

GENERAL ELECTRIC CO
Form 10-Q/A
November 09, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q/A
Amendment No. 1

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission file number 001-00035

GENERAL ELECTRIC COMPANY

(Exact name of registrant as specified in its charter)

New York 14-0689340
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

41 Farnsworth Street, Boston, MA 02210
(Address of principal executive offices) (Zip Code)

(Registrant's telephone number, including area code) (617) 443-3000

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
No

There were 8,846,390,000 shares of common stock with a par value of \$0.06 per share outstanding at September 30, 2016.

Explanatory Note

This amendment (Form 10-Q/A) is being provided for the sole purpose of amending the original Form 10-Q for the period ended September 30, 2016, as filed on November 2, 2016, to include a table in Note 18 - Guarantor Financial Information that was inadvertently omitted due to an error in the edgarization process.

No other changes have been made to the Form 10-Q. This Form 10-Q/A does not reflect events that may have occurred subsequent to the original filing date, and does not modify or update any related disclosures made in the Form 10-Q. For convenience, the entire Form 10-Q, as amended, is being re-filed.

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FORWARD LOOKING STATEMENTS

This document contains "forward-looking statements" – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and financial condition, and often contain words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "see," "will," "would," or "target."

Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as statements about our announced plan to combine our Oil & Gas business with Baker Hughes, including projected revenue and cost synergies, impact on our earnings per share, and the timing and structure of the proposed transaction; our announced plan to reduce the size of our financial services businesses, including expected cash and non-cash charges associated with this plan and earnings per share of GE Capital's retained businesses (Verticals); expected income; earnings per share; revenues; organic growth; growth and productivity associated with our Digital business; margins; cost structure; restructuring charges; transaction-related synergies; cash flows; returns on capital and investment; capital expenditures, capital allocation or capital structure; and dividends.

For us, particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include:

- our ability to complete incremental asset sales as part of our announced plan to reduce the size of our financial services businesses in a timely manner (or at all) and at the prices we have assumed;
- our ability to reduce costs as we execute that plan;
- changes in law, economic and financial conditions, including interest and exchange rate volatility, commodity and equity prices and the value of financial assets, including the impact of these conditions on our ability to execute that plan;
 - the impact of conditions in the financial and credit markets on the availability and cost of GE Capital Global Holdings, LLC's (GE Capital) funding, and GE Capital's exposure to counterparties;
- the impact of conditions in the housing market and unemployment rates on the level of commercial credit defaults; pending and future mortgage loan repurchase claims and other litigation claims and investigations in connection with WMC, which may affect our estimates of liability, including possible loss estimates;
- our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so;
- the amount and timing of our cash flows and earnings and other conditions, which may affect our ability to pay our quarterly dividend at the planned level or to repurchase shares at planned levels;
- GE Capital's ability to pay dividends to GE at the planned level, which may be affected by GE Capital's cash flows and earnings, financial services regulation and oversight, and other factors;
- our ability to convert pre-order commitments/wins into orders/bookings;
- the price we realize on orders/bookings since commitments/wins are stated at list prices;
- customer actions or developments such as early aircraft retirements or reduced energy demand, changes in economic conditions, including oil prices, and other factors that may affect the level of demand and financial performance of the major industries and customers we serve;
- the effectiveness of our risk management framework;
- the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks, including the impact of financial services regulation and litigation;
- our capital allocation plans, as such plans may change including with respect to the timing and size of share repurchases, acquisitions, joint ventures, dispositions and other strategic actions;
- our success in completing, including obtaining regulatory approvals and satisfying other closing conditions for, announced transactions, such as our announced plans and transactions to combine our Oil & Gas business with Baker Hughes and reduce the size of our financial services businesses;
- our success in integrating acquired businesses and operating joint ventures, including Alstom and Baker Hughes;
- our ability to realize anticipated earnings and savings from announced transactions, acquired businesses and joint ventures, including Alstom and Baker Hughes;

the impact of potential information technology or data security breaches; and the other factors that are described in "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2015.

These or other uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements. This document includes certain forward-looking projected financial information that is based on current estimates and forecasts. Actual results could differ materially.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)

PRESENTATION

The consolidated financial statements of General Electric Company (the Company) combine the industrial manufacturing and services businesses of General Electric Company (GE) with the financial services businesses of GE Capital Global Holdings, LLC, and its predecessor, General Electric Capital Corporation (GE Capital or Financial Services).

We believe that investors will gain a better understanding of our company if they understand how we measure and talk about our results. Because of the diversity in our businesses, we present our financial statements in a three-column format, which allows investors to see our industrial operations separately from our Financial Services operations. We believe that this, along with further disaggregation of our results into segments and GE Capital Verticals, provides useful information to investors. When used in this report, unless otherwise indicated by the context, we use the terms to mean the following:

General Electric or the Company – the parent company, General Electric Company.

GE – the adding together of all affiliates except GE Capital, whose continuing operations are presented on a one-line basis, giving effect to the elimination of transactions among such affiliates. Transactions between GE and GE Capital have not been eliminated at the GE level. We present the results of GE in the center column of our consolidated statements of earnings, financial position and cash flows. An example of a GE metric is GE cash from operating activities (GE CFOA).

General Electric Capital Corporation or GECC – the predecessor to GE Capital Global Holdings, LLC.

GE Capital Global Holdings, LLC or GECGH – the adding together of all affiliates of GECGH, giving effect to the elimination of transactions among such affiliates.

GE Capital or Financial Services – refers to GECGH, or its predecessor GECC, and is the adding together of all affiliates of GE Capital giving effect to the elimination of transactions among such affiliates. We present the results of GE Capital in the right-side column of our consolidated statements of earnings, financial position and cash flows.

GE consolidated – the adding together of GE and GE Capital, giving effect to the elimination of transactions between the two. We present the results of GE consolidated in the left-side column of our consolidated statements of earnings, financial position and cash flows.

Industrial – GE excluding the continuing operations of GE Capital. We believe that this provides investors with a view as to the results of our industrial businesses and corporate items. An example of an Industrial metric is Industrial CFOA (Non-GAAP), which is GE CFOA excluding the effects of dividends from GE Capital.

Industrial segment – the sum of our seven industrial reporting segments, without giving effect to the elimination of transactions among such segments and between these segments and our Financial Services segment. This provides investors with a view as to the results of our industrial segments, without inter-segment eliminations and corporate items. An example of an industrial segment metric is industrial segment revenue growth.

Total segment – the sum of our seven industrial segments and one financial services segment, without giving effect to the elimination of transactions among such segments. This provides investors with a view as to the results of all of our segments, without inter-segment eliminations and corporate items.

Verticals or GE Capital Verticals – the adding together of GE Capital businesses that we expect to retain, principally its vertical financing businesses—GE Capital Aviation Services (GECAS), Energy Financial Services (EFS) and Industrial Finance (which includes Healthcare Equipment Finance, Working Capital Solutions and Industrial Financing Solutions)—that relate to the Company's core industrial domain and other operations, including our run-off insurance activities, and allocated corporate costs.

We integrate acquisitions as quickly as possible. Revenues and earnings from the date we complete the acquisition through the end of the fourth quarter following the acquisition are considered the acquisition effect of such businesses.

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Discussion of GE Capital's total assets includes deferred income tax liabilities, which are presented within assets for purposes of our consolidated statement of financial position presentations for this filing.

Amounts reported in billions in graphs within this report are computed based on the amounts in millions. As a result, the sum of the components reported in billions may not equal the total amount reported in billions due to rounding. Certain columns and rows within the tables may not add due to the use of rounded numbers. Percentages presented are calculated from the underlying numbers in millions.

Discussions throughout this MD&A are based on continuing operations unless otherwise noted.

The MD&A should be read in conjunction with the Financial Statements and Notes to the consolidated financial statements.

OTHER TERMS USED BY GE

Backlog – unfilled customer orders for products and product services (expected life of contract sales for product services).

Continuing earnings – unless otherwise indicated, we refer to captions such as "earnings from continuing operations attributable to GE common shareowners" as continuing earnings or simply as earnings.

Continuing earnings per share (EPS) – unless otherwise indicated, when we refer to continuing earnings per share, it is the diluted per-share amount of "earnings from continuing operations attributable to GE common shareowners".

Digital revenues – revenues related to software-enabled product upgrades, internally developed software (including Predix) and associated hardware, and software-enabled productivity solutions. These revenues are largely generated from our operating businesses and are included in their segment results.

Ending Net Investment (ENI) (Non-GAAP) – the total capital we have invested in the Financial Services business. It is the sum of short-term borrowings, long-term borrowings and equity (excluding noncontrolling interests) adjusted for unrealized gains and losses on investment securities and hedging instruments. Alternatively, it is the amount of assets of continuing operations less the amount of non-interest-bearing liabilities.

Equipment leased to others (ELTO) – rental equipment we own that is available to rent and is stated at cost less accumulated depreciation.

GE Capital Exit Plan – our plan, announced on April 10, 2015, to reduce the size of our financial services businesses through the sale of most of the assets of GE Capital, and to focus on continued investment and growth in our industrial businesses.

Industrial margin – GE revenues and other income excluding GE Capital earnings (loss) from continuing operations (Industrial revenues) minus GE total costs and expenses less GE interest and other financial charges divided by Industrial revenues.

Industrial operating profit margin (Non-GAAP) – Industrial segment profit plus corporate items and eliminations (excluding gains, restructuring, and pre-tax non-operating pension costs) divided by industrial segment revenues plus corporate items and eliminations (excluding gains and GE-GE Capital eliminations).

Net earnings – unless otherwise indicated, we refer to captions such as "net earnings attributable to GE common shareowners" as net earnings.

Net earnings per share (EPS) – unless otherwise indicated, when we refer to net earnings per share, it is the diluted per-share amount of "net earnings attributable to GE common shareowners".

Non-operating pension costs (Non-GAAP) – comprise the expected return on plan assets, interest cost on benefit obligations and net actuarial gain (loss) amortization for our principal pension plans.

