of IBM's 2002 Annual Report to Stockholders which are incorporated herein by reference. Also refer to the Financial Statement Schedule on page S-1 of this Form.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure:**

Not applicable.

**PART III**

**Item 10. Directors and Executive Officers of the Registrant:**

Refer to pages 5 through 7 of IBM's definitive Proxy Statement dated March 10 2003, which are incorporated herein by reference. Also refer to Item 2 entitled "Executive Officers of the Registrant" in Part I of this Form.

**Item 11. Executive Compensation:**

Refer to pages 12 through 21 of IBM's definitive Proxy Statement dated March 10, 2003, which are incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters:**

Refer to the section titled "Ownership of Securities" appearing on pages 10 and 11 of IBM's definitive Proxy Statement dated March 10, 2003, which is incorporated herein by reference. Also refer to the section titled "Equity Compensation Plan Information" appearing on page 25 and 26 of IBM's definitive Proxy Statement dated March 10, 2003, which is incorporated herein by reference.

**Item 13. Certain Relationships and Related Transactions:**

Refer to the section entitled "Other Relationships" appearing on page 9 of IBM's definitive Proxy Statement dated March 10, 2003, which is incorporated herein by reference.



#### Item 14. Controls and Procedures

Based on their evaluation of the company's disclosure controls and procedures as of a date within 90 days of the filing of this Report, the Chief Executive Officer and Chief Financial Officer have concluded that such controls and procedures are effective. There were no significant changes in the company's internal controls or in other factors that could significantly affect such controls subsequent to the date of their evaluation.

#### PART IV

#### Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K:

(a) The following documents are filed as part of this report:

1. Financial statements from IBM's 2002 Annual Report to Stockholders which are incorporated herein by reference:  
Report of Independent Accountants (page 42).  
Consolidated Statement of Earnings for the years ended December 31, 2002, 2001 and 2000 (page 64).  
Consolidated Statement of Financial Position at December 31, 2002 and 2001 (page 65).  
Consolidated Statement of Stockholders' Equity at December 31, 2002, 2001 and 2000 (pages 66 through 68).  
Consolidated Statement of Cash Flows for the years ended December 31, 2002, 2001 and 2000 (page 69).  
Notes to Consolidated Financial Statements (pages 70 through 104).
2. Financial statement schedules required to be filed by Item 8 of this Form:

<u>Page</u>	<u>Schedule Number</u>	
13		Report of Independent Accountants on Financial Statement Schedule.
14		Report of Independent Auditors.
S-1	II	Valuation and Qualifying Accounts and Reserves.

All other schedules are omitted as the required matter is not present, the amounts are not significant or the information is shown in the consolidated financial statements or the notes thereto.

3. Exhibits:

Included in this Form 10-K:

- 12 — Computation of Ratio of Earnings From Continuing Operations to Fixed Charges and Earnings From Continuing Operations to Combined Fixed Charges and Preferred Stock Dividends.
- 13 — IBM's 2002 Annual Report to Stockholders, certain sections of which have been incorporated herein by reference.
- 21 — Parents and Subsidiaries.
- 23.1 — Consent of Independent Accountants.
- 23.2 — Consent of Independent Auditors.
- 24.1 — Powers of Attorney.
- 24.2 — Certified Resolutions of the IBM Board of Directors authorizing execution of this report by Powers of Attorney.
- 99.1 — Certification by CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.2 — Certification by CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

Not included in this Form 10-K:

