GENERAL ELECTRIC CO
Form 10-Q
October 30, 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 September 30, 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 every Interactive Data File required to be submitted 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 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 8,698,115,000 shares of common stock with a par value of $0.06 per share outstanding at September 30, 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, including plans to separate GE Healthcare into a standalone company, the timing and structure for that separation, the characteristics of the business to be separated and the expected benefits to GE; plans to exit our equity ownership position in Baker Hughes, a GE company (BHGE) and the expected benefits to GE; capital allocation, including our plans with respect to the timing and amount of GE dividends, organic investment and other priorities; our capital structure and access to funding, including leverage ratios and targets, debt repayment plans and credit ratings and outlooks; divestiture proceeds expectations; GE and GE Capital liquidity; future corporate performance; leverage targets; 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; future business growth and productivity gains; profit margins; the benefits of restructuring, the new GE operating system and the future cost profile and performance of Corporate; our businesses’ cost structures and plans to reduce costs; restructuring, goodwill impairment or other financial charges; tax rates; transaction-related synergies, proceeds and gains; or returns on capital and investment.
For us, particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include:

- our success in executing and completing, including obtaining regulatory approvals and satisfying other closing conditions for, GE Industrial and GE Capital business or asset dispositions or other announced transactions, including our planned separation of GE Healthcare and dispositions of GE Transportation and BHGE, the pricing, gain or loss recognition, timing, and anticipated proceeds from those or other transactions and potential trailing liabilities;
- 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, the repayment or allocation of our outstanding debt obligations, pension funding contributions, acquisitions, joint ventures and other strategic actions;
- further downgrades of our current short- and long-term credit ratings or ratings outlooks and the related impact on our funding profile, costs and competitive position;
- 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 capital and liquidity needs, including in connection with GE Capital’s run-off insurance operations, the amount and timing of required capital contributions and related strategic actions that we may pursue, the WMC-related matters described below, the impact of conditions in the financial and credit markets on GE Capital's ability to sell financial assets, GE Capital’s leverage and credit ratings, 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 implementation of the new GE operating system, restructuring and other cost reduction measures;
- our ability to convert pre-order commitments/wins into orders/bookings; and 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 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 BHGE;
- the impact of potential product 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 filings; 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 and our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2018 and September 30, 2018.

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.

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 Industrial free cash flows (Non-GAAP).
- 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).
- 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 comprises 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. However, in the case of BHGE, which was acquired on July 3, 2017, we consider the results to be organic for the third quarter of 2018.

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

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

MD&A

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 purchase order that provides the customer with the ability to cancel or terminate without incurring a substantive penalty, even if the likelihood of cancellation is remote based on historical experience. 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 Cash Flows from Operating Activities (GE CFOA) - unless otherwise indicated, GE CFOA is from continuing operations.
- GE Industrial profit margin (GAAP) – GE total revenues plus other income minus GE total costs and expenses divided by GE total revenues.
- 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."
- Product services agreements – contractual commitments, with multiple-year terms, to provide specified services for products in our Power, Renewable Energy, Aviation, Oil & Gas 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 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.
- 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.

MD&A

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	Oil & Gas[a]	Lighting
Renewable Energy	Healthcare	
Aviation	Transportation	

OUR FINANCIAL SERVICES OPERATING SEGMENT

Capital

(a) Beginning in the third quarter of 2017, our Oil & Gas segment comprises our ownership interest of approximately 62.5% in 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.

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 September 30	Nine months ended September 30
Industrial Segment	(5)%	2 %
Industrial Segment Organic (Non-GAAP)	1 %	(3)%
Financial Services	3 %	(6)%

GE INDUSTRIAL ORDERS

	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Orders				
Equipment	$15.9	$14.0	$44.2	$40.1
Services	15.6	15.4	45.7	42.3
Total	$31.4	$29.3	$89.9	$82.4

GE INDUSTRIAL BACKLOG

(In billions)	September 30, 2018	September 30, 2017
Backlog		
Equipment	$89.0	$ 84.1
Services	289.9	272.2
Total	$378.9	$ 356.3

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

	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
GE total costs and expenses (GAAP)	$50.4	$30.0	$104.4	$81.0
GE Industrial structural costs (Non-GAAP)	5.7	6.1	17.5	19.0

GE INDUSTRIAL PROFIT MARGIN (GAAP) AND ADJUSTED GE INDUSTRIAL PROFIT MARGIN (NON-GAAP)

	Three months ended September 30	Nine months ended September 30

	2018	2017	2018	2017
GE Industrial profit margin (GAAP)	(83.0)%	3.3 %	(25.1)%	2.9 %
Adjusted GE Industrial profit margin (Non-GAAP)	8.1 %	9.9 %	9.6 %	10.5 %

EARNINGS

(In billions; per-share amounts in dollars; attributable to GE common shareowners)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Continuing earnings (loss) (GAAP)	$(22.8)	$1.4	$(21.7)	$2.6
Net earnings (loss) (GAAP)	(22.8)	1.3	(23.4)	2.1
Adjusted earnings (loss) (Non-GAAP)	1.2	1.8	4.2	4.9
Continuing earnings (loss) per share (GAAP)	$(2.63)	$0.16	$(2.50)	$0.29
Net earnings (loss) per share (GAAP)	(2.62)	0.15	(2.69)	0.24
Adjusted earnings (loss) per share (Non-GAAP)	0.14	0.21	0.49	0.56

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

(In billions)	Nine months ended September 30	
	2018	2017
GE CFOA (GAAP)	$(4.1)	$4.1
GE Industrial free cash flows (Non-GAAP)	(0.7)	(1.9)
Adjusted GE Industrial free cash flows (Non-GAAP)	(0.3)	(1.2)

MD&A CONSOLIDATED RESULTS

CONSOLIDATED RESULTS

2018 SIGNIFICANT DEVELOPMENTS

- During the third quarter of 2018, we recognized a non-cash pre-tax goodwill impairment charge of $22.0 billion related to our Power Generation and Grid Solutions businesses within our Power segment. See Note 8 to the consolidated financial statements for further information.
- On October 30, 2018 we announced plans to reduce our quarterly dividend from $0.12 cents to $0.01 cent per share beginning with the Board's next dividend declaration, which is expected to occur in December 2018. This change will allow us to retain approximately $3.9 billion of cash per year compared to the prior payout level.
- On October 1, 2018, we announced that H. Lawrence Culp, Jr. was named Chairman and Chief Executive Officer (CEO), succeeding John L. Flannery, effective September 30, 2018. Additionally, Thomas W. Horton was elected as lead director, succeeding Mr. Culp, effective that same date.
- On July 26, 2018, we announced that Jan R. Hauser, GE's Vice President, Controller and Chief Accounting Officer, had communicated her intention to retire from GE. Thomas S. Timko, formerly the Chief Accounting Officer of General Motors Company, was appointed as her successor, effective September 10, 2018.

ANNOUNCED TRANSACTIONS

- 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 net proceeds of approximately $1.0 billion in cash. This transaction closed on July 10, 2018 and resulted in the recognition of a pre-tax gain of approximately $0.7 billion in the third quarter of 2018.
- In May 2018, we announced an agreement to merge our Transportation segment with Wabtec Corporation, a U.S. rail equipment manufacturer. Under the agreement, which has been approved by the Boards of Directors of Wabtec and GE, GE will receive $2.9 billion in cash at closing, and GE and its shareholders will receive a 50.1% ownership interest in the combined company, with GE holding 9.9% and GE shareholders holding the remaining 40.2%. Wabtec shareholders will retain 49.9% of the combined company. The deal is expected to close in early 2019, subject to customary closing conditions and regulatory approval.
- In June 2018, we announced an agreement to sell our Distributed Power business within our Power segment to Advent International, a global private equity investor, for $3.3 billion. The deal is expected to close by the fourth quarter of 2018, subject to customary closing conditions and regulatory approvals.
- In June 2018, we announced the results of our strategic review and our intention to focus on our Power, Renewable Energy and Aviation businesses. We plan to separate GE Healthcare into a standalone company over the next 12 to 18 months, pursue an orderly separation from BHGE over the next two to three years and substantially reduce GE Industrial net debt*. In addition, we announced our plan for a smaller corporate headquarters focused primarily on strategy, capital allocation, talent and governance, a move which is expected to generate at least $500 million in corporate savings by the end of 2020. While we announced the strategic portfolio actions for Transportation, GE Healthcare and BHGE, these businesses have not met the accounting criteria for held for sale classification. That classification will depend on the nature and timing of the transaction.
- In August 2018, we announced an agreement to sell Energy Financial Services' (EFS) debt origination business within our Capital segment for proceeds of approximately $2.0 billion to Starwood Property Trust, Inc., an affiliate of a leading global private investment firm, Starwood Capital Group. In September 2018, we completed the sale and recognized a pre-tax gain of approximately $0.3 billion in the third quarter of 2018. In addition, we completed the sale of various EFS equity investments and recognized a pre-tax gain of approximately $0.2 billion in the third quarter of 2018.
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- In September 2018, we announced an agreement to sell our Middle River Aircraft Systems business within our Aviation segment to Singapore Technologies Engineering, a global technology, defense and engineering group, for $0.6 billion. The deal is expected to close early 2019, subject to customary closing conditions and regulatory approvals.
- In October 2018, we announced an agreement to sell a portfolio of approximately $1.0 billion, including certain assumed obligations, of predominately equity investments in energy assets to Apollo Global Management, LLC. This EFS portfolio within our Capital segment comprises investments in renewable energy, contracted natural gas-fired generation and midstream energy infrastructure assets, primarily in the U.S. The deal is expected to close in the fourth quarter of 2018, subject to customary closing conditions and regulatory approvals.

*Non-GAAP Financial Measure

MD&A CONSOLIDATED RESULTS

THIRD QUARTER 2018 RESULTS
Consolidated revenues were $29.6 billion, down $1.1 billion, or 4%, for the quarter. The decline in revenues was largely a result of the absence of Water following the sale in September 2017 and Industrial Solutions following the sale in June 2018. Industrial segment organic revenues* increased $0.3 billion driven principally by our Aviation, Renewable Energy, Oil & Gas and Healthcare segments, partially offset by our Power, Lighting and Transportation segments.

Continuing earnings per share was $(2.63) primarily due to non-cash after-tax impairment charges of $22.2 billion related to goodwill in our Power Generation and Grid Solutions businesses, as well as decreased net gains on business dispositions of $1.7 billion and decreased industrial segment profit of $0.6 billion. Excluding the goodwill impairment charge and other items, Adjusted earnings per share* was $0.14.

As previously disclosed, the Power market as well as its operating environment continues to be challenging. Our outlook for Power has continued to deteriorate driven by the significant overcapacity in the industry, lower market penetration as well as the uncertain timing of deal closures due to financing and the complexities of working in emerging markets. In addition, our near-term earnings outlook has been negatively impacted by project execution and our own underlying operational challenges. Finally, market factors such as increasing energy efficiency and renewable energy penetration continue to impact our view of long-term demand. These conditions have resulted in downward revisions of our forecasts on current and future projected earnings and cash flows at these businesses. As a result, during the third quarter, we recorded our best estimate of a non-cash pre-tax impairment loss of $22.0 billion related to goodwill in our Power Generation and Grid Solutions businesses. Included in this amount is a non-cash impairment loss of $0.8 billion related to goodwill recorded at Corporate associated with our Digital acquisitions that was previously allocated to our Power Generation and Grid Solutions reporting units. The aforementioned charges were all recorded at Corporate. See the Corporate Items and Eliminations section within this MD&A and Note 8 to the consolidated financial statements for further information.

For the three months ended September 30, 2018, GE Industrial loss was $22.8 billion and GE Industrial profit margins were (83.0)%, down $23.8 billion, driven by increased non-cash goodwill impairment charges of $21.0 billion, decreased net gains from disposed or held for sale businesses of $1.7 billion, increased restructuring and other costs of $0.4 billion, including non-cash intangible asset and property, plant and equipment impairment charges at our Power Conversion business of $0.6 billion, and unrealized losses on investments of $0.1 billion, partially offset by decreased adjusted Corporate operating costs* of $0.2 billion. Industrial segment profit decreased $0.6 billion, or 21%, primarily due to lower results within our Power and Renewable Energy segments, partially offset by the performance of our Aviation, Oil & Gas, Transportation, Healthcare and Lighting segments.

GE CFOA was $(4.1) billion and $4.1 billion for the nine months ended September 30, 2018 and 2017, respectively. The decline in GE CFOA is primarily due to GE Pension Plan contributions of $6.0 billion in 2018, compared to $1.4 billion in 2017 as well as a $4.0 billion decrease in common dividends from GE Capital. GE did not receive a common dividend distribution from GE Capital in 2018, and it does not expect to receive such dividend distributions from GE Capital for the foreseeable future. Refer to the GE Cash Flows section within this MD&A for further information.

*Non-GAAP Financial Measure

MD&A CONSOLIDATED RESULTS

REVENUES

(In billions)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Consolidated revenues	$29.6	$30.7	$88.3	$86.6
Industrial segment revenues(a)	27.8	29.2	83.8	82.0
Corporate items and Industrial eliminations	(0.3)	(0.4)	(1.4)	(1.3)
GE Industrial revenues(a)	$27.5	$28.8	$82.4	$80.7
Financial services revenues	$2.5	$2.4	$7.1	$7.5

(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: THREE MONTHS ENDED SEPTEMBER 30

Consolidated revenues decreased $1.1 billion, or 4%, primarily driven by decreased industrial segment revenues of $1.4 billion, partially offset by an increase in Financial Services revenues of $0.1 billion. The overall impact of foreign currency movements on consolidated revenues was a decrease of $0.3 billion. Below are descriptions of the components:

GE Industrial revenues decreased $1.3 billion, or 5%.

- Industrial segment revenues decreased $1.4 billion, or 5%, as decreases at Power, Lighting and Transportation were partially offset by increases at Aviation, Renewable Energy and Oil & Gas. This decrease was driven by the net effects of dispositions of $1.4 billion, primarily attributable to the absence of Water following its sale in the third quarter of 2017 and Industrial Solutions following its sale in the second quarter of 2018, and the effects of a stronger U.S. dollar of $0.3 billion. Excluding the effects of acquisitions, dispositions and foreign currency translation, industrial segment organic revenues* increased $0.3 billion.

Financial Services revenues increased $0.1 billion, or 3%, primarily due to higher gains and lower impairments, partially offset by volume declines.

COMMENTARY: NINE MONTHS ENDED SEPTEMBER 30

Consolidated revenues increased $1.7 billion, or 2%, primarily driven by increased industrial segment revenues of $1.9 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 $1.1 billion. Below are descriptions of the components:

GE Industrial revenues increased $1.7 billion, or 2%.

- Industrial segment revenues increased $1.9 billion, or 2%, 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 $5.5 billion, primarily attributable to Baker Hughes through the first half of 2018, and the effects of a weaker U.S. dollar of $1.1 billion, partially offset by the net effects of dispositions of $2.5 billion, primarily attributable to the absence of Water following its sale in the third quarter of 2017 and Industrial Solutions following its sale in the second quarter of 2018. Excluding the effects of acquisitions, dispositions and foreign currency translation, industrial segment organic revenues* decreased $2.3 billion.

Financial Services revenues decreased $0.5 billion, or 6%, primarily due to volume declines and lower gains, partially offset by lower impairments.

*Non-GAAP Financial Measure

MD&A CONSOLIDATED RESULTS

EARNINGS (LOSS) AND EARNINGS (LOSS) PER SHARE

(In billions; per-share amounts in dollars; attributable to GE common shareowners)	Three months ended September 30 2018	2017	Nine months ended September 30 2018	2017
Continuing earnings(a)	$(22.8)	$1.4	$(21.7)	$2.6
Continuing earnings per share	$(2.63)	$0.16	$(2.50)	$0.29

(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: THREE MONTHS ENDED SEPTEMBER 30

Consolidated continuing earnings decreased $24.3 billion due to increased goodwill impairment charges of $21.0 billion, decreased GE Industrial continuing earnings of $2.6 billion, increased provision for GE Industrial income taxes of $0.5 billion and increased non-operating benefit costs of $0.2 billion, partially offset by decreased interest and other financial charges of $0.1 billion. The increase in income tax provision was driven by a $0.2 billion tax charge during the third quarter related to goodwill impairment, including a $0.4 billion charge related to an increase in the deferred tax valuation allowance of our non-U.S. operations as a result of lower forecasted operating earnings in our Power business. Below are descriptions of the components:

GE Industrial earnings decreased $2.6 billion, or 77%.