Operating earnings (Non-GAAP) – GE earnings from continuing operations attributable to GE common shareowners excluding the impact of non-operating pension costs.

Operating earnings per share (Non-GAAP) – unless otherwise indicated, when we refer to operating earnings per share, it is the diluted per-share amount of "operating earnings".

Operating pension costs (Non-GAAP) – comprise the service cost of benefits earned, prior service cost amortization and curtailment gain or loss for our principal pension plans.

Organic revenues (Non-GAAP) – revenues excluding the effects of acquisitions, dispositions and foreign currency exchange.

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Product services – for purposes of the financial statement display of sales and costs of sales in our Statement of Earnings, "goods" is required by SEC regulations to include all sales of tangible products, and "services" must include all other sales, including other services activities. In our MD&A section of this report, we refer to sales under product services agreements and sales of both goods (such as spare parts and equipment upgrades) and related services (such as monitoring, maintenance and repairs) as sales of "product services," which is an important part of our operations. We refer to "product services" simply as "services" within the MD&A.

Product services agreements – contractual commitments, with multiple-year terms, to provide specified services for products in our Power, Renewable Energy, Oil & Gas, Aviation and Transportation installed base – for example, monitoring, maintenance, service and spare parts for a gas turbine/generator set installed in a customer's power plant.

Revenues – unless otherwise indicated, we refer to captions such as "revenues and other income" simply as revenues.

Segment profit – refers to the operating profit of the industrial segments and the net earnings of the Financial Services segment. See the Segment Operations section within the MD&A for a description of the basis for segment profits.

NON-GAAP FINANCIAL MEASURES

In the accompanying analysis of financial information, we sometimes use information derived from consolidated financial data but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). Certain of these data are considered "non-GAAP financial measures" under the SEC rules. Specifically, we have referred, in various sections of this report, to:

Industrial segment organic revenues

Operating and non-operating pension costs

Adjusted corporate costs (operating)

Industrial operating and GE Capital earnings (loss) from continuing operations and EPS

Industrial operating + Verticals earnings and EPS

Industrial operating profit and operating profit margin (excluding certain items)

Industrial segment operating profit and operating profit margin (excluding Alstom)

Industrial cash flows from operating activities (Industrial CFOA) and Industrial CFOA excluding taxes related to the Appliances business sale

Capital ending net investment (ENI), excluding liquidity

The reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable GAAP financial measures are included in the Supplemental Information section within this MD&A. Non-GAAP financial measures referred to in this report are either labeled as "non-GAAP" or designated as such with an asterisk (*).

OUR OPERATING SEGMENTS

We are a global digital industrial company, transforming industry with software-defined machines and solutions that are connected, responsive and predictive, with products and services ranging from aircraft engines, locomotives, power generation and oil and gas production equipment to medical imaging, financing and industrial products. Operational and financial overviews for our operating segments are provided in the "Segment Operations" section within this MD&A.

OUR INDUSTRIAL OPERATING SEGMENTS

Power	Transportation	Energy Connections & Lighting ^(a)
Renewable Energy	Aviation	
Oil & Gas	Healthcare	

OUR FINANCIAL SERVICES OPERATING SEGMENT

Capital

Beginning in the third quarter of 2016, the former Energy Connections and Appliances & Lighting segments are (a) presented as one reporting segment called Energy Connections & Lighting. This segment includes the historical results of the Appliances business prior to its sale.

CORPORATE INFORMATION

GE's Internet address at www.ge.com, Investor Relations website at www.ge.com/investor-relations and our corporate blog at www.gereports.com, as well as GE's Facebook page and Twitter accounts, including @GE_Reports, contain a significant amount of information about GE, including financial and other information for investors. GE encourages investors to visit these websites from time to time, as information is updated and new information is posted.

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KEY PERFORMANCE INDICATORS

(Dollars in billions; per-share amounts in dollars)

REVENUES PERFORMANCE	INDUSTRIAL ORDERS	INDUSTRIAL BACKLOG
	3Q 2016	
	YTD 2016	
Industrial Segment	4% 6%	Equipment Equipment
Industrial Segment Organic*	1% -%	Services Services
Capital	(2)% -%	
	(a) Included \$5.2 billion related to Alstom (b) Included \$12.7 billion related to Alstom	(a) Included \$31.9 billion related to Alstom
INDUSTRIAL MARGINS	INDUSTRIAL OPERATING PROFIT MARGINS (NON-GAAP) ^(a)	GE CFOA
		GE Capital Dividend
	(a) Excluded gains, non-operating pension costs, restructuring and other, noncontrolling interests, GE Capital preferred stock dividends, as well as the results of Alstom	Industrial CFOA(b)* (a) Included \$(0.8) billion related to Alstom (b) 2016 included deal taxes of \$(1.1) billion related to the sale of our Appliances business

*Non-GAAP Financial Measure

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KEY PERFORMANCE INDICATORS

(Dollars in billions; per-share amounts in dollars)

NET EARNINGS (LOSS)

NET EARNINGS (LOSS) PER SHARE

OPERATING EARNINGS (NON-GAAP)

OPERATING EARNINGS PER SHARE
(NON-GAAP)

INDUSTRIAL OPERATING + VERTICALS EARNINGS
(NON-GAAP)

INDUSTRIAL OPERATING + VERTICALS
EPS (NON-GAAP)

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SIGNIFICANT DEVELOPMENTS IN 2016

During the first nine months of 2016, we returned \$24.5 billion to shareholders including \$18.1 billion through buyback of our common stock and \$6.4 billion in dividends.

For the nine months ended September 30, 2016, Alstom contributed revenues of \$9.2 billion and operating earnings of \$0.5 billion, which included the effects of purchase accounting and acquisition related charges at Corporate of \$0.7 billion. Including the effects of tax benefits of \$0.6 billion, net earnings were less than \$0.1 billion for the nine months ended September 30, 2016. In addition, Alstom used cash flow from operating activities of \$0.8 billion for the nine months ended September 30, 2016.

On October 31, 2016, we announced an agreement with Baker Hughes Incorporated (Baker Hughes) to combine GE's Oil & Gas business and Baker Hughes to create a new company. The transaction will be executed using a partnership structure, pursuant to which GE Oil & Gas and Baker Hughes will each contribute their operating assets to a newly formed partnership. GE will have a 62.5% interest in this partnership and existing Baker Hughes shareholders will have a 37.5% interest through a newly NYSE listed corporation. Baker Hughes shareholders will also receive a special one-time cash dividend of \$17.50 per share at closing. GE will contribute \$7.4 billion to the new partnership to fund the cash dividend to existing Baker Hughes shareholders. The transaction is subject to the approval of Baker Hughes shareholders, regulatory approvals and other customary closing conditions.

On October 11, 2016, we announced a plan to acquire LM Wind Power, the Danish maker of rotor blades for \$1.7 billion. LM Wind is one of the world's largest wind turbine blade manufacturers^(a).

On September 14, 2016, we acquired the remaining 74% of the software developer Meridium Inc. for cash proceeds of \$0.4 billion. The acquisition is expected to enhance and accelerate our asset performance-management capabilities across our Industrial businesses.

On September 6, 2016, we announced public tender offers to acquire two European 3-D printing companies, Arcam AB and SLM Solutions Group AG for a total of \$1.4 billion. On October 26, 2016, we announced that the conditions for the acquisition of SLM Solutions were not satisfied at the expiration of the tender period and that the offer to acquire SLM Solutions had lapsed. On October 27, 2016, we announced that the tender period for Arcam would be extended to November 10, 2016. On October 27, 2016, we also announced an agreement to acquire a 75% interest in Concept Laser GmbH, another European 3-D printing company, for \$0.6 billion^(a). Both Arcam and Concept Laser make machines that can print metal parts used in aircraft components, tapping into manufacturers' growing demand for digital technologies.

On June 6, 2016, we completed the sale of our Appliances business to Qingdao Haier Co., Ltd. (Haier) for proceeds of \$5.6 billion (including \$0.8 billion from the sale of receivables originated in our Appliances business and sold from GE Capital to Haier) and recognized an after-tax gain of \$1.9 billion in the nine months ended September 30, 2016.

On March 30, 2016, we announced an agreement to sell GE Asset Management (GEAM), GE's asset management arm with assets under management of approximately \$100 billion, to State Street Corporation. On July 1, 2016, we completed the sale for proceeds of \$0.4 billion and recognized an after-tax gain of \$0.3 billion.

As of September 30, 2016, we have signed agreements with buyers for \$193 billion of GE Capital ending net investment (ENI), excluding liquidity (as originally reported at December 31, 2014), of which \$173 billion have closed.

On June 28, 2016, we received approval of our request to the Financial Stability Oversight Council (FSOC) for rescission of GE Capital's designation as a nonbank Systemically Important Financial Institution (SIFI).

GE Capital paid common dividends of \$5.1 billion and \$16.1 billion for the three and nine months ended September 30, 2016, respectively. In October 2016, we received an additional \$2.0 billion of common dividends from GE Capital bringing our year-to-date total to \$18.1 billion.

(a) Subject to customary closing conditions.

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CONSOLIDATED RESULTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30

(Dollars in billions)

REVENUES	INDUSTRIAL AND FINANCIAL SERVICES REVENUES
	(a) Included \$3.2 billion related to Alstom
(a) Included \$3.2 billion related to Alstom	(b) Included \$9.2 billion related to Alstom
(b) Included \$9.2 billion related to Alstom	

COMMENTARY: 2016 - 2015

THREE MONTHS

Consolidated revenues increased \$1.2 billion, or 4%.

Industrial revenues increased \$1.3 billion, or 5%, mainly from the effects of acquisitions of \$3.3 billion, primarily Alstom, and an increase in Industrial organic revenue* of \$0.1 billion. These increases were partially offset by the effects of dispositions of \$2.0 billion, primarily from the sale of our Appliances business to Haier in the second quarter of 2016.

In 2015, the effects of acquisitions and dispositions on Industrial revenues were an insignificant amount and a decrease of \$0.1 billion, respectively.

Financial Services revenues decreased \$0.1 billion, or 2%, as a result of the effects of dispositions and organic revenue declines, partially offset by higher gains and lower impairments.

