GENERAL ELECTRIC CO
Form 10-Q
May 01, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018

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 þ 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 þ No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨
Emerging growth company ¨	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No þ

There were 8,685,338,000 shares of common stock with a par value of $0.06 per share outstanding at March 31, 2018.

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FORWARD LOOKING STATEMENTS

FORWARD LOOKING STATEMENTS

Our public communications and SEC filings may contain "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," "estimate," "forecast," "target," "preliminary," or "range."

Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as statements about potential business or asset dispositions or other restructuring and our ongoing portfolio review; GE and GE Capital liquidity; future charges and capital contributions that may be required in connection with GE Capital’s run-off insurance operations, and related GE Capital portfolio actions; revenues; organic growth; cash flows and cash conversion, including the impact of working capital, contract assets and pension funding contributions; earnings per share, including the impact of the new revenue recognition accounting standard and U.S. tax reform; growth and productivity associated with our Digital and Additive businesses; profit margins; cost structure and plans to reduce costs; restructuring, goodwill impairment or other financial charges; tax rates; transaction-related synergies, proceeds and gains; returns on capital and investment; capital allocation, including organic investment, dividends and other priorities; or capital structure and access to funding, including credit ratings and outlooks, debt-to-earnings ratios and leverage.

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

- our execution of GE Industrial and GE Capital business or asset dispositions, including sale prices, the timing of disposition proceeds and potential trailing liabilities, as well as our ongoing portfolio review;
- GE's liquidity and the amount and timing of our GE Industrial cash flows and earnings, which may be impacted by customer, competitive, contractual and other dynamics and conditions;
- our capital allocation plans, as such plans may change including with respect to the timing and amount of GE dividends, organic investments, including research and development, investments in Digital and capital expenditures, pension funding contributions, acquisitions, joint ventures and other strategic actions;
- our ability to maintain our current short- and long-term credit ratings and the impact on our funding costs and competitive position if we do not do so;
- customer actions or market developments such as reduced demand for equipment and services and other challenges in our Power business, other shifts in the competitive landscape for our products and services, changes in economic conditions, including oil prices, early aircraft retirements and other factors that may affect the level of demand and financial performance of the major industries and customers we serve;
- changes in law, economic and financial conditions, including the effect of enactment of U.S. tax reform or other tax law changes, trade policy and tariffs, interest and exchange rate volatility, commodity and equity prices and the value of financial assets;
- GE Capital's liquidity, the impact of conditions in the financial and credit markets on GE Capital’s ability to sell financial assets, the availability and cost of GE Capital funding and GE Capital’s exposure to counterparties;
- pending and future mortgage loan repurchase claims, other litigation claims and the U.S. Department of Justice’s investigation under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 and other investigations in connection with WMC, which may affect our estimates of liability, including possible loss estimates;
- our ability to launch new products in a cost-effective manner;
- our ability to increase margins through restructuring and other cost reduction measures;
- 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;
- the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks, including the impact of WMC, Alstom, SEC and other investigative and legal proceedings;

- our success in completing, including obtaining regulatory approvals and satisfying other closing conditions for, announced transactions on favorable economic terms, such as our plans to sell our Industrial Solutions business, the substantial majority of our Lighting segment or other dispositions that we may pursue;
- our success in integrating acquired businesses and operating joint ventures, and our ability to realize revenue and cost synergies from announced transactions, acquired businesses and joint ventures, including Alstom and Baker Hughes, a GE company (BHGE);
- the impact of potential product safety failures and related reputational effects;
- the impact of potential information technology, cybersecurity or data security breaches;
- the other factors that are described in “Forward-Looking Statements” in BHGE's most recent earnings release or SEC filing; and
- the other factors that are described in “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2017.

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.

MD&A

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 (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 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. As GE presents the continuing operations of GE Capital on a one-line basis, certain intercompany profits resulting from transactions between GE and GE Capital have been eliminated at the GE level. We present the results of GE in the center column of our consolidated statements of earnings (loss), 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 – 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 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 (loss), 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 (loss), financial position and cash flows.
- GE 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 a GE Industrial metric is GE Industrial free cash flows (Non-GAAP), as defined in Other Terms Used by GE below.
- 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.
- Baker Hughes, a GE company or BHGE - following the combination of our Oil & Gas business with Baker Hughes Incorporated, our Oil & Gas segment is comprised of our ownership interest of approximately 62.5% in the new company formed in the transaction, Baker Hughes, a GE Company (BHGE). We consolidate 100% of BHGE's revenues and cash flows, while our Oil & Gas segment profit and net income are derived net of minority interest of approximately 37.5% attributable to BHGE's Class A shareholders. References to "Baker Hughes" represent legacy Baker Hughes Incorporated operating activities which, in certain cases, have been excluded from our results for comparative purposes.
- Total segment – the sum of our seven industrial segments and one financial services segment, without giving effect to the elimination of transactions between such segments. This provides investors with a view as to the results of all of

our segments, without inter-segment eliminations and corporate items.

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.

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.

MD&A

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 and remaining performance obligation (RPO) – backlog is unfilled customer orders for products and product services (expected life of contract sales for product services). RPO, a defined term under GAAP, is backlog excluding any contract with a termination clause without substantive penalty and firm purchase orders not yet received even though the probability of cancellation has been historically remote. We plan to continue reporting backlog as we believe that it is a useful metric for investors, given its relevance to total orders.
- Continuing earnings – we refer to the caption "earnings from continuing operations attributable to GE common shareowners" as continuing earnings.
- Continuing earnings per share (EPS) – 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 internally developed software (including Predix™) and associated hardware, and software solutions that improve our customers' asset performance. These revenues are largely generated from our operating businesses and are included in their segment results. Revenues of "Non-GE Verticals" refer to GE Digital revenues from customers operating in industries where GE does not have a presence.
- 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.
- GE Industrial free cash flows (Non-GAAP) – GE CFOA adjusted for gross GE additions to property, plant and equipment and internal-use software, which are included in cash flows from investing activities, and excluding dividends from GE Capital, GE Pension Plan funding, and taxes related to business sales.
- Adjusted GE Industrial free cash flows (Non-GAAP) – GE Industrial free cash flows adjusted for Oil & Gas CFOA, gross Oil & Gas additions to property, plant and equipment and internal-use software, and including the BHGE Class B shareholder dividend.
- GE Industrial operating profit margin – GE total revenues plus other income minus GE total costs and expenses less GE interest and other financial charges and non-operating benefit costs divided by GE total revenues plus other income.
- Adjusted GE Industrial operating profit margin (Non-GAAP) – GE Industrial operating profit margin excluding gains and restructuring and other charges plus noncontrolling interests.
- GE Industrial structural costs (Non-GAAP) – Industrial structural cost include segment structural costs excluding the impact of restructuring and other charges, business acquisitions and dispositions, foreign exchange, plus total Corporate operating profit excluding restructuring and other charges and gains. The Baker Hughes acquisition is represented on a pro-forma basis.
- Net earnings (loss) – we refer to the caption "net earnings (loss) attributable to GE common shareowners" as net earnings.
- Net earnings (loss) per share (EPS) – when we refer to net earnings (loss) per share, it is the diluted per-share amount of "net earnings attributable to GE common shareowners."
- Operating earnings – GE earnings from continuing operations attributable to common shareowners excluding the impact of non-operating benefit costs.

Operating earnings per share – when we refer to operating earnings per share, it is the diluted per-share amount of “operating earnings.”

- Adjusted earnings - GE earnings from continuing operations excluding the impact of non-operating benefit costs, gains and restructuring and other items, after tax.
- Adjusted earnings per share – when we refer to adjusted earnings per share, it is the diluted per-share amount of “adjusted earnings.”
- Organic revenues (Non-GAAP) – revenues excluding the effects of acquisitions, dispositions and translational foreign currency exchange.
- 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 – revenues comprise sales of goods, sales of services for our industrial businesses and GE Capital revenues from services for our financial services businesses.
- Segment profit – refers to the operating profit of the industrial segments and the net earnings of the Financial Services segment, both of which include other income. See the Segment Operations section within the MD&A for a description of the basis for segment profits.

MD&A

- Services – for purposes of the financial statement display of sales and costs of sales in our Statement of Earnings (Loss), "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 "services," which is an important part of our operations.

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 U.S. Securities and Exchange Commission (SEC) rules. Specifically, we have referred, in various sections of this report, to:

- GE Industrial segment organic revenues
- GE Industrial structural costs
- GE pre-tax earnings from continuing operations, excluding GE Capital earnings (loss) from continuing operations and the corresponding effective tax rates
- Adjusted earnings and earnings per share
- Adjusted GE Industrial operating profit and operating profit margin (excluding certain items)
- GE Industrial Free Cash Flow (FCF) and Adjusted GE Industrial FCF

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 the 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[(a)]	Aviation	Lighting[(a)]
Renewable Energy	Healthcare	
Oil & Gas[(b)]	Transportation	

OUR FINANCIAL SERVICES OPERATING SEGMENT

Capital

(a) Beginning in the third quarter of 2017, the Energy Connections business within the former Energy Connections & Lighting segment was combined with the Power segment and presented as one reporting segment called Power. As a result of this combination, our GE Lighting and Current, powered by GE (Current) businesses are now reported as a separate segment called Lighting.

(b) Beginning in the third quarter of 2017, our Oil & Gas segment is comprised of our ownership interest of approximately 62.5% in BHGE. We consolidate 100% of BHGE's revenues and cash flows, while our Oil & Gas segment operating profit and net income are derived net of minority interest of approximately 37.5% attributable to BHGE's Class A shareholders.

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 and other social media, 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.

MD&A KEY PERFORMANCE INDICATORS

KEY PERFORMANCE INDICATORS

2018 REVENUES PERFORMANCE

	Three months ended March 31
Industrial Segment	9 %
Industrial Segment Organic (Non-GAAP)	(4)%
Financial Services	(19)%

GE INDUSTRIAL ORDERS AND BACKLOG

	Three months ended March 31	
(Dollars in billions)	2018	2017
Orders		
Equipment	$13.0	$12.2
Services	14.5	12.9
Total(a)	$27.4	$25.1
Backlog		
Equipment	$85.7	$83.3
Services	286.7	263.2
Total	$372.3	$346.5

(a) Included $2.6 billion related to Baker Hughes in 2017.

GE INDUSTRIAL COSTS (GAAP) AND GE INDUSTRIAL STRUCTURAL COSTS (NON-GAAP)

	Three months ended March 31	
(Dollars in billions)	2018	2017
GE Industrial costs excluding interest and financial charges and non-operating benefit costs (GAAP)	$25.0	$23.6
GE Industrial structural costs (Non-GAAP)	5.7	6.5

GE INDUSTRIAL OPERATING PROFIT MARGINS (GAAP) AND ADJUSTED GE INDUSTRIAL OPERATING PROFIT MARGINS (NON-GAAP)

	Three months ended March 31	
(Dollars in billions)	2018	2017
GE Industrial operating profit margins (GAAP)	7.7 %	5.2 %
Adjusted GE Industrial operating profit margins (Non-GAAP)	10.2 %	9.6 %

EARNINGS

(Dollars in billions; per-share amounts in dollars)	Three months ended March 31 2018	2017
Continuing earnings (loss) (GAAP)	$0.4	$0.1
Net earnings (loss) (GAAP)	(1.2)	(0.1)
Operating earnings (loss) (GAAP)	0.9	0.5
Adjusted earnings (loss) (Non-GAAP)	1.4	1.2
Continuing earnings (loss) per share (GAAP)	$0.04	$0.01
Net earnings (loss) per share (GAAP)	(0.14)	(0.01)
Operating earnings (loss) per share (GAAP)	0.10	0.06
Adjusted earnings (loss) per share (Non-GAAP)	0.16	0.14

GE CFOA (GAAP) AND GE INDUSTRIAL AND ADJUSTED GE INDUSTRIAL FREE CASH FLOWS (NON-GAAP)

(Dollars in billions)	Three months ended March 31 2018	2017
GE CFOA (GAAP)	$(1.0)	$0.4
GE Industrial free cash flows (Non-GAAP)	(1.7)	(2.7)
Adjusted GE Industrial free cash flows (Non-GAAP)	(1.7)	(2.7)

MD&A CONSOLIDATED RESULTS

CONSOLIDATED RESULTS

2018 DEVELOPMENTS

- In the fourth quarter of 2017, we announced our plan to significantly reduce the size of our Board of Directors at the 2018 annual shareowners meeting. On April 25, 2018, 12 directors were elected to the Board of Directors, with increased focus on relevant industry expertise, capital allocation and accounting and financial reporting.
- During the first quarter of 2018, we recorded a reserve of $1.5 billion in discontinued operations in connection with the U.S. Department of Justice's (DOJ) ongoing investigation regarding potential violations of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) by WMC and GE Capital. See Legal Proceedings and Note 19 to the consolidated financial statements for further information.
- In April 2018, we announced an agreement to sell our Enterprise Financial Management, Ambulatory Care Management and Workforce Management assets, comprising our Healthcare segment’s Value-Based Care Division, to Veritas Capital, a private equity investment firm, for approximately $1.0 billion in cash. The deal is expected to close in the third quarter of 2018, subject to customary closing conditions and regulatory approval.

FIRST QUARTER 2018 RESULTS

Overall, our consolidated continuing results in the first quarter were in line with our expectations. After adjusting for incremental Baker Hughes revenues of $2.6 billion, adjusted consolidated revenues* were $26.1 billion, down $0.8 billion or 3%. The decline in revenues was a result of lower industrial segment revenues of $0.9 billion, or 4%, organically* driven principally by our Power and Oil & Gas segments. Excluding our Power and Oil & Gas segments, industrial segment revenues increased $0.2 billion, or 2%, organically* as Aviation and Healthcare experienced revenue growth versus the prior year period.

Continuing earnings per share was $0.04, and adjusted earnings per share* was $0.16, due to a $0.7 billion decrease in Corporate costs, partially offset by a $0.1 billion, or 5%, decrease in industrial segment profit.

For the three months ended March 31, 2018, restructuring and other charges were $0.05 per share, including $0.02 per share related to BHGE integration and deal related costs. In total, restructuring and other items were $0.6 billion before tax, with restructuring charges totaling about $0.4 billion and businesses development charges totaling $0.2 billion. Subsequent to the Baker Hughes transaction and for the first quarter of 2018, $0.2 billion of restructuring charges related to BHGE are reported within our Oil & Gas segment.

For the three months ended March 31, 2018, GE Industrial profit was $2.1 billion and GE Industrial margins were 7.7%, up $0.8 billion, or 250 basis points, largely driven by a reduction in Corporate costs of $0.7 billion primarily due to decreased restructuring and other costs and gains (losses) on business dispositions of $0.5 billion and decreased adjusted Corporate operating costs* of $0.2 billion. Industrial segment profit decreased $0.1 billion, or 5%, primarily due to lower results within our Power and Oil & Gas segments, partially offset by the performance of our Aviation and Healthcare segments. In the first quarter of 2018, we delivered $0.8 billion of structural cost* reduction, excluding the effects of acquisition and disposition activity and with Baker Hughes on a pro forma basis.

GE CFOA was $(1.0) billion and $0.4 billion for the three months ended March 31, 2018 and 2017, respectively. The decline in GE CFOA is primarily due to a $2.0 billion decrease in dividends from GE Capital. GE CFOA was also impacted by lower earnings from Power and Oil & Gas, as well as higher cash used for working capital compared to 2017, partially offset by Aviation, Healthcare and strong Corporate cost reduction. Additionally, GE CFOA was negatively impacted by GE Pension Plan contributions of $0.3 billion in 2018, compared to no such contributions in the prior year. GE did not receive a common share dividend distribution from GE Capital in the first quarter of 2018, and it does not expect to receive such dividend distributions from GE Capital for the foreseeable future.

*Non-GAAP Financial Measure

MD&A CONSOLIDATED RESULTS

CONSOLIDATED RESULTS

THREE MONTHS ENDED MARCH 31

REVENUES		
(Dollars in billions)	2018	2017
Consolidated revenues	$28.7	$26.9
Industrial segment revenues(a)	$27.4	$25.2
Corporate revenues and Industrial eliminations	(0.5)	(0.4)
GE Industrial revenues(a)	$26.9	$24.8
Financial services revenues	$2.2	$2.7

(a) GE Industrial refers to GE excluding the continuing operations of GE Capital. Industrial segment refers to the sum of our seven industrial reporting segments, without giving effect to corporate items or the elimination of transactions among such segments and between these segments and our Financial Services segment.