- Corporate items and eliminations decreased $2.0 billion primarily attributable to decreased net gains from disposed or held for sale businesses of $1.7 billion, increased restructuring and other costs of $0.4 billion, including non-cash intangible asset and property, plant and equipment impairment charges at our Power Conversion business of $0.6 billion, and unrealized losses on investments of $0.1 billion, partially offset by decreased adjusted Corporate operating costs* of $0.2 billion.
- Industrial segment profit decreased $0.6 billion, or 21%, with decreases at Power and Renewable Energy, partially offset by higher profit at Aviation, Oil & Gas, Transportation, Healthcare and Lighting. This decrease in industrial segment profit was driven in part by the net effects of dispositions of $0.2 billion, primarily associated with the absence of Water following its sale in the third quarter of 2017 and Industrial Solutions following its sale in the second quarter of 2018, partially offset by lower restructuring and business development costs related to Baker Hughes of $0.2 billion. Excluding the effects of acquisitions, dispositions and foreign currency translation, industrial segment organic profit* decreased $0.6 billion, primarily driven by negative variable cost productivity, lower volume and pricing pressure at Power.

Financial Services earnings decreased slightly, primarily due to volume declines offset by higher gains associated with the sale of EFS' debt origination business and equity investments.

COMMENTARY: NINE MONTHS ENDED SEPTEMBER 30

Consolidated continuing earnings decreased $24.3 billion due to increased goodwill impairment charges of $21.0 billion, decreased GE Industrial continuing earnings of $1.7 billion and increased provision for GE Industrial income taxes of $0.9 billion driven by a $0.2 billion tax charge during the second quarter related to the planned separation of our Healthcare segment and a $0.2 billion tax charge during the third quarter related to goodwill impairment, including a $0.4 billion charge related to an increase in the deferred tax valuation allowance of our non-U.S. operations as a result of lower forecasted operating earnings in our Power business. Continuing earnings also declined due to increased non-operating benefit costs of $0.4 billion, increased Financial Services losses of $0.2 billion and increased interest and other financial charges of $0.1 billion. Below are descriptions of the components:

GE Industrial earnings decreased $1.7 billion, or 23%.

- Corporate items and eliminations decreased $0.4 billion primarily attributable to decreased net gains from disposed or held for sale businesses of $1.4 billion, partially offset by decreased restructuring and other costs of $0.4 billion, decreased adjusted Corporate operating costs* of $0.4 billion as well as unrealized gains on investments of $0.2 billion.
- Industrial segment profit decreased $1.3 billion, or 14%, with decreases at Power, Renewable Energy and Oil & Gas, partially offset by higher profit at Aviation, Healthcare, Transportation and Lighting. This decrease in industrial segment profit was driven in part by the net effects of dispositions of $0.3 billion, primarily associated with the absence of Water following its sale in the third quarter of 2017 and Industrial Solutions following its sale in the second quarter of 2018, and higher restructuring and business development costs related to Baker Hughes of $0.3 billion, partially offset by the net effects of acquisitions $0.3 billion, largely associated with Baker Hughes through the first half of the year. Excluding the effects of acquisitions, dispositions and foreign currency translation, industrial segment organic profit* decreased $1.0 billion, primarily driven by negative variable cost productivity, lower volume and pricing pressure at Power.

Financial Services losses increased $0.2 billion primarily due to higher impairments primarily at EFS related to its renewables and oil and gas investments, and volume declines including costs associated with calling debt and lower base earnings including a loss related to updates to the U.S. tax reform impact on energy investments, partially offset by higher gains associated with the sale of EFS’ debt origination business and equity investments and lower corporate and restructuring costs.

*Non-GAAP Financial Measure

MD&A CONSOLIDATED RESULTS

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 $0.9 billion for the three months ended September 30, 2018, a decrease of $0.1 billion or 6% compared to revenues of $1.0 billion for the three months ended September 30, 2017. The decrease was primarily driven by Healthcare.

Revenues were $2.9 billion for the nine months ended September 30, 2018, an increase of $0.1 billion or 2% compared to revenues of $2.8 billion for the nine months ended September 30, 2017. The increase was primarily driven by Oil & Gas and Transportation, offset by decreases in Power and Healthcare.

Orders were $1.0 billion for three months ended September 30, 2018 a decrease of 29%, compared to orders of $1.4 billion for the three months ended September 30, 2017. The decrease was primarily driven by Oil & Gas, Transportation, Healthcare and non-GE Verticals.

Orders were $3.0 billion for the nine months ended September 30, 2018, a decrease of 19% compared to orders of $3.7 billion for the nine months ended September 30, 2017. Decreases in Transportation, Power, Oil & Gas and Healthcare were offset by increases in Transportation and Renewable Energy.

During the quarter, a goodwill impairment loss of $0.8 billion was recorded at Corporate associated with our Digital acquisitions that was previously allocated to our Power Generation and Grid Solutions reporting units. We recorded the estimated impairment losses in the caption "Goodwill impairment" in our consolidated Statement of Earnings (Loss).

MD&A SEGMENT OPERATIONS

SEGMENT OPERATIONS

RECONCILIATION OF INDUSTRIAL BACKLOG TO REMAINING PERFORMANCE OBLIGATION

	September 30, 2018		
(In billions)	Equipment	Services	Total
Backlog	$89.0	$289.9	$378.9
Adjustments	(37.4)	(92.3)	(129.8)
Remaining Performance Obligation	$51.6	$197.6	$249.2

Backlog represents unfilled customer orders for products and product services (expected life of contract sales for product services). Remaining performance obligation is a defined term under GAAP and represents backlog excluding any purchase orders that provide the customer with the ability to cancel or terminate without incurring a substantive penalty, even if the likelihood of cancellation is remote based on historical experience. We plan to continue reporting backlog as we believe that it is a useful metric for investors, given its relevance to total orders.

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. These adjustments to reported backlog are expected to be satisfied beyond one year. See Note 9 to the consolidated financial statements for further information.

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 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.

MD&A SEGMENT OPERATIONS

SUMMARY OF OPERATING SEGMENTS

	Three months ended September 30			Nine months ended September 30		
(In millions)	2018	2017	V%	2018	2017	V%
Revenues						
Power	$5,739	$8,527	(33)%	$20,540	$25,868	(21)%
Renewable Energy	2,873	2,507	15%	6,172	6,587	(6)%
Aviation	7,480	6,696	12%	22,111	20,003	11%
Oil & Gas	5,670	5,311	7%	16,609	11,394	46%
Healthcare	4,707	4,710	—%	14,387	13,703	5%
Transportation	932	949	(2)%	2,746	3,006	(9)%
Lighting	385	472	(18)%	1,272	1,407	(10)%
Total industrial segment revenues	27,785	29,171	(5)%	83,837	81,967	2%
Capital	2,473	2,397	3%	7,075	7,525	(6)%
Total segment revenues	30,258	31,569	(4)%	90,912	89,491	2%
Corporate items and eliminations	(685)	(907)	24%	(2,575)	(2,851)	10%
Consolidated revenues	$29,573	$30,662	(4)%	$88,337	$86,640	2%
Segment profit (loss)						
Power	$(631)	$464	U	$64	$1,896	(97)%
Renewable Energy	60	217	(72)%	220	445	(51)%
Aviation	1,665	1,335	25%	4,743	3,982	19%
Oil & Gas(a)	180	(57)	F	110	322	(66)%
Healthcare	861	847	2%	2,522	2,335	8%
Transportation	162	141	15%	448	420	7%
Lighting	26	14	86%	52	41	27%
Total industrial segment profit	2,325	2,961	(21)%	8,157	9,441	(14)%
Capital	19	24	(21)%	(403)	(195)	U
Total segment profit (loss)	2,344	2,985	(21)%	7,753	9,246	(16)%
Corporate items and eliminations	(1,546)	439	U	(2,507)	(2,083)	(20)%
Goodwill impairment	(21,973)	(947)	U	(21,973)	(947)	U
GE interest and other financial charges	(662)	(718)	8%	(1,995)	(1,918)	(4)%
GE non-operating benefit costs	(804)	(610)	(32)%	(2,178)	(1,811)	(20)%
GE benefit (provision) for income taxes	(205)	281	U	(842)	93	U
Earnings (loss) from continuing operations attributable to GE common shareowners	(22,847)	1,429	U	(21,742)	2,579	U
Earnings (loss) from discontinued operations, net of taxes	39	(106)	F	(1,634)	(490)	U
Less net earnings attributable to noncontrolling interests, discontinued operations	—	(1)	F	—	6	U
Earnings (loss) from discontinued operations, net of tax and noncontrolling interest	39	(105)	F	(1,634)	(497)	U
Consolidated net earnings (loss) attributable to the GE common shareowners	$(22,808)	$1,324	U	$(23,376)	$2,082	U

(a) Oil & Gas segment profit excluding restructuring and other charges* was $247 million and $210 million for the three months ended September 30, 2018 and 2017, respectively, and $650 million and $590 million for the nine months ended September 30, 2018 and 2017, respectively.

*Non-GAAP Financial Measure

POWER

OPERATIONAL OVERVIEW

SUB-SEGMENT REVENUES	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Gas Power Systems(a)	$ 1.0	$ 2.0	$ 3.9	$ 6.2
Power Services	2.7	2.9	8.7	9.1
Steam Power Systems	0.4	0.6	1.4	1.5
Energy Connections(b)	1.5	2.4	6.0	7.1
Other(c)	0.1	0.7	0.5	2.0
Total segment revenues	$ 5.7	$ 8.5	$ 20.5	$ 25.9

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

ORDERS	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Equipment	$ 3.3	$ 3.9	$ 9.0	$ 12.6
Services	3.4	4.2	10.5	13.3
Total	$ 6.6	$ 8.1	$ 19.5	$ 25.9

BACKLOG

(In billions)	September 30, 2018	September 30, 2017
Equipment	$ 25.0	$ 26.1
Services	68.7	73.3
Total	$ 93.7	$ 99.5

UNIT SALES

	3Q 2018	3Q 2017	V	YTD 2018	YTD 2017	V
Gas Turbines	9	22	(13)	28	63	(35)

MD&A SEGMENT OPERATIONS | POWER

FINANCIAL OVERVIEW

SEGMENT REVENUES	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Revenues				
Equipment	$2.3	$4.5	$9.3	$13.3
Services	3.4	4.1	11.2	12.6
Total	$5.7	$8.5	$20.5	$25.9

SEGMENT PROFIT AND PROFIT MARGIN	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Segment profit	$(0.6)	$0.5	$0.1	$1.9
Segment profit margin	(11.0)%	5.4%	0.3%	7.3%

2018 – 2017 COMMENTARY

As previously disclosed, the Power market as well as its operating environment continues to be challenging. Our outlook for Power has continued to deteriorate driven by the significant overcapacity in the industry, lower market penetration as well as uncertain timing of deal closures due to financing and the complexities of working in emerging markets. In addition, our near-term earnings outlook has been negatively impacted by project execution and our own underlying operational challenges. Finally, market factors such as increasing energy efficiency and renewable energy penetration continue to impact our view of long-term demand. These conditions have resulted in downward revisions of our forecasts on current and future projected earnings and cash flows at these businesses.

During the third quarter of 2018, Gas Power Systems recorded a $0.2 billion pre-tax charge related to an oxidation issue within the HA and 9FB Stage 1 turbine blades, resulting in increased warranty and maintenance reserves. In addition, Power recognized pre-tax charges of approximately $0.4 billion associated with an increase in issues on our existing projects driven by execution as well as partner and customer challenges.

THREE MONTHS ENDED SEPTEMBER 30:

Segment revenues down $2.8 billion (33%);
Segment profit down $1.1 billion:

- Equipment revenues decreased primarily at Gas Power Systems due to lower unit sales, including seven fewer aeroderivative units and 13 fewer gas turbines, as well as the absence of Water following the sale in September 2017 and Industrial Solutions following the sale in June 2018. Services revenues decreased primarily due to the absence of Water and Industrial Solutions, partially offset by three more AGP upgrades. Revenues also decreased due to price pressure and the effects of a stronger U.S. dollar versus certain currencies.
- The decrease in profit was due to negative variable cost productivity driven by warranty and project cost updates as well as liquidated damages recognized by Gas Power Systems, lower volume including the absence of Water and Industrial Solutions, lower prices and negative mix in our long-term service contracts compared to the prior year.

These decreases were partially offset by favorable business mix and cost reduction efforts, excluding the effects of acquisition and disposition activity and foreign exchange.

NINE MONTHS ENDED SEPTEMBER 30:

Segment revenues down $5.3 billion (21%);
Segment profit down $1.8 billion (97%):

- Equipment revenues decreased primarily at Gas Power Systems due to lower unit sales, including 28 fewer aeroderivative units and 35 fewer gas turbines and 18 fewer Heat Recovery Steam Generators, as well as the absence of Water following the sale in September 2017 and Industrial Solutions following the sale in June 2018. Services revenues decreased primarily due to the absence of Water and Industrial Solutions as well as 22 fewer AGP upgrades. Revenues also decreased due to price pressure, partially offset by the effects of a weaker U.S. dollar versus certain currencies.
- The decrease in profit was due to negative variable cost productivity driven by warranty and project cost updates as well as liquidated damages recognized by Gas Power Systems, lower volume including the absence of Water and Industrial Solutions, lower prices and negative mix in our long-term service contracts compared to the prior year. These decreases were partially offset by favorable business mix and cost reduction efforts, 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 September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Onshore Wind	$ 2.6	$ 2.2	$ 5.2	$ 5.8
Offshore Wind	0.1	0.1	0.4	0.2
Hydro	0.2	0.3	0.6	0.6
Total segment revenues	$ 2.9	$ 2.5	$ 6.2	$ 6.6

ORDERS	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Equipment	$ 1.7	$ 2.2	$ 4.9	$ 5.7
Services	1.2	0.7	2.1	1.4
Total	$ 2.9	$ 3.0	$ 7.0	$ 7.1

BACKLOG (In billions)	September 30, 2018	September 30, 2017
Equipment	$ 8.1	$ 7.2
Services	8.3	6.7
Total	$ 16.3	$ 14.0

UNIT SALES

	3Q 2018	3Q 2017	V	YTD 2018	YTD 2017	V
Wind Turbines	952	637	315	1,655	1,895	(240)

FINANCIAL OVERVIEW

SEGMENT REVENUES	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Revenues				
Equipment	$2.4	$2.0	$4.8	$5.4
Services	0.4	0.6	1.4	1.2
Total	$2.9	$2.5	$6.2	$6.6

SEGMENT PROFIT AND PROFIT MARGIN	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Segment profit	$0.1	$0.2	$0.2	$0.4
Segment profit margin	2.1 %	8.7 %	3.6 %	6.8 %

2018 – 2017 COMMENTARY

The renewable energy market remains competitive, particularly in onshore wind. The onshore wind market continues to experience 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 nine months of 2018. In addition, uncertainty at the end of 2017 related to the impact of U.S. tax reform resulted in a temporary delay in project work during the year. From the third quarter of 2018 onward, we expect project build and shipments to increase in anticipation of the expiration of Production Tax Credits (PTCs) in the U.S. at 100% value in 2020.

THREE MONTHS ENDED SEPTEMBER 30:

Segment revenues up $0.4 billion (15%);
Segment profit down $0.2 billion (72%):

- Equipment volume increased due to 315 more wind turbine shipments on a unit basis, or 70% more megawatts shipped, than in the prior year. Services volume decreased due to 177 fewer repower units at Onshore Wind driven by project delays as a result of uncertainty related to the impact of U.S. tax reform. Revenues also decreased due to pricing pressure and the effects of a stronger U.S. dollar versus certain currencies.
- The decrease in profit was primarily due to pricing pressure in Onshore Wind and negative variable cost productivity, partially offset by cost-out actions, materials deflation and increased equipment volume.

NINE MONTHS ENDED SEPTEMBER 30:

Segment revenues down $0.4 billion (6%);
Segment profit down $0.2 billion (51%):

- Equipment volume decreased due to 240 fewer wind turbine shipments on a unit basis, despite 1% more megawatts shipped, than in the prior year. Services volume increased due to larger installed base resulting in increased contractual revenues, partially offset by 18 fewer repower units at Onshore Wind than in the prior year. 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 half of 2018, and the effects of a weaker U.S. dollar versus certain currencies, partially offset by pricing pressure.
- The decrease in profit was due to pricing pressure, partially offset by materials deflation.