NINE

MONTHS

Consolidated revenues increased \$7.1 billion, or 9%.

Industrial revenues increased \$7.2 billion, or 9%, mainly from the effects of acquisitions of \$9.3 billion, primarily Alstom. The increase was partially offset by the effects of

dispositions of \$0.9 billion, primarily from the sale of our Appliances business to Haier in the second quarter of 2016, the effects of a stronger U.S. dollar of \$0.7 billion and a decrease in Industrial organic revenue* of \$0.5 billion.

In 2015, the effects of acquisitions and dispositions on Industrial revenues were an increase of \$0.2 billion and a decrease of \$0.1 billion, respectively.

Financial Services revenues increased less than \$0.1 billion, primarily due to lower impairments, higher gains and the effects of acquisitions, partially offset by the effects of

dispositions,
organic
revenue
declines and
the effects of
currency
exchange.

*Non-GAAP Financial Measure
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THREE AND NINE MONTHS ENDED SEPTEMBER 30

(Dollars in billions)

CONTINUING EARNINGS (LOSS)	CONTINUING EARNINGS (LOSS) PER SHARE	INDUSTRIAL SELLING, GENERAL & ADMINISTRATIVE (SG&A) AS A % OF SALES
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(a) 14.3% excluding \$3.3 billion of Alstom sales and \$0.5 billion of Alstom SG&A*

(b) 15.0% excluding \$9.3 billion of Alstom sales and \$1.6 billion of Alstom SG&A*

COMMENTARY: 2016 - 2015

THREE MONTHS

Consolidated continuing earnings increased \$0.1 billion, or 7%.

Financial Services net loss decreased \$0.2 billion, primarily due to lower impairments and higher gains, partially offset by the effects of dispositions and core decreases. Core decreases reflect excess interest expense, higher restructuring expenses and higher insurance reserve provisions, partially offset by increased tax benefits resulting from an IRS tax settlement and tax adjustments in the three months ended September 30, 2016, to bring Capital's nine-month tax rate in line with the projected full-year tax rate.

The effects of acquisitions on consolidated continuing earnings were a decrease of \$0.1 billion in 2016 and an insignificant amount in 2015. The net effects of dispositions on consolidated continuing earnings were decreases of \$0.1 billion in 2016 and an increase of \$0.1 billion in 2015.

Earnings per share amounts for the third quarter of 2016 were positively impacted by the reduction in number of

NINE MONTHS

Consolidated continuing earnings increased \$6.5 billion.

Financial Services losses decreased \$4.9 billion, or 77%, primarily due to the absence of the 2015 charges associated with the GE Capital Exit Plan.

The net effects of dispositions on consolidated continuing earnings were increases of \$1.8 billion in 2016, primarily due to an after-tax gain of \$1.9 billion from the sale of our Appliances business to Haier, and \$0.3 billion in 2015. The effects of acquisitions on consolidated continuing earnings were a decrease of \$0.2 billion in 2016 and an increase of \$0.1 billion in 2015.

In addition to the effects on net earnings described above, earnings per share amounts for the first nine months of 2016 were also positively impacted by the reduction in number of outstanding common shares compared to the first nine months of 2015. The average number of shares outstanding used to calculate first nine-month 2016 earnings per share amounts was 9% lower than in the first nine-month of 2015 as a result of previously disclosed actions, primarily the 2015 Synchrony Financial share exchange and ongoing share buyback activities over the last 12 months funded in large part by dividends from GE Capital.

Industrial SG&A costs increased \$1.1 billion as the favorable impact of cost reductions at Corporate and lower SG&A relating to dispositions and non-operating pension costs were more than offset by increases in SG&A relating to Alstom and higher restructuring charges.

outstanding common shares compared to the third quarter of 2015. The average number of shares outstanding used to calculate third quarter 2016 earnings per share amounts was 11% lower than in the third quarter of 2015 as a result of previously disclosed actions, primarily the 2015 Synchrony Financial share exchange and ongoing share buyback activities over the last 12 months funded in large part by dividends from GE Capital.

Industrial SG&A costs increased \$0.3 billion as the favorable impact of cost reductions at Corporate, lower SG&A relating to dispositions and non-operating pension costs were more than offset by increases in SG&A relating to Alstom and higher restructuring charges.

See the "Other Consolidated Information" section within the MD&A for a discussion of income taxes.

*Non-GAAP Financial Measure

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GE CAPITAL

GE Capital results include continuing operations, which are reported in the Capital segment (see Segment discussion), and discontinued operations (see Discontinued Operations section and Note 2).

THE GE CAPITAL EXIT PLAN

On April 10, 2015, the Company announced a plan (the GE Capital Exit Plan) to create a simple, more valuable company by reducing the size of its financial services businesses through the sale of most of the assets of GE Capital over the following 24 months and aligning a smaller GE Capital with GE's industrial businesses.

Under the GE Capital Exit Plan, which was approved on April 2, 2015 and aspects of which were approved on March 31, 2015, the Company is retaining certain GE Capital businesses, principally its vertical financing businesses—GE Capital Aviation Services (GECAS), Energy Financial Services (EFS) and Industrial Finance (which includes Healthcare Equipment Finance, Working Capital Solutions and Industrial Financing Solutions)—that relate to the Company's core industrial domain and other operations, including our run-off insurance activities, and allocated corporate costs (together referred to as GE Capital Verticals or Verticals).

We expect GE Capital to release approximately \$35 billion in dividends to GE (subject to regulatory approval) as a result of the sale of GE Capital assets. We received \$4.3 billion in dividends from GE Capital in 2015 and \$16.1 billion in the first nine months of 2016. In October 2016, we received an additional \$2.0 billion of common dividends from GE Capital bringing our year-to-date total to \$18.1 billion. As of September 30, 2016, we are ahead of our plan, having signed agreements with buyers for \$193 billion of ending net investment (ENI), excluding liquidity (as originally reported at December 31, 2014), of which \$173 billion has closed. In addition, as part of our initiative to reduce the size of our financial services businesses, we completed the split-off of our remaining interest in GE Capital's North American Retail Finance business, Synchrony Financial, to holders of GE common stock, which resulted in a \$20.4 billion buyback of GE common stock (671.4 million shares) in 2015. In connection with the GE Capital Exit Plan, we completed a legal reorganization of GE Capital that included a merger of GE Capital into GE, a guarantee by GE of GE Capital debt, and an exchange of \$36 billion of GE Capital debt for new notes guaranteed by GE. The result of all these actions reduced GE Capital's total assets by 59% from \$501 billion at December 31, 2014 to \$203 billion at September 30, 2016. As of September 30, 2016, we incurred charges of \$22.9 billion. Due to anticipated tax benefits and gains, we do not expect total after-tax charges through the completion of the GE Capital Exit Plan to exceed our initial \$23 billion estimate.

Given the progress of the GE Capital Exit Plan to date, we expect to largely complete that plan by the end of 2016. On March 31, 2016, GE filed its request to the Financial Stability Oversight Council (FSOC) for rescission of GE Capital's designation as a nonbank Systemically Important Financial Institution (SIFI). On June 28, 2016, we received approval of our request to the FSOC for rescission of GE Capital's designation as a nonbank SIFI.

SALES AGREEMENTS

During the nine months ended September 30, 2016, GE signed agreements to sell approximately \$36 billion of ENI, excluding liquidity (as originally reported at December 31, 2014), of which approximately \$16 billion, \$20 billion and less than \$1 billion related to our Commercial Lending and Leasing (CLL), Consumer and Real Estate businesses, respectively.

Of the signed agreements, sales representing approximately \$69 billion of ENI, excluding liquidity (as originally reported at December 31, 2014) have closed during the first nine months of 2016, including approximately \$60 billion, \$9 billion and less than \$1 billion related to our CLL, Consumer and Real Estate businesses, respectively.

AFTER-TAX CHARGES RELATED TO THE GE CAPITAL EXIT PLAN

In the nine months ended September 30, 2016, GE recorded \$0.9 billion of after-tax charges related to the GE Capital Exit Plan of which \$0.1 billion was recorded in continuing operations and \$0.8 billion was recorded in discontinued operations. Of these after-tax charges, \$0.3 billion of net benefits were recorded in the third quarter of 2016. A description of these after-tax charges for the nine months ended September 30, 2016 is provided below.

\$1.3 billion of net loss primarily related to the completed and planned dispositions of Consumer and most of the CLL businesses, which was recorded in discontinued operations under the caption "Earnings (loss) from discontinued operations, net of taxes" in the Statement of Earnings.

\$0.3 billion of charges associated with the preferred equity exchange that was completed in January 2016, which was recorded in continuing operations and reported in GE Capital's corporate component under the caption "Preferred stock dividends" in the Statement of Earnings.

These charges were partially offset by tax benefits of \$0.6 billion related to an IRS tax settlement. Of these benefits \$0.3 billion was recorded in continuing operations and reported in GE Capital's corporate component under the captions "Benefit (provision) for income taxes" and "Interest and other financial charges" in the Statement of Earnings and \$0.2 billion was recorded in discontinued operations under the caption "Earnings (loss) from discontinued operations, net of taxes" in the Statement of Earnings.

For additional information about the GE Capital Exit Plan 2015 sales agreements and after-tax charges, refer to our Form 8-K filed on June 3, 2016 related to the Annual Report on Form 10-K for the year ended December 31, 2015.

In addition to the above charges, during the nine months ended September 30, 2016, we have incurred other costs related to our ongoing liability management actions, including \$0.6 billion of pre-tax losses related to the repurchase of \$12.5 billion of long-term unsecured debt and subordinated debentures which were recorded in continuing operations. These charges will result in lower future interest costs, more than offsetting the initial charges. We expect to continue these actions when economically beneficial.

