

GENERAL ELECTRIC CO
Form 10-K
February 26, 2019

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, 2018
or

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 001-00035
General Electric Company
(Exact name of registrant as specified in charter)

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

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

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

02210 (617) 443-3000
(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 every Interactive Data File required to be submitted 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 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 incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Non-accelerated filer Smaller reporting company
Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No
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 \$116.2 billion. There were 8,705,080,100 shares of voting common stock with a par value of \$0.06 outstanding at January 31, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

The definitive proxy statement relating to the registrant's Annual Meeting of Shareowners, to be held May 8, 2019, is incorporated by reference into Part III to the extent described therein.

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FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS

Our public communications and SEC filings may contain "forward-looking statements" - that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and financial condition, and often contain words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "see," "will," "would," "estimate," "forecast," "target," "preliminary," or "range."

Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as statements about potential business or asset dispositions, including the planned sale of our BioPharma business within our Healthcare segment and plans to exit our equity ownership positions in Baker Hughes, a GE company (BHGE) and Wabtec, and the expected benefits to GE; our strategy and plans for the remaining portion of our Healthcare business, and the characteristics of that business in the future; capital allocation plans; GE's and GE Capital's capital structure, liquidity and access to funding; our de-leveraging plans, including leverage ratios and targets, the timing and nature of specific actions to reduce indebtedness, credit ratings and credit outlooks; divestiture proceeds expectations; future charges and capital contributions that may be required in connection with GE Capital's run-off insurance operations or other GE Capital portfolio actions; revenues; organic growth; cash flows and cash conversion, including the impact of working capital, contract assets and pension funding contributions; earnings per share; future business growth and productivity gains; profit margins; the benefits of restructuring and other transformational internal actions; our businesses' cost structures and plans to reduce costs; restructuring, goodwill impairment or other financial charges; tax rates; or returns on capital and investment.

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

- our success in executing and completing, including obtaining regulatory approvals and satisfying other closing conditions for, announced GE Industrial and GE Capital business or asset dispositions or other transactions, including the planned sale of our BioPharma business within our Healthcare segment and plans to exit our equity ownership positions in BHGE and Wabtec, the timing of closing for those transactions and the expected proceeds and benefits to GE;

- our strategy and plans for the remaining portion of our Healthcare business, including the structure, form, timing and nature of potential actions with respect to that business in the future and the characteristics of the business going forward;

- our capital allocation plans, as such plans may change including with respect to de-leveraging actions, the timing and amount of GE dividends, organic investments, and other priorities;

- further downgrades of our current short- and long-term credit ratings or ratings outlooks, or changes in rating application or methodology, and the related impact on our liquidity, funding profile, costs and competitive position;

- GE's liquidity and the amount and timing of our GE Industrial cash flows and earnings, which may be impacted by customer, competitive, contractual and other dynamics and conditions;

- GE Capital's capital and liquidity needs, including in connection with GE Capital's run-off insurance operations, the amount and timing of required capital contributions, strategic actions that we may pursue, WMC-related claims, liabilities and payments, the impact of conditions in the financial and credit markets on GE Capital's ability to sell financial assets, GE Capital's leverage and credit ratings, the availability and cost of GE Capital funding and GE Capital's exposure to counterparties;

- customer actions or market developments such as secular and cyclical pressures in our Power business, pricing pressures in the renewable energy market, other shifts in the competitive landscape for our products and services, changes in economic conditions, including oil prices, early aircraft retirements and other factors that may affect the level of demand and financial performance of the major industries and customers we serve;

- operational execution by our businesses, including our ability to improve the operations and execution of our Power business, and the continued strength of our Aviation business;

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changes in law, economic and financial conditions, including the effect of enactment of U.S. tax reform or other tax law changes, trade policy and tariffs, interest and exchange rate volatility, commodity and equity prices and the value of financial assets;

our decisions about investments in new products, services and platforms, and our ability to launch new products in a cost-effective manner;

our ability to increase margins through implementation of operational changes, restructuring and other cost reduction measures;

the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks, including the impact of WMC, Alstom, SEC and other investigative and legal proceedings;

our success in integrating acquired businesses and operating joint ventures, and our ability to realize revenue and cost synergies from announced transactions, acquired businesses and joint ventures;

the impact of potential product failures and related reputational effects;

- the impact of potential information technology, cybersecurity or data security breaches;

the other factors that are described in "Forward-Looking Statements" in BHGE's most recent earnings release or SEC filings; and

the other factors that are described in the Risk Factors section of this Form 10-K report.

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

ABOUT GENERAL ELECTRIC

ABOUT GENERAL ELECTRIC

We are a leading global high-tech industrial company. With products and services ranging from aircraft engines, power generation and oil and gas production equipment to medical imaging, financing and industrial products, we serve customers in over 180 countries and employ approximately 283,000 people worldwide. Manufacturing operations are carried out at 162 manufacturing plants located in 34 states in the United States and Puerto Rico and at 297 manufacturing plants located in 41 other countries. 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.

OUR INDUSTRIAL OPERATING SEGMENTS

Power Oil & Gas Lighting
Renewable Energy Healthcare
Aviation Transportation

OUR FINANCIAL SERVICES OPERATING SEGMENT

Capital

Business, operation and financial overviews for our operating segments are provided in the Segment Operations section within the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section.

In 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 GE Capital engages are subject to competition from various types of financial institutions.

As a diverse global company, we are affected by world economies, instability in certain regions, commodity prices, such as the price of oil, foreign currency volatility and policies regarding trade and imports. 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,
- many of our products are subject to a number of regulatory standards and changing end markets, including shifts in energy sources and demand and the impact of technology changes. In particular, Power markets have been particularly challenging as significant overcapacity in the industry has resulted in decreased utilization of our power equipment, lower market penetration, increased price concessions, uncertain timing of deal closures due to financing and the complexities of working in emerging markets as well as increasing energy efficiency and renewable energy penetration. See the Power segment section within MD&A for further information.

At year-end 2018, General Electric Company and consolidated affiliates employed approximately 283,000 people, of whom approximately 97,000 were employed in the United States.

Approximately 9,900 GE and GE affiliate manufacturing and service employees in the United States are represented for collective bargaining purposes by a union. 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.

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In June 2015, GE negotiated four-year collective bargaining agreements with most of its U.S. unions (including the IUE-CWA) and these agreements are scheduled to terminate in June 2019. GE will hold negotiations to enter into new agreements that month. While the outcome of the 2019 negotiations cannot be predicted, GE's recent past negotiations have resulted in agreements that provide employees with good wages and benefits while addressing the competitive realities facing GE.

General Electric's address is 1 River Road, Schenectady, NY 12345-6999; we also maintain executive offices at 41 Farnsworth Street, Boston, MA 02210.

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ABOUT GENERAL ELECTRIC

GE's Internet address at www.ge.com, Investor Relations website at www.ge.com/investor-relations and our corporate blog at www.gereports.com, as well as GE's Facebook page, Twitter accounts and other social media, including @GE_Reports, contain a significant amount of information about GE, including financial and other information for investors. GE encourages investors to visit these websites from time to time, as information is updated and new information is posted. Additional information on non-financial matters, including environmental and social matters and our integrity policies, is available at www.ge.com/sustainability. Website references in this report are provided as a convenience and do not constitute, and should not be viewed as, incorporation by reference of the information contained on, or available through, the websites. Therefore, such information should not be considered part of this report.

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/events-reports, 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, 41 Farnsworth Street, Boston, MA 02210. Reports filed with the SEC may be viewed at www.sec.gov.

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

The consolidated financial statements of General Electric Company (the Company) combine the industrial manufacturing and services businesses of General Electric Company (GE) with the financial services businesses of GE Capital Global Holdings, LLC (GE Capital or Financial Services) and are prepared in conformity with U.S. generally accepted accounting principles (GAAP).

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 GE Industrial operations separately from our Financial Services operations. We believe that this provides useful information to investors. When used in this report, unless otherwise indicated by the context, we use the terms to mean the following:

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

• GE – the adding together of all affiliates except GE Capital, whose continuing operations are presented on a one-line basis, giving effect to the elimination of transactions among such affiliates. As GE presents the continuing operations of GE Capital on a one-line basis, certain intercompany profits resulting from transactions between GE and GE Capital have been eliminated at the GE level. We present the results of GE in the center column of our consolidated Statements of Earnings (loss), Financial Position and Cash Flows. An example of a GE metric is GE Industrial free cash flows (Non-GAAP).

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

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

• GE Capital or Financial Services – refers to GECGH and is the adding together of all affiliates of GE Capital giving effect to the elimination of transactions among such affiliates. We present the results of GE Capital in the right-side column of our consolidated Statements of Earnings (Loss), Financial Position and Cash Flows.

• GE consolidated – the adding together of GE and GE Capital, giving effect to the elimination of transactions between the two. We present the results of GE consolidated in the left-side column of our consolidated Statements of Earnings (Loss), Financial Position and Cash Flows.

• GE Industrial – GE excluding the continuing operations of GE Capital. We believe that this provides investors with a view as to the results of our industrial businesses and corporate items. An example of a GE Industrial metric is GE Industrial free cash flows (Non-GAAP).

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

Baker Hughes, a GE company or BHGE – following the combination of our Oil & Gas business with Baker Hughes Incorporated, our Oil & Gas segment comprises our ownership interest of approximately 50.4% in the new company formed in the transaction, Baker Hughes, a GE company (BHGE). We consolidate 100% of BHGE's revenues and cash flows, while our Oil & Gas segment profit and net income are derived net of minority interest of approximately 49.6% attributable to BHGE's Class A shareholders. References to "Baker Hughes" represent legacy Baker Hughes Incorporated operating activities which, in certain cases, have been excluded from our results for comparative purposes.

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

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MD&A

ORGANIC

We integrate acquisitions as quickly as possible. Revenues and earnings from the date we complete the acquisition through the end of the fourth quarter following the acquisition are considered the acquisition effect of such businesses. However, in the case of BHGE, which was acquired on July 3, 2017, we consider the results to be organic as of the third quarter of 2018.

ROUNDING

Amounts reported in billions in graphs within this report are computed based on the amounts in millions. As a result, the sum of the components reported in billions may not equal the total amount reported in billions due to rounding. Certain columns and rows within the tables may not add due to the use of rounded numbers. Percentages presented are calculated from the underlying numbers in millions. Discussions throughout this MD&A are based on continuing operations unless otherwise noted. The MD&A should be read in conjunction with the Financial Statements and Notes to the consolidated financial statements.

OTHER TERMS USED BY GE

FINANCIAL TERMS

- Continuing earnings – we refer to the caption “earnings from continuing operations attributable to GE common shareowners” as continuing earnings.

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

- GE Cash Flows from Operating Activities (GE CFOA) - unless otherwise indicated, GE CFOA is from continuing operations.

- GE Industrial profit margin (GAAP) – GE total revenues plus other income minus GE total costs and expenses divided by GE total revenues.

- Net earnings (loss) – we refer to the caption “net earnings attributable to GE common shareowners” as net earnings.

- Net earnings (loss) per share (EPS) – when we refer to net earnings per share, it is the diluted per-share amount of “net earnings attributable to GE common shareowners.”

- Non-GAAP Financial Measures – In the accompanying analysis of financial information, we sometimes use information derived from consolidated financial data but not presented in our financial statements prepared in accordance with GAAP. Certain of these data are considered “non-GAAP financial measures” under SEC rules. See the Non-GAAP Financial measures section within this MD&A for reconciliations.

- Segment profit – refers to the profit of the industrial segments, which includes other income, and the net earnings of the financial services segment. See the Segment Operations section within the MD&A for a description of the basis for segment profits.

OPERATIONAL TERMS

- Digital revenues – revenues related to internally developed software (including Predix™) and associated hardware, and software solutions that improve our customers’ asset performance. These revenues are largely generated from our operating businesses and are included in their segment results. Revenues of "Non-GE Verticals" refer to GE Digital revenues from customers operating in industries where GE does not have a presence.

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

- Global Growth Organization (GGO) – The GGO provides leadership in global markets, particularly within emerging and developing markets. GGO provides regional commercial finance capabilities and customer financing solutions, in collaboration with certain of our GE Capital businesses, and works to build the GE brand and protect GE’s reputation.

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

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Orders, backlog and remaining performance obligation (RPO) – orders are contractual commitments with customers to provide specified goods or services for an agreed upon price. Backlog is unfilled customer orders for products and product services (expected life of contract sales for product services). RPO, a defined term under GAAP, is backlog excluding any purchase order that provides the customer with the ability to cancel or terminate without incurring a substantive penalty, even if the likelihood of cancellation is remote based on historical experience. We plan to continue reporting backlog as we believe that it is a useful metric for investors, given its relevance to total orders.

Product services agreements – contractual commitments, with multiple-year terms, to provide specified services for products in our Power, Renewable Energy Aviation, Oil & Gas and Transportation installed base – for example, monitoring, maintenance, service and spare parts for a gas turbine/generator set installed in a customer’s power plant. See Revenues from Services section within Note 1 to the consolidated financial statements for further information.

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

Shared Services – sharing of business processes in order to standardize and consolidate services to provide value to the businesses in the form of simplified processes, reduced overall costs and increased service performance.

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MD&A KEY PERFORMANCE INDICATORS

KEY PERFORMANCE INDICATORS

REVENUES PERFORMANCE	2018 versus 2017	2017 versus 2016	
Industrial Segment (GAAP)	2	% 1	%
Industrial Segment Organic (Non-GAAP)	—	% (2))%
GE INDUSTRIAL ORDERS AND BACKLOG (In billions)			
	2018	2017	2016
Orders			
Equipment	\$61.9	\$57.7	\$54.9
Services(a)	62.1	59.1	54.8
Total	\$124.0	\$116.8	\$109.7
Backlog			
Equipment	\$88.8	\$85.1	\$83.9
Services(a)	302.2	286.6	264.0
Total	\$391.0	\$371.7	\$347.9

(a) Includes spare parts.

