In 2019, we reported $77.1 billion in revenue, $9.4 billion in income from continuing operations and operating (non-GAAP) earnings of $11.4 billion, resulting in diluted earnings per share from continuing operations of $10.57 as reported and $12.81 on an operating (non-GAAP) basis. We also generated $14.8 billion in cash from operations, $11.9 billion in free cash flow and delivered shareholder returns of $7.1 billion in dividends and gross common stock repurchases. These results reflect solid performance in key high-value areas as we continued to strengthen our foundation for the next chapter of our clients' digital reinventions. During 2019, we completed the acquisition of Red Hat and have started to benefit from the synergies of IBM and Red Hat together. We continued to bring new innovations to the market, launching the new z15, delivering new high-end storage and modernizing and containerizing our software portfolio. We have expanded our services offerings and skills for the cloud journey and the reach of our Watson/AI offerings. We also divested select businesses as we continue to prioritize our investments and optimize our portfolio for this next chapter in cloud.

Total consolidated revenue decreased 3.1 percent as reported and 1 percent adjusted for currency compared to the prior year. Excluding divested businesses, revenue increased 0.2 percent adjusted for currency. Cloud & Cognitive Software increased 4.5 percent as reported and 6 percent adjusted for currency, with strong results from the contribution of Red Hat beginning in the third quarter. Cloud & Data Platforms, which includes Red Hat, grew 10.4 percent as reported (12 percent adjusted for currency), Cognitive Applications increased 2.3 percent as reported (4 percent adjusted for currency), while Transaction Processing Platforms declined 0.5 percent as reported but grew 1 percent adjusted for currency. Global Business Services (GBS) grew 0.2 percent as reported and 2 percent adjusted for currency led by Consulting which grew 3.7 percent (6 percent adjusted for currency) with year-to-year improvement in each quarter of 2019. Global Technology Services (GTS) decreased 6.1 percent as reported and 4 percent adjusted for currency with declines in Infrastructure & Cloud Services and Technology Support Services. Performance in Infrastructure & Cloud Services was impacted by lower in-period revenue from client business volumes, while the decline in Technology Support Services was primarily due to transitions in the hardware product cycle. As we continued to take actions to accelerate the shift to the higher value segments of the market opportunity, there was solid growth in the cloud offerings within GTS. Systems decreased 5.3 percent year to year as reported and 4 percent adjusted for currency. IBM Z decreased 1.1 percent (flat adjusted for currency) reflecting product cycle dynamics. There was a year-to-year decline through the first three quarters of the year at the end of the z14 product cycle, but strong growth in the fourth quarter after shipment of the new z15 mainframe began in the last week of September. Storage Systems declined 8.9 percent as reported (8 percent adjusted for currency) with improved year-to-year performance in the second half of the year and growth in the fourth quarter led by high-end products. Power Systems declined 13.5 percent (12 percent adjusted for currency) compared with strong performance in the prior year. Across the segments, total IBM cloud revenue of $21.2 billion in 2019 grew 11 percent as reported and 13 percent adjusted for currency and represented 27 percent of our total 2019 revenue.

From a geographic perspective, Americas revenue declined 1.9 percent year to year as reported (1 percent adjusted for currency), but grew 1 percent excluding divested businesses and adjusted for currency. Europe/Middle East/Africa (EMEA) decreased 4.1 percent (flat adjusted for currency), but grew 1 percent excluding divested businesses and adjusted for currency. Asia Pacific declined 4.0 percent year to year as reported (3 percent adjusted for currency) and 2 percent excluding divested businesses and adjusted for currency.

The consolidated gross margin of 47.3 percent increased 0.9 points year to year, and the operating (non-GAAP) gross margin of 48.0 percent increased 1.1 points versus the prior year. The improved margins in 2019 reflect the actions we have taken to focus on higher value and portfolio optimization while also driving productivity and operational efficiency.

Total expense and other (income) increased 2.8 percent in 2019 compared to the prior year. The year-to-year performance was driven by higher spending including investment to deliver new innovations, Red Hat operational spending and interest expense from debt issuances to fund the acquisition (8 points), amortization of acquired intangible assets and other non-operating activity related to the Red Hat acquisition (3 points) and a decrease in intellectual property (IP) income (1 point), partially offset by lower non-operating retirement-related costs (4 points), gains from divestitures (3 points) and the impact of currency (3 points). Total operating (non-GAAP) expense and other (income) increased 4.1 percent year to year, driven primarily by the same factors excluding the non-operating retirement-related costs and the amortization of acquired intangible assets and other non-operating activity related to the Red Hat acquisition.

Pre-tax income from continuing operations of $10.2 billion decreased 10.4 percent and the pre-tax margin was 13.2 percent, a decrease of 1.1 points versus 2018. The second half of 2019 was impacted by the deferred revenue purchase accounting adjustment and Red Hat acquisition-related activity. The continuing operations effective tax rate for 2019 was 7.2 percent, a decrease of 15.9 points compared to 2018. The year-to-year change was primarily driven by a charge of $2.0 billion in 2018 for U.S. tax reform. Net income from continuing operations of $9.4 billion increased 8.2 percent and the net income from continuing operations margin was 12.2 percent, up 1.3 points year to year primarily due to the 2018 $2.0 billion charge for U.S. tax reform. Operating (non-GAAP) pre-tax income from continuing operations of $12.5 billion decreased 9.0 percent year to year and the operating (non-GAAP) pre-tax margin from continuing operations decreased 1.1 points to 16.2 percent. The operating (non-GAAP) tax rate for 2019 was 8.5 percent, an increase of 0.7 points compared to 2018. Operating (non-GAAP) income from continuing operations of $11.4 billion decreased 9.6 percent and the operating (non-GAAP) income margin from continuing operations of 14.8 percent was down 1.1 points year to year driven primarily by the Red Hat deferred revenue purchase accounting adjustment and acquisition-related activity.

Diluted earnings per share from continuing operations of $10.57 in 2019 increased 11.1 percent and operating (non-GAAP) diluted earnings per share of $12.81 decreased 7.2 percent versus 2018. In 2019, we repurchased 10.0 million shares of common stock at a cost of $1.3 billion before the share repurchase program was suspended at the time of the Red Hat closing.