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

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

(Mark One)

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

For the quarterly period ended September 30, 2016

OR

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

For the transition period from ____ to ____

Commission file number 001-00035
GENERAL ELECTRIC COMPANY
(Exact name of registrant as specified in its charter)

New York	14-0689340
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
41 Farnsworth Street, Boston, MA	02210
(Address of principal executive offices)	(Zip Code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

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

Explanatory Note

This amendment (Form 10-Q/A) is being provided for the sole purpose of amending the original Form 10-Q for the period ended September 30, 2016, as filed on November 2, 2016, to include a table in Note 18 - Guarantor Financial Information that was inadvertently omitted due to an error in the edgarization process.
No other changes have been made to the Form 10-Q. This Form 10-Q/A does not reflect events that may have occurred subsequent to the original filing date, and does not modify or update any related disclosures made in the Form 10-Q. For convenience, the entire Form 10-Q, as amended, is being re-filed.

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FORWARD LOOKING STATEMENTS

This document contains "forward-looking statements" – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and financial condition, and often contain words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "see," "will," "would," or "target."
Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as statements about our announced plan to combine our Oil & Gas business with Baker Hughes, including projected revenue and cost synergies, impact on our earnings per share, and the timing and structure of the proposed transaction; our announced plan to reduce the size of our financial services businesses, including expected cash and non-cash charges associated with this plan and earnings per share of GE Capital's retained businesses (Verticals); expected income; earnings per share; revenues; organic growth; growth and productivity associated with our Digital business; margins; cost structure; restructuring charges; transaction-related synergies; cash flows; returns on capital and investment; capital expenditures, capital allocation or capital structure; and dividends.

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

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

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

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

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

PRESENTATION

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

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

General Electric or the Company – the parent company, General Electric Company.
GE – the adding together of all affiliates except GE Capital, whose continuing operations are presented on a one-line basis, giving effect to the elimination of transactions among such affiliates. Transactions between GE and GE Capital have not been eliminated at the GE level. We present the results of GE in the center column of our consolidated statements of earnings, financial position and cash flows. An example of a GE metric is GE cash from operating activities (GE CFOA).
General Electric Capital Corporation or GECC – the predecessor to GE Capital Global Holdings, LLC.
GE Capital Global Holdings, LLC or GECGH – the adding together of all affiliates of GECGH, giving effect to the elimination of transactions among such affiliates.
GE Capital or Financial Services – refers to GECGH, or its predecessor GECC, and is the adding together of all affiliates of GE Capital giving effect to the elimination of transactions among such affiliates. We present the results of GE Capital in the right-side column of our consolidated statements of earnings, financial position and cash flows.
GE consolidated – the adding together of GE and GE Capital, giving effect to the elimination of transactions between the two. We present the results of GE consolidated in the left-side column of our consolidated statements of earnings, financial position and cash flows.
Industrial – GE excluding the continuing operations of GE Capital. We believe that this provides investors with a view as to the results of our industrial businesses and corporate items. An example of an Industrial metric is Industrial CFOA (Non-GAAP), which is GE CFOA excluding the effects of dividends from GE Capital.
Industrial segment – the sum of our seven industrial reporting segments, without giving effect to the elimination of transactions among such segments and between these segments and our Financial Services segment. This provides investors with a view as to the results of our industrial segments, without inter-segment eliminations and corporate items. An example of an industrial segment metric is industrial segment revenue growth.
Total segment – the sum of our seven industrial segments and one financial services segment, without giving effect to the elimination of transactions among such segments. This provides investors with a view as to the results of all of our segments, without inter-segment eliminations and corporate items.
Verticals or GE Capital Verticals – the adding together of GE Capital businesses that we expect to retain, principally its vertical financing businesses—GE Capital Aviation Services (GECAS), Energy Financial Services (EFS) and Industrial Finance (which includes Healthcare Equipment Finance, Working Capital Solutions and Industrial Financing Solutions)—that relate to the Company's core industrial domain and other operations, including our run-off insurance activities, and allocated corporate costs.

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

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

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

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

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

OTHER TERMS USED BY GE

Backlog – unfilled customer orders for products and product services (expected life of contract sales for product services).
Continuing earnings – unless otherwise indicated, we refer to captions such as "earnings from continuing operations attributable to GE common shareowners" as continuing earnings or simply as earnings.
Continuing earnings per share (EPS) – unless otherwise indicated, when we refer to continuing earnings per share, it is the diluted per-share amount of "earnings from continuing operations attributable to GE common shareowners".
Digital revenues – revenues related to software-enabled product upgrades, internally developed software (including Predix) and associated hardware, and software-enabled productivity solutions. These revenues are largely generated from our operating businesses and are included in their segment results.
Ending Net Investment (ENI) (Non-GAAP) – the total capital we have invested in the Financial Services business. It is the sum of short-term borrowings, long-term borrowings and equity (excluding noncontrolling interests) adjusted for unrealized gains and losses on investment securities and hedging instruments. Alternatively, it is the amount of assets of continuing operations less the amount of non-interest-bearing liabilities.
Equipment leased to others (ELTO) – rental equipment we own that is available to rent and is stated at cost less accumulated depreciation.
GE Capital Exit Plan – our plan, announced on April 10, 2015, to reduce the size of our financial services businesses through the sale of most of the assets of GE Capital, and to focus on continued investment and growth in our industrial businesses.
Industrial margin – GE revenues and other income excluding GE Capital earnings (loss) from continuing operations (Industrial revenues) minus GE total costs and expenses less GE interest and other financial charges divided by Industrial revenues.
Industrial operating profit margin (Non-GAAP) – Industrial segment profit plus corporate items and eliminations (excluding gains, restructuring, and pre-tax non-operating pension costs) divided by industrial segment revenues plus corporate items and eliminations (excluding gains and GE-GE Capital eliminations).
Net earnings – unless otherwise indicated, we refer to captions such as "net earnings attributable to GE common shareowners" as net earnings.
Net earnings per share (EPS) – unless otherwise indicated, when we refer to net earnings per share, it is the diluted per-share amount of "net earnings attributable to GE common shareowners".
Non-operating pension costs (Non-GAAP) – comprise the expected return on plan assets, interest cost on benefit obligations and net actuarial gain (loss) amortization for our principal pension plans.
Operating earnings (Non-GAAP) – GE earnings from continuing operations attributable to GE common shareowners excluding the impact of non-operating pension costs.
Operating earnings per share (Non-GAAP) – unless otherwise indicated, when we refer to operating earnings per share, it is the diluted per-share amount of "operating earnings".

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

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

Product services – for purposes of the financial statement display of sales and costs of sales in our Statement of Earnings, "goods" is required by SEC regulations to include all sales of tangible products, and "services" must include all other sales, including other services activities. In our MD&A section of this report, we refer to sales under product services agreements and sales of both goods (such as spare parts and equipment upgrades) and related services (such as monitoring, maintenance and repairs) as sales of "product services," which is an important part of our operations. We refer to "product services" simply as "services" within the MD&A.
Product services agreements – contractual commitments, with multiple-year terms, to provide specified services for products in our Power, Renewable Energy, Oil & Gas, Aviation and Transportation installed base – for example, monitoring, maintenance, service and spare parts for a gas turbine/generator set installed in a customer's power plant.
Revenues – unless otherwise indicated, we refer to captions such as "revenues and other income" simply as revenues.
Segment profit – refers to the operating profit of the industrial segments and the net earnings of the Financial Services segment. See the Segment Operations section within the MD&A for a description of the basis for segment profits.