GE INDUSTRIAL COSTS (In billions)	2018	2017	2016
GE total costs and expenses (GAAP)	\$135.7	\$111.7	\$105.8
GE Industrial structural costs (Non-GAAP)	\$23.7	\$25.2	\$25.0
GE INDUSTRIAL PROFIT MARGIN			
	2018	2017	2016
GE Industrial profit margin (GAAP)	(17.4)%	1.3%	8.2%
Adjusted GE Industrial profit margin (Non-GAAP)	9.0%	10.1%	12.5%
EARNINGS (In billions; per-share in dollars and diluted)			
	2018	2017	2016
Continuing earnings (loss) (GAAP)	\$(21.1)	\$(8.6)	\$7.8
Net earnings (loss) (GAAP)	(22.8)	(8.9)	6.8
Adjusted earnings (loss) (Non-GAAP)	5.7	8.7	9.4

Continuing earnings (loss) per share (GAAP)	\$(2.43)	\$(0.99)	\$0.85
Net earnings (loss) per share (GAAP)	(2.62)	(1.03)	0.75
Adjusted earnings (loss) per share (Non-GAAP)	0.65	1.00	1.03
GE CFOA AND GE INDUSTRIAL FREE CASH FLOWS (In billions)			
	2018	2017	2016
GE CFOA (GAAP)	\$2.3	\$11.0	\$30.0
GE Industrial free cash flows (Non-GAAP)	4.8	4.3	7.1
Adjusted GE Industrial free cash flows (Non-GAAP)	4.5	5.6	7.1

FIVE-YEAR PERFORMANCE GRAPH

The annual changes for the five-year period shown in the above graph 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, 2013, and that all quarterly dividends were reinvested. The cumulative dollar returns shown on the graph represent the value that such investments would have had on December 31 for each year indicated.

MD&A KEY PERFORMANCE INDICATORS

With respect to "Market Information," in the United States, General Electric common stock is listed on the New York Stock Exchange under the ticker symbol "GE" (its principal market). General Electric common stock is also listed on the London Stock Exchange, Euronext Paris, the SIX Swiss Exchange and the Frankfurt Stock Exchange.

As of January 31, 2019, there were approximately 397,000 shareowner accounts of record.

On February 15, 2019, our Board of Directors approved a quarterly dividend of \$0.01 per share of common stock, which is payable April 25, 2019, to shareowners of record at close of business on March 11, 2019.

General Electric's 2019 Annual Meeting of Shareowners will be held on May 8, 2019 in Tarrytown, NY.

CONSOLIDATED RESULTS

2018 SIGNIFICANT DEVELOPMENTS

On April 25, 2018, 12 directors were elected to the Board of Directors (the Board) with increased focus on relevant industry expertise, capital allocation and accounting and financial reporting, including three new directors, H. Lawrence Culp, Jr., Thomas W. Horton and Leslie F. Seidman.

On June 26, 2018, we announced Mr. Culp, former CEO of Danaher, was elected as lead director effective that same date, succeeding John J. Brennan, who was completing his last term on the Board. Mr. Culp was also selected to chair the Board's Management Development and Compensation Committee.

On July 26, 2018, we announced Jan R. Hauser, GE's Vice President, Controller and Chief Accounting Officer, had communicated her intention to retire from GE. Thomas S. Timko, formerly the Chief Accounting Officer of General Motors Company, was appointed as her successor, effective September 10, 2018.

On October 1, 2018, we announced Mr. Culp was named Chairman and Chief Executive Officer (CEO), succeeding John L. Flannery, effective September 30, 2018. Additionally, Mr. Horton was elected as lead director, succeeding Mr. Culp, effective that same date.

On December 10, 2018, we announced Mr. Brennan retired from the Board after six years of service, effective December 7, 2018. In addition, the Board elected Paula Rosput Reynolds as a director to fill the resulting vacancy, effective on that date.

On October 30, 2018 we announced plans to reduce our quarterly dividend from \$0.12 cents to \$0.01 cent per share beginning with the dividend declared in December 2018, which was paid on January 25, 2019. This change will allow us to retain approximately \$4 billion of cash per year compared to the prior payout level.

During second half of 2018, we recognized non-cash pre-tax goodwill impairment charges of \$22.1 billion related to our Power Generation and Grid Solutions reporting units within our Power segment and our Hydro reporting unit within our Renewable Energy segment. See Note 8 to the consolidated financial statements for further information.

On November 13, 2017, the Company announced its intention to exit approximately \$20 billion of assets over the next one to two years. Since this announcement, GE has classified various businesses at Corporate and across our Power, Lighting, Aviation and Healthcare segments as held for sale. To date, we have recorded a cumulative pre-tax loss on the planned disposals of \$1.7 billion (\$1.5 billion after-tax), of which \$0.6 billion was recorded in 2018. Through the fourth quarter of 2018, we closed several of these transactions within our Power, Healthcare, and Lighting segments for total net proceeds of \$6.4 billion, recognized a pre-tax gain of \$1.2 billion in the caption "Other income" in our consolidated Statement of Earnings (Loss). These transactions are subject to customary working capital and other

post-close adjustments. See Note 2 to the consolidated financial statements for further information. We also expect to generate net cash proceeds of at least \$30 billion from the following transactions:

On May 21, 2018, we announced an agreement to spin- or split-off and merge our Transportation segment with Wabtec Corporation, a U.S. rail equipment manufacturer. The agreement was subsequently amended on January 25, 2019. On February 25, 2019, we completed the spin-off and subsequent merger. In the transaction, participating GE shareholders received shares of Wabtec common stock representing an approximately 24.3% ownership interest in Wabtec common stock. GE received approximately \$2.9 billion in cash as well as shares of Wabtec common stock and Wabtec non-voting convertible preferred stock that, together, represent an approximately 24.9% ownership interest in Wabtec. In addition, GE is entitled to additional cash consideration up to \$0.5 billion for tax benefits that Wabtec realizes from the transaction.

In June 2018, we announced a plan to separate GE Healthcare into a standalone company. On February 25, 2019, we announced an agreement to sell our BioPharma business within our Healthcare segment to Danaher Corporation for total consideration of approximately \$21.4 billion, subject to certain adjustments. The transaction is expected to close in the fourth quarter of 2019, subject to regulatory approvals and customary closing conditions. We intend to retain the remaining portion of our Healthcare business which provides us full flexibility for growth and optionality with respect to the business.

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MD&A CONSOLIDATED
RESULTS

Pursuant to our announced plan of an orderly separation from BHGE over time, BHGE completed an underwritten public offering in which we sold 101.2 million shares of BHGE Class A common stock. BHGE also repurchased 65 million BHGE LLC units from us. The total consideration received by us from these transactions was \$3.7 billion. The transaction closed in November 2018 and, as a result, our economic interest in BHGE reduced from 62.5% to 50.4% and we recognized a pre-tax loss in equity of \$2.2 billion. See Note 15 to the consolidated financial statements for further information.

Additional significant transactions that closed in 2018 include the following:

The sale of our Industrial Solutions business within our Power segment for approximately \$2.3 billion to ASEA Brown Boveri (ABB), a Swiss-based engineering company. We recognized a resulting pre-tax gain of \$0.3 billion in the second quarter of 2018.

The sale of our GE Lighting business in Europe, the Middle East, Africa and Turkey and our Global Automotive Lighting business to a company controlled by a former GE executive in the region. We closed substantially all of this transaction in the second quarter of 2018.

In 2018, the Company announced its intention to exit approximately \$25 billion in energy and industrial finance assets within our Capital segment by 2020. With respect to this announcement, we completed \$15 billion of asset reduction during 2018 including:

The sale of Energy Financial Services' (EFS) debt origination business within our Capital segment for proceeds of approximately \$2.0 billion to Starwood Property Trust, Inc. and recognized a pre-tax gain of approximately \$0.3 billion. In addition, we completed the sale of various EFS investments for proceeds of approximately \$4.7 billion and recognized an insignificant pre-tax loss.

The sale of Healthcare Equipment Finance (HEF) financing receivables within our Capital segment for proceeds of approximately \$1.6 billion to various buyers, including \$1.4 billion to TIAA Bank, a U.S. lender and recognized an insignificant pre-tax loss.

SUMMARY OF 2018 RESULTS

Consolidated revenues were \$121.6 billion, up \$3.4 billion, or 3%, for the year. The increase in revenues was largely a result of incremental Baker Hughes revenues of \$5.4 billion through the first half of 2018, partially offset by the absence of Water following the sale in September 2017 and Industrial Solutions following the sale in June 2018. Industrial segment organic revenues* increased \$0.1 billion driven principally by our Aviation, Healthcare, Renewable Energy and Oil & Gas segments, partially offset by our Power, Transportation and Lighting segments.

Continuing earnings per share was \$(2.43) primarily due to non-cash after-tax impairment charges of \$22.4 billion recorded in the second half of 2018 related to goodwill in our Power Generation, Grid Solutions and Hydro reporting units as well as decreased Industrial segment profit of \$1.4 billion. Excluding the goodwill impairment charge and other items, Adjusted earnings per share* was \$0.65.

As previously disclosed, the Power market as well as its operating environment continues to be challenging. Our outlook for Power has continued to deteriorate driven by the significant overcapacity in the industry resulting in decreased utilization of our power equipment, lower market penetration, increased price concessions on certain long-term contracts as well as the uncertain timing of deal closures due to financing and the complexities of working in emerging markets. In addition, our near-term earnings outlook has been negatively impacted by project execution and our own underlying operational challenges. Finally, market factors such as increasing energy efficiency and renewable energy penetration continue to impact our view of long-term demand. These conditions have resulted in downward revisions of our forecasts on current and future projected earnings and cash flows at these businesses. As a result, during the second half of the year, we recorded a non-cash pre-tax impairment loss of \$22.0 billion related to goodwill in our Power Generation and Grid Solutions reporting units. Included in this amount is a non-cash

impairment loss of \$0.8 billion related to goodwill recorded at Corporate associated with our Digital acquisitions that was previously allocated to our Power Generation and Grid Solutions reporting units. The aforementioned charges were all recorded at Corporate and have significantly impacted operating results. See the Corporate Items and Eliminations section within this MD&A and Note 8 to the consolidated financial statements for further information.

For the year ended December 31, 2018, GE Industrial loss was \$19.8 billion and GE Industrial profit margins were (17.4)%, down \$21.2 billion, driven by increased non-cash goodwill impairment charges of \$21.0 billion, partially offset by decreased adjusted Corporate operating costs* of \$0.4 billion, increased net gains from disposed or held for sale businesses of \$0.4 billion and decreased restructuring and other costs of \$0.4 billion. Industrial segment profit decreased \$1.4 billion, or 12%, primarily due to lower results within our Power, Renewable Energy and Transportation segments, partially offset by the performance of our Aviation, Oil & Gas, Healthcare and Lighting segments.

GE CFOA was \$2.3 billion and \$11.0 billion for the years ended December 31, 2018 and 2017, respectively. The decline in GE CFOA is primarily due to GE Pension Plan contributions of \$6.0 billion in 2018, compared to \$1.7 billion in 2017 as well as a \$4.0 billion decrease in common dividends from GE Capital. GE did not receive a common dividend distribution from GE Capital in 2018, and it does not expect to receive such dividend distributions from GE Capital for the foreseeable future. See the Capital Resources and Liquidity - Statement of Cash Flows section within this MD&A for further information.

*Non-GAAP Financial Measure

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MD&A CONSOLIDATED
RESULTS

REVENUES (In billions)	2018	2017	2016
Consolidated revenues	\$121.6	\$118.2	\$119.5
Industrial segment revenues	\$115.7	\$113.2	\$112.3
Corporate revenues and Industrial eliminations	(2.0)	(1.9)	(1.7)
GE Industrial revenues	\$113.6	\$111.3	\$110.6
Financial services revenues	\$9.6	\$9.1	\$10.9

REVENUES COMMENTARY: 2018 – 2017

Consolidated revenues increased \$3.4 billion, or 3%, primarily driven by increased industrial segment revenues of \$2.5 billion and increased Financial Services revenues of \$0.5 billion. The overall foreign currency impact on consolidated revenues was an increase of \$0.6 billion.

• GE Industrial revenues increased \$2.4 billion, or 2%.

Industrial segment revenues increased \$2.5 billion, or 2%, as increases at Oil & Gas, Aviation, Healthcare and Renewable Energy were partially offset by decreases at Power, Lighting and Transportation. This increase was driven by the net effects of acquisitions of \$5.5 billion, primarily attributable to Baker Hughes through the first half of 2018, and the effects of a weaker U.S. dollar of \$0.6 billion, partially offset by the net effects of dispositions of \$3.7 billion, primarily attributable to the absence of Water following its sale in the third quarter of 2017 and Industrial Solutions following its sale in the second quarter of 2018. Excluding the effects of acquisitions, dispositions and foreign currency translation, industrial segment organic revenues* increased \$0.1 billion.

• Financial Services revenues increased \$0.5 billion, or 5%, primarily due to lower impairments and volume growth, partially offset by lower gains.

REVENUES COMMENTARY: 2017 – 2016

Consolidated revenues decreased \$1.2 billion, or 1%, primarily driven by decreased Financial Services revenues of \$1.8 billion, partially offset by increased industrial segment revenues of \$0.8 billion. The overall foreign currency impact on consolidated revenues was an increase of \$0.6 billion.

• GE Industrial revenues increased \$0.6 billion, or 1%.