- The Certificate of Incorporation of IBM is Exhibit (3)(i) to Form 8-K filed April 28, 1999, and is hereby incorporated by reference.
- The By-laws of IBM as amended through January 1, 2003, is Attachment III, Exhibit 99.3 to Form 8-K dated January 16, 2003, and is hereby incorporated by reference.
- The IBM 2001 Long-Term Performance Plan, a compensatory plan, is contained in Registration Statement No. 333-87708 on Form S-8, filed on May 7, 2002, and is hereby incorporated by reference.
- The IBM 1999 Long-Term Performance Plan, a compensatory plan, is contained in Registration Statement No. 333-30424 on Form S-8, filed on February 15, 2000, and is hereby incorporated by reference.
- The IBM 1997 Long-Term Performance Plan, a compensatory plan, is contained in Registration Statement No. 333-31305 on Form S-8, filed on July 15, 1997, and is hereby incorporated by reference.
- The IBM PwCC Acquisition Long-Term Performance Plan, a compensatory plan, is contained in Registration Statement No. 333-102872 on Form S-8, filed on January 31, 2003, and is hereby incorporated by reference.
- Board of Directors compensatory plans, as described under “Directors’ Compensation” on pages 9 and 10 of IBM’s definitive Proxy Statement dated March 10, 2003, and is hereby incorporated by reference.
- IBM Board of Directors Deferred Compensation and Equity Award Plan is Exhibit X to Form 10-K for the year ended December 31, 1996, and is hereby incorporated by reference.
- The IBM Non-Employee Directors Stock Option Plan is Appendix B to IBM’s definitive Proxy Statement dated March 14, 1995, and is hereby incorporated by reference.
- The IBM Executive Deferred Compensation Plan is contained in Registration Statement No. 333-33692 as Exhibit 4 on Form S-8, filed March 31, 2000, and is hereby incorporated by reference.
- The IBM Supplemental Executive Retention Plan is Exhibit VII to Form 10-K for the year ended December 31, 1999, and is hereby incorporated by reference.
- The IBM Extended Tax Deferred Savings Plan is Exhibit X to Form 10-K for the year ended December 31, 1994, and is hereby incorporated by reference.
- The IBM 2000 Employees Stock Purchase Plan, as set forth in Exhibit A of IBM’s definitive Proxy Statement dated March 13, 2000, and is hereby incorporated by reference.
- The Employment Agreement for L. V. Gerstner, Jr. is Exhibit 19 to Form 10-Q dated March 31, 1993, and is hereby incorporated by reference.
- Amendment to Employment Agreement for L. V. Gerstner, Jr. dated as of January 1, 1996, is Exhibit XI to Form 10-K for the year ended December 31, 1995, and is hereby incorporated by reference.



- Second Amendment to Employment Agreement for L. V. Gerstner, Jr. dated as of November 17, 1997, is Exhibit VI to Form 10-K for the year ended December 31, 1997, and is hereby incorporated by reference.
- Third Amendment to Employment Agreement for L. V. Gerstner, Jr. dated as of January 29, 2002, is Exhibit 10 to Form 10-Q dated May 15, 2002, and is hereby incorporated by reference.
- The instruments defining the rights of the holders of the 7.50% Debentures due 2013 are Exhibits 4(a) through 4(l) to Registration Statement No. 33-49475(1) on Form S-3, filed May 24, 1993, and are hereby incorporated by reference.
- The instruments defining the rights of holders of the 8.375% Debentures due 2019 are Exhibits 4(a)(b)(c) and (d) to Registration Statement 33-31732 on Form S-3, filed on October 24, 1989, and are hereby incorporated by reference.
- The instruments defining the rights of holders of the 7.00% Debentures due 2025 and the 7.00% Debentures due 2045 are Exhibit 2 and 3 to Form 8-K, filed on October 30, 1995, and are hereby incorporated by reference.
- The instrument defining the rights of holders of the 7.125% Debentures due 2096 is Exhibit 2 to Form 8-K/A, filed on December 6, 1996, and is hereby incorporated by reference.
- The instruments defining the rights of the holders of the 6.45% Notes due 2007 and the 6.22% Debentures due 2027 are Exhibits 2 and 3 to Form 8-K, filed on August 1, 1997, and is hereby incorporated by reference.
- The instruments defining the rights of the holders of the 6.50% Debentures due 2028 is Exhibit 2 to Form 8-K, filed on January 8, 1998, and is hereby incorporated by reference.
- The instruments defining the rights of the holders of the 5.375% Notes due 2009 is Exhibit 2 to Form 8-K, filed on January 29, 1999, and is hereby incorporated by reference.
- IBM's definitive Proxy Statement dated March 10, 2003, certain sections of which have been incorporated herein by reference.

(b) Reports on Form 8-K:

The company filed Form 8-K on October 16, 2002, with respect to the company's financial results for the periods ended September 30, 2002, and included unaudited Consolidated Statement of Earnings, Consolidated Statement of Financial Position and Segment Data for the periods ended September 30, 2002. In addition, IBM's Chief Financial Officer John R. Joyce's third quarter earnings presentation to securities analysts on Wednesday, October 16, 2002, was filed as Attachment II of the Form 8-K.

The company filed Form 8-K on October 29, 2002, announcing that Samuel J. Palmisano had been elected chairman of the board, effective January 1, 2003, succeeding Louis V. Gerstner, Jr. No financial statements were filed with this Form 8-K.

The company filed Form 8-K on November 4, 2002, publishing its 2001 financial statements as a result of the company's decision to sell its disk drive operations to Hitachi, Ltd., which under generally

accepted accounting principles will be accounted for as discontinued operations. The following financial statements and exhibits were filed with this Form 8-K.

1. IBM's audited financial statements and accompanying notes, and the management discussion for 2001, 2000 and 1999 reclassified to reflect the company's continuing and discontinued operations.
2. Computation of Ratio of Income from Continuing Operations to Fixed Charges for the years 2001 through 1997.
3. Consent of Independent Accountants.