AVIATION

OPERATIONAL OVERVIEW

SUB-SEGMENT REVENUES	Three months ended September 30		Nine months ended September 30	
(Dollars in billions)	2018	2017	2018	2017
Commercial Engines & Services	$ 5.6	$ 4.8	$ 16.4	$ 14.7
Military	0.9	1.0	2.9	2.9
Systems & Other	0.9	0.8	2.7	2.4
Total segment revenues	$ 7.5	$ 6.7	$ 22.1	$ 20.0

ORDERS	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Equipment	$ 4.1	$ 2.2	$ 11.8	$ 7.7
Services	5.1	4.5	15.0	13.6
Total	$ 9.1	$ 6.7	$ 26.8	$ 21.3

BACKLOG

(In billions)	September 30, 2018	September 30, 2017
Equipment	$ 37.8	$ 34.7
Services	173.1	153.1
Total	$ 210.9	$ 187.8

UNIT SALES

	3Q 2018	3Q 2017	V	YTD 2018	YTD 2017	V
Commercial Engines	714	641	73	2,062	1,895	167
LEAP Engines(a)	303	111	192	739	257	482
Military Engines	160	145	15	502	402	100
Spares Rate(b)	$ 28.0	$ 23.2	$ 4.8	$ 26.6	$ 22.2	$ 4.4

(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

MD&A SEGMENT OPERATIONS | AVIATION

FINANCIAL OVERVIEW

SEGMENT REVENUES	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Revenues				
Equipment	$2.8	$2.4	$8.3	$7.4
Services	4.6	4.3	13.8	12.6
Total	$7.5	$6.7	$22.1	$20.0

SEGMENT PROFIT AND PROFIT MARGIN	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Segment profit	$1.7	$1.3	$4.7	$4.0
Segment profit margin	22.3 %	19.9 %	21.5 %	19.9 %

2018 – 2017 COMMENTARY

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%(a). Air freight volume also increased, particularly in international markets. Freight capacity additions slightly exceeded freight volume growth during the year.

We shipped 739 LEAP engines in the first nine months of the year and remain on track to ship 1,100-1,200 engines in 2018.

THREE MONTHS ENDED SEPTEMBER 30:

Segment revenues up $0.8 billion (12%);
Segment profit up $0.3 billion (25%):

- Equipment revenues increased primarily due to 73 more commercial units, including 192 more LEAP units partially offset by lower commercial legacy output including the CFM product line, versus the prior year. Services revenues increased primarily due to a higher commercial spares shipment rate, as well as increased price.
- The increase in profit was mainly due to product and structural cost productivity, increased price, and higher spare engine shipments. These increases were partially offset by an unfavorable business mix driven by negative LEAP margin and lower military spare parts sales.

NINE MONTHS ENDED SEPTEMBER 30:

Segment revenues up $2.1 billion (11%);
Segment profit up $0.8 billion (19%):

- Equipment revenues increased primarily due to 100 more military engine shipments and 167 more commercial units, including 482 more LEAP units, versus the prior year, partially offset by lower legacy commercial output in the CFM and GE90 product lines. Services revenues increased primarily due to a higher commercial spares shipment rate, as well as increased price.
- The increase in profit was mainly due to increased volume, increased price, higher spare engine shipments and product and structural cost productivity. These increases were partially offset by an unfavorable business mix driven by negative LEAP margin as well as higher overhaul shop costs due to increased volume and mix.

(a) Based on the latest available information from the International Air Transport Association

MD&A SEGMENT OPERATIONS | OIL & GAS

OIL & GAS

OPERATIONAL OVERVIEW

SUB-SEGMENT REVENUES	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Turbomachinery & Process Solutions (TPS)	$ 1.4	$ 1.4	$4.2	$4.7
Oilfield Services (OFS)	3.0	2.7	8.6	3.1
Oilfield Equipment (OFE)	0.6	0.6	1.9	2.0
Digital Solutions	0.7	0.6	1.9	1.6
Total segment revenues	$ 5.7	$ 5.3	$16.6	$11.4

ORDERS	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Equipment	$ 2.2	$ 2.4	$6.7	$4.6
Services	3.5	3.3	10.3	6.8
Total	$ 5.8	$ 5.8	$17.0	$11.4

BACKLOG

(In billions)	September 30, 2018	September 30, 2017
Backlog		
Equipment	$ 5.3	$ 5.8
Services	16.0	16.0
Total	$ 21.3	$ 21.8

MD&A SEGMENT OPERATIONS | OIL & GAS

FINANCIAL OVERVIEW

SEGMENT REVENUES	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Revenues				
Equipment	$2.2	$2.2	$6.6	$4.7
Services	3.4	3.1	10.0	6.7
Total	$5.7	$5.3	$16.6	$11.4

SEGMENT PROFIT AND PROFIT MARGIN	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Segment profit	$0.2	$(0.1)	$0.1	$0.3
Segment profit margin	3.2 %	(1.1)%	0.7 %	2.8 %

2018 – 2017 COMMENTARY

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.

THREE MONTHS ENDED SEPTEMBER 30:

Segment revenues up $0.4 billion (7%);
Segment profit up $0.2 billion:

- Services and equipment revenues increased primarily at OFS as a result of higher activity in North America and international markets. These increases were partially offset by the effects of a stronger U.S. dollar versus certain currencies.
- The increase in profit was primarily driven by lower restructuring and other charges as well as synergies delivered from combining our Oil & Gas business with Baker Hughes Incorporated, partially offset by losses in equity of affiliates and the allocation to noncontrolling interests.

NINE MONTHS ENDED SEPTEMBER 30:

Segment revenues up $5.2 billion (46%);
Segment profit down $0.2 billion (66%):

- The Baker Hughes acquisition in July 2017 contributed $5.4 billion of revenue growth in the first half of 2018 compared to the first half of 2017. Legacy Oil & Gas equipment revenues decreased due to lower volume primarily at TPS and OFE as a result of lower opening backlog, while services revenues increased due to higher OFS activity in

North America and international markets. These decreases were partially offset by the effects of a weaker U.S. dollar versus certain currencies in the first half of 2018.

- The decrease in profit was primarily driven by restructuring and other charges and unfavorable business mix, partially offset by synergies delivered from combining our Oil & Gas business with Baker Hughes Incorporated.

*Non-GAAP Financial Measure

HEALTHCARE

OPERATIONAL OVERVIEW

SUB-SEGMENT REVENUES	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Healthcare Systems	$ 3.4	$ 3.4	$ 10.2	$ 9.7
Life Sciences	1.1	1.1	3.5	3.3
Healthcare Digital	0.1	0.2	0.6	0.8
Total segment revenues	$ 4.7	$ 4.7	$ 14.4	$ 13.7

ORDERS	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Equipment	$ 3.1	$ 3.0	$ 8.9	$ 8.5
Services	2.0	2.0	6.2	6.0
Total	$ 5.1	$ 5.1	$ 15.1	$ 14.6

BACKLOG

(In billions)	September 30, 2018	September 30, 2017
Equipment	$ 6.2	$ 6.1
Services	11.1	12.0
Total	$ 17.3	$ 18.1

MD&A SEGMENT OPERATIONS | HEALTHCARE

FINANCIAL OVERVIEW

SEGMENT REVENUES	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Revenues				
Equipment	$2.7	$2.6	$8.1	$7.6
Services	2.0	2.1	6.3	6.1
Total	$4.7	$4.7	$14.4	$13.7

SEGMENT PROFIT AND PROFIT MARGIN	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Segment profit	$0.9	$0.8	$2.5	$2.3
Segment profit margin	18.3 %	18.0 %	17.5 %	17.0 %

2018 – 2017 COMMENTARY

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.

THREE MONTHS ENDED SEPTEMBER 30:

Segment revenues flat;
Segment profit up 2%:

- Equipment revenues increased due to higher volume in Healthcare Systems attributable to global growth in Imaging and Ultrasound in both developed regions such as the U.S. and Europe as well as developing regions such as China and emerging markets. Volume also increased in Life Sciences, driven by Bioprocess and Contrast Imaging. These increases were offset by a decrease in services revenues due to the disposition of the Value-Based Care Division at the beginning of the third quarter of 2018 as well as price pressure at Healthcare Systems.
- The increase in profit was primarily driven by cost productivity due to cost reduction actions including increasing digital automation, sourcing and logistic initiatives, design engineering and prior year restructuring actions and higher volume. These increases were partially offset by price pressure at Healthcare Systems, investments in programs including Digital and Healthcare Systems new product introductions, the nonrecurrence of a small gain on the disposition of a non-strategic operation in Life Sciences and the disposition of the Value-Based Care Division.

NINE MONTHS ENDED SEPTEMBER 30:

Segment revenues up $0.7 billion (5%);
Segment profit up $0.2 billion (8%):

- 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 the U.S. and Europe as well as developing regions such as China and emerging markets. Volume also increased in Life Sciences, driven by Bioprocess and Contrast Imaging. In addition, revenues increased due to the effects of a weaker U.S. dollar versus certain currencies, partially offset by price pressure at Healthcare Systems and the disposition of the Value-Based Care Division during the quarter.
- The increase in profit was primarily driven by 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, inflation, investments in programs including Digital and Healthcare Systems new product introductions, the nonrecurrence of a small gain on the disposition of a non-strategic operation in Life Sciences and the disposition of the Value-Based Care Division.

TRANSPORTATION

OPERATIONAL OVERVIEW

SUB-SEGMENT REVENUES	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Locomotives	$ 0.1	$ 0.3	$ 0.5	$ 1.1
Services	0.6	0.5	1.6	1.4
Mining	0.1	0.1	0.4	0.2
Other(a)	0.1	0.1	0.3	0.2
Total segment revenues	$ 0.9	$ 0.9	$ 2.7	$ 3.0

(a) Includes Marine, Stationary, Drilling and Digital

ORDERS	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Equipment	$ 1.4	$ 0.2	$ 2.6	$ 1.0
Services	0.6	0.7	2.0	1.7
Total	$ 2.0	$ 0.9	$ 4.6	$ 2.7

BACKLOG		
(In billions)	September 30, 2018	September 30, 2017
Equipment	$ 6.4	$ 4.0
Services	12.5	10.6
Total	$ 18.8	$ 14.6

UNIT SALES

	3Q 2018	3Q 2017	V	YTD 2018	YTD 2017	V
Locomotives	40	77	(37)	154	354	(200)

MD&A SEGMENT OPERATIONS | TRANSPORTATION

FINANCIAL OVERVIEW

SEGMENT REVENUES	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Revenues				
Equipment	$0.2	$0.4	$0.8	$1.4
Services	0.7	0.6	1.9	1.6
Total	$0.9	$0.9	$2.7	$3.0

SEGMENT PROFIT AND PROFIT MARGIN	Three months ended September 30		Six months ended June 30	
(In billions)	2018	2017	2018	2017
Segment profit	$0.2	$0.1	$0.4	$0.4
Segment profit margin	17.4 %	14.9 %	16.3 %	14.0 %

2018 – 2017 COMMENTARY

While the North American market has experienced some fleet overcapacity and constrained spending by the railroads limiting fleet expansion, there continue to be signs of improvement. North American carload volume increased 5.0% during the third quarter of 2018, driven primarily by an increase in intermodal traffic[(a)]. With improving carload volume, the number of parked locomotives has also improved, decreasing 27% from the prior year.

THREE MONTHS ENDED SEPTEMBER 30:

Segment revenues down 2%;
Segment profit up 15%:

- Equipment volume decreased primarily driven by lower international locomotive shipments. This decrease was partially offset by growth in mining and an increase in services revenues 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, partially offset by lower locomotive volume.

NINE MONTHS ENDED SEPTEMBER 30:

Segment revenues down $0.3 billion (9%);
Segment profit up 7%:

- Equipment volume decreased primarily driven by lower locomotive shipments. This decrease was partially offset by growth in mining and an increase in services revenues 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 and mining volume as well as lower spend driven by prior year restructuring, partially offset by lower locomotive volume.

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

LIGHTING

OPERATIONAL OVERVIEW

SUB-SEGMENT REVENUES	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Current	$ 0.2	$ 0.3	$ 0.7	$ 0.7
GE Lighting	0.2	0.2	0.6	0.7
Total segment revenues	$ 0.4	$ 0.5	$ 1.3	$ 1.4

ORDERS	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Equipment	$ 0.2	$ 0.2	$ 0.7	$ 0.8
Services	—	—	—	0.1
Total	$ 0.2	$ 0.2	$ 0.7	$ 0.9

BACKLOG

(In billions)	September 30, 2018	September 30, 2017
Equipment	$ 0.2	$ 0.2
Services	—	—
Total	$ 0.2	$ 0.2

SEGMENT OPERATIONS | LIGHTING
MD&A

FINANCIAL OVERVIEW

SEGMENT REVENUES	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Revenues				
Equipment	$0.4	$0.5	$1.2	$1.4
Services	—	—	—	—
Total	$0.4	$0.5	$1.3	$1.4

SEGMENT PROFIT AND PROFIT MARGIN	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Segment profit	$—	$—	$0.1	$—
Segment profit margin	6.8 %	3.0 %	4.1 %	2.9 %

2018 – 2017 COMMENTARY

The traditional lighting market continued to decline in the nine months of 2018 with corresponding growth in LED lighting as the market shifts away from traditional lighting products in favor of more energy efficient, cost-saving options.

THREE MONTHS ENDED SEPTEMBER 30:

Segment revenues down $0.1 billion (18%);
Segment profit up 86%:

- Revenues decreased due to the disposition of our GE Lighting business in Europe, the Middle East, Africa and Turkey and our Global Automotive Lighting business in the second quarter of 2018. Excluding the impact of these dispositions, equipment revenues decreased due to lower traditional lighting and solar sales and lower LED prices, partially offset by higher LED volume and Digital sales.
- The increase in profit was driven by savings from restructuring and decreased investment and controllable spending, partially offset by regional exits and lower prices.

NINE MONTHS ENDED SEPTEMBER 30:

Segment revenues down $0.1 billion (10%);
Segment profit up 27%:

- Revenues decreased due to the disposition of our GE Lighting business in Europe, the Middle East, Africa and Turkey and our Global Automotive Lighting business in the second quarter of 2018. Excluding the impact of these dispositions, equipment revenues increased due to higher LED volume and Digital sales, partially offset by lower traditional lighting and solar sales and lower LED prices.
-

The increase in profit was driven by savings from restructuring and decreased investment and controllable spending, partially offset by regional exits and lower prices.

CAPITAL

OPERATIONAL AND FINANCIAL OVERVIEW

SUB-SEGMENT REVENUES	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
GECAS	$ 1.2	$ 1.2	$ 3.6	$ 3.9
EFS	0.3	—	0.2	0.2
Industrial Finance and WCS(a)	0.3	0.4	1.0	1.1
Insurance	0.7	0.7	2.2	2.2
Other continuing operations	(0.1)	—	—	—
Total segment revenues	$ 2.5	$ 2.4	$ 7.1	$ 7.5

(a) In the second quarter of 2018, management of our Working Capital Solutions (WCS) business was transferred to our Treasury operations.

SEGMENT PROFIT(a)	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Profit	$ —	$ —	$ (0.4)	$ (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 no common dividends to GE in the three months ended September 30, 2017, and $4.0 billion in the nine months ended September 30, 2017. GE Capital paid no common dividends in 2018 and does not expect to make a common 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 (EFS) and Industrial Finance businesses (GE Capital strategic shift). As a result, we classified financing receivables of the Energy Financial Services and Industrial Finance businesses as held for sale as we no longer intend to hold these financing receivables for the foreseeable future. See Note 6 to the consolidated financial statements for further information.
- In the first quarter of 2018, GE Capital contributed $3.5 billion of capital to its insurance subsidiaries and expects to contribute approximately an additional $11 billion through 2024 subject to ongoing monitoring by the Kansas Insurance Department (KID) and the total amount to be contributed could increase or decrease, or the timing could be accelerated, based upon the results of reserve adequacy testing or a decision by KID to

modify the schedule of contributions set forth in January 2018. GE maintains 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 and additional contributions of capital over and above the $11 billion noted above. 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.

- We are actively exploring options to mitigate, reduce or eliminate our reinsurance exposures. These options include further premium increases, prudent enhancement of investment returns, transferring or terminating reinsurance arrangements, and risk-transfer transactions with third parties. Certain of these options could have a material financial impact, depending on the timing, extent of risk transfer to a third party, and negotiated terms and conditions of any ultimate arrangements.
- 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.
- In August 2018, we announced an agreement to sell EFS' debt origination business within our Capital segment for proceeds of approximately $2.0 billion to Starwood Property Trust, Inc. an affiliate of a leading global private investment firm, Starwood Capital Group. In September 2018, we completed the sale and recognized a pre-tax gain of approximately $0.3 billion in the third quarter of 2018. In addition, we completed the sale of various EFS equity investments and recognized a pre-tax gain of approximately $0.2 billion in the third quarter of 2018.

- During the third quarter of 2018, in connection with the GE Capital strategic shift, we classified an additional $0.2 billion of Healthcare Equipment Finance financing receivables as held for sale at September 30, 2018.
- In October 2018, we announced an agreement to sell a portfolio of approximately $1.0 billion, including certain assumed obligations, of predominately equity investments in energy assets to Apollo Global Management, LLC. This EFS portfolio within our Capital segment comprises investments in renewable energy, contracted natural gas-fired generation and midstream energy infrastructure assets, primarily in the U.S. The deal is expected to close in the fourth quarter of 2018, subject to customary closing conditions and regulatory approvals.

