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44 **Consolidated Income Statement**
International Business Machines Corporation and Subsidiary Companies

(\$ in millions except per share amounts)

For the year ended December 31:	Notes	2023	2022	2021
Revenue				
Services		\$ 30,378	\$ 30,206	\$ 29,225
Sales		30,745	29,673	27,346
Financing		737	651	780
Total revenue	C	61,860	60,530	57,350
Cost				
Services		21,051	21,062	19,147
Sales		6,127	6,374	6,184
Financing		382	406	534
Total cost		27,560	27,842	25,865
Gross profit		34,300	32,687	31,486
Expense and other (income)				
Selling, general and administrative		19,003	18,609	18,745
Research, development and engineering	G	6,775	6,567	6,488
Intellectual property and custom development income		(860)	(663)	(612)
Other (income) and expense	F	(914)	5,803	873
Interest expense	P&T	1,607	1,216	1,155
Total expense and other (income)		25,610	31,531	26,649
Income from continuing operations before income taxes		8,690	1,156	4,837
Provision for/(benefit from) income taxes	H	1,176	(626)	124
Income from continuing operations		7,514	1,783	4,712
Income/(loss) from discontinued operations, net of tax	E	(12)	(143)	1,030
Net income ⁽¹⁾		\$ 7,502	\$ 1,639	\$ 5,743
Earnings/(loss) per share of common stock ⁽¹⁾				
Assuming dilution				
Continuing operations	I	\$ 8.15	\$ 1.95	\$ 5.21
Discontinued operations	I	(0.01)	(0.16)	1.14
Total	I	\$ 8.14	\$ 1.80	\$ 6.35
Basic				
Continuing operations	I	\$ 8.25	\$ 1.97	\$ 5.26
Discontinued operations	I	(0.01)	(0.16)	1.15
Total	I	\$ 8.23	\$ 1.82	\$ 6.41
Weighted-average number of common shares outstanding				
Assuming dilution		922,073,828	912,269,062	904,641,001
Basic		911,210,319	902,664,190	895,990,771

(1) 2022 includes the impact of a one-time, non-cash pension settlement charge. Refer to note V, "Retirement-Related Benefits," for additional information.

Amounts may not add due to rounding.

The accompanying notes are an integral part of the financial statements.

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Consolidated Balance Sheet

International Business Machines Corporation and Subsidiary Companies

(\$ in millions except per share amounts)

At December 31:	Notes	2023	2022
Assets			
Current assets			
Cash and cash equivalents		\$ 13,068	\$ 7,886
Restricted cash		21	103
Marketable securities	J	373	852
Notes and accounts receivable—trade (net of allowances of \$192 in 2023 and \$233 in 2022)		7,214	6,541
Short-term financing receivables	L		
Held for investment (net of allowances of \$129 in 2023 and \$145 in 2022)		6,102	6,851
Held for sale		692	939
Other accounts receivable (net of allowances of \$109 in 2023 and \$89 in 2022)		640	817
Inventory	K	1,161	1,552
Deferred costs	C	998	967
Prepaid expenses and other current assets		2,639	2,611
Total current assets		32,908	29,118
Property, plant and equipment	M	18,122	18,695
Less: Accumulated depreciation	M	12,621	13,361
Property, plant and equipment—net	M	5,501	5,334
Operating right-of-use assets—net	N	3,220	2,878
Long-term financing receivables (net of allowances of \$27 in 2023 and \$28 in 2022)	L	5,766	5,806
Prepaid pension assets	V	7,506	8,236
Deferred costs	C	842	866
Deferred taxes	H	6,656	6,256
Goodwill	O	60,178	55,949
Intangible assets—net	O	11,036	11,184
Investments and sundry assets		1,626	1,617
Total assets		\$ 135,241	\$ 127,243
Liabilities and equity			
Current liabilities			
Taxes	H	\$ 2,270	\$ 2,196
Short-term debt	J&P	6,426	4,760
Accounts payable		4,132	4,051
Compensation and benefits		3,501	3,481
Deferred income		13,451	12,032
Operating lease liabilities	N	820	874
Other accrued expenses and liabilities		3,521	4,111
Total current liabilities		34,122	31,505
Long-term debt	J&P	50,121	46,189
Retirement and nonpension postretirement benefit obligations	V	10,808	9,596
Deferred income		3,533	3,499
Operating lease liabilities	N	2,568	2,190
Other liabilities	Q	11,475	12,243
Total liabilities		112,628	105,222
Commitments and Contingencies	R		
Equity	S		
IBM stockholders' equity			
Common stock, par value \$.20 per share, and additional paid-in capital		59,643	58,343
Shares authorized: 4,687,500,000			
Shares issued (2023—2,266,911,160; 2022—2,257,116,920)			
Retained earnings		151,276	149,825
Treasury stock, at cost (shares: 2023—1,351,897,514; 2022—1,351,024,943)		(169,624)	(169,484)
Accumulated other comprehensive income/(loss)		(18,761)	(16,740)
Total IBM stockholders' equity		22,533	21,944
Noncontrolling interests	A	80	77
Total equity		22,613	22,021
Total liabilities and equity		\$ 135,241	\$ 127,243