NON-GAAP FINANCIAL MEASURES

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

Industrial segment organic revenues
Operating and non-operating pension costs
Adjusted corporate costs (operating)
Industrial operating and GE Capital earnings (loss) from continuing operations and EPS
Industrial operating + Verticals earnings and EPS
Industrial operating profit and operating profit margin (excluding certain items)
Industrial segment operating profit and operating profit margin (excluding Alstom)
Industrial cash flows from operating activities (Industrial CFOA) and Industrial CFOA excluding taxes related to the Appliances business sale
Capital ending net investment (ENI), excluding liquidity

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

OUR OPERATING SEGMENTS

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

OUR INDUSTRIAL OPERATING SEGMENTS

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

OUR FINANCIAL SERVICES OPERATING SEGMENT

Capital

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

CORPORATE INFORMATION

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

KEY PERFORMANCE INDICATORS

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

REVENUES PERFORMANCE

	3Q 2016	YTD 2016
Industrial Segment	4%	6%
Industrial Segment Organic*	1%	-%
Capital	(2)%	-%

INDUSTRIAL ORDERS

Equipment

Services

(a) Included $5.2 billion related to Alstom
(b) Included $12.7 billion related to Alstom

INDUSTRIAL BACKLOG

Equipment

Services

(a) Included $31.9 billion related to Alstom

INDUSTRIAL MARGINS

INDUSTRIAL OPERATING PROFIT MARGINS (NON-GAAP)(a)

(a) Excluded gains, non-operating pension costs, restructuring and other, noncontrolling interests, GE Capital preferred stock dividends, as well as the results of Alstom

GE CFOA

GE Capital Dividend

Industrial CFOA(b)*

(a) Included $(0.8) billion related to Alstom
(b) 2016 included deal taxes of $(1.1) billion related to the sale of our Appliances business

*Non-GAAP Financial Measure

KEY PERFORMANCE INDICATORS

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

NET EARNINGS (LOSS)	NET EARNINGS (LOSS) PER SHARE
OPERATING EARNINGS (NON-GAAP)	OPERATING EARNINGS PER SHARE (NON-GAAP)
INDUSTRIAL OPERATING + VERTICALS EARNINGS (NON-GAAP)	INDUSTRIAL OPERATING + VERTICALS EPS (NON-GAAP)

SIGNIFICANT DEVELOPMENTS IN 2016

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

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

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

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

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

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

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

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

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

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

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

(a) Subject to customary closing conditions.

CONSOLIDATED RESULTS

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

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

COMMENTARY: 2016 - 2015

THREE MONTHS
Consolidated revenues increased $1.2 billion, or 4%.

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

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

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

NINE MONTHS
Consolidated revenues increased $7.1 billion, or 9%.

Industrial revenues increased $7.2 billion, or 9%, mainly from the effects of acquisitions of $9.3 billion, primarily Alstom. The increase was partially offset by the effects of dispositions of $0.9 billion, primarily from the sale of our Appliances business to Haier in the second quarter of 2016, the effects of a stronger U.S. dollar of $0.7 billion and a decrease in Industrial organic revenue* of $0.5 billion.

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

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

*Non-GAAP Financial Measure

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

CONTINUING EARNINGS (LOSS)	CONTINUING EARNINGS (LOSS) PER SHARE	INDUSTRIAL SELLING, GENERAL & ADMINISTRATIVE (SG&A) AS A % OF SALES

(a) 14.3% excluding $3.3 billion of Alstom sales and $0.5 billion of Alstom SG&A*
(b) 15.0% excluding $9.3 billion of Alstom sales and $1.6 billion of Alstom SG&A*

COMMENTARY: 2016 - 2015

THREE MONTHS

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

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

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

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

NINE MONTHS

Consolidated continuing earnings increased $6.5 billion.

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

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

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

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

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

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

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

*Non-GAAP Financial Measure

GE CAPITAL

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

THE GE CAPITAL EXIT PLAN

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

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

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

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

SALES AGREEMENTS

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

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

AFTER-TAX CHARGES RELATED TO THE GE CAPITAL EXIT PLAN

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

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

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

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

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

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

SEGMENT OPERATIONS

SUMMARY OF OPERATING SEGMENTS

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

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

REVENUES AND PROFIT

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

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

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

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

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

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

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

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

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

(Dollars in billions)

INDUSTRIAL SEGMENT EQUIPMENT & SERVICES REVENUES	INDUSTRIAL SEGMENT PROFIT

Equipment(a)

Services(b)

(a) $12.9 billion, excluding $2.0 billion related to Alstom*, and $38.4 billion, excluding $5.7 billion related to Alstom* for the three and nine months ended September 30, 2016, respectively (b) $11.3 billion, excluding $1.2 billion related to Alstom*, and $34.3 billion, excluding $3.5 billion related to Alstom* for the three and nine months ended September 30, 2016, respectively *Non-GAAP Financial Measure	(a) $4.2 billion, excluding $0.1 billion related to Alstom* (b) $11.5 billion, excluding $0.3 billion related to Alstom*

2016 – 2015 COMMENTARY: THREE MONTHS ENDED SEPTEMBER 30

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

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

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

2016 – 2015 COMMENTARY: NINE MONTHS ENDED SEPTEMBER 30

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

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

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

SIGNIFICANT SEGMENT DEVELOPMENTS

ALSTOM ACQUISITION

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

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

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

SALE OF APPLIANCES

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

*Non-GAAP Financial Measure

POWER

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

2016 YTD SUB-SEGMENT REVENUES

EQUIPMENT/SERVICES REVENUES

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

Services

Equipment

ORDERS

BACKLOG

Equipment

Equipment

Services

Services

(a) Included $2.8 billion related to Alstom

(b) Included $7.1 billion related to Alstom

(a) Included $17.7 billion related to Alstom

UNIT SALES

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

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

SEGMENT REVENUES & PROFIT WALK:

THREE MONTHS

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

COMMENTARY: 2016 - 2015

Segment revenues up $1.8 billion (37%);
Segment profit up $0.1 billion (12%) as a result of:

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

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

NINE MONTHS

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

Segment revenues up $3.9 billion (27%);
Segment profit up 1% as a result of:

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

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

*Non-GAAP Financial Measure

RENEWABLE ENERGY

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

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

ORDERS	BACKLOG
Equipment	Equipment
Services	Services
(a) Included \$1.0 billion related to Alstom (b) Included \$1.5 billion related to Alstom	(a) Included \$5.7 billion related to Alstom

UNIT SALES

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

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

excluding an insignificant amount related to Alstom* Alstom*

SEGMENT REVENUES & PROFIT WALK:

THREE MONTHS

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

COMMENTARY: 2016 - 2015

Segment revenues up $1.1 billion (66%); Segment profit up 16% as a result of:

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

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

NINE MONTHS

	Revenues	Profit

Segment revenues up $2.2 billion

September 30, 2015 $	4.3	$ 0.4	(51%);
Volume	1.6	0.1	Segment profit up
Price	-	-	10% as a result of:
Foreign Exchange	(0.1)	-	
(Inflation)/Deflation	N/A	0.1	
Mix	N/A	(0.1)	
Productivity	N/A	0.1	
Other	(0.1)	(0.1)	
Alstom	0.9	-	
September 30, 2016 $	6.5	$ 0.4	