Industrial segment revenues increased \$0.8 billion, or 1%, as increases at Oil & Gas, Healthcare and Aviation were partially offset by decreases at Lighting, Power, Transportation and Renewable Energy. This increase was driven by the net effects of acquisitions of \$6.0 billion, primarily attributable to the acquisition of Baker Hughes in the third quarter of 2017, and the effects of a weaker U.S. dollar of \$0.6 billion, partially offset by the net effects of dispositions of \$3.5 billion, primarily attributable to the absence of Appliances following its sale in the second quarter of 2016. Excluding the effects of acquisitions, dispositions and translational currency exchange, industrial segment organic revenues* decreased \$2.3 billion.

• Financial Services revenues decreased \$1.8 billion, or 17%, primarily due to higher impairments and volume declines.

*Non-GAAP Financial Measure

GE 2018 FORM 10-K 10

MD&A CONSOLIDATED
RESULTS

EARNINGS (LOSS) AND EARNINGS (LOSS) PER SHARE (In billions; per-share in dollars and diluted)	2018	2017	2016
Continuing earnings (loss)	\$(21.1)	\$(8.6)	\$7.8
Continuing earnings (loss) per share	\$(2.43)	\$(0.99)	\$0.85

EARNINGS COMMENTARY: 2018 – 2017

Consolidated continuing earnings decreased \$12.5 billion, due to increased goodwill impairment charges of \$21.0 billion, increased non-operating benefit costs of \$0.4 billion and decreased GE Industrial continuing earnings of \$0.2 billion, partially offset by decreased Financial Services losses of \$6.3 billion and decreased provision for GE Industrial income taxes of \$2.7 billion.

GE Industrial continuing earnings decreased \$0.2 billion, or 2%.

Corporate items and eliminations increased \$1.3 billion primarily attributable to decreased adjusted Corporate operating costs* of \$0.4 billion, increased net gains from disposed or held for sale businesses of \$0.4 billion and decreased restructuring and other costs of \$0.4 billion.

Industrial segment profit decreased \$1.4 billion, or 12%, with decreases at Power, Renewable Energy and Transportation, partially offset by higher profit at Aviation, Oil & Gas, Healthcare and Lighting. This decrease in industrial segment profit was driven in part by the net effects of dispositions of \$0.5 billion, primarily associated with the absence of Water following its sale in the third quarter of 2017 and Industrial Solutions following its sale in the second quarter of 2018, partially offset by the net effects of acquisitions of \$0.3 billion, largely associated with Baker Hughes through the first half of the year, and lower restructuring and business development costs related to Baker Hughes of \$0.1 billion. Excluding the effects of acquisitions, dispositions and foreign currency translation, industrial segment organic profit* decreased \$1.3 billion, primarily driven by negative variable cost productivity, lower volume and pricing pressure at Power.

Financial Services continuing losses decreased \$6.3 billion, or 93%, primarily due to the nonrecurrence of the 2017 charges associated with the GE Capital insurance premium deficiency review and EFS strategic actions, partially offset by the nonrecurrence of 2017 tax benefits.

EARNINGS COMMENTARY: 2017 – 2016

Consolidated continuing earnings decreased \$16.4 billion driven by decreased GE Industrial continuing earnings of \$5.6 billion, increased Financial Services losses of \$5.5 billion, increased provision for GE Industrial income taxes of \$3.4 billion, increased goodwill impairment charges of \$1.2 billion and increased interest and other financial charges of \$0.7 billion.

GE Industrial continuing earnings decreased \$5.6 billion, or 41%.

Corporate items and eliminations decreased \$2.0 billion primarily attributable to decreased net gains from disposed or held for sale businesses of \$2.6 billion, partially offset by decreased adjusted Corporate operating costs* of \$0.4 billion and decreased restructuring and other costs of \$0.2 billion.

Industrial segment profit decreased \$3.6 billion, or 23%, with decreases at Power, Oil & Gas, Transportation, Renewable Energy and Lighting, partially offset by higher earnings at Healthcare and Aviation. This decrease in industrial segment profit was driven in part by restructuring and business development costs related to Baker Hughes of \$0.7 billion and the net effects of dispositions of \$0.3 billion, primarily associated with the absence of Appliances following its sale in the second quarter of 2016, partially offset by the net effects of acquisitions \$0.3 billion, largely associated with the acquisition of Baker Hughes in the third quarter of 2017. Excluding the effects of acquisitions, dispositions and foreign currency translation, industrial segment organic profit* decreased \$2.8 billion, primarily driven by negative variable cost productivity, pricing pressure and lower volume at Power.

Financial Services continuing losses increased \$5.5 billion, primarily due to a \$6.2 billion after-tax charge related to the completion of GE Capital's insurance premium deficiency review, as well as EFS strategic actions resulting in \$1.8 billion of after-tax charges in addition to higher impairments, partially offset by lower headquarters and treasury

operation expenses associated with the GE Capital Exit Plan, higher tax benefits including the effects of U.S. tax reform and lower preferred dividend expenses associated with the January 2016 preferred equity exchange.

GE DIGITAL

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

On December 13, 2018, we announced our intention to establish a new, GE-owned, independently operated business to bring together GE Digital's core software business including the Predix™ platform, Asset Performance Management, Historian, Automation (HMI/SCADA), Manufacturing Execution Systems and Operations Performance Management with the GE Power Digital and Grid Software Solutions businesses. The new business will be established with its own brand, equity structure and Board of Directors and will deliver software for the power, renewable energy, aviation, oil and gas, food and beverage, chemicals, consumer packaged goods and mining markets.

*Non-GAAP Financial Measure

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MD&A CONSOLIDATED
RESULTS

On February 1, 2019, we sold a majority stake in ServiceMax for approximately \$0.4 billion to Silver Lake, a global technology investment firm, a private equity firm focused on technology investments. Under the agreement, GE will retain a 10% equity ownership in ServiceMax. We expect to recognize a resulting pre-tax gain of \$0.2 billion during the first quarter of 2019.

Revenues were \$3.9 billion for the year ended December 31, 2018, a decrease of \$0.1 billion or 2% compared to revenues of \$4.0 billion for the year ended December 31, 2017. This decrease was principally driven by Power. Revenues were \$4.0 billion for the year ended December 31, 2017, an increase of \$0.4 billion or 12% compared to revenues of \$3.6 billion for the year ended December 31, 2016. These increases were principally driven by Power and Non-GE Verticals.

Orders were \$4.2 billion for the year ended December 31, 2018, a decrease of \$1.0 billion or 19% compared to orders of \$5.2 billion for the year ended December 31, 2017. This decrease was principally driven by Power and Oil & Gas. Orders were \$5.2 billion for the year ended December 31, 2017, an increase of \$1.1 billion or 27% compared to orders of \$4.1 billion for the year ended December 31, 2016. These increases were principally driven by Oil & Gas, Non-GE Verticals, Power and Renewable Energy.

SEGMENT OPERATIONS
REVENUES AND PROFIT

Segment revenues include sales of products and services related to the segment.

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

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

Segment profit excludes or includes interest and other financial charges, non-operating benefit costs, income taxes, and preferred stock dividends according to how a particular segment's management is measured:

• Interest and other financial charges, income taxes, non-operating benefit costs and GE goodwill impairments are excluded in determining segment profit for the industrial segments.

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

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

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

cost of operations.

BACKLOG AND REMAINING PERFORMANCE OBLIGATION

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

**RECONCILIATION OF INDUSTRIAL BACKLOG TO
REMAINING PERFORMANCE OBLIGATION**

(In billions)	December 31, 2018		
	Equipment	Services	Total
Backlog	\$88.8	\$302.2	\$391.0
Adjustments	(37.0)	(100.9)	(137.9)
Remaining Performance Obligation	\$51.9	\$201.3	\$253.2

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MD&A SEGMENT OPERATIONS

Adjustments to reported backlog of \$(137.9) billion as of December 31, 2018 are largely driven by adjustments of \$(122.0) billion in our Aviation segment: (1) backlog includes engine contracts for which we have received purchase orders that are cancelable. We have included these in backlog as our historical experience has shown no net cancellations, as any canceled engines are typically moved by the airframer to other program customers; (2) our services backlog includes contracts that are cancelable without substantive penalty, primarily time and materials contracts; (3) backlog includes engines contracted under long-term service agreements, even if the engines have not yet been put into service. These adjustments to reported backlog are expected to be satisfied beyond one year. See Note 9 to the consolidated financial statements for further information.

SUMMARY OF OPERATING SEGMENTS

(In millions)	General Electric Company and consolidated affiliates		
	2018	2017	2016
Revenues			
Power	\$27,300	\$34,878	\$35,835
Renewable Energy	9,533	9,205	9,752
Aviation	30,566	27,013	26,240
Oil & Gas	22,859	17,180	12,938
Healthcare	19,784	19,017	18,212
Transportation	3,898	3,935	4,585
Lighting(a)	1,723	1,941	4,762
Total industrial segment revenues	115,664	113,168	112,324
Capital	9,551	9,070	10,905
Total segment revenues	125,215	122,239	123,229
Corporate items and eliminations	(3,600)	(3,995)	(3,760)
Consolidated revenues	\$121,615	\$118,243	\$119,469
Segment profit			
Power	\$(808)	\$1,947	\$4,187
Renewable Energy	287	583	631
Aviation	6,466	5,370	5,324
Oil & Gas(b)	429	158	1,302
Healthcare	3,698	3,488	3,210
Transportation	633	641	966
Lighting(a)	70	27	165
Total industrial segment profit	10,774	12,213	15,785
Capital	(489)	(6,765)	(1,251)
Total segment profit	10,285	5,448	14,534
Corporate items and eliminations	(2,796)	(4,060)	(2,064)
GE goodwill impairments	(22,136)	(1,165)	—
GE interest and other financial charges	(2,708)	(2,753)	(2,026)
GE non-operating benefit costs	(2,764)	(2,385)	(2,349)
GE benefit (provision) for income taxes	(957)	(3,691)	(298)
Earnings (loss) from continuing operations			
attributable to GE common shareowners	(21,076)	(8,605)	7,797
Earnings (loss) from discontinued operations, net of taxes	(1,726)	(309)	(954)
	—	6	(1)

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Less net earnings (loss) attributable to noncontrolling interests, discontinued operations

Earnings (loss) from discontinued operations,

net of taxes and noncontrolling interests

(1,726)(315)(952)

Consolidated net earnings (loss)

attributable to GE common shareowners

\$(22,802)\$(8,920)\$6,845

(a) Lighting segment included Appliances through its disposition in the second quarter of 2016.

Subsequent to the Baker Hughes transaction, restructuring and other charges are included in the determination of

(b) segment profit for our Oil & Gas segment. Oil & Gas segment profit excluding restructuring and other charges*

was \$1,045 million and \$837 million for the years ended December 31, 2018 and 2017, respectively.

*Non-GAAP Financial Measure

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SEGMENT
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POWER
Products & Services

Power 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 oil, gas, coal, diesel, nuclear and water to produce electric power and include gas and steam turbines, full balance of plant, upgrade and service solutions, as well as data-leveraging software. We employ approximately 59,700 people, serve customers in 150+ countries, and our headquarters is located in Schenectady, NY.

During the fourth quarter of 2018, we announced our intention to reorganize the businesses within our Power segment into GE Gas Power and Power Portfolio, and effectively eliminate the Power headquarters structure in order to reduce costs and improve operations. Upon completion, GE Gas Power will be a unified gas life cycle business combining our Gas Power Systems and Power Services businesses, while Power Portfolio will comprise our Steam Power Systems (including services currently reported in Power Services), Power Conversion and GE Hitachi Nuclear businesses. We anticipate the reorganization to be completed by the second half of 2019.

Gas Power Systems – offers a wide spectrum of heavy-duty and aeroderivative gas turbines for utilities, independent power producers and numerous industrial applications, ranging from small, mobile power to utility scale power plants. Steam Power Systems – offers steam power technology for coal and nuclear applications including boilers, generators, steam turbines and Air Quality Control Systems (AQCS) to help efficiently produce power and provide performance over the life of a power plant.

Power Services – delivers maintenance, service and upgrade solutions across total plant assets and over their operational lifecycle, leveraging the Industrial Internet to improve the performance of such solutions.

- Long-term service agreements for both Gas Power Systems and Steam Power Systems are collectively managed in Power Services.

Grid Solutions - offers products and services, such as high voltage equipment, power electronics, automation and protection equipment and software solutions, and serves industries such as generation, transmission, distribution, oil and gas, telecommunication, mining and water. We announced our intention to reorganize Grid Solutions into our Renewable Energy segment.

Power Conversion - applies the science and systems of power conversion to provide motors, generators, automation and control equipment and drives for energy intensive industries such as marine, oil and gas, renewable energy, mining, rail, metals, test systems and water.

Automation & Controls - serves as the Controls Center of Excellence for GE and partners with GE Digital, the Global Research Center, and GE businesses around the world to provide control solutions to help customers become more productive and efficient. We announced our intention to reorganize Automation & Controls into our Grid Solutions, Steam Power Systems and Gas Power Systems businesses.

GE Hitachi Nuclear – offers advanced reactor technologies solutions, including reactors, fuels and support services for boiling water reactors, 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 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.

Significant Trends & Developments

In September 2017, we announced an agreement to sell our Industrial Solutions business for approximately \$2.2 billion (net of cash transferred) to ASEA Brown Boveri (ABB), a Swiss-based engineering company. On June 29,

2018, we completed the sale and recognized a pre-tax gain of \$0.3 billion in the second quarter of 2018. This gain was recorded within Corporate.

In June 2018, we announced an agreement to sell our Distributed Power business to Advent International, a global private equity investor, for approximately \$2.8 billion (net of cash transferred). On November 6, 2018, we completed the sale and recognized a pre-tax gain of \$0.7 billion. This gain was recorded within Corporate.

