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**Management Discussion**

International Business Machines Corporation and Subsidiary Companies

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**Contractual Obligations**

(\$ in millions)

	Total Contractual Payment Stream	Payments Due In			
		2021	2022-23	2024-25	After 2025
Long-term debt obligations	\$ 61,718	\$ 6,956	\$13,015	\$10,751	\$30,995
Interest on long-term debt obligations	16,538	1,526	2,691	2,125	10,196
Finance lease obligations*	296	97	137	37	24
Operating lease obligations*	5,265	1,468	2,070	1,089	638
Purchase obligations	7,315	1,846	3,502	1,885	82
Other long-term liabilities:					
Minimum defined benefit plan pension funding (mandated)**	1,500	300	600	600	
Excess 401(k) Plus Plan	1,833	198	423	460	752
Long-term termination benefits <sup>+</sup>	3,157	2,185	300	133	539
Tax reserves <sup>++</sup>	4,913	368			
Other	754	224	159	109	263
<b>Total</b>	<b>\$103,290</b>	<b>\$15,168</b>	<b>\$22,898</b>	<b>\$17,189</b>	<b>\$43,490</b>

\* Finance lease obligations are presented on a discounted cash flow basis, whereas operating lease obligations are presented on an undiscounted cash flow basis.

\*\* As funded status on plans will vary, obligations for mandated minimum pension payments after 2025 could not be reasonably estimated.

<sup>+</sup> Includes benefits related to a \$2.0 billion charge for structural actions in the fourth quarter of 2020, most of which is expected to be paid in 2021.

<sup>++</sup> These amounts represent the liability for unrecognized tax benefits. We estimate that approximately \$368 million of the liability is expected to be settled within the next 12 months. The settlement period for the noncurrent portion of the income tax liability cannot be reasonably estimated as the timing of the payments will depend on the progress of tax examinations with the various tax authorities; however, it is not expected to be due within the next 12 months.

Certain contractual obligations reported in the previous table exclude the effects of time value and therefore, may not equal the amounts reported in the Consolidated Balance Sheet. Certain noncurrent liabilities are excluded from the previous table as their future cash outflows are uncertain. This includes deferred taxes, derivatives, deferred income, disability benefits and other sundry items. Certain obligations related to our divestitures are included.

Purchase obligations include all commitments to purchase goods or services of either a fixed or minimum quantity that meet any of the following criteria: (1) they are noncancelable, (2) we would incur a penalty if the agreement was canceled, or (3) we must make specified minimum payments even if we do not take delivery of the contracted products or services (take-or-pay). If the obligation to purchase goods or services is noncancelable, the entire value of the contract is included in the previous table. If the obligation is cancelable, but we would incur a penalty if canceled, the dollar amount of the penalty is included as a purchase obligation. Contracted minimum amounts specified in take-or-pay contracts are also included in the table as they represent the portion of each contract that is a firm commitment.

In the ordinary course of business, we enter into contracts that specify that we will purchase all or a portion of our requirements of a specific product, commodity or service from a supplier or vendor. These contracts are generally entered into in order to secure pricing or other negotiated terms. They do not specify fixed or minimum quantities to be purchased and, therefore, we do not consider them to be purchase obligations.

Interest on floating-rate debt obligations is calculated using the effective interest rate at December 31, 2020, plus the interest rate spread associated with that debt, if any.

**Off-Balance Sheet Arrangements**