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

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

*Non-GAAP Financial Measure

OIL & GAS

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

2016 YTD SUB-SEGMENT REVENUES

EQUIPMENT/SERVICES REVENUES

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

Equipment

Services

ORDERS

BACKLOG

Equipment

Equipment

Services

Services

(a) Included an insignificant amount related to Alstom

(b) Included $0.1 billion related to Alstom

(a) Included $0.2 billion related to Alstom

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

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

SEGMENT REVENUES & PROFIT WALK:

THREE MONTHS

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

COMMENTARY: 2016 - 2015
Segment revenues down $1.0 billion (25%);
Segment profit down $0.3 billion (42%) as a result of:

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

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

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

NINE MONTHS

	Revenues		Profit	
September 30, 2015	$	12.1	$	1.7
Volume		(2.2)		(0.3)
Price		(0.2)		(0.2)
Foreign Exchange		(0.3)		-
(Inflation)/Deflation		N/A		0.2
Mix		N/A		-
Productivity		N/A		(0.4)
Other		(0.1)		-
Alstom		0.1		-
September 30, 2016	$	9.5	$	1.0

Segment revenues down $2.6 billion (21%); Segment profit down $0.7 billion (43%) as a result of:

The decrease in revenues was primarily due to lower equipment volume across all sub-segments, the effects of a stronger U.S. dollar, lower prices and lower other income, partially offset by the effects of Alstom.

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

*Non-GAAP Financial Measure

AVIATION

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

2016 YTD SUB-SEGMENT REVENUES

EQUIPMENT/SERVICES REVENUES

Services Equipment

ORDERS

BACKLOG

Equipment

Equipment

Services

Services

UNIT SALES

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

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

SEGMENT REVENUES SEGMENT PROFIT SEGMENT PROFIT MARGIN

Equipment

Services

SEGMENT REVENUES & PROFIT WALK:

COMMENTARY: 2016 - 2015

THREE MONTHS

	Revenues	Profit
September 30, 2015	$ 6.0	$ 1.4
Volume	0.2	0.1
Price	-	-
Foreign Exchange	-	-
(Inflation)/Deflation	N/A	(0.1)
Mix	N/A	-
Productivity	N/A	0.1
Other	-	-
September 30, 2016	$ 6.3	$ 1.5

Segment revenues up $0.3 billion (5%);
Segment profit up $0.1 billion (10%) as a result of:

The increase in revenues was primarily due to higher services volume, partially offset by lower equipment volume driven by lower GEnx shipments and Military, despite an increase in Commercial Engines driven by LEAP engine shipments.

The increase in profit was primarily due to higher services volume and higher cost productivity, partially offset by the effects of inflation.

NINE MONTHS

	Revenues	Profit
September 30, 2015	$ 17.9	$ 3.9
Volume	1.1	0.2
Price	0.1	0.1
Foreign Exchange	-	-
(Inflation)/Deflation	N/A	(0.1)
Mix	N/A	-
Productivity	N/A	0.3
Other	-	(0.1)
September 30, 2016	$ 19.1	$ 4.4

Segment revenues up $1.1 billion (6%);
Segment profit up $0.4 billion (11%) as a result of:

The increase in revenues was primarily driven by higher services volume and prices, partially offset by lower equipment volume in Military.

The increase in profit was primarily driven by higher cost productivity, higher services volume and prices, partially offset by the effects of inflation and lower other income.

HEALTHCARE

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

2016 YTD SUB-SEGMENT REVENUES

EQUIPMENT/SERVICES REVENUES

Services

Equipment

ORDERS

BACKLOG

Equipment

Equipment

Services

Services

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

SEGMENT REVENUES SEGMENT PROFIT SEGMENT PROFIT MARGIN

Equipment

Services

SEGMENT REVENUES & PROFIT WALK: COMMENTARY: 2016 - 2015

THREE MONTHS

	Revenues	Profit
September 30, 2015	$ 4.3	$ 0.7
Volume	0.3	-
Price	(0.1)	(0.1)
Foreign Exchange	-	-
(Inflation)/Deflation	N/A	-
Mix	N/A	-
Productivity	N/A	0.1
Other	-	-
September 30, 2016	$ 4.5	$ 0.7

Segment revenues up $0.2 billion (5%);
Segment profit up $0.1 billion (10%) as a result of:

The increase in revenues was primarily due to higher volume driven by Life Sciences and Healthcare Systems, partially offset by lower prices at Healthcare Systems.

The increase in profit was primarily driven by higher cost productivity, including the effects of previous restructuring actions and volume growth, partially offset by lower prices at Healthcare Systems.

NINE MONTHS

	Revenues	Profit
September 30, 2015	$ 12.7	$ 1.9
Volume	0.8	0.1
Price	(0.2)	(0.2)
Foreign Exchange	(0.1)	-
(Inflation)/Deflation	N/A	-
Mix	N/A	-
Productivity	N/A	0.3
Other	-	-
September 30, 2016	$ 13.2	$ 2.1

Segment revenues up $0.5 billion (4%);
Segment profit up $0.2 billion (10%) as a result of:

The increase in revenues was primarily due to higher volume driven by Life Sciences and Healthcare Systems, partially offset by lower prices at Healthcare Systems and the effects of a stronger U.S. dollar.

The increase in profit was primarily driven by higher cost productivity, including the effects of previous restructuring actions and strong volume growth, partially offset by lower prices at Healthcare Systems.

TRANSPORTATION

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

2016 YTD SUB-SEGMENT REVENUES
(a) Includes Marine, Stationary, Drilling and Digital

EQUIPMENT/SERVICES REVENUES

Services
Equipment

ORDERS

BACKLOG

Equipment

Equipment

Services

Services

UNIT SALES

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

SEGMENT REVENUES SEGMENT PROFIT SEGMENT PROFIT MARGIN

Equipment

Services

SEGMENT REVENUES & PROFIT WALK:

THREE MONTHS

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

COMMENTARY: 2016 - 2015

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

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

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

NINE MONTHS

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

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

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

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

ENERGY CONNECTIONS & LIGHTING

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

2016 YTD SUB-SEGMENT REVENUES (a) Includes Current, powered by GE (b) Reflects historical results of Appliances prior to its sale in June 2016	EQUIPMENT/SERVICES REVENUES Services Equipment
ORDERS	BACKLOG
Equipment	Equipment
Services	Services
(a) Included $1.4 billion related to Alstom (b) Included $4.0 billion related to Alstom	(a) Included $8.3 billion related to Alstom

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

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

SEGMENT REVENUES & PROFIT WALK:

THREE MONTHS

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

COMMENTARY: 2016 - 2015

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

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

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

NINE MONTHS

	Revenues	Profit
September 30, 2015	$ 11.7	$ 0.7
Volume	(3.5)	(0.2)
Price	(0.1)	(0.1)
Foreign Exchange	(0.1)	-
(Inflation)/Deflation	N/A	0.1
Mix	N/A	-
Productivity	N/A	(0.2)
Other	(0.1)	(0.1)
Alstom	3.9	0.1
September 30, 2016	$ 11.8	$ 0.2

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

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

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

*Non-GAAP Financial Measure

CAPITAL

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

2016 YTD SUB-SEGMENT REVENUES

ENDING NET INVESTMENT, EXCLUDING LIQUIDITY*

(a) As originally reported; $271 billion including discontinued operations
(b) $103 billion including discontinued operations

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

SEGMENT REVENUES

SEGMENT PROFIT (LOSS)[a]

Total Capital

Verticals

Verticals

Other Continuing

Other Continuing

Total Capital

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

* Non-GAAP Financial Measure

COMMENTARY: 2016 - 2015

THREE MONTHS

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

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

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

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

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

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

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

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

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

Higher restructuring expenses of $0.1 billion.

