

GENERAL ELECTRIC CO
Form 10-K
February 27, 2015

United States Securities and Exchange Commission
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2014

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 charter)

New York
(State or other jurisdiction of incorporation or organization)

14-0689340
(I.R.S. Employer Identification No.)

3135 Easton Turnpike, Fairfield, CT
(Address of principal executive offices)

06828-0001 203/373-2211
(Zip Code) (Telephone No.)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class
Common stock, par value \$0.06 per share

Name of each exchange on which registered
New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements

Edgar Filing: GENERAL ELECTRIC CO - Form 10-K

incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10K. r

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer R Accelerated filer r

Non-accelerated filer r Smaller reporting company r

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

The aggregate market value of the outstanding common equity of the registrant not held by affiliates as of the last business day of the registrant's most recently completed second fiscal quarter was at least \$261.1 billion. There were 10,064,909,484 shares of voting common stock with a par value of \$0.06 outstanding at January 31, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

The definitive proxy statement relating to the registrant's Annual Meeting of Shareowners, to be held April 22, 2015, is incorporated by reference into Part III to the extent described therein.

ABOUT GENERAL ELECTRIC

ABOUT GENERAL ELECTRIC

OUR BUSINESS AND HOW WE TALK ABOUT IT

We are one of the largest and most diversified infrastructure and financial services corporations in the world. With products and services ranging from aircraft engines, power generation, oil and gas production equipment, and household appliances to medical imaging, business and consumer financing and industrial products, we serve customers in approximately 175 countries and employ approximately 305,000 people worldwide. Since our incorporation in 1892, we have developed or acquired new technologies and services that have considerably broadened and changed the scope of our activities.

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

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

GE - the adding together of all affiliates other than General Electric Capital Corp., whose continuing operations are presented on a one-line basis, giving effect to the elimination of transactions among such affiliates. Transactions between GE and GECC have not been eliminated at the GE level. We present the results of GE in the center columns 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 or Financial Services – the adding together of all affiliates of GECC, giving effect to the elimination of transactions among such affiliates. We present the results of GECC in the right-side columns of our consolidated statements of earnings, financial position and cash flows. It should be noted that GECC is sometimes referred to as GE Capital or Capital, when not in the context of discussing segment results.

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

Industrial – GE excluding GECC. 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, which is GE CFOA excluding the effects of dividends from GECC.

Industrial segment – the sum of our seven industrial reporting segments shown below, without giving effect to the elimination of transactions among such segments. We believe that 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. We believe that this provides investors with a view as to the results of all of our segments, without inter-segment eliminations and corporate items.

GE 2014 FORM 10-K 19

ABOUT GENERAL ELECTRIC

OUR INDUSTRIAL OPERATING SEGMENTS

Power & Water Aviation Transportation
Oil & Gas Healthcare Appliances & Lighting
Energy Management

OUR FINANCIAL SERVICES OPERATING SEGMENT

GE Capital

Business, operation and financial overviews for our operating segments are provided in the "Segment Operations" section within "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this Form 10-K Report.

OTHER TERMS USED BY GE

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

Organic revenues – revenues excluding the effects of acquisitions, dispositions and foreign currency exchange.

Earnings – unless otherwise indicated, we refer to captions such as "earnings from continuing operations attributable to the company" simply as earnings

Earnings per share – unless otherwise indicated, we refer to earnings per share as "earnings from continuing operations attributable to the company" simply as earnings per share

Operating earnings – GE earnings from continuing operations attributable to the company excluding the impact of non-operating pension costs.

Segment profit – refers to the operating profit of the industrial segments and the net earnings of the financial services segment. See page 30 for a description of the basis for segment profits.

Operating pension costs – comprise the service cost of benefits earned, prior service cost amortization and curtailment loss for our principal pension plans.

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

Social cost – include the costs of our pension and healthcare costs for employees and retirees.

ABOUT GENERAL ELECTRIC

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 Form 10-K Report, to:

Operating earnings and operating EPS

Industrial operating earnings

Industrial segment organic revenue growth

Industrial cash flows from operating activities (Industrial CFOA)

Operating and non-operating pension costs (income)

GE pre-tax earnings from continuing operations, excluding GECC earnings from continuing operations and the corresponding effective tax rates

GE Capital ending net investment (ENI), excluding liquidity

GECC Tier 1 common ratio estimate

The reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable GAAP financial measures are included in the "Supplemental Information" section within the MD&A of this Form 10-K Report. Non-GAAP financial measures referred to in this Form 10-K Report are designated with an asterisk (*).

COMPETITIVE CONDITIONS AND ENVIRONMENT

In virtually all of our global business activities, we encounter aggressive and able competition. In many instances, the competitive climate is characterized by changing technology that requires continuing research and development. With respect to manufacturing operations, we believe that, in general, we are one of the leading firms in most of the major industries in which we participate. The businesses in which General Electric Capital Corporation (GECC) engages are subject to competition from various types of financial institutions, including commercial banks, thrifts, investment banks, broker-dealers, credit unions, leasing companies, consumer loan companies, independent finance companies, finance companies associated with manufacturers and insurance and reinsurance companies.

As a diverse global company, we are affected by world economies, instability in certain regions, commodity prices, such as the price of oil, and foreign currency volatility. Other factors impacting our business include:

product development cycles for many of our products are long and product quality and efficiency are critical to success,

research and development expenditures are important to our business and

many of our products are subject to a number of regulatory standards.

These factors are discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations.

ABOUT GENERAL ELECTRIC

OUR EMPLOYEES AND EMPLOYEE RELATIONS

At year-end 2014, General Electric Company and consolidated affiliates employed approximately 305,000 persons, of whom approximately 136,000 were employed in the United States. For further information about employees, see the "Other Financial Data" section of this Form 10K Report.

Approximately 16,400 GE manufacturing and service employees in the United States are represented for collective bargaining purposes by one of 11 unions (approximately 82 different locals within such unions). A majority of such employees are represented by union locals that are affiliated with the IUE-CWA, The Industrial Division of the Communication Workers of America, AFL-CIO, CLC. During 2011, we negotiated four-year agreements with most of our U.S. unions. Most of these contracts will terminate in June 2015, and we will be engaged in negotiations to attain new agreements. While results of 2015 union negotiations cannot be predicted, our recent past negotiations have resulted in agreements that increased costs.

Other GE affiliates are parties to labor contracts with various labor unions, also with varying terms and expiration dates that cover approximately 3,800 employees.

PROPERTIES

Manufacturing operations are carried out at approximately 227 manufacturing plants located in 39 states in the United States and Puerto Rico and at approximately 275 manufacturing plants located in 39 other countries.

CORPORATE INFORMATION AND WEBSITES

General Electric's address is 1 River Road, Schenectady, NY, 12345-6999; we also maintain executive offices at 3135 Easton Turnpike, Fairfield, CT 06828-0001.

The Company's Internet address is www.ge.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available, without charge, on our website, www.ge.com/investor-relations/investor-services/personal-investing/sec-filing, as soon as reasonably practicable after they are filed electronically with the U.S. Securities and Exchange Commission (SEC). Copies are also available, without charge, from GE Corporate Investor Communications, 3135 Easton Turnpike, Fairfield, CT 06828-0001. Reports filed with the SEC may be viewed at www.sec.gov or obtained at the SEC Public Reference Room in Washington, D.C. Information regarding the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. References to our website addressed in this report are provided as a convenience and do not constitute, and should not be viewed as, an incorporation by reference of the information contained on, or available through, the website. Therefore, such information should not be considered part of this report.

General Electric Capital Corporation filed a Form 10-K Report with the SEC, and this can also be viewed at www.ge.com/investor-relations/investor-services/personal-investing/sec-filing.

GE's 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.

MD&A

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

PRESENTATION

The consolidated financial statements of General Electric Company (the Company) combine the industrial manufacturing and services businesses of General Electric Company (GE) with the financial services businesses of General Electric Capital Corporation (GECC or financial services). Unless otherwise indicated by the context, we use the terms "GE" and "GECC" on the basis of consolidation described in Note 1 to the consolidated financial statements in this Form 10-K Report.

Net earnings of GECC and the effect of transactions between segments are eliminated to arrive at total consolidated data.

Prior to January 28, 2011, we operated a media company, NBC Universal, Inc. (NBCU). Effective January 28, 2011, we held a 49% interest in a media entity that included the NBC Universal businesses (NBCU LLC). On March 19, 2013, we completed the sale of our remaining 49% common equity interest to Comcast Corporation.

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

Discussion of GECC's total assets excludes deferred income tax liabilities, which are presented within assets for purposes of our consolidating statement of financial position presentations for this filing.

See the Glossary section of this Form 10-K for a definition of equipment and services sales as used in this Form 10-K Report as compared to the product and services split on the Statement of Earnings.

Amounts reported in billions in graphs and tables within this Form 10-K 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.

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

REFERENCES

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

For additional information related to GE Capital segment operations and the portfolio quality of financing receivables, refer to the General Electric Capital Corporation annual report on Form 10-K for the year ended December 31, 2014.

NON-GAAP FINANCIAL MEASURES

As discussed in the "About GE" section of this Form 10-K, we use certain "non-GAAP financial measures" throughout the MD&A. The reasons we use these non-GAAP financial measures and the reconciliations to their most

directly comparable GAAP financial measures are included in the "Supplemental Information" section within the MD&A of this Form 10-K Report.

Non-GAAP financial measures referred to in this Form 10-K Report are designated with an asterisk (*).

MD&A KEY PERFORMANCE INDICATORS

KEY PERFORMANCE INDICATORS

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

REVENUES PERFORMANCE	2013	2014	EARNINGS PER SHARE
			--
Industrial Segment	1%	6%	Earnings --
Industrial Segment Organic*	Flat	7%	Operating Earnings*
Financial Services	(3)%	(3)%	
INDUSTRIAL SEGMENT PROFIT			INDUSTRIAL SEGMENT MARGIN
INDUSTRIAL ORDERS			INDUSTRIAL BACKLOG
			Equipment
			Equipment
			Services
			Services

*Non-GAAP Financial Measure

MD&A KEY PERFORMANCE INDICATORS

KEY PERFORMANCE INDICATORS

(Dollars in billions)

INDUSTRIAL/GE CAPITAL OPERATING EARNINGS*

2014 Actual*

2016 Goal GE IS EXECUTING ON ITS STRATEGY TO ACHIEVE 75% OF ITS OPERATING EARNINGS FROM ITS INDUSTRIAL BUSINESSES BY 2016.

The effects of the Synchrony Financial split-off and the Alstom acquisition and alliances will result in progression towards this target.

GE CFOA SHAREHOLDER INFORMATION

RETURNED \$10.8 BILLION TO SHAREOWNERS IN 2014

GECC Dividend Dividends \$8.9 billion
Stock buyback \$1.9 billion

ANNUAL MEETING

Industrial CFOA* General Electric's 2015 Annual Meeting of Shareowners will be held on April 22, 2015, in Oklahoma City, Oklahoma.

2013 GE CFOA excluding NBC Universal deal-related taxes was \$17.4 billion*

*Non-GAAP Financial Measure

MD&A KEY PERFORMANCE INDICATORS

KEY PERFORMANCE INDICATORS

(Amounts in dollars)

FIVE-YEAR PERFORMANCE GRAPH

The annual changes for the five-year period shown in the graph on this page are based on the assumption that \$100 had been invested in General Electric common stock, the Standard & Poor's 500 Stock Index (S&P 500) and the Dow Jones Industrial Average (DJIA) on December 31, 2009, and that all quarterly dividends were reinvested. The total cumulative dollar returns shown on the graph represent the value that such investments would have had on December 31, 2014.

STOCK PRICE RANGE AND DIVIDENDS

With respect to "Market Information," in the United States, General Electric common stock is listed on the New York Stock Exchange (its principal market). General Electric common stock is also listed on the London Stock Exchange and the Frankfurt Stock Exchange. The chart above shows trading prices, as reported on the New York Stock Exchange, Inc., Composite Transactions Tape.

As of January 31, 2015, there were approximately 480,000 shareowner accounts of record.

On February 6, 2015, our Board of Directors approved a quarterly dividend of \$0.23 per share of common stock, which is payable April 27, 2015, to shareowners of record at close of business on February 23, 2015.

GE 2014 FORM 10-K 26

MD&A CONSOLIDATED RESULTS

CONSOLIDATED RESULTS

(Dollars in billions)

2014 GEOGRAPHIC REVENUES 2014 SEGMENT REVENUES

SIGNIFICANT DEVELOPMENTS IN 2014

We completed the initial public offering of our North American Retail Finance business, Synchrony Financial, resulting in proceeds of \$2.8 billion and target to complete the exit through a split-off transaction.

We sold GE Money Bank AB, our consumer finance business in Sweden, Denmark and Norway to Santander for \$2.3 billion.

We acquired Milestone Aviation Group for \$1.8 billion on January 30, 2015.

We signed an agreement to sell our consumer finance business in Hungary (Budapest Bank) to Hungary's government.

We agreed to sell our Appliances business to Electrolux for \$3.3 billion; targeted to close in mid-2015.

We acquired Cameron's Reciprocating Compression division for \$0.6 billion.

We acquired API Healthcare for \$0.3 billion and certain Thermo Fisher Scientific Inc. life-science businesses for \$1.1 billion.

We signed an agreement to sell our Signaling business to Alstom for approximately \$0.8 billion.

We offered to acquire the Thermal, Renewables and Grid businesses of Alstom. The proposed transaction is targeted to close in 2015. See the "Segment Operations" section within the MD&A of this Form 10-K for additional information related to the proposed transaction.

MD&A CONSOLIDATED RESULTS

CONSOLIDATED RESULTS

(Dollars in billions)

REVENUES

INDUSTRIAL
SEGMENT
EQUIPMENT
& SERVICES
REVENUES

Equipment

Services

COMMENTARY:
2014 – 2013

2013 – 2012

Consolidated revenues increased \$2.5 billion, or 2%.

Consolidated revenues decreased \$0.6 billion, or less than 1%.

Industrial segment revenues increased 6%, reflecting organic growth* of 7% and the effects of acquisitions (primarily Lufkin Industries, Inc. (Lufkin), Avio S.p.A. (Avio) and certain Thermo Fisher Scientific Inc. businesses).

Industrial segment revenues increased 1%.

Financial Services revenues decreased 3% as a result of the effects of dispositions, organic revenue declines, primarily due to lower ending net investment (ENI)* and lower gains, partially offset by lower impairments.

Organic revenue growth* was flat.

Other income decreased \$2.3 billion, primarily due to the sale of our remaining 49% common equity interest in NBCU LLC in 2013 (\$1.6 billion).

The effects of acquisitions increased consolidated revenues \$1.7 billion and \$1.6 billion in 2014 and 2013, respectively. Dispositions affected our ongoing results through lower revenues of \$4.1 billion and \$0.1 billion in 2014 and 2013, respectively.

Financial Services revenues decreased 3%, as a result of organic revenue declines, primarily due

The effects of a stronger U.S. dollar compared to mainly the Japanese yen, Canadian dollar and Brazilian real, partially offset by the British pound, decreased consolidated revenues by \$0.9 billion.

to lower ENI* and higher impairments, partially offset by higher gains.

Other income increased \$0.5 billion, primarily due to gains related to the sale of NBCU LLC.

The effects of acquisitions increased consolidated revenues \$1.6 billion and \$2.0 billion in 2013 and 2012, respectively. Dispositions affected our ongoing results through lower revenues of \$0.1 billion and \$5.1 billion in 2013 and 2012, respectively.

The effects of a stronger U.S. dollar compared to mainly the Japanese yen and Brazilian real, partially offset by the euro, decreased consolidated revenues by

\$0.5 billion.

*Non-GAAP Financial Measure

GE 2014 FORM 10-K 28

MD&A CONSOLIDATED RESULTS

CONSOLIDATED RESULTS

(Dollars in billions)

EARNINGS

-- Earnings -- Operating Earnings*

INDUSTRIAL SELLING, GENERAL &
ADMINISTRATIVE (SG&A) AS A % OF SALES

COMMENTARY:

2014 – 2013

2013 – 2012

Consolidated earnings increased 1% primarily due to an increase in the operating profit of the industrial segments, partially offset by lower financial services income and the absence of the NBCU LLC related income.

Consolidated earnings increased 4% on strong industrial segment growth and continued stabilization in financial services.

Industrial segment profit increased 10% with growth driven by Aviation, Oil & Gas and Power & Water.

Industrial segment profit increased 5% with growth driven by Aviation and Oil & Gas.

Industrial segment margin increased 50 basis points (bps) driven by higher productivity and pricing, partially offset by negative business mix and the effects of inflation.

Industrial segment margin increased 60 bps driven by higher pricing and favorable business mix, partially offset by the effects of inflation.

Financial Services earnings decreased 12% as a result of the effects of dispositions, core decreases and lower gains, partially offset by lower impairments and lower provisions for losses on financing receivables.

