

## Global Technology Services

(\$ in millions)

For the year ended December 31:	2018	2017	Yr.-to-Yr. Percent Change	Yr.-to-Yr. Percent Change Adjusted for Currency
<b>Global Technology Services external revenue</b>	\$29,146*	\$29,213*	(0.2)%	(0.8)%
Infrastructure & Cloud Services	\$22,185*	\$22,016*	0.8%	0.0%
Technology Support Services	6,961	7,196	(3.3)	(3.5)

\* Recast to reflect segment changes.

Global Technology Services revenue decreased 0.2 percent as reported (1 percent adjusted for currency) in 2018 compared to the prior year, with Infrastructure & Cloud Services up 0.8 percent as reported (flat adjusted for currency) offset by a decline in Technology Support Services. In Infrastructure & Cloud Services, the business focused on prioritizing the portfolio to deliver high-value solutions to bring productivity to clients and allow for expanding workloads, while it exited some lower-value offerings. Technology Support Services was impacted by the hardware product cycle dynamics in 2018 but grew its multi-vendor services offerings. Within GTS, cloud revenue of \$8.0 billion grew 22 percent as reported and 21 percent adjusted for currency compared to the prior year.

(\$ in millions)

For the year ended December 31:	2018*	2017*	Yr.-to-Yr. Percent/ Margin Change
<b>Global Technology Services</b>			
External total gross profit	\$10,035	\$10,022	0.1%
External total gross profit margin	34.4%	34.3%	0.1 pts.
Pre-tax income	\$ 1,781	\$ 2,618	(32.0)%
Pre-tax margin	5.9%	8.8%	(2.8) pts.

\* Recast to reflect segment changes.

The 2018 GTS gross profit margin was essentially flat year to year and reflected benefits from productivity initiatives, including automation of delivery processes infused with AI and global workforce optimization. Pre-tax income performance reflected continued investment to expand go-to-market capabilities and develop new offerings for the hybrid market.

## Systems

(\$ in millions)

For the year ended December 31:	2018	2017	Yr.-to-Yr. Percent Change	Yr.-to-Yr. Percent Change Adjusted for Currency
<b>Systems external revenue</b>	\$8,034	\$8,194	(2.0)%	(2.3)%
Systems Hardware	\$6,363	\$6,494	(2.0)%	(2.3)%
IBM Z			(5.4)	(5.6)
Power Systems			8.8	8.7
Storage Systems			(5.5)	(5.9)
Operating Systems Software	1,671	1,701	(1.7)	(2.4)