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International Business Machines Corporation and Subsidiary Companies

Total debt of \$61,538 million decreased \$1,361 million (\$2,859 million adjusted for currency) from December 31, 2019, primarily driven by early retirements and debt maturities of \$11,267 million; partially offset by issuances of \$8,982 million. Total debt decreased \$11,501 million since the end of the second quarter 2019 (immediately preceding the Red Hat acquisition).

Non-Global Financing debt of \$40,371 million increased \$2,199 million (\$1,046 million adjusting for currency) from December 31, 2019, but has decreased \$7,685 million since June 30, 2019.

Global Financing debt of \$21,167 million decreased \$3,560 million from December 31, 2019 (\$3,905 million adjusting for currency), primarily due to lower funding requirements as a result of the decline in financing assets, consistent with the company's portfolio management strategy.

Global Financing provides financing predominantly for IBM's external client assets, as well as for assets under contract by other IBM units. These assets, primarily for GTS, generate long-term, stable revenue streams similar to the Global Financing asset portfolio. Based on their attributes, these GTS assets are leveraged with the balance of the Global Financing asset base.

The debt used to fund Global Financing assets is composed of intercompany loans and external debt. Total debt changes generally correspond with the level of client and commercial financing receivables, the level of cash and cash equivalents, the change in intercompany and external payables and the change in intercompany investment from IBM. The terms of the intercompany loans are set by the company to substantially match the term, currency and interest rate variability underlying the financing receivable and are based on arm's-length pricing. The Global Financing debt-to-equity ratio remained at 9 to 1 at December 31, 2020.

We measure Global Financing as a stand-alone entity, and accordingly, interest expense relating to debt supporting Global Financing's external client and internal business is included in the "Global Financing Results of Operations" and in note D, "Segments." In the Consolidated Income Statement, the external debt-related interest expense supporting Global Financing's internal financing to IBM is reclassified from cost of financing to interest expense.

Equity

Total equity decreased by \$258 million from December 31, 2019, primarily due to dividends paid of \$5,797 million and a decline in accumulated other comprehensive income of \$740 million mainly due to foreign currency translation adjustments; partially offset by increases from net income of \$5,590 million and common stock of \$661 million.

Cash Flow

Our cash flows from operating, investing and financing activities, as reflected in the Consolidated Statement of Cash Flows on page 71 are summarized in the table below. These amounts include the cash flows associated with the Global Financing business.

(\$ in millions)

For the year ended December 31:	2020	2019
Net cash provided by/(used in) continuing operations		
Operating activities	\$18,197	\$ 14,770
Investing activities	(3,028)	(26,936)
Financing activities	(9,721)	9,042
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(87)	(167)
Net change in cash, cash equivalents and restricted cash	\$ 5,361	\$ (3,290)

Net cash provided by operating activities increased \$3,426 million in 2020 driven by the following key factors:

- An increase of cash provided by receivables of \$4,795 million primarily driven by sales of receivables, including sales of financing receivables of \$3,076 million; and
- Payroll tax and value-added tax payment deferrals and exemptions of approximately \$600 million due to tax relief provided under the U.S. CARES Act and other non-U.S. government assistance programs related to COVID-19; partially offset by