Financial Services earnings increased 10%, as a result of the effects of dispositions and higher gains, partially offset by higher impairments and higher provisions for losses on financing receivables.

The effects of acquisitions on our consolidated net earnings were increases of \$0.2 billion and \$0.1 billion in 2014 and 2013, respectively. The effects of dispositions on net earnings were a decrease of \$2.6 billion in 2014 and an increase of \$1.4 billion in 2013.

The effects of acquisitions on our consolidated net earnings were increases of \$0.1 billion in both 2013 and 2012. The effects of dispositions on net earnings were an increase of \$1.4 billion in 2013 and a decrease of \$0.3 billion in 2012.

Industrial SG&A as a percentage of total sales decreased to 14.0% as a result of global cost reduction initiatives, primarily at Power & Water and Healthcare. This was partially offset by higher acquisition-related costs.

Industrial SG&A as a percentage of total sales decreased to 15.9% as a result of global cost reduction initiatives related to simplification efforts both in the industrial segments and corporate. This was partially offset by increased acquisition-related costs and higher restructuring.

See the "Other Consolidated Information" section within the MD&A of this Form 10-K for a discussion of postretirement benefit plans costs, income taxes and geographic data.

*Non-GAAP Financial Measure

MD&A SEGMENT OPERATIONS

SEGMENT OPERATIONS

SEGMENT REVENUES AND PROFIT

Segment revenues include both 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.

Segment profit excludes results reported as discontinued operations and 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 and income taxes are excluded in determining segment profit (which we sometimes refer to as "operating profit") for the industrial segments.

Interest and other financial charges and income taxes are included in determining segment profit (which we sometimes refer to as "net earnings") for the GE 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 are allocated based on each segment's relative net cost of operations.

Effective in the second quarter of 2014, we began including the effects of the GECC preferred stock dividends in our GE Capital segment. Previously, such dividends had been reported in the caption "Corporate items and eliminations" in the Company's Summary of Operating Segments table. Presenting GE Capital segment results including the effects of the GECC preferred stock dividends is consistent with the way management measures the results of our financial services business. Prior-period segment information has been recast to be consistent with how we currently evaluate the performance of the GE Capital segment.

POTENTIAL ACQUISITIONS IMPACTING MULTIPLE SEGMENTS

GE's offer to acquire the Thermal, Renewables and Grid businesses of Alstom for approximately €12.4 billion (to be adjusted for the assumed net cash or liability at closing) was positively recommended by Alstom's board of directors. In addition, GE, Alstom and the French Government signed a memorandum of understanding for the formation of three joint ventures in grid technology, renewable energy, and global nuclear and French steam power and Alstom will invest approximately €2.6 billion in these joint ventures. In the fourth quarter of 2014, Alstom completed its review of the proposed transaction with the works council and obtained approval from its shareholders. Also in the fourth quarter of 2014, GE and Alstom entered into an amendment to the original agreement where GE has agreed to pay Alstom a net amount of approximately €0.3 billion of additional consideration at closing. In exchange for this funding,

Alstom has agreed to extend the trademark licensing of the Alstom name from 5 years to 25 years as well as other contractual amendments. The proposed transaction continues to be subject to regulatory approvals. The transaction is targeted to close in 2015. The acquisition and alliances will impact our Power & Water and Energy Management segments.

MD&A SEGMENT OPERATIONS

SUMMARY OF OPERATING SEGMENTS

(In millions)	General Electric Company and consolidated affiliates				
	2014	2013	2012	2011	2010
Revenues					
Power & Water	\$27,564	\$24,724	\$28,299	\$25,675	\$24,779
Oil & Gas	18,676	16,975	15,241	13,608	9,433
Energy Management	7,319	7,569	7,412	6,422	5,161
Aviation	23,990	21,911	19,994	18,859	17,619
Healthcare	18,299	18,200	18,290	18,083	16,897
Transportation	5,650	5,885	5,608	4,885	3,370
Appliances & Lighting	8,404	8,338	7,967	7,693	7,957
Total industrial segment revenues	109,902	103,602	102,811	95,225	85,216
GE Capital	42,725	44,067	45,364	48,324	49,163
Total segment revenues	152,627	147,669	148,175	143,549	134,379
Corporate items and eliminations	(4,038)	(1,624)	(1,491)	2,993	14,496
Consolidated revenues	\$148,589	\$146,045	\$146,684	\$146,542	\$148,875
Segment profit					
Power & Water	\$5,352	\$4,992	\$5,422	\$5,021	\$5,804
Oil & Gas	2,585	2,178	1,924	1,660	1,406
Energy Management	246	110	131	78	156
Aviation	4,973	4,345	3,747	3,512	3,304
Healthcare	3,047	3,048	2,920	2,803	2,741
Transportation	1,130	1,166	1,031	757	315
Appliances & Lighting	431	381	311	237	404
Total industrial segment profit	17,764	16,220	15,486	14,068	14,130
GE Capital	7,019	7,960	7,222	6,480	3,083
Total segment profit	24,783	24,180	22,708	20,548	17,213
Corporate items and eliminations	(6,225)	(6,002)	(4,718)	(288)	(1,012)
GE interest and other financial charges	(1,579)	(1,333)	(1,353)	(1,299)	(1,600)
GE provision for income taxes	(1,634)	(1,668)	(2,013)	(4,839)	(2,024)
Earnings from continuing operations					
attributable to the Company	15,345	15,177	14,624	14,122	12,577
Earnings (loss) from discontinued operations, net of taxes	(112)	(2,120)	(983)	29	(933)
Consolidated net earnings					
attributable to the Company	\$15,233	\$13,057	\$13,641	\$14,151	\$11,644

MD&A SEGMENT OPERATIONS | POWER & WATER

POWER & WATER

BUSINESS OVERVIEW

Leader: Steve Bolze

Headquarters & Operations

Senior Vice President (SVP) and President & CEO, GE Power & Water
Over 20 years of service with General Electric

18% of segment revenues in 2014
25% of industrial segment revenues
30% of industrial segment profit
Headquarters: Schenectady, NY
Serving customers in 125+ countries
Employees: approximately 38,000

Products
&
Services

Power & Water serves power generation, industrial, government and other customers worldwide with products and services related to energy production and water reuse. Our products and technologies harness resources such as wind, oil, gas, diesel, nuclear and water to produce electric power.

Power Generation Products and Services (PGP and PGS) – offers a wide spectrum of heavy-duty gas turbines and supplies machines and services for utilities, independent power producers, and industrial application, from pure power generation to cogeneration and district heating.

Renewable Energy – primarily our Wind business, which manufactures wind turbines and provides support services ranging from development assistance to operation and maintenance.

Distributed Power – provides technology-based products to generate reliable and efficient power at or near the point of use. The product portfolio features aero derivative gas turbines, Jenbacher gas engines, and Waukesha gas engines.

Water Process Technologies – provides water treatment, wastewater treatment and process system solutions.

Nuclear – offers advanced reactor technologies solutions, including reactors, fuels and support services for boiling water reactors, and is offered through joint ventures with Hitachi and Toshiba, for safety, reliability and performance for nuclear fleets.

Competition & Regulation

Worldwide competition for power generation products and services is intense. Demand for power generation is global and, as a result, is sensitive to the economic and political environments of each country in which we do business.

Our Wind business is subject to certain global policies and regulation including the U.S. Production Tax Credit and incentive structures in China and various European countries. Changes in such policies may create unknown impacts or opportunities for the business.

GE 2014 FORM 10-K 32

MD&A SEGMENT OPERATIONS | POWER & WATER

OPERATIONAL OVERVIEW

(Dollars in billions)

2014 GEOGRAPHIC REVENUES: \$27.6 BILLION ORDERS

	Equipment
2014 SUB-SEGMENT REVENUES	Services BACKLOG

	Equipment
EQUIPMENT/SERVICES REVENUES	Services UNIT SALES
Services Equipment	

SIGNIFICANT TRENDS & DEVELOPMENTS

The Alstom transaction is expected to advance our strategic priorities and industrial growth. Alstom's Thermal and Renewables businesses are complementary in technology, operations and geography to our business. We expect the integration to yield efficiencies in supply chain, service infrastructure, new product development and SG&A. The business continues to invest in new product development, such as our new H-Turbine, larger wind turbines and advanced upgrades, to expand our equipment and services offerings. Excess capacity in developed markets and macroeconomic and geopolitical environments result in uncertainty for the industry and business.

MD&A SEGMENT OPERATIONS | POWER & WATER

FINANCIAL OVERVIEW

(Dollars in billions)

SEGMENT REVENUES & PROFIT SEGMENT PROFIT MARGIN

-- Revenue -- Profit

SEGMENT REVENUES & PROFIT

WALK:

COMMENTARY:

2014 – 2013

2014 – 2013

	Revenues	Profit	
2013	\$ 24.7	\$ 5.0	Segment revenues up \$2.8 billion (11%); Segment profit up \$0.4 billion (7%) as a result of:
Volume	3.7	0.7	
Price	(0.4)	(0.4)	The increase in revenues was driven by higher volume, primarily higher
Foreign Exchange	(0.2)	-	equipment sales at PGP and Renewables, partially offset by lower prices at PGP
(Inflation)/Deflation	N/A	0.1	and Renewables and the impact of a stronger U.S. dollar.
Mix	N/A	(0.5)	
Productivity	N/A	0.7	The increase in profit was mainly due to the higher volume at PGP and
Other	(0.2)	(0.2)	Renewables, and higher productivity reflecting a 10% reduction in SG&A cost,
2014	\$ 27.6	\$ 5.4	partially offset by negative business mix with equipment revenue up 20% and lower prices.

2013 – 2012

2013 – 2012

	Revenues	Profit	
2012	\$ 28.3	\$ 5.4	Segment revenues down \$3.6 billion (13%); Segment profit down \$0.4 billion (8%) as a result of:
Volume	(3.9)	(0.7)	
Price	0.2	0.2	The decrease in revenues was driven by lower volume, primarily equipment
Foreign Exchange	(0.1)	-	sales at PGP and Renewables, and the impact of a stronger U.S. dollar. These
(Inflation)/Deflation	N/A	0.2	decreases were partially offset by higher prices and higher other income related
Mix	N/A	0.3	to a sale of assets.
Productivity	N/A	(0.6)	
Other	0.2	0.2	The decrease in profit was mainly due to lower volume, primarily equipment
2013	\$ 24.7	\$ 5.0	sales at PGP and Renewables, and lower productivity despite decreases in SG&A cost. These decreases were partially offset by positive business mix, the effects of deflation, higher prices and higher other income.

MD&A SEGMENT OPERATIONS | OIL & GAS

OIL & GAS

BUSINESS OVERVIEW

Leader: Lorenzo Simonelli

Headquarters & Operations

President & CEO, GE Oil & Gas
20 years of service with General Electric

12% of segment revenues in 2014
17% of industrial segment revenues
15% of industrial segment profit
HQ: London, UK
Serving customers in 150+ countries
Employees: approximately 44,000

Products & Services

Oil & Gas serves all segments of the oil and gas industry, from drilling, completion, production and oil field operations, to transportation via liquefied natural gas (LNG) and pipelines. In addition, Oil & Gas provides industrial power generation and compression solutions to the refining and petrochemicals segments. Oil & Gas also delivers pipeline integrity solutions and a wide range of sensing, inspection and monitoring technologies. Oil & Gas exploits technological innovation from other GE businesses, such as Aviation and Healthcare, to continuously improve oil and gas industry performance, output and productivity.

Turbomachinery Solutions (TMS) – provides equipment and related services for mechanical-drive, compression and power-generation applications across the oil and gas industry. Our designs deliver high capacities and efficiencies, increase product flow and decrease both operational and environmental risks in the most extreme conditions, pressures and temperatures. Our portfolio includes drivers (aero-derivative gas turbines, heavy-duty gas turbines and synchronous and induction electric motors), compressors (centrifugal and axial, direct drive high speed, integrated, subsea compressors and turbo expanders), and turn-key solutions (industrial modules and waste heat recovery).

Drilling & Surface (D&S) – provides drilling, completion and production products and services for onshore & offshore oil & gas wells, and manufactures artificial lift equipment for well production and gears. The products & services portfolio includes blowout preventers, choke valves, drilling systems, drill stem valves, elastomers, pulsation dampeners wellheads, and surface production equipment.

Measurement & Controls (M&C) – provides equipment and services for a wide range of industries, including oil & gas, power generation, aerospace, metals, and transportation. The offerings include sensor-based measurement; non-destructive testing and inspection; flow and process control; turbine, generator and plant controls and condition monitoring, as well as pipeline integrity solutions.

Subsea Systems (SS) – offers our customers equipment and services for subsea well completion and production and integrated systems for enhanced recovery and comprehensive well lifecycle support. From new subsea field design and installation to mature field intervention and enhancement, SS offers all the equipment and expertise needed to safely and reliably maximize long-term resource value and overall efficiency. Specific products include flow control valves (known as "Christmas trees"), pressure control systems, wellheads, manifolds, integrated work over control systems and flexible subsea risers.

Downstream Technology Solutions (DTS) – provides products and services to serve the downstream segments of the industry including refining, petrochemical, distributed gas, and other industrial applications. Products include steam turbines, reciprocating and centrifugal compressors, blowers, pumps, valves, and compressed natural gas (CNG) and small-scale LNG solutions used primarily for shale oil and gas field development.

Competition & Regulation

Demand for oil and gas equipment and services is global and, as a result, is sensitive to the economic and political environment of each country in which we do business. We are subject to the regulatory bodies of the countries in which we operate. Our products are subject to regulation by U.S. and non-U.S. energy policies.

GE 2014 FORM 10-K 35

MD&A SEGMENT OPERATIONS | OIL & GAS

OPERATIONAL OVERVIEW

(Dollars in billions)

2014 GEOGRAPHIC REVENUES: \$18.7 BILLION ORDERS

Equipment

2014 SUB-SEGMENT REVENUES

Services
BACKLOG

Equipment

EQUIPMENT/SERVICES REVENUES

Services

Services Equipment

SIGNIFICANT TRENDS & DEVELOPMENTS

On June 2, 2014, we acquired Cameron's Reciprocating Compression division for \$0.6 billion. The division provides reciprocating compression equipment and aftermarket services for oil and gas production, gas processing, gas distribution and independent power industries.

In July 2013, we completed the acquisition of Lufkin, a leading provider of artificial lift technologies for the oil and gas industry and a manufacturer of gears, for \$3.3 billion. Revenues for Lufkin are included in the D&S sub-segment. Relatively lower oil prices leading to reductions in customers' forecasted capital expenditures create industry challenges, the effects of which are uncertain.

We are impacted by volatility in foreign currency exchange rates mainly due to a high concentration of non-U.S. dollar denominated business as well as long-term contracts denominated in multiple currencies.

GE 2014 FORM 10-K 36

MD&A SEGMENT OPERATIONS | OIL & GAS

FINANCIAL OVERVIEW

(Dollars in billions)

SEGMENT REVENUES &
PROFIT

SEGMENT PROFIT MARGIN

-- Revenue -- Profit

SEGMENT REVENUES &
PROFIT WALK:

COMMENTARY:

2014 – 2013

2014 – 2013

	Revenues	Profit	
2013	\$ 17.0	\$2.2	Segment revenues up \$1.7 billion (10%); Segment profit up \$0.4 billion (19%) as a result of:
Volume	1.7	0.2	
Price	0.1	0.1	The increase in revenues was primarily due to higher volume, mainly driven by
Foreign Exchange	(0.1)	-	higher equipment sales at SS, D&S and TMS, as well as the \$0.3 billion net
(Inflation)/Deflation	N/A	-	impact of acquisitions, primarily Lufkin, and dispositions, primarily Wayne.
Mix	N/A	(0.2)	Higher prices primarily at SS also increased revenues. These increases were
Productivity	N/A	0.4	partially offset by the effects of a stronger U.S. dollar.
Other	-	-	
2014	\$ 18.7	\$2.6	The increase in profit was primarily due to higher productivity, higher volume and higher prices. These increases were partially offset by negative business mix.

2013 – 2012

2013 – 2012

	Revenues	Profit	
2012	\$ 15.2	\$1.9	Segment revenues up \$1.7 billion (11%); Segment profit up \$0.3 billion (13%) as a result of:
Volume	1.5	0.2	
Price	0.2	0.2	The increase in revenues was primarily due to higher volume, mainly driven by
Foreign Exchange	0.1	-	increased equipment sales as well as the impact of acquisitions (\$0.7 billion),
(Inflation)/Deflation	N/A	-	higher prices at TMS, and the effects of a weaker U.S. dollar.
Mix	N/A	-	
Productivity	N/A	(0.1)	The increase in profit was due to higher volume, which was positively impacted
Other	-	-	by acquisitions and organic growth in the SS and D&S business, as well as
2013	\$ 17.0	\$2.2	higher prices at TMS. This was partially offset by lower cost productivity.