The company filed Form 8-K on November 14, 2002, with respect to certain remarks delivered by IBM's Chief Financial Officer, John R. Joyce, at IBM's Fall 2002 Securities Analysts meeting on Wednesday, November 13, 2002. Also filed were charts from the presentations by John R. Joyce, Ginny Rometty GM, IBM Business Consulting Services and Dr. John E. Kelly III, Senior Vice President and Group Executive, Technology Group. No financial statements were filed with this Form 8-K.

The company filed Form 8-K/A on November 26, 2002, to amend page 3 of its Current Report on Form 8-K, dated November 20, 2002, due to inadvertent submission of the date thereof. The registrant also amended item 7 of its Current Report on Form 8-K dated November 20, 2002, due to the inadvertent failure to mention inclusion of Exhibit 3 thereto. No financial statements were filed with this Form 8-K.

The company filed Form 8-K on November 26, 2002, to incorporate by reference into Registration Statement No 333-37034 on Form S-3, effective June 20, 2000, the following documents:

1. Underwriting Agreement dated November 20, 2002, among International Business Machines Corporation, J.P. Morgan Securities Inc., Morgan Stanley & Co. Incorporated, Salomon Smith Barney Inc., ABN AMRO Incorporated, Banc of America Securities LLC, Banc One Capital Markets, Inc., Banca IMI S.p.A., Banca Nazionale del Lavoro S.p.A., Barclays Capital Inc., Bayerische Hypo-und Vereinsbank AG, Bear Stearns & Co. Inc., BNP Paribas Securities Corp., Caboto IntesaBci-Sim S.p.A, Credit Suisse First Boston Corporation, Deutsche Bank Securities Inc., Dresdner Kleinwort Wasserstein-Granchester, Inc., Fleet Securities, Inc., Goldman, Sachs & Co., HSBC Securities (USA) Inc., ING Financial Markets LLC, Lehman Brothers Inc., Merrill Lynch Pierce, Fenner & Smith Incorporated, RBC Dominion Securities Corporation, The Royal Bank of Scotland plc, UBS Warburg LLC, Utendahl Capital Partners, L.P. and The Williams Capital Group, L.P.,
2. Form of 4.750% Note due 2012,
3. Form of 5.875% Debenture due 2032,

relating to \$2,000,000,000 aggregate principal amount of debt securities of the registrant. No financial statements were filed with this Form 8-K.

The company filed Form 8-K on December 4, 2002, regarding its plan for pension funding. Also filed was IBM's Chief Financial Officer John R. Joyce's presentation on December 4, 2002, to securities analysts, regarding the registrant's plan for pension funding. No financial statements were filed with this Form 8-K.

The company filed Form 8-K on December 31, 2002, regarding the sale of its disk drive operations to Hitachi, Ltd. No financial statements were filed with this Form 8-K.



**CERTIFICATION PURSUANT TO RULE 13A-14 OR 15D-14 OF THE SECURITIES  
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Samuel J. Palmisano, certify that:

1. I have reviewed this annual report on Form 10-K of International Business Machines Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c. Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 7, 2003

/s/ SAMUEL J. PALMISANO

Samuel J. Palmisano  
Chairman, President and Chief Executive Officer

**CERTIFICATION PURSUANT TO RULE 13A-14 OR 15D-14 OF THE SECURITIES  
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, John R. Joyce, certify that:

1. I have reviewed this annual report on Form 10-K of International Business Machines Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c. Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 6, 2003

/s/ JOHN R. JOYCE

John R. Joyce  
Senior Vice President,  
Chief Financial Officer

**REPORT OF INDEPENDENT ACCOUNTANTS ON  
FINANCIAL STATEMENT SCHEDULE**

To the Stockholders and Board of Directors of  
International Business Machines Corporation

Our audits of the consolidated financial statements referred to in our report dated January 16, 2003, except for note Y, as to which the date is February 21, 2003, appearing on page 42 of the 2002 Annual Report to Stockholders of International Business Machines Corporation, (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 15(a)2 of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

New York, New York

January 16, 2003, except for note Y, as to which the date is February 21, 2003



## REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS OF  
INTERNATIONAL BUSINESS MACHINES CORPORATION:

We have audited the statement of assets and liabilities of the Business Consulting Services Reporting Unit (the "Reporting Unit") (a reporting unit as defined in Statement of Financial Accounting Standards No. 142), of International Business Machines Corporation (the "Company") as of December 31, 2002 and the related statement of revenues and expenses (collectively, the "statements") for the three months then ended (not separately presented herein). These statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statements. We believe that our audit provides a reasonable basis for our opinion.