NINE MONTHS

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

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

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

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

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

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

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

Tax adjustments of $0.5 billion in the nine months ended September 30, 2016, to bring Capital's nine-month tax rate in line with the projected full-year tax rate.
Increased tax benefits related to an IRS tax settlement of $0.3 billion.
Higher treasury operation expenses of $1.6 billion reflecting excess interest expense, costs associated with the February and May 2016 debt tenders and derivative activities that reduce or eliminate interest rate, currency or market risk between financial assets and liabilities. We expect to continue to have excess interest costs in 2016 as asset sales outpace our debt maturities. We may engage in liability management actions, such as buying back debt, based on market and economic conditions.

- Charges of $0.3 billion associated with the preferred equity exchange that was completed in January 2016.
- Higher restructuring expenses of $0.3 billion.

CORPORATE ITEMS AND ELIMINATIONS

REVENUES AND OPERATING PROFIT (COST)

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

CORPORATE COSTS

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

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

2016 – 2015 COMMENTARY: THREE MONTHS ENDED SEPTEMBER 30

Revenues and other income increased $0.1 billion, primarily as a result of:

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

Operating costs were flat, primarily as a result of:

- $0.2 billion of higher net gains from disposed and held for sale businesses, which included $0.4 billion gain from the sale of GE Asset Management to State Street Corporation, partially offset by a $0.2 billion charge related to the anticipated sale of a non-strategic platform in our Aviation business, and
- $0.1 billion of lower costs associated with our principal retirement plans including the effects of higher discount rates.

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

*Non-GAAP Financial Measure

2016 – 2015 COMMENTARY: NINE MONTHS ENDED SEPTEMBER 30

Revenues and other income increased $2.6 billion, primarily a result of:
$3.3 billion of higher net gains from disposed and held for sale businesses, which included $3.2 billion gain from the sale of our Appliances business to Haier in the second quarter of 2016 and $0.4 billion gain from the sale of GE Asset Management to State Street Corporation, partially offset by a $0.2 billion charge related to the anticipated sale of a non-strategic platform in our Aviation business in the third quarter of 2016.

This increase to revenues and other income was partially offset by the following:
$0.5 billion lower other income from a settlement related to the NBCU transaction in the second quarter of 2015, and
$0.3 billion of higher inter-segment eliminations.

Operating costs decreased $2.3 billion, primarily as a result of:
$3.3 billion of higher net gains from disposed and held for sale businesses, which included $3.2 billion gain from the sale of our Appliances business to Haier in the second quarter of 2016 and $0.4 billion gain from the sale of GE Asset Management to State Street Corporation, partially offset by a $0.2 billion charge related to the anticipated sale of a non-strategic platform in our Aviation business in the third quarter of 2016.
$0.6 billion of lower costs associated with our principal retirement plans including the effects of higher discount rates, and
$0.2 billion of lower costs under our long-term incentive plan.

These decreases to operating costs were partially offset by the following:
$1.4 billion higher restructuring and other charges, which included $0.6 billion of higher restructuring charges associated with the Alstom acquisition, and
$0.5 billion lower other income from a settlement related to the NBCU transaction in the second quarter of 2015.

COSTS NOT INCLUDED IN SEGMENT RESULTS

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

COSTS

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

(a) For the three and nine months ended September 30, 2016, Power's results excluded $0.3 billion and $0.8 billion of costs, primarily related to restructuring charges associated with the Alstom acquisition.

(b) For the three and nine months ended September 30, 2016, Oil & Gas's results excluded $0.1 billion and $0.7 billion of costs, primarily related to ongoing restructuring activities.

(c) For the three and nine months ended September 30, 2016, Healthcare's results excluded $0.1 billion and $0.4 billion of costs, primarily related to restructuring charges.

GAINS (LOSSES)

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

(a) Related to the anticipated sale of a non-strategic platform in our Aviation business.
(b) Related to the sale of our Appliances business in the second quarter of 2016.

DISCONTINUED OPERATIONS

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

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

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

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

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

FINANCIAL INFORMATION FOR DISCONTINUED OPERATIONS

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

2016 – 2015 COMMENTARY: THREE MONTHS ENDED SEPTEMBER 30

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

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

2016 – 2015 COMMENTARY: NINE MONTHS ENDED SEPTEMBER 30

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

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

The 2015 loss from discontinued operations, net of taxes, primarily reflected the following:
$8.2 billion after-tax loss at our CLL business (including $8.4 billion after-tax loss on planned disposals).
$2.2 billion after-tax loss at our Real Estate business (including $2.2 billion after-tax loss on planned disposals).
$0.9 billion after-tax loss at our Consumer business.

For additional information related to discontinued operations, see Note 2 to the consolidated financial statements.

OTHER CONSOLIDATED INFORMATION

INCOME TAXES

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

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

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

PROVISION FOR INCOME TAXES

2016 – 2015 COMMENTARY: THREE MONTHS ENDED SEPTEMBER 30

The consolidated income tax rate was 0.9% in the third quarter of 2016 compared to 6.6% in the third quarter of 2015. The consolidated tax provision decreased in the third quarter of 2016 compared to the third quarter of 2015 due to a larger adjustment to reduce the tax rate to the projected full-year tax rate and due to the final resolution of the IRS disallowance of the tax loss on the 2003 disposition of ERC Life Reinsurance Company, partially offset by lower benefits from lower-taxed global operations.
The first nine months of 2016 tax rate was adjusted to reflect the relatively large amount of pre-tax income through the third quarter of 2016 relative to tax benefits through the third quarter of 2016. Tax benefits incurred through the third quarter were relatively low as larger international tax benefits are projected for the fourth quarter of 2016.
The consolidated tax provision includes $0.2 billion and $0.4 billion for GE (excluding GE Capital) for the third quarters of 2016 and 2015, respectively.

2016 – 2015 COMMENTARY: NINE MONTHS ENDED SEPTEMBER 30

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

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

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

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

BENEFITS FROM GLOBAL OPERATIONS

Absent the effects of the GE Capital Exit Plan, our consolidated income tax provision is lower because of the benefits of lower-taxed global operations. There is a benefit from global operations as non-U.S. income is subject to local country tax rates that are significantly below the 35% U.S. statutory rate. These non-U.S. earnings have been indefinitely reinvested outside the U.S. and are not subject to current U.S. income tax. Most of these earnings have been reinvested in active non-U.S. business operations and we do not intend to repatriate these earnings to fund U.S. operations. The rate of tax on our indefinitely reinvested non-U.S. earnings is below the 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.

A substantial portion of the benefit 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, from our Power operations located in Switzerland and Hungary, and our Healthcare operations in Europe.

We expect our ability to benefit from non-U.S. income taxed at less than the U.S. rate to continue, subject to changes in U.S. or foreign law. In addition, since this benefit depends on management's intention to indefinitely reinvest amounts outside the U.S., our tax provision will increase to the extent we no longer indefinitely reinvest foreign earnings.