MD&A SEGMENT OPERATIONS | ENERGY MANAGEMENT

ENERGY MANAGEMENT

BUSINESS OVERVIEW

Leader: Mark W. Begor Headquarters & Operations

President & CEO, GE Energy Management Over 30 years of service with General Electric Products & Services	5% of segment revenues in 2014 7% of industrial segment revenues 1% of industrial segment profit Headquarters: Atlanta, GA Serving customers in 150+ countries Employees: approximately 30,000
---	---

Energy Management designs, manufactures and services leading technology solutions for the delivery, management, conversion and optimization of electrical power. Our energy solutions allow customers across multiple energy-intensive industries such as oil & gas, marine, data centers, metals and mining to efficiently manage electricity from the point of generation to the point of consumption.

Industrial Solutions – creates advanced technologies that safely, reliably and efficiently distribute and control electricity to protect people, property and equipment. We provide high performance software and control solutions and offer products such as circuit breakers, relays, arresters, switchgear, panel boards and repair for the commercial, data center, healthcare, mining, renewables, oil & gas, water and telecom markets.

Digital Energy – maximizes the reliability, efficiency and resiliency of the grid by preventing and detecting grid power failures, digitizing substations, and reducing outages. We provide advanced products and services that modernize the grid, from the power plant to the power consumer, such as protection and control, industrial strength communications, smart meters, monitoring & diagnostics, visualization software and advanced analytics. We provide high voltage and medium voltage (HV/MV) equipment, smart controls and sensors, software solutions and power projects for industries such as generation, transmission, distribution, oil and gas, telecommunication, mining and water. We currently have several strategic partnership ventures, primarily in Mexico and China, which allow us to support our customers through various product and service offerings.

Power Conversion – applies the science and systems of power conversion to help drive the electric transformation of the world's energy infrastructure. Our product portfolio includes motors, generators, automation & control equipment & drives for energy intensive industries such as marine, oil & gas, renewable energy, mining, rail, metals, test systems and water.

Competition & Regulation

Energy Management faces competition from businesses operating with global presence and with deep energy domain expertise. Our products and services sold to end customers are often subject to a number of regulatory specification and performance standards under different federal, state, foreign and energy industry standards.

GE 2014 FORM 10-K 38

MD&A SEGMENT OPERATIONS | ENERGY MANAGEMENT

OPERATIONAL OVERVIEW

(Dollars in billions)

2014 GEOGRAPHIC REVENUES: \$7.3 BILLION ORDERS

Equipment

2014 SUB-SEGMENT REVENUES

Services
BACKLOG

Equipment

EQUIPMENT/SERVICES REVENUES

Services Equipment

Services

SIGNIFICANT TRENDS & DEVELOPMENTS

We are seeing growth in the liquefied natural gas, onshore electrification, offshore marine, and wind & solar industries, which is driving demand in our Power Conversion business for equipment and services.

While we see signs of growth in the North American electrical distribution market, the European economic recovery is slow, and demand remains soft in other parts of the developed world.

The U.S. electrical grid capacity is high and load growth is expected to be slow in the near term; spending by utilities in the U.S. continues to be focused more heavily on sustaining operations versus capital investment.

We plan to complement and expand the Digital Energy business with the acquisition of Alstom's Grid business.

We expect continued reinvestment in our key products to drive growth and continued margin accretion in 2015 and beyond.

GE 2014 FORM 10-K 39

MD&A SEGMENT OPERATIONS | ENERGY MANAGEMENT

FINANCIAL OVERVIEW

(Dollars in billions)

SEGMENT REVENUES & PROFIT SEGMENT PROFIT MARGIN

-- Revenue -- Profit

COMMENTARY:

2014 – 2013

Segment revenues down \$0.3 billion (3%) as a result of:

Lower volume (\$0.2 billion) from weakness in North American utility and electrical distribution markets, partially offset by higher sales in Power Conversion.

Segment profit up \$0.1 billion as a result of:

Higher productivity (\$0.1 billion) reflecting an 8% reduction in SG&A cost.

2013 – 2012

Segment revenues up \$0.2 billion (2%) as a result of:

Higher volume (\$0.2 billion), partially offset by the effects of the stronger U.S. dollar (\$0.1 billion).

Segment profit down 16% as a result of:

Lower productivity (\$0.1 billion).

MD&A SEGMENT OPERATIONS | AVIATION

AVIATION

BUSINESS OVERVIEW

Leader: David
Joyce

Headquarters
& Operations

16% of
segment
revenues in
2014

SVP
and
President
& CEO,
GE
Aviation
Over
30 years
of service
with
General
Electric

22% of
industrial
segment
revenues

28% of
industrial
segment profit

Headquarters:
Cincinnati, OH

Serving
customers in
125+ countries

Employees:
approximately
44,000

Products & Services

Aviation
designs and
produces
commercial
and military
aircraft
engines,
integrated
digital
components,
electric
power and
mechanical
aircraft
systems. We
also provide
aftermarket
services to

support our
products.

Commercial Engines (CEO) – manufactures jet engines and turboprops for commercial airframes. Our commercial engines power aircraft in all categories; regional, narrowbody and widebody. We also manufacture for Business and General Aviation segments.

Commercial Services – provides maintenance, component repair and overhaul services (MRO), including sales of replacement parts.

Military – manufactures jet engines for military airframes. Our military engines power a wide variety of military aircraft including fighters, bombers, tankers, helicopters and surveillance aircraft, as well as marine applications. We provide maintenance, component repair and overhaul services (MRO), including sales of replacement parts.

Systems – provides components, systems and services for commercial and military segments. This includes avionics systems, aviation electric power systems, flight efficiency and intelligent operation services, aircraft structures and Avio Aero.

We also produce and market engines through CFM International, a company jointly owned by GE and Snecma, a subsidiary of SAFRAN of France, and Engine Alliance, LLC, a company jointly owned by GE and the Pratt & Whitney division of United Technologies Corporation. New engines are also being designed and marketed in a joint venture with Honda Aero, Inc., a division of Honda Motor Co., Ltd.

Competition & Regulation

The global businesses for aircraft jet engines, maintenance component repair and overhaul services (including parts sales) are highly competitive. Both U.S. and non-U.S. markets are important to the growth and success of the business. Product development cycles are long and product quality and efficiency are critical to success. Research and development expenditures are important in this business, as are focused intellectual property strategies and protection of key aircraft engine design, manufacture, repair and product upgrade technologies. Aircraft engine orders and systems tend to follow military and airline procurement transactions.

Our product, services and activities are subject to a number of regulators such as by the U.S. Federal Aviation Administration (FAA), European Aviation Safety Agency (EASA) and other regulatory bodies.

GE 2014 FORM 10-K 41

MD&A SEGMENT OPERATIONS | AVIATION

OPERATIONAL OVERVIEW

(Dollars in billions)

2014 GEOGRAPHIC REVENUES: \$24.0 BILLION ORDERS

Equipment

2014 SUB-SEGMENT REVENUES

Services
BACKLOG

Equipment

EQUIPMENT/SERVICES REVENUES

Services
UNIT
SALES
(a)GEnx
engines are
a subset of
commercial
engines
(b)Commercial
spares
shipment
rate in
millions of
dollars per
day

Services Equipment

SIGNIFICANT TRENDS & DEVELOPMENTS

On August 1, 2013, we completed the acquisition of the aviation business of Avio, a manufacturer of aviation propulsion components and systems for \$4.4 billion.

We expect military shipments to be lower due to continued pressure on the U.S. military budget.

The installed base continues to grow with new product launches.

Lower fuel costs are expected to result in increased airline profitability and continued growth in passenger traffic and freight.

Revenue sharing programs are a standard form of cooperation for specific product programs in the aviation industry. These programs are controlled by Aviation, but counterparties (with interests ranging from 1% to 39%) have an agreed share of revenues as well as development and component production responsibilities.

MD&A SEGMENT OPERATIONS | AVIATION

FINANCIAL OVERVIEW

(Dollars in billions)

SEGMENT REVENUES & PROFIT SEGMENT PROFIT MARGIN

- - Revenue - - Profit

SEGMENT REVENUES & PROFIT

WALK:

COMMENTARY:

2014 – 2013

2014 – 2013

	Revenues	Profit	
2013	\$ 21.9	\$4.3	Segment revenues up \$2.1 billion (9%); Segment profit up \$0.6 billion (14%) as a result of:
Volume	1.2	0.2	
Price	0.8	0.8	The increase in revenues was due to higher volume and higher prices driven by
Foreign Exchange	-	-	Commercial Engines volume, spare parts volume and the third-quarter 2013
(Inflation)/Deflation	N/A	(0.3)	acquisition of Avio.
Mix	N/A	(0.2)	
Productivity	N/A	-	The increase in profit was mainly due to higher prices in our Commercial
Other	0.1	0.1	Engines and Commercial Services businesses and higher volume discussed
2014	\$ 24.0	\$5.0	above. These increases were partially offset by effects of inflation and negative
			business mix.

2013 – 2012

2013 – 2012

	Revenues	Profit	
2012	\$ 20.0	\$3.7	Segment revenues up \$1.9 billion (10%) (including \$0.5 billion from acquisitions);
Volume	1.4	0.2	Segment profit up \$0.6 billion (16%) as a result of:
Price	0.6	0.6	
Foreign Exchange	-	-	The increase in revenues was primarily due to higher volume and higher prices.
(Inflation)/Deflation	N/A	(0.2)	Higher volume and prices were driven by increased services revenues (\$0.7
Mix	N/A	-	billion) and equipment (\$1.2 billion). The increase in service revenue was
Productivity	N/A	(0.1)	primarily due to higher commercial spares sales, while the increase in
Other	-	0.1	equipment was primarily due to increased Commercial Engine shipments.
2013	\$ 21.9	\$4.3	
			The increase in profit was due to higher prices, higher volume and increased
			other income, partially offset by the effects of inflation and lower cost
			productivity.

MD&A SEGMENT OPERATIONS | HEALTHCARE

HEALTHCARE

BUSINESS OVERVIEW

Leader: John L. Flannery Headquarters & Operations

President & CEO, GE Healthcare Over 25 years of service with General Electric Products & Services

12% of segment revenues in 2014
 17% of industrial segment revenues
 17% of industrial segment profit
 Headquarters: Little Chalfont, UK
 Serving customers in 140+ countries
 Employees: approximately 51,000

Healthcare provides essential healthcare technologies to developed and emerging markets and has expertise in medical imaging, software and information technology (IT), patient monitoring and diagnostics, drug discovery, biopharmaceutical manufacturing technologies and performance improvement solutions. Products and services are sold worldwide primarily to hospitals, medical facilities, pharmaceutical and biotechnology companies, and to the life science research market.

Healthcare Systems – provides a wide range of technologies and services that include diagnostic imaging and clinical systems. Diagnostic imaging systems such as X-ray, digital mammography, computed tomography (CT), magnetic resonance (MR), interventional imaging and molecular imaging technologies allow clinicians to see inside the human body more clearly. Clinical systems such as ultrasound, electrocardiography (ECG), bone densitometry, patient monitoring, incubators and infant warmers, respiratory care, and anesthesia management that enable clinicians to provide better care for patients every day - from wellness screening to advanced diagnostics to life-saving treatment. Healthcare systems also offers product services that include remote diagnostic and repair services for medical equipment manufactured by GE and by others.

Life Sciences – delivers products and services for drug discovery, biopharmaceutical manufacturing and cellular technologies, so scientists and specialists discover new ways to predict, diagnose and treat disease. It also researches, manufactures and markets innovative imaging agents used during medical scanning procedures to highlight organs, tissue and functions inside the human body, to aid physicians in the early detection, diagnosis and management of disease through advanced in-vivo and in-vitro diagnostics.

Healthcare IT – provides IT solutions including enterprise and departmental Information Technology products, Picture Archiving System (PACS), Radiology Information System (RIS), Cardiovascular Information System (CVIS), revenue cycle management and practice applications, to help customers streamline healthcare costs and improve the quality of care.

Competition & Regulation

Healthcare competes with a variety of U.S. and non-U.S. manufacturers and services providers. Customers require products and services that allow them to provide better access to healthcare, improve the affordability of care, and improve the quality of patient outcomes. Technology innovation to provide products that improve these customer requirements and competitive pricing are among the key factors affecting competition for these products and services. New technologies could make our products and services obsolete unless we continue to develop new and improved products and services.

Our products are subject to regulation by numerous government agencies, including the U.S. Food and Drug Administration (U.S. FDA), as well as various laws that apply to claims submitted under Medicare, Medicaid or other government funded healthcare programs.

GE 2014 FORM 10-K 44

MD&A SEGMENT OPERATIONS | HEALTHCARE

OPERATIONAL OVERVIEW

(Dollars in billions)

2014 GEOGRAPHIC REVENUES: \$18.3 BILLION ORDERS

Equipment

2014 SUB-SEGMENT REVENUES

Services
BACKLOG

Equipment

EQUIPMENT/SERVICES REVENUES

Services Equipment

Services

SIGNIFICANT TRENDS & DEVELOPMENTS

We continue to lead in technology innovation with greater focus on productivity based technology, services, and IT solutions as healthcare providers seek greater productivity and efficiency.

The U.S. market is improving but uncertainty remains regarding the impact of the Affordable Care Act. Emerging markets are expected to grow long-term with short-term volatility.

API Healthcare (API), a healthcare workforce management software and analytics solutions provider, was acquired in February 2014 for \$0.3 billion.

Life Sciences is expanding its business through bioprocess growth and the acquisition of certain Thermo Fisher Scientific Inc. life-science businesses, which were acquired in March 2014 for \$1.1 billion.

GE 2014 FORM 10-K 45

MD&A SEGMENT OPERATIONS | HEALTHCARE

FINANCIAL OVERVIEW

(Dollars in billions)

SEGMENT REVENUES &
PROFIT

- - Revenue - - Profit

SEGMENT PROFIT MARGIN

SEGMENT REVENUES &
PROFIT WALK:

2014 – 2013

COMMENTARY:

2014 – 2013

	Revenues	Profit	
2013	\$ 18.2	\$3.0	Segment revenues up \$0.1 billion (1%); Segment profit flat as a result of:
Volume	0.6	0.1	
Price	(0.3)	(0.3)	The increase in revenues was due to higher volume, driven by the higher sales in Life Sciences. This increase was partially offset by lower prices mainly at Healthcare Systems and the effects of a stronger U.S. dollar.
Foreign Exchange (Inflation)/Deflation	(0.2) N/A	(0.1) (0.2)	
Mix	N/A	-	
Productivity	N/A	0.5	Profit was flat as higher productivity, driven by SG&A cost reductions, and higher volume, were offset by lower prices, mainly at Healthcare Systems, inflation and effects of a stronger U.S. dollar.
Other	-	-	
2014	\$ 18.3	\$3.0	

2013 – 2012

2013 – 2012

	Revenues	Profit	
2012	\$ 18.3	\$2.9	Segment revenues down \$0.1 billion; Segment profit up \$0.1 billion (4%) as a result of:
Volume	0.5	0.1	
Price	(0.3)	(0.3)	The decrease in revenues was driven by lower prices mainly at Healthcare Systems, effects of a stronger U.S. dollar and lower other income, partially offset by higher volume.
Foreign Exchange (Inflation)/Deflation	(0.2) N/A	(0.1) (0.2)	
Mix	N/A	-	
Productivity	N/A	0.6	The increase in profit was mainly driven by higher productivity resulting from SG&A cost reductions and higher volume, partially offset by lower prices mainly at Healthcare Systems, the effects of inflation and the stronger U.S. dollar.
Other	-	-	
2013	\$ 18.2	\$3.0	

GE 2014 FORM 10-K 46

MD&A SEGMENT OPERATIONS | TRANSPORTATION

TRANSPORTATION

BUSINESS OVERVIEW

Leader: Russell Stokes

Headquarters &
Operations

4% of
segment
revenues in
2014

5% of
industrial
segment
revenues

6% of
industrial
segment profit

Headquarters:
Chicago, IL

Serving
customers in
60+ countries

Employees:
approximately
13,000

President & CEO, GE Transportation
Over 15 years of service with General Electric

Products
&
Services

Transportation is a global technology leader and supplier to the railroad, marine, drilling and mining industries. Products and services offered by Transportation include:

Locomotives – we provide freight and passenger locomotives, signaling and communications systems as well as rail services to help solve rail challenges. We manufacture high-horsepower, diesel-electric locomotives including the Evolution Series™, which meets or exceeds the U.S. Environmental Protection Agency's (EPA) Tier 4 requirements for freight and passenger applications.

Locomotive Services & Solutions – we develop partnerships that support advisory services, parts, integrated software solutions and data analytics. Our comprehensive offerings include tailored service programs, high-quality parts for GE and other locomotive platforms, overhaul, repair and upgrade services, and wreck repair. Our portfolio provides the people, partnerships and leading software to optimize operations and asset utilization.

Mining – we provide mining equipment and services. The portfolio includes drive systems for off-highway vehicles, mining equipment, mining power and productivity.

