

# Consolidated Statement of Earnings

INTERNATIONAL BUSINESS MACHINES CORPORATION  
and Subsidiary Companies

(dollars in millions except per share amounts)

FOR THE YEAR ENDED DECEMBER 31:	Notes	2001	2000*	1999*
<b>REVENUE:</b>				
Global Services		\$ 34,956	\$ 33,152	\$ 32,172
Hardware		33,392	37,777	37,888
Software		12,939	12,598	12,662
Global Financing		3,426	3,465	3,137
Enterprise Investments/Other		1,153	1,404	1,689
<b>TOTAL REVENUE</b>		<b>85,866</b>	<b>88,396</b>	<b>87,548</b>
<b>COST:</b>				
Global Services		25,355	24,309	23,304
Hardware		24,137	27,038	27,591
Software		2,265	2,283	2,240
Global Financing	j	1,693	1,965	1,821
Enterprise Investments/Other		634	747	1,038
<b>TOTAL COST</b>		<b>54,084</b>	<b>56,342</b>	<b>55,994</b>
<b>GROSS PROFIT</b>		<b>31,782</b>	<b>32,054</b>	<b>31,554</b>
<b>EXPENSE AND OTHER INCOME:</b>				
Selling, general and administrative	p	17,197	17,535	16,294
Research, development and engineering	p	5,290	5,374	5,505
Intellectual property and custom development income	p	(1,535)	(1,728)	(1,506)
Other (income) and expense	p	(361)	(1,008)	(848)
Interest expense	j & k	238	347	352
<b>TOTAL EXPENSE AND OTHER INCOME</b>		<b>20,829</b>	<b>20,520</b>	<b>19,797</b>
<b>INCOME BEFORE INCOME TAXES</b>		<b>10,953</b>	<b>11,534</b>	<b>11,757</b>
Provision for income taxes	o	3,230	3,441	4,045
<b>NET INCOME</b>		<b>7,723</b>	<b>8,093</b>	<b>7,712</b>
Preferred stock dividends		10	20	20
<b>NET INCOME APPLICABLE TO COMMON STOCKHOLDERS</b>		<b>\$ 7,713</b>	<b>\$ 8,073</b>	<b>\$ 7,692</b>
<b>EARNINGS PER SHARE OF COMMON STOCK:</b>				
ASSUMING DILUTION	r	\$ 4.35	\$ 4.44	\$ 4.12
BASIC	r	\$ 4.45	\$ 4.58	\$ 4.25

**AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:**

ASSUMING DILUTION: 2001—1,771,230,599; 2000—1,812,118,422; 1999—1,871,073,912

BASIC: 2001—1,733,348,422; 2000—1,763,037,049; 1999—1,808,538,346

\* Reclassified to conform with 2001 presentation.

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