Amounts may not add due to rounding.

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Consolidated Statement of Cash Flows
International Business Machines Corporation and Subsidiary Companies

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(\$ in millions)

For the year ended December 31:	2023	2022	2021
Cash flows from operating activities			
Net income	\$ 7,502	\$ 1,639	\$ 5,743
Adjustments to reconcile net income to cash provided by operating activities			
Pension settlement charge	—	5,894	—
Depreciation ⁽¹⁾	2,109	2,407	3,888
Amortization of capitalized software and acquired intangible assets	2,287	2,395	2,529
Stock-based compensation	1,133	987	982
Deferred taxes	(1,114)	(2,726)	(2,001)
Net (gain)/loss on asset sales and other ⁽²⁾	(170)	(363)	(136)
Change in operating assets and liabilities, net of acquisitions/divestitures			
Receivables (including financing receivables)	725	(539)	1,372
Retirement related	(462)	331	1,038
Inventory	390	71	138
Other assets/other liabilities ⁽²⁾	1,466	126	(842)
Accounts payable	65	213	85
Net cash provided by operating activities	13,931	10,435	12,796
Cash flows from investing activities			
Payments for property, plant and equipment	(1,245)	(1,346)	(2,062)
Proceeds from disposition of property, plant and equipment	321	111	387
Investment in software	(565)	(626)	(706)
Purchases of marketable securities and other investments	(11,143)	(5,930)	(3,561)
Proceeds from disposition of marketable securities and other investments	10,647	4,665	3,147
Acquisition of businesses, net of cash acquired	(5,082)	(2,348)	(3,293)
Divestiture of businesses, net of cash transferred	(4)	1,272	114
Net cash provided by/(used in) investing activities	(7,070)	(4,202)	(5,975)
Cash flows from financing activities			
Proceeds from new debt	9,586	7,804	522
Payments to settle debt	(5,082)	(6,800)	(8,597)
Short-term borrowings/(repayments) less than 90 days—net	(7)	217	(40)
Common stock repurchases for tax withholdings	(402)	(407)	(319)
Financing—other	176	176	70
Distribution from Kyndryl ⁽³⁾	—	—	879
Cash dividends paid	(6,040)	(5,948)	(5,869)
Net cash provided by/(used in) financing activities	(1,769)	(4,958)	(13,354)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	9	(244)	(185)
Net change in cash, cash equivalents and restricted cash	5,101	1,032	(6,718)
Cash, cash equivalents and restricted cash at January 1	7,988	6,957	13,675
Cash, cash equivalents and restricted cash at December 31	\$ 13,089	\$ 7,988	\$ 6,957
Supplemental data			
Income taxes paid—net of refunds received	\$ 1,564	\$ 1,865	\$ 2,103
Interest paid on debt	\$ 1,668	\$ 1,401	\$ 1,512

(1) Includes operating lease right-of-use assets amortization expense of \$0.9 billion in 2023 and 2022. 2021 is not comparable as it includes Kyndryl discontinued operations.

(2) Prior periods have been reclassified to conform to the change in 2023 presentation.

(3) Amount in 2021 represents \$0.9 billion net cash proceeds from Kyndryl dividend payments to IBM, funded from the proceeds of \$2.9 billion of debt issued and retained by Kyndryl.

Cash flows above are presented on an IBM consolidated basis. Refer to note E, "Acquisitions & Divestitures," for additional information related to cash flows from Kyndryl discontinued operations.

Amounts may not add due to rounding.

The accompanying notes are an integral part of the financial statements.