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SEGMENT OPERATIONS

SUMMARY OF OPERATING SEGMENTS

(In millions)	Three months ended			Nine months ended		
	September 30 2016	2015	V%	September 30 2016	2015	V%
Revenues						
Power	\$6,506	\$4,738	37 %	\$18,348	\$14,405	27 %
Renewable Energy	2,770	1,666	66 %	6,533	4,335	51 %
Oil & Gas	2,964	3,938	(25)%	9,497	12,096	(21)%
Aviation	6,300	6,001	5 %	19,074	17,927	6 %
Healthcare	4,482	4,255	5 %	13,190	12,666	4 %
Transportation	1,249	1,593	(22)%	3,471	4,322	(20)%
Energy Connections & Lighting(a)	3,151	4,065	(22)%	11,808	11,695	1 %
Total industrial segment revenues	27,421	26,256	4 %	81,920	77,445	6 %
Capital	2,600	2,660	(2)%	8,256	8,215	- %
Total segment revenues	30,021	28,916	4 %	90,176	85,660	5 %
Corporate items and eliminations	(755)	(888)		429	(2,166)	
Consolidated revenues	\$29,266	\$28,028	4 %	\$90,604	\$83,494	9 %
Segment profit (loss)						
Power	\$1,197	\$1,071	12 %	\$2,910	\$2,874	1 %
Renewable Energy	202	174	16 %	413	375	10 %
Oil & Gas	353	610	(42)%	981	1,712	(43)%
Aviation	1,494	1,353	10 %	4,366	3,936	11 %
Healthcare	717	652	10 %	2,130	1,944	10 %
Transportation	309	379	(18)%	747	934	(20)%
Energy Connections & Lighting(a)	48	292	(84)%	209	669	(69)%
Total industrial segment profit	4,320	4,530	(5)%	11,756	12,445	(6)%
Capital	26	(154)	F	(1,466)	(6,368)	77 %
Total segment profit (loss)	4,345	4,376	(1)%	10,290	6,076	69 %
Corporate items and eliminations	(1,524)	(1,559)		(2,120)	(4,436)	
GE interest and other financial charges	(483)	(440)		(1,490)	(1,243)	
GE provision for income taxes	(241)	(413)		(1,034)	(1,302)	
Earnings (loss) from continuing operations						
attributable to GE common shareowners	2,097	1,965	7 %	5,645	(904)	F
Earnings (loss) from discontinued operations, net of tax	(105)	629	U	(954)	(11,253)	92 %
Less net earnings attributable to noncontrolling interests, discontinued operations	(2)	89	U	2	270	(99)%
Earnings (loss) from discontinued operations, net of tax and noncontrolling interest	(103)	541	U	(956)	(11,523)	92 %
Consolidated net earnings (loss)						
attributable to the GE common shareowners	\$1,994	\$2,506	(20)%	\$4,689	\$(12,427)	F

Beginning in the third quarter of 2016, the former Energy Connections and Appliances & Lighting segments are (a) presented as one reporting segment called Energy Connections & Lighting. This segment includes the historical results of the Appliances business prior to its sale in June 2016.

REVENUES AND PROFIT

Segment revenues include revenues and other income related to the segment.

Segment profit is determined based on internal performance measures used by the Chief Executive Officer (CEO) to assess the performance of each business in a given period. In connection with that assessment, the CEO may exclude matters such as charges for restructuring; rationalization and other similar expenses; acquisition costs and other related charges; technology and product development costs; certain gains and losses from acquisitions or dispositions; and litigation settlements or other charges, for which responsibility preceded the current management team. For additional information about costs excluded from segment profit, see Corporate Items and Eliminations section within this MD&A.

Segment profit excludes results reported as discontinued operations and material accounting changes. Segment profit also excludes the portion of earnings or loss attributable to noncontrolling interests of consolidated subsidiaries, and as such only includes the portion of earnings or loss attributable to our share of the consolidated earnings or loss of consolidated subsidiaries.

Segment profit excludes or includes interest and other financial charges and income taxes according to how a particular segment's management is measured:

Interest and other financial charges, income taxes and GE preferred stock dividends are excluded in determining segment profit (which we sometimes refer to as "operating profit") for the industrial segments.

Interest and other financial charges, income taxes and GE Capital preferred stock dividends are included in determining segment profit (which we sometimes refer to as "net earnings") for the Capital segment.

Certain corporate costs, such as shared services, employee benefits and information technology are allocated to our segments based on usage. A portion of the remaining corporate costs is allocated based on each segment's relative net cost of operations.

With respect to the segment revenue and profit walks, the overall effect of foreign exchange is included within multiple captions as follows:

The translational foreign exchange impact is included within Foreign Exchange.

The transactional impact of foreign exchange hedging is included in operating cost within Productivity and in other income within Other.

SEGMENT RESULTS – THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

(Dollars in billions)

INDUSTRIAL

SEGMENT

EQUIPMENT
& SERVICES

INDUSTRIAL SEGMENT PROFIT

REVENUES

Equipment(a)

Services(b)

(a) \$12.9 billion, excluding \$2.0 billion related to Alstom*, and \$38.4 billion, excluding \$5.7 billion related to Alstom* for the three and nine months ended September 30, 2016, respectively

(b) \$11.3

billion, (a) \$4.2 billion, excluding \$0.1 billion related to Alstom*
excluding \$1.2 (b) \$11.5 billion, excluding \$0.3 billion related to Alstom*
billion related to Alstom*,
and \$34.3 billion,
excluding \$3.5 billion related to Alstom* for the three and nine months ended September 30, 2016, respectively
*Non-GAAP
Financial
Measure

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2016 – 2015 COMMENTARY: THREE MONTHS ENDED SEPTEMBER 30

Industrial segment revenues increased \$1.2 billion (4%), driven by increases at Power and Renewable Energy, mainly as a result of the effects of acquisitions (primarily Alstom). This increase was partially offset by lower revenues at Oil & Gas and Energy Connections & Lighting (due to the sale of the Appliances business in the second quarter of 2016).

Industrial segment profit decreased \$0.2 billion (5%), mainly driven by lower earnings at Oil & Gas, as well as an unfavorable impact of foreign exchange, partially offset by higher earnings at Power, Aviation and Healthcare.

Industrial segment margin decreased 150 bps primarily driven by the effects of Alstom results. Excluding Alstom, industrial segment margin was 17.3%*, compared with 17.3%* in the same period of 2015.

2016 – 2015 COMMENTARY: NINE MONTHS ENDED SEPTEMBER 30

Industrial segment revenues increased \$4.5 billion (6%), driven by increases at Power and Renewable Energy, mainly as a result of the effects of acquisitions (primarily Alstom). This increase was partially offset by lower revenues at Oil & Gas, as well as an unfavorable impact of foreign exchange.

Industrial segment profit decreased \$0.6 billion (6%), mainly driven by lower earnings at Oil & Gas, Energy Connections & Lighting and Transportation, as well as an unfavorable impact of foreign exchange, partially offset by higher earnings at Aviation and Healthcare.

Industrial segment margin decreased 170 bps primarily driven by the effects of Alstom results. Excluding Alstom, industrial segment margin was 15.8%*, compared with 16.1%* in the same period of 2015 reflecting core decreases at Renewable Energy, Energy Connections & Lighting and Oil & Gas.

SIGNIFICANT SEGMENT DEVELOPMENTS

ALSTOM ACQUISITION

On November 2, 2015, we completed the acquisition of Alstom's Thermal, Renewables and Grid businesses. The completion of the transaction followed the regulatory approval of the deal in over 20 countries and regions including the EU, U.S., China, India, Japan and Brazil. The cash purchase price was €9.2 billion (approximately \$10.1 billion), net of cash acquired. The acquisition and alliances with Alstom affected our Power, Energy Connections & Lighting and Renewable Energy segments, and to a lesser extent our Oil & Gas segment.

At year-end 2015, our preliminary allocation of purchase price resulted in recognition of approximately \$13.5 billion of goodwill, \$5.2 billion of intangible assets, and \$1.1 billion of unfavorable customer contract liabilities. The preliminary fair value of the associated noncontrolling interest was approximately \$3.6 billion. As of the end of the third quarter of 2016, the preliminary amount of goodwill, intangible assets and unfavorable customer contract liabilities recognized was adjusted to approximately \$17.2 billion, \$4.4 billion, and \$2.4 billion, respectively. The adjustments reflected revisions in estimates primarily related to cash flow and other valuation assumptions for customer contracts, increases to legal reserves, and other fair value adjustments related to acquired assets and liabilities. Deferred taxes, unrecognized tax benefits and other tax uncertainties were also adjusted. We will finalize our purchase accounting analysis in the fourth quarter. See Note 7 to the consolidated financial statements for further information.

For the nine months ended September 30, 2016, Alstom contributed revenues of \$9.2 billion and an operating loss of \$0.5 billion, which included the effects of purchase accounting and acquisition related charges at Corporate of \$0.7 billion. Including the effects of tax benefits of \$0.6 billion, net earnings were less than \$0.1 billion for the nine months ended September 30, 2016. In addition, Alstom used cash flow from operating activities of \$0.8 billion for the nine months ended September 30, 2016. Alstom related revenues and operating profit are presented separately in the segment revenues and profit walks that follow.

SALE OF APPLIANCES

On January 15, 2016, we announced the signing of an agreement to sell our Appliances business to Qingdao Haier Co., Ltd. (Haier). On June 6, 2016, we completed the sale for proceeds of \$5.6 billion (including \$0.8 billion from the sale of receivables originated in our Appliances business and sold from GE Capital to Haier) and recognized an after-tax gain of \$1.9 billion in the nine months ended September 30, 2016. Beginning in the third quarter of 2016, the former Energy Connections and Appliances & Lighting segments are presented as one reporting segment called Energy Connections & Lighting. This segment includes the historical results of the Appliances business prior to its sale.