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, 2016

Cash and equivalents decreased $18.0 billion. GE Cash and equivalents increased $0.2 billion due to cash flows from operating activities of $18.3 billion (including common dividends from GE Capital of $16.1 billion), proceeds from the sale of our Appliances business of $4.8 billion and a short-term loan from GE Capital of $5.0 billion. This is partially offset by treasury stock purchases of $18.7 billion (cash basis), including $9.1 billion paid under ASR agreements, dividends of $6.4 billion, net PP&E additions of $2.1 billion and software spend of $0.6 billion. GE Capital Cash and equivalents decreased $18.2 billion primarily driven by $50.7 billion net repayments of debt, $16.2 billion in payments of dividends to shareowners and a short-term loan to GE of $5.0 billion, partially offset by $53.3 billion in proceeds from business dispositions and $0.8 billion in proceeds from the sale of receivables originated in our Appliances business and sold to Haier. See the Statement of Cash Flows section for additional information.
Investment securities increased $14.4 billion, primarily driven by investing excess cash in longer term investment to achieve higher yield. See Note 3 for additional information.
All other assets decreased $11.0 billion, primarily due to maturities of time deposits in line with debt maturities at GE Capital.
Assets of discontinued operations decreased $90.0 billion, primarily due to the disposition of CLL businesses of $81.5 billion. See Note 2 for additional information.
Borrowings decreased $48.2 billion, primarily due to a net decrease of GE Capital borrowings of $48.7 billion, partially offset by a net increase in borrowings by GE of $1.4 billion (excluding GE Capital debt assumption and short-term loan from GE Capital to GE).
Liabilities of discontinued operations decreased $36.7 billion, primarily driven by the disposition of CLL businesses of $33.6 billion. See Note 2 for additional information.
Common stock held in treasury increased $16.3 billion, primarily due to treasury stock purchases of $18.1 billion (book basis), including $9.1 billion repurchased under ASR agreements. This was partially offset by treasury stock issuances of $1.9 billion, primarily stock option exercises of $1.1 billion.

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 annual financial and strategic planning processes. At GE, our liquidity and funding plans take into account the liquidity necessary to fund our operating commitments, which include primarily purchase obligations for inventory and equipment, payroll and general expenses (including pension funding). We also take into account our capital allocation and growth objectives, including paying dividends, repurchasing shares, investing in research and development and acquiring industrial businesses. At GE, we rely primarily on cash generated through our operating activities, any dividend payments from GE Capital, and also have historically maintained a commercial paper program that we regularly use to fund operations in the U.S., principally within the quarters.

GE Capital has historically relied on the unsecured term debt markets, the global commercial paper markets, deposits, secured funding, retail funding products, bank borrowings and securitizations to fund its balance sheet. Subsequent to April 10, 2015 and with the execution of the GE Capital Exit Plan, we do not plan to issue any incremental GE Capital senior unsecured term debt for four years. Furthermore, we have reduced our commercial paper from $25 billion to $5 billion consistent with the Exit Plan. In addition, we have substantially reduced our reliance on deposits and securitization due to the Exit Plan. Today, we mainly rely on excess cash positions, cash generated through dispositions, and the cash flow from our Verticals to fund our debt maturities and our operating and interest costs. GE Capital's liquidity position is targeted to meet its obligations under both normal and stressed conditions. We expect to maintain an elevated liquidity position as we generate cash from asset sales, returning to more normalized levels in 2019. During this period we expect to have excess interest costs as asset sales outpace our debt maturities. While we maintain elevated 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. For the nine months ended September 30, 2016, we repurchased $6.7 billion of long-term unsecured debt and $5.8 billion of subordinated debentures, resulting in a pre-tax loss of $0.6 billion.

Our 2016 GE Capital funding plan anticipates repayment of principal on outstanding short-term borrowings, including the current portion of long-term debt ($42.7 billion at December 31, 2015), principally through dispositions, asset sales and cash on hand. Long-term maturities and early redemptions were $6.0 billion in the third quarter of 2016.

We maintain a detailed liquidity policy for GE Capital that requires GE Capital to maintain a contingency funding plan. The liquidity policy defines GE Capital's liquidity risk tolerance under different stress scenarios based on its liquidity sources and also establishes procedures to escalate potential issues. We actively monitor GE Capital's access to funding markets and its liquidity profile through tracking external indicators and testing various stress scenarios. The contingency funding plan provides a framework for handling market disruptions and establishes escalation procedures in the event that such events or circumstances arise. GE Capital will continue to evaluate the need to modify the existing contingency funding plan due to the GE Capital Exit Plan.

On December 2, 2015, $87.7 billion of senior unsecured notes and $4.9 billion of commercial paper was assumed by GE upon its merger with GE Capital. The amount of the intercompany payable to GE was $59.8 billion as of September 30, 2016, which includes a reduction for a $5.0 billion short-term loan in the second quarter of 2016 from GE Capital to GE, which bears the right of offset against amounts owed under the assumed debt agreement. See Note 9 to the consolidated financial statements.

On June 3, 2016, GE commenced an offering to exchange $19.6 billion of all the outstanding, unregistered senior notes that were issued by GE Capital International Funding Company Unlimited Company in a private offering on

October 26, 2015, for identical, registered 2.342% Senior Notes due 2020, 3.373% Senior Notes due 2025 and 4.418% Senior Notes due 2035. The exchange offer was completed on July 8, 2016.

LIQUIDITY SOURCES

In addition to GE cash of $10.6 billion at September 30, 2016, GE Capital maintained liquidity sources of $57.0 billion that consisted of cash and equivalents of $41.9 billion, high-quality investments of $12.2 billion and cash and equivalents of $2.9 billion classified as discontinued operations. Additionally, at September 30, 2016, we have $20.0 billion of committed unused credit lines extended by 36 banks in a syndicated credit facility agreement.

CASH AND EQUIVALENTS

(In billions)	September 30, 2016		September 30, 2016
GE(a)	$10.6	U.S.	$15.9
GE Capital(b)	41.9	Non-U.S.(c)	36.6

(a) At September 30, 2016, $3.1 billion of GE cash and equivalents 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.

(b) At September 30, 2016, GE Capital cash and equivalents of about $0.4 billion were primarily in insurance entities and were subject to regulatory restrictions.

(c) Of this amount at September 30, 2016, $4.7 billion is held outside of the U.S. and is available to fund operations and other growth of non-U.S. subsidiaries; it is also available to fund our needs in the U.S. on a short-term basis through short-term loans, without being subject to U.S. tax. Under the Internal Revenue Code, these loans are permitted to be outstanding for 30 days or less and the total of all such loans is required to be outstanding for less than 60 days during the year. If we were to repatriate this cash, we would be subject to additional U.S. income taxes and foreign withholding taxes.

We reduced our Capital ENI, excluding liquidity*, to $79 billion at September 30, 2016.

During the first nine months of 2016, there were no new senior unsecured debt issuances.

COMMERCIAL PAPER

(In billions)	GE	GE Capital
Average commercial paper borrowings during the third quarter of 2016	$10.1	$ 5.0
Maximum commercial paper borrowings outstanding during the third quarter of 2016	17.0	5.1

GE Capital commercial paper maturities have historically been funded principally through new commercial paper issuances and at GE are substantially repaid before quarter-end using indefinitely reinvested overseas cash, which as discussed above, is available for use in the U.S. on a short-term basis without being subject to U.S. tax.

We securitize financial assets as an alternative source of funding. At September 30, 2016, consolidated non-recourse securitization borrowings were $2.2 billion.

We have four deposit-taking banks outside of the U.S., which are classified as discontinued operations. On April 18, 2016, we completed the sale of the deposit-taking bank in the U.S., GE Capital Bank, an industrial bank.