The statements were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission (for use by the Company in connection with its various filings with the Commission). Certain corporate assets, liabilities and corporate expenses, that are not the responsibility of the Reporting Unit, and which have not been allocated, have been excluded from the statements. Accordingly, these statements are not intended to be a complete presentation of the financial position or results of operations of the Reporting Unit.

In our opinion, the statements referred to above present fairly, in all material respects, the assets and liabilities and the revenues and expenses of the Reporting Unit as of December 31, 2002 and for the three months then ended, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Ernst & Young LLP  
New York, New York  
January 16, 2003

SCHEDULE II

**INTERNATIONAL BUSINESS MACHINES CORPORATION AND SUBSIDIARY COMPANIES**  
**VALUATION AND QUALIFYING ACCOUNTS AND RESERVES**  
**For the Years Ended December 31:**  
**(Dollars in Millions)**

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Write-offs	Other (A)	Balance at End of Period
<b>Allowance For Doubtful Accounts</b>					
<b>2002</b>					
—Current . . . . .	\$984	\$628	\$349	\$ 49	\$1,312
—Noncurrent . . . . .	\$ 97	\$ 45	\$ 54	\$ 21	\$ 109
<b>2001</b>					
—Current . . . . .	\$860	\$418	\$269	\$(25)	\$ 984
—Noncurrent . . . . .	\$ 87	\$ 73	\$ 49	\$(14)	\$ 97
<b>2000</b>					
—Current . . . . .	\$854	\$286	\$247	\$(33)	\$ 860
—Noncurrent . . . . .	\$158	\$(15)	\$ 45	\$(11)	\$ 87
<b>Allowance For Inventory Losses</b>					
<b>2002</b> . . . . .	\$726	\$780	\$790	\$(20)	\$ 696
<b>2001</b> . . . . .	\$695	\$590	\$582	\$ 23	\$ 726
<b>2000</b> . . . . .	\$869	\$527	\$643	\$(58)	\$ 695

(A) Primarily comprises currency translation adjustments.

## EXHIBIT INDEX

Reference Number per Item 601 of Regulation SK	Description of Exhibits	Exhibit Number in this Form 10-K
(2)	Plan of acquisition, reorganization, arrangement, liquidation or succession . . . . .	Not applicable
(3)	Certificate of Incorporation and By-laws . . . . . The Certificate of Incorporation of IBM is Exhibit (3)(i) to Form 8-K filed April 28, 1999, and is hereby incorporated by reference . . . . . The By-laws of IBM as amended through January 1, 2003, is Exhibit 99.3, Attachment III to Form 8-K dated January 16, 2003, and is hereby incorporated by reference . . . . .	
(4)	Instruments defining the rights of security holders . . . . . The instruments defining the rights of the holders of the 7.50% Debentures due 2013 are Exhibits 4(a) through 4(l) to Registration Statement No. 33-49475(1) on Form S-3, filed May 24, 1993, and are hereby incorporated by reference . . . . . The instruments defining the rights of the holders of the 8.375% Debentures due 2019 are Exhibits 4(a)(b)(c) and (d) to Registration Statement No. 33-31732 on Form S-3, filed on October 24, 1989, and are hereby incorporated by reference . . . . . The instruments defining the rights of the holders of the 7.00% Debentures due 2025 and the 7.00% Debentures due 2045 are Exhibits 2 and 3 to Form 8-K, filed on October 30, 1995, and are hereby incorporated by reference . . . . . The instrument defining the rights of the holders of the 7.125% Debentures due 2096 is Exhibit 2 to Form 8-K/A, filed on December 6, 1996, and is hereby incorporated by reference . . . . . The instruments defining the rights of the holders of the 6.45% Notes due 2007 and the 6.22% Debentures due 2027 are Exhibit 2 and 3 to Form 8-K, filed on August 1, 1997, and is hereby incorporated by reference . . . . . The instrument defining the rights of the holders of the 6.50% Debentures due 2028 is Exhibit 2 to Form 8-K, filed on January 8, 1998, and is hereby incorporated by reference . . . . . The instrument defining the rights of the holders of the 5.375% Notes due 2009 is Exhibit 2 to Form 8-K, filed on January 29, 1999, and is hereby incorporated by reference . . . . .	
(9)	Voting trust agreement . . . . .	Not applicable
(10)	Material contracts . . . . . The IBM 2001 Long-Term Performance Plan is contained in Registration Statement No. 333-87708 on Form S-8, filed on May 7, 2002, and is hereby incorporated by reference* . . . . . The IBM 1999 Long-Term Performance Plan is contained in Registration Statement No. 333-30424 on Form S-8, filed on February 15, 2000, and is hereby incorporated by reference* . . . . .	