Marine, Stationary & Drilling – we offer motors for land and offshore drilling rigs, marine diesel engines and stationary power diesel engines.

Competition & Regulation

The competitive environment for locomotives and mining equipment and services consists of large global competitors and a number of smaller competitors that compete in a limited-size product range, and or geographic region. North America will be of particular focus for the rail industry in 2015 as the EPA Tier 4 emissions standards are implemented. We are positioned with the only locomotive currently available that meets the Tier 4 standards.

GE 2014 FORM 10-K 47

MD&A SEGMENT OPERATIONS | TRANSPORTATION

OPERATIONAL OVERVIEW

(Dollars in billions)

2014 GEOGRAPHIC REVENUES: \$5.7 BILLION ORDERS

Equipment

2014 SUB-SEGMENT REVENUES

Services
BACKLOG

Equipment

EQUIPMENT/SERVICES REVENUES

Services
UNIT
SALES

Services Equipment

SIGNIFICANT TRENDS & DEVELOPMENTS

Rail volume, especially in North America, continues to climb and the number of parked locomotives remains low. North American locomotives competition remains strong, but GE is positioned with the only locomotive currently available meeting the U.S. EPA's highest (Tier 4) emission standards. We expect U.S. growth to be driven by early demand for Tier 4 locomotives.

Continued global mining softness has resulted in delayed capital expenditures in the mining industry.

During the fourth quarter of 2014, we signed an agreement to sell our Signaling business to Alstom for approximately \$0.8 billion.

GE 2014 FORM 10-K 48

MD&A SEGMENT OPERATIONS | TRANSPORTATION

FINANCIAL OVERVIEW

(Dollars in billions)

SEGMENT REVENUES & PROFIT

-- Revenue -- Profit

SEGMENT PROFIT MARGIN

COMMENTARY:

2014 – 2013

2013 – 2012

Segment revenues down \$0.2 billion (4%) as a result of:

Lower volume (\$0.2 billion), primarily in Mining reflecting weakness in the industry, partially offset by an increase in volume in the locomotive services business.

Segment revenues up \$0.3 billion (5%) as a result of:

Higher volume (\$0.3 billion), due to 2012 acquisitions (primarily Industrea).

Segment profit down 3% as a result of:

Lower volume, primarily in Mining as discussed above, was partially offset by deflation and cost productivity.

Segment profit up \$0.1 billion (13%) as a result of:

Material deflation (\$0.1 billion), higher volume and productivity.

MD&A SEGMENT OPERATIONS | APPLIANCES & LIGHTING

APPLIANCES & LIGHTING

BUSINESS OVERVIEW

Leaders: Chip Blankenship &
Maryrose Sylvester

President & CEO, Appliances
Over 20 years of service with General Electric

President & CEO, Lighting
Over 25 years of service with General Electric

Headquarters & Operations

5% of segment revenues in 2014
7% of industrial segment revenues
2% of industrial segment profit
Appliances HQ: Louisville, KY
Lighting HQ: East Cleveland, OH
Serving customers in 100+ countries
Employees: approximately 24,000

Products
&
Services

Appliances &
Lighting
products, such
as major
appliances and
a subset of
lighting
products, are
primarily
directed to
consumer
applications,
while other
lighting
products are
directed
towards
commercial
and industrial
applications.
We also invest
in the
development
of
differentiated,
premium
products such
as energy
efficient

solutions for
both
consumers and
businesses.

Appliances – sells and services major home appliances including refrigerators, freezers, electric and gas ranges, cooktops, dishwashers, clothes washers and dryers, microwave ovens, room air conditioners, residential water systems for filtration, softening and heating and hybrid water heaters. Our brands include GE Monogram®, GE Café™, GE Profile™, GE®, GE Artistry™, and Hotpoint®. We also manufacture certain products and source finished product and component parts from third-party global manufacturers. A large portion of appliances sales are through a variety of retail outlets for replacement of installed units. Residential building contractors installing units in new construction is the second major U.S. channel. We offer one of the largest original equipment manufacturer (OEM) service organizations in the appliances industry, providing in-home repair and aftermarket parts.

Lighting – manufactures, sources and sells a variety of energy-efficient solutions for commercial, industrial, municipal and consumer applications across the globe, utilizing light-emitting diode (LED), fluorescent, halogen and high-intensity discharge (HID) technologies. In addition to growing our LED breadth, the business is focused on building lighting connected by state-of-the-art software that will unleash a whole new potential for how we light our world. The business sells products under the reveal® and Energy Smart® consumer brands, and Evolve™, GTx™, Immersion™, Infusion™, Lumination™, Albeo™, TriGain™, and Tetra® commercial brands. GE Lighting offers a full range solutions and services to outfit entire properties with lighting, from ceilings, parking lots, signage, displays, roadways, sports arenas and other areas.

Competition & Regulation

Cost control, including productivity, is key in the highly competitive marketplace in which Appliances & Lighting competes. GE Lighting operates in a complex, global marketplace. Energy regulations impacting traditional lighting technologies are moving demand to energy-saving products that last longer and cost less to operate over time. Evolving these technologies, as well as cost control, is key in the global arena in which the business operates.

MD&A SEGMENT OPERATIONS | APPLIANCES & LIGHTING

OPERATIONAL OVERVIEW

(Dollar in billions)

2014 GEOGRAPHIC REVENUES: \$8.4 BILLION

2014 SUB-SEGMENT REVENUES

SIGNIFICANT TRENDS & DEVELOPMENTS

During the third quarter of 2014, GE signed an agreement to sell its Appliances business to Electrolux for \$3.3 billion. The transaction has been approved by the boards of directors of GE and Electrolux and remains subject to customary closing conditions and regulatory approvals, and is targeted to close in mid-2015.

While the demand in the professional non-LED market segment is slowing, there is a strong global shift to energy efficient lighting including continued growth in LED products.

FINANCIAL OVERVIEW

SEGMENT REVENUES & PROFIT

-- Revenue -- Profit

SEGMENT PROFIT MARGIN

COMMENTARY:

2014 – 2013

Segment revenues up \$0.1 billion (1%) as a result of:

Higher volume (\$0.1 billion) driven by higher sales at Appliances.

Segment profit up \$0.1 billion (13%) as a result of:

Improved productivity (\$0.1 billion) including the effects of classifying Appliances as a business held for sale in the third quarter of 2014.

2013 – 2012

Segment revenues up \$0.4 billion (5%) as a result of:

Higher volume (\$0.4 billion) driven by higher sales at Appliances.

Segment profit up \$0.1 billion (23%) as a result of:

Improved productivity (\$0.1 billion) and higher prices.

MD&A SEGMENT OPERATIONS | GE CAPITAL

GE CAPITAL

BUSINESS OVERVIEW

Leader: Keith Sherin

Vice Chairman GE, and Chairman & CEO, GE Capital
Over 30 years of service with General Electric

Headquarters & Operations

28% of segment revenues in 2014

Headquarters: Norwalk, CT

Serving customers in 70+ countries

Employees: approximately 47,000

Products & Services

GE Capital businesses offer a broad range of financial services and products worldwide for businesses of all sizes. Services include commercial loans and leases, fleet management, financial programs, credit cards, personal loans and other financial services. GE Capital also develops strategic partnerships and joint ventures that utilize GE's industry-specific expertise in aviation, energy, infrastructure and healthcare to capitalize on market-specific opportunities. Products and services are offered through the following businesses:

Commercial Lending and Leasing (CLL) – has particular mid-market expertise, and primarily offers secured commercial loans, equipment financing and other financial services to companies across a wide range of industries including construction, retail, manufacturing, transportation, media, communications, technology and healthcare. Equipment financing activities include industrial, medical, fleet vehicles, construction, office imaging and many other equipment types.

Consumer – offers a full range of financial products including private-label credit cards; personal loans; bank cards; auto loans and leases; mortgages; debt consolidation; home equity loans; deposit and other savings products; and small and medium enterprise lending on a global basis.

Real Estate – offers a range of capital and investment solutions, including fixed and floating rate mortgages for new acquisitions or re-capitalizations of commercial real estate worldwide. Our business finances with loan structures; the acquisition, refinancing and renovation of office buildings, apartment buildings, retail facilities, hotels, warehouses and industrial properties.

Energy Financial Services – invests in long-lived, capital intensive energy projects and companies by providing structured equity, debt, leasing, partnership financing, project finance and broad-based commercial finance.

GE Capital Aviation Services (GECAS) – our commercial aircraft financing and leasing business, offers a wide range of aircraft types and financing options, including operating leases and secured debt financing, and also provides productivity solutions including spare engine leasing, airport and airline consulting services, and spare parts financing and management.

Competition & Regulation

The businesses in which we engage are subject to competition from various types of financial institutions, including commercial banks, thrifts, investment banks, broker-dealers, credit unions, leasing companies, consumer loan companies, independent finance companies, finance companies associated with manufacturers and insurance and reinsurance companies.

GECC is a regulated savings and loan holding company under U.S. law, subject to Federal Reserve Board (FRB) supervision. In 2013, the U.S. Financial Stability Oversight Council (FSOC) designated GECC as a nonbank

systemically important financial institution (nonbank SIFI) under the Dodd-Frank Wall Street Reform and Consumer Protection Act (See Regulations and Supervision for additional information).
GE 2014 FORM 10-K 52

MD&A SEGMENT OPERATIONS | GE CAPITAL

OPERATIONAL OVERVIEW

(Dollars in billions)

2014 GEOGRAPHIC REVENUES: \$42.7 BILLION

2014 SUB-SEGMENT REVENUES

NET INTEREST MARGIN
TIER 1 COMMON RATIO
ESTIMATE*

ENDING NET INVESTMENT, EXCLUDING LIQUIDITY*

DIVIDENDS RETURNED TO
PARENT IN 2014

Quarterly Dividends \$2.0 billion

Special Dividends \$1.0 billion

Total \$3.0 billion

* Non-GAAP Financial Measure
GE 2014 FORM 10-K 53

MD&A SEGMENT OPERATIONS | GE CAPITAL

SIGNIFICANT TRENDS & DEVELOPMENTS

ENDING NET INVESTMENT

We have communicated our goal of reducing GE Capital's ENI, excluding liquidity, most recently targeting a balance of less than \$300 billion. ENI is a metric used by us to measure the total capital we have invested in our financial services business. GE Capital's ENI (excluding liquidity) was \$363 billion at December 31, 2014. To achieve this goal, we are more aggressively focusing our businesses on selective financial services products where we have deep domain experience, broad distribution, the ability to earn a consistent return on capital and are competitively advantaged, while managing our overall balance sheet size and risk. We have a strategy of exiting those businesses that are deemed to be non-strategic or that are underperforming. We have completed a number of dispositions in our businesses in the past and will continue to evaluate options going forward.

Accordingly, in the short-term, as we reduce our ENI through exiting non-core businesses, the overall level of our net earnings may be reduced, which potentially could include impairments, restructurings and other non-cash charges. However, over the long-term, we believe that this strategy will improve our long-term performance through higher returns as we will have a larger concentration of assets in our core businesses, as opposed to the underperforming or non-strategic assets we will be exiting; reduce liquidity risk as we pay down outstanding debt and diversify our sources of funding (with less reliance on the global commercial paper markets and an increase in alternative sources of funding such as deposits); and reduce capital requirements while strengthening capital ratios. Additional information about our liquidity and how we manage this risk can be found in the Financial Resources and Liquidity section of this Form 10-K Report.

The actions below are consistent with our strategy of reducing GECC ENI and investing in our core businesses.

OTHER TRENDS & DEVELOPMENTS

Milestone Aviation – On January 30, 2015, GECAS acquired Milestone Aviation Group, a helicopter leasing business, for approximately \$1.8 billion.

Budapest Bank – During the fourth quarter of 2014, we signed an agreement to sell our consumer finance business Budapest Bank to Hungary's government.

GEMB – Nordic – During the fourth quarter of 2014, we completed the sale of GE Money Bank AB, our consumer finance business in Sweden, Denmark and Norway (GEMB – Nordic) to Santander for proceeds of \$2.3 billion.

Synchrony Financial – On August 5, 2014, we completed the initial public offering (IPO) of our North American Retail Finance business, Synchrony Financial, as a first step in a planned, staged exit from that business. Synchrony Financial closed the IPO of 125 million shares of common stock at a price to the public of \$23.00 per share and on September 3, 2014, Synchrony Financial issued an additional 3.5 million shares of common stock pursuant to an option granted to the underwriters in the IPO (Underwriters' Option). We received net proceeds from the IPO and the Underwriters' Option of \$2.8 billion, which remain at Synchrony Financial. Following the closing of the IPO and the Underwriters' Option, we currently own approximately 85% of Synchrony Financial and as a result, GECC continues to consolidate the business. The 15% is presented as noncontrolling interests. In addition, in August 2014, Synchrony Financial completed issuances of \$3.6 billion of senior unsecured debt with maturities up to 10 years and \$8.0 billion of unsecured term loans maturing in 2019, and in October 2014 completed issuances of \$0.8 billion unsecured term loans maturing in 2019 under the New Bank Term Loan Facility with third party lenders. Subsequent to December 31, 2014

through February 13, 2015, Synchrony Financial issued an additional \$1.0 billion of senior unsecured debt maturing in 2020.

We are targeting to complete our exit from Synchrony Financial through a split-off transaction, by making a tax-free distribution of our remaining interest in Synchrony Financial to electing GE stockholders in exchange for shares of GE's common stock. The split-off transaction would be subject to obtaining required bank regulatory approvals. We may also decide to exit by selling or otherwise distributing or disposing of all or a portion of our remaining interest in the Synchrony Financial shares.

GE 2014 FORM 10-K 54

MD&A SEGMENT OPERATIONS | GE CAPITAL

Cembra – During the fourth quarter of 2013, we completed the sale of 68.5% of our Swiss consumer finance bank, Cembra Money Bank AG (Cembra), through an IPO.

CLL Trailer Services – During the fourth quarter of 2013, we also completed the sale of our CLL trailer services business in Europe (CLL Trailer Services).

Consumer – During the fourth quarter of 2013, we completed the sale of our remaining equity interest in the Bank of Ayudhya (Bay Bank). We also committed to sell our consumer banking business in Russia (Consumer Russia) and completed the transaction in the first quarter of 2014.

MetLife Bank – During the first quarter of 2013, we acquired the deposit business of MetLife Bank, N.A., which is an online banking platform with approximately \$6.4 billion in U.S. retail deposits that is now part of Synchrony Financial.

Real Estate – During 2013 and 2014, in conjunction with our initiative to increase our overall real estate lending portfolio and reduce our exposure to real estate equity investments, we acquired certain loan portfolios and sold real estate equity investments when economically advantageous for us to do, including the 2013 sale of real estate comprising certain floors located at 30 Rockefeller Center, New York.

Business Property – During 2012, we completed the sale of a portion of our Real Estate Business Properties portfolio (Business Property), including certain commercial loans, the origination and servicing platforms and the servicing rights on loans previously securitized by GECC. The portion that we retained comprises our owner-occupied/credit tenant portfolio.

Consumer Ireland – During 2012, we completed the sale of our consumer mortgage lending business in Ireland (Consumer Ireland) and sold our remaining equity interest in Garanti Bank, which was classified as an available-for-sale security.

U.S. Customer Base – During 2014, GE Capital provided approximately \$116 billion of new financings in the U.S. to various companies, infrastructure projects and municipalities. Additionally, we extended approximately \$115 billion of credit to approximately 64 million U.S. consumers. GE Capital provided credit to approximately 29,700 new commercial customers and 33,700 new small businesses in the U.S. during 2014, ending the year with outstanding credit to more than 250,000 commercial customers and 220,000 small businesses through retail programs in the U.S.

GE 2014 FORM 10-K 55

MD&A SEGMENT OPERATIONS | GE CAPITAL

FINANCIAL OVERVIEW

(Dollars in billions)

SEGMENT REVENUES & PROFIT(a)

- - Revenue - - Profit

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

COMMENTARY: 2014 – 2013

Revenues decreased 3% as a result of the effects of dispositions, organic revenue declines, primarily due to lower ENI, and lower gains, partially offset by lower impairments.

CLL 2014 revenues increased by \$0.3 billion, or 2%, as a result of lower impairments (\$0.8 billion), partially offset by organic revenue declines (\$0.3 billion) and the effects of dispositions (\$0.2 billion).

Consumer 2014 revenues decreased by \$0.7 billion, or 5%, as a result of lower gains (\$0.6 billion) and the effects of dispositions (\$0.3 billion), partially offset by organic revenue growth (\$0.2 billion) and lower impairments (\$0.1 billion).

Real Estate 2014 revenues decreased by \$0.9 billion, or 24%, as a result of decreases in net gains on property sales (\$0.6 billion) mainly due to the 2013 sale of real estate comprising certain floors located at 30 Rockefeller Center, New York, organic revenue declines (\$0.2 billion) and higher impairments (\$0.1 billion).

