

**Notes to Consolidated Financial Statements**

International Business Machines Corporation and Subsidiary Companies

(\$ in millions)

	Before Tax Amount	Tax (Expense)/ Benefit	Net of Tax Amount
<b>For the year ended December 31, 2018:</b>			
<b>Other comprehensive income/(loss)</b>			
<b>Foreign currency translation adjustments</b>	\$ (730)	\$ (172)	\$ (902)
<b>Net changes related to available-for-sale securities</b>			
Unrealized gains/(losses) arising during the period	\$ (2)	\$ 1	\$ (1)
Reclassification of (gains)/losses to other (income) and expense	—	—	—
<b>Total net changes related to available-for-sale securities</b>	\$ (2)	\$ 1	\$ (1)
<b>Unrealized gains/(losses) on cash flow hedges</b>			
Unrealized gains/(losses) arising during the period	\$ (136)	\$ 43	\$ (93)
Reclassification of (gains)/losses to:			
Cost of services	(30)	8	(22)
Cost of sales	(8)	3	(5)
Cost of financing	75	(19)	56
SG&A expense	0	0	0
Other (income) and expense	341	(86)	255
Interest expense	71	(18)	53
<b>Total unrealized gains/(losses) on cash flow hedges</b>	\$ 313	\$ (69)	\$ 244
<b>Retirement-related benefit plans<sup>(1)</sup></b>			
Prior service costs/(credits)	\$ (182)	\$ 31	\$ (151)
Net (losses)/gains arising during the period	(2,517)	576	(1,941)
Curtailments and settlements	11	(2)	9
Amortization of prior service (credits)/costs	(73)	5	(68)
Amortization of net (gains)/losses	2,966	(632)	2,334
<b>Total retirement-related benefit plans</b>	\$ 204	\$ (21)	\$ 184
<b>Other comprehensive income/(loss)</b>	\$ (215)	\$ (262)	\$ (476)

<sup>(1)</sup> These AOCI components are included in the computation of net periodic pension cost. Refer to note V, "Retirement-Related Benefits," for additional information.