COMMENTARY: 2018 - 2017

Consolidated revenues increased $1.8 billion, or 7%, primarily driven by increased industrial segment revenues of $2.2 billion, partially offset by decreased Financial Services revenues of $0.5 billion. The overall impact of foreign currency movements on consolidated revenues was an increase of $0.9 billion. Below are descriptions of the components:

- GE Industrial revenues increased $2.1 billion, or 9%, due to an increase in industrial segment revenues of $2.2 billion offset by a decrease in Corporate revenues and Industrial eliminations of $0.1 billion.

Industrial segment revenues increased $2.2 billion, or 9%, as increases at Oil & Gas, Aviation and Healthcare were partially offset by decreases at Power, Renewable Energy, Transportation and Lighting. This increase was driven by the net effects of acquisitions of $2.7 billion, primarily attributable to Baker Hughes, and the effects of a weaker U.S. dollar of $0.9 billion, partially offset by the net effects of dispositions of $0.5 billion, primarily attributable to the absence of Water following its sale in the third quarter of 2017. Excluding the effects of acquisitions, dispositions and foreign currency translation, industrial segment organic revenues* decreased $0.9 billion.

- Financial Services revenues decreased $0.5 billion, or 19%, primarily due to organic revenue declines and lower gains.

*Non-GAAP Financial Measure

MD&A CONSOLIDATED RESULTS

THREE MONTHS ENDED MARCH 31

EARNINGS (LOSS) AND EARNINGS (LOSS) PER SHARE

(Dollars in billions; per-share amounts in dollars; attributable to GE common shareowners)	2018	2017
Continuing earnings(a)	$0.4	$0.1
Continuing earnings per share	$0.04	$0.01

(a) Also referred to as "Earnings from continuing operations attributable to GE common shareowners"

In the below discussion, GE Industrial refers to GE excluding the continuing operations of GE Capital. Industrial segment refers to the sum of our seven industrial reporting segments, without giving effect to corporate items or the elimination of transactions among such segments and between these segments and our Financial Services segment.

COMMENTARY: 2018 - 2017

Consolidated continuing earnings increased $0.2 billion due to increased GE Industrial continuing earnings of $0.6 billion, partially offset by increased Financial Services losses of $0.2 billion, increased GE Industrial income taxes of $0.1 billion and increased interest and other financial charges of $0.1 billion.

GE Industrial earnings increased $0.6 billion, or 44%, driven by an increase in Corporate profit of $0.7 billion, partially offset by a decrease in industrial segment profit of $0.1 billion.

Corporate profit increased $0.7 billion primarily attributable to decreased restructuring and other costs and gains (losses) on business dispositions of $0.5 billion and decreased adjusted Corporate operating costs* of $0.2 billion.

Industrial segment profit decreased $0.1 billion, or 5%, with decreases at Oil & Gas, Power and Lighting partially offset by higher earnings at Aviation, Healthcare, Transportation and Renewable Energy. This decrease in industrial segment profit was primarily driven by restructuring and business development costs related to Baker Hughes of $0.3 billion and the net effects of dispositions of $0.1 billion, partly associated with the absence of Water following its sale in the third quarter of 2017, partially offset by the net effects of acquisitions $0.1 billion, largely associated with Baker Hughes. Excluding these items, industrial segment organic profit* increased $0.1 billion.

- Foreign exchange adversely affected GE Industrial operating earnings by an insignificant amount in the first quarter of 2018.
- Financial Services losses increased $0.2 billion, mainly due to lower gains, lower earnings from asset levels due to the reduction in GE Capital, costs associated with calling debt, and a loss related to updates to the U.S. tax reform impact on energy investments, partially offset by lower corporate and restructuring costs.

GE DIGITAL

GE Digital's activities are focused on assisting in the market development of our digital product offerings through software design, fulfillment and product management, while also interfacing with our customers. Digital revenues include internally developed software and associated hardware, including Predix and software solutions that improve our customers' asset performance. These revenues and associated costs are largely generated from our operating businesses and are included in their segment results.

Revenues were $1.0 billion for the three months ended March 31, 2018, an increase of $0.1 billion or 10% compared to revenues of $0.9 billion for the three months ended March 31, 2017. These increases were primarily driven by Oil & Gas, Power, Aviation and Healthcare.

Orders were $0.9 billion for both the three months ended March 31, 2018 and 2017. Increases in Transportation, Renewable Energy, Oil & Gas and Healthcare were offset by declines in Power, Current and non-GE Verticals.

*Non-GAAP Financial Measure

MD&A SEGMENT OPERATIONS

SEGMENT OPERATIONS

REVENUES AND PROFIT

Segment revenues include sales of products and services 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. Subsequent to the Baker Hughes transaction, restructuring and other charges are included in the determination of segment profit for our Oil & Gas segment. See the Corporate Items and Eliminations section within this MD&A for additional information about costs excluded from segment profit.

Segment profit excludes results reported as discontinued operations and material accounting changes other than those applied retrospectively. 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, non-operating benefit costs, income taxes, and preferred stock dividends according to how a particular segment's management is measured:

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

Other income is included in segment profit for the industrial segments.

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.

SIGNIFICANT SEGMENT DEVELOPMENTS

CLASSIFICATION OF THE SUBSTANTIAL MAJORITY OF OUR LIGHTING SEGMENT AS HELD FOR SALE

In February 2018, we entered into an agreement to sell our GE Lighting business in Europe, the Middle East, Africa and Turkey and our Global Automotive Lighting business to a company controlled by a former GE executive in the region. We expect to close substantially all of this deal in the second quarter of 2018.

MD&A SEGMENT OPERATIONS

SUMMARY OF OPERATING SEGMENTS

	Three months ended March 31		
(In millions)	2018	2017	V%
Revenues			
Power(a)	$7,222	$7,940	(9) %
Renewable Energy	1,646	1,767	(7) %
Oil & Gas	5,385	3,086	74 %
Aviation	7,112	6,673	7 %
Healthcare	4,702	4,305	9 %
Transportation	872	979	(11) %
Lighting(a)	456	462	(1) %
Total industrial segment revenues	27,395	25,213	9 %
Capital	2,173	2,681	(19) %
Total segment revenues	29,569	27,894	6 %
Corporate items and eliminations	(908)	(1,013)	10 %
Consolidated revenues	$28,660	$26,881	7 %
Segment profit (loss)			
Power(a)	$273	$438	(38) %
Renewable Energy	77	70	10 %
Oil & Gas(b)	(144)	260	U
Aviation	1,603	1,273	26 %
Healthcare	735	661	11 %
Transportation	130	95	37 %
Lighting(a)	1	10	(90) %
Total industrial segment profit	2,675	2,807	(5) %
Capital	(215)	(47)	U
Total segment profit (loss)	2,460	2,760	(11)%
Corporate items and eliminations	(653)	(1,402)	53 %
GE interest and other financial charges	(642)	(564)	(14) %
GE non-operating benefit costs	(684)	(649)	(5) %
GE benefit (provision) for income taxes	(112)	(23)	U
Earnings (loss) from continuing operations attributable to GE common shareowners	369	122	F
Earnings (loss) from discontinued operations, net of taxes	(1,553)	(239)	U
Less net earnings attributable to noncontrolling interests, discontinued operations	—	—	
Earnings (loss) from discontinued operations, net of tax and noncontrolling interest	(1,553)	(239)	U
Consolidated net earnings (loss) attributable to the GE common shareowners	$(1,184)	$(117)	U

(a) Beginning in the third quarter of 2017, the Energy Connections business within the former Energy Connections & Lighting segment was combined with the Power segment and presented as one reporting segment called Power. As a result of this combination, our GE Lighting and Current, powered by GE (Current) businesses are now reported as a separate segment called Lighting.

(b) Oil & Gas segment operating profit excluding restructuring and other charges was $181 million for the three months ended March 31, 2018.

MD&A SEGMENT OPERATIONS

SEGMENT RESULTS – THREE MONTHS ENDED MARCH 31

INDUSTRIAL SEGMENT REVENUES	Three months ended March 31	
(Dollars in billions)	2018	2017
Revenues		
Equipment(a)(c)	$12.8	$12.9
Services(b)(c)	14.6	12.4
Total(d)	$27.4	$25.2

(a) In 2018, $11.7 billion, excluding $1.1 billion related to Baker Hughes*.
(b) In 2018, $13.1 billion, excluding $1.5 billion related to Baker Hughes*.
(c) For the purposes of the MD&A, "services" refers 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). For the purposes of the financial statement display of sales and costs of sales in our Statement of Earnings (Loss), "goods" is required by SEC regulations to include all sales of tangible products, and "services" must include all other sales, including other services activities.
(d) Industrial segment refers to the sum of our seven industrial reporting segments, without giving effect to corporate items or the elimination of transactions among such segments and between these segments and our Financial Services segment. Therefore, industrial segment revenues will not agree to GE revenues as shown in the Statement of Earnings (Loss).

INDUSTRIAL SEGMENT PROFIT AND PROFIT MARGIN	Three months ended March 31	
(Dollars in billions)	2018	2017
Segment profit(a)	$2.7	$2.8
Segment profit margin	9.8 %	11.1 %

(a) In 2018, $2.9 billion, excluding $(0.2) billion related to Baker Hughes*.

2018 – 2017 COMMENTARY

- Industrial segment revenues increased $2.2 billion, or 9%, driven by increases at Oil & Gas primarily due to Baker Hughes, Aviation and Healthcare, partially offset by decreases at Power, Renewable Energy, Transportation and Lighting.
- Industrial segment profit decreased $0.1 billion, or 5%, driven by lower earnings at Oil & Gas primarily due to restructuring costs associated with Baker Hughes, Power driven by lower volume, unfavorable price and the absence of Water. These decreases were partially offset by higher earnings at Aviation, Healthcare and Renewable Energy.
- Industrial segment margin decreased 130 basis points to 9.8% in 2018 from 11.1% in 2017 driven by negative variable cost productivity, price pressure and business mix. The decrease in industrial segment margin reflects decreases at Oil & Gas, Power and Lighting, offset by increases at Transportation, Aviation, Renewable Energy and Healthcare.

RECONCILIATION OF INDUSTRIAL BACKLOG TO REMAINING PERFORMANCE OBLIGATION

March 31, 2018

(Dollars in billions)	Equipment	Services	Total
Backlog	$85.7	$286.7	$372.3
Adjustments	(31.9)	(87.8)	(119.8)
Remaining Performance Obligation	$53.7	$198.8	$252.5

Remaining performance obligation is a defined term under GAAP. See Other Terms Used section within MD&A and Note 9 to the consolidated financial statements for further information. Adjustments to reported backlog are largely driven by the Aviation business: (1) backlog includes engine contracts for which we have received purchase orders that are cancelable. We have included these in backlog as our historical experience has shown no net cancellations, as any canceled engines are typically moved by the airframer to other program customers; (2) our services backlog includes contracts that are cancelable without substantial penalty, primarily time and materials contracts; (3) backlog includes engines contracted under long-term service agreements, even if the engines have not yet been put into service.

*Non-GAAP Financial Measure

POWER

OPERATIONAL OVERVIEW

SUB-SEGMENT REVENUES	Three months ended March 31	
(Dollars in billions)	2018	2017
Gas Power Systems(a)	$1.5	$2.1
Power Services	2.8	2.6
Steam Power Systems	0.5	0.4
Energy Connections(b)	2.2	2.2
Other(c)	0.2	0.7
Total segment revenues	$7.2	$7.9

(a) Includes Distributed Power
(b) Includes Industrial Solutions, Grid Solutions, Power Conversion and Automation & Controls
(c) Includes Water & Process Technologies and GE Hitachi Nuclear

ORDERS AND BACKLOG	Three months ended March 31	
(Dollars in billions)	2018	2017
Orders		
Equipment	$2.3	$3.9
Services	3.2	4.0
Total	$5.6	$7.9
Backlog		
Equipment	$25.8	$25.8
Services	70.2	72.0
Total	$95.9	$97.8

UNIT SALES

	1Q 2018	1Q 2017	V
Gas Turbines	12	20	(8)

SEGMENT
MD&A OPERATIONS
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FINANCIAL OVERVIEW

SEGMENT REVENUES	Three months ended March 31	
(Dollars in billions)	2018	2017
Revenues		
Equipment	$3.5	$4.2
Services	3.7	3.8
Total	$7.2	$7.9

SEGMENT PROFIT AND PROFIT MARGIN	Three months ended March 31	
(Dollars in billions)	2018	2017
Segment profit	$0.3	$0.4
Segment profit margin	3.8 %	5.5 %

COMMENTARY: 2018 - 2017
Segment revenues down $0.7 billion (9%);
Segment profit down $0.2 billion (38%):

- The power market was softer than expected during the first quarter of 2018 due to energy efficiency, renewable energy penetration and delays in expected orders. The overall market for new gas orders in 2018 is trending to less than 30 gigawatts. In addition, excess capacity in developed markets, continued pressure in oil and gas applications and macroeconomic and geopolitical environments have created softening demand for gas turbines.
- Equipment revenues decreased primarily at Gas Power Systems due to lower unit sales, including nine fewer aeroderivative units as well as eight fewer gas turbines and 11 fewer Heat Recovery Steam Generators. Services revenues decreased primarily due to the absence of Water following the sale in September 2017 as well as 15 fewer AGP upgrades, partially offset by an increase in revenues at Power Services driven by higher outages and field service repairs. Revenues also decreased due to price pressure, offset by the effects of a weaker U.S. dollar versus the euro.
- The decrease in profit was due to lower volume, price pressure and the absence of Water, partially offset by $0.4 billion of structural cost* reduction, excluding the effects of acquisition and disposition activity and foreign exchange.

*Non-GAAP Financial Measure

RENEWABLE ENERGY

OPERATIONAL OVERVIEW

SUB-SEGMENT REVENUES	Three months ended March 31	
(Dollars in billions)	2018	2017
Onshore Wind	$1.3	$1.5
Offshore Wind	0.2	—
Hydro	0.2	0.2
Total segment revenues	$1.6	$1.8

ORDERS AND BACKLOG	Three months ended March 31	
(Dollars in billions)	2018	2017
Orders		
Equipment	$2.1	$1.7
Services	0.3	0.4
Total	$2.4	$2.1
Backlog		
Equipment	$8.5	$6.9
Services	7.5	5.6
Total	$16.0	$12.5

UNIT SALES

	1Q 2018	1Q 2017	V
Wind Turbines	352	539	(187)

MD&A | SEGMENT OPERATIONS | RENEWABLE ENERGY

FINANCIAL OVERVIEW

SEGMENT REVENUES	Three months ended March 31	
(Dollars in billions)	2018	2017
Revenues		
Equipment	$1.2	$1.5
Services	0.4	0.3
Total	$1.6	$1.8

SEGMENT PROFIT AND PROFIT MARGIN	Three months ended March 31	
(Dollars in billions)	2018	2017
Segment profit	$0.1	$0.1
Segment profit margin	4.7 %	4.0 %

COMMENTARY: 2018 - 2017

Segment revenues down $0.1 billion (7%);

Segment profit up 10%:

- The renewable energy market remains competitive, particularly in onshore wind. The onshore wind market continues to see megawatt growth as customer preference has shifted from 1.X models to larger, more efficient units. However, overcapacity in the industry, the move to auctions in international markets and U.S. tax reform contributed to continued pricing pressure in the first quarter of 2018.
- Equipment volume decreased due to 187 fewer wind turbine shipments on a unit basis, or 31% fewer megawatts shipped, than in the prior year. This decrease was primarily driven by lower U.S. volume as the first quarter of 2017 included the fulfillment of the Safe Harbor transactions signed in the fourth quarter of 2016. Services volume increased due to 112 more repower units at Onshore Wind. Revenues also increased due to the acquisition of LM Wind in April 2017, which contributed $0.1 billion of inorganic revenue growth in the first quarter of 2018, and the effects of a weaker U.S. dollar versus the euro and the Chinese renminbi, partially offset by pricing pressure.
- The increase in profit was due to structural and product cost-out actions, partially offset by price pressure and lower volume.