*Non-GAAP Financial Measure
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POWER

OPERATIONAL OVERVIEW - THREE AND NINE MONTHS ENDED SEPTEMBER 30
(Dollars in billions)

2016 YTD
SUB-SEGMENT REVENUES
EQUIPMENT/SERVICES REVENUES

(a) Includes
Water &
Distributed
Power and
GE Hitachi
Nuclear
Equipment
Services

ORDERS BACKLOG

Equipment

Equipment Services

Services

(a)
Included
\$2.8 billion
related to
Alstom

(b) Included \$7.1 billion
related to
Alstom
(a) Included \$17.7 billion
related to Alstom

UNIT
SALES

2016 3Q FORM 10-Q 18

FINANCIAL OVERVIEW - THREE AND NINE MONTHS ENDED SEPTEMBER 30

(Dollars in billions)

		SEGMENT PROFIT	SEGMENT PROFIT MARGIN
SEGMENT REVENUES		(a) \$1.1 billion, excluding \$0.1 billion related to Alstom*	(a) 21.9%, excluding 6.3% related to Alstom*
(a) \$5.1 billion, excluding \$1.4 billion related to Alstom*	Equipment	(b) \$2.7 billion, excluding \$0.2 billion related to Alstom*	(b) 19.3%, excluding 4.8% related to Alstom*
(b) \$14.0 billion, excluding \$4.3 billion related to Alstom*	Services		

SEGMENT REVENUES & PROFIT WALK:

THREE MONTHS

	Revenues	Profit
September 30, 2015 \$	4.7	\$ 1.1
Volume	0.3	0.1
Price	0.1	0.1
Foreign Exchange (Inflation)/Deflation	-	-
Mix	N/A	(0.1)
Productivity	N/A	0.1
Other	(0.1)	(0.1)
Alstom	1.4	0.1
September 30, 2016 \$	6.5	\$ 1.2

COMMENTARY:

2016 - 2015

Segment revenues up \$1.8 billion (37%);

Segment profit up \$0.1 billion (12%)

as a result of:

The increase in revenues was primarily driven by the effects of Alstom. Revenues also increased due to higher equipment volume and prices at Gas Power Systems as a result of 14 more gas turbine shipments than in the prior year, as well as higher services volume at Power Services, partially offset by lower services volume at Water and Nuclear. The increase in

revenues was partially offset by lower other income.

The increase in profit was primarily driven by the effects of Alstom, higher volume, prices and cost productivity, partially offset by an unfavorable business mix, driven by 7 more H-Turbine shipments than in the prior year, and lower other income.

NINE MONTHS

	Revenues	Profit
September 30, 2015 \$	14.4	\$ 2.9
Volume	(0.1)	-
Price	0.1	0.1
Foreign Exchange (Inflation)/Deflation	(0.1)	-
Mix	N/A	0.1
Productivity	N/A	(0.1)
Other	(0.2)	(0.3)
Alstom	4.3	0.2
September 30, 2016 \$	18.3	\$ 2.9

Segment revenues up \$3.9 billion (27%);

Segment profit up 1% as a result of:

The increase in revenues was primarily driven by the effects of Alstom and increased services volume at Power Services, partially offset by lower equipment volume at Gas Power Systems as a result of 10 fewer gas turbine shipments than in the prior year. The increase was partially offset by lower other income, including negative foreign exchange

transactional
hedge impacts, as
well as the effects
of a stronger U.S.
dollar.

The increase in
profit was
primarily driven
by the effects of
Alstom, higher
prices, material
deflation and a
favorable business
mix. The increase
was partially
offset by lower
other income,
including negative
foreign exchange
transactional
hedge impacts and
lower cost
productivity.

*Non-GAAP Financial Measure
2016 3Q FORM 10-Q 19

RENEWABLE ENERGY

OPERATIONAL OVERVIEW - THREE AND NINE MONTHS ENDED SEPTEMBER 30

(Dollars in billions)

2016 YTD SUB-SEGMENT REVENUES	EQUIPMENT/SERVICES REVENUES
-------------------------------	-----------------------------

Services	Equipment
----------	-----------

ORDERS	BACKLOG
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Equipment	Equipment
-----------	-----------

Services	Services
----------	----------

(a) Included \$1.0 billion related to Alstom

(b) Included \$1.5 billion related to Alstom

(a) Included \$5.7 billion related to Alstom

UNIT SALES

2016 3Q FORM 10-Q 20

FINANCIAL OVERVIEW - THREE AND NINE MONTHS ENDED SEPTEMBER 30

(Dollars in billions)

SEGMENT REVENUES	SEGMENT PROFIT	SEGMENT PROFIT MARGIN
(a) \$2.4 billion, excluding \$0.4 billion related to Alstom*	(a) \$0.2 billion,	(a) 8.9%,
(b) \$5.6 billion, excluding \$0.9 billion related to Alstom*	excluding an insignificant amount related to Alstom*	(3.1)% related to Alstom*
	Services	(b) 7.6%,
	(b) \$0.4 billion,	excluding (2.1)% related to

excluding an insignificant amount related to Alstom*
Alstom*

SEGMENT REVENUES & PROFIT WALK:

THREE MONTHS

	Revenues	Profit
September 30, 2015 \$	1.7	\$ 0.2
Volume	0.8	0.1
Price	-	-
Foreign Exchange	-	-
(Inflation)/Deflation	N/A	0.1
Mix	N/A	-
Productivity	N/A	-
Other	(0.1)	(0.1)
Alstom	0.4	-
September 30, 2016 \$	2.8	\$ 0.2

COMMENTARY:

2016 - 2015

Segment revenues up \$1.1 billion

(66%);

Segment profit up

16% as a result of:

The increase in revenues was primarily due to higher volume, mainly driven by higher equipment sales in Onshore Wind as a result of shipping 235 more onshore wind turbines than in the prior year, as well as the effects of Alstom, partially offset by lower other income, including negative foreign exchange transactional hedge impacts.

The increase in profit was mainly due to higher volume and material deflation, partially offset by lower other income, including negative foreign exchange transactional hedge impacts.

NINE MONTHS

Revenues	Profit
----------	--------

Segment revenues up \$2.2 billion

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September 30, 2015 \$	4.3	\$	0.4	(51%);
Volume	1.6		0.1	Segment profit up
Price	-		-	10% as a result of:
Foreign Exchange	(0.1)		-	
(Inflation)/Deflation	N/A		0.1	The increase in
Mix	N/A		(0.1)	revenues was
Productivity	N/A		0.1	primarily due to
Other	(0.1)		(0.1)	higher volume,
Alstom	0.9		-	mainly driven by
September 30, 2016 \$	6.5	\$	0.4	the increase in

Onshore Wind turbine shipments, as a result of shipping 429 more units than in the prior year, and the effects of Alstom. The increase was partially offset by the effects of a stronger U.S. dollar and lower other income, including negative foreign exchange transactional hedge impacts.

The increase in profit was primarily due to higher volume, material deflation and cost productivity, partially offset by an unfavorable business mix and lower other income, including negative foreign exchange transactional hedge impacts.

*Non-GAAP Financial Measure
2016 3Q FORM 10-Q 21

OIL & GAS

OPERATIONAL OVERVIEW - THREE AND NINE MONTHS ENDED SEPTEMBER 30
(Dollars in billions)

2016 YTD
SUB-SEGMENT REVENUES EQUIPMENT/SERVICES
REVENUES

(a) Previously referred to as Measurement & Controls (M&C) Equipment Services

ORDERS BACKLOG

Equipment

Equipment Services

Services

(a) Included an insignificant amount related to Alstom

(a) Included \$0.2 billion

(b) Included \$0.1 billion related to Alstom

2016 3Q FORM 10-Q 22

FINANCIAL OVERVIEW - THREE AND NINE MONTHS ENDED SEPTEMBER 30

(Dollars in billions)

SEGMENT REVENUES		SEGMENT PROFIT	SEGMENT PROFIT MARGIN
(a) \$2.9 billion, excluding an insignificant amount related to Alstom*	Equipment	(a) \$0.4 billion, excluding an insignificant amount related to Alstom*	(a) 11.9%, excluding 5.9% related to Alstom*
(b) \$9.4 billion, excluding \$0.1 billion related to Alstom*	Services	(b) \$1.0 billion, excluding an insignificant amount related to Alstom*	(b) 10.4%, excluding 3.8% related to Alstom*

SEGMENT REVENUES & PROFIT WALK:

THREE MONTHS

	Revenues	Profit
September 30, 2015 \$	3.9	\$ 0.6
Volume	(0.8)	(0.1)
Price	(0.1)	(0.1)
Foreign Exchange	-	-
(Inflation)/Deflation	N/A	0.1
Mix	N/A	-
Productivity	N/A	(0.1)
Other	(0.1)	(0.1)
Alstom	-	-
September 30, 2016 \$	3.0	\$ 0.4

COMMENTARY:

2016 - 2015

Segment revenues down \$1.0 billion (25%);
 Segment profit down \$0.3 billion (42%) as a result of:

The decrease in revenues was primarily driven by market conditions resulting in a decrease in equipment and services volume across all sub-segments, with the exception of increased equipment volume at DTS. Revenues also decreased due to lower prices at

TMS and DTS, as well as lower other income, including negative foreign exchange transactional hedge impacts.

The decrease in profit was also driven by negative market conditions, mainly due to lower volume and prices, which, despite the effects of restructuring actions, drove lower cost productivity. Profit also decreased due to lower other income, including negative foreign exchange transactional hedge impacts. These decreases were partially offset by material deflation.

NINE MONTHS

	Revenues	Profit	
September 30, 2015 \$	12.1	\$ 1.7	Segment revenues down \$2.6 billion (21%);
Volume	(2.2)	(0.3)	Segment profit
Price	(0.2)	(0.2)	down \$0.7 billion
Foreign Exchange	(0.3)	-	(43%) as a result
(Inflation)/Deflation	N/A	0.2	of:
Mix	N/A	-	
Productivity	N/A	(0.4)	The decrease in
Other	(0.1)	-	revenues was
Alstom	0.1	-	primarily due to
September 30, 2016 \$	9.5	\$ 1.0	lower equipment
			volume across all
			sub-segments, the
			effects of a
			stronger U.S.
			dollar, lower
			prices and lower

other income,
partially offset by
the effects of
Alstom.

The decrease in
profit was
primarily market
driven, mainly
due to lower
equipment volume
and prices, which,
despite the effects
of restructuring
actions, drove
lower cost
productivity.
These decreases
were partially
offset by material
deflation and
lower other
income, including
negative foreign
exchange
transactional
hedge impacts.