2018 – 2017 COMMENTARY: THREE MONTHS ENDED SEPTEMBER 30

Capital revenues increased $0.1 billion, or 3%, primarily due to higher gains and lower impairments, partially offset by volume declines.

Capital earnings decreased slightly due to lower volume, partially offset by higher gains associated with the sale of EFS' debt origination business and equity investments.

2018 – 2017 COMMENTARY: NINE MONTHS ENDED SEPTEMBER 30

Capital revenues decreased $0.5 billion, or 6%, primarily due to volume declines and lower gains, partially offset by lower impairments.

Capital losses increased $0.2 billion, primarily due to higher impairments primarily at EFS related to its renewables and oil and gas investments and volume declines including costs associated with calling debt and lower base earnings including a loss related to updates to the U.S. tax reform impact on energy investments, partially offset by higher gains associated with the sale of EFS' debt origination business and equity investments and 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 September 30 2018	2017	Nine months ended September 30 2018	2017
Revenues				
Eliminations and other	$(685)	$(907)	$(2,575)	$(2,851)
Total Corporate Items and Eliminations	$(685)	$(907)	$(2,575)	$(2,851)
Operating profit (cost)				
Gains (losses) on disposals(a)	$207	$1,885	$450	$1,887
Restructuring and other charges(b)	(1,501)	(1,079)	(2,328)	(2,761)
Unrealized gains (losses)(c)	(73)	—	193	—
Goodwill impairment	(21,973)	(947)	(21,973)	(947)
Eliminations and other	(179)	(367)	(822)	(1,209)
Total Corporate Items and Eliminations	$(23,519)	$(509)	$(24,481)	$(3,031)

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

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

(c) Amount is related to our Pivotal Software equity investment for the three and nine months ended September 30, 2018.

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 September 30 2018	2017	Nine months ended September 30 2018	2017
Total Corporate Items and Eliminations (GAAP)	$(23,519)	$(509)	$(24,481)	$(3,031)
Less: restructuring and other charges	(1,501)	(1,079)	(2,328)	(2,761)
Less: gains (losses) on disposals	207	1,885	450	1,887
Less: unrealized gains (losses)	(73)	—	193	—
Less: goodwill impairment	(21,973)	(947)	(21,973)	(947)
Adjusted total corporate costs (operating) (Non-GAAP)	$(179)	$(367)	$(822)	$(1,209)

2018 - 2017 COMMENTARY: THREE MONTHS ENDED SEPTEMBER 30

Revenues increased $0.2 billion, primarily as a result of:

- $0.2 billion decrease in inter-segment eliminations.

Operating costs increased $23.0 billion, primarily as a result of:

- $21.0 billion of higher goodwill impairment charges due to a $22.0 billion goodwill impairment related to our Power business in the third quarter of 2018 compared to a $0.9 billion charge for the impairment of Power Conversion goodwill in the third quarter of 2017.
- $1.7 billion of lower net gains from disposed or held for sale businesses, which is primarily related to the $1.9 billion gain from the sale of our Water business to Suez in the third quarter of 2017 and $0.4 billion of held for sale losses related to our Lighting and Aviation segments in the third quarter of 2018. These decreases were partially offset by a $0.7 billion gain from the sale of our Value-Based Care business to Veritas Capital in the third quarter of 2018.
- $0.4 billion of higher restructuring and other charges related to $0.6 billion of impairments within our Power business in the third quarter of 2018 partially offset by $0.2 billion of lower impairments on power plant assets in 2018.
- $0.1 billion of higher unrealized losses related to our equity investment in Pivotal Software.
- $0.2 billion of lower Corporate costs from restructuring and cost reduction actions.

*Non-GAAP Financial Measure

MD&A CORPORATE ITEMS AND ELIMINATIONS

2018 - 2017 COMMENTARY: NINE MONTHS ENDED SEPTEMBER 30

Revenues increased $0.3 billion, primarily as a result of:
- $0.3 billion decrease in inter-segment eliminations.

Operating costs increased $21.5 billion, primarily as a result of:
- $21.0 billion of higher goodwill impairment charges due to a $22.0 billion goodwill impairment related to our Power business in the third quarter of 2018 compared to a $0.9 billion charge for the impairment of Power Conversion goodwill in the third quarter of 2017.
- $1.4 billion of lower net gains from disposed or held for sale businesses, which is primarily related to the $1.9 billion gain from the sale of our Water business to Suez in the third quarter of 2017, $0.5 billion of held for sale losses related to our Lighting and Aviation segments in 2018. These decreases were partially offset by a $0.7 billion gain from the sale of our Value-Based Care business to Veritas Capital in the third quarter of 2018 and a $0.3 billion gain from the sale of our Industrial Solutions business to ABB in the second quarter of 2018.
- $0.4 billion of lower restructuring and other charges primarily due to $0.8 billion of lower restructuring charges as well as $0.2 billion lower impairment losses on power plant assets in 2018. These decreases were partially offset by $0.6 billion of impairments related to our Power segment in 2018.
- $0.2 billion of higher unrealized gains related to our equity investment in Pivotal Software.
- $0.4 billion of lower Corporate costs from restructuring and cost reduction actions.

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 September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Workforce reductions	$ 0.3	$ 0.3	$ 0.7	$ 1.0
Plant closures & associated costs and other asset write-downs	1.1	0.8	1.5	1.3
Acquisition/disposition net charges	0.2	0.3	0.6	0.7
Other	—	—	0.1	0.1
Total(a)	$ 1.6	$ 1.4	$ 2.9	$ 3.1

(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 SEPTEMBER 30

For the three months ended September 30, 2018, restructuring and other charges were $1.6 billion of which approximately $0.6 billion was reported in cost of products/services and $0.9 billion was reported in selling, general and administrative expenses (SG&A). These activities were primarily at Power, Corporate and Oil & Gas. Cash expenditures for restructuring and other charges were approximately $0.5 billion for three months ended September 30, 2018. Of the total $1.6 billion restructuring and other charges, $0.1 billion was recorded in the Oil & Gas segment, which amounted to $0.1 billion net of noncontrolling interest.

For the three months ended September 30, 2017, restructuring and other charges were $1.4 billion of which approximately $0.8 billion was reported in cost of products/services, $0.7 billion was reported in SG&A. These activities were primarily at Corporate, Oil & Gas and Power. Cash expenditures for restructuring and other charges were approximately $0.6 billion for the three months ended September 30, 2017. Of the total $1.4 billion restructuring and other charges, $0.4 billion was recorded in the Oil & Gas segment which amounted to $0.3 billion net of noncontrolling interest.

MD&A CORPORATE ITEMS AND ELIMINATIONS

2018 - 2017 COMMENTARY: NINE MONTHS ENDED SEPTEMBER 30

For the nine months ended September 30, 2018, restructuring and other charges were $2.9 billion of which approximately $1.1 billion was reported in cost of products/services and $1.7 billion was reported in selling, general and administrative expenses (SG&A). These activities were primarily at Power, Corporate and Oil & Gas. Cash expenditures for restructuring and other charges were approximately $1.3 billion for nine months ended September 30, 2018. Of the total $2.9 billion restructuring and other charges, $0.6 billion was recorded in the Oil & Gas segment, which amounted to $0.4 billion net of noncontrolling interest.

For the nine months ended September 30, 2017, restructuring and other charges were $3.1 billion of which approximately $1.9 billion was reported in cost of products/services and $1.3 billion was reported in SG&A. These activities were primarily at Corporate, Power and Oil & Gas. Cash expenditures for restructuring and other charges were approximately $1.6 billion for the nine months ended September 30, 2017. Of the total $3.1 billion restructuring and other charges, $0.4 billion was recorded in the Oil & Gas segment which amounted to $0.3 billion net of noncontrolling interest.

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 goodwill impairment, restructuring and acquisition and disposition activities. The amount of costs and gains (losses) not included in segment results are as follows.

COSTS

	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Power	$23.0	$1.1	$23.2	$1.7
Renewable Energy	—	—	0.1	0.2
Aviation	—	—	—	0.1
Oil & Gas(a)	—	—	—	0.2
Healthcare	0.1	0.1	0.2	0.2
Transportation	—	—	—	0.1
Lighting	—	—	—	0.2
Total	$23.1	$1.3	$23.6	$2.7

GAINS (LOSSES)

	Three months ended September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017

Power	$—	$1.9	$0.3	$1.9
Renewable Energy	—	—	—	—
Aviation	(0.1)	—	(0.1)	—
Oil & Gas(a)	—	—	—	—
Healthcare	0.7	—	0.7	—
Transportation	—	—	—	—
Lighting	(0.3)	—	(0.4)	—
Total	$0.2	$1.9	$0.4	$1.9

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

OTHER CONSOLIDATED INFORMATION

INTEREST AND OTHER FINANCIAL CHARGES

Consolidated interest and other financial charges amounted to $1.2 billion and $1.2 billion for the three months ended September 30, 2018 and 2017, respectively, as incremental interest on BHGE debt issuances and higher benchmark interest rates were offset by debt maturities. Consolidated interest and other financial charges amounted to $3.8 billion and $3.5 billion for the nine months ended September 30, 2018 and 2017, respectively. The increase of $0.3 billion was driven by incremental interest on BHGE debt issuances and higher benchmark interest rates, partially offset by debt maturities.

GE interest and other financial charges (exclusive of interest on debt assumed by GE) amounted to $0.7 billion and $0.7 billion for the three months ended September 30, 2018 and 2017, respectively, as incremental interest on BHGE debt issuances and intercompany loans from GE Capital were offset by lower costs from monetization programs with GE Capital and debt maturities. GE interest and other financial charges (exclusive of interest on debt assumed by GE) amounted to $2.0 billion and $1.9 billion for the nine months ended September 30, 2018 and 2017, respectively. The increase of $0.1 billion was driven by incremental interest from BHGE debt issuances and intercompany loans from GE Capital as well as higher interest rates on commercial paper, partially offset by lower costs from monetization programs with GE Capital and debt maturities.

GE Capital interest and other financial charges (inclusive of interest on debt assumed by GE) amounted to $0.7 billion and $0.8 billion for the three months ended September 30, 2018 and 2017, respectively and $2.3 billion and $2.4 billion for the nine months ended September 30, 2018 and 2017, respectively. The decrease in both periods was driven by lower average debt balances due to maturities, partially offset by higher benchmark interest rates.

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 September 30		Nine months ended September 30	
(In billions)	2018	2017	2018	2017
Provision (benefit) for income taxes	$0.2	$(0.6)	$0.7	$(0.7)

2018 – 2017 COMMENTARY: THREE MONTHS ENDED SEPTEMBER 30

The consolidated income tax rate was (1)% and (74)% for the quarters ended September 30, 2018 and 2017, respectively. The negative rate for 2018 reflects a tax expense on a pretax loss whereas the negative rate for 2017 reflects a tax benefit on pre-tax income.

The consolidated provision (benefit) for income taxes was $0.2 billion in the third quarter of 2018 and $(0.6) billion in the third quarter of 2017. The increase in tax provision was primarily due to the nonrecurrence of the benefit from a lower tax rate relative to the U.S. statutory rate on the disposition of the Water business in 2017 and an increase in valuation allowances on the deferred tax assets of our non-U.S. operations as a result of lower forecasted operating earnings in our Power business in 2018.

The consolidated tax provision (benefit) includes $0.2 billion and $(0.3) billion for GE (excluding GE Capital) for the third quarters of 2018 and 2017, respectively.

2018 – 2017 COMMENTARY: NINE MONTHS ENDED SEPTEMBER 30

The consolidated income tax rate was (3)% and (38)% for the nine months ended September 30, 2018 and 2017, respectively. The negative rate for 2018 reflects a tax expense on a pretax loss whereas the negative rate for 2017 reflects a tax benefit on pre-tax income.

The consolidated provision (benefit) for income taxes was $0.7 billion in the nine months of 2018 and $(0.7) billion in the nine months of 2017. The increase in tax provision was primarily due to lower benefits from global activities relative to the U.S. statutory rate including an increase in valuation allowances on the deferred tax assets of our non-U.S. operations as a result of lower forecasted operating earnings in our Power business, the decision to execute an internal restructuring to separate the Healthcare business and the cost of the newly enacted base erosion and global intangible income provisions and the nonrecurrence of the benefit from a lower tax rate relative to the U.S. tax rate on the disposition of the Water business in 2017. This was partially offset by an adjustment to the 2018 nine-month provision that decreased the rate to be in line with the lower projected full year rate while in 2017, there was an adjustment to increase the nine-month rate to be in line with the higher projected full year rate.

The consolidated tax provision (benefit) includes $0.8 billion and $(0.1) billion for GE (excluding GE Capital) for the nine months 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 from non-U.S. rates below the U.S. statutory rate 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 third 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. Based on our on-going analysis of the currently issued guidance on the transition tax on historic foreign earnings and related foreign tax credit impacts through the third quarter, including advice from outside advisors, we believe the provisional estimate of the impact of enactment, as recorded in the fourth quarter of 2017 and adjusted during 2018 remains a reasonable estimate of the effects of enactment including the impact of items in the 2018 tax filings. We will update the impact of enactment during the fourth quarter of 2018 based on available government guidance and additional analysis of our information. However, there were discrete changes in the provisional estimate identified, primarily at Baker Hughes in connection with measurement period adjustments to purchase price allocation and the associated impact of the change in tax rate on deferred taxes that reduced the provisional amounts recorded by $0.1 billion in the first nine months of 2018. Primarily all of this benefit relates to non-consolidated operations and did not affect net earnings to the company as there is an offsetting adjustment to income from noncontrolling interests. The net remaining cost also relates primarily 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 NINE MONTHS ENDED SEPTEMBER 30, 2018

- Cash, cash equivalents and restricted cash decreased $17.0 billion.
As of September 30, 2018, GE Cash, cash equivalents and restricted cash excluding BHGE was $9.1 billion and BHGE Cash, cash equivalents and restricted cash was $4.8 billion.
GE Cash, cash equivalents and restricted cash decreased $5.0 billion due to cash used for operating activities of $4.1 billion (including GE Pension Plan contributions of $6.0 billion), net repayments of borrowings of $3.4 billion (including $0.8 billion at BHGE), payments of common dividends to shareowners of $3.1 billion, gross additions to PP&E and internal-use software of $2.7 billion, BHGE net stock repurchases and dividends to noncontrolling interests of $0.6 billion, net investments in intangible assets of $0.5 billion and net settlements of derivative hedges of $0.4 billion, partially offset by intercompany loans from GE Capital to GE of $6.5 billion and proceeds from business dispositions of $3.4 billion.
GE Capital Cash, cash equivalents and restricted cash as of September 30, 2018 was $13.1 billion and decreased $12.1 billion primarily due to net repayments of borrowings of $16.8 billion, intercompany loans from GE Capital to GE of $6.5 billion and net purchases of investment securities of $2.8 billion, partially offset by net collections of financing receivables of $6.7 billion, maturities of liquidity investments of $4.8 billion and proceeds from the sale of EFS' debt origination business and equity investments of $3.7 billion.
See the Statement of Cash Flows section within this MD&A for further information.
- Investment securities decreased $3.9 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 further information.
- Current receivables decreased $3.8 billion, primarily due to customer collections of receivables sold by GE to GE Capital in prior periods outpacing new volume. See Note 4 to the consolidated financial statements for further information.
- Financing receivables - net decreased $2.4 billion, primarily due to the classification of Healthcare Equipment Finance financing receivables at GE Capital as held for sale, in connection with the GE Capital strategic shift. See Note 6 to the consolidated financial statements for further information.
- Property, plant and equipment - net decreased $3.2 billion, primarily due to depreciation and amortization of $4.2 billion and the classification of our Distributed Power business in our Power segment as held for sale of $0.3 billion, partially offset by net additions to property, plant and equipment of $2.3 billion. See Note 7 to the consolidated financial statements for further information.
- Goodwill decreased $23.6 billion, primarily due to impairments related to our Power segment of $22.0 billion, the classification of our Distributed Power business in our Power segment as held for sale of $1.8 billion and the effects of currency exchange of $0.6 billion, partially offset by purchase accounting adjustments of $0.8 billion. See Note 8 to the consolidated financial statements for further information.
- Contract and other deferred assets increased $0.5 billion. Revenues in excess of billings increased $0.3 billion on our long-term service agreements. In addition, other deferred assets increased $0.2 billion, primarily due to an increase in

nonrecurring engineering costs of $0.3 billion partially offset by a decrease in deferred inventory costs of $0.1 billion. See Note 10 to the consolidated financial statements for further information.