OIL & GAS

OPERATIONAL OVERVIEW

SUB-SEGMENT REVENUES	Three months ended March 31	
(Dollars in billions)	2018	2017
Turbomachinery & Process Solutions (TPS)	$1.4	$1.7
Oilfield Services (OFS)(a)	2.7	0.2
Oilfield Equipment (OFE)(b)	0.7	0.7
Digital Solutions	0.6	0.5
Total segment revenues	$5.4	$3.1

(a) Previously referred to as Surface
(b) Previously referred to as Subsea Systems & Drilling

ORDERS AND BACKLOG	Three months ended March 31	
(Dollars in billions)	2018	2017
Orders		
Equipment	$1.9	$0.8
Services	3.3	1.8
Total(a)	$5.2	$2.6

(a) Included $2.6 billion related to Baker Hughes in 2018

Backlog		
Equipment	$5.3	$6.0
Services	16.6	14.8
Total	$21.8	$20.8

MD&A SEGMENT OPERATIONS | OIL & GAS

FINANCIAL OVERVIEW

SEGMENT REVENUES	Three months ended March 31	
(Dollars in billions)	2018	2017
Revenues		
Equipment(a)	$2.2	$1.3
Services(b)	3.2	1.8
Total	$5.4	$3.1

(a) $1.2 billion, excluding $1.1 billion related to Baker Hughes* in 2018
(b) $1.7 billion, excluding $1.5 billion related to Baker Hughes* in 2018

SEGMENT PROFIT AND PROFIT MARGIN	Three months ended March 31	
(Dollars in billions)	2018	2017
Segment profit(a)	$(0.1)	$0.3
Segment profit margin(b)	(2.7)%	8.4%

(a) $0.1 billion, excluding $(0.2) billion related to Baker Hughes* in 2018
(b) 2.1%, excluding (7.9)% related to Baker Hughes* in 2018

COMMENTARY: 2018 - 2017
Segment revenues up $2.3 billion (74%);
Segment profit down $0.4 billion:

- Stability in the oil and gas market since the second half of 2017 has led to continued improvements in activity. North American onshore rig count has continued to grow, and international rig count has also seen moderate increases. Offshore projects remain subject to increases in customer spending behavior, and final investment decisions on liquefied natural gas (LNG) projects are also expected to start in late 2018 as the market continues to be oversupplied.
- The Baker Hughes acquisition in July 2017 contributed $2.6 billion of inorganic revenue growth in the first quarter of 2018. Legacy Oil & Gas equipment and services revenues decreased due to lower volume primarily at TPS and OFE as a result of the market conditions and lower opening backlog. These decreases were partially offset by the effects of a weaker U.S. dollar versus the euro.
- The decrease in profit was primarily driven by negative variable cost productivity and restructuring and other charges, partially offset by increased volume from Baker Hughes and synergies delivered from combining the two companies.

*Non-GAAP Financial Measure

AVIATION

OPERATIONAL OVERVIEW

SUB-SEGMENT REVENUES	Three months ended March 31	
(Dollars in billions)	2018	2017
Commercial Engines & Services	$5.3	$5.0
Military	1.0	0.9
Systems & Other	0.9	0.8
Total segment revenues	$7.1	$6.7

ORDERS AND BACKLOG	Three months ended March 31	
(Dollars in billions)	2018	2017
Orders		
Equipment	$3.2	$2.7
Services	5.0	4.5
Total	$8.1	$7.2
Backlog		
Equipment	$34.5	$34.5
Services	167.1	144.7
Total	$201.6	$179.2

UNIT SALES

	1Q 2018	1Q 2017	V
Commercial Engines	651	627	24
LEAP Engines(a)	186	77	109
Military Engines	138	120	18
Spares Rate(b)	$25.2	$21.7	$3.6

(a) LEAP engines are a subset of commercial engines

(b) Commercial externally shipped spares and spares used in time & material shop visits in millions of dollars per day

SEGMENT
MD&A OPERATIONS
| AVIATION

FINANCIAL OVERVIEW

SEGMENT REVENUES	Three months ended March 31	
(Dollars in billions)	2018	2017
Revenues		
Equipment	$2.5	$2.6
Services	4.6	4.1
Total	$7.1	$6.7

SEGMENT PROFIT AND PROFIT MARGIN	Three months ended March 31	
(Dollars in billions)	2018	2017
Segment profit	$1.6	$1.3
Segment profit margin	22.5 %	19.1 %

COMMENTARY: 2018 - 2017
Segment revenues up $0.4 billion (7%);
Segment profit up $0.3 billion (26%):

- Global passenger air travel continued to grow with revenue passenger kilometers (RPK) growth outpacing the five-year average and demand exceeding capacity. Industry-load factors remained above 80%. Air freight volume also increased, particularly in international markets, with freight ton kilometers (FTK) demand also exceeding capacity for the quarter.
- Services revenue increased primarily due to a higher commercial spares shipment rate, as well as higher prices. Equipment revenues decreased slightly due to lower legacy and GEnx Commercial engine shipments, partially offset by more LEAP and Military engine shipments.
- The increase in profit was mainly due to higher spare engine shipments, product and structural cost productivity and higher prices. These increases were partially offset by an unfavorable business mix driven by negative LEAP margin impact.

MD&A SEGMENT OPERATIONS | HEALTHCARE

HEALTHCARE

OPERATIONAL OVERVIEW

SUB-SEGMENT REVENUES	Three months ended March 31	
(Dollars in billions)	2018	2017
Healthcare Systems	$3.3	$3.0
Life Sciences	1.1	1.0
Healthcare Digital	0.2	0.3
Total segment revenues	$4.7	$4.3

ORDERS AND BACKLOG	Three months ended March 31	
(Dollars in billions)	2018	2017
Orders		
Equipment	$2.7	$2.6
Services	2.1	2.0
Total	$4.7	$4.5
Backlog		
Equipment	$6.1	$5.6
Services	11.5	11.4
Total	$17.7	$17.0

FINANCIAL OVERVIEW

SEGMENT REVENUES	Three months ended March 31	
(Dollars in billions)	2018	2017
Revenues		
Equipment	$2.6	$2.3
Services	2.1	2.0
Total	$4.7	$4.3

SEGMENT PROFIT AND PROFIT MARGIN	Three months ended March 31	
(Dollars in billions)	2018	2017

Segment profit	$0.7	$0.7
Segment profit margin	15.6 %	15.4 %

COMMENTARY: 2018 - 2017

Segment revenues up $0.4 billion (9%);

Segment profit up $0.1 billion (11%):

- The Healthcare Systems global market continues to expand at low single digit rates, driven by strength in emerging markets, as these economies continue to expand their population's access to healthcare, and slower growth in developed markets. The Life Sciences market continues to be strong, with the Bioprocess market growing at a high single digit rate, driven by growth in biologic drugs, and the contrast agents market growing at low single digit rates.
- Services and equipment revenues increased due to higher volume in Healthcare Systems attributable to global growth in Imaging and Ultrasound in both developed regions such as Europe and developing regions such as China and emerging markets. Volume also increased in Life Sciences, driven by Bioprocess and Contrast Imaging. Revenues also increased due to the effects of a weaker U.S. dollar versus the euro, Chinese renminbi and pound sterling, partially offset by price pressure at Healthcare Systems.
- The increase in profit was primarily driven by strong volume growth and cost productivity due to cost reduction actions including increasing digital automation, sourcing and logistic initiatives, design engineering and prior year restructuring actions. These increases were partially offset by price pressure at Healthcare Systems and investments in programs.

TRANSPORTATION

OPERATIONAL OVERVIEW

SUB-SEGMENT REVENUES	Three months ended March 31	
(Dollars in billions)	2018	2017
Locomotives	$0.2	$0.5
Services	0.5	0.4
Mining	0.1	—
Other(a)	0.1	0.1
Total segment revenues	$0.9	$1.0

(a) Includes Marine, Stationary, Drilling and Digital

ORDERS AND BACKLOG	Three months ended March 31	
(Dollars in billions)	2018	2017
Orders		
Equipment	$0.7	$0.5
Services	0.8	0.5
Total	$1.5	$1.0
Backlog		
Equipment	$5.3	$4.4
Services	13.5	14.5
Total	$18.8	$18.9

UNIT SALES

	1Q 2018	1Q 2017	V
Locomotives	60	157	(97)

FINANCIAL OVERVIEW

SEGMENT REVENUES	Three months ended March 31	
(Dollars in billions)	2018	2017
Revenues		
Equipment	$0.3	$0.5
Services	0.6	0.5
Total	$0.9	$1.0

SEGMENT PROFIT AND PROFIT MARGIN	Three months ended March 31	
(Dollars in billions)	2018	2017
Segment profit	$0.1	$0.1
Segment profit margin	14.9 %	9.7 %

COMMENTARY: 2018 - 2017

Segment revenues down $0.1 billion (11%);

Segment profit up 37%:

- The North American market continues to see some fleet overcapacity (which is declining) and constrained spending by the railroads limiting fleet expansion. However, total rail volume increased 2.4% during the first quarter of 2018 driven primarily by an increase in intermodal traffic[(a)]. With improving carload volume, the number of parked locomotives has decreased 18% from the prior year.
- Equipment volume decreased primarily driven by lower locomotive shipments in North America due to continuing challenging market conditions. Services revenues increased as railroads are running their locomotives longer, and recently unparked locomotives tend to be older units in higher need of servicing and replacement parts, driving an increase in services volume and parts shipped.
- The increase in profit was driven by favorable business mix from a higher proportion of services volume as well as lower engineering spend and the effects of restructuring actions.

(a) Defined as when at least two modes of transportation are used to move freight.

LIGHTING

OPERATIONAL OVERVIEW

SUB-SEGMENT REVENUES	Three months ended March 31	
(Dollars in billions)	2018	2017
Current	$0.2	$0.2
GE Lighting	0.2	0.2
Total segment revenues	$0.5	$0.5

ORDERS AND BACKLOG	Three months ended March 31	
(Dollars in billions)	2018	2017
Orders		
Equipment	$0.2	$0.2
Services	—	—
Total	$0.2	$0.2
Backlog		
Equipment	$0.2	$0.1
Services	—	—
Total	$0.2	$0.1

FINANCIAL OVERVIEW

SEGMENT REVENUES	Three months ended March 31	
(Dollars in billions)	2018	2017
Revenues		
Equipment	$0.4	$0.5
Services	—	—
Total	$0.5	$0.5

SEGMENT PROFIT AND PROFIT MARGIN	Three months ended March 31	
(Dollars in billions)	2018	2017

Segment profit	$—	$—
Segment profit margin	0.2 %	2.2 %

COMMENTARY: 2018 - 2017
Segment revenues down 1%;
Segment profit down 90%:

- The traditional lighting market continued to be challenging in the first quarter of 2018 due to continued U.S. energy efficiency regulations and market shifts away from traditional lighting products in favor of more energy-efficient, cost-saving options.
- Equipment revenues decreased due to lower traditional lighting product and solar sales and lower LED prices, partially offset by continued volume growth in LED. In addition, revenues further decreased due to Lighting regional exits outside of North America.
- The decrease in profit was driven by lower prices and product mix, partially offset by material deflation, lower depreciation and amortization, and savings from restructuring, regional exits and decreased investment and controllable spending.

CAPITAL

OPERATIONAL AND FINANCIAL OVERVIEW

SEGMENT & SUB-SEGMENT REVENUES	Three months ended March 31	
(Dollars in billions)	2018	2017
GECAS	$1.2	$1.4
Industrial Finance	0.3	0.3
Insurance and Other Financing	0.7	0.8
EFS	—	0.1
Total segment revenues	$2.2	$2.7

SEGMENT PROFIT(a)		
(Dollars in billions)	2018	2017
Profit	$(0.2)	$ —

(a) Interest and other financial charges, income taxes, non-operating benefit costs and GE Capital preferred stock dividends are included in determining segment profit for the Capital segment, which is included in continuing operations. See Note 2 to the consolidated financial statements for further information on discontinued operations.

SIGNIFICANT TRENDS & DEVELOPMENTS

- GE Capital paid common dividends of $2.0 billion to GE in the three months ended March 31, 2017, and did not pay a dividend in the three months ended March 31, 2018. In addition, GE Capital does not expect to make a common share dividend distribution to GE for the foreseeable future.
- In 2018, we announced plans to take actions to make GE Capital smaller and more focused, including a substantial reduction in the size of GE Capital's Energy Financial Services and Industrial Finance businesses over the next 24 months.
- In the three months ended March 31, 2018, GE Capital contributed capital to its insurance subsidiaries of $3.5 billion and expects to contribute approximately an additional $11 billion through 2024 subject to monitoring by the Kansas Insurance Department. GE is required to maintain specified capital levels at these insurance subsidiaries under capital maintenance agreements. We perform premium deficiency testing at least annually. Any future adverse changes in our assumptions could result in an increase to future policy benefit reserves. For example, a hypothetical five percent increase in future claim costs, holding all other assumptions constant, would result in a $1.5 billion increase to our future policy benefit reserves. Similarly, a hypothetical 25 basis point decline in expected investment yield, holding all other assumptions constant, would result in a $1.0 billion increase in future policy benefit reserves. Any favorable changes to these assumptions could result in additional margin in our premium deficiency test and higher income over the remaining duration of the portfolio, including higher investment income. See Note 12 to the consolidated financial statements for further information.
-

During the first quarter of 2018, we recorded a reserve of $1.5 billion in discontinued operations in connection with the DOJ ongoing investigation regarding potential violations of FIRREA by WMC and GE Capital. See Legal Proceedings and Note 19 to the consolidated financial statements for further information.

COMMENTARY:

2018 - 2017

Capital revenues decreased $0.5 billion, or 19%, primarily due to organic revenue declines and lower gains.

Capital losses increased $0.2 billion mainly due to lower gains, lower earnings from asset levels due to the reduction in GE Capital, costs associated with calling debt, and a loss related to updates to the U.S. tax reform impact on energy investments, partially offset by lower corporate and restructuring costs.

MD&A CORPORATE ITEMS AND ELIMINATIONS

CORPORATE ITEMS AND ELIMINATIONS

REVENUES AND OPERATING PROFIT (COST)

(In millions)	Three months ended March 31 2018	2017
Revenues		
Eliminations and other	$(908)	$(1,013)
Total Corporate Items and Eliminations	$(908)	$(1,013)
Operating profit (cost)		
Gains (losses) on disposals(a)	$(67)	$2
Restructuring and other charges	(331)	(974)
Eliminations and other	(255)	(430)
Total Corporate Items and Eliminations	$(653)	$(1,402)

(a) Includes gains (losses) on disposed or held for sale businesses.

We believe that adjusting operating corporate costs to exclude the effects of items that are not closely associated with ongoing corporate operations (see reconciliation below), such as earnings of previously divested businesses, gains and losses on disposed and held for sale businesses, restructuring and other charges* provides management and investors with a meaningful measure that increases the period-to-period comparability of our ongoing corporate costs.

CORPORATE COSTS (OPERATING)

(In millions)	Three months ended March 31 2018	2017
Total Corporate Items and Eliminations (GAAP)	$(653)	$(1,402)
Less: restructuring and other charges	(331)	(974)
Less: gains (losses) on disposals	(67)	2
Adjusted total corporate costs (operating) (Non-GAAP)	$(255)	$(430)

2018 - 2017 COMMENTARY: THREE MONTHS ENDED MARCH 31

Revenues increased $0.1 billion, primarily as a result of:
- $0.1 billion decrease in inter-segment eliminations.

Operating costs decreased $0.7 billion, primarily as a result of:
- $0.6 billion of lower restructuring and other charges primarily due to the non-recurrence of Alstom related restructuring costs in the first quarter of 2017.
- $0.2 billion of lower Corporate costs from restructuring and cost reduction actions.

- These decreases were partly offset by $0.1 billion of lower gains due to held for sale adjustments primarily related to our Lighting segment.

*Non-GAAP Financial Measure

MD&A CORPORATE ITEMS AND ELIMINATIONS

RESTRUCTURING

Restructuring actions are an essential component of our cost improvement efforts to both existing operations and those recently acquired. Restructuring and other charges relate primarily to workforce reductions, facility exit costs associated with the consolidation of sales, service and manufacturing facilities, the integration of recent acquisitions, including Alstom, the Baker Hughes transaction, and certain other asset write-downs such as those associated with product line exits. We continue to closely monitor the economic environment and may undertake further restructuring actions to more closely align our cost structure with earnings and cost reduction goals.

RESTRUCTURING & OTHER CHARGES

	Three months ended March 31	
(In billions)	2018	2017
Workforce reductions	$0.2	$0.5
Plant closures & associated costs and other asset write-downs	0.2	0.3
Acquisition/disposition net charges	0.2	0.2
Goodwill impairment	—	—
Other	0.0	0.0
Total(a)	$0.6	$1.0

(a) Subsequent to the Baker Hughes transaction, restructuring and other charges are included in the determination of segment profit for our Oil & Gas segment.

2018 - 2017 COMMENTARY: THREE MONTHS ENDED MARCH 31

For the three months ended March 31, 2018, restructuring and other charges were $0.6 billion of which approximately $0.3 billion was reported in cost of products/services and $0.3 billion was reported in selling, general and administrative expenses (SG&A). These activities were primarily at Oil & Gas, Power and Corporate. Cash expenditures for restructuring and other charges were approximately $0.5 billion for three months ended March 31, 2018. Of the total $0.6 billion restructuring and other charges, $0.3 billion was recorded in the Oil & Gas segment, which amounted to $0.2 billion net of noncontrolling interest.