*Non-GAAP Financial Measure
2016 3Q FORM 10-Q 23

AVIATION

OPERATIONAL OVERVIEW - THREE AND NINE MONTHS ENDED SEPTEMBER 30
(Dollars in billions; except where noted)

2016 YTD
SUB-SEGMENT REVENUES

	EQUIPMENT/SERVICES REVENUES	
	Services	Equipment

ORDERS BACKLOG

Equipment

Equipment Services

Services

UNIT SALES

- (a) GENx and LEAP engines are a subset of commercial engines
- (b) Commercial spares shipment rate in millions of dollars per day

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FINANCIAL OVERVIEW - THREE AND NINE MONTHS ENDED SEPTEMBER 30
(Dollars in billions)

SEGMENT REVENUES SEGMENT PROFIT SEGMENT PROFIT MARGIN

Equipment

Services

SEGMENT REVENUES & PROFIT WALK:
THREE MONTHS COMMENTARY: 2016 - 2015

	Revenues	Profit	
September 30, 2015	\$ 6.0	\$ 1.4	Segment revenues up \$0.3 billion (5%); Segment profit up \$0.1 billion (10%) as a result of:
Volume	0.2	0.1	
Price	-	-	The increase in revenues was primarily due to higher services volume, partially
Foreign Exchange	-	-	offset by lower equipment volume driven by lower GENx shipments and
(Inflation)/Deflation	N/A	(0.1)	Military, despite an increase in Commercial Engines driven by LEAP engine
Mix	N/A	-	shipments.
Productivity	N/A	0.1	The increase in profit was primarily due to higher services volume and higher
Other	-	-	cost productivity, partially offset by the effects of inflation.
September 30, 2016	\$ 6.3	\$ 1.5	

NINE MONTHS

	Revenues	Profit	
September 30, 2015	\$ 17.9	\$ 3.9	Segment revenues up \$1.1 billion (6%); Segment profit up \$0.4 billion (11%) as a result of:
Volume	1.1	0.2	
Price	0.1	0.1	The increase in revenues was primarily driven by higher services volume and
Foreign Exchange	-	-	prices, partially offset by lower equipment volume in Military.
(Inflation)/Deflation	N/A	(0.1)	The increase in profit was primarily driven by higher cost productivity, higher
Mix	N/A	-	services volume and prices, partially offset by the effects of inflation and lower
Productivity	N/A	0.3	other income.
Other	-	(0.1)	
September 30, 2016	\$ 19.1	\$ 4.4	

HEALTHCARE

OPERATIONAL OVERVIEW - THREE AND NINE MONTHS ENDED SEPTEMBER 30
(Dollars in billions)

2016 YTD
SUB-SEGMENT REVENUES EQUIPMENT/SERVICES
REVENUES REVENUES

Services

Equipment

ORDERS BACKLOG

Equipment

Equipment

Services

Services

2016 3Q FORM 10-Q 26

FINANCIAL OVERVIEW - THREE AND NINE MONTHS ENDED SEPTEMBER 30
(Dollars in billions)

SEGMENT REVENUES SEGMENT PROFIT SEGMENT PROFIT MARGIN

Equipment

Services

SEGMENT REVENUES & PROFIT WALK:
THREE MONTHS COMMENTARY: 2016 - 2015

	Revenues	Profit	
September 30, 2015	\$ 4.3	\$ 0.7	Segment revenues up \$0.2 billion (5%); Segment profit up \$0.1 billion (10%) as a result of:
Volume	0.3	-	
Price	(0.1)	(0.1)	The increase in revenues was primarily due to higher volume driven by Life Sciences and Healthcare Systems, partially offset by lower prices at Healthcare Systems.
Foreign Exchange (Inflation)/Deflation	-	-	
Mix	N/A	-	The increase in profit was primarily driven by higher cost productivity, including the effects of previous restructuring actions and volume growth, partially offset by lower prices at Healthcare Systems.
Productivity	N/A	0.1	
Other	-	-	
September 30, 2016	\$ 4.5	\$ 0.7	

NINE MONTHS

	Revenues	Profit	
September 30, 2015	\$ 12.7	\$ 1.9	Segment revenues up \$0.5 billion (4%); Segment profit up \$0.2 billion (10%) as a result of:
Volume	0.8	0.1	
Price	(0.2)	(0.2)	The increase in revenues was primarily due to higher volume driven by Life Sciences and Healthcare Systems, partially offset by lower prices at Healthcare Systems and the effects of a stronger U.S. dollar.
Foreign Exchange (Inflation)/Deflation	-	-	
Mix	N/A	-	The increase in profit was primarily driven by higher cost productivity, including the effects of previous restructuring actions and strong volume growth, partially offset by lower prices at Healthcare Systems.
Productivity	N/A	0.3	
Other	-	-	
September 30, 2016	\$ 13.2	\$ 2.1	

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TRANSPORTATION

OPERATIONAL OVERVIEW - THREE AND NINE MONTHS ENDED SEPTEMBER 30

(Dollars in billions)

2016 YTD
SUB-SEGMENT
REVENUES

EQUIPMENT/SERVICES
REVENUES

(a) Includes

Marine,
Stationary,
Drilling
and Digital

Services
Equipment

ORDERS BACKLOG

Equipment

Equipment

Services

Services

UNIT
SALES

2016 3Q FORM 10-Q 28

FINANCIAL OVERVIEW - THREE AND NINE MONTHS ENDED SEPTEMBER 30
(Dollars in billions)

SEGMENT REVENUES SEGMENT PROFIT SEGMENT PROFIT MARGIN

Equipment

Services

SEGMENT REVENUES & PROFIT
WALK:
THREE MONTHS

COMMENTARY: 2016 - 2015

	Revenues	Profit
September 30, 2015	\$ 1.6	\$ 0.4
Volume	(0.3)	(0.1)
Price	-	-
Foreign Exchange	-	-
(Inflation)/Deflation	N/A	-
Mix	N/A	-
Productivity	N/A	-
Other	-	-
September 30, 2016	\$ 1.2	\$ 0.3

Segment revenues down \$0.3 billion (22%);
Segment profit down \$0.1 billion (18%) as a result of:

The decrease in revenues was primarily due to lower equipment volume driven by 59 fewer locomotive shipments than in the prior year. The decrease in revenues was also impacted by the Signaling business disposition in November 2015.

The decrease in profit was driven by lower volume due to lower locomotive shipments and lower services volume, partially offset by the effects of previous restructuring actions.

NINE MONTHS

	Revenues	Profit
September 30, 2015	\$ 4.3	\$ 0.9
Volume	(0.8)	(0.2)
Price	-	-
Foreign Exchange	-	-
(Inflation)/Deflation	N/A	0.1
Mix	N/A	-
Productivity	N/A	-
Other	-	-
September 30, 2016	\$ 3.5	\$ 0.7

Segment revenues down \$0.9 billion (20%);
Segment profit down \$0.2 billion (20%) as a result of:

The decrease in revenues was primarily driven by lower equipment volume, driven by 87 fewer locomotive shipments than in the prior year, as well as lower services volume due to higher parked locomotives. The decrease in revenues was also impacted by the Signaling business disposition in November 2015.

The decrease in profit was primarily driven by lower equipment volume, partially offset by material deflation and the effects of previous restructuring actions.

ENERGY CONNECTIONS & LIGHTING

OPERATIONAL OVERVIEW - THREE AND NINE MONTHS ENDED SEPTEMBER 30

(Dollars in billions)

2016 YTD
SUB-SEGMENT REVENUES EQUIPMENT/SERVICES
REVENUES

(a) Includes
Current, powered
by GE

(b) Reflects
historical results
of Appliances
prior to its sale in
June 2016

Services
Equipment

ORDERS BACKLOG

Equipment Equipment

Services Services

(a) Included \$1.4
billion related to
Alstom

(b) Included \$4.0
billion related to
Alstom

(a) Included \$8.3 billion
related to Alstom

2016 3Q FORM 10-Q 30

FINANCIAL OVERVIEW - THREE AND NINE MONTHS ENDED SEPTEMBER 30

(Dollars in billions)

SEGMENT REVENUES	SEGMENT PROFIT (LOSS)	SEGMENT PROFIT MARGIN
(a) \$1.8 billion, excluding \$1.4 billion related to Alstom*	(a) Includes \$0.1 billion related to Equipment Alstom*	(a) (1.0)%, excluding 4.6% related to Alstom*
(b) \$7.9 billion, excluding \$3.9 billion related to Alstom*	(b) \$(0.1) billion, excluding \$0.1 billion related to Alstom*	(b) 1.8%, excluding 1.8% related to Alstom*
	Services	

SEGMENT REVENUES & PROFIT WALK:

COMMENTARY: 2016 - 2015

THREE MONTHS

	Revenues	Profit
September 30, 2015	\$ 4.1	\$ 0.3
Volume	(2.2)	(0.2)
Price	-	-
Foreign Exchange	-	-
(Inflation)/Deflation	N/A	-
Mix	N/A	-
Productivity	N/A	(0.1)
Other	-	-
Alstom	1.4	0.1
September 30, 2016	\$ 3.2	\$ -

Segment revenues down \$0.9 billion (22%);
Segment profit down \$0.2 billion (84%) as a result of:

The decrease in revenues was driven primarily by the Appliances disposition in June 2016, as well as lower Lighting revenues, as traditional lighting sales were partially offset by an increase in LED revenues and Current. The decrease in revenues was partially offset by the effects of Alstom, including higher equipment sales at Grid.

The decrease in profit was due to lower core volume, lower cost productivity and the effects of the Appliances disposition, partially offset by the effects of Alstom, including higher equipment sales at Grid.