Energy Financial Services 2014 revenues increased by \$0.2 billion, or 11% as a result of organic revenue growth (\$0.4 billion) and higher gains (\$0.1 billion), partially offset by the effects of dispositions (\$0.2 billion) and higher impairments (\$0.2 billion).

GECAS 2014 revenues decreased by \$0.1 billion, or 2%, as a result of organic revenue declines (\$0.2 billion), partially offset by higher gains (\$0.1 billion).

Segment profit decreased 12% as a result of the effects of dispositions, core decreases and lower gains, partially offset by lower impairments and lower provisions for losses on financing receivables.

CLL 2014 net earnings increased by \$0.3 billion, or 16%, reflecting lower impairments (\$0.7 billion) and lower provisions for losses on financing receivables (\$0.2 billion), partially offset by core decreases (\$0.4 billion) and the effects of dispositions (\$0.2 billion).

Consumer 2014 net earnings decreased by \$1.3 billion, or 30%, as a result of the effects of dispositions (\$0.8 billion) reflecting the 2013 sale of a portion of Cembra and the 2014 sale of GEMB-Nordic, core decreases (\$0.5 billion) and lower gains (\$0.4 billion) reflecting the 2013 sale of our remaining equity interest in Bay Bank, partially offset by higher provisions for losses on financing receivables (\$0.3 billion) and lower impairments (\$0.1 billion).

Real Estate 2014 net earnings decreased by \$0.7 billion, or 42%, as a result of core decreases (\$0.7 billion) including lower tax benefits (\$0.4 billion) and lower gains on property sales (\$0.3 billion).

GE 2014 FORM 10-K 56

MD&A SEGMENT OPERATIONS | GE CAPITAL

Energy Financial Services 2014 net earnings decreased slightly as a result of higher impairments (\$0.1 billion) and the effects of dispositions (\$0.1 billion) offset by core increases (\$0.1 billion) and higher gains (\$0.1 billion).

GECAS 2014 net earnings increased by \$0.2 billion, or 17%, as a result of lower equipment leased to others (ELTO) impairments (\$0.2 billion) related to our operating lease portfolio of commercial aircraft, and higher gains, partially offset by core decreases (\$0.1 billion).

COMMENTARY: 2013 – 2012

Revenues decreased 3% as a result of organic revenue declines, primarily due to lower ENI, and higher impairments, partially offset by higher gains.

CLL 2013 revenues decreased by \$2.1 billion, or 13%, as a result of organic revenue declines (\$1.2 billion), primarily due to lower ENI (\$0.8 billion), higher impairments (\$0.7 billion) and the effects of dispositions (\$0.1 billion).

Consumer 2013 revenues increased by \$0.4 billion, or 3%, as a result of higher gains (\$0.5 billion), the effects of dispositions (\$0.3 billion) and the effects of acquisitions (\$0.1 billion), partially offset by organic revenue declines (\$0.4 billion).

Real Estate 2013 revenues increased by \$0.3 billion, or 7%, as a result of increases in net gains on property sales (\$1.1 billion) mainly due to the sale of real estate comprising certain floors located at 30 Rockefeller Center, New York, partially offset by organic revenue declines (\$0.7 billion), primarily due to lower ENI (\$0.6 billion).

Energy Financial Services 2013 revenues increased slightly, or 1%, as a result of dispositions (\$0.1 billion) and organic revenue growth (\$0.1 billion), partially offset by lower gains (\$0.1 billion) and higher impairments.

GECAS 2013 revenues increased by \$0.1 billion, or 1%, as a result of lower finance lease impairments and higher gains.

Segment profit increased 10% as a result of dispositions, primarily related to the sale of a portion of Cembra through an IPO and higher gains primarily related to the sale of our remaining equity interest in Bay Bank, partially offset by higher impairments and higher provisions for losses on financing receivables.

CLL 2013 net earnings decreased by \$0.4 billion, or 18%, reflecting higher impairments (\$0.6 billion), partially offset by the effects of dispositions (\$0.1 billion).

Consumer 2013 net earnings increased by \$1.1 billion, or 35%, as a result of the sale of a portion of Cembra (\$1.2 billion), higher gains (\$0.3 billion) related to the sale of Bay Bank and core increases (\$0.1 billion). These increases were partially offset by higher provisions for losses on financing receivables (\$0.5 billion) reflecting the use of a more granular portfolio segmentation approach, by loss type, in determining the incurred loss period and projected net write-offs over the next 12 months in our installment and revolving credit portfolios.

Real Estate 2013 net earnings increased favorably as a result of core increases (\$0.9 billion) including increases in net gains on property sales (\$0.7 billion) and higher tax benefits (\$0.3 billion).

Energy Financial Services 2013 net earnings decreased slightly, or 5%, as a result of lower gains (\$0.1 billion), partially offset by core increases and dispositions.

GECAS 2013 net earnings decreased by \$0.3 billion, or 27%, as a result of ELTO impairments (\$0.3 billion) related to our operating lease portfolio of commercial aircraft, and core decreases, partially offset by higher gains.

For additional information related to GE Capital segment operations, refer to the General Electric Capital Corporation annual report on Form 10-K for the year ended December 31, 2014.

GE 2014 FORM 10-K 57

MD&A CORPORATE ITEMS AND ELIMINATIONS

GE CORPORATE ITEMS AND ELIMINATIONS

GE Corporate Items and Eliminations is a caption used in the segment table on page 31 to reconcile the aggregated results of our segments to the consolidated results of the Company. As such, it includes corporate activities and the elimination of inter-segment activities. Specifically, the GE Corporate Items and Eliminations amounts related to revenues and earnings include the results of disposed businesses (such as NBCU LLC, which we sold in 2013), certain amounts not included in GE industrial operating segment results because they are excluded from measurement of their operating performance for internal and external purposes and the elimination of inter-segment activities. In addition, the GE Corporate Items and Eliminations amounts related to earnings include certain costs of our principal retirement plans, restructuring and other costs reported in corporate, and the unallocated portion of certain corporate costs (such as research and development spending and costs related to our Global Growth & Operations organization).

REVENUES AND OPERATING PROFIT (COST)

(In millions)	2014	2013	2012
Revenues			
NBCU LLC	\$ -	\$ 1,528	\$ 1,615
Gains (losses) on disposed or held for sale businesses	91	453	186
Eliminations and other	(4,129)	(3,605)	(3,292)
Total Corporate Items and Eliminations	\$ (4,038)	\$ (1,624)	\$ (1,491)
Operating profit (cost)			
NBCU LLC	\$ -	\$ 1,528	\$ 1,615
Gains (losses) on disposed or held for sale businesses	91	447	186
Principal retirement plans(a)	(2,313)	(3,222)	(3,098)
Restructuring and other charges	(1,788)	(1,992)	(732)
Eliminations and other	(2,215)	(2,763)	(2,689)
Total Corporate Items and Eliminations	\$ (6,225)	\$ (6,002)	\$ (4,718)

CORPORATE COSTS

(In millions)	2014	2013	2012
Total Corporate Items and Eliminations	\$ (6,225)	\$ (6,002)	\$ (4,718)
Less non-operating pension cost	(2,120)	(2,624)	(2,132)
Total Corporate costs (operating)*	\$ (4,105)	\$ (3,378)	\$ (2,586)
Less NBCU LLC, restructuring and other, and gains	(1,697)	(17)	1,069
Adjusted total Corporate costs (operating)*	\$ (2,408)	\$ (3,361)	\$ (3,655)

Included non-operating pension income (cost) for our principal pension plans (non-GAAP) of \$(2.1) billion, \$(2.6) (a) billion and \$(2.1) billion in 2014, 2013 and 2012, respectively, which includes expected return on plan assets, interest costs and non-cash amortization of actuarial gains and losses.

*Non-GAAP Financial Measure
GE 2014 FORM 10-K 58

MD&A CORPORATE ITEMS AND ELIMINATIONS

2014 – 2013 COMMENTARY

Revenues and other income decreased \$2.4 billion, primarily a result of:

\$1.5 billion lower revenues and other income related to NBCU LLC, which was disposed of in the first quarter of 2013,

\$0.4 billion of lower gains from disposed businesses, and

\$0.5 billion of higher eliminations and other, which was driven by \$0.4 billion of higher inter-segment eliminations.

Also contributing to the decrease in revenues and other income was a \$0.2 billion impairment related to an investment security in 2014 compared with a \$0.1 billion impairment of an investment in a Brazilian company in 2013.

Operating costs increased \$0.2 billion, primarily as a result of:

\$1.5 billion lower NBCU LLC related income, and

\$0.4 billion of lower gains from disposed businesses.

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

\$0.9 billion of lower costs of our principal retirement plans,

\$0.2 billion of lower restructuring and other charges. Restructuring and other charges in 2014 included \$0.2 billion of impairment related to an investment security at Power & Water, \$0.1 billion of asset write-offs at a consolidated nuclear joint venture in which we hold a 51% interest at Power & Water and \$0.1 billion curtailment loss on the principal retirement plans resulting from our agreement with Electrolux to sell the Appliances business, and

\$0.5 billion of lower eliminations and other, which was driven by \$0.4 billion of lower corporate costs, which include research and development and functional spending in 2014. In 2013, eliminations and other costs included \$0.1 billion impairment of an investment in a Brazilian company.

2013 – 2012 COMMENTARY

Revenues decreased \$0.1 billion primarily as a result of:

\$0.1 billion lower revenue and other income related to the operations and disposition of NBCU LLC,

\$0.3 billion of higher gains from disposed businesses, which reflects the net effect of \$0.5 billion of gains from industrial business dispositions in 2013 compared with a \$0.3 billion gain on joint venture formation and a \$0.1 billion loss on sale of a plant in 2012, and

\$0.3 billion of higher eliminations and other, which reflects a \$0.1 billion pre-tax loss related to the impairment of an investment in a Brazilian company and \$0.2 billion of lower revenues related to a plant that was sold in 2012.

Operating costs increased \$1.3 billion primarily as a result of:

\$0.1 billion of lower NBCU LLC related income,

\$0.1 billion of higher principal retirement plan costs,

\$1.3 billion of higher restructuring and other charges, and

\$0.1 billion of higher eliminations and other, which reflects the \$0.1 billion of impairment referred to above.

These increases to operating costs were partially offset by \$0.3 billion of higher gains on disposed businesses.

GE 2014 FORM 10-K 59

MD&A CORPORATE ITEMS AND ELIMINATIONS

COSTS AND GAINS NOT INCLUDED IN SEGMENT RESULTS

As discussed in the "Segment Operations" section within the MD&A of this Form 10-K Report, 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 and gains not included in segment results follows.

COSTS

(In billions)	2014	2013	2012
Power & Water	\$ 0.6	\$ 0.4	\$ 0.2
Oil & Gas	0.3	0.3	0.1
Energy Management	0.2	0.2	0.2
Aviation	0.3	0.6	0.3
Healthcare	0.5	0.6	0.5
Transportation	-	0.1	0.1
Appliances & Lighting	0.1	0.2	0.1
Total	\$ 2.1	\$ 2.4	\$ 1.5

GAINS

(In billions)	2014	2013	2012
Power & Water(a)	\$ -	\$ 0.1	\$ -
Oil & Gas(b)	0.1	0.1	-
Energy Management	-	-	-
Aviation(c)	-	-	0.3
Healthcare(a)	-	0.2	-
Transportation	-	-	-
Appliances & Lighting	-	-	-
Total	\$ 0.1	\$ 0.5	\$ 0.3

(a) Related to business dispositions.

(b) Related to business dispositions including a fuel dispenser business disposition in 2014.

(c) Related to formation of a joint venture.

MD&A DISCONTINUED OPERATIONS

DISCONTINUED OPERATIONS

Discontinued operations primarily comprises GE Money Japan (our Japanese personal loan business, Lake, and our Japanese mortgage and card businesses, excluding our investment in GE Nissen Credit Co., Ltd.), our U.S. mortgage business (WMC), our CLL trailer services business in Europe (CLL Trailer Services), our Consumer banking business in Russia (Consumer Russia) and our Consumer mortgage lending business in Ireland (Consumer Ireland). All of these operations were previously reported in the GE Capital segment.

Associated results of operations, financial position and cash flows are separately reported as discontinued operations for all periods presented.

FINANCIAL INFORMATION FOR DISCONTINUED OPERATIONS

(In millions)	2014	2013	2012
Earnings (loss) from discontinued operations, net of taxes	\$(112)	\$(2,120)	\$ (983)

The 2014 loss from discontinued operations, net of taxes, primarily reflected the following:

\$0.2 billion after-tax effect of incremental reserves related to retained representation and warranty obligations to repurchase previously sold loans on the 2007 sale of WMC.

2014 losses were partially offset by a \$0.1 billion tax benefit related to the extinguishment of our loss-sharing arrangement for excess interest claims associated with the 2008 sale of GE Money Japan.

The 2013 loss from discontinued operations, net of taxes, primarily reflected the following:

\$1.6 billion after-tax effect of incremental reserves, primarily related to an agreement to extinguish our loss-sharing arrangement for excess interest claims associated with the 2008 sale of GE Money Japan,

\$0.2 billion after-tax effect of incremental reserves related to retained representation and warranty obligations to repurchase previously sold loans on the 2007 sale of WMC, and

\$0.2 billion after-tax loss on the planned disposal of Consumer Russia.

The 2012 loss from discontinued operations, net of taxes, primarily reflected the following:

\$0.6 billion after-tax effect of incremental reserves for excess interest claims related to our loss-sharing arrangement on the 2008 sale of GE Money Japan,

\$0.3 billion after-tax effect of incremental reserves related to retained representation and warranty obligations to repurchase previously sold loans on the 2007 sale of WMC, and

\$0.2 billion loss (including a \$0.1 billion loss on disposal) related to Consumer Ireland.

2012 losses were partially offset by a \$0.1 billion tax benefit related to the resolution with the Internal Revenue Service regarding the tax treatment of the 2007 sale of our Plastics business.

For additional information related to discontinued operations, see Note 2 to the consolidated financial statements in this Form 10-K Report.

GE 2014 FORM 10-K 61

MD&A OTHER CONSOLIDATED INFORMATION

OTHER CONSOLIDATED INFORMATION

INTEREST AND OTHER FINANCIAL CHARGES

Interest on borrowings and other financial charges amounted to \$9.5 billion, \$10.1 billion and \$12.4 billion in 2014, 2013 and 2012, respectively. Substantially all of our borrowings are in financial services, where interest expense was \$8.4 billion, \$9.3 billion and \$11.6 billion in 2014, 2013 and 2012, respectively. GECC average borrowings declined from 2013 to 2014 and from 2012 to 2013, in line with changes in average GECC assets. Interest rates have decreased over the three-year period primarily attributable to declining global benchmark interest rates. GECC average borrowings were \$364.4 billion, \$379.5 billion and \$420.0 billion in 2014, 2013 and 2012, respectively. The GECC average composite effective interest rate was 2.3% in 2014, 2.4% in 2013 and 2.8% in 2012. In 2014, GECC average assets of \$507.2 billion were 3.0% lower than in 2013, which in turn were 7% lower than in 2012. See the "Liquidity and Borrowings" section within the MD&A of this Form 10-K for a discussion of liquidity, borrowings and interest rate risk management.

POSTRETIREMENT BENEFIT PLANS

Postretirement benefit plans costs were \$4.8 billion, \$6.0 billion and \$5.5 billion in 2014, 2013 and 2012, respectively. Costs decreased in 2014 primarily due to the effects of higher discount rates (principal pension plans' discount rate increased from 3.96% at December 31, 2012 to 4.85% at December 31, 2013) and lower loss amortization related to our principal pension plans, partially offset by lower expected investment return on pension plan assets. Costs increased in 2013 primarily due to the continued amortization of 2008 investment losses and the effects of lower discount rates (principal pension plans' discount rate decreased from 4.21% at December 31, 2011 to 3.96% at December 31, 2012).

Postretirement benefit actuarial assumptions are significant inputs to the actuarial models that measure benefit obligations and their related effects on operations:

Our discount rate for our principal pension plans at December 31, 2014 was 4.02%, which reflected current interest rates.

The Society of Actuaries recently issued new mortality tables projecting longer life expectancies that will result in higher postretirement benefit obligations for U.S. companies. We updated our mortality assumptions at December 31, 2014. The new mortality assumptions increased principal postretirement benefit obligations by approximately \$4.6 billion at year end.

Considering the current and target asset allocations, as well as historical and expected returns on various categories of assets in which our plans are invested, we have assumed that the long-term return on our principal pension plan assets will be 7.5% for cost recognition in 2015, compared to 7.5% in 2014 and 8.0% in both 2013 and 2012.

GAAP provides for recognition of differences between assumed and actual experience over a period no longer than the average future service of employees. See the "Critical Accounting Estimates" section within the MD&A of this Form 10-K for additional information.