*Non-GAAP Financial Measure

GE GUARANTEE OF CERTAIN GE CAPITAL DEBT

GE provides implicit and explicit support to GE Capital through commitments, capital contributions and operating support. As part of the GE Capital Exit Plan, on April 10, 2015, GE and GE Capital entered into an amendment to their existing financial support agreement. Under this amendment (the Amendment), the Company has provided a full and unconditional guarantee (the Guarantee) of the payment of principal and interest on all tradable senior and subordinated outstanding long-term debt securities and all commercial paper issued or guaranteed by GE Capital identified in the Amendment. The Guarantee replaced the requirement that the Company make certain income maintenance payments to GE Capital in certain circumstances. GE Capital's U.S. public indentures were concurrently amended to provide the full and unconditional guarantee by the Company set forth in the Guarantee. At September 30, 2016, the balance of this debt that GE assumed was $64.8 billion, and the Guarantee applied to approximately $53.5 billion of GE Capital debt. See Note 18 to the consolidated financial statements for further information on the guarantor financial statements.

ACCELERATED SHARE REPURCHASE AGREEMENT

During the first nine months of 2016, we repurchased $18.1 billion of our common stock, including $9.1 billion repurchased under the accelerated share repurchase (ASR) agreements.

In September 2016, we entered into an ASR agreement with a financial institution which allowed us to repurchase GE common stock at a price below its volume weighted-average price during a given period. During the third quarter, we paid $2.5 billion and received and classified as treasury shares an initial delivery of 71,189,280 shares based on then-current market prices. The payment was recorded as a reduction to shareowners' equity, consisting of a $2.1 billion increase in treasury stock, which reflects the value of the shares received upon initial delivery, and a $0.4 billion decrease in other capital, which reflects the value of the stock held back pending final delivery. In the fourth quarter of 2016, we received the remaining 14,758,566 shares based on the final volume weighted-average price less the negotiated discount.

In the third quarter of 2016, we received the remaining 18,269,775 shares related to the ASR agreement entered in June 2016 based on the final volume weighted-average price less the negotiated discount.

STATEMENT OF CASH FLOWS - NINE MONTHS ENDED SEPTEMBER 30, 2016 VERSUS 2015

CONSOLIDATED CASH FLOWS

We evaluate our cash flow 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. The industrial businesses also have liquidity available via the public capital markets.

GE CASH FLOWS – NINE MONTHS ENDED SEPTEMBER 30
(Dollars in billions)

OPERATING CASH FLOWS		INVESTING CASH FLOWS		FINANCING CASH FLOWS	
2015	2016	2015	2016	2015	2016

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

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

2016 – 2015 COMMENTARY

GE cash from operating activities increased $11.8 billion primarily due to the following:

GE Capital paid common dividends totaling $16.1 billion and $0.5 billion to GE in the nine months ended September 30, 2016 and 2015, respectively.

An increase of operating cash collections of $7.7 billion to $84.3 billion in 2016, primarily driven by an increase in progress collections of $1.5 billion and higher GE segment revenues from sales of goods and services due to the impact of the Alstom acquisition in the nine months ended September 30, 2016 compared with that of 2015.

These increases were partially offset by an increase in operating cash payments of $11.5 billion to $82.0 billion in 2016, primarily driven by $1.1 billion due to taxes on the sale of our Appliances business to Haier, $0.8 billion increased spend on inventory due to volume growth for end of year 2016 shipments, $0.5 billion incentive compensation payments due to long-term performance awards and higher costs and expenses mainly due to the impact of the Alstom acquisition in the nine months ended September 30, 2016 compared with that of 2015.

GE cash from investing activities increased $3.4 billion primarily due to the following:

The sale of our Appliances business to Haier for proceeds of $4.8 billion and the sale of GE Asset Management (GEAM) to State Street Corporation for proceeds of $0.4 billion

This is partially offset by payments for principal businesses purchased of $0.9 billion in addition to funding of a joint venture at our Aviation business of $0.3 billion in the nine months ended September 30, 2016.

GE cash used for financing activities increased $16.3 billion primarily due to the following:
An increase in payment for net repurchases of GE treasury shares of $18.6 billion, including $9.1 billion paid under ASR agreements.
This increase was partially offset by a net change in borrowings of $2.1 billion. The change is driven by a short-term loan from GE Capital to GE of $5.0 billion in the nine months ended September 30, 2016, partially offset by $3.4 billion of GE issued unsecured notes in the nine months ended September 30, 2015.

GE CAPITAL CASH FLOWS – NINE MONTHS ENDED SEPTEMBER 30
(Dollars in billions)

OPERATING CASH FLOWS		INVESTING CASH FLOWS		FINANCING CASH FLOWS	
2015	2016	2015	2016	2015	2016

2016 – 2015 COMMENTARY-CONTINUING OPERATIONS:

GE Capital cash from operating activities-continuing operations increased $2.6 billion primarily due to the following:
An increase in net cash collateral activity with counterparties on derivative contracts of $3.4 billion in addition to an increase in cash generated from earnings and other activity.
These increases were partially offset by higher tax payments.

GE Capital cash from investing activities-continuing operations decreased $15.4 billion primarily due to the following:
A short-term loan from GE Capital to GE of $5.0 billion.
Higher net investments of $3.7 billion.
Lower net cash received from derivative settlements of $3.3 billion.
An increase in net financing receivables of $0.9 billion, representing a net increase of $1.7 billion partially offset by the sale of receivables purchased from our Appliances business and sold to Haier for proceeds of $0.8 billion.
The 2015 proceeds from principal business dispositions of $0.5 billion.
Other investing activities of $7.9 billion, primarily excess cash generated from 2015 collections of financing receivables and other investing assets by discontinued operations prior to disposition of the underlying business.
These decreases were partially offset by higher proceeds from the sale of certain of our CLL, Consumer and Real Estate businesses of $4.2 billion and the 2015 acquisition of Milestone Aviation Group resulting in net cash paid of $1.7 billion.

GE Capital cash used for financing activities-continuing operations increased $21.3 billion primarily due to the following:
GE Capital paid common dividends totaling $16.1 billion and $0.5 billion to GE in the nine months ended September 30, 2016 and 2015, respectively.
In addition, higher net repayments of borrowings of $6.8 billion were partially offset by lower net redemption of investment contracts of $0.7 billion.

GE CAPITAL DISCONTINUED OPERATIONS CASH FLOWS – NINE MONTHS ENDED SEPTEMBER 30
(Dollars in billions)

OPERATING CASH FLOWS		INVESTING CASH FLOWS		FINANCING CASH FLOWS	
2015	2016	2015	2016	2015	2016

2016 – 2015 COMMENTARY-DISCONTINUED OPERATIONS:

GE Capital cash from operating activities-discontinued operations decreased $13.4 billion primarily due to the following:

Lower cash generated as a result of certain dispositions in our CLL business of $11.7 billion, and Consumer business of $4.4 billion (primarily resulting from the 2015 split-off of Synchrony Financial) partially offset by our Real Estate business of $3.1 billion. In connection with the GE Capital Exit Plan, we closed a vast majority of our CLL and Consumer businesses and substantially all of our Real Estate business dispositions in 2015 and 2016.

Included in the above were higher tax payments of $2.6 billion, primarily as a result of additional taxes generated by our business disposition activity.

GE Capital cash from investing activities-discontinued operations decreased $12.4 billion primarily due to the following:

The sale of bank deposits for $16.5 billion in net cash paid in conjunction with the sale of GE Capital Bank's U.S. online deposit platform to Goldman Sachs Bank USA during the first nine months of 2016.

Other investing activities of $2.9 billion, primarily cash generated from 2015 collections of financing receivables and other investing assets prior to disposition of the underlying business.

These decreases were partially offset by higher cash used of $7.0 billion resulting from the 2015 split-off of Synchrony Financial, primarily reflecting 2015 increases in financing receivables and investment securities.