For the three months ended March 31, 2017, restructuring and other charges were $1.0 billion of which approximately $0.7 billion was reported in cost of products/services and $0.3 billion was reported in SG&A. These activities were primarily at Power, Corporate and Oil & Gas. Cash expenditures for restructuring and other charges were approximately $0.6 billion for the three months ended March 31, 2017.

MD&A CORPORATE ITEMS AND ELIMINATIONS

COSTS AND GAINS NOT INCLUDED IN SEGMENT RESULTS

As discussed in the Segment Operations section within the MD&A, certain amounts are not included in industrial segment results because they are excluded from measurement of their operating performance for internal and external purposes. These costs relate primarily to restructuring and acquisition and disposition activities. The amount of costs and gains (losses) not included in segment results are as follows.

COSTS

(In billions)	Three months ended March 31 2018	2017
Power(a)	$0.1	$0.4
Renewable Energy	—	—
Oil & Gas(b)	—	0.1
Aviation	—	—
Healthcare	0.1	0.1
Transportation	—	0.1
Lighting(a)	—	0.1
Total	$0.2	$0.8

(a) Beginning in the third quarter of 2017, the Energy Connections business within the former Energy Connections & Lighting segment has been combined with the Power segment and presented as one reporting segment called Power. As a result of this combination, our GE Lighting and Current, powered by GE (Current) businesses are now reported as a separate segment called Lighting.

(b) Subsequent to the Baker Hughes transaction, restructuring and other charges are included in the determination of segment operating profit for our Oil & Gas segment.

GAINS (LOSSES)

For the three months ended March 31, 2018, there were $0.1 billion of losses not included in the segment results, primarily within the Power and Lighting segments. There were no gains or losses not included in segment results for the three months ended March 31, 2017.

MD&A OTHER CONSOLIDATED INFORMATION

OTHER CONSOLIDATED INFORMATION

INCOME TAXES

GE pays the income taxes it owes in every country in which it does business. Many factors impact our income tax expense and cash tax payments. The most significant factor is that we conduct business in over 180 countries and the majority of our revenue is earned outside the U.S., including 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, like research and development; and by acquisitions, dispositions and tax law changes. On December 22, 2017, the U.S. enacted legislation commonly known as the Tax Cuts and Jobs Act ("U.S. tax reform") that lowers the statutory tax rate on our U.S. earnings, taxes historic foreign earnings at a reduced rate of tax, creates a territorial tax system and enacts new taxes associated with global operations. Our provisional estimate of the transition tax on historic foreign earnings and the effect on our deferred taxes is described in Note 14 to the consolidated financial statements. 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 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.

See Other Consolidated Information - Income Taxes section and Critical Accounting Estimates - Income Taxes section within MD&A in our Annual Report on Form 10-K for the year ended December 31, 2017 for further information on income taxes.

CONSOLIDATED – THREE MONTHS ENDED MARCH 31

(Dollars in billions)	2018	2017
Provision (benefit) for income taxes	$ —	$ (0.1)

2018 – 2017 COMMENTARY: THREE MONTHS ENDED MARCH 31

The consolidated income tax rate was (7)% and 198% for the quarters ended March 31, 2018 and 2017, respectively.

The consolidated income tax benefit was an insignificant amount in the first quarter of 2018 and $0.1 billion for the first quarter of 2017. The tax benefit decreased due to a lower benefit from global activities relative to the U.S. statutory rate and the cost of the newly enacted base erosion and global intangible income provisions and by an increase in pretax income subject to tax. This was partially offset by an adjustment to the 2018 three-month provision that decreased the rate to be in line with the lower projected full year rate while in 2017, the first quarter included an adjustment to increase the three-month rate to be in line with the higher projected full year rate. In addition, in the first quarter of 2018 there was a tax benefit recorded at Baker Hughes to adjust the provisional estimate of the impact of U.S. tax reform and measurement period adjustments to purchase price allocation.

The consolidated tax provision includes $0.1 billion and an insignificant amount of expense for GE (excluding GE Capital) for the first quarters of 2018 and 2017, respectively.

The effective tax rate in future periods is expected to increase given changes in our income profile including changes to GE Capital earnings.

See Note 14 to the consolidated financial statements for additional information related to income taxes.

BENEFITS FROM GLOBAL OPERATIONS

Absent the effects of U.S. tax reform, our consolidated income tax provision is reduced because of the benefits of lower-taxed global operations. The benefit was significant prior to the decrease in the U.S. statutory rate to 21% beginning in 2018. While reduced, there is still a benefit as certain non-U.S. income is subject to local country tax rates that are below the new U.S. statutory rate.

The rate of tax on our indefinitely reinvested non-U.S. earnings is below the historic 35% U.S. statutory tax rate because we have significant business operations subject to tax in countries where the tax on that income is lower than the U.S. statutory rate and because GE funds certain non-U.S. operations through foreign companies that are subject to low foreign taxes. Most of these earnings have been reinvested in active non-U.S. business operations and as of December 31, 2017, we had not decided to repatriate these earnings to the U.S. Given U.S. tax reform, substantially all of our prior unrepatriated earnings are subject to U.S. tax and accordingly we expect to have the ability to repatriate available non-U.S. cash from those earnings without additional U.S. federal tax cost and any foreign withholding taxes on a repatriation to the U.S. would potentially be partially offset by a U.S. foreign tax credit. We will update our analysis of investment in foreign earnings in 2018 as we consider the impact of U.S. tax reform.

A substantial portion of the benefit for lower-taxed non-U.S. earnings related to business operations subject to tax in countries where the tax on that income is lower than the U.S. statutory rate is derived from our GECAS aircraft leasing operations located in Ireland where the earnings are taxed at 12.5%, from our Power operations located in Switzerland and Hungary where the earnings are taxed at between 9% and 18.6%, and our Healthcare operations in Europe where tax deductions are allowed for certain intangible assets and earnings are taxed below the historic U.S. statutory rate.

Because the U.S. tax rate has been reduced to 21% beginning in 2018 and because the U.S. has adopted a territorial tax system and enacted new provisions of U.S. law related to taxation of global operations as part of U.S. tax reform, the overall tax benefit from non-U.S. operations compared to the U.S. statutory rate will be reduced or eliminated going forward as we also have non-U.S. operations taxed at close to the current U.S. statutory rate of 21% and non-U.S. operations with non-deductible losses and may incur additional taxes related to newly enacted U.S. tax provisions on global operations, as discussed below.

As part of U.S. tax reform, the U.S. has enacted a tax on “base eroding” payments from the U.S. We are evaluating the impact of this new provision on our operations and intend to undertake restructuring actions to avoid a significant impact from this provision. The U.S. has also enacted a minimum tax on foreign earnings (“global intangible low tax income”). Because we have tangible assets outside the U.S. and pay a rate of foreign tax above the minimum tax rate, we are not expecting a significant increase in tax liability from this new U.S. minimum tax. Because aspects of the new law and the effect on our operations is uncertain and because aspects of the accounting rules associated with the tax on global intangible low-taxed income have not been resolved, we have made an accrual for the current but not the deferred tax effects of this provision. Overall, we project a cost for the base erosion and global intangible low tax income provisions in 2018 that exceeds the net benefit of non-U.S. operations taxed at less than the 21% U.S. statutory tax rate.

We have not significantly adjusted our provisional estimate of the enactment of U.S. tax reform during the first quarter of 2018 as we continue to analyze information related to our operations as well as new guidance and other aspects of the enacted provisions. However, there were discrete changes associated with measurement period adjustments to purchase price allocation and the estimated impact of the change in tax rate on deferred taxes identified at Baker Hughes that reduced tax expense by $0.1 billion in the quarter. Primarily all of this benefit relates to non-consolidated operations and did not affect net earnings attributable to the company as there is an offsetting adjustment in income from noncontrolling interests. Partially offsetting this benefit was the cost relating to the revaluation of deferred taxes corresponding to measurement period adjustments to the purchase price allocation for the Baker Hughes acquisition.

DISCONTINUED OPERATIONS

Discontinued operations primarily comprise residual assets and liabilities related to our exited U.S. mortgage business (WMC), as discussed in Legal Proceedings and Notes 2 and 19 to the consolidated financial statements, as well as our mortgage portfolio in Poland and trailing liabilities associated with the sale of our GE Capital businesses as a result of the GE Capital Exit Plan (our plan announced in 2015 to reduce the size of our financial services businesses).

During the first quarter of 2018, we recorded a reserve of $1.5 billion in discontinued operations in connection with the DOJ ongoing investigation regarding potential violations of FIRREA by WMC and GE Capital. See Legal Proceedings and Note 19 to the consolidated financial statements for further information.

STATEMENT OF FINANCIAL POSITION

Because GE and GE Capital share certain significant elements of their Statements of Financial Position, the following discussion addresses significant captions in the consolidated statement. Within the following discussions, however, we distinguish between GE and GE Capital activities in order to permit meaningful analysis of each individual consolidating statement.

MAJOR CHANGES IN OUR FINANCIAL POSITION FOR THE THREE MONTHS ENDED MARCH 31, 2018

- Cash, cash equivalents and restricted cash decreased $11.8 billion.

As of the period ended March 31, 2018, GE Cash, cash equivalents and restricted cash excluding BHGE was $7.5 billion and BHGE Cash, cash equivalents and restricted cash was $5.6 billion.

GE Cash, cash equivalents and restricted cash decreased $5.7 billion due to net repayments of borrowings of $1.8 billion (including $0.7 billion at BHGE), payments of common dividends to shareowners of $1.0 billion, cash used for operating activities of $1.0 billion, gross additions to PP&E and internal-use software of $1.0 billion, net investments in intangible assets of $0.6 billion and BHGE net stock repurchases and dividends to noncontrolling interests of $0.3 billion.

GE Capital Cash, cash equivalents and restricted cash as of March 31, 2018 was $19.0 billion and decreased $6.1 billion primarily due to net repayments of borrowings of $9.1 billion and net purchases of investment securities of $2.6 billion, partially offset by maturities of liquidity investments of $3.0 billion and net collections of financing receivables of $2.9 billion.

See the Statement of Cash Flows section for additional information.

- Investment securities decreased $1.5 billion, primarily due to maturities of liquidity portfolio investments and a decrease in net unrealized gains, partially offset by net purchases of investment securities at GE Capital. See Note 3 to the consolidated financial statements for additional information.
- Current receivables decreased $1.6 billion, primarily due to collections of receivables sold by GE to GE Capital in the fourth quarter of 2017 outpacing new volume. See Note 4 to the consolidated financial statements for additional information.
- Inventories increased $1.2 billion, primarily due to build for future demand in our Renewable Energy, Power, Aviation and Oil & Gas segments. See Note 5 to the consolidated financial statements for additional information.
- Goodwill increased $1.5 billion, primarily due to the effects of currency exchange of $1.1 billion and purchase accounting adjustments of $0.5 billion. See Note 8 to the consolidated financial statements for additional information.
- Contract and other deferred assets increased $0.4 billion. Revenues in excess of billings increased $0.2 billion and $0.4 billion for our long-term service and equipment agreements, respectively. These increases were partially offset by a decrease in other deferred assets of $0.2 billion, primarily due to a decrease in deferred inventory costs. See Note 10 to the consolidated financial statements for additional information.
- All other assets decreased $2.2 billion, primarily due to the adoption of ASU No. 2016-16, Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory. See Note 1 to the consolidated financial statements for additional information.
- Deferred income taxes increased $2.7 billion, primarily due to the adoption of ASU No. 2016-16, Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory. See Note 1 to the consolidated financial statements for additional information.
- Borrowings decreased $8.8 billion, primarily due to net repayment of borrowings at GE Capital of $9.1 billion and net repayment of borrowings at BHGE of $0.7 billion, partially offset by the effects of currency exchange of $2.0 billion.

See Note 11 to the consolidated financial statements for additional information.

- Investment contracts, insurance liabilities and insurance annuity benefits decreased $1.2 billion, primarily due to a decrease in future policy benefit reserves as a result of a decrease in unrealized gains on debt securities supporting insurance contracts. See Note 12 to the consolidated financial statements for additional information.

FINANCIAL RESOURCES AND LIQUIDITY

LIQUIDITY AND BORROWINGS

We maintain a strong focus on liquidity. At both GE and GE Capital we manage our liquidity to help provide access to sufficient funding to meet our business needs and financial obligations throughout business cycles.

Our liquidity and borrowing plans for GE and GE Capital are established within the context of our financial and strategic planning processes and consider the liquidity necessary to fund our operating commitments, which include purchase obligations for inventory and equipment, payroll and general expenses (including pension funding). We also consider our capital allocation and growth objectives, including paying dividends, repurchasing shares, funding debt maturities and insurance obligations, investing in research and development and acquiring industrial businesses. We define our liquidity risk tolerance under stress based on liquidity sources, and our liquidity position is targeted to meet our obligations under both normal and stressed conditions.

GE cash, cash equivalents and restricted cash totaled $13.1 billion at March 31, 2018, including $5.6 billion at BHGE. At GE, we rely primarily on free cash flows from our operating businesses, proceeds from announced dispositions and planned debt issuances. Cash generation can be subject to variability based on many factors, including seasonality, receipt of down payments on large equipment orders, timing of billings on long-term contracts, the effects of changes in end markets and our ability to execute dispositions. Our focus is on strengthening our cash position, with a balanced capital allocation plan including organic investments that generate strong returns, coupled with a competitive dividend payout ratio. We intend to maintain a disciplined financial policy targeting a strong credit profile.

In 2018, GE expects to incur up to $6.0 billion of incremental long-term debt, primarily to fund the GE Pension Plan. This incremental debt may consist of new unsecured term debt issued in the external debt markets or intercompany arrangements between GE and GE Capital, utilizing GE Capital's excess unsecured term debt. During the first quarter of 2018, GE and GE Capital entered into an intercompany loan for $0.3 billion (utilizing a portion of GE Capital's excess unsecured term debt) to fund its required contribution to the GE Pension Plan in the first quarter of 2018. The loan has a fixed interest rate of 4.56% and a term of 18 years.

Our 2018 capital allocation plan also considers potential funding of Alstom redemption rights related to certain consolidated joint ventures, which Alstom has expressed an intent to exercise. See Note 15 to the consolidated financial statements for further information.

GE has available a variety of liquidity management tools to fund its operations, including a commercial paper program, bank operating lines and short-term intercompany loans from GE Capital which are typically repaid within the same quarter. At GE Capital, we mainly rely on cash and short-term investments, cash generated from dispositions and cash flows from our businesses to fund our insurance obligations and debt maturities, including the current portion of long-term debt of $11.2 billion at March 31, 2018, as well as our operating and interest costs.

Based on asset and liability management actions we have taken, GE Capital does not plan to issue any incremental GE Capital senior unsecured term debt until 2020. GE Capital expects to maintain an adequate liquidity position, primarily as a result of cash and short-term investments, cash generated from dispositions and cash flows from our businesses. During this period, we expect to continue to have excess interest costs as asset sales have outpaced our debt maturities. Additionally, as previously communicated, GE Capital expects to fund approximately $14.5 billion to our insurance subsidiaries over the next seven years, of which $3.5 billion was funded in the first quarter of 2018. These contributions are subject to ongoing monitoring by the Kansas Insurance Department and GE is required to maintain specified capital levels at these insurance subsidiaries under capital maintenance agreements.

As of March 31, 2018, GE Capital maintained liquidity sources of $21.7 billion that consisted of cash, cash equivalents and restricted cash of $19.0 billion, high-quality investments of $2.0 billion and cash, cash equivalents and restricted cash of $0.6 billion classified within discontinued operations. We also expect to generate incremental cash of approximately $15.0 billion from planned asset reduction actions over the next two years. Additionally, while we maintain adequate liquidity levels, we may engage in liability management actions, such as buying back debt, based on market and economic conditions in order to reduce our excess interest costs.

In 2015, senior unsecured notes and commercial paper were assumed by GE upon its merger with GE Capital resulting in an intercompany receivable and payable between GE and GE Capital. On the GE Statement of Financial Position, assumed debt is presented within borrowings with an offsetting receivable from GE Capital and on the GE Capital Statement of Financial Position, this is reflected as an intercompany payable to GE within borrowings. At March 31, 2018, the outstanding assumed debt was $43.5 billion (see Note 11 to the consolidated financial statements for additional information). The following table provides a reconciliation of total short-term and long-term borrowings as reported on the respective GE and GE Capital Statements of Financial Position to borrowings originally issued by GE and GE Capital.