We expect the costs of our postretirement benefits to increase in 2015 by approximately \$0.6 billion as compared to 2014, primarily because of the effects of lower discount rates and new mortality assumptions, which are partially offset by lower loss amortization related to our principal pension plans.

GAAP AND NON-GAAP PENSION COSTS

(In billions)	2014	2013	2012
GAAP principal pension plans' cost	\$3.6	\$4.4	\$3.8
Non-GAAP operating pension costs*	1.5	1.8	1.7

*Non-GAAP Financial Measure

GE 2014 FORM 10-K 62

MD&A OTHER CONSOLIDATED INFORMATION

Operating earnings include service cost and prior service cost amortization for our principal pension plans as these costs represent expenses associated with employee service. Operating earnings exclude non-operating pension costs/income such as interest cost, expected return on plan assets and non-cash amortization of actuarial gains and losses. We expect operating pension costs for these plans will be about \$1.7 billion in 2015. The expected increase in operating pension costs is attributable primarily to the effects of lower discount rates and new mortality assumptions.

The GE Pension Plan was underfunded by \$15.8 billion at the end of 2014 as compared to \$4.7 billion at December 31, 2013. The GE Supplementary Pension Plan, which is an unfunded plan, had projected benefit obligations (PBO) of \$6.6 billion and \$5.2 billion at December 31, 2014 and 2013, respectively. Our underfunding at year-end 2014 was significantly higher compared to 2013 primarily due to lower discount rates and new mortality assumptions. The decrease in our principal pension plans' discount rate increased the PBO at year-end 2014 by approximately \$7.7 billion. The new mortality assumptions increased our PBO by approximately \$4.0 billion at December 31, 2014. Our GE Pension Plan assets were \$48.3 billion at the end of both 2014 and 2013 as 2014 investment returns and participant contributions were offset by benefit payments made during the year. Assets of the GE Pension Plan are held in trust, solely for the benefit of Plan participants, and are not available for general company operations.

In August 2014, the U.S. Government enacted the "Highway and Transportation Funding Act "(HATFA), which contained provisions that changed the interest rate methodology used to calculate Employee Retirement Income Security Act (ERISA) minimum pension funding requirements in the U.S. This change reduced our near-term annual cash funding requirements for the GE Pension Plan. We did not contribute to the GE Pension Plan in either 2014 or 2013. On an ERISA basis, our preliminary estimate is that the GE Pension Plan was approximately 104% funded at January 1, 2015. The ERISA funded status is higher than the GAAP funded status primarily because the ERISA prescribed interest rate in HATFA is calculated using an average interest rate. As a result, the ERISA interest rate is higher than the year-end GAAP discount rate. The higher ERISA interest rate lowers pension liabilities for ERISA funding purposes. Our current estimate projects that we will not be required to make minimum pension funding contributions to the GE Pension Plan in 2015 or 2016.

At December 31, 2014, the fair value of assets for our other pension plans was \$3.2 billion less than the respective projected benefit obligations. The comparable amount at December 31, 2013, was \$2.5 billion. This increase was primarily attributable to lower discount rates, which were partially offset by investment returns. We expect to contribute \$0.5 billion to our other pension plans in 2015, as compared to \$0.7 billion in both 2014 and 2013.

The unfunded liability for our principal retiree health and life plans was \$9.9 billion and \$9.0 billion at December 31, 2014 and 2013, respectively. This increase was primarily attributable to the effects of lower discount rates (retiree health and life plans' discount rate decreased from 4.61% at December 31, 2013 to 3.89% at December 31, 2014) and new mortality assumptions, which were partially offset by an amendment to our post-65 retiree health coverage. We fund our retiree health benefits on a pay-as-you-go basis. We expect to contribute \$0.5 billion to these plans in 2015 compared with actual contributions of \$0.5 billion in both 2014 and 2013.

The funded status of our postretirement benefits plans and future effects on operating results depend primarily on economic conditions and investment performance. For additional information about funded status, components of earnings effects and actuarial assumptions, see Note 12 to the consolidated financial statements in this Form 10-K Report.

INCOME TAXES

Income taxes have a significant effect on our net earnings. As a global commercial enterprise, our tax rates are affected by many factors, including our global mix of earnings, the extent to which those global earnings are

indefinitely reinvested outside the United States, legislation, acquisitions, dispositions and tax characteristics of our income. Our tax rates are also affected by tax incentives introduced in the U.S. and other countries in furtherance of policies to encourage and support certain types of activity. Our tax returns are routinely audited and settlements of issues raised in these audits sometimes affect our tax provisions.

GE 2014 FORM 10-K 63

MD&A OTHER CONSOLIDATED INFORMATION

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

CONSOLIDATED (Dollars in billions)

EFFECTIVE TAX RATE (ETR) PROVISION FOR INCOME TAXES CASH INCOME TAXES PAID

2014 – 2013 COMMENTARY

The increase in the consolidated provision for income taxes was attributable in part to decreased benefits from lower-taxed global operations including the absence of the 2013 benefits related to the sale of 68.5% of our Swiss consumer finance bank, Cembra Money Bank AG (Cembra), through an IPO, partially offset by the benefits from the 2014 tax efficient disposition of GEMB-Nordic.

The income tax provision also increased due to the non-repeat of the favorable resolution of audit matters in 2013. The higher income tax provision also reflects an increase in income taxed at rates above the average tax rate.

2013 – 2012 COMMENTARY

The decrease in the consolidated provision for income taxes was primarily attributable to an increase in tax benefits on lower-taxed global operations, including the tax benefit on the sale of a portion of Cembra.

The income tax provision was also lower due to favorable resolution of audit matters and lower income taxed at rates above the average tax rate.

These decreases were partially offset by the absence of the 2012 benefit attributable to the high tax basis in the entity sold in the Business Property disposition.

On January 2, 2013, the American Taxpayer Relief Act of 2012 was enacted and the law extended several provisions, including a two-year extension of the U.S. tax provision deferring tax on active financial services income and certain U.S. business credits, retroactive to January 1, 2012. Under accounting rules, a tax law change is taken into account in calculating the income tax provision in the period enacted. Because the extension was enacted into law in 2013, tax expense in 2013 reflected retroactive extension of the previously expired provisions.

BENEFITS FROM GLOBAL OPERATIONS

Our consolidated income tax rate is lower than the U.S. statutory rate primarily because of benefits from lower-taxed global operations, including the use of global funding structures. 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

MD&A OTHER CONSOLIDATED INFORMATION

indefinitely reinvested outside the U.S. and are not subject to current U.S. income tax. The rate of tax on our indefinitely reinvested non-U.S. earnings is below the 35% U.S. statutory 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 the majority of its non-U.S. operations through foreign companies that are subject to low foreign taxes.

The most significant portion of these benefits depends on the provision of U.S. law deferring the tax on active financial services income, which, as discussed below, is subject to expiration. A substantial portion of the remaining 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. No other operation in any one country accounts for a material portion of the remaining balance of the benefit.

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, including the expiration of the U.S. tax law provision deferring tax on active financial services income, as discussed in Note 14 to the consolidated financial statements in this Form 10-K Report. 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.

BENEFITS FROM LOWER-TAXED GLOBAL OPERATIONS

(In billions)	2014	2013	2012
Benefit of lower foreign tax rate on indefinitely reinvested non-U.S. earnings	\$2.3	\$2.5	\$1.3
Benefit of audit resolutions	0.1	0.4	0.1
Other	0.8	1.1	0.8
Total	\$3.2	\$4.0	\$2.2

2014 – 2013 COMMENTARY

Our benefits from lower-taxed global operations decreased in 2014 principally because of the absence of the 2013 benefits, previously discussed, on the sale of a portion of Cembra, lower benefits from the realization of prior-year losses and from the resolution of Internal Revenue Service (IRS) audits, partially offset by larger benefits from other indefinitely reinvested earnings including from the 2014 disposition of GEMB-Nordic.

2013 – 2012 COMMENTARY

Our benefits from lower-taxed global operations increased in 2013 principally because of the realization of benefits related to the sale of a portion of Cembra, the realization of benefits for prior-year losses, and the resolution of IRS audits.

OTHER INFORMATION

To the extent global interest rates and non-U.S. operating income increase, we would expect tax benefits to increase, subject to management's intention to indefinitely reinvest those earnings. Included in 2014 is the benefit from the indefinite reinvestment of the eligible earnings from the sale of GEMB-Nordic. Included in 2013 is the benefit from the indefinite reinvestment of the eligible earnings from the sale of a portion of Cembra.

Edgar Filing: GENERAL ELECTRIC CO - Form 10-K

The tax benefit from non-U.S. income taxed at a local country rather than the U.S. statutory tax rate is reported in the caption "Tax on global activities including exports" in the effective tax rate reconciliation in Note 14 to the consolidated financial statements in this Form 10-K Report.

A more detailed analysis of differences between the U.S. federal statutory rate and the consolidated effective rate, as well as other information about our income tax provisions, is provided in the "Critical Accounting Estimates" section within the MD&A and Note 14 to the consolidated financial statements in this Form 10-K Report. The nature of business activities and

GE 2014 FORM 10-K 65

MD&A OTHER CONSOLIDATED INFORMATION

associated income taxes differ for GE and for GECC; therefore, a separate analysis of each is presented in the paragraphs that follow.

GE EFFECTIVE TAX RATE (EXCLUDING GECC EARNINGS)*

(Dollars in billions)

We believe that the GE effective tax rate and provision for income taxes are best analyzed in relation to GE earnings before income taxes excluding the GECC net earnings from continuing operations, as GE tax expense does not include taxes on GECC earnings. For further information on this calculation, see the "Supplemental Information" section within the MD&A of this Form 10-K.

GE ETR, EXCLUDING GECC EARNINGS* GE PROVISION (BENEFIT) FOR INCOME TAXES

2014 – 2013 COMMENTARY

The GE provision for income taxes decreased in 2014 primarily because of increased benefits from lower taxed global operations (\$0.8 billion).

That decrease was partially offset by the decrease in the benefit of audit resolutions (\$0.3 billion) shown below, an increase in income taxed at rates above the average tax rate (\$0.3 billion), and the non-repeat of the 2013 benefit from the enactment of the extension of certain U.S. business credits (\$0.1 billion), disclosed above.

2013 – 2012 COMMENTARY

The GE provision for income taxes decreased in 2013 primarily because of the benefit of audit resolutions (\$0.2 billion) shown below.

Resolution of audit matters reduced the GE provision for income taxes by \$0.1 billion, \$0.4 billion and \$0.1 billion in 2014, 2013 and 2012, respectively. The effects of such resolutions are included in the following captions in Note 14 to the consolidated financial statements in this Form 10-K Report.

AUDIT RESOLUTIONS - EFFECT ON GE TAX RATE,
EXCLUDING GECC EARNINGS

	2014	2013	2012
Tax on global activities including exports	(0.2) %	(2.4) %	(0.7) %
U.S. business credits	-	(0.6)	-
All other - net	(0.7)	(1.0)	(0.9)
Total	(0.9) %	(4.0) %	(1.6) %

*Non-GAAP Financial Measure

MD&A OTHER CONSOLIDATED INFORMATION

GECC EFFECTIVE TAX RATE

(Dollars in billions)

GECC ETR	GECC PROVISION (BENEFIT) FOR INCOME TAXES		
	2012	2013	2014
	2012	2013	2014

2014 – 2013 COMMENTARY

The increase in GECC provision for income taxes of \$1.1 billion was primarily attributable to the absence of the significant tax benefit related to the 2013 sale of a portion of Cembra (\$1.0 billion).

The income tax provision also increased due to decreased benefits from lower-taxed global operations including the absence of the 2013 benefits from enactment of the extension of the U.S. tax provision deferring tax on active financial services income (\$0.6 billion).

The increase also reflects higher income taxed at rates above the average rate (\$0.1 billion).

The items increasing tax expense were partially offset by the benefits from the tax efficient disposition of GEMB-Nordic (\$0.3 billion), which is reported in the caption "Tax on global activities including exports" in the effective tax rate reconciliation in Note 14 to the consolidated financial statements in this Form 10-K Report.

2013 – 2012 COMMENTARY

The decrease in GECC provision for income taxes of \$1.5 billion was primarily attributable to increased benefits from lower-taxed global operations (\$1.7 billion), including the significant tax benefit related to the sale of a portion of Cembra (\$1.0 billion), and the 2013 tax benefits related to the extension of the U.S. tax provision deferring tax on active financial services income (\$0.3 billion).

The income tax provision also lower due to benefit from the resolution of the IRS audit of the 2008-2009 tax years and items for other years (\$0.1 billion), which is reported partially in the caption "Tax on global activities including exports" and partially in the caption "All other-net" in the effective tax rate reconciliation in Note 14 to the consolidated financial statements in this Form 10-K Report.

The items lowering the expense were partially offset by the absence of the 2012 benefit attributable to the high tax basis in the entity sold in the Business Property disposition (\$0.3 billion).

GE 2014 FORM 10-K 67

MD&A OTHER CONSOLIDATED INFORMATION

GEOGRAPHIC DATA

Our global activities span all geographic regions and primarily encompass manufacturing for local and export markets, import and sale of products produced in other regions, leasing of aircraft, sourcing for our plants domiciled in other global regions and provision of financial services within these regional economies. Thus, when countries or regions experience currency and/or economic stress, we often have increased exposure to certain risks, but also often have new opportunities that include, among other things, expansion of industrial and financial services activities through purchases of companies or assets at reduced prices and lower U.S. debt financing costs.

Financial results of our non-U.S. activities reported in U.S. dollars are affected by currency exchange. We use a number of techniques to manage the effects of currency exchange, including selective borrowings in local currencies and selective hedging of significant cross-currency transactions. Such principal currencies are the euro, the pound sterling, the Canadian dollar, the Japanese yen, the Australian dollar and the Brazilian real.

REVENUES

Revenues are classified according to the region to which products and services are sold. For purposes of this analysis, the U.S. is presented separately from the remainder of the Americas.

GEOGRAPHIC REVENUES

(Dollars in billions)	2014	2013	2012
U.S.	\$ 70.6	\$ 68.6	\$ 70.5
Non-U.S.			
Europe	25.3	25.3	26.7
Asia	24.0	25.5	24.4
Americas	13.1	13.1	13.2
Middle East and Africa	15.6	13.5	11.9
Total Non-U.S.	78.0	77.4	76.2
Total	\$ 148.6	\$ 146.0	\$ 146.7
Non-U.S. Revenues as a % of Consolidated Revenues	52%	53%	52%

NON-U.S. REVENUES

(Dollars in billions)				V%		
	2014	2013	2012	2014-2013	2013-2012	
GE, excluding GECC	\$ 61.4	\$ 59.0	\$ 57.3	4	% 3	%
GECC	16.6	18.4	19.0	(10)	% (3)	%
Total	\$ 78.0	\$ 77.4	\$ 76.2	1	% 2	%

GE, EXCLUDING GECC, NON-U.S. REVENUES

Edgar Filing: GENERAL ELECTRIC CO - Form 10-K

The increase in GE non-U.S. revenues, excluding GECC, in 2014 was primarily due to increases in growth markets of 15% in Middle East, North Africa and Turkey (MENAT), 29% in sub-Saharan, and 7% in Latin America, partially offset by a decrease of 18% in Australia & New Zealand (ANZ).

The increase in 2013 was primarily due to increases in growth markets of 72% in Algeria, 38% in Sub-Saharan and 7% in China offset by a decrease of 9% in Europe. These revenues as a percentage of GE total revenues, excluding GECC, were 58% in both 2014 and 2013, compared with 57% in 2012.

GE 2014 FORM 10-K 68

MD&A OTHER CONSOLIDATED INFORMATION

The effects of currency fluctuations on reported results were as follows:

Decreased revenues by \$0.5 billion in 2014, primarily driven by the Brazilian real (\$0.2 billion), Canadian dollar (\$0.1 billion) and Japanese yen (\$0.1 billion).

Decreased revenues by \$0.3 billion in 2013, primarily driven by the Japanese yen (\$0.3 billion) and Brazilian real (\$0.2 billion), partially offset by the euro (\$0.4 billion).

Decreased revenues by \$1.9 billion in 2012, primarily driven by the euro (\$1.4 billion) and Brazilian real (\$0.2 billion).

The effects of foreign currency fluctuations on earnings were minimal, with no single currency having a significant impact.

GECC NON-U.S. REVENUES

The decreases in GECC non-U.S. revenues in 2014 and 2013 were primarily a result of decreases in Asia and Europe, respectively. Non-U.S. revenues as a percentage of total revenues were 39% in 2014, and 42% in both 2013 and 2012.

The effects of currency fluctuations on reported results were as follows:

Decreased revenues by \$0.3 billion in 2014, primarily driven by the Australian dollar (\$0.1 billion), Japanese yen (\$0.1 billion), and Canadian dollar (\$0.1 billion).

Decreased revenues by \$0.2 billion in 2013, primarily driven by the Japanese yen (\$0.2 billion).