	The IBM 1997 Long-Term Performance Plan is contained in Registration Statement No. 33-331305 on Form S-8, filed on July 15, 1997, and is hereby incorporated by reference* . . . . .	
	The IBM PwCC Acquisition Long-Term Performance Plan is contained in Registration Statement No. 333-102872 on Form S-8, filed on January 31, 2003, and is hereby incorporated by reference* . . . . .	
	Board of Directors compensatory arrangements as described under "Directors' Compensation" on pages 9 and 10 of IBM's definitive Proxy Statement dated March 10, 2003, and is hereby incorporated by reference* . . . . .	
	The IBM Supplemental Executive Retention Plan is Exhibit VII to Form 10-K for the year ended December 31, 1999, and is hereby incorporated by reference* . . . . .	
	The IBM Executive Deferred Compensation Plan is contained in Registration Statement No. 333-33692 as Exhibit 4 on Form S-8, filed March 31, 2000, and is hereby incorporated by reference* . . .	
	The IBM Board of Directors Deferred Compensation and Equity Award Plan is Exhibit X to Form 10-K for the year ended December 31, 1996, and is hereby incorporated by reference* . . .	
	The IBM Non-Employee Directors Stock Option Plan is Appendix B to IBM's definitive Proxy Statement dated March 14, 1995, and is hereby incorporated by reference* . . . . .	
	The IBM Extended Tax Deferred Savings Plan is Exhibit X to Form 10-K for the year ended December 31, 1994, and is hereby incorporated by reference* . . . . .	
	The IBM 2000 Employees Stock Purchase Plan, set forth in Exhibit A of IBM's definitive Proxy Statement dated March 13, 2000, and is hereby incorporated by reference* . . . . .	
	The Employment Agreement for L. V. Gerstner, Jr. is Exhibit 19 to Form 10-Q dated March 31, 1993, and is hereby incorporated by reference* . . . . .	
	Amendment to Employment Agreement for L. V. Gerstner, Jr. dated as of January 1, 1996, is Exhibit XI to Form 10-K for the year ended December 31, 1995, and is hereby incorporated by reference* . . . . .	
	Second Amendment to Employment Agreement for L. V. Gerstner, Jr. dated as of November 17, 1997, is Exhibit VI to Form 10-K for the year ended December 31, 1997, and is hereby incorporated by reference* . . . . .	
	Third Amendment to Employment Agreement for L. V. Gerstner, Jr. dated as of January 29, 2002, is Exhibit 10 to Form 10-Q dated May 15, 2002, and is hereby incorporated by reference* . . .	
(11)	Statement re computation of per share earnings . . . . .	

Reference Number per Item 601 of Regulation SK	Description of Exhibits	Exhibit Number in this Form 10-K
	The statement re computation of per share earnings is note t, “Earnings Per Share of Common Stock” on page 93 of IBM’s 2002 Annual Report to Stockholders, and is hereby incorporated by reference . . . . .	
(12)	Statement re computation of ratios . . . . .	12
(13)	Annual report to security holders . . . . .	13
(18)	Letter re change in accounting principles . . . . .	Not applicable
(19)	Previously unfiled documents . . . . .	Not applicable
(21)	Subsidiaries of the registrant . . . . .	21
(22)	Published report regarding matters submitted to vote of security holders . . . . .	Not applicable
(23.1)	Consent of experts and counsel . . . . .	23.1
(23.2)	Consent of experts and counsel . . . . .	23.2
(24.1)	Powers of attorney . . . . .	24.1
(24.2)	Certified Resolutions of the IBM Board of Directors authorizing execution of this report by Powers of Attorney . . . . .	24.2
(28)	Information from reports furnished to state insurance regulatory authorities . . . . .	Not applicable
(99.1)	Certification by CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	99.1
(99.2)	Certification by CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	99.2

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\* Management contract or compensatory plan or arrangement.

**COMPUTATION OF RATIO OF EARNINGS FROM CONTINUING OPERATIONS TO FIXED CHARGES AND EARNINGS FROM CONTINUING OPERATIONS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS**  
(Unaudited)