During the second half of 2018, we recognized non-cash pre-tax goodwill impairment charges of \$22.0 billion related to our Power Generation and Grid Solutions reporting units. These charges were all recorded within Corporate. See Note 8 to the consolidated financial statements for further information.

The Power market as well as its operating environment continues to be challenging, and our outlook for Power has continued to deteriorate driven by the significant overcapacity in the industry resulting in decreased utilization of our power equipment, lower market penetration, increased price concessions on certain long-term contracts as well as the uncertain timing of deal closures due to financing and the complexities of working in emerging markets. In addition, our near-term earnings outlook has been negatively impacted by project execution and our own underlying operational challenges.

Market factors such as increasing energy efficiency and renewable energy penetration continue to impact our view of long-term demand. We believe the overall market for annual heavy-duty gas orders will be between 25 and 30 gigawatts for 2019 and the foreseeable future.

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MD&A OPERATIONS
| POWER

Advanced Gas Path (AGP) upgrades have also experienced decreased market demand as well as saturation in the North American market given previous penetration; however, we expect upgrade demand to continue in the Middle East, Africa and Southeast Asia markets.

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

During the fourth quarter of 2018, we recorded pre-tax charges of \$0.8 billion, of which \$0.4 billion was related to various assumption updates for unfavorable pricing, lower utilization, and cost updates on our long-term service agreements and \$0.4 billion related to execution issues resulting in liquidated damages and partner execution issues on our long-term equipment projects at Gas Power Systems.

In 2018, we reduced structural costs* by \$0.9 billion, excluding the effects of acquisition and disposition activity, for the year, and we expect restructuring efforts to continue into 2019.

We have made significant changes and are heavily focused on improving our operational and project execution across every business in Power. We expect operations to stabilize in 2019, with improving execution, a refocused services strategy and strong execution on cost reduction.

Digital offerings have been developed to further complement our equipment and services business and drive value and better outcomes for our customers.

The business has continued to invest in new product development, such as our HA-Turbines, advanced upgrades, substation automation, connected controls, micro-grids, energy storage and digital solutions, to expand our equipment and services offerings. Subsequent to the large investment needed to develop our HA-Turbines, we expect overall research and development costs to decrease going forward to better align with the economic realities of the end demand markets.

GEOGRAPHIC REVENUES (Dollars in billions)	2018	2017
U.S.	\$8.2	\$10.9
Non-U.S.		
Europe	5.8	6.3
Asia	5.5	6.4
Americas	3.3	3.5
Middle East and Africa	4.6	7.8
Total Non-U.S.	\$19.1	\$24.0
Total Segment Revenues	\$27.3	\$34.9

Non-U.S. Revenues as a % of Segment Revenues 70 % 69 %

SUB-SEGMENT REVENUES(a) (In billions) 2018 2017

Gas Power Systems(b)	\$5.2	\$8.0
Steam Power Systems	1.9	2.2
Power Services	11.8	12.9
Other(c)	8.4	11.8
Total Segment Revenues	\$27.3	\$34.9

(a) Upon completion of our announced reorganization, Gas Power Systems and Power Services will comprise GE Gas Power, while Steam Power

Systems (including services currently reported in Power Services), Power Conversion and GE Hitachi Nuclear will

comprise Power Portfolio.

(b) Includes Distributed Power until its disposition in the fourth quarter of 2018.

(c) Includes Grid Solutions, Power Conversion, Automation & Controls, GE Hitachi Nuclear, Water & Process Technologies until its disposition in the third quarter of 2017 and Industrial Solutions until its disposition in the second quarter of 2018.

ORDERS AND BACKLOG (In billions) 2018 2017

Orders		
Equipment	\$13.1	\$17.6
Services	14.4	18.0
Total	\$27.5	\$35.7

Backlog		
Equipment	\$24.3	\$26.3
Services	67.6	71.8
Total	\$91.9	\$98.1

*Non-GAAP Financial Measure

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SEGMENT
 MD&A OPERATIONS
 | POWER

GAS TURBINES 2018 2017 V

Unit Orders 43 75 (32)

Unit Sales 42 102 (60)

SEGMENT REVENUES (In billions)

Revenues

Equipment \$12.3 \$17.5 \$17.4

Services 15.0 17.4 18.5

Total(a) \$27.3 \$34.9 \$35.8

SEGMENT PROFIT AND PROFIT MARGIN (Dollars in billions) 2018 2017 2016

Segment profit(b) \$(0.8) \$1.9 \$4.2

Segment profit margin (3.0)% 5.6 % 11.7 %

(a) Power segment revenues represent 24% and 22% of total industrial segment revenues and total segment revenues, respectively, for the year ended December 31, 2018.

(b) Power segment profit represents (7)% of total industrial segment profit for the year ended December 31, 2018.

2018 – 2017 COMMENTARY:

Segment revenues down \$7.6 billion (22%);

Segment profit down \$2.8 billion:

The Power market as well as its operating environment continues to be challenging driven by the significant overcapacity in the industry, decreased utilization of our power equipment, increased price concessions, uncertain timing of deal closures due to financing and the complexities of working in emerging markets, as well as increasing energy efficiency and renewable energy penetration.

During the third quarter of 2018, Gas Power Systems recorded a \$0.2 billion pre-tax charge related to an oxidation issue within the HA and 9FB Stage 1 turbine blades, resulting in increased warranty and maintenance reserves. In addition, we recognized pre-tax charges of approximately \$0.4 billion associated with an increase in issues on our existing projects driven by execution as well as partner and customer challenges. During the fourth quarter of 2018, we recorded pre-tax charges of \$0.8 billion, of which \$0.4 billion was related to various assumption updates for unfavorable pricing, lower utilization, and cost updates on our long-term service agreements and \$0.4 billion related to execution issues resulting in liquidated damages and partner execution issues on our long-term equipment projects at Gas Power Systems.

Equipment revenues decreased primarily at Gas Power Systems by \$2.7 billion due to lower unit sales, including 60 fewer gas turbines, 26 fewer Heat Recovery Steam Generators and 23 fewer aeroderivative units. Services revenues also decreased \$1.1 billion at Power Services primarily due to 27 fewer AGP upgrades. In addition, revenues decreased due to the absence of Industrial Solutions which contributed \$1.4 billion in the second half of 2017 that did not recur in 2018 following the sale in June 2018 as well as the absence of Water which contributed \$1.5 billion in 2017 prior to the sale in September 2017. Revenues further decreased due to price pressure, partially offset by the effects of a weaker U.S. dollar versus certain currencies.

The decrease in profit was due to negative variable cost productivity driven by warranty and project cost updates as well as liquidated damages recognized by Gas Power Systems, lower volume including the absence of Industrial Solutions \$0.1 billion and Water \$0.1 billion, lower prices and negative mix in our long-term service contracts compared to the prior year. These decreases were partially offset by favorable business mix and cost reduction efforts, excluding the effects of acquisition and disposition activity and foreign exchange.

2017 – 2016 COMMENTARY:

Segment revenues down \$1.0 billion (3%);

Segment profit down \$2.2 billion (53%):

The power market continues to be challenged by the increasing penetration of renewable energy, fleet penetration for AGPs, lower capacity payments, utilization, and service outages which decreased 8% from the prior year. In addition, excess capacity in developed markets, continued pressure in oil and gas applications and macroeconomic and geopolitical environments have created uncertainty in the industry.

Services revenues decreased primarily at Power Services by \$0.8 billion due to 65 fewer AGP upgrades. Equipment revenues increased primarily at Gas Power Systems by \$0.4 billion due to higher balance of plant as well as 46 more Heat Recovery Steam Generator shipments, partially offset by two fewer gas turbine and 55 fewer aeroderivative units. Revenues further decreased due to the absence of Water which contributed \$0.6 billion in the fourth quarter of 2016 that did not recur following the sale in September 2017 and price pressure, partially offset by the effects of a weaker U.S. dollar versus certain currencies.

The decrease in profit was partially driven by \$0.9 billion of charges in the fourth quarter primarily related to slow moving and obsolete inventory in Power Services, Gas Power Systems, and Power Conversion, a litigation settlement and a bankruptcy of a distributor. Profit further declined due to negative variable cost productivity, unfavorable business mix due to higher revenues from lower margin balance of plant volume and fewer higher margin aeroderivative units, and price pressure. These decreases were partially offset by positive base cost productivity.

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SEGMENT
OPERATIONS
MD&AI
RENEWABLE
ENERGY

RENEWABLE ENERGY

Products & Services

GE Renewable Energy makes renewable power sources affordable, accessible and reliable for the benefit of people everywhere. With one of the broadest technology portfolios in the industry, Renewable Energy creates value for customers with solutions from onshore and offshore wind, hydro and its wind turbine blade manufacturing business. With operations in over 80 countries around the world, Renewable Energy can deliver solutions to where its customers need them most. We employ approximately 22,900 people, serve customers in 80+ countries, and our headquarters is located in Paris, France.

Onshore Wind – delivers technology and services for the onshore wind power industry by providing wind turbine platforms and hardware and software to optimize wind resources. Wind services help customers improve availability and value of their assets over the lifetime of the fleet. The Digital Wind Farm is a site level solution, creating a dynamic, connected and adaptable ecosystem that improves our customers' fleet operations.

Offshore Wind – offers its high-yield offshore wind turbine, Haliade X-12MW, the most powerful offshore wind turbine commercially available, driving down offshore wind's levelized cost of energy with an industry leading capacity factor and digital capabilities to help customers succeed in an increasingly competitive environment

Hydro – provides a full range of solutions, products and services to serve the hydropower industry from initial design to final commissioning, from Low Head / Medium / High Head hydropower plants to pumped storage hydropower plants and small hydropower plants.

LM Wind Power - designs and manufactures blades for onshore and offshore wind turbines. LM became part of GE after a \$1.7 billion acquisition in April 2017 and serves both GE and external customers worldwide, through advanced rotor solutions, improved blade efficiency, increased rotor swept-area, proven reliability and a global manufacturing footprint on or close to all major markets for wind.

Competition & Regulation

Renewable energy is now mainstream and able to compete subsidy-free with other sources of power generation. While many factors, including government incentives and specific market rules, affect how renewable energy can deliver outcomes for customers in a given region, renewable energy is increasingly able to compete with fossil fuels in terms of levelized cost of electricity. However, continued competitive pressure from other wind and hydro turbine manufacturers as well as from other energy sources, such as solar photovoltaic, reinforced by a general move to electricity auction mechanisms, increases price pressure and the need for innovation.

As a result, we are investing to keep renewable energy competitive by exploring new ways of further improving the efficiency and flexibility of our hydropower technology with digital solutions and by moving forward with wind turbine product improvements, including larger rotors, taller towers and higher nameplate ratings that continue to drive down the cost of wind energy. As industry models continue to evolve, our digital strategy and investments in technical innovation will position us to add value for customers looking for clean, renewable energy.

Significant Trends & Developments

During the fourth quarter of 2018, we recognized non-cash pre-tax goodwill impairment charges of \$0.1 billion related to our Hydro reporting unit. This charge was recorded within Corporate. See Note 8 to the consolidated financial statements for further information.

Renewable energy is in a rapid transition period and is on track to become a fully commercialized, unsubsidized source of energy, successfully competing in the marketplace against conventional energy sources. Wind energy is now the second-largest contributor to renewable capacity growth, while hydropower is projected to remain the largest renewable electricity source through 2023.

Influential businesses like Apple, Google, Microsoft and Amazon are increasingly committing to renewable energy, typically contracting for output from various renewable sources directly using Power Purchase Agreements (PPAs). GE's EFS business has enabled several deals of this nature that use wind turbines from GE Renewable Energy's Onshore Wind unit.

Consequently, the renewable energy market is highly competitive, particularly in onshore wind, resulting in significant pricing pressure. Pricing for our Onshore Wind business was down in 2018 due to the impact of auctions in many international markets and the competitive environment across all renewable sources.

We believe that North America will continue to be a solid market in the near term with two main dynamics at play. First, we expect a ramp-up in 2019-2020 leading up to the expiration of the PTC at 100% value in 2020. PTC credits will be phased out after 2020 which we anticipate may have an adverse impact on the U.S. market. Second, we expect additional opportunities to "repower" existing wind turbines. Repowering allows customers to increase the annual energy output of their installed base, provides more competitively priced energy and extends the life of their assets. The repower market remains robust, and we expect continued strong demand through 2019 and beyond. To date, we have commissioned over 1,000 repowered turbines, and we are seeing excellent operating performance of those turbines throughout our broad customer base.

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SEGMENT
OPERATIONS
MD&A|
RENEWABLE
ENERGY

Given price pressure, the need for grid flexibility to accommodate more renewable energy, and the diversification of energy players, the hydropower industry continues to maximize value with new small-scale and pumped storage projects to support both wind and solar expansion.

The onshore wind market continues to see megawatt (MW) growth in turbines as customer preference has shifted from 1.X-2.X models to larger, more efficient units. In 2018, more than 40% of global turbine sales consisted of machines with 3.0MW or higher ratings.

New Product Introductions (NPIs) continue to be a key lever as our customers show a willingness to invest in new technology that decreases the levelized cost of energy. In September 2018, we launched our new onshore wind turbine platform Cypress, and the next model from that platform, GE's 5.3-158 wind turbine. Designed to scale over time to meet customer needs through the 5MW range, Cypress enables significant Annual Energy Production (AEP) improvements, increased efficiency in serviceability and improved logistics and siting potential. We also introduced our next generation Haliade-X offshore wind turbine with a 12 MW generator rating and a 220-meter rotor (107-meter blade designed by LM Wind Power) to meet the needs of customers facing "zero-subsidy" auctions. Looking ahead, we are continuing to focus on taking cost out of our NPI machines, in-sourcing blade production and developing larger, more efficient turbines like the Haliade-X and Cypress.