Decreased revenues by \$0.7 billion in 2012, primarily driven by the euro (\$0.3 billion), Polish zloty (\$0.1 billion), Hungarian forint (\$0.1 billion) and Czech koruna (\$0.1 billion).

The effects of foreign currency fluctuations on earnings were minimal, with no single currency having a significant impact.

ASSETS

We classify certain assets that cannot meaningfully be associated with specific geographic areas as "Other Global" for this purpose.

TOTAL ASSETS (CONTINUING OPERATIONS)

December 31 (In billions)	2014	2013
U.S.	\$ 344.9	\$ 325.4
Non-U.S.		
Europe	180.0	195.1
Asia	45.7	51.8
Americas	28.2	32.9
Other Global	48.3	49.0
Total Non-U.S.	302.2	328.8
Total	\$ 647.1	\$ 654.2

The decrease in total assets of non-U.S. operations on a continuing basis reflected declines in Europe, Asia and Americas due to the strengthening of the U.S. dollar against most major currencies, primarily the euro, the pound sterling and the Japanese yen and dispositions at various businesses.

GE 2014 FORM 10-K 69

MD&A STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION

Because GE and GECC 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 GECC activities in order to permit meaningful analysis of each individual consolidating statement.

MAJOR CHANGES IN OUR FINANCIAL POSITION DURING 2014

GE Cash increased \$2.2 billion driven by the following:

- \$15.2 billion of GE cash flows from operating activities
- \$3.0 billion senior unsecured debt issuance
- \$0.6 billion from business dispositions
- \$(8.9) billion dividends to shareowners
- \$(2.2) billion used to buyback treasury stock under our share repurchase program
 - \$(2.1) billion used to acquire
 - businesses

For additional information on GE Cash, see the Statement of Cash Flows section within the MD&A of this Form 10-K.

Investment securities increased \$3.9 billion reflecting purchases of U.S. government and federal agency securities at Synchrony Financial and higher net unrealized gains in U.S. Corporate and State and Municipal securities driven by lower interest rates in the U.S. See Note 3 to the consolidated financial statements in this Form 10-K Report.

Pre-tax, other-than-temporary impairment losses (OTTI) recognized in earnings were \$0.4 billion and \$0.8 billion in 2014 and 2013, respectively. The 2014 amount primarily relates to other-than temporary impairments on equity securities, corporate debt securities, commercial and residential mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS) and asset-backed securities (ABS). The 2013 amount primarily related to credit losses on corporate debt securities and other-than-temporary impairment on equity securities.

Pre-tax, OTTI recognized in accumulated other comprehensive income were insignificant amounts in both 2014 and 2013.

GECC Financing receivables-net decreased \$16.0 billion. See the following Financing Receivables section for additional information.

GE All other assets increased \$1.0 billion primarily due to an increase in contract costs and estimated earnings at our Power & Water and Aviation businesses of \$1.5 billion, partially offset by the reclassification of Appliances and Signaling balances to assets of businesses held for sale of \$0.5 billion.

GECC All other assets decreased \$3.5 billion as a result of sales of certain real estate investments of \$3.4 billion, a net decrease in equity and cost method investments of \$1.5 billion and a net decrease in advances to suppliers of \$0.9 billion, partially offset by a net increase in assets held for sale of \$2.3 billion.

Deferred income taxes increased \$2.3 billion primarily due to an increased deferred tax asset as a result of the increased postretirement benefit liabilities, partially offset by the impact of the adoption of a new accounting standard, which reduced our deferred tax asset balance. See Note 1 to the consolidated financial statements in this Form 10-K Report.

GE borrowings increased \$3.0 billion. GE completed issuances of \$3.0 billion of senior unsecured debt with maturities up to 30 years and reclassified \$2.0 billion of long-term borrowings to short-term borrowings during the year.

GECC borrowings decreased \$31.0 billion. GECC had net repayments on these borrowings of \$24.9 billion during the year, along with a net \$9.1 billion reduction in the balances driven by the strengthening of the U.S. dollar against all

major currencies.

Bank deposits increased \$9.5 billion primarily due to increases at our banks of \$12.6 billion, including Synchrony Financial of \$9.2 billion, partially offset by the reclassification of Budapest Bank deposits to liabilities of businesses held for sale of \$1.9 billion.

GE 2014 FORM 10-K 70

MD&A STATEMENT OF FINANCIAL POSITION

GE All other liabilities increased \$13.7 billion primarily due to an increase in the postretirement benefit liabilities of \$13.9 billion primarily due to lower discount rate and new mortality assumptions. The impact of these changes was the primary driver for the decrease in accumulated other comprehensive income (loss) – benefit plans of \$7.3 billion. See Notes 12 and 15 to the consolidated financial statements in this Form 10-K Report.

Accumulated other comprehensive income (loss) – currency translation adjustments decreased \$2.6 billion driven by the strengthening U.S. dollar against all major currencies at December 31, 2014 compared with December 31, 2013. This decrease coincides with general decreases in balances of our major asset and liability categories, including: Financing receivables; Property, plant and equipment; Goodwill; Intangible assets; Short-term borrowings and Long-term borrowings.

FINANCING RECEIVABLES

Financing receivables is our largest category of assets and represents one of our primary sources of revenues. Our portfolio of financing receivables is diverse and not directly comparable to major U.S. banks. A discussion of the quality of certain elements of the financing receivables portfolio follows.

Our commercial portfolio primarily comprises senior secured positions with comparatively low loss history. The secured receivables in this portfolio are collateralized by a variety of asset classes, which for our CLL business primarily include: industrial-related facilities and equipment, vehicles, corporate aircraft, and equipment used in many industries, including the construction, manufacturing, transportation, media, communications, entertainment, and healthcare industries. The portfolios in our Real Estate, GECAS and Energy Financial Services businesses are collateralized by commercial real estate, commercial aircraft and operating assets in the global energy and water industries, respectively. We are in a secured position for substantially all of our commercial portfolio.

Our consumer portfolio is composed primarily of non-U.S. mortgage, sales finance, auto and personal loans in various European and Asian countries and U.S. consumer credit card and sales finance receivables.

During the first quarter of 2014, we combined our CLL Europe and CLL Asia portfolios into CLL International and we transferred our CLL Other portfolio to the CLL Americas portfolio. During the fourth quarter of 2014, we combined our Consumer Non-U.S. auto portfolio into our Consumer Non-U.S. installment and revolving credit portfolio. Prior-period amounts were reclassified to conform to the current-period presentation.

Our risk management process includes standards and policies for reviewing major risk exposures and concentrations, and evaluates relevant data either for individual loans or financing leases, or on a portfolio basis, as appropriate.

Loans acquired in a business acquisition are recorded at fair value, which incorporates our estimate at the acquisition date of the credit losses over the remaining life of the portfolio. As a result, the allowance for losses is not carried over at acquisition. This may have the effect of causing lower reserve coverage ratios for those portfolios.

For purposes of the discussion that follows, "delinquent" receivables are those that are 30 days or more past due based on their contractual terms. Loans purchased at a discount are initially recorded at fair value and accrete interest income over the estimated life of the loan based on reasonably estimable cash flows even if the underlying loans are contractually delinquent at acquisition. "Nonaccrual" financing receivables are those on which we have stopped accruing interest. We stop accruing interest at the earlier of the time at which collection of an account becomes

doubtful or the account becomes 90 days past due, with the exception of consumer credit card accounts, for which we continue to accrue interest until the accounts are written off in the period that the account becomes 180 days past due. Recently restructured financing receivables are not considered delinquent when payments are brought current according to the restructured terms, but may remain classified as nonaccrual until there has been a period of satisfactory payment performance by the borrower and future payments are reasonably assured of collection.

GE 2014 FORM 10-K 71

MD&A STATEMENT OF FINANCIAL POSITION

Further information on the determination of the allowance for losses on financing receivables and the credit quality and categorization of our financing receivables is provided in the "Critical Accounting Estimates" section within MD&A section and Notes 6 and 27 to the consolidated financial statements in this Form 10-K Report.

FINANCING RECEIVABLES AND ALLOWANCE FOR LOSSES

December 31 (Dollars in millions)	2014	2013	
Financing receivables	\$242,093	\$258,207	
Nonaccrual receivables	5,225	(a) 7,915	
Allowance for losses	5,075	5,178	
Nonaccrual financing receivables as a percent of financing receivables	2.2	%	3.1 %
Allowance for losses as a percent of nonaccrual financing receivables	97.1		65.4
Allowance for losses as a percent of total financing receivables	2.1		2.0

(a) Of our \$5.2 billion of nonaccrual loans at December 31, 2014, \$2.7 billion are currently paying in accordance with the contractual terms.

Financing receivables, before allowance for losses, decreased \$16.1 billion from December 31, 2013, primarily as a result of the stronger U.S. dollar (\$7.7 billion), the reclassification of Budapest Bank to assets of businesses held for sale and the sale of GEMB-Nordic (\$5.3 billion), write-offs (\$5.1 billion) and transfers to assets held for sale and equipment leased to others (\$3.1 billion), partially offset by originations exceeding collections (which includes sales) (\$5.7 billion).

Nonaccrual receivables decreased \$2.7 billion from December 31, 2013 primarily due to payoffs, collections and write-offs in our Real Estate and CLL portfolios and asset sales and resolutions in Consumer, primarily in our U.K. portfolio.

Allowance for losses decreased \$0.1 billion from December 31, 2013. Allowance for losses decreased at Commercial and Real Estate, primarily as a result of write-offs and resolutions. These decreases were offset by increases at Consumer, primarily as a result of an increase in the projected net write-offs over the next 12 months in the U.S. consistent with the growth of related financing receivables, partially offset by the reclassification of Budapest Bank to assets of business held for sale and the sale of GEMB-Nordic. The allowance for losses as a percent of total financing receivables increased from 2.0% at December 31, 2013 to 2.1% at December 31, 2014 reflecting decreases in both the allowance for losses and the overall financing receivables balance as discussed above.

For additional information related to the portfolio of financing receivables, refer to the General Electric Capital Corporation annual report on Form 10-K for the year ended December 31, 2014.

MD&A FINANCIAL RESOURCES AND LIQUIDITY

FINANCIAL RESOURCES AND LIQUIDITY

LIQUIDITY AND BORROWINGS

We maintain a strong focus on liquidity. At both GE and GECC 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 GECC 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 GECC, and also have historically maintained a commercial paper program that we regularly use to fund operations in the U.S., principally within fiscal quarters.

GECC's liquidity position is targeted to meet its obligations under both normal and stressed conditions. GECC establishes a funding plan annually that is based on the projected asset size and cash needs of the Company, which, over the past few years, has incorporated our strategy to reduce our ending net investment in GE Capital. GECC relies on a diversified source of funding, including 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. We also rely on cash generated through collection of principal, interest and other payments on our existing portfolio of loans and leases to fund its operating and interest expense costs.

Our 2015 GECC funding plan anticipates repayment of principal on outstanding short-term borrowings, including the current portion of long-term debt (\$38.0 billion at December 31, 2014), through issuance of long-term debt and reissuance of commercial paper, cash on hand, dispositions, asset sales, and deposits and other alternative sources of funding. Long-term maturities and early redemptions were \$41.3 billion in 2014. Interest on borrowings is primarily repaid through interest earned on existing financing receivables. During 2014, GECC earned interest income on financing receivables of \$18.7 billion, which more than offset interest and other financial charges of \$8.4 billion.

We maintain a detailed liquidity policy for GECC that requires GECC to maintain a contingency funding plan. The liquidity policy defines GECC's liquidity risk tolerance under different stress scenarios based on its liquidity sources and also establishes procedures to escalate potential issues. We actively monitor GECC'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.

MD&A FINANCIAL RESOURCES AND LIQUIDITY

LIQUIDITY SOURCES

We maintain liquidity sources that consist of cash and equivalents of \$90.2 billion, committed unused credit lines of \$44.9 billion and high-quality, liquid investments of \$1.2 billion.

CONSOLIDATED CASH AND EQUIVALENTS

December 31 (In billions)	2014		2014
GE(a)	\$ 15.9	U.S.	\$29.1
GECC(b)	74.3	Non-U.S.(c)	61.1
Total	\$ 90.2	Total	\$90.2

(a) At December 31, 2014, \$2.8 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 December 31, 2014, GECC cash and equivalents of about \$20.0 billion were in regulated banks and insurance entities and were subject to regulatory restrictions.

Of this amount at December 31, 2014, \$12.2 billion was considered indefinitely reinvested. Indefinitely reinvested cash held outside of the U.S. 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. (c) 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 indefinitely reinvested cash held outside the U.S., we would be subject to additional U.S. income taxes and foreign withholding taxes.

COMMITTED UNUSED CREDIT LINES

December 31 (In billions)	2014
Revolving credit agreements (exceeding one year)	\$25.1
Revolving credit agreements (364-day line)(a)	19.8
Total(b)	\$44.9

(a) Included \$19.3 billion that contains a term-out feature that allows us to extend borrowings for two years from the date on which such borrowings would otherwise be due.

(b) Total committed unused credit lines were extended to us by 50 financial institutions. GECC can borrow up to \$44.4 billion under these credit lines. GE can borrow up to \$14.2 billion under certain of these credit lines.

FUNDING PLAN

We reduced our GE Capital ENI, excluding liquidity, to \$363 billion at December 31, 2014.

Edgar Filing: GENERAL ELECTRIC CO - Form 10-K

During 2014, GE completed issuances of \$3.0 billion of senior unsecured debt with maturities up to 30 years. GECC completed issuances of \$9.5 billion of senior unsecured debt (excluding securitizations described below) with maturities up to 40 years (and subsequent to December 31, 2014 through February 13, 2015, an additional \$8.1 billion). In addition, in August 2014, Synchrony Financial completed issuances of \$3.6 billion of senior unsecured debt with maturities up to 10 years and \$8.0 billion of unsecured term loans maturing in 2019, and in October 2014 completed issuances of \$0.8 billion unsecured term loans maturing in 2019 under the New Bank Term Loan Facility with third party lenders. Subsequent to December 31, 2014 through February 13, 2015, Synchrony Financial issued an additional \$1.0 billion of senior unsecured debt maturing in 2020.

COMMERCIAL PAPER

(In billions)	GE	GECC
Average commercial paper borrowings during the fourth quarter of 2014	\$ 8.1	\$ 25.0
Maximum commercial paper borrowings outstanding during the fourth quarter of 2014	10.6	25.1

GE 2014 FORM 10-K 74

MD&A FINANCIAL RESOURCES AND LIQUIDITY

GECC commercial paper maturities are 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. During 2014, we completed \$11.1 billion of non-recourse issuances and \$11.3 billion of non-recourse borrowings matured. At December 31, 2014, consolidated non-recourse securitization borrowings were \$29.9 billion.

We have nine deposit-taking banks outside of the U.S. and two deposit-taking banks in the U.S. – Synchrony Bank (formerly GE Capital Retail Bank), a Federal Savings Bank (FSB), and GE Capital Bank, an industrial bank (IB). The FSB and IB currently issue certificates of deposit (CDs) in maturity terms up to 10 years.

ALTERNATIVE FUNDING

(In billions)

Total alternative funding at December 31, 2013	\$ 107.5
Total alternative funding at December 31, 2014	117.8
Bank deposits	62.8
Non-recourse securitization borrowings	29.9
Funding secured by real estate, aircraft and other collateral	6.0
GE Interest Plus notes (including \$0.1 billion of current long-term debt)	5.6
Bank unsecured	13.5

As a matter of general practice, we routinely evaluate the economic impact of calling debt instruments where GECC has the right to exercise a call. In determining whether to call debt, we consider the economic benefit to GECC of calling debt, the effect of calling debt on GECC's liquidity profile and other factors. During 2014, we called \$0.4 billion of long-term debt.

EXCHANGE RATE AND INTEREST RATE RISKS

Exchange rate and interest rate risks are managed with a variety of techniques, including match funding and selective use of derivatives. We use derivatives to mitigate or eliminate certain financial and market risks because we conduct business in diverse markets around the world and local funding is not always efficient. In addition, we use derivatives to adjust the debt we are issuing to match the fixed or floating nature of the assets we are originating. We apply strict policies to manage each of these risks, including prohibitions on speculative activities. Following is an analysis of the potential effects of changes in interest rates and currency exchange rates using so-called "shock" tests that seek to model the effects of shifts in rates. Such tests are inherently limited based on the assumptions used (described further below) and should not be viewed as a forecast; actual effects would depend on many variables, including market factors and the composition of the Company's assets and liabilities at that time.

It is our policy to minimize exposure to interest rate changes. We fund our financial investments using debt or a combination of debt and hedging instruments so that the interest rates of our borrowings match the expected interest rate profile on our assets. To test the effectiveness of our hedging actions, we assumed that, on January 1, 2015,

interest rates decreased by 100 basis points across the yield curve (a "parallel shift" in that curve) and further assumed that the decrease remained in place for the next 12 months. Based on the year-end 2014 portfolio and holding all other assumptions constant, we estimated that our consolidated net earnings for the next 12 months, starting in January 2015, would decline by less than \$0.1 billion as a result of this parallel shift in the yield curve.

