Our IBM Watson AI system has been named by industry analysts as the worldwide market leader in AI for three consecutive years. Watson is not only a leading AI technology, but a leader in enterprise deployments in production and at scale. In addition to extracting deep insight from data, IBM Watson allows clients to trace the origins of the data that their AI models use, explain what is behind their recommendations and ensure that bias has not crept into results. Furthermore, IBM Watson is the only system that is built for the hybrid cloud, able to work on numerous public and private clouds. These innovations are making AI more consumable by everyday users, not just data scientists.

Creating intelligent workflows relies on our integrated proposition of technology, services and industry expertise, built on a foundation of trust and security. The way in which we bring these together is through an interactive process with our clients that we call the IBM Garage, a process of deep collaboration, co-creation and innovation.

<p style="text-align:center">* * * * *</p>

We are in an era when our clients are embedding technology into their businesses in ways they have never done before. Technology is no longer merely a "tool", it is at the center of their businesses, the source of their competitive advantage and the force behind their emerging business models.

In Chapter 2, IBM is bringing hybrid cloud and data/AI together to help our clients reinvent themselves as Cognitive Enterprises. The most challenging and complex work still lies ahead. With our strong commitment to responsible stewardship and our integrated value proposition, this makes us unique in helping our clients on their transformative digital journeys.

Business Model
Our business model is built to provide long-term value to stakeholders. We bring together innovative technology, industry expertise and a commitment to trust and transparency to help enterprise clients move from one era to the next. We provide integrated solutions and platforms, leveraging global capabilities that include services, software, systems, related financings and fundamental research. The business model has been developed over time through strategic investments in capabilities and technologies that have long-term growth and profitability prospects based on the value they deliver to clients.

The business model is dynamic, adapting to the continuously changing industry and economic environment, including our shift to cloud delivery models. We continue to strengthen our position through strategic organic investments and acquisitions in higher-value areas, broadening our industry expertise and integrating AI into more of what we offer. In addition, we are transforming into a more agile enterprise to drive innovation and speed, as well as helping to drive productivity, which supports investments for participation in markets with significant long-term opportunity. We also regularly evaluate our portfolio and investments, proactively bringing products to end of life, engaging in IP partnerships and executing divestitures to optimize our portfolio.

This business model, supported by our financial model, has enabled IBM to deliver strong earnings, cash flows and returns to shareholders over the long term.

Business Segments and Capabilities
Our major operations consist of five business segments: Cloud & Cognitive Software, Global Business Services, Global Technology Services, Systems and Global Financing.

Cloud & Cognitive Software brings together IBM's software platforms and solutions, enabling us to deliver integrated and secure cloud, data and AI solutions to our clients. It includes all software, except operating system software reported in the Systems segment.

Cloud & Cognitive Software comprises three business areas—Cognitive Applications, Cloud & Data Platforms, and Transaction Processing Platforms.

Cloud & Cognitive Software Capabilities
Cognitive Applications: includes software that address vertical and domain-specific solutions, increasingly infused with AI, enabled by IBM's Watson technology. Application areas such as health, financial services, Internet of Things (IoT) solutions, weather, and security software and services are among the offerings.

Cloud & Data Platforms: includes the company's distributed middleware and data platform software, including Red Hat, which enables the operation of clients' hybrid multi-cloud environments, whether on-premise or in public and private clouds. It also includes product areas such as Cloud Paks, WebSphere distributed, analytics platform software such as DB2 distributed, information integration, and enterprise content management, as well as IoT, Blockchain and AI/Watson platforms.

As clients increasingly move more of their mission-critical workloads to the cloud, their multi-cloud environments will be based on a foundation of Linux, with Kubernetes open-source software to deploy, manage and scale container-based applications. Red Hat, which provides the leading Linux operating system—Red Hat Enterprise Linux—and the leading hybrid cloud platform—Red Hat OpenShift—is at the center of this transformational shift among clients.

Transaction Processing Platforms: the software that supports client mission critical on-premise workloads in industries such as banking, airlines and retail. This includes transaction processing software such as Customer Information Control System and storage software, as well as the analytics and integration software running on IBM operating systems (e.g., DB2 and WebSphere running on z/OS).

Global Business Services provides clients with consulting, business process and application management services. These professional services deliver value and innovation to clients through solutions which leverage industry, technology and business strategy and process expertise. GBS is the digital reinvention partner for IBM clients, combining industry knowledge, functional expertise, and applications with the power