During the first quarter of 2019, we announced our intention to reorganize our Grid Solutions, Solar and storage assets in our Energy Connections business within our Power segment into our Renewable Energy segment, creating an end-to-end offering for Renewable Energy customers as the demand for renewable power generation and grid integration continues to grow globally.

GEOGRAPHIC REVENUES (Dollars in billions) 2018 2017

U.S.	\$4.3	\$4.8
Non-U.S.		
Europe	1.9	1.6
Asia	1.6	0.8
Americas	1.5	1.5
Middle East and Africa	0.2	0.5
Total Non-U.S.	\$5.2	\$4.4
Total Segment Revenues	\$9.5	\$9.2

Non-U.S. Revenues as a % of Segment Revenues 54 % 48 %

SUB-SEGMENT REVENUES (In billions) 2018 2017

Onshore Wind	\$8.3	\$8.1
Offshore Wind	0.4	0.3
Hydro	0.8	0.9
Total Segment Revenues	\$9.5	\$9.2

ORDERS AND BACKLOG (In billions) 2018 2017

Orders		
Equipment	\$7.9	\$8.2
Services	3.0	2.2

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Total	\$10.9	\$10.4
Backlog		
Equipment	\$8.5	\$7.9
Services	8.7	6.9
Total	\$17.3	\$14.8

WIND TURBINES 2018 2017 V

Unit Orders	3,198	3,017	181
Unit Sales	2,491	2,604	(113)

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SEGMENT
OPERATIONS
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SEGMENT REVENUES (In billions) 2018 2017 2016

Revenues			
Equipment	\$7.0	\$7.0	\$8.9
Services	2.5	2.2	0.9
Total(a)	\$9.5	\$9.2	\$9.8

SEGMENT PROFIT AND PROFIT MARGIN (Dollars in billions) 2018 2017 2016

Segment profit(b)	\$0.3	\$0.6	\$0.6
Segment profit margin	3.0 %	6.3 %	6.5 %

(a) Renewable Energy segment revenues represent 8% of both total industrial segment revenues and total segment revenues for the year ended December 31, 2018.

(b) Renewable Energy segment profit represents 3% of total industrial segment profit for the year ended December 31, 2018.

2018 – 2017 COMMENTARY:

Segment revenues up \$0.3 billion (4%);
Segment profit down \$0.3 billion (51%);

The renewable energy market remains competitive, particularly in onshore wind. The onshore wind market continues to experience megawatt growth as customer preference has shifted from 1.X-2.X models to larger, more efficient units. However, overcapacity in the industry, the move to auctions in international markets and U.S. tax reform contributed to continued pricing pressure during 2018. In addition, uncertainty at the end of 2017 related to the impact of U.S. tax reform caused a temporary delay in project work, resulting in lower volume during the first half of the year. From the third quarter of 2018 onward, we expect project build and shipments to increase in anticipation of the expiration of Production Tax Credits (PTCs) in the U.S. at 100% value in 2020.

Services volume increased due to larger installed base resulting in increased contractual revenues as well as 50 more repower units at Onshore Wind than in the prior year. Equipment volume remained flat with 113 fewer wind turbine shipments on a unit basis, offset by 9% more megawatts shipped, than in the prior year. Revenues also increased due to the acquisition of LM Wind in April 2017, which contributed \$0.1 billion of inorganic revenue growth in the first half of 2018, partially offset by pricing pressure and the effects of a stronger U.S. dollar versus certain currencies. The decrease in profit was due to pricing pressure, unfavorable business mix as well as liquidated damages related to partner execution and project delays, and higher losses in Hydro and Offshore as we began fully consolidating these entities in the fourth quarter, partially offset by materials deflation and positive base cost productivity.

2017 – 2016 COMMENTARY:

Segment revenues down \$0.5 billion (6%);
Segment profit down 8%;

The renewable energy market remains competitive, particularly in onshore wind. The onshore wind market continues to see megawatt growth as customer preference has shifted from 1.X models to larger, more efficient units. However, there is significant competitive pricing pressure driven by onshore turbines.

Equipment volume decreased due to 785 fewer wind turbine shipments on a unit basis, including the nonrecurrence of certain orders in Europe and ASEAN, or 17% fewer megawatts shipped than in the prior year. Services volume increased due to 975 more repower units at Onshore Wind. Revenues also increased due to the acquisition of LM Wind in April 2017 which contributed \$0.3 billion of inorganic revenue growth in 2017 and the effects of a weaker U.S. dollar versus certain currencies, partially offset by pricing pressure.

The decrease in profit was due to negative base cost productivity and price pressure, partially offset by positive variable cost productivity, material deflation and increased other income including a reduction in foreign exchange transactional losses.

SEGMENT
MD&A OPERATIONS
| AVIATION

AVIATION

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. We employ approximately 48,000 people, serve customers in 120+ countries, and our headquarters is located in Cincinnati, OH. Commercial Engines – manufactures jet engines and turboprops for commercial airframes. Our commercial engines power aircraft in all categories; regional, narrowbody and widebody. We also manufacture engines and components for business and general aviation segments, and we produce and market engines through CFM International, a company jointly owned by GE and Safran Aircraft Engines, a subsidiary of the Safran Group 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.

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, 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.

Additive – provides a wide variety of products and services including additive machines from Concept Laser and Arcam EBM, additive materials (including metal powders from AP&C), and additive engineering services through our consultancy brand AddWorks™. In November 2017, GE Additive also acquired software simulation company GeonX.

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 civil air travel and demand and military procurement cycles.

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.

Significant Trends & Developments

On January 2, 2018, GE purchased additional shares of Arcam, AB to bring GE's total ownership to 96%. On January 11, 2018, Arcam applied to the Nasdaq Stockholm exchange to commence delisting of the remaining shares. The last day of trading was January 26, 2018, and GE announced the delisting on January 30, 2018.

In September 2018, we announced an agreement to sell our Middle River Aircraft Systems business within our Aviation segment to Singapore Technologies Engineering, a global technology, defense and engineering group, for \$0.6 billion. The deal is expected to close early 2019, subject to customary closing conditions and regulatory approvals.

- Global passenger air travel continued to grow during the year. In 2018, revenue passenger kilometers (RPKs) growth outpaced the ten-year average, increasing 6.6%* with strong growth both domestically and internationally. In addition, passenger load factors globally remained above 80%*.
- In 2018, air freight volume continued to grow, and freight ton kilometers (FTKs) grew 3.9%*.

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The installed base continues to grow with new product launches. In 2018, we shipped the first Passport engines, powering the Bombardier Global 7000 business jet. We are also continuing development on the Advanced Turbo Prop program and the GE9X engine, incorporating the latest technologies for application in the widebody aircraft space. During 2018, we delivered 1,118 LEAP engines, meeting our ramp commitments for the year with cost reductions in line with production cost curve expectations. LEAP reliability and performance specification remain on track. While we are behind on production as a result of delays in materials, we are actively working with our customers and airframers to mitigate impacts to their aircraft build schedule, and we continue to see improvement in our supplier yields and our overall output on a week to week basis. We plan to produce more than 2,000 engines by 2020.

* Based on the latest available information from the International Air Transport Association

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SEGMENT
MD&A OPERATIONS
| AVIATION

Military shipments grew to 674 engines from 617 engines in 2017. 2018 was a critical year for the contract decision on the next generation combat engine, and the United States Air Force selected Boeing as the contractor to produce 351 new advanced T-X trainer aircraft powered by our F404 engine.

Our digital initiatives, including analytics on flight operations, technical operations, and advanced manufacturing, are enabling our customers, internal operations and suppliers to reduce costs, cycle time and improve quality.

GEOGRAPHIC REVENUES (Dollars in billions) 2018 2017

U.S.	\$12.5	\$10.8
Non-U.S.		
Europe	7.0	6.3
Asia	5.8	5.2
Americas	1.5	1.1
Middle East and Africa	3.8	3.6
Total Non-U.S.	\$18.0	\$16.3
Total Segment Revenues	\$30.6	\$27.0

Non-U.S. Revenues as a % of Segment Revenues 59 % 60 %

SUB-SEGMENT REVENUES (In billions) 2018 2017

Commercial Engines & Services	\$22.7	\$19.7
Military	4.1	4.0
Systems & Other	3.7	3.3
Total Segment Revenues	\$30.6	\$27.0

ORDERS AND BACKLOG (In billions) 2018 2017

Orders		
Equipment	\$15.3	\$10.6
Services	20.2	18.5
Total	\$35.5	\$29.1
Backlog		
Equipment	\$37.8	\$34.1
Services	185.7	166.1
Total	\$223.5	\$200.2

UNIT ORDERS 2018 2017 V

Commercial Engines 4,772 2,565 2,207

LEAP Engines(a) 3,637 1,418 2,219

Military Engines 751 522 229

(a) LEAP engines are a subset of commercial engines

UNIT SALES 2018 2017 V

Commercial Engines 2,825 2,630 195

LEAP Engines(a) 1,118 459 659

Military Engines	674	617	57
Spares Rate(b)	\$27.5	\$23.5	\$4.0

(a) LEAP engines are a subset of commercial engines

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

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SEGMENT
MD&A OPERATIONS
| AVIATION

SEGMENT REVENUES (In billions)	2018	2017	2016
Revenues			
Equipment	\$11.5	\$10.2	\$11.4
Services	19.1	16.8	14.9
Total(a)	\$30.6	\$27.0	\$26.2

SEGMENT PROFIT AND PROFIT MARGIN (Dollars in billions)	2018	2017	2016
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Segment profit(b)	\$6.5	\$5.4	\$5.3
Segment profit margin	21.2	% 19.9	% 20.3

(a) Aviation segment revenues represent 26% and 24% of total industrial segment revenues and total segment revenues, respectively, for the year ended December 31, 2018.

(b) Aviation segment profit represents 60% of total industrial segment profit for the year ended December 31, 2018.
2018 – 2017 COMMENTARY:

Segment revenues up \$3.6 billion (13%);
Segment profit up \$1.1 billion (20%):

Global passenger air travel continued to grow with revenue passenger kilometers (RPK) growth outpacing the ten-year average. Industry-load factors remained above 80%*. Air freight volume also increased, particularly in international markets. Freight capacity additions slightly exceeded freight volume growth during the year. We shipped 1,118 LEAP engines during the year, meeting our commitment to ship 1,100-1,200 engines in 2018. Services revenues increased primarily due to a higher commercial spares shipment rate, as well as increased price. Equipment revenues increased primarily due to 57 more military engine shipments and 195 more commercial units, including 659 more LEAP units, versus the prior year, partially offset by lower legacy commercial output in the CFM and GE90 product lines.

The increase in profit was mainly due to increased price, increased volume, higher spare engine shipments and product and base cost productivity. These increases were partially offset by an unfavorable business mix driven by negative LEAP margin as well as higher overhaul shop costs due to increased volume and mix.

2017 – 2016 COMMENTARY:

Segment revenues up \$0.8 billion (3%);
Segment profit up 1%:

Global passenger air travel continued to grow with RPK growth outpacing the five-year average. Air freight volume rebounded, particularly in international markets, with FTK demand also exceeding capacity for the year. Services revenues increased primarily due to a higher commercial and military spares shipment rate, as well as higher prices. Equipment revenues decreased due to lower legacy and GENx Commercial engine shipments, partially offset by more LEAP and Military engine shipments. Revenues also increased due to the acquisitions of Arcam AB and Concept Laser GmbH in the fourth quarter of 2016 which contributed \$0.2 billion of inorganic revenue growth in 2017.

The increase in profit was mainly due to higher cost productivity driven by structural cost reductions, as well as material deflation, higher services volume and higher prices. These increases were partially offset by an unfavorable business mix driven by negative LEAP margin impact.

* Based on the latest available information from the International Air Transport Association

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SEGMENT
MD&A OPERATIONS
| OIL & GAS

OIL & GAS

Products & Services

Oil & Gas, which represents our 50.4% consolidated interest in BHGE, is a fullstream oilfield technology provider that has a unique mix of integrated oilfield products, services and digital solutions. We operate through our four business segments: Oilfield Services, Oilfield Equipment, Turbomachinery & Processing Solutions and Digital Solutions. We employ approximately 65,800 people, serve customers in 120+ countries, and our headquarters are located in London, UK and Houston, TX.

Oilfield Services – provides equipment and services ranging from well evaluation to decommissioning. Products and services include diamond and tri-cone drill bits, drilling services (including directional drilling technology, measurement while drilling and logging while drilling), downhole completion tools and systems, wellbore intervention tools and services, wireline services, drilling and completions fluids, oilfield and industrial chemicals, pressure pumping and artificial lift technologies (including electrical submersible pumps).

Oilfield Equipment – provides a broad portfolio of products and services required to facilitate the safe and reliable flow of hydrocarbons from the subsea wellhead to the surface. Products and services include pressure control equipment and services, subsea production systems and services, drilling equipment and flexible pipeline systems. Oilfield Equipment operation designs and manufactures onshore and offshore drilling and production systems and equipment for floating production platforms and provides a full range of services related to onshore and offshore drilling activities.

Turbomachinery & Process Solutions – provides equipment and related services for mechanical-drive, compression and power-generation applications across the oil and gas industry as well as products and services to serve the downstream segments of the industry including refining, petrochemical, distributed gas, flow and process control and other industrial applications. The Turbomachinery & Process Solutions 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, turbo expanders and reciprocating), turn-key solutions (industrial modules and waste heat recovery), pumps, valves and compressed natural gas (CNG) and small-scale liquefied natural gas (LNG) solutions used primarily for shale oil and gas field development.

Digital Solutions – 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, turbine, generator and plant controls and condition monitoring, as well as pipeline integrity solutions.