GE Capital cash used for financing activities-discontinued operations decreased $2.5 billion primarily due to the following:

Lower repayment of borrowings of $7.7 billion as a result of certain dispositions in our Consumer (including $2.9 billion resulting from the 2015 split-off of Synchrony Financial), CLL and Real Estate businesses in connection with the GE Capital Exit Plan.

This decrease was partially offset by lower net cash proceeds from bank deposits of $5.4 billion resulting from the 2015 split-off of Synchrony Financial.

INTERCOMPANY TRANSACTIONS AND ELIMINATIONS

Transactions between related companies are made on an arms-length basis, are eliminated and consist primarily of GE Capital dividends to GE; GE customer receivables sold to GE Capital; GE Capital services for trade receivables management and material procurement; buildings and equipment leased between GE and GE Capital, including sales-leaseback activity; information technology (IT) and other services sold to GE Capital by GE; aircraft engines manufactured by GE that are installed on aircraft purchased by GE Capital from third-party producers for lease to others; expenses related to parent-subsidiary pension plans and various investments, loans and allocations of GE corporate overhead costs.

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 do not relate to the Verticals and are recognized as expense in GE Capital's other continuing operations when they become probable and estimable. GE records a contra expense as GE Capital's additional funding obligations are recognized and GE's related pension obligations are paid by GE Capital. On a consolidated basis, the additional required funding obligations do not affect earnings but rather are reflected as a reduction of the pension liability when paid. In the three and nine months ended September 30, 2016, the additional funding obligations recognized by GE Capital were $0.1 billion and $0.3 billion, respectively. No such funding obligations were recognized in the three and nine months ended September 30, 2015. As of September 30, 2016, the total outstanding funding obligation was $0.2 billion.

GE sells customer receivables to GE Capital in the ordinary course of business to fund the growth of our industrial businesses. During any given period, GE receives cash from the sale of receivables to GE Capital. It also foregoes the future collection of cash on receivables sold as GE Capital will collect the cash from the customer. The incremental amount of cash received from sales of receivables in excess of the cash GE would have otherwise collected had those receivables not been sold, represents the cash generated or used in the period relating to this activity. The effect of cash generated in GE CFOA from selling these receivables to GE Capital increased GE's CFOA by $0.8 billion and decreased GE's CFOA by $0.4 billion for the nine months ended September 30, 2016 and 2015, respectively.

See Note 17 to the consolidated financial statements for additional information about the eliminations of intercompany transactions between GE and GE Capital.

EXPOSURES

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. 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. 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 and nine months ended September 30, 2016 by $0.1 billion and $0.4 billion, respectively.

On June 23, 2016, a referendum in the United Kingdom (U.K.) was approved to withdraw from the European Union. The referendum was advisory and the terms of any withdrawal are subject to a negotiation period that could last for two years after the U.K. government initiates the withdrawal process. The approval of the referendum had, and may continue to have, an impact on foreign currency exchange rates, among other things. We actively manage our exposure to the U.K. and do not anticipate a material economic impact from our currency exposure as a result of the recent decision by the U.K. to exit the European Union.

For further information about our risk exposures, our use of derivatives, and the effects of this activity on our financial statements see Notes 15 and 19 to the consolidated financial statements.

OIL & GAS INDUSTRY

The oil and gas market remains challenging. While oil prices increased in the third quarter of 2016, activity remained subdued with U.S. onshore rig and well counts declining from both year-end 2015 and 2014 peak levels, and capital expenditures and investment decisions continuing to be delayed. As a result, our Oil & Gas business has experienced declines in orders through the nine months ended September 30, 2016 of approximately 34%.

In this difficult market our Oil & Gas business will continue to focus on the items within its control such as cost management and competitiveness. Our restructuring investment will likely increase from $0.4 billion to approximately $0.5 billion to achieve our cost reduction target of $0.7 billion to $0.8 billion, as lower volume will offset some of the realization.

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, Basis of Presentation and Summary of Significant Accounting Policies, to the consolidated financial statements of our Form 8-K filed on June 3, 2016 related to the 2015 Annual Report on Form 10-K for a discussion of our accounting policies and the critical accounting estimates we use to: recognize revenue on long-term product services agreement; assess the recoverability of assets such as financing receivables and goodwill; determine the fair value of financial assets; and determine our provision for income taxes and recoverability of deferred tax assets.

OTHER ITEMS

NEW ACCOUNTING STANDARDS

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016- 02, Leases. The new standard 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 either sales-type, finance or operating, with classification affecting the pattern of income recognition. Classification for both lessees and lessors will be based on an assessment of whether risks and rewards as well as substantive control have been transferred through a lease contract. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. A modified retrospective transition approach is required for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. While we continue to evaluate the effect of the standard on our ongoing financial reporting, we anticipate that the adoption of ASU 2016-02 may materially affect our statement of financial position.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP and will be effective for us as of January 1, 2018. The standard permits the use of either the retrospective or modified retrospective (cumulative effect) transition method and we have not yet selected which transition method we will apply. In addition, we are evaluating recently issued guidance on practical expedients as part of our transition decision. Given the complexity of our commercial arrangements, we are continuing to assess the potential effect that the standard is expected to have on our consolidated financial statements. We believe the more significant effects on our existing accounting policies will be associated with our long-term product service agreements and commercial aircraft engine contracts as further discussed below.

For our long-term product service agreements, we expect to continue to recognize revenue over time by applying contract-specific estimated margin rates to incurred costs. The standard provides new guidance in assessing what comprises the distinct service being provided to a customer that may have implications to our existing unit of account and the recognition of contract modifications.

In addition, the revenue for our commercial aircraft engines will be recognized on a point-in-time basis, which is a change from our current long-term contract accounting process of applying contract-specific estimated margin rates to incurred costs.

GE DIGITAL

In late 2015, we created GE Digital, whose 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 software-enabled product upgrades, internally developed software (including Predix™) and associated hardware, and software-enabled productivity solutions. These revenues are reported in the financial results of our operating segments.

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

Digital revenues for the three and nine months ended September 30, 2016 were $1.3 billion and $3.6 billion, respectively, compared with $1.2 billion and $3.4 billion for the three and nine months ended September 30, 2015, respectively, and were principally reported in our Power and Healthcare segments.

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. Pursuant to this authorization, a non-U.S. affiliate of GE's Power business received a purchase order during the third quarter of 2016 for the sale of spare parts to an Iranian entity to provide electricity and steam to an area of Iran that includes certain oil refineries. The total value of the purchase order is €16.2 million ($18.1 million). The non-U.S. affiliate is still in the process of finalizing this transaction. As of September 30, 2016, no revenue has been recognized and no expenses have been incurred in the execution of the transaction contemplated by the purchase order. The non-U.S. affiliate intends to continue this activity.

Another non-U.S. affiliate of GE's Oil & Gas business signed three contracts during the second quarter of 2016 and two contracts during the third quarter of 2016 for the sale of goods pursuant to General License H that could potentially enhance Iran's ability to develop petroleum resources. These contracts are valued at under $20 million in the aggregate, but GE is reporting them during this quarter in conjunction with the report above. The contracts cover the sale of gas turbine equipment and associated services for ultimate end use by an Iranian company in a gas production project in Iran. These contracts are valued at approximately €11.4 million ($12.8 million), €1.8 million ($2.0 million), €1.1 million ($1.3 million), €408,000 ($460,000) and €69,000 ($78,000). The non-U.S. affiliate has just started operational activities related to these transactions. As of September 30, 2016, no revenue has been recognized and no expenses have been incurred in the execution of the transactions contemplated by these contracts. The non-U.S. affiliate intends to continue this activity.