MD&A FINANCIAL RESOURCES AND LIQUIDITY

March 31, 2018 (in billions)	GE	GE Capital	Consolidated(a)
Total short- and long-term borrowings	$77.4	$50.4	$ 125.8
Debt assumed by GE from GE Capital	(43.5)	43.5	—
Intercompany loans with right of offset	7.6	(7.6)	—
Total intercompany payable (receivable) between GE and GE Capital	(35.9)	35.9	—
Total borrowings issued and outstanding	$41.5	$86.3	$ 125.8

(a) Includes $1.9 billion elimination of other intercompany borrowings between GE and GE Capital.

The following table illustrates the primary components of borrowings originally issued and outstanding in GE and GE Capital.
(In billions)

GE	March 31, 2018	GE Capital	March 31, 2018
Commercial paper	$3.0	Commercial paper	$3.9
Senior notes	21.6	Senior and subordinated notes	43.3
Intercompany loans from GE Capital(a)	7.6	Senior and subordinated notes assumed by GE	43.5
Other GE borrowings	2.8	Intercompany loans to GE(a)	(7.6)
Total GE excluding BHGE	$35.0	Other GE Capital borrowings	3.1
BHGE borrowings	6.5		
Total borrowings issued by GE	$41.5	Total borrowings issued by GE Capital	$86.3

(a) The intercompany loans from GE Capital to GE bear the right of offset against amounts owed by GE Capital to GE under the assumed debt agreement.

LIQUIDITY SOURCES

GE cash, cash equivalents and restricted cash totaled $13.1 billion at March 31, 2018, including $5.6 billion in BHGE. GE Capital maintained liquidity sources of $21.7 billion that consisted of cash, cash equivalents and restricted cash of $19.0 billion, high-quality investments of $2.0 billion and cash, cash equivalents and restricted cash of $0.6 billion classified as discontinued operations. Additionally, at March 31, 2018, GE had $20.3 billion of committed bilateral operating lines extended by 15 banks, which had no outstanding balance at March 31, 2018, as well as $20.0 billion of committed unused credit lines extended by 36 banks in a syndicated credit facility agreement expiring in 2021. GE Capital has the right to compel GE to borrow under certain of these credit lines and transfer the proceeds as loans to GE Capital.

CASH, CASH EQUIVALENTS AND RESTRICTED CASH

(In billions)	March 31, 2018		March 31, 2018
GE(a)	$ 13.1	U.S.	$ 12.7
GE Capital(b)	19.0	Non-U.S.	19.4

(a) At March 31, 2018, $4.2 billion of GE cash, cash equivalents and restricted cash was held in countries with currency controls that may restrict the transfer of funds to the U.S. or limit our ability to transfer funds to the U.S. without incurring substantial costs. These funds are available to fund operations and growth in these countries and we do not currently anticipate a need to transfer these funds to the U.S. Included in this amount was $1.1 billion of BHGE cash and equivalents, which is subject to similar restrictions.

(b) At March 31, 2018, GE Capital cash, cash equivalents and restricted cash of about $1.5 billion were primarily in insurance entities and was subject to regulatory restrictions.

As a result of U.S. tax reform, approximately $6 billion of GE non-U.S. cash, cash equivalents and restricted cash at March 31, 2018 can be repatriated without incremental U.S. federal income tax. Included in this amount was approximately $2 billion of BHGE cash and equivalents.

COMMERCIAL PAPER

(In billions)	GE	GE Capital
Average commercial paper borrowings during the first quarter of 2018	$16.6	$ 4.9
Maximum commercial paper borrowings outstanding during the first quarter of 2018	$19.5	$ 5.2
Ending commercial paper balance at March 31, 2018	$3.0	$ 3.9

GE Capital commercial paper maturities have historically been funded principally through new commercial paper issuances, and GE's are substantially repaid within the respective quarter.

MD&A FINANCIAL RESOURCES AND LIQUIDITY

We securitize financial assets as an alternative source of funding. During 2018, we completed $0.1 billion of non-recourse issuances and $0.7 billion of non-recourse borrowings matured. At March 31, 2018, consolidated non-recourse securitization borrowings were $1.3 billion.

FOREIGN CURRENCY

As a result of our global operations, we generate and incur a significant portion of our revenues and expenses in currencies other than the U.S. dollar. Such principal currencies are euro, the pound sterling, the Brazilian real and the Chinese renminbi. The results of operating entities reported in currencies other than U.S. dollar are translated to the U.S. dollar at the applicable exchange rate for inclusion in the financial statements. We use a number of techniques to manage the effects of currency exchange, including selective borrowings in local currencies and selective hedging of significant cross-currency transactions. The foreign currency effect arising from operating activities outside of the U.S., including the remeasurement of derivatives, can result in significant transactional foreign currency fluctuations at points in time, but will generally be offset as the underlying hedged item is recognized in earnings. The effects of foreign currency fluctuations, excluding the earnings impact of the underlying hedged item, decreased net earnings for the three months ended March 31, 2018 by less than $0.1 billion.

As of March 31, 2018, we held the U.S. dollar equivalent of $0.5 billion of cash in Angolan kwanza. As there is no liquid derivatives market for this currency, we have used Angolan kwanza to purchase $0.4 billion equivalent bonds issued by the central bank in Angola (Banco Nacional de Angola) with various maturities through 2020 to mitigate the related currency devaluation exposure risk. The bonds are denominated in Angolan kwanza as U.S. dollar equivalents, so that, upon payment of periodic interest and principal upon maturity, payment is made in Angolan kwanza, equivalent to the respective U.S. dollars at the then-current exchange rate.

See Note 17 to the consolidated financial statements for further information about our risk exposures, our use of derivatives, and the effects of this activity on our financial statements.

CREDIT RATINGS

We have relied, and may continue to rely, on the short-term and long-term debt capital markets to fund, among other things, a significant portion of our operations and significant acquisitions. The cost and availability of debt financing is influenced by our credit ratings. Moody’s Investors Service (Moody’s), Standard and Poor’s Global Ratings (S&P), and Fitch Ratings (Fitch) currently issue ratings on GE and GE Capital short- and long-term debt.

On April 25, 2018, Moody’s changed its ratings outlook to negative from stable for GE and GE Capital, and affirmed their short- and long-term credit ratings for GE and GE Capital. All credit ratings and outlooks assigned by S&P and Fitch for GE and GE Capital remain unchanged.

We are disclosing these updates and the ratings below to enhance understanding of our sources of liquidity and the effects of our ratings on our costs of funds. Our ratings may be subject to a revision or withdrawal at any time by the assigning rating organization, and each rating should be evaluated independently of any other rating. For a description of some of the potential consequences of a reduction in our credit ratings, see our Annual Report on Form 10-K for the year ended December 31, 2017, under “Risk Factors - Financial Risks - Funding & liquidity - Failure to maintain our credit ratings, or conditions in the financial and credit markets, could adversely affect our access to capital markets, funding costs and related margins, liquidity, capital allocation plans and competitive position.”

The credit ratings of GE and GE Capital as of the date of this filing are set forth in the table below.

	Moody's	S&P	Fitch
GE			
Outlook	Negative	Stable	Negative
Short term	P-1	A-1	F1
Long term	A2	A	A+
GE Capital			
Outlook	Negative	Stable	Negative
Short term	P-1	A-1	F1
Long term	A2	A	A+

MD&A FINANCIAL RESOURCES AND LIQUIDITY

STATEMENT OF CASH FLOWS - THREE MONTHS ENDED MARCH 31, 2018 VERSUS 2017

We evaluate our cash flows performance by reviewing our industrial (non-GE Capital) businesses and GE Capital businesses separately. Cash from operating activities (CFOA) is the principal source of cash generation for our industrial businesses.

All other operating activities reflect cash sources and uses as well as non-cash adjustments to net earnings (loss) including those related to taxes, pensions, restructuring and gains (losses) on principal business dispositions. See Note 20 to the consolidated financial statements for further information regarding All other operating activities and All other investing activities.

GE CASH FLOWS – THREE MONTHS ENDED MARCH 31

With respect to GE CFOA, we believe that it is useful to supplement our GE Statement of Cash Flows and to examine in a broader context the business activities that provide and require cash.

The most significant source of cash in GE CFOA is customer-related activities, the largest of which is collecting cash resulting from product or services sales. The most significant operating use of cash is to pay our suppliers, employees, tax authorities and others for a wide range of material and services. Dividends from GE Capital represent the distribution of a portion of GE Capital retained earnings, and are distinct from cash from continuing operations within the GE Capital businesses.

In the following discussion, Net earnings for cash flows represents the adding together of Net earnings (loss), (Earnings) loss from discontinued operations and (Earnings) loss from continuing operations retained by GE Capital, excluding GE Capital common dividends paid to GE, if any.

See the Intercompany Transactions between GE and GE Capital section within the MD&A and Notes 4 and 21 to the consolidated financial statements for further information regarding certain transactions affecting our consolidated Statement of Cash Flows.

2018 – 2017 COMMENTARY

GE cash used for operating activities increased $1.4 billion primarily due to the following:

- No common dividends were paid by GE Capital to GE in the three months ended March 31, 2018 compared with $2.0 billion in the three months ended March 31, 2017.
- Cash used for GE CFOA (excluding common dividends received from GE Capital in 2017) amounted to $1.0 and $1.6 billion in 2018 and 2017, respectively, primarily due to the following:
- Net earnings for cash flows plus depreciation and amortization of property, plant and equipment, amortization of intangible assets and deferred income taxes of $1.6 billion in 2018 compared with $0.8 billion in 2017. Net earnings for cash flows included restructuring and other charges and current tax expense of $0.6 billion and $0.5 billion, respectively, in 2018, compared with $1.0 billion and $0.4 billion, respectively, in 2017.
- Lower growth in contract and other deferred assets of $0.4 billion in 2018 compared with $1.2 billion in 2017, primarily due to the timing of revenue recognized relative to the timing of billings and collections on our long-term service agreements and the liquidation of deferred inventory, primarily in our Power segment.
-

An increase in cash used for working capital of $0.3 billion in 2018 compared with 2017. This was primarily due to an increase in cash used for current receivables of $0.3 billion, mainly in our Renewable Energy segment and an increase in cash used for inventories of $0.3 billion, mainly in our Aviation and Oil & Gas segments. These increases in cash used for working capital were partially offset by an increase in cash generated by progress collections of $0.1 billion, driven by our Renewable Energy segment and a decrease in cash used for accounts payable of $0.1 billion.

- GE Pension Plan contributions of $0.3 billion in 2018 compared with no such contributions in 2017.
- Lower taxes paid of $0.3 billion in 2018 compared with $0.7 billion in 2017.
- An increase in net cash used to reduce other liabilities of approximately $0.4 billion.

GE cash used for investing activities decreased $0.3 billion primarily due to the following:

- No business acquisitions in 2018, compared with business acquisitions of $1.0 billion in 2017, mainly driven by the acquisition of ServiceMax for $0.9 billion (net of cash acquired).
- This decrease in cash used was partially offset by following increases:
- Technology investments in our Aviation segment of $0.6 billion in 2018, compared with $0.1 billion in 2017.
- Net cash paid for settlements of derivative hedges of $0.2 billion in 2018.

MD&A FINANCIAL RESOURCES AND LIQUIDITY

GE cash used for financing activities increased $1.9 billion primarily due to the following:

- A net decrease in borrowings of $1.8 billion in 2018, mainly driven by net repayments of debt of $2.1 billion (including $0.7 billion at BHGE), partially offset by a long-term loan from GE Capital to GE of $0.3 billion, compared with a net increase in borrowings of $2.5 billion in 2017, primarily driven by long-term loans from GE Capital to GE of $4.1 billion, partially offset by the settlement of the remaining portion of a 2016 short-term loan from GE Capital to GE of $1.3 billion.
- This increase in cash used was partially offset by the following decreases:
- An insignificant amount of net repurchases of GE treasury shares in 2018, compared with net repurchases of $1.6 billion in 2017.
- Common dividends paid to shareowners of $1.0 billion in 2018, compared with $2.1 billion in 2017.

GE CAPITAL CASH FLOWS – THREE MONTHS ENDED MARCH 31

2018 – 2017 COMMENTARY-CONTINUING OPERATIONS:

GE Capital cash from operating activities-continuing operations increased $0.4 billion primarily due to the following:

- A general increase in cash generated from earnings of continuing operations and lower operating costs, including payroll.

GE Capital cash from investing activities-continuing operations decreased $4.3 billion primarily due to the following:

- Investment securities decreased $2.1 billion related to net maturities of $0.5 billion in 2018 compared to net maturities of $2.6 billion in 2017.
- Net proceeds from the sales of our discontinued operations of an insignificant amount in 2018 compared to $0.8 billion in 2017.
- A general reduction in funding related to discontinued operations.
- These decreases were partially offset by a long-term loan from GE Capital to GE of $0.3 billion in 2018 compared to long-term loans from GE Capital to GE of $4.1 billion partially offset by the settlement of the remaining portion of a 2016 short-term loan from GE Capital to GE of $1.3 billion in 2017.

GE Capital cash used for financing activities-continuing operations decreased $1.7 billion primarily due to the following:

- No GE Capital common dividends paid to GE in 2018 compared to $2.0 billion in 2017.

MD&A FINANCIAL RESOURCES AND LIQUIDITY

INTERCOMPANY TRANSACTIONS BETWEEN GE AND GE CAPITAL

GE Capital, the financial arm of GE, provides financial and intellectual capital to GE's industrial businesses and its customers. GE Capital enables GE orders by either providing direct financing for a GE transaction or by bringing market participants together that result in industrial sales. On January 16, 2018, we announced plans to take actions to make GE Capital smaller and more focused, including a substantial reduction in the size of GE Capital's Energy Financial Services and Industrial Finance businesses over the next 24 months. We will retain origination capabilities to support our industrial businesses; however, we will transition to more funding by the capital markets, including export credit agencies and financial institutions. The transactions where GE and GE Capital are directly involved are made on arm's length terms and are reported in the GE and GE Capital columns of our financial statements. These transactions include, but are not limited to, the following:

- GE Capital dividends to GE,
- GE Capital working capital solutions to optimize GE cash management,
- GE Capital enabled GE industrial orders, including related GE guarantees to GE Capital,
- GE Capital financing of GE long-term receivables, and
- Aircraft engines, power equipment, renewable energy equipment and healthcare equipment manufactured by GE that are installed on GE Capital investments, including leased equipment.

In addition to the above transactions that primarily enable growth for the GE businesses, there are routine related party transactions, which include, but are not limited to, the following:

- Expenses related to parent-subsidiary pension plans,
- Buildings and equipment leased between GE and GE Capital, including sale-leaseback transactions,
- Information technology (IT) and other services sold to GE Capital by GE,
- Settlements of tax liabilities, and
- Various investments, loans and allocations of GE corporate overhead costs.

CASH FLOWS

GE did not receive a common share dividend distribution from GE Capital in the three months ended March 31, 2018 and it does not expect to for the foreseeable future. GE Capital paid $2.0 billion of common dividends to GE in the three months ended March 31, 2017.

In order to manage short-term liquidity and credit exposure, GE sells current receivables to GE Capital and other third parties in part to fund the growth of our industrial businesses. During any given period, GE receives cash from the sale of receivables to GE Capital and other third parties, and it therefore forgoes the future collections of cash on receivables sold, as GE Capital collects the cash from the customer. GE also leverages GE Capital for its expertise in receivables collection services and sales of receivables to GE Capital are made on arm's length terms. These transactions can result in cash generation or cash use in the Statement of Cash Flows. The incremental amount of cash received from sales of receivables in excess of the cash GE would have otherwise collected had these receivables not been sold represents the cash generated or used in the period relating to this activity. The impact of current receivables sold to GE Capital, including current receivables subsequently sold to third parties, decreased GE's CFOA by $2.3 billion and $3.3 billion in the three months ended March 31, 2018 and 2017, respectively.

As of March 31, 2018, GE Capital had approximately $8.7 billion recorded on its balance sheet related to current receivables purchased from GE. Of these amounts, approximately 38% had been sold by GE to GE Capital with recourse (i.e., the GE business retains the risk of default). The evaluation of whether recourse transactions qualify for accounting derecognition is based, in part, upon the legal jurisdiction of the sale; as such, the majority of recourse transactions outside the U.S. qualify for sale treatment. The effect on GE CFOA of claims by GE Capital on receivables sold with recourse to GE has not been significant for the three months ended March 31, 2018 and 2017.

In December 2016, GE Capital entered into a Receivables Facility with members of a bank group, designed to provide extra liquidity to GE. The Receivables Facility allows us to sell eligible current receivables on a non-recourse basis for cash and a deferred purchase price to members of the bank group. The purchase commitment of the bank group remains at $3.8 billion at March 31, 2018. See Note 4 to the consolidated financial statements for further information.