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.

Significant Trends & Developments

In June 2018, we announced our plan to pursue an orderly separation from BHGE over time. The business has not met the accounting criteria for held for sale classification. That classification will depend on the nature and timing of the transaction.

Pursuant to this announcement, BHGE completed an underwritten public offering in which we sold 101.2 million shares of BHGE Class A common stock. BHGE also repurchased 65.0 million BHGE LLC units from us. The total consideration received by us from these transactions was \$3.7 billion. The transaction closed in November 2018 and, as a result, our economic interest in BHGE reduced from 62.5% to 50.4% and we recognized a pre-tax loss in equity of \$2.2 billion. See Note 15 to the consolidated financial statements for further information.

On November 13, 2018, we entered into a Master Agreement and a series of related ancillary agreements and binding term sheets with BHGE (collectively, the “Master Agreement Framework”) designed to further solidify the commercial

and technological collaborations between BHGE and GE. In particular, the Master Agreement Framework contemplates long-term agreements between us and BHGE on technology, fulfillment and other key areas. Market weakness in recent years including lower oil prices has led to reductions in customers' forecasted capital expenditures and lower convertible orders, creating industry challenges, the effects of which are uncertain. In addition, decreased U.S. rig count and lower drilling activity versus prior peaks in the early 2000s has reduced the need for new wells, rigs, and replacement equipment.

We are also 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.

2018 demonstrated the volatility of the oil and gas market. Through the first three quarters of 2018, we experienced stability in the North American and international markets. However, in the fourth quarter of 2018, commodity prices dropped nearly 40%, resulting in increased customer uncertainty. From an offshore standpoint, through most of 2018, we saw multiple large offshore projects reach positive final investment decision, and expect customers to continue to evaluate final investment decisions timing, in light of increased commodity price volatility.

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SEGMENT
 MD&A OPERATIONS
 | OIL & GAS

The liquified natural gas (LNG) market and outlook improved throughout 2018, driven by increased demand globally. In 2018, the first large North American LNG positive final investment decision was reached. Looking to 2019, we expect a significant number of LNG million tons per annum (MTPA) to reach positive final investment decisions. In 2018, total rig count increased 9% to an average of 2,211 from an average of 2,030 in 2017. This increase was driven by an increase in North American rig count from 1,082 in 2017 to 1,223 in 2018, primarily driven by U.S. rig count, partially offset with a decline in Canadian rig count.

Oil prices generally increased throughout 2018, but sharply declined in the fourth quarter driven by global economic growth forecast revisions, higher than expected production in the U.S., and lower than anticipated production cuts from OPEC.

In North America, customer spending is highly driven by WTI oil prices which on average increased throughout the year. Average WTI oil prices increased to \$65.23/Bbl in 2018 from \$50.80/Bbl in 2017 and ranged from a low of \$44.48/Bbl in December 2018 to a high of \$77.41/Bbl in June 2018.

Outside of North America, customer spending is influenced by Brent oil prices, which also increased on average throughout the year. Average Brent oil prices increased to \$71.34/Bbl in 2018 from \$54.12/Bbl in 2017 and ranged from a low of \$50.57/Bbl in December 2018 to a high of \$86.07/Bbl in October 2018.

Given the commodity price decline in the fourth quarter of 2018, we continue to expect activity to remain volatile and final investment decisions to remain fluid due to continued oil price volatility.

GEOGRAPHIC REVENUES (Dollars in billions) 2018 2017

U.S.	\$6.6	\$4.4
Non-U.S.		
Europe	4.0	3.0
Asia	3.2	2.5
Americas	3.3	2.5
Middle East and Africa	5.8	4.8
Total Non-U.S.	\$16.3	\$12.8
Total Segment Revenues	\$22.9	\$17.2

Non-U.S. Revenues as a % of Segment Revenues 71 % 74 %

SUB-SEGMENT REVENUES (In billions) 2018 2017

Turbomachinery & Process Solutions (TPS)	\$6.0	\$6.3
Oilfield Services (OFS)(a)	11.6	5.9
Oilfield Equipment (OFE)(b)	2.6	2.7
Digital Solutions	2.6	2.3
Total Segment Revenues	\$22.9	\$17.2

(a) Previously referred to as Surface

(b) Previously referred to as Subsea Systems & Drilling

ORDERS AND BACKLOG (In billions) 2018 2017

Orders

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Equipment	\$9.9	\$6.9
Services	13.9	10.3
Total	\$23.9	\$17.1

Backlog		
Equipment	\$5.7	\$5.5
Services	15.8	16.4
Total	\$21.5	\$21.9

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SEGMENT
MD&A OPERATIONS
| OIL & GAS

SEGMENT REVENUES (In billions)	2018	2017	2016
Revenues			
Equipment	\$9.3	\$7.2	\$6.1
Services	13.6	10.0	6.9
Total(a)	\$22.9	\$17.2	\$12.9

SEGMENT PROFIT AND PROFIT MARGIN (Dollars in billions)	2018	2017	2016
--	------	------	------

Segment profit(b)	\$0.4	\$0.2	\$1.3
Segment profit margin	1.9	%0.9	%10.1

(a) Oil & Gas segment revenues represent 20% and 18% of total industrial segment revenues and total segment revenues, respectively, for the year ended December 31, 2018.

(b) Oil & Gas segment profit represents 4% of total industrial segment profit for the year ended December 31, 2018.

2018 – 2017 COMMENTARY:

Segment revenues up \$5.7 billion (33%);

Segment profit up \$0.3 billion:

The oil and gas market experienced stability through the first three quarters of 2018 leading to continuous improvements. However, in the fourth quarter, commodity prices dropped nearly 40%, demonstrating the volatility of the market and resulting in increased customer uncertainty. From an offshore and liquefied natural gas (LNG) perspective, in 2018, major equipment projects were awarded in the Oilfield Equipment and TPS businesses.

The Baker Hughes acquisition in July 2017 contributed \$5.4 billion of inorganic revenue growth in the first half of 2018 compared to the first half of 2017. In addition, Oil & Gas revenues increased due to increased services revenues, primarily resulting from higher OFS activity of \$0.3 billion in North America and international markets. Equipment revenues decreased primarily at TPS by \$0.3 billion as a result of lower opening backlog, partially offset by the effects of a weaker U.S. dollar versus certain currencies.

The increase in profit was primarily driven by synergies delivered from combining our Oil & Gas business with Baker Hughes Incorporated and lower restructuring and other charges, partially offset by unfavorable business mix and decreased other income including increased equity income losses in affiliates.

2017 – 2016 COMMENTARY:

Segment revenues up \$4.2 billion (33%);

Segment profit down \$1.1 billion (88%):

The oil and gas market remained challenging in 2017. Despite some improvements in activity, there were no significant increases in customer capital commitments, and oil prices remained volatile for the majority of the year. While oil prices stabilized towards the end of 2017 and North American rig count increased, major equipment project awards continued to be pushed out in the Oilfield Equipment and TPS businesses.

The Baker Hughes acquisition in July 2017 contributed \$5.2 billion of inorganic revenue growth in 2017. Legacy equipment revenues decreased due to lower volume primarily at OFE of \$0.8 billion as a result of the market conditions and lower opening backlog. Revenues further decreased due to lower oil prices, partially offset by the effects of a weaker U.S. dollar versus certain currencies.

The decrease in profit was primarily driven by negative variable cost productivity, restructuring and other charges, lower prices and lower organic volume, partially offset by increased volume from Baker Hughes, deflation and

increased other income including a reduction in foreign exchange transactional losses.

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SEGMENT
MD&A OPERATIONS |
HEALTHCARE

HEALTHCARE

Products & Services

Healthcare provides essential healthcare technologies to developed and emerging markets and has expertise in medical imaging, digital solutions, patient monitoring and diagnostics, drug discovery, biopharmaceutical manufacturing technologies and performance improvement solutions that are the building blocks of precision health. Products and services are sold worldwide primarily to hospitals, medical facilities, pharmaceutical and biotechnology companies, and to the life science research market. We employ approximately 53,800 people, serve customers in 140+ countries, and our headquarters is located in Chicago, IL.

Healthcare Systems – develops, manufactures, markets and services a broad suite of products and solutions used in the diagnosis, treatment and monitoring of patients that is encompassed in imaging, ultrasound, life care solutions and enterprise software and solutions. Imaging includes magnetic resonance, computed tomography, molecular imaging, x-ray systems and complementary software and services, for use in general diagnostics, Women’s Health and image-guided therapies. Ultrasound includes high-frequency soundwave systems, and complementary software and services, for use in diagnostics tailored to a wide range of clinical settings. Life Care Solutions (“LCS”) includes clinical monitoring and acute care systems, and complementary software and services, for use in intensive care, anesthesia delivery, diagnostic cardiology and perinatal care. Enterprise Software & Solutions (“ESS”) includes enterprise digital, consulting and healthcare technology management offerings designed to improve efficiency in healthcare delivery and expand global access to advanced health care.

Life Sciences – delivers products, services and manufacturing solutions for drug discovery, the biopharmaceutical industry, and cellular and gene therapy technologies, so that scientists and specialists can 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 diagnostics.

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 and solution innovation to provide products that meet these customer requirements and competitive pricing are among the key factors affecting competition for these products and services. New technologies and solutions could make our products and services obsolete unless we continue to develop new and improved offerings.

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 and regulations that apply to claims submitted under Medicare, Medicaid or other government funded healthcare programs.

Significant Trends & Developments

In April 2018, we announced an agreement to sell our Enterprise Financial Management, Ambulatory Care Management and Workforce Management assets, comprising our Healthcare segment’s Value-Based Care Division, to Veritas Capital, a private equity investment firm, for approximately \$1.0 billion (net of cash transferred). This transaction closed on July 10, 2018 and resulted in the recognition of a pre-tax gain of approximately \$0.7 billion in the third quarter of 2018. This gain was recorded within Corporate.

In June 2018, we announced a plan to separate GE Healthcare into a standalone company. On February 25, 2019, we announced an agreement to sell our BioPharma business within our Healthcare segment to Danaher Corporation for total consideration of approximately \$21.4 billion, subject to certain adjustments. The transaction is expected to close in the fourth quarter of 2019, subject to regulatory approvals and customary closing conditions. We intend to retain the remaining portion of our Healthcare business which provides us full flexibility for growth and optionality with respect to the business.

In 2018, we sold our remaining shares in Neogenomics and received proceeds of approximately \$200 million. The Healthcare Systems global market continues to expand at low single digit rates, driven by strength in emerging markets, as these economies continue to expand their population's access to healthcare, and slower growth in developed markets. The Life Sciences market continues to be strong with the Bioprocess market growing at a high single digit rate, driven by growth in biologic drugs, and the imaging agents market growing at low single digit rates. We continue to lead in technology innovation with greater focus on productivity-based technology, services and IT/cloud-based solutions as healthcare providers seek greater productivity and better outcomes.

In 2018, we launched a variety of new products including our ultra-premium radiology ultrasound system, LOGIQ E10, and our AIR technology coil suite. We also enhanced our MR portfolio with SIGNA™ Premier and upgraded our portfolio of premium high power mobile Surgery C-arms featuring CMOS detectors. Emerging markets are expected to grow over the long-term with short-term volatility, driven by the long-term trend of expanding access to healthcare in these markets.

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SEGMENT
MD&A OPERATIONS |
HEALTHCARE

As expected, the China market was a source of growth in 2018 with strong fundamentals in the public market and an expanding private market. While we expect this growth to continue in 2019, new U.S. tariffs on certain types of medical equipment and components that we import from China have resulted in increased costs. We are taking actions to mitigate this cost impact including moving our sourcing and manufacturing for these parts outside of China.

In the U.S., the underlying market remains stable, with a trend toward customers looking for more complete solutions that offer greater capacity and productivity. However, the market continues to face uncertainties driven by the increasing cost of providing healthcare that has led to a trend of increasing hospital and provider consolidation.

Underlying demand for biopharmaceuticals is expected to continue to expand with new product introductions complemented by growing access to these treatments in emerging markets. These trends continue to support the underlying growth of our Life Sciences franchise which has significant exposure to these end markets.

GEOGRAPHIC REVENUES (Dollars in billions)	2018	2017
U.S.	\$8.6	\$8.4
Non-U.S.		
Europe	4.1	3.9
Asia	5.2	4.9
Americas	1.0	1.0
Middle East and Africa	0.9	0.9
Total Non-U.S.	\$11.2	\$10.6
Total Segment Revenues	\$19.8	\$19.0

Non-U.S. Revenues as a % of Segment Revenues 57 % 56 %

SUB-SEGMENT REVENUES (In billions) 2018 2017

Healthcare Systems(a)	\$14.9	\$14.5
Life Sciences	4.9	4.6
Total Segment Revenues	\$19.8	\$19.0

(a) Given the sale of Value-Based Care in the third quarter of 2018, Healthcare Digital is now presented within Healthcare Systems.

ORDERS AND BACKLOG (In billions) 2018 2017

Orders		
Equipment	\$12.6	\$12.2
Services	8.3	8.2
Total	\$20.9	\$20.4
Backlog		
Equipment	\$6.3	\$6.4
Services	11.2	11.7
Total	\$17.4	\$18.1

SEGMENT
MD&A OPERATIONS |
HEALTHCARE

SEGMENT REVENUES (In billions)	2018	2017	2016
Revenues			
Equipment	\$11.4	\$10.8	\$10.2
Services	8.4	8.2	8.0
Total(a)	\$19.8	\$19.0	\$18.2

SEGMENT PROFIT AND PROFIT MARGIN (Dollars in billions)	2018	2017	2016
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Segment profit(b)	\$3.7	\$3.5	\$3.2
Segment profit margin	18.7	% 18.3	% 17.6

(a) Healthcare segment revenues represent 17% and 16% of total industrial segment revenues and total segment revenues, respectively, for the year ended December 31, 2018.