- All other assets decreased $4.5 billion, primarily due to sales of associated companies at GE Capital and 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 further information.
- Deferred income taxes increased $1.5 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 further information.
- Borrowings decreased $19.6 billion, primarily due to net repayments of borrowings at GE Capital of $16.8 billion, net repayments of borrowings at BHGE of $0.8 billion and the effects of currency exchange of $0.5 billion. See Note 11 to the consolidated financial statements for further information.
- Investment contracts, insurance liabilities and insurance annuity benefits decreased $2.6 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 further information.
- Non-current compensation and benefits decreased $7.3 billion, primarily due to GE Pension Plan contributions of $6.0 billion.
- Redeemable noncontrolling interests decreased $3.0 billion, primarily due to the exercise by Alstom of their redemption rights with respect to grid technology and renewable energy joint ventures in our Power and Renewable Energy segments. See Note 15 to the consolidated financial statements for further 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 funding debt maturities and insurance obligations, investing in research and development and acquiring industrial businesses, as well as dividend payments and share repurchases. We define our liquidity risk tolerance based on liquidity sources and uses, and our liquidity position is targeted to meet our obligations under both normal and stressed conditions.

GE cash, cash equivalents and restricted cash totaled $13.9 billion at September 30, 2018, including $4.8 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. We intend to maintain a disciplined financial policy, targeting a sustainable credit rating in the Single A range, and targeting a net debt/EBITDA ratio of 2.5x or less. We expect to make significant progress toward this leverage goal over the next few years.

During the first nine months of 2018, GE entered into intercompany loans from GE Capital totaling $6.5 billion (utilizing a portion of GE Capital's excess unsecured term debt) which comprised $6.0 billion to fund its contributions to the GE Pension Plan and a short-term loan of $0.5 billion to refinance other existing intercompany loans from GE Capital to GE to a shorter duration. These loans bear the right of offset against amounts owed by GE Capital to GE under the assumed debt agreement and were priced at market terms with a weighted average interest rate and term of 3.6% and approximately six years, respectively. At September 30, 2018, the total balance of all such intercompany loans with right of offset was $13.7 billion, with a collective weighted average interest rate and term of 3.5% and approximately 10 years, respectively. These loans can be prepaid by GE at any time, in whole or in part, without premium or penalty.

Our 2018 capital allocation plan also considers the fourth quarter funding of €2.6 billion ($3.1 billion) for Alstom redemption rights related to certain consolidated joint ventures, which was completed on October 2, 2018. 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, revolving credit facilities 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 $7.6 billion at September 30, 2018, as well as our operating and interest costs. On October 2, 2018, S&P lowered the credit ratings of GE and GE Capital short- and long-term debt from A-1 to A-2 and from A to BBB+, respectively, with a Stable outlook. The reduction in our short-term ratings will result in GE transitioning to a split tier-1/tier-2 commercial paper issuer, which will reduce our borrowing capacity in the

commercial paper markets. To accommodate GE's short-term liquidity needs, we plan to increase utilization of our revolving credit facilities, which will result in an overall increase to our cost of funds.

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 $11.0 billion to our insurance subsidiaries over the next seven years, in addition to $3.5 billion which was funded in the first quarter of 2018. These contributions are subject to ongoing monitoring by the Kansas Insurance Department, and the total amount to be contributed could increase or decrease based upon the results of reserve adequacy testing. GE maintains specified capital levels at these insurance subsidiaries under capital maintenance agreements.

As of September 30, 2018, GE Capital maintained liquidity sources of $13.8 billion that consisted of cash, cash equivalents and restricted cash of $13.1 billion, high-quality investments of $0.2 billion and cash, cash equivalents and restricted cash of $0.4 billion classified within discontinued operations. We expect to generate incremental cash from planned asset reduction actions, of which approximately $7.0 billion has been completed. We also anticipate that GE will contribute at least $3 billion of capital to GE Capital in 2019. 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.

*Non-GAAP Financial Measure

MD&A FINANCIAL RESOURCES AND LIQUIDITY

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 September 30, 2018, the outstanding assumed debt was $37.0 billion (see Note 11 to the consolidated financial statements for additional information). The following table provides a reconciliation of total short- 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.

September 30, 2018 (in billions)	GE	GE Capital	Consolidated(a)
Total short- and long-term borrowings	$69.6	$47.0	$ 115.0
Debt assumed by GE from GE Capital	(37.0)	37.0	—
Intercompany loans with right of offset	13.7	(13.7)	—
Total intercompany payable (receivable) between GE and GE Capital	(23.3)	23.3	—
Total borrowings issued and outstanding	$46.3	$70.3	$ 115.0

(a) Includes $1.6 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	September 30, 2018	GE Capital	September 30, 2018
Commercial paper	$ 3.0	Commercial paper	$ 3.0
Senior notes	20.9	Senior and subordinated notes	39.5
Intercompany loans from GE Capital(a)	13.7	Senior and subordinated notes assumed by GE	37.0
Other GE borrowings	2.3	Intercompany loans to GE(a)	(13.7)
Total GE excluding BHGE	$ 39.9	Other GE Capital borrowings	4.4
BHGE borrowings	6.4		
Total borrowings issued by GE	$ 46.3	Total borrowings issued by GE Capital	$ 70.3

(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.

In conjunction with the 2016 exchange of the GE Capital preferred stock into GE preferred stock and the exchange of Series A, B and C preferred stock into Series D preferred stock, GE Capital issued preferred stock to GE for which the amount and terms mirrored the GE preferred stock held by external investors ($5,496 million carrying value at September 30, 2018). On July 1, 2018, GE Capital and GE exchanged the existing Series D preferred stock issued to GE for new GE Capital Series D preferred stock that is mandatorily convertible into GE Capital common stock on January 21, 2021. The cash dividend on the new GE Capital preferred stock will equal the cash dividend and accretion on the GE Series D preferred stock through January 21, 2021, at which time the GE Capital preferred stock will convert to GE Capital common stock. After this conversion, GE Capital will no longer pay preferred stock dividends to GE and GE will have to rely on its own cash flows to pay dividends on the GE Series D preferred stock. The exchange of GE Capital Series D preferred stock has no impact on the GE Series D preferred stock, which remains

callable for $5,694 million on January 21, 2021 or thereafter on dividend payment dates.

LIQUIDITY SOURCES

GE cash, cash equivalents and restricted cash totaled $13.9 billion at September 30, 2018, including $4.8 billion in BHGE that can only be accessed by GE through the declaration of a dividend by BHGE's Board of Directors, our pro-rata share of BHGE stock buy-backs, and settlements of any intercompany positions. As a result of these restrictions, GE does not consider BHGE cash a freely available source of liquidity for its purposes. GE Capital maintained liquidity sources of $13.8 billion that consisted of cash, cash equivalents and restricted cash of $13.1 billion, high-quality investments of $0.2 billion and cash, cash equivalents and restricted cash of $0.4 billion classified as discontinued operations. Additionally, GE had in place $47.5 billion of committed credit lines ($40.8 billion net of offset provisions), which had no outstanding balance at September 30, 2018.

MD&A FINANCIAL RESOURCES AND LIQUIDITY

CASH, CASH EQUIVALENTS AND RESTRICTED CASH

(In billions)	September 30, 2018		September 30, 2018
GE(a)	$ 13.9	U.S.	$ 9.8
GE Capital(b)	13.1	Non-U.S.	17.2

(a) At September 30, 2018, $3.7 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) Included $0.8 billion held in insurance and banking entities which are subject to regulatory restrictions.

Excluding cash held in countries with currency controls and cash at BHGE, total GE cash, cash equivalents and restricted cash was $6.5 billion at September 30, 2018.

COMMITTED AND AVAILABLE CREDIT FACILITIES

September 30 (In billions)	2018
Unused back-up revolving credit facility(a)	$20.0
Revolving credit facilities (exceeding one year)(b)	24.0
Bilateral revolving credit facilities (364-day)(c)	3.6
Total committed credit facilities	$47.5
Less offset provisions(d)	(6.7)
Total net available credit facilities	$40.8

(a) Consisted of a $20 billion syndicated credit facility extended by 36 banks, expiring in 2021.
(b) Included a $19.8 billion syndicated credit facility extended by six banks, expiring in 2020.
(c) Consisted of credit facilities extended by seven banks, with expiration dates ranging from February 2019 to May 2019.
(d) Commitments under certain credit facilities in (a) and (b) may be reduced by up to $6.7 billion due to offset provisions for any bank that holds a commitment to lend under both syndicated credit facilities.

During the third quarter of 2018, GE average and maximum borrowings from revolving credit facilities were $1.8 billion and $2.0 billion, respectively.

Under the terms of an agreement between GE Capital and GE, GE Capital has the right to compel GE to borrow under certain of these credit lines and transfer the proceeds to GE Capital as intercompany loans, which would be subject to the same terms and conditions as those between GE and the lending banks.

COMMERCIAL PAPER

(In billions)	GE	GE Capital
2018		
Average borrowings during the third quarter	$9.8	$ 3.0
Maximum borrowings outstanding during the third quarter	$11.7	$ 3.1

Ending balance at September 30	$3.0	$ 3.0
2017		
Average borrowings during the third quarter	$14.8	$ 5.0
Maximum borrowings outstanding during the third quarter	$19.5	$ 5.1
Ending balance at September 30	$2.0	$ 5.0

GE Capital commercial paper maturities have historically been funded principally through new commercial paper issuances, and the majority of GE commercial paper is repaid within the respective quarter.

We securitize financial assets as an alternative source of funding. During 2018, we completed $2.2 billion of non-recourse issuances and $1.4 billion of non-recourse borrowings matured. At September 30, 2018, consolidated non-recourse securitization borrowings were $2.7 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 September 30, 2018 by less than $0.3 billion.

Effective July 1, 2018, we designated the Argentine peso as highly inflationary, which had an immaterial impact on our financial statements.

As of September 30, 2018, we held the U.S. dollar equivalent of $0.4 billion of cash in Angolan kwanza. As Angola is subject to currency controls that restrict the transfer of funds to the U.S. and 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.

DEBT AND DERIVATIVE INSTRUMENTS, GUARANTEES AND COVENANTS

CREDIT RATINGS

We have relied, and may continue to rely, on the short- 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 October 2, 2018, S&P lowered the credit ratings of GE and GE Capital short- and long-term debt from A-1 to A-2 and from A to BBB+, respectively, with a Stable outlook. In addition, Moody’s and Fitch changed their respective outlooks to ‘review for a potential downgrade’ and ‘Rating Watch Negative’ for both GE and GE Capital.

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 “Risk Factors - 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	Review for Downgrade	Stable	Rating Watch Negative
Short term	P-1	A-2	F1
Long term	A2	BBB+	A
GE Capital			
Outlook	Review for Downgrade	Stable	Rating Watch Negative
Short term	P-1	A-2	F1
Long term	A2	BBB+	A

PRINCIPAL DEBT AND DERIVATIVE CONDITIONS

Certain of our derivative instruments can be terminated if specified credit ratings are not maintained and certain debt and derivatives agreements of other consolidated entities have provisions that are affected by these credit ratings. Substantially all of our debt agreements do not contain material credit rating covenants.

Fair values of our derivatives can change significantly from period to period based on, among other factors, market movements and changes in our positions. We manage counterparty credit risk (the risk that counterparties will default and not make payments to us according to the terms of our standard master agreements) on an individual counterparty basis. Where we have agreed to netting of derivative exposures with a counterparty, we offset our exposures with that counterparty and apply the value of collateral posted to us to determine the net exposure. We actively monitor these net exposures against defined limits and take appropriate actions in response, including requiring additional collateral.

Swap, forward and option contracts are executed under standard master agreements that typically contain mutual downgrade provisions that provide the ability of the counterparty to require termination if the credit ratings of the applicable GE entity were to fall below specified ratings levels agreed upon with the counterparty, primarily BBB/Baa2. Our master agreements also typically contain provisions that provide termination rights upon the occurrence of certain other events, such as a bankruptcy or events of default by one of the parties. If an agreement was terminated under any of these circumstances, the termination amount payable would be determined on a net basis and could also take into account any collateral posted. The net amount of our derivative liability subject to such termination provisions, after consideration of collateral posted by us and outstanding interest payments was $510 million at September 30, 2018. This excludes exposure related to embedded derivatives.

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.

MD&A FINANCIAL RESOURCES AND LIQUIDITY

STATEMENT OF CASH FLOWS – NINE MONTHS ENDED SEPTEMBER 30, 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

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. Common 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 this 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 $8.2 billion primarily due to the following:

- No common dividends were paid by GE Capital to GE in 2018 compared with $4.0 billion in 2017.
- Cash used for GE CFOA (excluding common dividends received from GE Capital in 2017) amounted to $4.1 billion in 2018 and an insignificant amount in 2017, primarily due to the following:
- Net earnings for cash flows plus depreciation and amortization of property, plant and equipment, amortization of intangible assets, goodwill impairments and deferred income taxes of $5.5 billion in 2018 compared with $6.0 billion in 2017. Net earnings for cash flows included pre-tax gains on business dispositions and other investments and non-cash pre-tax gains (losses) of $0.9 billion compared with $2.0 billion in 2017. Net earnings for cash flows also included pre-tax restructuring and other charges of $2.2 billion in 2018 compared with $3.0 billion in 2017.
- Lower growth in contract and other deferred assets of $1.0 billion in 2018 compared with $2.9 billion in 2017, primarily due to the timing of revenue recognized relative to the timing of billings and collections on our long-term equipment agreements, primarily in our Power segment, our long-term service agreements, primarily in our Aviation segment, and lower cash used for deferred inventory, primarily in our Power segment, partially offset by our

Renewable Energy and Aviation segments.

- An increase in cash used for working capital of $2.3 billion in 2018 compared with $0.9 billion in 2017. This was primarily due to an increase in cash used from progress collections of $1.9 billion, mainly in our Power and Aviation segments, partially offset by our Renewable Energy segment, an increase in cash used for current receivables of $1.4 billion across all segments excluding Oil & Gas, and an increase in cash used for inventories of $0.3 billion, mainly in our Oil & Gas, Transportation, Healthcare and Aviation segments, partially offset by our Power segment. These increases in cash used for working capital were partially offset by an increase in cash generated from accounts payable of $2.2 billion, mainly in our Aviation, Oil & Gas, Renewable Energy and Healthcare segments.
- GE Pension Plan contributions of $6.0 billion in 2018 compared with $1.4 billion in 2017.
- Lower cash paid for restructuring charges of $1.3 billion in 2018 compared with $1.6 billion in 2017.

MD&A FINANCIAL RESOURCES AND LIQUIDITY

GE cash from investing activities increased $8.1 billion primarily due to the following:

- An insignificant amount of business acquisitions in 2018, compared with business acquisitions of $6.1 billion in 2017, mainly driven by the Baker Hughes transaction for $3.4 billion ($7.5 billion cash consideration, less $4.1 billion of cash assumed), LM Wind Power for $1.6 billion (net of cash acquired) and ServiceMax for $0.9 billion (net of cash acquired).
- Net cash paid for settlements of derivative hedges of $0.4 billion in 2018, compared with $1.4 billion in 2017.
- Lower additions to property, plant and equipment of $2.4 billion in 2018, compared with $3.1 billion in 2017.
- Proceeds from business dispositions of $3.4 billion in 2018, primarily from the sale of our Industrial Solutions business for $2.2 billion (net of cash transferred) and our Value-Based Care business in our Healthcare segment for $1.0 billion (net of cash transferred), compared with $2.9 billion in 2017, mainly driven by the sale of our Water business for $2.7 billion (net of cash transferred).

GE cash used for financing activities increased $6.2 billion primarily due to the following:

- A net increase in borrowings of $3.1 billion in 2018, mainly driven by intercompany loans from GE Capital to GE of $6.5 billion (including $6.0 billion to fund contributions to the GE Pension Plan), partially offset by net repayments of debt of $3.4 billion (including $0.8 billion at BHGE), compared with a net increase in borrowings of $14.7 billion in 2017, mainly driven by the issuance of long-term debt of $8.6 billion, primarily to fund acquisitions, and long-term loans from GE Capital to GE of $7.3 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.
- BHGE net stock repurchases and dividends to noncontrolling interests of $0.6 billion in 2018, compared with $0.1 billion in 2017.
- These increases in cash used were partially offset by the following decreases:
- Common dividends paid to shareowners of $3.1 billion in 2018, compared with $6.3 billion in 2017.
- An insignificant amount of net repurchases of GE treasury shares in 2018, compared with net repurchases of $2.6 billion in 2017.

GE CAPITAL CASH FLOWS

2018 – 2017 COMMENTARY-CONTINUING OPERATIONS:

GE Capital cash from operating activities-continuing operations decreased $1.6 billion primarily due to the following:

- A net increase in cash collateral paid to counterparties on derivative contracts of $1.8 billion.

