

plan curtailments/settlements and pension insolvency costs and other costs. Non-operating retirement-related costs are primarily related to changes in pension plan assets and liabilities which are tied to financial market performance, and the company considers these costs to be outside of the operational performance of the business.

Overall, management believes that supplementally providing investors with a view of operating earnings as described above provides increased transparency and clarity into both the operational results of the business and the performance of the company's pension plans; improves visibility to management decisions and their impacts on operational performance; enables better comparison to peer companies; and allows the company to provide a long-term strategic view of the business going forward. Our reportable segment financial results reflect pre-tax operating earnings from continuing operations, consistent with our management and measurement system. In addition, these non-GAAP measures provide a perspective consistent with areas of interest we routinely receive from investors and analysts.

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

Certain statements contained in this Annual Report may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any forward-looking statement in this Annual Report speaks only as of the date on which it is made; IBM assumes no obligation to update or revise any such statements except as required by law. Forward-looking statements are based on IBM's current assumptions regarding future business and financial performance; these statements, by their nature, address matters that are uncertain to different degrees. Forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to be materially different, as discussed more fully elsewhere in this Annual Report and in the company's filings with the Securities and Exchange Commission (SEC), including IBM's 2019 Form 10-K filed on February 25, 2020.

MANAGEMENT DISCUSSION SNAPSHOT

(\$ and shares in millions except per share amounts)

For the year ended December 31:	2019	2018	Yr.-to-Yr. Percent/Margin Change**
Revenue	\$ 77,147	\$ 79,591	(3.1)%*
Gross profit margin	47.3%	46.4%	0.9 pts.
Total expense and other (income)	\$ 26,322	\$ 25,594	2.8%
Income from continuing operations before income taxes	\$ 10,166	\$ 11,342	(10.4)%
Provision for income taxes from continuing operations	\$ 731	\$ 2,619 ⁺	(72.1)%
Income from continuing operations	\$ 9,435	\$ 8,723 ⁺	8.2%
Income from continuing operations margin	12.2%	11.0%	1.3 pts.
Net income	\$ 9,431	\$ 8,728 ⁺	8.1%
Earnings per share from continuing operations—assuming dilution	\$ 10.57	\$ 9.51 ⁺	11.1%
Weighted-average shares outstanding—assuming dilution	892.8	916.3	(2.6)%
Assets ⁺⁺	\$152,186	\$123,382	23.3%
Liabilities ⁺⁺	\$131,202	\$106,452	23.2%
Equity ⁺⁺	\$ 20,985	\$ 16,929	24.0%

* (1.0) percent adjusted for currency; 0.2 percent excluding divested businesses and adjusted for currency.

** 2019 results were impacted by Red Hat purchase accounting and acquisition-related activity.

⁺ Includes charges of \$2.0 billion or \$2.23 of diluted earnings per share in 2018 associated with U.S. tax reform.

⁺⁺ At December 31

The following table provides the company's operating (non-GAAP) earnings for 2019 and 2018. See page 46 for additional information.

(\$ in millions except per share amounts)

For the year ended December 31:	2019	2018	Yr.-to-Yr. Percent Change*
Net income as reported	\$ 9,431	\$ 8,728**	8.1%
Income/(loss) from discontinued operations, net of tax	(4)	5	NM
Income from continuing operations	\$ 9,435	\$ 8,723**	8.2%
Non-operating adjustments (net of tax)			
Acquisition-related charges	1,343	649	107.0
Non-operating retirement-related costs/(income)	512	1,248	(58.9)
U.S. tax reform charge	146	2,037	(92.8)
Operating (non-GAAP) earnings	\$11,436	\$12,657	(9.6)%
Diluted operating (non-GAAP) earnings per share	\$ 12.81	\$ 13.81	(7.2)%

* 2019 results were impacted by Red Hat purchase accounting and acquisition-related activity.

** Includes charges of \$2.0 billion in 2018 associated with U.S. tax reform.

NM—Not meaningful