(b) Healthcare segment profit represents 34% of total industrial segment profit for the year ended December 31, 2018.
2018 – 2017 COMMENTARY:

Segment revenues up \$0.8 billion (4%);
Segment profit up \$0.2 billion (6%):

The Healthcare Systems global market continues to expand at low single digit rates, driven by strength in emerging markets, as these economies continue to expand their population's access to healthcare, and slower growth in developed markets. The Life Sciences market continues to be strong, with the Bioprocess market growing at a high single digit rate, driven by growth in biologic drugs, and the contrast agents market growing at low single digit rates. Services and equipment revenues increased due to higher volume in Healthcare Systems of \$0.4 billion attributable to global growth in Imaging and Ultrasound in both developed regions such as the U.S. and Europe as well as developing regions such as China and emerging markets. Volume also increased in Life Sciences by \$0.3 billion, driven by Bioprocess and Pharmaceutical Diagnostics. In addition, revenues increased due to the effects of a weaker U.S. dollar versus certain currencies, partially offset by price pressure at Healthcare Systems and the absence of the Value-Based Care Division following the sale in July 2018.

The increase in profit was primarily driven by volume growth and cost productivity due to cost reduction actions including increasing digital automation, sourcing and logistic initiatives, design engineering and prior year restructuring actions. These increases were partially offset by price pressure at Healthcare Systems, inflation, investments in programs including digital product innovations and Healthcare Systems new product introductions, the nonrecurrence of a small gain on the disposition of a non-strategic operation in Life Sciences and the absence of the Value-Based Care Division following the sale in July 2018.

2017 – 2016 COMMENTARY:

Segment revenues up \$0.8 billion (4%);
Segment profit up \$0.3 billion (9%):

The Healthcare Systems global market continued to expand, predominately in emerging markets, including China, driven by Ultrasound as well as Imaging across most modalities. In addition, Healthcare Systems launched 26 new products in 2017, and Life Sciences continued to expand its business through product launches, organic investments and acquisitions.

Services and equipment revenues increased due to higher volume in Healthcare Systems of \$0.5 billion attributable to growth in Imaging and Ultrasound supported by new product launches and growth in developing regions such as China and emerging markets. Volume also increased in Life Sciences by \$0.3 billion, driven by Bioprocess and

Pharmaceutical Diagnostics. This growth was partially offset by price pressure at Healthcare Systems. The increase in profit was primarily driven by strong volume growth and cost productivity due to cost reduction actions including increasing digital automation, sourcing and logistic initiatives, design engineering and prior year restructuring actions. In addition, profit further increased due to the recognition of small gains on the disposition of nonstrategic operations. These increases were partially offset by price pressure at Healthcare Systems and investments in programs including digital product innovations and new product offerings.

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SEGMENT
MD&A OPERATIONS |
TRANSPORTATION

TRANSPORTATION

Products & Services

Transportation is a global technology leader and supplier to the railroad, mining, marine, stationary power and drilling industries. Products and services offered by Transportation are detailed below. We employ approximately 9,400 people, serve customers in approximately 60 countries, and our headquarters is located in Chicago, IL.

Locomotives – provides freight and passenger locomotives 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.

Services – develops 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.

Digital Solutions – offers a suite of software-enabled solutions to help our customers lower operational costs, increase productivity and improve service quality and reliability.

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

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

Competition & Regulation

The competitive environment for locomotives and mining equipment and services consists of large global competitors. A number of smaller competitors compete in a limited-size product range and geographic regions. North America will remain a focus of the industry due to the EPA Tier 4 emissions standard that went into effect in 2015.

Significant Trends & Developments

On May 21, 2018, we announced an agreement to spin- or split-off and merge our Transportation segment with Wabtec Corporation, a U.S. rail equipment manufacturer. The agreement was subsequently amended on January 25, 2019. On February 25, 2019, we completed the spin-off and subsequent merger. In the transaction, participating GE shareholders received shares of Wabtec common stock representing an approximately 24.3% ownership interest in Wabtec common stock. GE received approximately \$2.9 billion in cash as well as shares of Wabtec common stock and Wabtec non-voting convertible preferred stock that, together, represent an approximately 24.9% ownership interest in Wabtec. In addition, GE is entitled to additional cash consideration up to \$0.5 billion for tax benefits that Wabtec realizes from the transaction.

North American rail carloads increased 3.4% in 2018, driven primarily by an increase in intermodal^(a) traffic.

Despite improving carload volume, parked locomotives began to increase in the second half of 2018. This increase of 4.7% from the prior year is attributable to some fleet overcapacity and constrained spending by the railroads limiting fleet expansion.

Global locomotive deliveries were down from 433 units in 2017 to 272 units in 2018 driven primarily by the optimization of existing fleets in North America.

In addition, price increases associated with additional U.S. tariffs imposed on China could negatively affect demand and reduce rail volumes, particularly those linked to farm exports, auto exports, and intermodal flows.

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

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SEGMENT
MD&A OPERATIONS |
TRANSPORTATION

GEOGRAPHIC REVENUES (Dollars in billions) 2018 2017

U.S.	\$2.2	\$2.2
Non-U.S.		
Europe	0.3	0.2
Asia	0.4	0.3
Americas	0.7	0.6
Middle East and Africa	0.2	0.7
Total Non-U.S.	\$1.7	\$1.7
Total Segment Revenues	\$3.9	\$3.9

Non-U.S. Revenues as a % of Segment Revenues 43 % 44 %

SUB-SEGMENT REVENUES (In billions) 2018 2017

Locomotives	\$0.9	\$1.3
Services	2.1	1.9
Mining	0.6	0.4
Other(a)	0.4	0.4
Total Segment Revenues	\$3.9	\$3.9

(a) Includes Marine, Stationary, Drilling and Digital

ORDERS AND BACKLOG (In billions) 2018 2017

Orders		
Equipment	\$2.8	\$2.1
Services	2.9	2.8
Total	\$5.7	\$4.9

Backlog		
Equipment	\$6.0	\$4.8
Services	12.9	13.3
Total	\$18.9	\$18.1

LOCOMOTIVES 2018 2017 V

Unit Orders	1,072	438	634
Unit Sales	272	433	(161)

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SEGMENT
MD&A OPERATIONS |
TRANSPORTATION

SEGMENT REVENUES (In billions)	2018	2017	2016
Revenues			
Equipment	\$1.4	\$1.7	\$2.3
Services	2.5	2.2	2.3
Total(a)	\$3.9	\$3.9	\$4.6

SEGMENT PROFIT AND PROFIT MARGIN (Dollars in billions)	2018	2017	2016
Segment profit(b)	\$0.6	\$0.6	\$1.0
Segment profit margin	16.2 %	16.3 %	21.1 %

(a) Transportation segment revenues represent 3% of both total industrial segment revenues and total segment revenues for the year ended December 31, 2018.

(b) Transportation segment profit represents 6% of total industrial segment profit for the year ended December 31, 2018.

2018 – 2017 COMMENTARY:

Segment revenues down 1%;

Segment profit down 1%:

North American carload volume increased 3.4% during 2018, driven primarily by an increase in intermodal traffic. Despite improving carload volume, the number of parked locomotives began to increase in the second half of 2018. The increase in parked locomotives of 4.7% from the prior year is attributable to some fleet overcapacity and constrained spending by the railroads limiting fleet expansion.

Equipment volume decreased primarily driven by 161 fewer locomotive shipments. This decrease was primarily offset by growth in mining of \$0.2 billion and an increase in services revenues of \$0.2 billion as railroads are running their locomotives longer. In addition, unparkings did occur in the first half of the year, and these unparked locomotives tend to be older units in higher need of servicing and replacement parts, driving an increase in services volume and parts shipped.

The decrease in profit was driven by lower locomotive shipments and cost pressure from material inflation and the impact of tariffs, offset by favorable business mix from a higher proportion of services volume.

2017 – 2016 COMMENTARY:

Segment revenues down \$0.7 billion (14%);

Segment profit down \$0.3 billion (34%):

The North American market continues to see overcapacity and spending budget cuts by the railroads limiting fleet expansion. However, carload volume increased 4.8% during the year driven by an increase in coal. With improving carload volume, the number of parked locomotives has decreased 18% from the prior year.

Equipment volume decreased primarily driven by 266 fewer locomotive shipments in North America due to continuing challenging market conditions. Services revenues also decreased driven by lower transactional services volume.

The decrease in profit was driven by lower equipment volume, partially offset by favorable business mix from a higher proportion of services volume including an increase in earnings in our long-term service contracts.

Additionally, cost reduction actions including restructuring, supply chain initiatives and work transfers to more

cost-competitive locations continued during the year.

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SEGMENT
 MD&A OPERATIONS
 | LIGHTING

LIGHTING
 Products & Services

Lighting includes the GE Lighting business, which is primarily focused on consumer lighting applications in the U.S. and Canada, and Current, powered by GE (Current), which is focused on providing energy efficiency and productivity solutions for commercial, industrial and municipal customers. We employ approximately 3,000 people, serve customers in 97 countries, and our headquarters are located in East Cleveland, OH for GE Lighting and Boston, MA for Current.

GE Lighting – focused on driving innovation and growth in light emitting diode (LED) and connected home technology. The business offers LEDs in a variety of shapes, sizes, wattages and color temperatures. It is also investing in the growing smart home category, offering a suite of connected lighting products with simple connection points that offer new opportunities to do more at home.

Current – combines advanced LED technology with networked sensors and software to make commercial buildings, retail stores, industrial facilities and cities more energy efficient and productive.

Competition & Regulation

Lighting 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.

Significant Trends & Developments

We classified the substantial majority of our Lighting segment as held for sale in the fourth quarter of 2017. In February 2018, we entered into an agreement to sell our GE Lighting business in Europe, the Middle East, Africa and Turkey and our Global Automotive Lighting business to a company controlled by a former GE executive in the region.

In November 2018, we announced an agreement to sell our Current, powered by GE business within our Lighting segment to American Industrial Partners (AIP), a New York-based private equity firm. The deal is expected to close in early 2019, subject to customary closing conditions and regulatory approval.

GEOGRAPHIC REVENUES (Dollars in billions) 2018 2017

U.S.	\$1.4	\$1.5
Non-U.S.		
Europe	0.1	0.2
Asia	—	—
Americas	0.2	0.2
Middle East and Africa	—	0.1
Total Non-U.S.	\$0.3	\$0.5
Total Segment Revenues	\$1.7	\$1.9

Non-U.S. Revenues as a % of Segment Revenues 17 % 25 %

SUB-SEGMENT REVENUES (In billions) 2018 2017

Current	\$1.0	\$1.0
GE Lighting	0.7	0.9
Total Segment Revenues	\$1.7	\$1.9

ORDERS AND BACKLOG (In billions) 2018 2017

Orders		
Equipment	\$0.9	\$1.1
Services	—	0.1
Total	\$1.0	\$1.2

Backlog		
Equipment	\$0.2	\$0.2
Services	—	—
Total	\$0.2	\$0.2

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SEGMENT
MD&A OPERATIONS
| LIGHTING

SEGMENT REVENUES (In billions)	2018	2017	2016
Revenues			
Equipment	\$1.6	\$1.9	\$4.6
Services	0.1	0.1	0.2
Total(a)(b)	\$1.7	\$1.9	\$4.8

SEGMENT PROFIT AND PROFIT MARGIN(a) (Dollars in billions)	2018	2017	2016
Segment profit(c)	\$0.1	\$—	\$0.2
Segment profit margin	4.1	% 1.4	% 3.5

(a) Lighting segment included Appliances through its disposition in the second quarter of 2016.

(b) Lighting segment revenues represent 1% of both total industrial segment revenues and total segment revenues for the year ended December 31, 2018.

(c) Lighting segment profit represents 1% of total industrial segment profit for the year ended December 31, 2018.

2018 – 2017 COMMENTARY:

Segment revenues down \$0.2 billion (11%);

Segment profit flat:

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

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

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

2017 – 2016 COMMENTARY:

Segment revenues down \$2.8 billion (59%);

Segment profit down \$0.1 billion (84%):

The traditional lighting market continued to be challenging due to continued U.S. energy efficiency regulations and market shifts away from traditional lighting products in favor of more energy-efficient, cost-saving options.

The main driver of the decrease in revenues was the Appliances disposition which contributed \$2.6 billion in the first half of 2016 that did not recur in 2017 following the sale in June 2016. For the remaining Lighting business, equipment revenues decreased due to lower traditional lighting product sales and LED price pressure, partially offset by LED and solar growth in Current. In addition, revenues further decreased due to Lighting regional exits outside of North America.

The decrease in profit was due to lower volume driven by the Appliances disposition in June 2016. Excluding this disposition, profit increased for the remaining Lighting business driven by savings from restructuring, regional exits and decreased investment and controllable spending. These increases were partially offset by pressure in North America from declining traditional lighting product sales being only partially offset by increasing LED sales.