NINE MONTHS

	Revenues	Profit
September 30, 2015	\$ 11.7	\$ 0.7
Volume	(3.5)	(0.2)
Price	(0.1)	(0.1)
Foreign Exchange	(0.1)	-
(Inflation)/Deflation	N/A	0.1
Mix	N/A	-
Productivity	N/A	(0.2)
Other	(0.1)	(0.1)
Alstom	3.9	0.1

Segment revenues up \$0.1 billion (1%);
Segment profit down \$0.5 billion (69%) as a result of:

The increase in revenues was driven by the effects of Alstom, including higher equipment sales at Grid, partially offset by a decrease in core volume driven by Industrial Solutions and Power Conversion, the effects of the Appliances disposition and traditional lighting sales. The increase was also partially offset by lower prices, the effects of a stronger U.S. dollar and lower other income, including negative foreign exchange hedge impacts.

The decrease in profit was due to lower cost productivity, driven by lower core volume and prices, as well as the effects of the Appliances disposition and lower other income, including negative foreign exchange transactional hedge impacts, partially offset by material deflation, a favorable business mix and the effects of Alstom.

September 30, 2016 \$ 11.8 \$ 0.2

*Non-GAAP Financial Measure

2016 3Q FORM 10-Q 31

CAPITAL

OPERATIONAL OVERVIEW - THREE AND NINE MONTHS ENDED SEPTEMBER 30

(Dollars in billions)

2016 YTD SUB-SEGMENT REVENUES ENDING NET INVESTMENT, EXCLUDING LIQUIDITY*

(a) As originally reported; \$271 billion including discontinued operations

(b) \$103 billion including discontinued operations

FINANCIAL OVERVIEW - THREE AND NINE MONTHS ENDED SEPTEMBER 30

(Dollars in billions)

SEGMENT REVENUES	SEGMENT PROFIT (LOSS) ^(a)
---------------------	--

Total Capital

Verticals

Verticals

Other Continuing

Other Continuing

Total Capital

(a) Interest and other financial charges and income taxes are included in determining segment profit (loss) for the Capital segment

* Non-GAAP Financial Measure

2016 3Q FORM 10-Q 32

COMMENTARY: 2016 - 2015

THREE MONTHS

Capital revenues decreased \$0.1 billion, or 2%, as a result of the effects of dispositions and organic revenue declines, partially offset by higher gains and lower impairments.

Within Capital, Verticals revenues decreased by \$0.1 billion as a result of the effects of dispositions (\$0.2 billion) and organic revenue declines (\$0.2 billion), partially offset by lower impairments (\$0.2 billion) and higher gains (\$0.1 billion).

Other Capital revenues increased less than \$0.1 billion as a result of higher gains (\$0.1 billion) and organic revenue growth (\$0.1 billion), partially offset by higher impairments (\$0.1 billion).

Capital net loss decreased \$0.2 billion, primarily due to lower impairments and higher gains, partially offset by the effects of dispositions and core decreases. Core decreases reflect excess interest expense, higher restructuring expenses and higher insurance reserve provisions, partially offset by increased tax benefits resulting from an IRS tax settlement and tax adjustments in the three months ended September 30, 2016, to bring Capital's nine-month tax rate in line with the projected full-year tax rate.

Within Capital, Verticals net earnings increased by \$0.1 billion due to lower impairments (\$0.2 billion) and higher gains, partially offset by the effects of dispositions (\$0.1 billion) and core decreases (\$0.1 billion).

Other Capital net loss decreased by \$0.1 billion primarily as a result of:

Increased tax benefits related to an IRS settlement of \$0.3 billion.

Tax adjustments of \$0.1 billion in the three months ended September 30, 2016, to bring Capital's nine-month tax rate in line with the projected full-year tax rate.

Higher treasury operation expenses of \$0.3 billion reflecting excess interest expense and derivative activities that reduce or eliminate interest rate, currency or market risk between financial assets and liabilities. We expect to continue to have excess interest costs in 2016 as asset sales outpace our debt maturities. We may engage in liability management actions, such as buying back debt, based on market and economic conditions.

Higher restructuring expenses of \$0.1 billion.

NINE MONTHS

Capital revenues increased less than \$0.1 billion primarily due to lower impairments, higher gains and the effects of acquisitions, partially offset by the effects of dispositions, organic revenue declines and the effects of currency exchange.

Within Capital, Verticals revenues decreased by \$0.2 billion as a result of organic revenue declines (\$0.5 billion) and the effects of dispositions (\$0.2 billion), partially offset by higher gains (\$0.3 billion), lower impairments (\$0.1 billion) and the effects of acquisitions.

Other Capital revenues increased \$0.3 billion as a result of organic revenue growth (\$0.4 billion) and lower impairments (\$0.1 billion), partially offset by lower gains (\$0.2 billion) and the effects of currency exchange (\$0.1 billion).

Capital net loss decreased by \$4.9 billion, or 77%, primarily due to the absence of the 2015 charges associated with the GE Capital Exit Plan.

Within Capital, Verticals net earnings increased by \$0.2 billion as a result of higher gains (\$0.2 billion) and lower impairments (\$0.1 billion), partially offset by the effects of dispositions (\$0.1 billion) and core decreases (\$0.1 billion).

Other Capital net loss decreased by \$4.7 billion primarily as a result of:

Lower tax expenses of \$6.1 billion primarily related to the absence of the 2015 charges for repatriation of foreign earnings and write-off of deferred tax assets related to the GE Capital Exit Plan.

Tax adjustments of \$0.5 billion in the nine months ended September 30, 2016, to bring Capital's nine-month tax rate in line with the projected full-year tax rate.

Increased tax benefits related to an IRS tax settlement of \$0.3 billion.

Higher treasury operation expenses of \$1.6 billion reflecting excess interest expense, costs associated with the February and May 2016 debt tenders and derivative activities that reduce or eliminate interest rate, currency or market risk between financial assets and liabilities. We expect to continue to have excess interest costs in 2016 as asset sales outpace our debt maturities. We may engage in liability management actions, such as buying back debt, based on market and economic conditions.

·Charges of \$0.3 billion associated with the preferred equity exchange that was completed in January 2016.

·Higher restructuring expenses of \$0.3 billion.

2016 3Q FORM 10-Q 33

CORPORATE ITEMS AND ELIMINATIONS

REVENUES AND OPERATING PROFIT (COST)

(In millions)	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Revenues				
Gains (losses) on disposed and held for sale businesses	\$208	\$-	\$3,395	\$49
NBCU settlement	-	-	-	450
Eliminations and other	(963)	(888)	(2,966)	(2,665)
Total Corporate Items and Eliminations	\$(755)	\$(888)	\$429	\$(2,166)
Operating profit (cost)				
Gains (losses) on disposed and held for sale businesses	\$208	\$-	\$3,395	\$49
NBCU settlement	-	-	-	450
Principal retirement plans(a)	(542)	(659)	(1,489)	\$(2,121)
Restructuring and other charges	(683)	(346)	(2,557)	(1,167)
Eliminations and other	(507)	(554)	(1,469)	(1,647)
Total Corporate Items and Eliminations	\$(1,524)	\$(1,559)	\$(2,120)	\$(4,436)

CORPORATE COSTS

(In millions)	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Total Corporate Items and Eliminations	\$(1,524)	\$(1,559)	\$(2,120)	\$(4,436)
Less: non-operating pension cost	(511)	(693)	(1,534)	(2,077)
Total Corporate costs (operating)*	\$(1,012)	\$(866)	\$(586)	\$(2,359)
Less: restructuring and other charges, gains (losses) and settlement	(475)	(346)	838	(668)
Adjusted total corporate costs (operating)*	\$(538)	\$(520)	\$(1,424)	\$(1,691)

Included non-operating pension cost* of \$0.5 billion and \$0.7 billion in the three months ended September 30, 2016 and 2015, respectively, and \$1.5 billion and \$2.1 billion in the nine months ended September 30, 2016 and (a) 2015, respectively, which includes expected return on plan assets, interest costs and non-cash amortization of actuarial gains and losses.

2016 – 2015 COMMENTARY: THREE MONTHS ENDED SEPTEMBER 30

Revenues and other income increased \$0.1 billion, primarily as a result of: \$0.2 billion of higher net gains from disposed and held for sale businesses, which included \$0.4 billion gain from the sale of GE Asset Management to State Street Corporation, partially offset by a \$0.2 billion charge related to the anticipated sale of a non-strategic platform in our Aviation business. This was partially offset by \$0.1 billion of higher inter-segment eliminations.

Operating costs were flat, primarily as a result of:

\$0.2 billion of higher net gains from disposed and held for sale businesses, which included \$0.4 billion gain from the sale of GE Asset Management to State Street Corporation, partially offset by a \$0.2 billion charge related to the anticipated sale of a non-strategic platform in our Aviation business, and

\$0.1 billion of lower costs associated with our principal retirement plans including the effects of higher discount rates.

These decreases to operating costs were offset by \$0.3 billion higher restructuring and other charges, which included \$0.2 billion of higher restructuring charges associated with the Alstom acquisition.

*Non-GAAP Financial Measure

2016 3Q FORM 10-Q 34

2016 – 2015 COMMENTARY: NINE MONTHS ENDED SEPTEMBER 30

Revenues and other income increased \$2.6 billion, primarily a result of:

\$3.3 billion of higher net gains from disposed and held for sale businesses, which included \$3.2 billion gain from the sale of our Appliances business to Haier in the second quarter of 2016 and \$0.4 billion gain from the sale of GE Asset Management to State Street Corporation, partially offset by a \$0.2 billion charge related to the anticipated sale of a non-strategic platform in our Aviation business in the third quarter of 2016.

This increase to revenues and other income was partially offset by the following:

\$0.5 billion lower other income from a settlement related to the NBCU transaction in the second quarter of 2015, and \$0.3 billion of higher inter-segment eliminations.

Operating costs decreased \$2.3 billion, primarily as a result of:

\$3.3 billion of higher net gains from disposed and held for sale businesses, which included \$3.2 billion gain from the sale of our Appliances business to Haier in the second quarter of 2016 and \$0.4 billion gain from the sale of GE Asset Management to State Street Corporation, partially offset by a \$0.2 billion charge related to the anticipated sale of a non-strategic platform in our Aviation business in the third quarter of 2016.

