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I will now provide the report on your company. Let me share our perspective on 3 important topics:

- The reinvention of IBM as a company
- The transformation of the Clients we serve
- And our role in a society that is reordering.

Let's start with your company. IBM today is a much different company from 3, 5, or 10 years ago.

Driven by the belief that the phenomenon of data would reorder technology and business, we set out one of the most ambitious reinventions in IBM's modern history.

Today IBM is cognitive solutions and cloud platform company – with capabilities address our enterprise clients' most pressing needs.

Think about our progress in 2017:

- We achieved op earnings per share $13.80, up 2 %.

- Revenue was nearly $80 billion. We returned to growth in 4Q.

- Our strategic imperatives — including cloud, AI, and security – grew double digit and made up 46% of IBM's total 2017 revenue.

- Watson's position as the AI platform for business was strengthened.

- We remained the global leader in cloud for the enterprise – with cloud rev 22% IBM's total revenue.

- Our reinvented systems franchises generated strong growth.

- We continued reinventing IBM's services to support clients in this era of data/cloud.

- We achieved global leadership in the emerging areas Quantum Computing and Blockchain.

AND, for the 25th year in a row, IBM led the world in U.S. patents, setting a record, with nearly half in AI, cloud, blockchain, quantum, and cybersecurity.

All this produced $13B of net income and $13B of free cash flow. And this is what allows us to continue to invest for our many stakeholders.

For our company, we continued to invest heavily in our long-term competitiveness:

- Including $5.6B for research and development and $3.3 billion net capital expenditures.

For our retirees, we have fully funded pension plan.

For our current employees, we have a gold-plated 401k plan.

And for you, our shareholders, we returned $9.8B to you, with dividends of $5.5B – a 4% yield – and $4.3B gross share repurchases.

IBM has provided a dividend for 103 straight years. And, with today's announcement, we're increasing the dividend 5%, which is the 23rd consecutive year we have raised it. With this, we are in the rare company of only about 50 companies that have raised their dividends year over year for nearly a quarter century.

As I said, IBM is a different company from 3, 5 or 10 years ago.

- We have reinvented our portfolio.

- We are the leader in the emerging, high-value segments of our industry.

- And nearly half our business comes from prods/services didn't exist a few years ago.

For example, look at Wisconsin. IBM has done business here in Wisconsin since 1915. But, today, nearly half of our Wisconsin employees work in one of the newest parts of our company – Watson Health.

This brings me to my second topic. We have reinvented IBM to enable transformation of our clients — the enterprises and institutions of the world.

Until a year or so ago, many said most companies were at great risk from "digital disruption". The world's incumbent companies, they believed, were being marginalized.

IBM has always held a different point of view. We don't believe the new platform giants alone will dominate a data-centric economy.

Why? Because they lack access to the most valuable source of the world's data: the 80 % not searchable on the Web.

80% of the world's data is the property of the world's major companies and enterprises – which are IBM's clients. It's the data is in their supply chains, their customer systems and their financial databases.

Our clients – the incumbents of the world –understand they can now become the new disruptors.

They can do this by becoming smarter businesses. Which Means:

> 1) They are learning to leverage intelligent digital platforms – like the IBM Cloud American Airlines, hosts its entire site, mobile app and airport kiosks on IBM Cloud -- enabling the airline to transform its customer experience.

- This includes new app on cloud - passengers rebook themselves - disrupted by bad weather.

- It was completed ahead of schedule, rolled out in time to help travelers during one of the biggest weather events of recent years – Hurricane Irma.

> 2) Our clients are putting learning and intelligence into every process using Watson AI technology.

Just look at how health-care is using Watson

- Mobile apps powered by Watson are helping caseworkers improve child-welfare services, giving them access to critical information realtime, providing better care to kids.

- Watson for Oncology supports doctors in identifying treatment options for patients at more than 150 hospitals WW. And Watson for Drug Discovery is used by Pfizer to understand how the immune system can fight cancer.

Which takes me finally, to my third point. And it's about our role in leading the way in a society that is reordering.

The world's new natural resource, data holds the potential to generate growth, prosperity and societal progress -- Only if the world can trust that data is being collected, managed and analyzed responsibly.

IBM always has been a responsible steward of our clients' most sensitive data and their privacy, in each and every technology Era.

That's was why, last year, we also issued our *Principles for the Cognitive Era*. Recognizing it is critically important to usher in these new technologies safely and securely, these principles spell out, in clear language, the data beliefs and practices IBM follows across the globe.

> We believe that:

- Purpose matters – The purpose of cognitive systems is to augment human intelligence and make people better – not replace them. It's man plus machine.

- Transparency matters – Cognitive systems are trained by human beings. So, it is essential to understand who is doing the training, the methods they are using and the source of the data on which the system is being trained.

- Skills matter – It's our responsibility to help students, employees and citizens thrive in an era when today's and tomorrow's jobs require new disciplines and skills.

That's why we're also working reinvent education.

At the secondary level, we created Pathways to Technology – P-Tech - a new type of school that brings together the best elements of high school, community college and the professional world. Think of it as a six-year high school that provides:

- A technology-focused education
- Mentors and internships
- A high school diploma and a two-year assoc
- An oppty for a job with IBM or another company.

One example is a 20-year-old NYer - in P-TECH's first class - who would not have been able to pursue a college education. At P-TECH, he joined the robotics team honing skills in mechanics, problem-solving and teamwork. He then interned at IBM and learned to code. And, now, he works full-time in IBM Systems.

By the fall, we will have 120 P-TECH schools open around the world. At capacity, these schools will serve nearly 75,000 students.

Inside IBM, we're also investing $.5B every year retraining our workforce.   And we're opening our doors to the men and women who have bravely served our country.

IBM's Veterans Employment Initiative provides software training, certification and job-placement assistance to U.S. veterans pursuing careers as data analysts.   One of those vets enlisted in the military at 18 and served until an injury forced him to retire. Now, he works in IBM Global Business Services.

We're also passionate about our role as a company in leading the way on diversity. When we think about diversity, we think about the word inclusion. We believe the future belongs to all of us:

- One example is our "returnship" program, which is attracting experienced women technologists who put their careers on hold to raise a family back to the workforce.
- We also are grooming the next generation of women technology leaders. In the past two years alone, more than 300 technical women have been promoted to senior positions at IBM.

IBM's longstanding track record as the gold standard for inclusion was recently recognized with the coveted 2018 Catalyst Award for advancing women in business. IBM is the first company to win four times. And we're the only tech company to win in the last 20 years.

Let me close by expressing my gratitude to the hundreds of thousands of IBMers. They are our greatest competitive advantage.

And I express my gratitude to you, our investors, for your continued confidence in IBM.

I know you care as much about our future as we do.

And I'm glad to have this opportunity to share with you our progress and how we are well-positioned to continue to lead in the future.

Thank you.

Information about non-GAAP financial measures and report on company.

In an effort to provide additional and useful information regarding the company's financial results and other financial information, as determined by generally accepted accounting principles (GAAP), this material contains certain non-GAAP financial measures on a continuing operations basis, including strategic imperatives revenue at constant currency, operating (non-GAAP) net income, operating (non-GAAP) research,development and engineering expense, operating (non-GAAP) earnings per share and free cash flow. The rationale for management's use of this non-GAAP information is included on pages 26, 27 and 68 of the company's 2017 Annual Report, which is Exhibit 13 to the Form 10-K filed with the SEC on February 27, 2018. For reconciliation of these non-GAAP financial measures to GAAP and other information, please refer to pages 28, 43, 49 and 68 of the company's 2017 Annual Report.