SUPPLEMENTAL INFORMATION

FINANCIAL MEASURES THAT SUPPLEMENT U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES MEASURES (NON-GAAP FINANCIAL MEASURES)

We sometimes use information derived from consolidated financial information but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). Certain of these data are considered "non-GAAP financial measures" under U.S. Securities and Exchange Commission rules. Specifically, we have referred to:

Industrial segment organic revenues
Operating and non-operating pension costs
Adjusted corporate costs (operating)
Industrial operating and GE Capital earnings (loss) from continuing operations and EPS
Industrial operating + Verticals earnings and EPS
Industrial operating profit and operating profit margin (excluding certain items)
Industrial segment operating profit and operating profit margin (excluding Alstom)
Industrial cash flows from operating activities (Industrial CFOA) and Industrial CFOA excluding taxes related to the Appliances business sale
Capital ending net investment (ENI), excluding liquidity

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

INDUSTRIAL SEGMENT ORGANIC REVENUES

	Three months ended September 30			Nine months ended September 30		
(Dollars in millions)	2016	2015	V%	2016	2015	V%
Industrial segment revenues (GAAP)	$27,421	$26,256	4%	$81,920	$77,445	6 %
Adjustments:						
Acquisitions	3,261	-		9,291	-	
Business dispositions (other than dispositions of businesses acquired for investment)	-	2,219		1,133	4,962	
Currency exchange rates	(37)	-		(729)	-	
Industrial segment organic revenues (Non-GAAP)	$24,198	$24,038	1%	$72,224	$72,483	-

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

OPERATING AND NON-OPERATING PENSION COSTS

	Three months ended September 30		Nine months ended September 30	
(In millions)	2016	2015	2016	2015
Service cost for benefits earned	$307	$348	$913	$1,076
Prior service cost amortization	76	51	228	154
Curtailment loss (gain)	-	-	(1)	71
Operating pension costs (Non-GAAP)	383	399	1,140	1,301
Expected return on plan assets	(837)	(826)	(2,507)	(2,478)
Interest cost on benefit obligations	736	696	2,205	2,087
Net actuarial loss amortization	612	823	1,836	2,468
Non-operating pension costs (Non-GAAP)	511	693	1,534	2,077
Total principal pension plans costs (GAAP)	$894	$1,092	$2,674	$3,378

We have provided the operating and non-operating components of cost for our principal pension plans. Operating pension cost comprise the service cost of benefits earned, prior service cost amortization and curtailment loss (gain) for our principal pension plans. Non-operating pension cost comprise the expected return on plan assets, interest cost on benefit obligations and net actuarial loss amortization for our principal pension plans. We believe that the operating components of pension cost better reflects the ongoing service-related cost of providing pension benefits to our employees. We believe that the operating and non-operating components of cost for our principal pension plans, considered along with the corresponding GAAP measure, provide management and investors with additional information for comparison of our pension plan cost and operating results with the pension plan cost and operating results of other companies.

ADJUSTED CORPORATE COSTS (OPERATING)

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

Operating corporate costs exclude non-service-related pension costs of our principal pension plans, which comprise interest costs, expected return on plan assets and amortization of actuarial gains/losses. Service cost, prior service cost and curtailment loss components of our principal pension plans are included in operating corporate costs. We believe that these components of pension cost better reflect the ongoing service-related costs of providing pension benefits to our employees. Accordingly, we believe that our measure of operating corporate costs provides management and investors with a useful measure of the operational costs incurred outside of our businesses. We believe that this measure, considered along with the corresponding GAAP measure, provides management and investors with additional information for comparison of our operating corporate costs to the operating corporate costs of other companies.

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

INDUSTRIAL OPERATING EARNINGS AND GE CAPITAL EARNINGS (LOSS) FROM CONTINUING OPERATIONS AND EPS

	Three months ended September 30			Nine months ended September 30		
(Dollars in millions; except per share amounts)	2016	2015	V%	2016	2015	V%
Consolidated earnings (loss) from continuing operations attributable to GE common shareowners (GAAP)	$2,097	$1,965	7%	$5,645	$(904)	F
Non-operating pension costs (pre-tax)	511	693		1,534	2,077	
Tax effect on non-operating pension costs(a)	(179)	(243)		(537)	(727)	
Adjustment: non-operating pension costs (net of tax)	332	450		997	1,350	
Operating earnings (loss) (Non-GAAP)	2,429	2,415	1%	6,642	448	F
Adjustment: GE Capital earnings (loss) from continuing operations attributable to GE common shareowners	26	(154)		(1,466)	(6,368)	
Industrial operating earnings (loss) (Non-GAAP)	$2,404	$2,569	(6)%	$8,109	$6,814	19%
Earnings (loss) per share(EPS) – diluted(b)						
Consolidated EPS from continuing operations attributable to GE common shareowners (GAAP)	$0.23	$0.19	21%	$0.61	$(0.09)	F
Adjustment: non-operating pension costs (net of tax)	0.04	0.04		0.11	0.13	
Operating EPS (Non-GAAP)	0.27	0.24	13%	0.72	0.04	F
GE Capital EPS from continuing operations attributable to GE common shareowners (GAAP)	-	(0.02)	100%	(0.16)	(0.63)	75%
Industrial operating EPS (Non-GAAP)	$0.27	$0.25	8%	$0.88	$0.68	29%

(a) The tax effect on non-operating pension costs was calculated using a 35% U.S. federal statutory tax rate, based on its applicability to such cost.

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

Operating earnings (loss) excludes non-service related pension costs of our principal pension plans comprising interest cost, expected return on plan assets and amortization of actuarial gains/losses. The service cost, prior service cost and curtailment loss components of our principal pension plans are included in operating earnings. We believe that these components of pension cost better reflect the ongoing service-related costs of providing pension benefits to our employees. As such, we believe that our measure of operating earnings (loss) provides management and investors with a useful measure of the operational results of our business. Other components of GAAP pension cost are mainly driven by capital allocation decisions and market performance, and we manage these separately from the operational performance of our businesses. Non-operating pension costs are not necessarily indicative of the current or future cash flow requirements related to our pension plan. We also believe that this measure, considered along with the corresponding GAAP measure, provides management and investors with additional information for comparison of our operating results to the operating results of other companies.

INDUSTRIAL OPERATING + VERTICALS EARNINGS AND EPS

(Dollars in millions; except per share amounts)	Three months ended September 30 2016	2015	V%	Nine months ended September 30 2016	2015	V%
GE Capital earnings (loss) from continuing operations attributable to GE common shareowners (GAAP)	$26	$(154)	F	$(1,466)	$(6,368)	77%
Adjustment: GE Capital other continuing earnings (loss) (Other Capital)	(441)	(504)		(2,881)	(7,596)	
Verticals earnings(a)	$466	$351	33%	1,414	1,228	15%
Industrial operating earnings (Non-GAAP)	$2,404	$2,569	(6)%	$8,109	$6,814	19%
Verticals earnings(a)	466	351		1,414	1,228	
Industrial operating earnings + Verticals earnings (Non-GAAP)	$2,870	$2,920	(2)%	$9,523	$8,042	18%
Adjustment: Non-operating pension costs and other Capital	(773)	(954)		(3,878)	(8,946)	
Earnings (loss) from continuing operations attributable to GE common shareowners (GAAP)	$2,097	$1,965				