GE Capital cash from investing activities-continuing operations decreased $2.1 billion primarily due to the following:

- A decrease in net maturities related to investment securities of $4.6 billion: $2.1 billion in 2018 compared with $6.7 billion in 2017.
- An increase in net additions to property, plant & equipment of $1.2 billion.
- Net proceeds from the sales of our discontinued operations of an insignificant amount in 2018 compared with $1.0 billion in 2017.
- An increase in intercompany loans from GE Capital to GE of $6.5 billion in 2018 compared with $5.9 billion in 2017 ($7.3 billion of long-term loans, partially offset by the settlement of the remaining portion of a 2016 short-term loan of $1.3 billion).
- A general reduction in funding related to discontinued operations.
- These decreases in cash were partially offset by the following increases:

- Proceeds from the sale of EFS' debt origination business and equity investments of $3.7 billion in 2018.
- Higher collections of financing receivables of $3.4 billion: $6.7 billion in 2018 compared with $3.2 billion in 2017.

GE Capital cash used for financing activities-continuing operations decreased $2.9 billion primarily due to the following:

- GE Capital paid no common dividends to GE in 2018 compared with $4.0 billion in 2017.
- Lower net repayments of borrowings of $16.8 billion in 2018 compared with $17.6 billion in 2017.
- These increases in cash were partially offset by a net increase in derivative cash settlements paid of $1.8 billion.

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. 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 dividend distribution from GE Capital in the nine months ended September 30, 2018 and it does not expect to for the foreseeable future. GE Capital paid $4.0 billion of common dividends to GE in the nine months ended September 30, 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 from current receivables sold to GE Capital, including current receivables subsequently sold to third parties, decreased GE's CFOA by $2.9 billion and $2.3 billion in the nine months ended September 30, 2018 and 2017, respectively.

As of September 30, 2018, GE Capital had approximately $6.4 billion recorded on its balance sheet related to current receivables purchased from GE. Of these amounts, approximately 26% had been sold by GE to GE Capital with full or limited recourse (i.e., the GE business retains all or some 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 full or limited recourse to GE has not been significant for the nine months ended September 30, 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 September 30, 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. Related to GE long-term customer receivables outstanding, assets at GE Capital decreased to $1.2 billion from $2.1 billion, net of deferred income of approximately $0.1 and $0.3 billion recorded in its balance sheet at September 30, 2018 and December 31, 2017, respectively. The effect of cash generated from the sale of these long-term receivables to GE Capital decreased GE's CFOA by $0.6 billion and increased GE's CFOA by $0.4 billion in the nine months ended September 30, 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 nine months ended September 30, 2018 and 2017, GE Capital enabled $5.9 billion and $8.8 billion of GE industrial orders, respectively. In 2018, orders were primarily with our Renewable Energy ($2.2 billion), Healthcare ($1.5 billion) and Power ($1.1 billion) businesses.

AVIATION

During the nine months ended September 30, 2018 and 2017, GE Capital acquired 28 aircraft (list price totaling $3.4 billion) and 34 aircraft (list price totaling $4.6 billion), respectively, from third parties that will be leased to others, which are powered by engines that were manufactured by GE Aviation and affiliates and made payments related to spare engines and engine parts to GE Aviation and affiliates of $0.3 billion and $0.1 billion, respectively. Additionally, GE Capital had $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 both September 30, 2018 and December 31, 2017.

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 nine months ended September 30, 2018. The additional funding obligation recognized by GE Capital were an insignificant amount and $0.3 billion for the three and nine months ended September 30, 2017, respectively.

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 September 30, 2018, GE had outstanding guarantees to GE Capital on $2.0 billion of funded exposure and $1.0 billion of unfunded commitments, which included guarantees issued by industrial businesses. The recorded amount of these contingent liabilities was $0.2 billion as of September 30, 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 $37.0 billion, and GE guaranteed $37.9 billion of GE Capital debt at September 30, 2018.

See Note 21 to the consolidated financial statements for additional information about the eliminations of intercompany transactions between GE and GE Capital.

MD&A CRITICAL ACCOUNTING ESTIMATES

CRITICAL ACCOUNTING ESTIMATES

We utilized significant estimates in the preparation of the third 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 2018-12, FINANCIAL SERVICES - INSURANCE (TOPIC 944): TARGETED IMPROVEMENTS TO THE ACCOUNTING FOR LONG-DURATION CONTRACTS

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-12, Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts. We are evaluating the effect of the standard on our consolidated financial statements and anticipate that its adoption will significantly change the accounting for measurements of our long-duration insurance liabilities. The ASU requires cash flow assumptions used in the measurement of various insurance liabilities to be reviewed at least annually and updated if actual experience or other evidence indicates previous assumptions need to be revised with any required changes recorded in earnings. The discount rate, equivalent to the upper-medium grade (i.e., single A) fixed-income instrument yield reflecting the duration characteristics of the liability, is required to be updated in each reporting period with changes recorded in accumulated other comprehensive income. In measuring the insurance liabilities, contracts shall not be grouped together from different issue years. While we continue to evaluate the effect of the standard on our ongoing financial reporting, we anticipate that the adoption of the ASU may materially affect our financial statements.

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 FASB issued 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 income (OCI) 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 which we estimate on a preliminary basis, will increase retained earnings by approximately $2 billion.

ASU NO. 2017-12, DERIVATIVES AND HEDGING (TOPIC 815): TARGETED IMPROVEMENTS TO ACCOUNTING FOR HEDING ACTIVITIES

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The ASU is effective for periods beginning after December 15, 2018, with an election to adopt early. The ASU requires certain changes to the presentation of hedge accounting in the financial statements and some new or modified disclosures. The ASU also simplifies the application of hedge accounting and expands the strategies that qualify for hedge accounting. The ASU is not expected to have a material effect to our 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. We are planning to elect the new transition method approved by the FASB on July 30, 2018, which allows companies to apply the provisions of the new leasing standard as of January 1, 2019, without adjusting the comparative periods presented by recognizing a cumulative-effect adjustment to the opening balance of retained earnings. We are currently in the process of accumulating and evaluating all the necessary information required to properly account for our lease portfolio under the new standard. Additionally, we are implementing an enterprise-wide lease management system to support the ongoing accounting requirements. Development and testing of our selected systems solution is ongoing. We are working closely with the software system developer as the timely readiness of the lease software system is critical to ensure an efficient and effective adoption of the standard. We are evaluating additional changes to our processes and internal controls to ensure we meet the standard's reporting and disclosure requirements. While we continue to evaluate the effect of the standard on our consolidated financial statements, the adoption of the ASU will result in the recognition of a right of use asset and related liability in the range of approximately $5 billion to $6 billion with an estimated immaterial effect to our retained earnings and cash flows.

MD&A OTHER ITEMS

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 and additional disclosures related to 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.

MINE SAFETY DISCLOSURES

We have no 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 to report for the current quarter.

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. On May 8, 2018, President Trump announced that the United States will cease participation in the Joint Comprehensive Plan of Action (JCPOA) and begin re-imposing the U.S. nuclear-related sanctions. On June 27, 2018, OFAC revoked General License H and added Section 560.537 to the Iranian Transactions and Sanctions Regulations (ITSR), which authorizes all transactions and activities that are ordinarily incident and necessary to the winding down of activities previously approved under General License H through November 4, 2018. Prior to May 8, 2018, certain non-U.S. affiliates of GE conducted limited activities as described below in accordance with General License H. Non-U.S. affiliates of GE expect to wind down activities in Iran by November 4, which may include the collection of payments for previously completed work. These activities are conducted in accordance with all applicable laws and regulations.

A non-U.S. affiliate of GE’s Oil & Gas business attributed €3.8 million ($4.4 million) in gross revenues and €0.7 million ($0.8 million) in net profits during the quarter ending September 30, 2018 against previously reported transactions related to the sale of valves and parts for industrial machinery and equipment used in gas plants, petrochemical plants and gas production projects in Iran.

A second non-U.S. affiliate of GE’s Oil & Gas business revised four previously received purchase orders during the third quarter of 2018 in order to reflect a reduction in scope to only spare parts that can be delivered prior to November 4, 2018. Each of the four previously reported purchase orders are now valued at less than €0.1 million ($0.1 million). This non-U.S. affiliate attributed less than €0.1 million ($0.1 million) in gross revenues and less than €0.1 million ($0.1 million) in net profits during the quarter ending September 30, 2018 against previously reported

transactions.
A non-U.S. affiliate of GE’s Power business attributed €2.2 million ($2.6 million) in gross revenues and less than €0.1 million ($0.1 million) in net profits during the quarter ending September 30, 2018 against a previously reported received purchase order for the sale of a generator to a petrochemical company in Iran.
A second non-U.S. affiliate of GE's Power business attributed €0.1 million ($0.1 million) in gross revenues and less than €0.1 million ($0.1 million) in net profits during the quarter ending September 30, 2018 against a previously reported sale of protection relays for an Iranian oil refinery project.
These non-U.S. affiliates do not intend to continue the activities described above beyond November 4, 2018. The Company will wind down all of these activities by that date in full compliance with U.S. sanctions; revenues associated with previously reported projects can only be collected after November 4 if specific U.S. Government authorization is obtained.
For additional information on business activities related to Iran, please refer to the Other Items section within MD&A in our quarterly report on Form 10-Q for the quarter ended June 30, 2018.

MD&A NON-GAAP FINANCIAL INFORMATION

NON-GAAP FINANCIAL MEASURES

FINANCIAL MEASURES THAT SUPPLEMENT U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES 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 – revenues excluding the effects of acquisitions, dispositions and translational foreign currency exchange.
- GE Industrial structural costs – 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 and six months ended June 30, 2017.
- Adjusted earnings (loss) – continuing earnings excluding the impact of non-operating benefit costs, gains (losses), restructuring and other items and goodwill impairment, after tax, and the impact of U.S. tax reform.
- Adjusted earnings (loss) per share (EPS) – when we refer to adjusted earnings per share, it is the diluted per-share amount of "adjusted earnings."
- Adjusted GE Industrial profit and profit margin (excluding certain items) – GE Industrial profit margin excluding interest and other financial charges, non-operating benefit costs, gains (losses), restructuring and other charges and goodwill impairment plus noncontrolling interests.
- GE Industrial organic profit – profit excluding the effects of acquisitions, business dispositions and translational foreign currency exchange.
- Adjusted Oil & Gas segment profit – Reported Oil & Gas segment profit less GE's share of restructuring & other charges.
- GE effective tax rates, excluding GE Capital earnings – GE provision for income taxes divided by GE pre-tax earnings from continuing operations, excluding GE Capital earnings (loss) from continuing operations.
- GE Industrial Free Cash Flows (FCF) and Adjusted GE Industrial FCF – GE Industrial free cash flows (Non-GAAP) is 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) is 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 net debt – GE Industrial net debt reflects the total of gross debt, after-tax net pension liabilities, adjustments for operating lease obligations, and adjustments for 50% of preferred stock, less 75% of GE's cash balance.

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

MD&A NON-GAAP FINANCIAL INFORMATION

GE INDUSTRIAL SEGMENT ORGANIC REVENUES (NON-GAAP)

	Three months ended September 30			Nine months ended September 30		
(In millions)	2018	2017	V%	2018	2017	V%
GE Industrial segment revenues (GAAP)	$27,785	$29,171	(5)%	$83,837	$81,967	2 %
Adjustments:						
Less: acquisitions	4	1		5,588	92	
Less: business dispositions (other than dispositions acquired for investment)	10	1,408		13	2,479	
Less: Currency exchange rate(a)	(285)	—		1,121	—	
GE Industrial segment organic revenues (Non-GAAP)	$28,057	$27,762	1 %	$77,116	$79,396	(3)%

(a) Translational foreign exchange

Organic revenues* measure revenues 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 revenues* 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 revenues" 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 September 30			Nine months ended September 30		
(In millions)	2018	2017	V$	2018	2017	V$
GE total costs and expenses (GAAP)	$50,449	$29,978	$20,471	$104,390	$80,977	$23,412
Less: GE interest and other financial charges (GAAP)	662	718		1,995	1,918	
Less: goodwill impairment (GAAP)	21,973	947		21,973	947	
Less: non-operating benefit costs (GAAP)	804	610		2,178	1,811	
GE Industrial costs excluding interest and other financial charges, goodwill impairment and non-operating benefit costs (Non-GAAP)	$27,009	$27,703	$(693)	$78,243	$76,300	$1,943
Less: Segment variable costs	19,895	20,196		58,291	55,694	
Less: Segment restructuring & other	188	363		709	388	
Less: Segment acquisitions/dispositions structural costs and impact from foreign exchange	(13)	334		539	(369)	
Less: Corporate restructuring & other charges	1,501	1,079		2,328	2,761	
Add: Corporate revenue (ex. GE-GE Capital eliminations), other income and noncontrolling interests	176	(1,529)		486	(744)	
Less: Corporate (gains) losses(a)	(207)	(1,885)		(450)	(1,887)	

Less: Corporate unrealized (gains) losses	73	—		(193)	—	
GE Industrial structural costs (Non-GAAP)	$5,748	$6,087	$(339)	$17,504	$18,969	$(1,465)

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

Industrial structural costs* includes 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 and six months ended June 30, 2017.
Segment variable costs are those costs within our industrial segments that vary with volume. The most significant variable costs would be material and direct labor costs incurred to produce our products and deliver our services that are recorded in the Statement of Earnings line items of cost of goods and cost of services sold.
We believe that Industrial structural costs* is a meaningful measure as it is broader than selling, general and administrative costs and represents the total costs in the Industrial segments and Corporate that generally do not vary with volume and excludes the effect of segment acquisitions, dispositions, and foreign exchange movements.
This measure was first introduced in March 2017 as disclosed in our Form 8-K filed on March 22, 2017.

*Non-GAAP Financial Measure

MD&A NON-GAAP FINANCIAL INFORMATION

ADJUSTED EARNINGS (LOSS) (NON-GAAP)

(In millions)	Three months ended September 30 2018	2017	V%	Nine months ended September 30 2018	2017	V%
Consolidated earnings (loss) from continuing operations attributable to GE common shareowners (GAAP)	$(22,847)	$1,429	U	$(21,742)	$2,579	U
Less: GE Capital earnings (loss) from continuing operations attributable to GE common shareowners (GAAP)	19	24		(403)	(195)	
GE Industrial earnings (loss) (Non-GAAP)	(22,866)	1,405	U	(21,339)	2,774	U
Non-operating benefits costs (pre-tax) (GAAP)	(804)	(610)		(2,178)	(1,811)	
Tax effect on non-operating benefit costs(a)	169	214		457	634	
Less: non-operating benefit costs (net of tax)	(636)	(397)		(1,721)	(1,177)	
Gains (losses) and impairments for disposed or held for sale businesses (pre-tax)	207	1,885		450	1,887	
Tax effect on gains (losses) and impairments for disposed or held for sale businesses(b)	(89)	(45)		(190)	(46)	
Less: gains (losses) and impairments for disposed or held for sale businesses (net of tax)	118	1,840		260	1,841	
Restructuring & other (pre-tax)	(1,568)	(1,347)		(2,734)	(3,029)	
Tax effect on restructuring & other(b)	337	448		398	953	
Less: restructuring & other (net of tax)	(1,231)	(898)		(2,337)	(2,076)	
Goodwill impairment (pre-tax)	(21,973)	(947)		(21,973)	(947)	
Tax effect on goodwill impairment(b)	(246)	7		(246)	7	
Less: goodwill impairment (net of tax)	(22,220)	(940)		(22,220)	(940)	
Unrealized gains (losses) (pre-tax)	(73)	—		193	—	
Tax effect on unrealized gains (losses)(a)	15	—		(41)	—	
Less: unrealized gains (losses) (net of tax)	(58)	—		153	—	
Less: GE Industrial U.S. tax reform enactment adjustment	—	—		(55)	—	
Adjusted GE Industrial earnings (loss) (Non-GAAP)	$1,160	$1,801	(36)%	$4,581	$5,127	(11)%
GE Capital earnings (loss) from continuing operations attributable to GE common shareowners (GAAP)	19	24	(21)%	(403)	(195)	U
Less: GE Capital U.S. tax reform enactment adjustment	—	—		(45)	—	
Adjusted GE Capital earnings (loss) (Non-GAAP)	$19	$24	(21)%	$(358)	$(195)	(84)%
Adjusted GE Industrial earnings (loss) (Non-GAAP)	$1,160	$1,801	(36)%	$4,581	$5,127	(11)%
Add: Adjusted GE Capital earnings (loss) (Non-GAAP)	19	24		(358)	(195)	
Adjusted earnings (loss) (Non-GAAP)	$1,179	$1,825	(35)%	$4,223	$4,932	(14)%

(a) The tax effect was calculated using a 21% and 35% U.S. federal statutory tax rate in 2018 and 2017, respectively, based on its applicability to such cost.
(b) The tax effect presented includes both the rate for the relevant item as well as other direct and incremental tax charges.