(Dollars in millions)	Years Ended December 31:				
	2002	2001	2000	1999	1998
Income from continuing operations before income taxes (1) . . . . .	\$ 7,537	\$11,488	\$11,378	\$11,653	\$ 8,068
Add:					
Fixed charges, excluding capitalized interest . . . . .	<u>1,237</u>	<u>1,639</u>	<u>1,872</u>	<u>1,911</u>	<u>2,031</u>
Income as adjusted before income taxes . . . . .	<u>\$ 8,774</u>	<u>\$13,127</u>	<u>\$13,250</u>	<u>\$13,564</u>	<u>\$10,099</u>
Fixed charges:					
Interest expense . . . . .	\$ 778	\$ 1,198	\$ 1,427	\$ 1,455	\$ 1,558
Capitalized interest . . . . .	35	33	20	23	28
Portion of rental expense representative of interest . . . . .	<u>459</u>	<u>441</u>	<u>445</u>	<u>456</u>	<u>473</u>
Total fixed charges . . . . .	\$ 1,272	\$ 1,672	\$ 1,892	\$ 1,934	\$ 2,059
Preferred stock dividend (2) . . . . .	<u>—</u>	<u>14</u>	<u>29</u>	<u>32</u>	<u>30</u>
Combined fixed charges and preferred stock dividends . . . . .	<u>\$ 1,272</u>	<u>\$ 1,686</u>	<u>\$ 1,921</u>	<u>\$ 1,966</u>	<u>\$ 2,089</u>
Ratio of income from continuing operations to fixed charges . . . . .	6.9	7.9	7.0	7.0	4.9
Ratio of income from continuing operations to combined fixed charges and preferred stock dividend . . . . .	6.9	7.8	6.9	6.9	4.8

- (1) Income from continuing operations before income taxes excludes (a) amortization of capitalized interest and (b) the company's share in the income and losses of less-than-fifty percent owned affiliates.
- (2) Included in the ratio calculation are preferred stock dividends of \$10 million for 2001, \$20 million for 2000, 1999 and 1998, respectively, or \$14 million for 2001, \$29 million in 2000, \$32 million in 1999 and \$30 million in 1998 representing the pre-tax income that would be required to cover such dividend requirements based on the company's effective tax rate for 2001, 2000, 1999 and 1998, respectively.



**PARENTS AND SUBSIDIARIES**  
As of December 31, 2002

	<u>State or country of incorporation or organization</u>	<u>Percentage of voting securities owned by its immediate parent</u>
Registrant:		
International Business Machines Corporation . . . . .	New York	
Subsidiaries:		
IBM Credit Corporation . . . . .	Delaware	100
Lotus Development Corporation . . . . .	Delaware	100
Tivoli Systems Inc. . . . .	Delaware	100
IBM World Trade Corporation . . . . .	Delaware	100
IBM Central and Eastern Europe/ Middle East/ Africa, Inc . . . . .	Delaware	100
IBM Plans Management Corporation . . . . .	New York	88(A)
IBM World Trade Asia Corporation . . . . .	Delaware	100
IBM World Trade Holding LLC . . . . .	Delaware	100
WTC Insurance Corporation, Ltd. . . . .	Bermuda	100
IBM Argentina, S.A. . . . .	Argentina	100(A)
IBM Australia Ltd. . . . .	Australia	100
IBM Bahamas Ltd. . . . .	Bahamas	100
IBM de Bolivia, S.A. . . . .	Bolivia	100
IBM Americas Holding Limited . . . . .	Bermuda	100
IBM Brasil Industria, Maquinas e Servicos Ltda	Brazil	100(A)
Donelly Financial Inc. . . . .	British V.I.	100
IBM Foreign Sales Corporation . . . . .	Barbados	100
Fitzal Capital Inc. . . . .	British V.I.	100
IBM Canada Credit Services Company . . . . .	Canada	100
IBM Canada Limited—IBM Canada Limitee . . . . .	Canada	100
IBM China Company Limited . . . . .	China	100
IBM China/Hong Kong Limited . . . . .	Hong Kong	100
IBM de Chile, S.A.C. . . . .	Chile	100(A)
IBM de Colombia, S.A. . . . .	Colombia	90(A)
IBM Middle East FZE . . . . .	United Arab Emirates	100
IBM Middle East FZ-LLC . . . . .	United Arab Emirates	100