GE 2014 FORM 10-K 75

MD&A FINANCIAL RESOURCES AND LIQUIDITY

It is our policy to minimize currency exposures and to conduct operations either within functional currencies or using the protection of hedge strategies. We analyzed year-end 2014 consolidated currency exposures, including derivatives designated and effective as hedges, to identify assets and liabilities denominated in other than their relevant functional currencies. For such assets and liabilities, we then evaluated the effects of a 10% shift in exchange rates between those currencies and the U.S. dollar, holding all other assumptions constant. This analysis indicated that our 2015 consolidated net earnings would decline by less than \$0.1 billion as a result of such a shift in exchange rates. This analysis excludes any translation impact from changes in exchange rates on our financial results.

DEBT AND DERIVATIVE INSTRUMENTS, GUARANTEES AND COVENANTS

CREDIT RATINGS

As of December 31, 2014, GE's and GECC's long-term unsecured debt ratings from Standard and Poor's Ratings Service (S&P) were AA+ with a stable outlook and their short-term funding ratings from S&P were A-1+. We are disclosing these ratings to enhance understanding of our sources of liquidity and the effects of our ratings on our costs of funds. Although we currently do not expect a downgrade in the credit ratings, our ratings may be subject to a revision or withdrawal at any time by the assigning rating organization, and each rating should be evaluated independently of any other rating.

PRINCIPAL DEBT AND DERIVATIVE CONDITIONS

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

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

Swap, forward and option contracts are executed under standard master agreements that typically contain mutual downgrade provisions that provide the ability of the counterparty to require termination if the long-term credit ratings of the applicable GE entity were to fall below A-/A3. In certain of these master agreements, the counterparty also has the ability to require termination if the short-term ratings of the applicable GE entity were to fall below A-1/P-1. The net derivative liability after consideration of netting arrangements, outstanding interest payments and collateral posted by us under these master agreements was estimated to be \$0.5 billion at December 31, 2014. See Note 22 to the consolidated financial statements in this Form 10-K Report.

Other debt and derivative agreements of consolidated entities include Trinity, which comprises two entities that hold investment securities, the majority of which are investment grade, and were funded by the issuance of guaranteed investment contracts (GICs). These GICs include conditions under which certain holders could require immediate repayment of their investment should the long-term credit ratings of GECC fall below AA-/Aa3 or the short-term

credit ratings fall below A-1+/P-1, and are reported in investment contracts, insurance liabilities and insurance annuity benefits. The Trinity assets and liabilities are disclosed in note (a) on our Statement of Financial Position in the consolidated financial statements of this Form 10-K Report. Another consolidated entity also had issued GICs where proceeds are loaned to GECC. These GICs included conditions under which certain holders could require immediate repayment of their investment should the long-term credit ratings of GECC fall below AA-/Aa3. These obligations are included in the caption "long-term borrowings" on our Statement of Financial Position in the consolidated financial statements in this Form 10-K Report. These three consolidated entities ceased issuing GICs in 2010.

MD&A FINANCIAL RESOURCES AND LIQUIDITY

RATIO OF EARNINGS TO FIXED CHARGES, INCOME MAINTENANCE AGREEMENT AND SUBORDINATED DEBENTURES

GE provides implicit and explicit support to GECC through commitments, capital contributions and operating support. For example, and as discussed below, GE has committed to keep GECC's ratio of earnings to fixed charges above a minimum level. GECC's credit rating is higher than it would be on a stand-alone basis as a result of this financial support. GECC currently does not pay GE for this support.

Under an agreement between GE and GECC, GE will make payments to GECC, constituting additions to pre-tax income under the agreement (which increases equity), to the extent necessary to cause the ratio of earnings to fixed charges of GECC and consolidated affiliates (determined on a consolidated basis) to be not less than 1.10:1 for the period, as a single aggregation, of each GECC fiscal year commencing with fiscal year 1991. GECC's ratio of earnings to fixed charges was 1.84:1 for 2014. No payment for 2014 was required pursuant to this agreement. On February 24, 2015, GE and GECC amended this agreement, effective beginning in 2015, to exclude non-cash charges attributable to goodwill and intangibles (which are excluded from regulatory capital calculations) for purposes of calculating GECC's ratio of earnings to fixed charges. The amended agreement is filed as Exhibit 10(y) hereto and is hereby incorporated by reference.

In addition, in connection with certain subordinated debentures of GECC that may be classified as equity (hybrid debt), during events of default or interest deferral periods under such subordinated debentures, GECC has agreed not to declare or pay any dividends or distributions or make certain other payments with respect to its capital stock, and GE has agreed to promptly return any payments made to GE in violation of this agreement. There were \$7.1 billion of such debentures outstanding at December 31, 2014. See Note 10 to the consolidated financial statements in this Form 10-K Report.

GE 2014 FORM 10-K 77

MD&A FINANCIAL RESOURCES AND LIQUIDITY

STATEMENT OF CASH FLOWS – OVERVIEW FROM 2012 THROUGH 2014

CONSOLIDATED CASH FLOWS

We evaluate our cash flow performance by reviewing our industrial (non-financial services) businesses and financial services 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. Our financial services businesses use a variety of financial resources to meet our capital needs. Cash for financial services businesses is primarily provided from the issuance of term debt and commercial paper in the public and private markets and deposits, as well as financing receivables collections, sales and securitizations.

GE CASH FLOWS

OPERATING	INVESTING	FINANCING
CASH	CASH	CASH
FLows	FLows	FLows

2012	2013	2014	2012	2013	2014	2012	2013	2014
------	------	------	------	------	------	------	------	------

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. See the Intercompany Transactions and Eliminations section for information related to transactions between GE and GECC. 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 GECC, including special dividends, represent the distribution of a portion of GECC retained earnings, and are distinct from cash from continuing operations within the financial services businesses. The amounts included in GE CFOA are the total dividends, including special dividends from excess capital.

MD&A FINANCIAL RESOURCES AND LIQUIDITY

2014–2013 COMMENTARY

GE cash from operating activities increased \$0.9 billion primarily due to the following:

An increase of operating cash collections of \$4.9 billion to \$109.7 billion in 2014. This increase is consistent with comparable GE segment revenue increases from sales of goods and services and higher collections on current receivables. These increases were partially offset by a decrease in progress collections.

This increase is partially offset by an increase of operating cash payments of \$1.0 billion to \$97.5 billion in 2014 consistent with cost and expense increases, which was partially offset by the non-recurrence of payments made in 2013, including NBCU LLC deal-related tax payments, and payouts under our long-term incentive plan.

Further, GECC paid dividends totaling \$3.0 billion and \$6.0 billion to GE, including special dividends of \$1.0 billion and \$4.1 billion in 2014 and 2013, respectively.

GE cash used for investing activities was \$5.9 billion in 2014, compared with cash from investing activities of \$4.8 billion in 2013, a decrease of \$10.7 billion primarily due to the following:

2013 proceeds of \$16.7 billion from the sale of our remaining 49% common equity interest in NBCU LLC to Comcast Corporation.

This was partially offset by lower business acquisition activity of \$5.9 billion primarily driven by the 2014 acquisitions of Thermo Fisher for \$1.1 billion, Cameron's Reciprocating Compression Division for \$0.6 billion, and API for \$0.3 billion compared with the 2013 acquisitions of Avio for \$4.4 billion and Lufkin for \$3.3 billion.

GE cash used for financing activities decreased \$14.2 billion primarily due to the following:

A decrease in net repurchases of GE shares for treasury in accordance with our share repurchase program of \$8.1 billion.

The 2013 repayment of \$5.0 billion of GE unsecured notes compared with the issuance of \$3.0 billion of unsecured notes in 2014.

These decreases were partially offset by an increase in the dividends paid to shareowners of \$1.0 billion.

2013–2012 COMMENTARY

GE cash from operating activities decreased \$3.5 billion primarily due to the following:

A decrease of operating cash collections of \$0.6 billion to \$104.8 billion in 2013. The decrease is consistent with a decrease in collections on long-term contracts and increases in current receivables, partially offset by increased progress collections and improved segment revenues.

GE operating cash payments increased by \$2.5 billion to \$96.5 billion in 2013. The increase is consistent with NBCU deal-related tax payments and payouts under our long-term incentive plan, partially offset by the non-recurrence of principal pension plan funding in 2012.

Additionally, GECC paid dividends totaling \$6.0 billion and \$6.4 billion to GE, including special dividends of \$4.1 billion and \$4.5 billion in 2013 and 2012, respectively.

GE cash from investing activities of \$4.8 billion in 2013, compared with cash used for investing activities of \$5.4 billion in 2012, an increase of \$10.2 billion primarily due to the following:

2013 proceeds of \$16.7 billion from the sale of our remaining 49% common equity interest in NBCU LLC to Comcast.

This was partially offset by the 2013 acquisitions of Avio for \$4.4 billion and Lufkin for \$3.3 billion.

Edgar Filing: GENERAL ELECTRIC CO - Form 10-K

GE cash used for financing activities increased \$15.6 billion primarily due to the following:

The 2013 repayment of \$5.0 billion of GE unsecured notes compared with an issuance of \$7.0 billion of unsecured notes in 2012.

An increase in net repurchases of GE shares for treasury in accordance with our share repurchase program of \$5.1 billion.

An increase in dividends paid to shareowners of \$0.6 billion in 2013.

GE 2014 FORM 10-K 79

MD&A FINANCIAL RESOURCES AND LIQUIDITY

GECC CASH FLOWS

OPERATING	INVESTING	FINANCING
CASH	CASH	CASH
FLows	FLows	FLows

2012	2013	2014	2012	2013	2014	2012	2013	2014
------	------	------	------	------	------	------	------	------

2014–2013 COMMENTARY

GECC cash from operating activities decreased \$2.1 billion primarily due to the following:

A net decrease in tax activity of \$3.9 billion driven by net tax payments in 2014 compared with net tax refunds in 2013.

A decrease in cash generated from lower net earnings from continuing operations of \$0.9 billion.

These decreases were partially offset by a \$3.0 billion increase in net cash collateral activity with counterparties on derivative contracts.

GECC cash used for investing activities was \$0.8 billion in 2014, compared with cash from investing activities of \$23.4 billion in 2013, a decrease of \$24.2 billion primarily due to the following:

A net decrease in financing receivables activity of \$9.3 billion driven by net originations of financing receivables in 2014 of \$5.7 billion, compared with net collections (which includes sales) of financing receivables of \$3.6 billion in 2013.

The 2013 acquisition of MetLife Bank, N.A., resulting in net cash provided of \$6.4 billion.

Lower proceeds from sales of real estate properties of \$4.8 billion.

A net decrease in investment securities activity of \$2.8 billion driven by net purchases of \$1.1 billion in 2014, compared with net sales of \$1.7 billion in 2013.

GECC cash used for financing activities decreased \$15.8 billion primarily due to the following:

A net increase in deposits at our banks of \$11.1 billion.

Lower dividends paid to GE driven by dividends totaling \$3.0 billion and \$6.0 billion, including special dividends of \$1.0 billion and \$4.1 billion in 2014 and 2013, respectively.

2014 proceeds received from the initial public offering of Synchrony Financial of \$2.8 billion.

MD&A FINANCIAL RESOURCES AND LIQUIDITY

2013–2012 COMMENTARY

GECC cash from operating activities decreased \$1.9 billion primarily due to the following:

A decrease in net cash collateral activity with counterparties on derivative contracts of \$5.2 billion.

This decrease was partially offset by an increase in net tax activity of \$2.5 billion driven by net tax refunds in 2013, compared with net tax payments in 2012 and increased cash generated from higher net earnings from continuing operations of \$0.9 billion.

GECC cash from investing activities increased \$8.7 billion primarily due to the following:

Higher proceeds from sales of real estate properties of \$7.3 billion.

The 2013 acquisition of MetLife Bank, N.A., resulting in net cash provided of \$6.4 billion.

Lower net loan repayments from our equity method investments of \$4.9 billion.

Lower collections (which includes sales) exceeding originations of financing receivables of \$1.9 billion.

GECC cash used for financing activities decreased \$23.0 billion primarily due to the following:

Lower net repayments of borrowings, consisting primarily of net reductions in long-term borrowings and commercial paper of \$24.0 billion.

Lower redemptions of guaranteed investment contracts of \$2.3 billion.

Beginning in the second quarter of 2012, GECC restarted its dividend to GE. GECC paid dividends totaling \$6.0 billion and \$6.4 billion to GE, including special dividends of \$4.1 billion and \$4.5 billion in 2013 and 2012, respectively.

These decreases were partially offset by lower proceeds from the issuance of preferred stock of \$3.0 billion.

INTERCOMPANY TRANSACTIONS AND ELIMINATIONS

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

GE sells customer receivables to GECC in part to fund the growth of our industrial businesses. These transactions can result in cash generation or cash use. During any given period, GE receives cash from the sale of receivables to GECC. It also foregoes collection of cash on receivables sold. 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 incremental cash generated in GE CFOA from selling these receivables to GECC increased GE's CFOA by \$2.2 billion, \$0.1 billion and \$1.9 billion in 2014, 2013 and 2012, respectively.

See Note 26 to the consolidated financial statements in this Form 10-K Report for additional information about the eliminations of intercompany transactions between GE and GECC.

MD&A FINANCIAL RESOURCES AND LIQUIDITY

CONTRACTUAL OBLIGATIONS

As defined by reporting regulations, our contractual obligations for future payments as of December 31, 2014, follow.

(In billions)	Payments due by period				2020 and thereafter
	Total	2015	2016-2017	2018-2019	
Borrowings and bank deposits (Note 10)	\$ 365.0	\$ 118.9	\$ 93.6	\$ 51.8	\$ 100.7
Interest on borrowings and bank deposits	83.6	8.2	13.1	10.6	51.7
Purchase obligations(a)(b)	55.7	27.6	9.5	9.0	9.6
Insurance liabilities (Note 11)(c)	12.6	1.3	2.2	1.6	7.5
Operating lease obligations (Note 19)	4.1	0.8	1.3	0.9	1.1
Other liabilities(d)	84.2	17.1	7.8	6.9	52.4
Contractual obligations of discontinued operations(e)	1.2	1.2	-	-	-

(a) Included all take-or-pay arrangements, capital expenditures, contractual commitments to purchase equipment that will be leased to others, contractual commitments related to factoring agreements, software acquisition/license commitments, contractual minimum programming commitments and any contractually required cash payments for acquisitions.

(b) Excluded funding commitments entered into in the ordinary course of business by our financial services businesses. Further information on these commitments and other guarantees is provided in Note 24 to the consolidated financial statements in this Form 10-K Report.

(c) Included contracts with reasonably determinable cash flows such as structured settlements, guaranteed investment contracts, and certain property and casualty contracts, and excluded long-term care, variable annuity and other life insurance contracts.

(d) Included an estimate of future expected funding requirements related to our postretirement benefit plans and included liabilities for unrecognized tax benefits. Because their future cash outflows are uncertain, the following non-current liabilities are excluded from the table above: deferred taxes, derivatives, deferred revenue and other sundry items. For further information on certain of these items, see Notes 14 and 22 to the consolidated financial statements in this Form 10-K Report.

(e) Included payments for other liabilities.

MD&A EXPOSURES

EXPOSURES

GECC SELECTED EUROPEAN EXPOSURES

At December 31, 2014, we had \$65.4 billion in financing receivables to consumer and commercial customers in Europe. The GECC financing receivables portfolio in Europe is well diversified across European geographies and customers. Approximately 92% of the portfolio is secured by collateral and represents approximately 500,000 commercial customers. Several European countries, including Spain, Portugal, Ireland, Italy, Greece and Hungary (focus countries), have been subject to credit deterioration due to weaknesses in their economic and fiscal situations. The carrying value of GECC funded exposures in these focus countries and in the rest of Europe comprised the following at December 31, 2014.

December 31, 2014 (In millions)	Spain	Portugal	Ireland	Italy	Greece	Hungary	Rest of Europe	Total Europe
Financing receivables, before allowance for losses on financing receivables	\$ 1,290	\$ 206	\$ 401	\$ 6,089	\$ 3	\$ 491	\$ 57,800	\$ 66,280
Allowance for losses on financing receivables	(72)	(16)	(41)	(149)	-	-	(616)	(894)
Financing receivables, net of allowance for losses on financing receivables(a)(b)	1,218	190	360	5,940	3	491	57,184	65,386
Investments(c)(d)	3	-	-	411	-	-	1,707	2,121
Cost and equity method investments(e)	-	-	478	56	32	-	1,579	2,145
Derivatives, net of collateral(c)(f)	2	-	-	49	-	-	220	271
Equipment leased to others (ELTO)(g)	493	210	62	665	230	231	9,840	11,731
Real estate held for investment(g)	539	-	-	385	-	-	3,138	4,062
Total funded exposures(h)(i)(j)								