Adjusted earnings (loss)* excludes non-operating benefit costs, gains (losses) and impairments for disposed or held for sale businesses, restructuring and other, goodwill impairment, and unrealized gains (losses), after tax, excluding the effects of U.S. tax reform enactment adjustment. 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. Prior to the third quarter of 2018, goodwill impairment was included as a component of restructuring and other charges; for the third quarter of 2018, on a comparable basis, we reported it separately in the Statement of Earnings (Loss) because of the significance of the charge that quarter, and Adjusted earnings (loss)* continues to exclude amounts related to goodwill impairment as separate from the ongoing operations of our businesses. We believe that the retained costs in Adjusted earnings (loss)* provides management and investors a useful measure to evaluate the performance of the total company, and increases period-to-period comparability. We believe that presenting Adjusted Industrial earnings (loss) 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 NON-GAAP FINANCIAL INFORMATION

ADJUSTED EARNINGS (LOSS) PER SHARE (EPS) (NON-GAAP)

	Three months ended September 30			Nine months ended September 30		
	2018	2017	V%	2018	2017	V%
Consolidated EPS from continuing operations attributable to GE common shareowners (GAAP)	$(2.63)	$0.16	U	(2.50)	0.29	U
Less: GE Capital EPS from continuing operations attributable to GE common shareowners (GAAP)	—	—		(0.05)	(0.02)	
GE Industrial EPS (Non-GAAP)	$(2.63)	$0.16	U	$(2.46)	$0.32	U
Non-operating benefits costs (pre-tax) (GAAP)	(0.09)	(0.07)		(0.25)	(0.21)	
Tax effect on non-operating benefit costs(a)	0.02	0.02		0.05	0.07	
Less: non-operating benefit costs (net of tax)	(0.07)	(0.05)		(0.20)	(0.13)	
Gains (losses) and impairments for disposed or held for sale businesses (pre-tax)	0.02	0.22		0.05	0.21	
Tax effect on gains (losses) and impairments for disposed or held for sale businesses(b)	(0.01)	(0.01)		(0.02)	(0.01)	
Less: gains (losses) and impairments for disposed or held for sale businesses (net of tax)	0.01	0.21		0.03	0.21	
Restructuring & other (pre-tax)	(0.18)	(0.15)		(0.31)	(0.34)	
Tax effect on restructuring & other(b)	0.04	0.05		0.05	0.11	
Less: restructuring & other (net of tax)	(0.14)	(0.10)		(0.27)	(0.24)	
Goodwill impairment (pre-tax)	(2.53)	(0.11)		(2.53)	(0.11)	
Tax effect on goodwill impairment(b)	(0.03)	—		(0.03)	—	
Less: goodwill impairment (net of tax)	(2.56)	(0.11)		(2.56)	(0.11)	
Unrealized gains (losses) (pre-tax)	(0.01)	—		0.02	—	
Tax effect on unrealized gains (losses)(a)	—	—		—	—	
Less: unrealized gains (losses) (net of tax)	(0.01)	—		0.02	—	
Less: GE Industrial U.S. tax reform enactment adjustment	—	—		(0.01)	—	
Adjusted GE Industrial EPS (Non-GAAP)	$0.13	$0.21	(38)%	$0.53	$0.58	(9)%
GE Capital EPS from continuing operations attributable to GE common shareowners (GAAP)	—	—	— %	(0.05)	(0.02)	U
Less: GE Capital U.S. tax reform enactment adjustment	—	—		(0.01)	—	
Adjusted GE Capital EPS (Non-GAAP)	$—	$—	— %	$(0.04)	$(0.02)	(100)%
Adjusted GE Industrial EPS (Non-GAAP)	$0.13	$0.21	(38)%	$0.53	$0.58	(9)%
Add: Adjusted GE Capital EPS (Non-GAAP)	—	—		(0.04)	(0.02)	
Adjusted EPS (Non-GAAP)(c)	$0.14	$0.21	(33)%	$0.49	$0.56	(13)%

(a) The tax effect was calculated using a 21% and 35% U.S. federal statutory tax rate in 2018 and 2017, respectively, based on its applicability to such cost.
(b) The tax effect presented includes both the rate for the relevant item as well as other direct and incremental tax charges.

(c) Earnings-per-share amounts are computed independently. As a result, the sum of per-share amounts may not equal the total.

Adjusted EPS* excludes non-operating benefit costs, gains (losses) and impairments for disposed or held for sale businesses, restructuring and other, goodwill impairment, and unrealized gains (losses), after tax, excluding the effects of U.S. tax reform enactment adjustment. 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. Prior to the third quarter of 2018, goodwill impairment was included as a component of restructuring and other charges; for the third quarter of 2018, on a comparable basis, we reported it separately in the statement of earnings (loss) because of the significance of the charge that quarter, and Adjusted EPS* continues to exclude amounts related to goodwill impairment as separate from the ongoing operations of our businesses. We believe that the retained costs in Adjusted 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 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 NON-GAAP FINANCIAL INFORMATION

ADJUSTED GE INDUSTRIAL PROFIT AND PROFIT MARGIN (EXCLUDING CERTAIN ITEMS) (NON-GAAP)

	Three months ended September 30		Nine months ended September 30	
(In millions)	2018	2017	2018	2017
GE total revenues (GAAP)	$27,456	$28,774	$82,429	$80,683
Costs				
GE total costs and expenses (GAAP)	$50,449	$29,978	$104,390	$80,977
Less: GE interest and other financial charges	662	718	1,995	1,918
Less: non-operating benefit costs	804	610	2,178	1,811
Less: restructuring & other	1,488	1,347	2,789	3,029
Less: goodwill impairment	21,973	947	21,973	947
Add: noncontrolling interests	(132)	(168)	(228)	(316)
Adjusted GE Industrial costs (Non-GAAP)	$25,389	$26,188	$75,227	$72,955
Other Income				
GE other income (GAAP)	$201	$2,160	$1,237	$2,659
Less: unrealized gains (losses)	(73)	—	193	—
Less: restructuring & other	(80)	—	(80)	—
Less: gains (losses) and impairments for disposed or held for sale businesses	207	1,885	450	1,887
Adjusted GE other income (Non-GAAP)	$147	$275	$674	$772
GE Industrial profit (GAAP)	$(22,793)	$957	$(20,725)	$2,365
GE Industrial profit margin (GAAP)	(83.0)%	3.3%	(25.1)%	2.9%
Adjusted GE Industrial profit (Non-GAAP)	$2,213	$2,861	$7,875	$8,500
Adjusted GE Industrial profit margin (Non-GAAP)	8.1%	9.9%	9.6%	10.5%

We have presented our Adjusted GE Industrial profit* and profit margin* excluding interest and other financial charges, non-operating benefit costs, restructuring and other, goodwill impairment, non-controlling interests, unrealized gains (loss) on Pivotal equity investment and gains (losses) and impairment for disposed or held for sale businesses. We believe that GE Industrial profit and profit margins adjusted for these items are meaningful measures because they increase the comparability of period-to-period results.

GE INDUSTRIAL ORGANIC PROFIT (NON-GAAP)

	Three months ended September 30			Nine months ended September 30		
(In millions)	2018	2017	V%	2018	2017	V%
Adjusted GE Industrial profit (Non-GAAP)	$2,213	$2,861	(23)%	$7,875	$8,500	(7)%
Adjustments:						
Less: acquisitions	(1)	(1)		293	(19)	
Less: business dispositions (other than dispositions acquired for investment)	(11)	176		(26)	257	

Less: Currency exchange rate(a)	(2)	—		(60)	—	
Adjusted GE Industrial organic profit (Non-GAAP)	$2,226	$2,687	(17) %	$7,669	$8,262	(7)%

(a) Translational foreign exchange

Organic profit* measures profit 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. Management recognizes that the term "organic profit" 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 our Industrial businesses and may therefore be a useful tool in assessing period-to-period performance trends.

ADJUSTED OIL & GAS SEGMENT PROFIT (NON-GAAP)

	Three months ended September 30			Nine months ended September 30		
(In millions)	2018	2017	V%	2018	2017	V%
Reported segment profit (GAAP)	$180	$(57)	F	$110	$322	(66)%
Less: restructuring & other (GE share)	(67)	(267)		(540)	(267)	
Adjusted Oil & Gas segment profit (Non-GAAP)	$247	$210	18%	$650	$590	10 %

Adjusted GE Oil & Gas segment profit* measures Oil & Gas reported segment profit excluding the effects of restructuring and other charges. We believe that this measure provides management and investors with a more complete understanding of underlying operating results and trends of established, ongoing operations of our Oil & Gas segment.

*Non-GAAP Financial Measure

MD&A NON-GAAP FINANCIAL INFORMATION

GE EFFECTIVE TAX RATES, EXCLUDING GE CAPITAL EARNINGS (NON-GAAP)

	Three months ended September 30		Nine months ended September 30	
(In millions)	2018	2017	2018	2017
GE earnings (loss) from continuing operations before income taxes (GAAP)	$(22,774)	$981	$(21,128)	$2,170
Less: GE Capital earnings (loss) from continuing operations	19	24	$(403)	$(195)
GE Industrial earnings (loss) from continuing operations before income taxes (Non-GAAP)	(22,793)	957	$(20,725)	$2,365
GE provision (benefit) for income taxes (GAAP)	$205	$(281)	$842	$(93)
GE effective tax rate, excluding GE Capital earnings (Non-GAAP)	(1)%	(29)%	(4)%	(4)%

We believe that the GE effective tax rate 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.

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

	Nine months ended September 30	
(Dollars in millions)	2018	2017
GE CFOA (GAAP)	$(4,128)	$4,051
Add: gross additions to PP&E	(2,419)	(3,051)
Add: gross additions to internal-use software	(262)	(396)
Less: common dividends from GE Capital	—	4,016
Less: GE Pension Plan funding	(6,000)	(1,431)
Less: taxes related to business sales	(91)	(112)
GE Industrial Free Cash Flows (Non-GAAP)	$(718)	$(1,869)
Less: Oil & Gas CFOA	669	(242)
Less: Oil & Gas gross additions to PP&E	(630)	(250)
Less: Oil & Gas gross additions to internal-use software	(23)	(24)
Add: BHGE Class B shareholder dividend	399	122
Adjusted GE Industrial Free Cash Flows (Non-GAAP)	$(335)	$(1,230)

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.

We believe that investors may also find it useful to compare GE's Industrial free cash flows* 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 flows 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 NET DEBT (NON-GAAP)

In this document we use GE Industrial net debt*. We cannot provide an equivalent GAAP guidance range for our Industrial net debt target, which is calculated based on rating agency methodologies, without unreasonable effort. GE Industrial net debt reflects the total of gross debt, after-tax net pension liabilities, adjustments for operating lease obligations, and adjustments for 50% of preferred stock, less 75% of GE's cash balance. There is significant uncertainty on the timing and amount of events that could give rise to items included in the determination of this metric, including the timing of pension funding, proceeds from dispositions, and the impact of interest rates on our pension assets and liabilities.

*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 September 30, 2018, and (ii) no change in internal control over financial reporting occurred during the quarter ended September 30, 2018, that has materially affected, or is reasonably likely to materially affect, such 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				
July	1,125	$ 13.49	1,125	
August	1,356	12.69	1,356	
September	1,104	12.18	1,104	
Total	3,585	$ 12.78	3,585	$ 20.7 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 September 30, 2018, we had repurchased a total of approximately $29.3 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.

RISK FACTORS

RISK FACTORS

The risk factor set forth below updates the corresponding risk factor in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2018. In addition to the risk factor below, you should carefully consider the risk factors discussed in our most recent Form 10-K and Form 10-Q reports, which could materially affect our business, financial position and results of operations.

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.

We rely on cash from operations and proceeds from planned dispositions and business separations, as well as access to the short- and long-term debt markets, to fund our operations, maintain liquidity and meet our financial obligations and capital allocation priorities, such as funding GE dividend payments. In particular, we have relied on significant short-term borrowings in the commercial paper market to fund our operations on an intra-quarter basis. If we do not meet our cash flow objectives, whether through improved cash performance in our businesses or successful execution of planned dispositions and other portfolio actions, our financial condition could be adversely affected. Our access to the debt markets, and to the commercial paper markets in particular, depends on our credit ratings. On October 2, 2018, S&P lowered the credit ratings of GE and GE Capital short- and long-term debt from A-1 to A-2 and from A to BBB+, respectively, with a Stable outlook. In addition, Moody’s and Fitch changed their respective outlooks to “review for a potential downgrade” and “Rating Watch Negative” for both GE and GE Capital. The reduction in our short-term ratings has resulted in GE transitioning to a split tier-1/tier-2 commercial paper issuer, which will reduce our borrowing capacity in the commercial paper markets. To accommodate GE’s short-term liquidity needs, we are increasing utilization of our revolving credit facilities, which will result in an overall increase to our cost of funds. There can also be no assurance that we will not face additional credit downgrades, and future downgrades could further adversely affect our cost of funds and related margins, liquidity, competitive position and, potentially, access to capital markets. A significant increase in our cost of capital could require us to consider changes to our capital allocation plans, such as our planned dividend levels. Also, in certain securitization transactions where we provide servicing for third-party investors, we are contractually permitted to commingle cash collected from customers on financing receivables sold or pledged to third-party investors with our own cash prior to making required payments to third-party investors, provided our short-term credit rating does not fall below A-2/P-2. In the event our ratings were to fall below such levels, we would be required to segregate certain of these cash collections owed to third-party investors into restricted bank accounts and would lose the short-term liquidity benefit of commingling with respect to such collections. In addition, under various debt and derivative instruments, guarantees and covenants, we could be required to post additional capital or collateral in the event of a ratings downgrade, which would increase the impact of a ratings downgrade on our liquidity and capital position. Swap, forward and option contracts are executed under standard master agreements that typically contain mutual downgrade provisions that provide the ability of the counterparty to require termination if the credit ratings of the applicable GE entity were to fall below specified ratings levels agreed upon with the counterparty, primarily BBB/Baa2. For additional discussion about our current credit ratings and related considerations, refer to the Financial Resources and Liquidity - Debt and Derivative Instruments, Guarantees and Covenants section of this report.

External conditions in the financial and credit markets may also limit the availability of funding at particular times or increase the cost of funding, which could adversely affect our business, financial position and results of operations. Factors that may affect the availability of funding or cause an increase in our funding costs include disruptions in the commercial paper market, and potential market impacts arising in the United States, Europe or China from developments in sovereign debt situations, currency movements or other potential market disruptions. If our cost of funding were to increase, it may adversely affect our competitive position and result in lower net interest margins, earnings and cash flows as well as lower returns on shareowners' equity and invested capital.

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 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2018 and June 30, 2018. 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 September 30, 2018, there were two pending lawsuits in which our discontinued U.S. mortgage business, WMC, is a party. 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 delivered closing arguments on June 12, 2018.

At September 30, 2018, one case was pending against WMC in New York State Supreme Court. This lawsuit 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 issued an order approving the settlements on May 14, 2018, and the objecting bondholders filed notices of appeal on July 10, 2018. On October 1, 2018, Deutsche Bank waived final court approval as a condition to its acceptance of the settlement, rendering the settlement final. WMC made the settlement payment on October 10, 2018, and Deutsche Bank filed a notice of dismissal of the underlying lawsuit on October 15, 2018.

The amount of the claim at issue in the TMI case (discussed above) reflects the purchase price or unpaid principal balances of the mortgage loans at issue at the time of purchase and does 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 this lawsuit are included in WMC’s reported claims at September 30, 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 DOJ subsequently issued subpoenas to WMC and GE Capital, and we are cooperating with the DOJ’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 the 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.

Shareholder lawsuits. Since November 2017, several putative class actions under the federal securities laws have been filed against GE and certain affiliated individuals. All of those actions filed to date 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 May 2018, the court appointed Sjunde AP-Fonden (AP7) as Lead Plaintiff and Kessler Topaz Meltzer & Check, LLP as Lead Counsel for the consolidated shareholder actions. In October 2018, AP7 filed a Fourth Amended Consolidated Class Action Complaint naming as defendants GE, Jeffrey R. Immelt, Jeffrey S. Bornstein, Jamie S. Miller, Keith S. Sherin, Jan R. Hauser and Richard A. Laxer. 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 February 27, 2013 and January 23, 2018. GE has filed a motion to dismiss on behalf of all defendants, and briefing on that motion concluded in October 2018.

LEGAL PROCEEDINGS

Since February 2018, six 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 (consolidated as the Gammel case) were filed in New York state court, one lawsuit (the Bennett case) was filed in Massachusetts state court and three lawsuits (consolidated as the Raul case) were filed in the U.S. District Court for the Southern District of New York. The lawsuits allege violations of securities laws, breaches of fiduciary duties, unjust enrichment, waste of corporate assets, abuse of control and gross mismanagement. 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. In June and October 2018, respectively, GE filed a motion to dismiss the Gammel case on behalf of all defendants, and the plaintiffs in the Raul case agreed to the dismissal of that case. The Bennett case has been stayed pending resolution of the motion to dismiss in the Gammel case.