	<b>State or country of incorporation or organization</b>	<b>Percentage of voting securities owned by its immediate parent</b>
IBM del Ecuador, S.A. . . . . .	Ecuador	100
IBM Global Services India Pvt. Ltd. . . . . .	India	90(A/B)
IBM India Ltd. . . . . .	India	100
YK IBM AP Holdings . . . . .	Japan	100
IBM Japan, Ltd. . . . . .	Japan	100
IBM Asia Pacific Service Corporation . . . . .	Japan	100
IBM Business Consulting Services KK . . . . .	Japan	100
Display Technologies, Inc. . . . . .	Japan	100
IBM Korea, Inc. . . . . .	Korea (South)	100
PT IBM Indonesia . . . . .	Indonesia	99
IBM Malaysia Sdn. Bhd . . . . .	Malaysia	100
Financiera de Tecnologia e Informatica S.A. de C.V., Sociedad Financiera del Objeto Limitado Filial . . . . .	Mexico	99(A)
Grupo IBM Mexico, S.A. de C.V. . . . . .	Mexico	100(B)
IBM de Mexico, S.A. . . . . .	Mexico	100(B)
IBM New Zealand Ltd. . . . . .	New Zealand	100
IBM del Peru, S.A. . . . . .	Peru	100
IBM Philippines, Incorporated . . . . .	Philippines	100(B)
IBM Romania Srl . . . . .	Romania	100
IBM Taiwan Corporation . . . . .	Taiwan	100(A)
IBM Thailand Company Ltd. . . . . .	Thailand	100(B)
IBM del Uruguay, S.A. . . . . .	Uruguay	100
IBM de Venezuela, S.A. . . . . .	Venezuela	100
IBM Vietnam Company . . . . .	Vietnam	100
International Business Machines of Belgium S.A. . . . .	Belgium	100(A)
IBM Bulgaria Ltd. . . . . .	Bulgaria	100
IBM Croatia Ltd./ IBM Hrvatska d.o.o. . . . . .	Croatia	100
IBM Global Services Delivery Center Czech Republic s.r.o. . . . . .	Czech Republic	100
IBM Business Consulting Services s.r.o.	Czech Republic	100
IBM Eesti Osauhing (IBM Estonia Ou) . . . . .	Estonia	100
Compagnie IBM France, S.A. . . . . .	France	100(B)
IBM Eurocoordination . . . . .	France	96(A)
Tunisian Business Machines (TBM) . . . . .	Tunisia	83(B)
IBM Europe Middle East Africa . . . . .	France	100(A)

	State or country of incorporation or organization	Percentage of voting securities owned by its immediate parent
IBM International Treasury Services Company . . . . .	Ireland	—(C)
IBM Italia S.p.A. . . . .	Italy	100
IBM Hellas Information Handling Systems S.A. . .	Greece	100(A)
IBM Israel Ltd. . . . .	Israel	100(A)
Companhia IBM Portuguesa, S.A. . . . .	Portugal	100
IBM (International Business Machines) Turk Ltd. Sirketi . . . . .	Turkey	98(A)
IBM South Africa (Pty) Ltd. . . . .	South Africa	100
IBM East Africa Limited . . . . .	Kenya	67(A)
Sabiedriba ar irobezotu atbildibu IBM Latvija . . . . .	Latvia	100
IBM Lietuva . . . . .	Lithuania	100
IBM Business Consulting Services Limited . . . . .	Lebanon	98(A)
IBM BTO Global Holdings B.V. . . . .	Netherlands	100
IBM Business Consulting Services Eastern Europe B.V. . . . .	Netherlands	100
IBM Far East Holdings B.V. . . . .	Netherlands	100
International Information Products (Shenzhen) Co., Ltd. . . . .	China	80
IBM Holdings B.V. . . . .	Netherlands	100
IBM Global Holdings B.V. . . . .	Netherlands	65(A)
IBM Central Holdings GmbH . . . . .	Germany	100
IBM Ceskra Republika spol.s.r.o. . . . .	Czech Republic	100
IBM Deutschland GmbH . . . . .	Germany	100
IBM Oesterreich Internationale Bueromaschinen Gesellschaft m.b.H. . . .	Austria	100
IBM (Schweiz)—IBM (Suisse)—IBM (Swizzera)—IBM (Switzerland) . . . . .	Suitzerland	100
IBM East Europe/Asia Ltd. . . . .	Russia	100
IBM Polska Sp. z.o.o. . . . .	Poland	100
International Business Machines Corporation Magysrorssyagi Kft. . . . .	Hungary	100(A)
IBM Eastern Europe Holdings B.V. . . . .	Netherlands	100(A)
IBM Global Services Kft. . . . .	Hungary	100
IBM International Holdings B.V. . . . .	Netherlands	100
IBM Ireland Limited . . . . .	Ireland	100
IBM Singapore Pte. Ltd. . . . .	Singapore	100

	<u>State or country of incorporation or organization</u>	<u>Percentage of voting securities owned by its immediate parent</u>
IBM Storage Products Kft. . . . .	Hungary	100
IBM North Region Holdings . . . . .	United Kingdom	100(B)
IBM Nederland N.V. . . . .	Netherlands	100
IBM United Kingdom Holdings Limited . . . .	United Kingdom	100
IBM United Kingdom Limited . . . . .	United Kingdom	100
IBM International Centre for Asset Management N.V. . . . .	Netherlands	100
International Business Machines A/S . . . . .	Norway	60(A)
IBM West Africa Limited . . . . .	Nigeria	100
IBM Slovensko spol.s.r.o. . . . .	Slovak Republic	100
IBM Slovenija d.o.o. . . . .	Slovenia	100
International Business Machines, S.A. . . . .	Spain	100(A)
IBM Nordic Aktiebolag . . . . .	Sweden	100
IBM Danmark A/S . . . . .	Denmark	100
Oy International Business Machines AB. . . . .	Finland	100
IBM Svenska Aktiebolag . . . . .	Sweden	100
IBM Business Consulting Services Limited . . . . .	United Kingdom	98(B)
IBM (International Business Machines) Is Danismanlik Hizmetleri Limited . . . . .	Turkey	100

(A) Remaining percentage owned by other wholly-owned IBM company(s).