MD&A FINANCIAL RESOURCES AND LIQUIDITY

In certain circumstances, GE provides customers primarily within our Power, Renewable Energy and Aviation businesses with extended payment terms for the purchase of new equipment, purchases of significant upgrades and for fixed billings within our long-term service contracts. Similar to current receivables, GE may sell these long-term receivables to GE Capital to manage short-term liquidity and fund growth. These transactions are made on arm's length terms and any fair value adjustments, primarily related to time value of money, are recognized within the Industrial business in the period these receivables are sold to GE Capital. GE Capital accretes interest and factoring fee income over the life of the receivables. Factoring fee income is eliminated in our consolidated results. In addition, the long-term portion of any remaining outstanding receivables as of the end of the period are reflected in All other assets within our consolidated Statement of Financial Position. GE Capital had approximately $2.0 billion and $2.1 billion of financing receivables related to GE long-term customer receivables outstanding, net of deferred income of approximately $0.2 and $0.3 billion recorded in its balance sheet at March 31, 2018 and December 31, 2017, respectively. The effect of cash generated from the sale of these long-term receivables with GE Capital decreased GE's CFOA by an insignificant amount and increased GE's CFOA by $0.1 billion in the three months ended March 31, 2018 and 2017, respectively.

ENABLED ORDERS

Enabled orders represent the act of introducing, elevating and influencing customers and prospects that result in an industrial sale, potentially coupled with programmatic captive financing or driving incremental products or services. During the three months ended March 31, 2018 and 2017, GE Capital enabled $1.6 billion and $2.2 billion of GE industrial orders, respectively. 2018 orders are primarily with our Transportation ($0.5 billion), Renewable Energy ($0.4 billion) and Healthcare ($0.4 billion) businesses.

AVIATION

During the three months ended March 31, 2018 and 2017, GE Capital acquired 8 aircraft (list price totaling $0.9 billion) and 9 aircraft (list price totaling $1.1 billion), respectively, from third parties that will be leased to others, which are powered by engines that were manufactured by GE Aviation and affiliates. Additionally, GE Capital had $1.1 billion and $1.2 billion of net book value of engines, originally manufactured by GE Aviation and affiliates and subsequently leased back to GE Aviation and affiliates at March 31, 2018 and December 31, 2017, respectively.

PENSIONS

GE Capital is a member of certain GE Pension Plans. As a result of the GE Capital Exit Plan, GE Capital will have additional funding obligations for these pension plans. These obligations are recognized as an expense in GE Capital's other continuing operations when they become probable and estimable. There was no additional funding obligations recognized by GE Capital for the three months ended March 31, 2018. The additional funding obligation recognized by GE Capital was $0.1 billion for the three months ended March 31, 2017.

On a consolidated basis, the additional required pension funding and any related assumption fees do not affect current period earnings. Any additional required pension funding will be reflected as a reduction of the pension liability when paid.

GE GUARANTEE OF GE CAPITAL THIRD-PARTY TRANSACTIONS

In certain instances, GE provides guarantees to GE Capital transactions with third parties primarily in connection with enabled orders. In order to meet its underwriting criteria, GE Capital may obtain a direct guarantee from GE related to the performance of the third party. GE guarantees can take many forms and may include, but not be limited to, direct performance or payment guarantees, return on investment guarantees, asset value guarantees and loss pool arrangements. As of March 31, 2018, GE had outstanding guarantees to GE Capital on $2.1 billion of funded exposure and $0.7 billion of unfunded commitments, which included guarantees issued by industrial businesses. The recorded amount of these contingent liabilities was $0.2 billion as of March 31, 2018 and is dependent upon individual transaction level defaults, losses and/or returns.

GE GUARANTEE OF CERTAIN GE CAPITAL DEBT

GE provides implicit and explicit support to GE Capital through commitments, capital contributions and operating support. As previously discussed, debt assumed by GE from GE Capital in connection with the merger of GE Capital into GE was $43.5 billion, and GE guaranteed $41.3 billion of GE Capital debt at March 31, 2018. See Note 21 to the consolidated financial statements for additional information about the eliminations of intercompany transactions between GE and GE Capital.

CRITICAL ACCOUNTING ESTIMATES

We utilized significant estimates in the preparation of the first quarter financial statements.

Please refer to the Critical Accounting Estimates section within MD&A and Note 1 to the consolidated financial statements of our Annual Report on Form 10-K Report filed on February 23, 2018, for a discussion of our accounting policies and the critical accounting estimates we use to: assess the recoverability of assets such as financing receivables and goodwill; determine the fair value of financial assets; determine our provision for income taxes and recoverability of deferred tax assets and determine the liability for future policy benefits.

REVENUE RECOGNITION ON LONG-TERM PRODUCT SERVICES AGREEMENTS

On January 1, 2018, we adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, and the related amendments (ASC 606), which supersedes most previous U.S. GAAP revenue guidance. The standard requires us to make certain estimates that affect the amount and timing of revenue recognized in a given period, primarily related to equipment and service contracts that are recognized on an overtime basis (refer to Note 1 and Note 9 to the consolidated financial statements for further discussion of our accounting policy for these contracts). The most critical estimates relevant to our revenue accounting are related to our long-term product service agreements as discussed below.

We enter into long-term product service agreements with our customers primarily within our Aviation, Power, Oil & Gas and Transportation segments. These agreements require us to provide preventative maintenance, asset overhaul / updates, and standby "warranty-type" services that include certain levels of assurance regarding asset performance and uptime throughout the contract periods, which generally range from 5 to 25 years. Contract modifications that extend or revise contract terms are not uncommon and generally result in our recognizing the impact of the revised terms prospectively over the remaining life of the modified contract (i.e., effectively like a new contract).

Our revenue recognition on long-term product services agreements requires estimates of both customer payments expected to be received over the contract term as well as the costs expected to be incurred to perform required maintenance services. We routinely review estimates under product services agreements and regularly revise them to adjust for changes in outlook as described below.

We recognize revenue as we perform under these arrangements using an over time accounting model based on costs incurred relative to total expected costs. Throughout the life of a contract, this measure of progress captures the nature of the timing and extent of our underlying performance activities as our stand-ready services often fluctuate between routine inspections and maintenance, unscheduled service events and major overhauls at pre-determined usage intervals.

Customers generally pay us based on the utilization of the asset (per hour of usage for example) or upon the occurrence of a major event within the contract such as an overhaul. As a result, a significant estimate in determining expected revenues of a contract is estimating how customers will utilize their assets over the term of the agreement. Changes in customer utilization can influence the timing and extent of overhauls and other service events over the life of the contract. As a result, the revenue recognized each period is dependent on our estimate of how a customer will utilize their assets over the term of the agreement. We generally use a combination of both historical utilization trends as well as forward-looking information such as market conditions and potential asset retirements in developing our revenue estimates. This estimate of customer utilization will impact both the total contract billings and costs to satisfy our obligation to maintain the equipment. To the extent required, we limit the amount of variable consideration used to estimate our transaction price such that it is improbable that a significant revenue reversal will occur in future periods.

To develop our cost estimates, we consider the timing and extent of future maintenance and overhaul events, including the amount and cost of labor, spare parts and other resources required to perform the services. In developing our cost estimates, we utilize a combination of our historical cost experience and expected cost improvements. Cost improvements are only included in future cost estimates after savings have been observed in actual results or proven effective through an extensive regulatory or engineering approval process.

We regularly assess customer credit risk inherent in the carrying amounts of receivables and contract assets and estimated earnings, including the risk that contractual penalties may not be sufficient to offset our accumulated investment in the event of customer termination. We gain insight into future utilization and cost trends, as well as credit risk, through our knowledge of the installed base of equipment and the close interaction with our customers that comes with supplying critical services and parts over extended periods.

See Notes 1, 9 and 10 to the consolidated financial statements for further information.

MD&A OTHER ITEMS

OTHER ITEMS

NEW ACCOUNTING STANDARDS

ASU NO. 2018-02, INCOME STATEMENT - REPORTING COMPREHENSIVE INCOME (TOPIC 220): RECLASSIFICATION OF CERTAIN TAX EFFECTS FROM ACCUMULATED OTHER COMPREHENSIVE INCOME

In February 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The ASU provides that the stranded tax effects from the Tax Cuts and Jobs Act on the balance of other comprehensive earnings may be reclassified to retained earnings. The ASU is effective for periods beginning after December 15, 2018, with an election to adopt early. We are evaluating the effect of the standard on our consolidated financial statements.

ASU NO. 2016-13, FINANCIAL INSTRUMENTS - CREDIT LOSSES

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses. The ASU introduces a new accounting model, the Current Expected Credit Losses model (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. The CECL model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses for loans and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. This model replaces the multiple existing impairment models in current GAAP, which generally require that a loss be incurred before it is recognized. The new standard will also apply to receivables arising from revenue transactions such as contract assets and accounts receivables, as well as reinsurance recoverables at GE Capital's run-off insurance operations and is effective for fiscal years beginning after December 15, 2019. We continue to evaluate the effect of the standard on our consolidated financial statements.

ASU NO. 2016-02, LEASES

In February 2016, the FASB issued ASU No. 2016-02, Leases. The ASU establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition. Similarly, lessors will be required to classify leases as sales-type, finance or operating, with classification affecting the pattern of income recognition. Classification for both lessees and lessors will be based on an assessment of whether risks and rewards as well as substantive control have been transferred through a lease contract. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. A modified retrospective transition approach is required for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. While we continue to evaluate the effect of the standard on our consolidated financial statements, we anticipate that the adoption of the ASU may materially affect our Statement of Financial Position.

MINE SAFETY DISCLOSURES

Our barite mining operations, in support of our drilling fluids products and services business, are subject to regulation by the federal Mine Safety and Health Administration under the Federal Mine Safety and Health Act of 1977. Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit

95 to this quarterly report.

MD&A OTHER ITEMS

IRAN THREAT REDUCTION AND SYRIA HUMAN RIGHTS ACT OF 2012

The Company is making the following disclosure pursuant to Section 13(r) of the Securities Exchange Act of 1934. Under Section 13(r) of the Securities Exchange Act of 1934, enacted in 2012, GE is required to disclose in its periodic reports if it or any of its affiliates knowingly engaged in business activities relating to Iran, even if those activities are conducted in accordance with authorizations subsequently issued by the U.S. Government. Reportable activities include investments that significantly enhance Iran's ability to develop petroleum resources valued at $20 million or more in the aggregate during a twelve-month period. Reporting is also required for transactions related to Iran's domestic production of refined petroleum products or Iran's ability to import refined petroleum products valued at $5 million or more in the aggregate during a twelve-month period.

In January 2016, the U.S. Department of Treasury's Office of Foreign Assets Control (OFAC) issued General License H authorizing U.S.-owned or controlled foreign entities to engage in transactions with Iran if these entities meet the requirements of the general license. Non-U.S. affiliates of GE are conducting limited activities as described below in accordance with General License H. All of these activities are conducted in accordance with all applicable laws and regulations.

A non-U.S. affiliate of GE's Oil & Gas business received a purchase order during the first quarter of 2018 for the sale of goods pursuant to General License H. The purchase order covers the sale of valves and parts for industrial machinery and equipment used in gas plants, petrochemical plants and gas production projects in Iran. This purchase order is valued at €0.1 million ($0.1 million). This non-U.S. affiliate attributed €5.4 million ($6.7 million) in gross revenues and €1.7 million ($2.1 million) in net profits against previously reported transactions during the quarter ending March 31, 2018.

A second non-U.S. affiliate of GE's Oil & Gas business received ten purchase orders during the first quarter of 2018 for the sale of spares parts to support gas plants, petrochemical plants and gas production projects in Iran. The ten purchase orders are individually valued at €0.1 million ($0.1 million), €0.1 million ($0.1 million), €0.1 million ($0.1 million), less than €0.1 million ($0.1 million), less than €0.1 million ($0.1 million), less than €0.1 million ($0.1 million), less than €0.1 million ($0.1 million), less than €0.1 million ($0.1 million), less than €0.1 million ($0.1 million), and less than €0.1 million ($0.1 million) each. This non-U.S. affiliate did not recognize any revenue or profit during the quarter ending March 31, 2018.

A non-U.S. affiliate of GE's Power business received a purchase order pursuant to General License H valued at less than €0.2 million ($0.2 million) during the first quarter of 2018 for the sale of compressor parts to a petrochemical company in Iran. This non-U.S. affiliate did not recognize any revenue or profit during the quarter ending March 31, 2018.

A second non-U.S. affiliate of GE's Power business received a purchase order pursuant to General License H valued at less than €0.1 million ($0.1 million) during the first quarter of 2018 for the sale of protection relays to an oil refinery in Iran. This non-U.S. affiliate attributed €0.4 million ($0.5 million) in gross revenues and €0.2 million ($0.2 million) in net profits against previously reported transactions during the quarter ending March 31, 2018

A third non-U.S. affiliate of GE's Power business received two purchase orders pursuant to General License H valued at €0.1 million ($0.1 million) and less than €0.1 million ($0.1 million) during the first quarter of 2018 for the sale of spare parts to petrochemical companies in Iran. This non-U.S. affiliate did not recognize any revenue or profit during the quarter ending March 31, 2018.

All of these non-U.S. affiliates intend to continue the activities described above, as permitted by all applicable laws and regulations.

For additional information on business activities related to Iran, please refer to the Other Items section within MD&A in our Annual Report on Form 10-K for the year ended December 31, 2017.

SUPPLEMENTAL INFORMATION

FINANCIAL MEASURES THAT SUPPLEMENT U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES MEASURES (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 GAAP. Certain of these data are considered "non-GAAP financial measures" under SEC rules. Specifically, we have referred, in various sections of this report, to:

- GE Industrial segment organic revenues
- GE Industrial structural costs
- GE pre-tax earnings from continuing operations, excluding GE Capital earnings (loss) from continuing operations and the corresponding effective tax rates
- Adjusted earnings and earnings per share
- Adjusted GE Industrial operating profit and operating profit margin (excluding certain items)
- GE Industrial Free Cash Flows (FCF) and Adjusted GE Industrial FCF

The reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable GAAP financial measures follow.

MD&A SUPPLEMENTAL INFORMATION

GE INDUSTRIAL SEGMENT ORGANIC REVENUES (NON-GAAP)

	Three months ended March 31		
(In millions)	2018	2017	V%
GE Industrial segment revenue (GAAP)	$27,395	$25,213	9 %
Adjustments:			
Acquisitions	2,725	7	
Business dispositions (other than dispositions acquired for investment)	1	483	
Currency exchange rate(a)	853	—	
GE Industrial segment organic revenue (Non-GAAP)	$23,817	$24,724	(4) %

(a) Translational foreign exchange

Organic revenue growth* measures revenue growth excluding the effects of acquisitions, business dispositions and currency exchange rates. We believe that this measure provides management and investors with a more complete understanding of underlying operating results and trends of established, ongoing operations by excluding the effect of acquisitions, dispositions and currency exchange, which activities are subject to volatility and can obscure underlying trends. We also believe that presenting organic revenue growth* separately for our industrial businesses provides management and investors with useful information about the trends of our industrial businesses and enables a more direct comparison to other non-financial businesses and companies. Management recognizes that the term "organic revenue growth" may be interpreted differently by other companies and under different circumstances. Although this may have an effect on comparability of absolute percentage growth from company to company, we believe that these measures are useful in assessing trends of the respective businesses or companies and may therefore be a useful tool in assessing period-to-period performance trends.

GE INDUSTRIAL STRUCTURAL COSTS (NON-GAAP)

	Three months ended March 31		
(In millions)	2018	2017	V$
GE Industrial costs excluding interest and other financial charges and non-operating benefit costs (GAAP)	$25,026	$23,647	$1,379
Less: Segment variable costs	18,757	16,932	
Less: Segment restructuring & other charges	280	12	
Less: Segment acquisitions/dispositions structural costs and impact from foreign exchange	306	(376)	
Less: Corporate restructuring & other charges	331	974	
Add: Corporate revenues, other income and NCI (excluding gains and GE Capital eliminations)	373	424	
GE Industrial structural costs (Non-GAAP)	$5,725	$6,530	$(805)

GE Industrial structural costs* include segment structural costs excluding the impact of restructuring and other charges, business acquisitions and dispositions, foreign exchange, plus total Corporate operating profit excluding restructuring and other charges and gains. The Baker Hughes acquisition is represented on a pro-forma basis, which means we calculated our structural costs by including legacy Baker Hughes results for the three months ended March

31, 2017.
We believe that GE Industrial structural costs* are a meaningful measure as they are broader than selling, general and administrative costs and represent the total structural costs in the industrial segments and Corporate that generally do not vary with volume.

