

PRIOR YEAR IN REVIEW

This section provides a summary of our segment results and year-to-year comparisons between 2018 and 2017. These Segment results have been recast to conform to our segment changes effective first-quarter 2019. There was no change to consolidated results. Refer to “Management Discussion,” pages 27 to 41 of the “Year in Review” section of our 2018 Annual Report for all other details of our financial performance in 2018 compared to 2017.

Segment Details

The table below presents each reportable segment’s external revenue and gross margin results. Segment pre-tax income includes transactions between segments that are intended to reflect an arm’s-length transfer price and excludes certain unallocated corporate items.

(\$ in millions)

For the year ended December 31:	2018	2017	Yr.-to-Yr. Percent/ Margin Change	Yr.-to-Yr. Percent Change Adjusted for Currency
Revenue				
Cloud & Cognitive Software	\$22,209*	\$21,751*	2.1%	1.6%
Gross margin	77.6%*	78.1%*	(0.5) pts.	
Global Business Services	16,595*	16,073*	3.2%	2.3%
Gross margin	26.8%*	25.1%*	1.7 pts.	
Global Technology Services	29,146*	29,213*	(0.2)%	(0.8)%
Gross margin	34.4%*	34.3%*	0.1 pts.	
Systems	8,034	8,194	(2.0)%	(2.3)%
Gross margin	49.8%	53.2%	(3.4) pts.	
Global Financing	1,590	1,696	(6.3)%	(6.5)%
Gross margin	29.1%	29.3%	(0.2) pts.	
Other	2,018*	2,212*	(8.8)%	(9.4)%
Gross margin	37.8%*	47.1%*	(9.3) pts.	
Total consolidated revenue	\$79,591	\$79,139	0.6%	0.0%
Total consolidated gross profit	\$36,936	\$36,943	0.0%	
Total consolidated gross margin	46.4%	46.7%	(0.3) pts.	
Non-operating adjustment				
Amortization of acquired intangible assets	372	449	(17.2)%	
Operating (non-GAAP) gross profit	\$37,307	\$37,392	(0.2)%	
Operating (non-GAAP) gross margin	46.9%	47.2%	(0.4) pts.	

* Recast to reflect segment changes.

Cloud & Cognitive Software

(\$ in millions)

For the year ended December 31:	2018*	2017*	Yr.-to-Yr. Percent Change	Yr.-to-Yr. Percent Change Adjusted for Currency
Cloud & Cognitive Software external revenue	\$22,209	\$21,751	2.1%	1.6%
Cognitive Applications	\$ 5,633	\$ 5,533	1.8%	1.4%
Cloud & Data Platforms	8,603	8,381	2.6	2.0
Transaction Processing Platforms	7,974	7,838	1.7	1.2

* Recast to reflect segment changes.