(B) Minor percentage held by other IBM shareholders, subject to repurchase option.

(C) IBM Germany owns 33.7%, IBM France owns 13.5%, IBM Finland owns 10.1%, IBM Denmark owns 18.0% and IBM Switzerland owns 24.7% of IBM International Treasury Services Company.

**CONSENT OF INDEPENDENT ACCOUNTANTS**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 2-77235, 33-29022, 33-33458, 33-34406, 33-53777, 33-60225, 33-60227, 33-60237, 33-60815, 33-01411, 33-52931, 33-33590, 333-76914, 333-87708, 333-09055, 333-23315, 333-31305, 333-41813, 333-44981, 333-48435, 333-81157, 333-87751, 333-87859, 333-87925, 333-30424, 333-33692, 333-36510, 333-102872, 333-102870 and 333-103471) and the Registration Statements on Form S-3 (Nos. 33-49475(1), 33-31732, 33-50537, 33-65119, 33-65119(1), 333-03763, 333-21073, 333-27669, 333-40669, 333-70521, 333-32690, 33-102603, 333-37034 and 333-101034) of International Business Machines Corporation of our report dated January 16, 2003, except for note Y, as to which the date is February 21, 2003, appearing on page 42 of the 2002 Annual Report to Stockholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated January 16, 2003, except for note Y, as to which the date is February 21, 2003, on the Financial Statement Schedule, which appears on page 13 of this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP  
New York, New York  
March 10, 2003

**CONSENT OF INDEPENDENT AUDITORS**

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 2-77235, 33-29022, 33-33458, 33-34406, 33-53777, 33-60225, 33-60227, 33-60237, 33-60815, 33-01411, 33-52931, 33-33590, 333-76914, 333-87708, 333-09055, 333-23315, 333-31305, 333-41813, 333-44981, 333-48435, 333-81157, 333-87751, 333-87859, 333-87925, 333-30424, 333-33692, 333-36510, 333-102872, 333-102870 and 333-103471) and the Registration Statements (Form S-3 Nos. 33-49475(1), 33-31732, 33-50537, 33-65119, 33-65119(1), 333-03763, 333-21073, 333-27669, 333-40669, 333-70521, 333-32690, 33-102603, 333-37034 and 333-101034) of International Business Machines Corporation and in the related Prospectuses of our report dated January 16, 2003, included in this Annual Report (Form 10-K) for the year ended December 31, 2002, with respect to the statement of assets and liabilities and statement of revenues and expenses of the Business Consulting Services Reporting Unit of International Business Machines Corporation (not included therein).

/s/ Ernst & Young LLP

New York, New York  
March 10, 2003



**INTERNATIONAL BUSINESS MACHINES CORPORATION**  
**CERTIFICATION PURSUANT TO**  
**18 U.S.C. SECTION 1350,**  
**AS ADOPTED PURSUANT TO**  
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of International Business Machines Corporation (the “Company”) on Form 10-K for the period ending December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Samuel J. Palmisano, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SAMUEL J. PALMISANO

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Samuel J. Palmisano  
Chairman, President and Chief Executive Officer  
March 7, 2003

**INTERNATIONAL BUSINESS MACHINES CORPORATION**  
**CERTIFICATION PURSUANT TO**  
**18 U.S.C. SECTION 1350,**  
**AS ADOPTED PURSUANT TO**  
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of International Business Machines Corporation (the “Company”) on Form 10-K for the period ending September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John R. Joyce, Senior Vice President, Chief Financial Officer, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JOHN R. JOYCE

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John R. Joyce  
Senior Vice President, Chief Financial Officer  
March 6, 2003

**EXHIBITS OMITTED FROM THIS COPY**

**IBM's 2002 ANNUAL REPORT TO STOCKHOLDERS**

**IBM's DEFINITIVE PROXY STATEMENT DATED MARCH 10, 2003**

**POWERS OF ATTORNEY**

**CERTIFIED RESOLUTIONS OF THE IBM BOARD OF DIRECTORS AUTHORIZING EXECUTION OF THIS REPORT BY POWERS OF ATTORNEY.**

Copies of these exhibits may be obtained without charge from EquiServe Trust Company, N.A., P.O. Box 43072, Providence, R.I. 02940-3072.

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