GE PRE-TAX EARNINGS FROM CONTINUING OPERATIONS, EXCLUDING GE CAPITAL EARNINGS (LOSS) FROM CONTINUING OPERATIONS AND THE CORRESPONDING EFFECTIVE TAX RATES (NON-GAAP)

	Three months ended March 31	
(Dollars in millions)	2018	2017
GE earnings from continuing operations before income taxes (GAAP)	$519	$39
Less: GE Capital earnings (loss) from continuing operations	(215)	(47)
Adjusted earnings from continuing operations before income taxes (Non-GAAP)	734	86
GE (excluding GE Capital) provision for income taxes - continuing operations (GAAP)	$112	$23
GE effective tax rate, excluding GE Capital earnings (Non-GAAP)	15 %	27 %

We believe that the GE effective tax rate, excluding GE Capital earnings*, is best analyzed in relation to GE earnings before income taxes excluding the GE Capital net earnings from continuing operations, as GE tax expense does not include taxes on GE Capital earnings. Management believes that in addition to the Consolidated and GE Capital tax rates shown in Note 13 to the consolidated financial statements of the Annual Report on Form 10-K for the year ended December 31, 2017, this supplemental measure provides investors with useful information as it presents the GE effective tax rate that can be used in comparing the GE results to other non-financial services businesses.
*Non-GAAP Financial Measure

MD&A SUPPLEMENTAL INFORMATION

ADJUSTED EARNINGS AND EPS (NON-GAAP)

	Three months ended March 31		
(Dollars in millions; except per-share amounts)	2018	2017	V%
Consolidated earnings (loss) from continuing operations attributable to GE common shareowners (GAAP)	$369	$122	F
Less: non-operating benefit costs (net of tax of $144)	(540)	(422)	(28)%
Operating earnings (GAAP)	909	544	67 %
Less: GE Capital earnings (loss) from continuing operations attributable to GE common shareowners	(215)	(47)	U
GE Industrial operating earnings (GAAP)	$1,125	$591	90 %
Less: Gains (losses) and impairments for businesses held for sale (net of tax of $24)	(43)	1	U
Less: restructuring & other (net of tax of $132)	(390)	(681)	43 %
Less: GE Industrial U.S. tax reform enactment adjustment	(31)	—	U
Adjusted GE Industrial operating earnings (Non-GAAP)	1,588	1,271	25 %
GE Capital earnings (loss) from continuing operations attributable to GE common shareowners (GAAP)	(215)	(47)	U
Less: GE Capital U.S. tax reform enactment adjustment	(45)	—	U
Adjusted GE Capital earnings (Non-GAAP)	(170)	(47)	U
Adjusted GE Industrial operating earnings (Non-GAAP)	1,588	1,271	25 %
Add: Adjusted GE Capital earnings (Non-GAAP)	(170)	(47)	U
Adjusted earnings (Non-GAAP)	$1,418	$1,224	16 %
Earnings (loss) per share (EPS) - diluted(b)			
Consolidated EPS from continuing operations attributable to GE common shareowners (GAAP)	$0.04	$0.01	F
Less: non-operating benefit costs (net of tax of $0.02)	(0.06)	(0.05)	
Operating EPS (GAAP)	0.10	0.06	67 %
Less: GE Capital EPS from continuing operations attributable to GE common shareowners	(0.02)	(0.01)	
GE Industrial operating EPS (GAAP)	0.13	0.07	86 %
Less: Gains (losses) and impairments for businesses held for sale (net of tax)	—	—	
Less: restructuring & other (net of tax of $0.02)	(0.04)	(0.08)	
Less: GE Industrial U.S. tax reform enactment adjustment	—	—	
Adjusted GE Industrial operating EPS (Non-GAAP)	0.18	0.14	29 %
GE Capital EPS from continuing operations attributable to GE common shareowners (GAAP)	(0.02)	(0.01)	(100)%
Less: GE Capital U.S. tax reform enactment adjustment	(0.01)	—	
Adjusted GE Capital EPS (Non-GAAP)	(0.02)	(0.01)	(100)%
Adjusted GE Industrial operating EPS (Non-GAAP)	0.18	0.14	29 %
Add: Adjusted GE Capital EPS (Non-GAAP)	(0.02)	(0.01)	
Adjusted EPS (Non-GAAP)	$0.16	$0.14	14 %

(a) The tax effect on non-operating benefit costs was calculated using a 21% U.S. federal statutory tax rate, based on its applicability to such cost.
(b) Earnings-per-share amounts are computed independently. As a result, the sum of per-share amounts may not equal the total.

Adjusted earnings (loss) and EPS* excludes non-operating benefit costs, gains, and restructuring and other items, after tax. The service cost of our pension and other benefit plans are included in adjusted earnings, which represents the ongoing cost of providing pension benefits to our employees. The components of non-operating benefit costs are mainly driven by capital allocation decisions and market performance, and we manage these separately from the operational performance of our businesses. Gains and restructuring and other items are impacted by the timing and magnitude of gains associated with dispositions, and the timing and magnitude of costs associated with restructuring activities. We believe that the retained costs in Adjusted earnings and EPS* provides management and investors a useful measure to evaluate the performance of the total company, and increases period-to-period comparability. We also use Adjusted EPS* as a performance metric at the company level for our annual executive incentive plan for 2018. We believe that presenting Adjusted Industrial earnings and EPS* separately for our financial services businesses also provides management and investors with useful information about the relative size of our industrial and financial services businesses in relation to the total company.

*Non-GAAP Financial Measure

MD&A SUPPLEMENTAL INFORMATION

GE INDUSTRIAL OPERATING PROFIT AND OPERATING PROFIT MARGIN (EXCLUDING CERTAIN ITEMS)

	Three months ended March 31	
(Dollars in millions)	2018	2017
GE total revenue (GAAP)	$26,894	$24,780
Costs		
GE total costs and expenses	$26,352	$24,860
Less: GE interest and other financial charges	642	564
Less: non-operating benefit costs	684	649
GE Industrial costs excluding interest and other financial charges and non-operating benefit costs (GAAP)	$25,026	$23,647
Less: Restructuring and other charges	656	974
Add: noncontrolling interests	38	(106)
Adjusted GE Industrial costs (Non-GAAP)	$24,408	$22,568
Other Income		
GE other income (GAAP)	$193	$166
Less: gains (losses) and impairments for businesses held for sale	(67)	2
Adjusted GE other income (Non-GAAP)	$259	$165
GE Industrial operating profit (GAAP)	2,060	1,299
GE Industrial operating profit margins (GAAP)	7.7%	5.2%
Adjusted GE Industrial operating profit (Non-GAAP)	$2,745	2,377
Adjusted GE Industrial operating profit margins (Non-GAAP)	10.2%	9.6%

We have presented our Adjusted GE Industrial operating profit* and operating profit margin* excluding gains and impairments for businesses held for sale, restructuring and other, noncontrolling interests. We believe that Adjusted GE Industrial operating profit* and operating profit margin* adjusted for these items are meaningful measures because they increase the comparability of period-to-period results.

*Non-GAAP Financial Measure

MD&A SUPPLEMENTAL INFORMATION

GE INDUSTRIAL FREE CASH FLOWS (FCF) AND ADJUSTED GE INDUSTRIAL FCF (NON-GAAP)

	Three months ended March 31	
(Dollars in millions)	2018	2017
GE CFOA (GAAP)	$(1,012)	$368
Add: Gross additions to PP&E	(882)	(992)
Add: Gross additions to internal-use software	(91)	(124)
Less: Dividends from GE Capital	—	2,000
Less: GE Pension Plan funding	(287)	—
Less: Taxes related to business sales	—	—
GE Industrial Free Cash Flows (Non-GAAP)	$(1,698)	$(2,748)
Less: Oil & Gas CFOA	291	—
Less: Oil & Gas gross additions to PP&E	(173)	—
Less: Oil & Gas gross additions to internal-use software	(9)	—
Add: BHGE Class B shareholder dividend	127	—
Adjusted GE Industrial Free Cash Flows (Non-GAAP)	$(1,681)	$(2,748)

In 2018, GE transitioned from reporting an Adjusted GE Industrial CFOA metric to measuring itself on a GE Industrial Free Cash Flows basis*. This metric includes GE CFOA plus investments in property, plant and equipment and additions to internal-use software; this metric excludes any dividends received from GE Capital and any cash received from dispositions of property, plant, and equipment and internal-use software.

We believe that investors may also find it useful to compare GE's Industrial free cash flow performance without the effects of cash used for taxes related to business sales and contributions to the GE Pension Plan. We believe that this measure will better allow management and investors to evaluate the capacity of our industrial operations to generate free cash flows. In addition, we report Adjusted GE Industrial Free Cash Flows* in order to provide a more fair representation of the cash that we are entitled to utilize in a given period. We also use Adjusted GE Industrial Free Cash Flows* as a performance metric at the company-wide level for our annual executive incentive plan for 2018.

Management recognizes that the term free cash flow may be interpreted differently by other companies and under different circumstances. Although this may have an effect on comparability of absolute percentage growth from company to company, we believe that these measures are useful in assessing trends of the respective businesses or companies and may therefore be a useful tool in assessing period-to-period performance trends.

*Non-GAAP Financial Measure

OTHER

CONTROLS AND PROCEDURES

Under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated our disclosure controls and procedures and internal control over financial reporting and concluded that (i) our disclosure controls and procedures were effective as of March 31, 2018, and (ii) other than as explained below, there have been no changes in internal control over financial reporting occurred during the quarter ended March 31, 2018, that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Effective January 1, 2018, we adopted the new revenue guidance under ASC Topic 606, Revenue from Contracts with Customers, using the full retrospective method of adoption. The adoption of this guidance required the implementation of new accounting policies and processes, including enhancements to our information systems, which changed the Company's internal controls over financial reporting for revenue recognition and related disclosures for both our recast historical financial statements and current period reporting.

OTHER FINANCIAL DATA

OTHER FINANCIAL DATA

PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of our share repurchase program(a)	Approximate dollar value of shares that may yet be purchased under our share repurchase program(a)
(Shares in thousands)				
2018				
January	2,332	$ 16.78	2,332	
February	1,762	15.04	1,762	
March	1,038	14.06	1,038	
Total	5,132	$ 15.63	5,132	$ 20.8 billion

(a) Shares were repurchased through the GE Share Repurchase Program that we announced on April 10, 2015 (the Program). Under the Program, we are authorized to repurchase up to $50 billion of our common stock through 2018 and, as of March 31, 2018, we had repurchased a total of approximately $29.2 billion under the Program. The Program is flexible and shares will be acquired with a combination of borrowings and free cash flow from the public markets and other sources, including GE Stock Direct, a stock purchase plan that is available to the public.

LEGAL PROCEEDINGS

LEGAL PROCEEDINGS

The following information supplements and amends our discussion set forth under “Legal Proceedings” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. We also incorporate the information reported under "Legal Proceedings" in Baker Hughes, a GE company's most recent Form 10-K report and updates in its Form 10-Q reports.

WMC. At March 31, 2018, there were four pending lawsuits in which our discontinued U.S. mortgage business, WMC, is a party. One of these cases was dismissed in April 2018. The adverse parties in these cases are securitization trustees or parties claiming to act on their behalf. The complaints and counterclaims in these actions generally assert claims for breach of contract, indemnification, and/or declaratory judgment, and seek specific performance (repurchase) and/or monetary damages. Beginning in the fourth quarter 2013, WMC entered into settlements that reduced its exposure on claims asserted in certain securitizations, and the claim amounts reported herein reflect the effect of these settlements.

One lawsuit is pending in the United States District Court for the District of Connecticut. TMI Trust Company (TMI), as successor to Law Debenture Trust Company of New York, is asserting claims on approximately $800 million of mortgage loans, and alleges losses on these loans in excess of $425 million. Trial in this case commenced on January 16, 2018. The parties have concluded their presentation of evidence, and the court scheduled closing arguments for June 12, 2018.

At March 31, 2018, three cases were pending against WMC in New York State Supreme Court, all of which were initiated by securitization trustees or securities administrators. These cases involve, in the aggregate, claims involving approximately $3,259 million of mortgage loans. One of these lawsuits was initiated by Deutsche Bank in the second quarter 2013 and names as defendants WMC and Barclays Bank PLC. It involves claims against WMC on approximately $1,000 million of mortgage loans and does not specify the amount of damages sought. In September 2016, WMC and Deutsche Bank agreed to settle all claims arising out of the two securitizations at issue in this lawsuit, subject to judicial approvals. In October 2016, Deutsche Bank filed petitions for instruction in California state court seeking judicial instructions that Deutsche Bank’s entry into the settlement agreements was a reasonable exercise of its discretion and approving the distribution of settlement proceeds pursuant to the terms of each trust’s governing documents. Bondholders in these two securitizations filed objections to the proposed settlements, and the court approved both settlements over the bondholder objections on April 3, 2018. The court will be issuing an order with notice reflecting this approval, and the objecting bondholders will then have 60 days to file a notice of appeal from the court’s decision. The second case (JPMAC-2) was initiated by BNY Mellon (BNY) in November 2013 and names as defendants WMC, J.P. Morgan Mortgage Acquisition Corporation and JPMorgan Chase Bank, N.A. In this case, BNY asserts claims on approximately $1,300 million of mortgage loans, and seeks to recover damages in excess of $600 million. On September 18, 2015, the court granted defendants’ motion to dismiss this case on statute of limitations grounds, and the plaintiff filed a notice of appeal in October 2015. In May 2017, the intermediate appellate court affirmed the dismissal of WMC, and the plaintiff is seeking leave to appeal this decision to the New York Court of Appeals. The third case (JPMAC-3) was filed in October 2014 and names as defendants WMC, J.P. Morgan Mortgage Acquisition Corporation and JPMorgan Chase Bank, N.A. The plaintiff, BNY, asserts claims on approximately $959 million of mortgage loans and seeks to recover damages in excess of $475 million. In September 2016, the court granted WMC’s motion to dismiss this case on statute of limitations grounds, and an appeal from this decision is pending in the intermediate appellate court. In the fourth quarter of 2017, JPMorgan and WMC reached a settlement with the trustee in JPMAC-2 and JPMAC-3, subject to court approval, and the trustees filed actions in Minnesota state court seeking such approval. The court approved both settlements in the first quarter, and the JPMAC-3 lawsuit was dismissed on April 17, 2018. The appeal period from the approval order in JPMAC-2 will expire on May 26, 2018, and the JPMAC-2 lawsuit remains stayed pending the final outcome of this proceeding.

The amounts of the claims at issue in these pending cases (discussed above) reflect the purchase price or unpaid principal balances of the mortgage loans at issue at the time of purchase and do not give effect to pay downs, accrued interest or fees, or potential recoveries based upon the underlying collateral. All of the mortgage loans involved in these lawsuits are included in WMC’s reported claims at March 31, 2018. See Note 19 to the consolidated financial statements for further information.

In December 2015, we learned that, as part of continuing industry-wide investigation of subprime mortgages, the Civil Division of the U.S. Department of Justice (DOJ) is investigating potential violations of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) by WMC and its affiliates arising out of the origination, purchase or sale of residential mortgage loans between January 1, 2005 and December 31, 2007. The Justice Department subsequently issued subpoenas to WMC and GE Capital, and we are cooperating with the Justice Department’s investigation, including providing documents and witnesses for interviews. Following DOJ's assertion that WMC and GE Capital violated FIRREA in connection with WMC’s origination and sale of subprime mortgage loans in 2006 and 2007, WMC and GE Capital are exploring whether an acceptable settlement of this matter can be reached. In the event that an acceptable settlement cannot be reached, we believe DOJ would initiate legal proceedings against WMC and GE Capital. WMC and GE Capital believe they would have defenses to any such lawsuit.

Alstom legacy matters. In connection with our acquisition of Alstom’s Thermal, Renewables and Grid businesses in November 2015, we are subject to legacy legal proceedings and legal compliance risks that relate to claimed anti-competitive conduct or improper payments by Alstom in the pre-acquisition period. See Note 19 to the consolidated financial statements for further information.

LEGAL PROCEEDINGS

EC merger notification objections. In July 2017, the European Commission (EC) issued a statement of objections with its preliminary conclusion that GE provided incorrect or misleading information about its research and development activities regarding high-power offshore wind turbines during the EC's review of GE's planned acquisition of LM Wind. We filed a reply in April 2018 setting forth our position on the EC's statement of objections, and after consideration of the reply we anticipate that the EC will issue a decision that we could appeal to the General Court of the European Union. If the EC concludes that GE's alleged violation of the merger notification rules was intentional or negligent, it could impose a fine of up to 1% of GE's annual revenues.