\$0.6 billion of lower costs associated with our principal retirement plans including the effects of higher discount rates, and

\$0.2 billion of lower costs under our long-term incentive plan.

These decreases to operating costs were partially offset by the following:

\$1.4 billion higher restructuring and other charges, which included \$0.6 billion of higher restructuring charges associated with the Alstom acquisition, and

\$0.5 billion lower other income from a settlement related to the NBCU transaction in the second quarter of 2015.

COSTS NOT INCLUDED IN SEGMENT RESULTS

Certain amounts are not included in industrial operating segment results because they are excluded from measurement of their operating performance for internal and external purposes. These amounts are included in GE Corporate Items & Eliminations and may include matters such as charges for restructuring; rationalization and other similar expenses; acquisition costs and related charges; technology and product development cost; certain gains and losses from acquisitions or dispositions; and litigation settlements or other charges, for which responsibility preceded the current management team. The amount of costs not included in segment results follows.

COSTS

(In billions)	Three months ended		Nine months ended	
	September 30 2016	September 30 2015	September 30 2016	September 30 2015
Power	\$0.3	(a) \$0.1	\$0.8	(a) \$0.2
Renewable Energy	-	-	0.2	0.1
Oil & Gas	0.1	(b) 0.2	0.7	(b) 0.5
Aviation	-	-	0.1	-
Healthcare	0.1	(c) -	0.4	(c) 0.1
Transportation	-	-	0.2	-
Energy Connections & Lighting	0.1	-	0.3	0.2
Total	\$0.7	\$0.3	\$2.7	\$1.1

- (a) For the three and nine months ended September 30, 2016, Power's results excluded \$0.3 billion and \$0.8 billion of costs, primarily related to restructuring charges associated with the Alstom acquisition.
- (b) For the three and nine months ended September 30, 2016, Oil & Gas's results excluded \$0.1 billion and \$0.7 billion of costs, primarily related to ongoing restructuring activities.
- (c) For the three and nine months ended September 30, 2016, Healthcare's results excluded \$0.1 billion and \$0.4 billion of costs, primarily related to restructuring charges.

2016 3Q FORM 10-Q 35

GAINS (LOSSES)

(In billions)	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Power	\$-	\$-	\$-	\$-
Renewable Energy	-	-	-	-
Oil & Gas	-	-	-	-
Aviation	(0.2) (a)	-	(0.2) (a)	-
Healthcare	-	-	-	-
Transportation	-	-	-	-
Energy Connections & Lighting	-	-	3.2 (b)	-
Total	\$(0.2)	\$-	\$2.9	\$-

(a) Related to the anticipated sale of a non-strategic platform in our Aviation business.

(b) Related to the sale of our Appliances business in the second quarter of 2016.

2016 3Q FORM 10-Q 36

DISCONTINUED OPERATIONS

Discontinued operations primarily relate to our financial services businesses as a result of the GE Capital Exit Plan and include our Consumer business, most of our CLL business, our Real Estate business and U.S. mortgage business (WMC). All of these operations were previously reported in the Capital segment.

We have entered into Transitional Service Agreements (TSA) with and provided certain indemnifications to buyers of GE Capital's assets. Under the TSAs, GE Capital provides various services for terms generally between 12 and 24 months and receives a level of cost reimbursement from the buyers.

At September 30, 2016, specific indemnifications amounted to \$1.6 billion, for which we have recognized related liabilities of \$0.2 billion. In addition, we provided \$0.1 billion of credit support, the majority on behalf of certain customers aligned with signed disposal transactions scheduled to close in 2016, and recognized an insignificant liability at September 30, 2016.

As part of the GE Capital Exit Plan, we entered into hedges (on an after-tax basis) of our net investment in businesses that we plan to dispose. These derivatives are treated as standalone hedges and the mark-to-market valuation changes on the derivatives are recorded in earnings of discontinued operations.

Results of operations, financial position and cash flows for these businesses are separately reported as discontinued operations for all periods presented.

FINANCIAL INFORMATION FOR DISCONTINUED OPERATIONS

	Three months ended September 30		Nine months ended September 30	
(In millions)	2016	2015	2016	2015
Earnings (loss) from discontinued operations, net of taxes	\$(105)	\$629	\$(954)	\$(11,253)

2016 – 2015 COMMENTARY: THREE MONTHS ENDED SEPTEMBER 30

The third quarter 2016 loss from discontinued operations, net of taxes, primarily reflected the following: \$0.5 billion after-tax loss at our Consumer business (including \$0.4 billion after-tax loss on planned disposals). Third quarter 2016 losses were partially offset by a \$0.2 billion tax benefit related to an IRS tax settlement in our discontinued insurance operations and \$0.1 billion after-tax earnings at our CLL business.

The third quarter 2015 earnings from discontinued operations, net of taxes, primarily reflected the following: \$1.0 billion after-tax earnings at our Consumer business. \$0.1 billion after-tax earnings at our Real Estate business (including \$0.2 billion after-tax gain on transactions closed in the quarter). Third quarter 2015 earnings were partially offset by \$0.5 billion after-tax loss at our CLL business (including \$1.2 billion after-tax loss on planned disposals).

2016 – 2015 COMMENTARY: NINE MONTHS ENDED SEPTEMBER 30

The 2016 loss from discontinued operations, net of taxes, primarily reflected the following: \$0.7 billion after-tax loss at our CLL business (including \$0.8 billion after-tax loss on planned disposals).

\$0.5 billion after-tax loss at our Consumer business (including \$0.5 billion after-tax loss on planned disposals). These 2016 losses were partially offset by a \$0.2 billion tax benefit related to an IRS settlement in our discontinued insurance operations.

The 2015 loss from discontinued operations, net of taxes, primarily reflected the following:

\$8.2 billion after-tax loss at our CLL business (including \$8.4 billion after-tax loss on planned disposals).

\$2.2 billion after-tax loss at our Real Estate business (including \$2.2 billion after-tax loss on planned disposals).

\$0.9 billion after-tax loss at our Consumer
business.

For additional information related to discontinued operations, see Note 2 to the consolidated financial statements.
2016 3Q FORM 10-Q 37

OTHER CONSOLIDATED INFORMATION

INCOME TAXES

GE pays the income taxes it owes in every country it does business. While GE and GE Capital file a consolidated U.S. federal income tax return, many factors impact our income tax expense and cash tax payments. The most significant factor is that we conduct business in approximately 180 countries and more than half of our revenue is earned outside the U.S., often in countries with lower tax rates than in the U.S. We reinvest most of our foreign earnings overseas to be able to fund our active non-U.S. business operations. Our tax liability is also affected by U.S. and foreign tax incentives designed to encourage certain investments, such as research and development, and is also affected by acquisitions, dispositions and tax law changes. Finally, our tax returns are routinely audited, and settlements of issues raised in these audits sometimes affect our tax rates.

GE and GE Capital file a consolidated U.S. federal income tax return. This enables GE and GE Capital to use tax deductions and credits of one member of the group to reduce the tax that otherwise would have been payable by another member of the group. The GE Capital effective tax rate reflects the benefit of these tax reductions in the consolidated return. GE makes cash payments to GE Capital for tax reductions and GE Capital pays for tax increases at the time GE's tax payments are due.

CONSOLIDATED – THREE AND NINE MONTHS ENDED SEPTEMBER 30
(Dollars in billions)

PROVISION FOR INCOME TAXES

2016 – 2015 COMMENTARY: THREE MONTHS ENDED SEPTEMBER 30

The consolidated income tax rate was 0.9% in the third quarter of 2016 compared to 6.6% in the third quarter of 2015. The consolidated tax provision decreased in the third quarter of 2016 compared to the third quarter of 2015 due to a larger adjustment to reduce the tax rate to the projected full-year tax rate and due to the final resolution of the IRS disallowance of the tax loss on the 2003 disposition of ERC Life Reinsurance Company, partially offset by lower benefits from lower-taxed global operations.

The first nine months of 2016 tax rate was adjusted to reflect the relatively large amount of pre-tax income through the third quarter of 2016 relative to tax benefits through the third quarter of 2016. Tax benefits incurred through the third quarter were relatively low as larger international tax benefits are projected for the fourth quarter of 2016. The consolidated tax provision includes \$0.2 billion and \$0.4 billion for GE (excluding GE Capital) for the third quarters of 2016 and 2015, respectively.

2016 – 2015 COMMENTARY: NINE MONTHS ENDED SEPTEMBER 30

The consolidated tax rate was 4.9% in the first nine months of 2016 compared to 115.0% in the first nine months of 2015. The tax rate for the first nine months of 2015 was in excess of 100% due to the tax expense of \$6.2 billion in the first nine months of 2015 for the expected repatriation of foreign earnings and write-off of deferred tax assets incurred in connection with the GE Capital Exit Plan.

The consolidated income tax provision decreased from the first nine months of 2015 to the first nine months of 2016 due to the non-repeat of the GE Capital Exit Plan charge, a larger adjustment to reduce the tax rate to the projected full-year tax rate and the final resolution of the IRS disallowance of the tax loss on the 2003 disposition of ERC Life Reinsurance Company, partially offset by lower benefits from lower-taxed global operations.

The first nine months of 2016 tax rate was adjusted to reflect the relatively large amount of pre-tax income through the third quarter of 2016 including the gain on the sale of the Appliances business relative to tax benefits through the third quarter of 2016. Tax benefits incurred through the third quarter were also relatively low as larger international tax benefits are projected for the fourth quarter of 2016 and because of high taxes on the gain on the sale of the Appliances business.

The consolidated tax provision includes \$1.0 billion and \$1.3 billion for GE (excluding GE Capital) for the first nine months of 2016 and 2015, respectively.

BENEFITS FROM GLOBAL OPERATIONS

Absent the effects of the GE Capital Exit Plan, our consolidated income tax provision is lower because of the benefits of lower-taxed global operations. There is a benefit from global operations as non-U.S. income is subject to local country tax rates that are significantly below the 35% U.S. statutory rate. These non-U.S. earnings have been indefinitely reinvested outside the U.S. an