

Cash Flow

We generated \$3.5 billion in cash flow from operating activities in the fourth quarter of 2019, a decrease of \$0.7 billion compared to the fourth quarter of 2018, primarily due to higher interest and income tax payments. Net cash sourced from investing activities of \$0.1 billion was \$0.3 billion lower than the prior year, primarily driven by a decrease in cash from net proceeds from disposition of marketable securities and other investments (\$2.2 billion), partially offset by an increase in cash provided by net non-operating finance receivables (\$1.5 billion) and lower net capital expenditures (\$0.2 billion). Net cash used in financing activities of \$5.7 billion increased \$1.1 billion compared to the prior year, primarily due to lower debt issuances (\$3.0 billion), partially offset by lower gross common stock repurchases (\$2.0 billion).

GAAP Reconciliation

The tables below provide a reconciliation of our income statement results as reported under GAAP to our operating earnings presentation which is a non-GAAP measure. Management's calculation of operating (non-GAAP) earnings, as presented, may differ from similarly titled measures reported by other companies. Refer to the "Operating (non-GAAP) Earnings" section for management's rationale for presenting operating earnings information.

(\$ in millions except per share amounts)

For the fourth quarter 2019:	GAAP	Acquisition-Related Adjustments	Retirement-Related Adjustments	U.S. Tax Reform Charges	Operating (non-GAAP)
Gross profit	\$11,100	\$ 189	\$ —	\$ —	\$11,289
Gross profit margin	51.0%	0.9 pts.	— pts.	— pts.	51.8%
SG&A	\$ 5,433	\$(320)	\$ —	\$ —	\$ 5,113
RD&E	1,596	0	—	—	1,596
Other (income) and expense	(117)	(1)	(196)	—	(314)
Interest expense	354	—	—	—	354
Total expense and other (income)	7,107	(320)	(196)	—	6,591
Pre-tax income from continuing operations	3,993	509	196	—	4,698
Pre-tax margin from continuing operations	18.3%	2.3 pts.	0.9 pts.	— pts.	21.6%
Provision for income taxes*	\$ 324	\$ 133	\$ 21	\$ 14	\$ 492
Effective tax rate	8.1%	2.0 pts.	0.1 pts.	0.3 pts.	10.5%
Income from continuing operations	\$ 3,669	\$ 376	\$ 175	\$ (14)	\$ 4,206
Income margin from continuing operations	16.8%	1.7 pts.	0.8 pts.	(0.1) pts.	19.3%
Diluted earnings per share from continuing operations	\$ 4.11	\$0.42	\$0.20	\$(0.02)	\$ 4.71

* The tax impact on operating (non-GAAP) pre-tax income from continuing operations is calculated under the same accounting principles applied to the GAAP pre-tax income which employs an annual effective tax rate method to the results.

(\$ in millions except per share amounts)

For the fourth quarter 2018:	GAAP	Acquisition-Related Adjustments	Retirement-Related Adjustments	U.S. Tax Reform Charges	Operating (non-GAAP)
Gross profit	\$10,687	\$ 89	\$ —	\$ —	\$10,776
Gross profit margin	49.1%	0.4 pts.	— pts.	— pts.	49.5%
SG&A	\$ 4,701	\$(119)	\$ —	\$ —	\$ 4,582
RD&E	1,358	—	—	—	1,358
Other (income) and expense	185	(1)	(387)	—	(203)
Interest expense	193	—	—	—	193
Total expense and other (income)	6,253	(119)	(387)	—	5,746
Pre-tax income from continuing operations	4,434	208	387	—	5,030
Pre-tax margin from continuing operations	20.4%	1.0 pts.	1.8 pts.	— pts.	23.1%
Provision for income taxes*	\$ 2,481	\$ 37	\$ 39	\$(1,944)	\$ 613
Effective tax rate	55.9%	(1.6) pts.	(3.5) pts.	(38.7) pts.	12.2%
Income from continuing operations	\$ 1,954	\$ 171	\$ 348	\$ 1,944	\$ 4,417
Income margin from continuing operations	9.0%	0.8 pts.	1.6 pts.	8.9 pts.	20.3%
Diluted earnings per share from continuing operations	\$ 2.15	\$0.19	\$0.38	\$ 2.15	\$ 4.87

* The tax impact on operating (non-GAAP) pre-tax income from continuing operations is calculated under the same accounting principles applied to the GAAP pre-tax income which employs an annual effective tax rate method to the results.