In June 2018, an additional lawsuit (the Bezio case) was filed in New York state court derivatively on behalf of participants in the GE Retirement Savings Plan (the GE RSP), and alternatively as a class action on behalf of shareowners who acquired GE stock between February 26, 2013 and January 24, 2018, alleging violations of Section 11 of the Securities Act of 1933 based on alleged misstatements and omissions related to insurance reserves and performance of GE's business segments in a GE RSP registration statement and documents incorporated therein by reference. In October 2018, GE filed a motion to dismiss.

In July 2018, an additional putative class action (the Mahar case) was filed in New York state court naming as defendants GE, Jeffrey R. Immelt, Jeffrey S. Bornstein, Jan R. Hauser, John L. Flannery, Douglas A. Warner III and KPMG. It alleges violations of Sections 11, 12 and 15 of the Securities Act of 1933 based on alleged misstatements related to insurance reserves and performance of GE's business segments in GE Stock Direct Plan registration statements and documents incorporated therein by reference and seeks damages on behalf of shareowners who acquired GE stock between July 20, 2015 and July 19, 2018 through the GE Stock Direct Plan. In October 2018, GE filed a motion to dismiss on behalf of all defendants.

These cases are at an early stage; we believe we have defenses to the claims and are responding 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. Following our announcement on October 1, 2018 about the expected non-cash goodwill impairment charge related to GE's Power business, as discussed further in Note 8 to the consolidated financial statements, the SEC expanded the scope of its investigation to include that charge as well. We are providing documents and other information requested by the SEC staff, and we are cooperating with the ongoing investigation. Staff from the DOJ are also investigating these matters, and we are providing them with requested documents and information as well.

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. In August 2018, the court issued an order denying GE's motion to dismiss as to a majority of the counts and taking GE's motion under further advisement regarding two counts. We believe we have defenses to the claims and are responding accordingly.

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FINANCIAL STATEMENTS

FINANCIAL STATEMENTS
STATEMENT OF EARNINGS (LOSS)
(UNAUDITED)

	Three months ended September 30 General Electric Company and consolidated affiliates	
(In millions; per-share amounts in dollars)	2018	2017
Revenues		
Sales of goods	$18,095	$19,244
Sales of services	9,370	9,521
GE Capital revenues from services	2,109	1,898
Total revenues (Note 9)	29,573	30,662
Costs and expenses		
Cost of goods sold	15,991	16,361
Cost of services sold	6,855	7,310
Selling, general and administrative expenses	4,855	4,741
Interest and other financial charges	1,227	1,232
Investment contracts, insurance losses and insurance annuity benefits	710	617
Goodwill impairment	21,973	947
Non-operating benefit costs	807	611
Other costs and expenses	98	261
Total costs and expenses	52,515	32,082
Other income	205	2,165
GE Capital earnings (loss) from continuing operations	—	—
Earnings (loss) from continuing operations before income taxes	(22,736)	746
Benefit (provision) for income taxes	(162)	551
Earnings (loss) from continuing operations	(22,899)	1,297
Earnings (loss) from discontinued operations, net of taxes (Note 2)	39	(106)
Net earnings (loss)	(22,859)	1,191
Less net earnings (loss) attributable to noncontrolling interests	(90)	(169)
Net earnings (loss) attributable to the Company	(22,769)	1,360
Preferred stock dividends	(39)	(36)
Net earnings (loss) attributable to GE common shareowners	$(22,808)	$1,324
Amounts attributable to GE common shareowners		
Earnings (loss) from continuing operations	$(22,899)	$1,297
Less net earnings (loss) attributable to noncontrolling interests, continuing operations	(90)	(169)
Earnings (loss) from continuing operations attributable to the Company	(22,808)	1,465
Preferred stock dividends	(39)	(36)

Earnings (loss) from continuing operations attributable to GE common shareowners	(22,847)	1,429
Earnings (loss) from discontinued operations, net of taxes	39	(106)
Less net earnings (loss) attributable to noncontrolling interests, discontinued operations	—	(1)
Net earnings (loss) attributable to GE common shareowners	$(22,808)	$1,324
Per-share amounts (Note 16)		
Earnings (loss) from continuing operations		
Diluted earnings (loss) per share	$(2.63)	$0.16
Basic earnings (loss) per share	$(2.63)	$0.16
Net earnings (loss)		
Diluted earnings (loss) per share	$(2.62)	$0.15
Basic earnings (loss) per share	$(2.62)	$0.15
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 September 30			
	GE(a)		Financial Services (GE Capital)	
(In millions; per-share amounts in dollars)	2018	2017	2018	2017
Revenues				
Sales of goods	$18,072	$19,216	$37	$39
Sales of services	9,383	9,558	—	—
GE Capital revenues from services	—	—	2,436	2,359
Total revenues	27,456	28,774	2,473	2,397
Costs and expenses				
Cost of goods sold	15,976	16,343	28	30
Cost of services sold	6,373	6,756	502	592
Selling, general and administrative expenses	4,660	4,604	332	284
Interest and other financial charges	662	718	704	790
Investment contracts, insurance losses and insurance annuity benefits	—	—	732	640
Goodwill impairment	21,973	947	—	—
Non-operating benefit costs	804	610	2	1
Other costs and expenses	—	—	115	271
Total costs and expenses	50,449	29,978	2,416	2,608
Other income	201	2,160	—	—
GE Capital earnings (loss) from continuing operations	19	24	—	—
Earnings (loss) from continuing operations before income taxes	(22,774)	981	57	(211)
Benefit (provision) for income taxes	(205)	281	43	270
Earnings (loss) from continuing operations	(22,979)	1,261	99	59
Earnings (loss) from discontinued operations, net of taxes (Note 2)	39	(105)	40	(106)
Net earnings (loss)	(22,940)	1,156	139	(47)
Less net earnings (loss) attributable to noncontrolling interests	(132)	(168)	42	(2)
Net earnings (loss) attributable to the Company	(22,808)	1,324	98	(46)
Preferred stock dividends	—	—	(39)	(36)
Net earnings (loss) attributable to GE common shareowners	$(22,808)	$1,324	$59	$(81)
Amounts attributable to GE common shareowners:				
Earnings (loss) from continuing operations	$(22,979)	$1,261	$99	$59
Less net earnings (loss) attributable to noncontrolling interests, continuing operations	(132)	(168)	42	(1)
Earnings (loss) from continuing operations attributable to the Company	(22,847)	1,429	58	60
Preferred stock dividends	—	—	(39)	(36)

Earnings (loss) from continuing operations attributable to GE common shareowners	(22,847)	1,429	19	24
Earnings (loss) from discontinued operations, net of taxes	39	(105)	40	(106)
Less net earnings (loss) attributable to noncontrolling interests, discontinued operations	—	—	—	(1)
Net earnings (loss) attributable to GE common shareowners	$(22,808)	$1,324	$59	$(81)

(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

STATEMENT OF EARNINGS (LOSS)
(UNAUDITED)

	Nine months ended September 30 General Electric Company and consolidated affiliates					
(In millions; per-share amounts in dollars)	2018			2017		
Revenues						
Sales of goods	$	53,377		$	54,348	
Sales of services	29,055			26,108		
GE Capital revenues from services	5,905			6,184		
Total revenues	88,337			86,640		
Costs and expenses						
Cost of goods sold	45,103			45,911		
Cost of services sold	21,692			19,614		
Selling, general and administrative expenses	13,547			13,180		
Interest and other financial charges	3,807			3,545		
Investment contracts, insurance losses and insurance annuity benefits	2,009			1,908		
Goodwill impairment	21,973			947		
Non-operating benefit costs	2,188			1,824		
Other costs and expenses	286			584		
Total costs and expenses	110,604			87,512		
Other income	1,275			2,692		
GE Capital earnings (loss) from continuing operations	—			—		
Earnings (loss) from continuing operations before income taxes	(20,992		)	1,820		
Benefit (provision) for income taxes	(677		)	693		
Earnings (loss) from continuing operations	(21,670		)	2,513		
Earnings (loss) from discontinued	(1,634		)	(490		)

operations, net of taxes (Note 2)					
Net earnings (loss)	(23,304	)	2,023		
Less net earnings (loss) attributable to noncontrolling interests	(188	)	(312		)
Net earnings (loss) attributable to the Company	(23,116	)	2,334		
Preferred stock dividends	(260	)	(252		)
Net earnings (loss) attributable to GE common shareowners	$ (23,376	)	$	2,082	
Amounts attributable to GE common shareowners					
Earnings (loss) from continuing operations	$ (21,670	)	$	2,513	
Less net earnings (loss) attributable to noncontrolling interests, continuing operations	(188	)	(318		)
Earnings (loss) from continuing operations attributable to the Company	(21,482	)	2,831		
Preferred stock dividends	(260	)	(252		)
Earnings (loss) from continuing operations attributable to GE common shareowners	(21,742	)	2,579		
Earnings (loss) from discontinued operations, net of taxes	(1,634	)	(490		)
Less net earnings (loss) attributable to noncontrolling interests, discontinued operations	—		6		
Net earnings (loss) attributable to GE common shareowners	$ (23,376	)	$	2,082	
Per-share amounts (Note 15)					

Earnings (loss) from continuing operations					
Diluted earnings (loss) per share	$	(2.50	)	$	0.29
Basic earnings (loss) per share	$	(2.50	)	$	0.30
Net earnings (loss)					
Diluted earnings (loss) per share	$	(2.69	)	$	0.24
Basic earnings (loss) per share	$	(2.69	)	$	0.24
Dividends declared per common share	$	0.36		$	0.72

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

FINANCIAL STATEMENTS

STATEMENT OF EARNINGS (LOSS)
(UNAUDITED)

	Nine months ended September 30			
	GE(a)		Financial Services (GE Capital)	
(In millions; per-share amounts in dollars)	2018	2017	2018	2017
Revenues				
Sales of goods	$53,305	$54,408	$100	$101
Sales of services	29,123	26,275	—	—
GE Capital revenues from services	—	—	6,975	7,424
Total revenues	82,429	80,683	7,075	7,525
Costs and expenses				
Cost of goods sold	45,046	45,993	78	79
Cost of services sold	20,207	18,108	1,573	1,673
Selling, general and administrative expenses	12,990	12,199	987	1,346
Interest and other financial charges	1,995	1,918	2,296	2,373
Investment contracts, insurance losses and insurance annuity benefits	—	—	2,071	1,958
Goodwill impairment	21,973	947	—	—
Non-operating benefit costs	2,178	1,811	9	12
Other costs and expenses	—	—	328	629
Total costs and expenses	104,390	80,977	7,342	8,070
Other income	1,237	2,659	—	—
GE Capital earnings (loss) from continuing operations	(403)	(195)	—	—
Earnings (loss) from continuing operations before income taxes	(21,128)	2,170	(268)	(545)
Benefit (provision) for income taxes	(842)	93	165	600
Earnings (loss) from continuing operations	(21,970)	2,263	(103)	55
Earnings (loss) from discontinued operations, net of taxes (Note 2)	(1,634)	(497)	(1,579)	(494)
Net earnings (loss)	(23,604)	1,766	(1,682)	(439)
Less net earnings (loss) attributable to noncontrolling interests	(228)	(316)	40	5
Net earnings (loss) attributable to the Company	(23,376)	2,082	(1,722)	(443)
Preferred stock dividends	—	—	(260)	(252)
Net earnings (loss) attributable to GE common shareowners	$(23,376)	$2,082	$(1,982)	$(695)
Amounts attributable to GE common shareowners:				
Earnings (loss) from continuing operations	$(21,970)	$2,263	$(103)	$55
Less net earnings (loss) attributable to noncontrolling interests, continuing operations	(228)	(316)	40	(2)
Earnings (loss) from continuing operations attributable to the Company	(21,742)	2,579	(143)	57
Preferred stock dividends	—	—	(260)	(252)
Earnings (loss) from continuing operations attributable to GE common shareowners	(21,742)	2,579	(403)	(195)
Earnings (loss) from discontinued operations, net of taxes	(1,634)	(497)	(1,579)	(494)

Less net earnings (loss) attributable to noncontrolling interests, discontinued operations	—	—	—	6
Net earnings (loss) attributable to GE common shareowners	$(23,376)	$2,082	$(1,982)	$(695)

(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) or its predecessor General Electric Capital Corporation (GECC) 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)

(In millions)	Three months ended September 30 2018	Three months ended September 30 2017	Nine months ended September 30 2018	Nine months ended September 30 2017
Net earnings (loss)	$(22,859)	$1,191	$(23,304)	$2,023
Less net earnings (loss) attributable to noncontrolling interests	(90)	(169)	(188)	(312)
Net earnings (loss) attributable to the Company	$(22,769)	$1,360	$(23,116)	$2,334
Other comprehensive income (loss)				
Investment securities	$(57)	$21	$68	$213
Currency translation adjustments	(633)	501	(1,471)	1,829
Cash flow hedges	(9)	100	(35)	109
Benefit plans	863	423	2,521	2,032
Other comprehensive income (loss)	164	1,046	1,082	4,184
Less other comprehensive income (loss) attributable to noncontrolling interests	(39)	124	(92)	131
Other comprehensive income (loss) attributable to the Company	$203	$922	$1,174	$4,053
Comprehensive income (loss)	$(22,695)	$2,236	$(22,222)	$6,207
Less comprehensive income (loss) attributable to noncontrolling interests	(129)	(46)	(280)	(181)
Comprehensive income (loss) attributable to the Company	$(22,566)	$2,282	$(21,941)	$6,387

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	
	September 30, 2018 (Unaudited)	December 31, 2017
Assets		
Cash, cash equivalents and restricted cash(a)	$26,932	$ 43,967
Investment securities (Note 3)	34,761	38,696
Current receivables (Note 4)	20,414	24,209
Inventories (Note 5)	20,642	19,419
Financing receivables – net (Note 6)	7,918	10,336
Other GE Capital receivables	6,115	6,301
Property, plant and equipment – net (Note 7)	50,638	53,874
Receivable from GE Capital	—	—
Investment in GE Capital	—	—
Goodwill (Note 8)	60,377	83,968
Other intangible assets – net (Note 8)	18,838	20,273
Contract and other deferred assets (Note 10)	20,905	20,356
All other assets	24,491	28,949
Deferred income taxes (Note 14)	10,354	8,819
Assets of businesses held for sale (Note 2)	4,588	4,164
Assets of discontinued operations (Note 2)	4,716	5,912
Total assets(b)	$311,691	$ 369,245
Liabilities and equity		
Short-term borrowings (Note 11)	$15,206	$ 24,036
Accounts payable, principally trade accounts	15,748	15,172
Progress collections and deferred income	20,579	22,117
Dividends payable	1,054	1,052
Other GE current liabilities	17,930	16,919
Non-recourse borrowings of consolidated securitization entities (Note 11)	2,699	1,980
Long-term borrowings (Note 11)	97,060	108,575
Investment contracts, insurance liabilities and insurance annuity benefits (Note 12)	35,575	38,136
Non-current compensation and benefits	34,342	41,630
All other liabilities	19,913	20,784
Liabilities of businesses held for sale (Note 2)	1,360	1,248
Liabilities of discontinued operations (Note 2)	2,002	706
Total liabilities(b)	263,468	292,355
Redeemable noncontrolling interests (Note 15)	386	3,391
Preferred stock (5,939,874 shares outstanding at both September 30, 2018 and December 31, 2017)	6	6
Common stock (8,698,115,000 and 8,680,571,000 shares outstanding at September 30, 2018 and December 31, 2017, respectively)	702	702

Accumulated other comprehensive income (loss) – net attributable to GE(c)		
Investment securities	(36)	(102)
Currency translation adjustments	(6,040)	(4,661)
Cash flow hedges	27	62
Benefit plans	(7,181)	(9,702)
Other capital	37,311	37,384
Retained earnings	90,867	117,245
Less common stock held in treasury	(84,202)	(84,902)
Total GE shareowners' equity	31,454	56,030
Noncontrolling interests(d) (Note 15)	16,383	17,468
Total equity (Note 15)	47,837	73,498
Total liabilities, redeemable noncontrolling interests and equity	$311,691	$ 369,245

(a) Includes restricted cash of $454 million and $668 million at September 30, 2018 and December 31, 2017, respectively.

(b) Our consolidated assets at September 30, 2018 included total assets of $5,248 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 $2,986 million within continuing operations and assets of discontinued operations of $109 million. Our consolidated liabilities at September 30, 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 $(1,622) million within continuing operations. See Note 18.

(c) The sum of accumulated other comprehensive income (loss) (AOCI) attributable to the Company was $(13,229) million and $(14,404) million at September 30, 2018 and December 31, 2017, respectively.

(d)