Shareholder lawsuits. Since November 2017, several putative class actions under the federal securities laws have been filed against GE and certain affiliated individuals. Those actions have been consolidated into a single action currently pending in the U.S. District Court for the Southern District of New York (Hachem v. GE et al). In January 2018, the court appointed the Arkansas Teachers Retirement System (ATRS) as Lead Plaintiff and Labaton Sucharow LLP as Lead Counsel for the consolidated shareholder actions. In March 2018, ATRS filed a Consolidated Amended Class Action Complaint naming as defendants GE, Jeffrey R. Immelt, Jeffrey S. Bornstein, John L. Flannery, Jamie S. Miller and Keith S. Sherin. It alleges violations of Sections 10(b) and 20(a) and Rule 10b-5 of the Securities Exchange Act of 1934 related to insurance reserves and accounting for long-term service agreements and seeks damages on behalf of shareowners who acquired GE stock between January 23, 2015 and January 23, 2018.

On February 16, 2018, another putative class action (the Cleveland Bakers and Teamsters Pension Fund (CBTPF) case) was filed in the U.S. District Court for the Southern District of New York. The CBTPF case names as defendants GE, Jeffrey R. Immelt, Jeffrey S. Bornstein, John L. Flannery and Jamie S. Miller and makes similar allegations as those in the ATRS case. The CBTPF complaint seeks damages on behalf of shareowners who acquired GE stock between February 26, 2013 and January 24, 2018.

On April 12, 2018, in response to a motion filed by counsel for CBTPF, the court vacated its January 19, 2018 order appointing ATRS as Lead Plaintiff and Labaton Sucharow LLP as Lead Counsel and set a new deadline of May 4, 2018 for putative class members to file motions seeking appointment as lead plaintiff.

Since February 2018, four shareholder derivative lawsuits have also been filed against current and former GE executive officers and members of GE's Board of Directors and GE (as nominal defendant). Two of the lawsuits (the Gammel case and the Lasker case) were filed in New York state court, one lawsuit (the Bennett case) was filed in Massachusetts state court and one lawsuit (the Raul case) was filed in the U.S. District Court for the Southern District of New York. The lawsuits allege breaches of fiduciary duties and unjust enrichment from 2016 to the present. The allegations relate to substantially the same facts as those underlying the securities class actions described above, as well as the oversight of past GE practices regarding the use of its corporate aircraft. The Bennett complaint also includes a claim for professional negligence and accounting malpractice against GE's auditor, KPMG. The plaintiffs seek unspecified damages and improvements in GE's corporate governance and internal procedures.

These cases are at an early stage; we believe we have defenses to the claims and will respond accordingly.

SEC investigation. In late November 2017, staff of the Boston office of the U.S. Securities & Exchange Commission (SEC) notified us that they are conducting an investigation of GE's revenue recognition practices and internal controls over financial reporting related to long-term service agreements. Following our investor update on January 16, 2018 about the increase in future policy benefit reserves for GE Capital's run-off insurance operations, as discussed in the Critical Accounting Estimates section of our Annual Report on Form 10-K, the SEC staff expanded the scope of its investigation to encompass the reserve increase and the process leading to the reserve increase. We are providing documents and other information requested by the SEC staff, and we are cooperating with their ongoing investigation.

GE Retirement Savings Plan class actions. On September 27, 2017, three individual plaintiffs filed a putative class action lawsuit in the U.S. District Court for the Southern District of California with claims regarding the oversight of GE’s 401(k) plan (the GE RSP). From October 30 to November 15, 2017, three similar class action suits were filed in the U.S. District Court for the District of Massachusetts. All four actions have been consolidated into a single action in the District of Massachusetts. The consolidated complaint names as defendants GE, GE Asset Management, current and former GE and GE Asset Management employees who served on fiduciary bodies responsible for overseeing the GE RSP during the class period and current and former members of GE's Board of Directors. Like similar lawsuits that have been brought against other companies in recent years, this action alleges that the defendants breached their fiduciary duties under the Employee Retirement Income Security Act of 1974 (ERISA) in their oversight of the GE RSP, principally by retaining five proprietary funds that plaintiffs allege were underperforming as investment options for plan participants and charging higher management fees than some alternative funds. The plaintiffs seek unspecified damages on behalf of a class of GE RSP participants and beneficiaries from October 30, 2011 through the date of any judgment, but we believe we have defenses to the claims and will respond accordingly.

Environmental matters. The Company is reporting the following matter in compliance with SEC requirements to disclose environmental proceedings where the government is a party and that potentially involve monetary sanctions of $100,000 or greater. As previously reported, in January 2018, Kern County California issued an administrative enforcement order with a proposed penalty of $130,000 for alleged violations of process safety management regulations at a manufacturing facility in Taft, California that is indirectly owned by Baker Hughes, a GE company. The matter was resolved in March 2018 with the payment of a penalty of $80,000 pursuant to a consent decree.

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FINANCIAL STATEMENTS

FINANCIAL STATEMENTS AND NOTES

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS
STATEMENT OF EARNINGS (LOSS)
(UNAUDITED)

	Three months ended March 31 General Electric Company and consolidated affiliates	
(In millions; per-share amounts in dollars)	2018	2017
Revenues		
Sales of goods	$17,282	$16,744
Sales of services	9,592	7,872
GE Capital revenues from services	1,786	2,264
Total revenues (Note 9)	28,660	26,881
Costs and expenses		
Cost of goods sold	14,181	14,297
Cost of services sold	7,345	5,933
Selling, general and administrative expenses	4,204	4,287
Interest and other financial charges	1,285	1,139
Investment contracts, insurance losses and insurance annuity benefits	630	634
Non-operating benefit costs	688	651
Other costs and expenses	121	190
Total costs and expenses	28,453	27,131
Other income	205	197
GE Capital earnings (loss) from continuing operations	—	—
Earnings (loss) from continuing operations before income taxes	413	(53)
Benefit (provision) for income taxes	27	105
Earnings (loss) from continuing operations	440	52
Earnings (loss) from discontinued operations, net of taxes (Note 2)	(1,553)	(239)
Net earnings (loss)	(1,113)	(187)
Less net earnings (loss) attributable to noncontrolling interests	34	(104)
Net earnings (loss) attributable to the Company	(1,147)	(83)
Preferred stock dividends	(37)	(34)
Net earnings (loss) attributable to GE common shareowners	$(1,184)	$(117)
Amounts attributable to GE common shareowners		
Earnings (loss) from continuing operations	$440	$52
Less net earnings (loss) attributable to noncontrolling interests, continuing operations	34	(104)
Earnings (loss) from continuing operations attributable to the Company	406	156
Preferred stock dividends	(37)	(34)
Earnings (loss) from continuing operations attributable to GE common shareowners	369	122

Earnings (loss) from discontinued operations, net of taxes	(1,553)	(239)
Less net earnings (loss) attributable to		
noncontrolling interests, discontinued operations	—	—
Net earnings (loss) attributable to GE common shareowners	$(1,184)	$(117)
Per-share amounts (Note 16)		
Earnings (loss) from continuing operations		
Diluted earnings (loss) per share	$0.04	$0.01
Basic earnings (loss) per share	$0.04	$0.01
Net earnings (loss)		
Diluted earnings (loss) per share	$(0.14)	$(0.01)
Basic earnings (loss) per share	$(0.14)	$(0.01)
Dividends declared per common share	$0.12	$0.24

Amounts may not add due to rounding.
See accompanying notes.

FINANCIAL STATEMENTS

STATEMENT OF EARNINGS (LOSS) (CONTINUED)
(UNAUDITED)

	Three months ended March 31			
	GE(a)		Financial Services (GE Capital)	
(In millions; per-share amounts in dollars)	2018	2017	2018	2017
Revenues				
Sales of goods	$17,273	$16,770	$32	$29
Sales of services	9,621	8,011	—	—
GE Capital revenues from services	—	—	2,141	2,652
Total revenues	26,894	24,780	2,173	2,681
Costs and expenses				
Cost of goods sold	14,172	14,328	25	23
Cost of services sold	6,855	5,516	525	562
Selling, general and administrative expenses	3,999	3,803	343	572
Interest and other financial charges	642	564	819	812
Investment contracts, insurance losses and insurance annuity benefits	—	—	645	636
Non-operating benefit costs	684	649	4	2
Other costs and expenses	—	—	133	214
Total costs and expenses	26,352	24,860	2,495	2,820
Other income	193	166	—	—
GE Capital earnings (loss) from continuing operations	(215)	(47)	—	—
Earnings (loss) from continuing operations before income taxes	519	39	(321)	(139)
Benefit (provision) for income taxes	(112)	(23)	139	128
Earnings (loss) from continuing operations	407	16	(182)	(11)
Earnings (loss) from discontinued operations, net of taxes (Note 2)	(1,553)	(239)	(1,553)	(242)
Net earnings (loss)	(1,146)	(223)	(1,735)	(253)
Less net earnings (loss) attributable to noncontrolling interests	38	(106)	(4)	2
Net earnings (loss) attributable to the Company	(1,184)	(117)	(1,731)	(256)
Preferred stock dividends	—	—	(37)	(34)
Net earnings (loss) attributable to GE common shareowners	$(1,184)	$(117)	$(1,768)	$(290)
Amounts attributable to GE common shareowners:				
Earnings (loss) from continuing operations	$407	$16	$(182)	$(11)
Less net earnings (loss) attributable to noncontrolling interests, continuing operations	38	(106)	(4)	2
Earnings (loss) from continuing operations attributable to the Company	369	122	(179)	(13)
Preferred stock dividends	—	—	(37)	(34)
Earnings (loss) from continuing operations attributable to GE common shareowners	369	122	(215)	(47)
Earnings (loss) from discontinued operations, net of taxes	(1,553)	(239)	(1,553)	(242)

Less net earnings (loss) attributable to noncontrolling interests, discontinued operations	—	—	—	—
Net earnings (loss) attributable to GE common shareowners	$(1,184)	$(117)	$(1,768)	$(290)

(a) Represents the adding together of all affiliated companies except GE Capital, which is presented on a one-line basis. See Note 1.

Amounts may not add due to rounding.
In the consolidating data on this page, "GE" means the basis of consolidation as described in Note 1 to the consolidated financial statements; "GE Capital" means GE Capital Global Holdings, LLC (GECGH) and all of their affiliates and associated companies. Separate information is shown for "GE" and "Financial Services (GE Capital)." Transactions between GE and GE Capital have been eliminated from the "General Electric Company and consolidated affiliates" columns on the prior page.

FINANCIAL STATEMENTS

GENERAL ELECTRIC COMPANY AND CONSOLIDATED AFFILIATES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	Three months ended March 31	
(In millions)	2018	2017
Net earnings (loss)	$(1,113)	$(187)
Less net earnings (loss) attributable to noncontrolling interests	34	(104)
Net earnings (loss) attributable to the Company	$(1,147)	$(83)
Other comprehensive income (loss)		
Investment securities	$99	$(52)
Currency translation adjustments	830	811
Cash flow hedges	55	20
Benefit plans	717	1,049
Other comprehensive income (loss)	1,702	1,828
Less other comprehensive income (loss) attributable to noncontrolling interests	160	6
Other comprehensive income (loss) attributable to the Company	$1,542	$1,822
Comprehensive income (loss)	$588	$1,641
Less comprehensive income (loss) attributable to noncontrolling interests	194	(98)
Comprehensive income (loss) attributable to the Company	$395	$1,739

Amounts presented net of taxes.
Amounts may not add due to rounding.
See accompanying notes.

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FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(In millions, except share amounts)	General Electric Company and consolidated affiliates March 31, 2018 (Unaudited)	December 31, 2017
Assets		
Cash, cash equivalents and restricted cash(a)	$32,129	$ 43,967
Investment securities (Note 3)	37,156	38,696
Current receivables (Note 4)	22,560	24,209
Inventories (Note 5)	20,574	19,419
Financing receivables – net (Note 6)	10,134	10,336
Other GE Capital receivables	6,804	6,301
Property, plant and equipment – net (Note 7)	53,650	53,874
Receivable from GE Capital	—	—
Investment in GE Capital	—	—
Goodwill (Note 8)	85,468	83,968
Other intangible assets – net (Note 8)	20,661	20,273
Contract and other deferred assets (Note 10)	20,780	20,356
All other assets	26,735	28,949
Deferred income taxes (Note 14)	11,479	8,819
Assets of businesses held for sale (Note 2)	4,310	4,164
Assets of discontinued operations (Note 2)	5,670	5,912
Total assets(b)	$358,109	$ 369,245
Liabilities and equity		
Short-term borrowings (Note 11)	$19,371	$ 24,036
Accounts payable, principally trade accounts	15,060	15,172
Progress collections and deferred income	21,950	22,117
Dividends payable	1,060	1,052
Other GE current liabilities	16,092	16,919
Non-recourse borrowings of consolidated securitization entities (Note 11)	1,335	1,980
Long-term borrowings (Note 11)	105,134	108,575
Investment contracts, insurance liabilities and insurance annuity benefits (Note 12)	36,889	38,136
Non-current compensation and benefits	41,126	41,630
All other liabilities	20,224	20,784
Liabilities of businesses held for sale (Note 2)	1,024	1,248
Liabilities of discontinued operations (Note 2)	2,104	706
Total liabilities(b)	281,367	292,355
Redeemable noncontrolling interests (Note 15)	3,549	3,391
Preferred stock (5,939,874 shares outstanding at both March 31, 2018 and December 31, 2017)	6	6
Common stock (8,685,338,000 and 8,680,571,000 shares outstanding at March 31, 2018 and December 31, 2017, respectively)	702	702

Accumulated other comprehensive income (loss) – net attributable to GE(c)		
Investment securities	(4)	(102)
Currency translation adjustments	(3,988)	(4,661)
Cash flow hedges	114	62
Benefit plans	(8,984)	(9,702)
Other capital	37,339	37,384
Retained earnings	115,477	117,245
Less common stock held in treasury	(84,697)	(84,902)
Total GE shareowners' equity	55,965	56,030
Noncontrolling interests(d) (Note 15)	17,228	17,468
Total equity (Note 15)	73,193	73,498
Total liabilities, redeemable noncontrolling interests and equity	$358,109	$ 369,245

(a) Includes restricted cash of $501 million and $668 million at March 31, 2018 and December 31, 2017, respectively.

(b) Our consolidated assets at March 31, 2018 included total assets of $3,927 million of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs. These assets included current receivables and net financing receivables of $1,460 million within continuing operations and assets of discontinued operations of $280 million. Our consolidated liabilities at March 31, 2018 included liabilities of certain VIEs for which the VIE creditors do not have recourse to GE. These liabilities included non-recourse borrowings of consolidated securitization entities (CSEs) of $(665) million within continuing operations. See Note 18.

(c) The sum of accumulated other comprehensive income (loss) (AOCI) attributable to the Company was $(12,862) million and $(14,404) million at March 31, 2018 and December 31, 2017, respectively.

(d) Included AOCI attributable to noncontrolling interests of $(66) million and $(226) million at March 31, 2018 and December 31, 2017, respectively.

Amounts may not add due to rounding.

See accompanying notes.

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION (CONTINUED)

	GE(a)		Financial Services (GE Capital)	
(In millions, except share amounts)	March 31, 2018 (Unaudited)	December 31, 2017	March 31, 2018 (Unaudited)	December 31, 2017
Assets				
Cash, cash equivalents and restricted cash(b)	$13,118	$ 18,822	$19,012	$ 25,145
Investment securities (Note 3)	544	569	36,688	38,231
Current receivables (Note 4)	14,672	14,638	—	—
Inventories (Note 5)	20,506	19,344	67	75
Financing receivables - net (Note 6)	—	—	20,099	21,967
Other GE Capital receivables	—	—	16,133	16,945
Property, plant and equipment – net (Note 7)	23,681	23,963	30,723	30,595
Receivable from GE Capital(c)	35,903	39,844	—	—
Investment in GE Capital	11,972	13,493	—	—
Goodwill (Note 8)	84,484	82,985	984	984
Other intangible assets – net (Note 8)	20,397	20,014	264	259
Contract and other deferred assets (Note 10)	20,780	20,356	—	—
All other assets	11,704	13,627	15,211	15,606
Deferred income taxes (Note 14)	10,315	7,815	1,160	999
Assets of businesses held for sale (Note 2)	3,992	3,799	—	—
Assets of discontinued operations (Note 2)	—	—	5,670	5,912
Total assets	$272,067	$ 279,267	$146,011	$ 156,716
Liabilities and equity				
Short-term borrowings (Note 11)(c)	$12,615	$ 14,548	$15,603	$ 19,602
Accounts payable, principally trade accounts	20,492	21,851	1,945	1,853
Progress collections and deferred income	22,207			