

[Table of Contents](#)**Management Discussion**

51

International Business Machines Corporation and Subsidiary Companies

EMEA revenue of \$6,869 million decreased 3.1 percent as reported (9 percent adjusted for currency and 8 percent excluding divested businesses and adjusted for currency). As reported, France, Italy and Germany decreased 10.2 percent, 3.6 percent and 2.7 percent, respectively, and declined 17 percent, 11 percent and 10 percent, respectively, adjusted for currency. In the UK, revenue was flat as reported, but declined 2 percent adjusted for currency.

Asia Pacific revenue of \$4,140 million decreased 2.0 percent as reported (6 percent adjusted for currency and 5 percent excluding divested businesses and adjusted for currency). Japan increased 0.5 percent as reported, but declined 3 percent adjusted for currency. As reported, India and China decreased 18.0 percent and 9.2 percent, respectively, and declined 15 percent and 13 percent, respectively, adjusted for currency. Australia increased 8.4 percent as reported (1 percent adjusted for currency).

Total Expense and Other (Income)

(\$ in millions)

	2020	2019	Yr.-to-Yr. Percent/ Margin Change
For the fourth quarter:			
Total consolidated expense and other (income)	\$9,234 *	\$7,107	29.9 %
Non-operating adjustments			
Amortization of acquired intangible assets	(278)	(294)	(5.4)
Acquisition-related charges	(10)	(27)	(61.6)
Non-operating retirement-related (costs)/income	(295)	(196)	50.4
Spin-off-related charges	(28)	—	NM
Operating (non-GAAP) expense and other (income)	\$8,623 *	\$6,591	30.8 %
Total consolidated expense-to-revenue ratio	45.3 %	32.6 %	12.7 pts.
Operating (non-GAAP) expense-to-revenue ratio	42.3 %	30.3 %	12.1 pts.

* Includes a \$2.0 billion pre-tax charge for structural actions.

NM—Not meaningful

Total expense and other (income) increased 29.9 percent in the fourth quarter with an expense-to-revenue ratio of 45.3 percent compared to 32.6 percent in the fourth quarter of 2019. The year-to-year increase was primarily driven by the fourth-quarter charge for workforce rebalancing (28 points), lower gains from divestitures (3 points) and the impact of currency (3 points), partially offset by lower spending (4 points) including reduced travel and other expenses associated with COVID-19 restrictions.

Total operating (non-GAAP) expense and other income increased 30.8 percent year to year primarily driven by the same factors described above.

Cash Flow

We generated \$5.9 billion in cash flow from operating activities in the fourth quarter of 2020, an increase of \$2.4 billion compared to the fourth quarter of 2019, primarily driven by sales of financing receivables of \$1.5 billion. Net cash used in investing activities of \$0.6 billion was \$0.7 billion higher than the prior year, primarily driven by an increase in cash used in acquisitions (\$0.3 billion) and lower cash provided by divestitures (\$0.2 billion). Net cash used in financing activities of \$6.3 billion increased \$0.6 billion compared to the prior year, primarily due to higher net reductions in debt.