SEGMENT
MD&A OPERATIONS
| CAPITAL

CAPITAL

Products & Services

Capital is the financial services division of GE focused on customers and markets aligned with GE's industrial businesses across developed and emerging markets. We provide financial products and services around the globe that build on GE's industry specific expertise in aviation, power, renewables, healthcare and other activities to capitalize on market-specific opportunities. While there are customer benefits and knowledge sharing advantages linking GE's industrial and capital businesses, the financial and operational relationships are maintained with arms-length terms as though the businesses were independent. We employ approximately 2,300 people, our headquarters is located in Norwalk, CT, and our businesses include:

GE Capital Aviation Services (GECAS) - is an aviation lessor and financier with over 50 years of experience. GECAS provides a wide range of assets including narrow- or widebody aircraft, regional jets, turboprops, freighters, engines, helicopters, financing and materials. GECAS offers a broad array of financing products and services on these assets including operating leases, sale-leasebacks, secured debt financing, asset trading and servicing, and airframe parts management. GECAS owns, services or has on order more than 1,850 aircraft, plus provides loans collateralized by approximately 320 aircraft. GECAS serves approximately 250 customers in over 75 countries from a network of 24 offices around the world. GECAS acquired Milestone Aviation Group (Milestone) in January 2015, adding helicopter leasing and financing. Milestone provides financing options to operators in the offshore oil & gas industries, search & rescue, EMS, police surveillance, mining and other utility missions. Its current fleet and forward order book of medium and heavy helicopter models include models from AgustaWestland, Airbus and Sikorsky available for lease. Its adjacency businesses - GECAS Engine Leasing and Asset Management Services (Parts) - offer customers solutions and services for spare engine leasing, spare parts financing/management, and aviation consulting services.

Energy Financial Services (EFS) - a global energy investor that provides financial solutions and underwriting capabilities for Power, Renewable Energy, and Oil & Gas to meet rising demand and sustainability imperatives.

Industrial Finance (IF) - its Working Capital Solutions business provides working capital services to GE and through December 31, 2018, it also provided healthcare equipment financing.

Insurance - Refer to the Other Items - Insurance section within this MD&A for a detailed business description.

Competition & Regulation

The businesses in which we engage are highly competitive and are subject to competition from various types of financial institutions including banks, equity investors, leasing companies, finance companies associated with manufacturers and insurance and reinsurance companies. For our GECAS operations, competition is based on lease rate financing terms, aircraft delivery dates, condition and availability, as well as available capital demand for financing. For our EFS operations, competition is primarily based on deal structure and terms. As we compete globally, EFS' success is sensitive to project execution and merchant electricity prices, as well as the economic and political environment of each country in which we do business.

The businesses in which we engage are subject to a variety of U.S. federal and state laws and regulations. Our insurance operations are regulated by the insurance departments in the states in which they are domiciled or licensed, with the Kansas Insurance Department (KID) being our primary state regulator.

Significant Trends & Developments

In 2018, we announced plans to take actions to make GE Capital smaller and more focused, including a substantial reduction in the size of GE Capital's EFS and IF businesses (GE Capital strategic shift). We continue to evaluate strategic options to accelerate the further reduction in the size of GE Capital. Certain of these options could have a material financial charge depending on the timing, negotiated terms and conditions of any ultimate arrangements.

In 2018, we completed the sale of EFS' debt origination business, various EFS investments and HEF financing receivables within our Capital segment for proceeds of approximately \$8.3 billion and recognized a net pre-tax gain of

approximately \$0.2 billion. These sales, along with net collections of financing receivables and maturities of liquidity investments primarily provided the cash necessary to reduce the GE Capital balance sheet through net repayment of borrowings of \$21.1 billion.

GE Capital paid no common dividends in 2018 and does not expect to make a common dividend distribution to GE for the foreseeable future. GE Capital paid common dividends of \$4.0 billion to GE during the year ended December 31, 2017.

Refer to the Other Items - Insurance section within this MD&A for further discussion of the accounting estimates and assumptions in our insurance reserves and their sensitivity to change. Also, see Notes 1 and 12 to the consolidated financial statements for further information.

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SEGMENT
MD&A OPERATIONS
| CAPITAL

SUB-SEGMENT ASSETS (In billions)	2018	2017
GECAS	\$41.7	\$40.0
EFS	3.0	9.9
Industrial Finance and WCS(a)	15.8	25.8
Insurance	40.3	39.9
Other continuing operations	18.6	35.3
Total segment assets	\$119.3	\$150.8

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

GEOGRAPHIC REVENUES (Dollars in billions)	2018	2017
U.S.	\$5.3	\$4.4
Non-U.S.		
Europe	1.4	1.5
Asia	1.4	1.4
Americas	0.6	0.8
Middle East and Africa	0.9	1.0
Total Non-U.S.	4.3	4.7
Total	\$9.6	\$9.1

Non-U.S. Revenues as a % of Segment Revenues 45 % 52 %
RATIO 2018 2017

GE Capital debt to equity 5.74:17.06:1

SUB-SEGMENT REVENUES(a) (In billions)	2018	2017	2016
GECAS	\$4.9	\$5.1	\$5.4
EFS	0.1	(0.5)	0.7
Industrial Finance and WCS	1.5	1.5	1.2
Insurance	2.9	2.9	2.9
Other continuing operations	0.1	—	0.7
Total segment revenues	\$9.6	\$9.1	\$10.9

(a) Capital segment revenues represent 8% of total segment revenues for the year ended December 31, 2018.

SUB-SEGMENT PROFIT(a) (In billions)	2018	2017	2016
GECAS	\$1.2	\$2.1	\$1.4
EFS	0.1	(1.5)	0.4
Industrial Finance and WCS	0.3	0.5	0.4
Insurance	(0.2)	(7.2)	(0.1)
Other continuing operations(b)	(1.9)	(0.7)	(3.3)
Total segment profit	\$(0.5)	\$(6.8)	\$(1.3)

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

(b) Other continuing operations in 2018 is primarily driven by excess interest costs from debt previously allocated to assets that have been sold as part of the GE Capital Exit Plan, preferred stock dividend costs and interest costs not allocated to GE Capital segments, which are driven by GE Capital's interest allocation process. Interest costs are allocated to GE Capital segments based on the tenor of their assets using the market rate at the time of origination. Debt on the GE Capital balance sheet was issued based on the profile of our balance sheet prior to the decision in 2015 to strategically shrink GE Capital. It

included long dated maturities that are no longer consistent with a much smaller business. As a result, actual interest expense is higher than interest expense allocated to the remaining GE Capital segments. Preferred stock dividend costs will become a GE obligation in 2021 as the intercompany securities convert into common equity and excess interest costs from debt previously allocated to assets that have been sold are expected to run off by 2020. In addition, we anticipate unallocated interest costs to decline gradually as debt matures and/or is refinanced.

2018 – 2017 COMMENTARY:

Capital revenues increased \$0.5 billion, or 5%, primarily due to lower impairments and volume growth, partially offset by lower gains.

Capital losses decreased \$6.3 billion, or 93%, primarily due to the nonrecurrence of the 2017 charges associated with the GE Capital insurance premium deficiency review and EFS strategic actions, partially offset by the nonrecurrence of 2017 tax benefits.

2017 – 2016 COMMENTARY:

Capital revenues decreased \$1.8 billion, or 17%, primarily due to higher impairments and volume declines.

Capital losses increased \$5.5 billion, primarily due to the completion of our insurance premium deficiency review, EFS strategic actions and higher impairments, partially offset by lower headquarters and treasury operations expenses associated with the GE Capital Exit Plan, higher tax benefits including the effects of U.S. tax reform and lower preferred dividend expenses associated with the January 2016 preferred equity exchange.

CORPORATE
MD&A ITEMS AND
ELIMINATIONS

GE CORPORATE ITEMS AND ELIMINATIONS

GE Corporate Items and Eliminations is a caption used in the Segment Operations – Summary of Operating Segment table to reconcile the aggregated results of our segments to the consolidated results of the Company. As such, it includes corporate activities, including certain GE Digital 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, certain amounts not included in 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 Organization).

REVENUES AND OPERATING PROFIT (COST) (In millions)	2018	2017	2016
Revenues			
Eliminations and other	\$(3,600)	\$(3,995)	\$(3,760)
Total Corporate Items and Eliminations	\$(3,600)	\$(3,995)	\$(3,760)
Operating profit (cost)			
Gains (losses) on disposals(a)	\$1,350	\$926	\$3,480
Restructuring and other charges(b)	(2,958)	(3,351)	(3,544)
Goodwill impairments	(22,136)	(1,165)	—
Eliminations and other	(1,187)	(1,636)	(2,000)
Total Corporate Items and Eliminations	\$(24,931)	\$(5,225)	\$(2,064)

Includes gains (losses) on disposed or held for sale businesses. The total amount realized in the second half of 2018 (a) amounted to \$161 million related to the sale of our Pivotal software equity investment. Any fair value adjustments recorded through the date of sale were considered unrealized.

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

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

CORPORATE

COSTS

(OPERATING) 2016
(In
millions)

\$(24,931) \$(5,225) \$(2,064)

Corporate
Items
and
Eliminations

(GAAP)
 Less:
 restructuring
 and other charges
 (2,958) (3,351) (3,544)
 Less:
 gains on disposals
 (1,350) 926 3,480
 Less:
 goodwill impairments
 (2,116) (1,165) —
 Adjusted total
 corporate costs
 (1,187) (1,636) (2,000)
 (operating)
 (Non-GAAP)

2018 – 2017 COMMENTARY

Revenues increased \$0.4 billion, primarily a result of:

• Decrease in inter-segment eliminations

Operating costs increased by \$19.7 billion, primarily as a result of:

\$21.0 billion of higher goodwill impairment charges due to \$22.0 billion of goodwill impairments in our Power

- business and a \$0.1 billion goodwill impairment in our Renewable business in 2018 compared to a \$1.2 billion charge for the impairment of Power Conversion goodwill in 2017.

\$0.4 billion of lower restructuring and other charges primarily driven by \$0.7 billion of lower restructuring costs across all GE industrial segments during 2018 and \$0.2 billion of lower charges in 2018 for the impairment of a power plant asset. These decreases were partly offset by \$0.6 billion of impairments within our Power business in 2018.

\$0.4 billion of higher net gains from disposed or held for sale businesses, which is primarily related to the \$0.7 billion gain from the sale of our Distributed Power business to Advent International in 2018, \$0.7 billion gain from the sale of our Value Based Care business to Veritas Capital in 2018, \$0.3 billion gain from the sale of our Industrial Solutions business to ABB in 2018, \$0.2 billion gain from the sale of our Pivotal Software investment in 2018 and \$0.4 billion of lower held for sale losses in 2018 primarily related to our Lighting and Aviation segments. These increases were partly offset by a \$1.9 billion gain from the sale of our Water business to Suez in 2017.

\$0.4 billion of lower Corporate costs from restructuring and cost reduction actions.

*Non-GAAP Financial Measure

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2017 – 2016 COMMENTARY

Revenues decreased \$0.2 billion, primarily a result of:

• Increase in inter-segment eliminations.

Operating costs increased \$3.2 billion, primarily as a result of:

\$2.6 billion of lower net gains from disposed or held for sale businesses, which is primarily related to the \$3.1 billion gain from the sale of our Appliances business to Haier in 2016, \$0.4 billion gain from the sale of GE Asset

Management to State Street Corporation in 2016 and \$1.0 billion of held for sale losses in 2017 related to our Lighting and Aviation businesses. These decreases were partially offset by a \$1.9 billion gain from the sale of our Water business to Suez in 2017.

\$1.2 billion of higher goodwill charges related to the impairment of Power Conversion goodwill in 2017.

\$0.2 billion of lower restructuring and other charges primarily driven by a decrease of \$0.5 billion of Oil & Gas related charges recorded at Corporate, partially offset by a charge of \$0.3 billion for the impairment of a power plant asset.

\$0.4 billion of lower Corporate costs from restructuring and cost reduction actions in 2017.

RESTRUCTURING

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

RESTRUCTURING & OTHER CHARGES (In billions)	2018	2017	2016
Workforce reductions	\$0.9	\$1.2	\$1.3
Plant closures & associated costs and other asset write-downs	1.8	1.9	1.3
Acquisition/disposition net charges	0.8	0.8	0.6
Other	0.1	0.2	0.3
Total(a)	\$3.6	\$4.1	\$3.5

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

For 2018, restructuring and other charges were \$3.6 billion of which approximately \$1.4 billion was reported in cost of products/services and \$2.1 billion was reported in selling, general and administrative expenses (SG&A). These activities were primarily at Power, Corporate and Oil & Gas. Cash expenditures for restructuring and other charges were approximately \$2.0 billion for the twelve months ended December 31, 2018. Of the total \$3.6 billion restructuring and other charges, \$0.7 billion was recorded in the Oil & Gas segment, which amounted to \$0.5 billion net of noncontrolling interest.

For 2017, restructuring and other charges were \$4.1 billion of which approximately \$2.4 billion was reported in cost of products/services and \$1.6 billion was reported in selling, general and administrative expenses (SG&A). These activities were primarily at Corporate, Power and Oil & Gas. Cash expenditures for restructuring and other charges were approximately \$2.0 billion for the twelve months ended December 31, 2017. Of the total \$4.1 billion restructuring and other charges, \$0.8 billion was recorded in the Oil & Gas segment, which amounted to \$0.7 billion net of noncontrolling interest.

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For 2016, restructuring & other charges were \$3.5 billion of which approximately \$2.3 billion was reported in cost of products/services and \$1.1 billion was reported in other costs and expenses (SG&A). These activities were primarily at Power, Oil & Gas and Healthcare. Cash expenditures for restructuring were approximately \$1.7 billion in 2016.

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COSTS AND GAINS NOT INCLUDED IN SEGMENT RESULTS

As discussed in the Segment Operations section within this MD&A, 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. The amount of costs and gains (losses) not included in segment results follows.

COSTS AND GAINS NOT INCLUDED IN SEGMENT RESULTS (In billions)	Costs			Gains (Losses)		
	2018	2017	2016	2018	2017	2016
Power	\$23.5 (a)	\$2.0 (a)	\$1.5 (a)	\$1.0	\$1.9 (b)	\$—
Renewable Energy	0.2 (c)	0.3	0.3	—	—	—
Aviation	—	0.1	0.1	(0.1) (d)	(0.3) (d)	(0.1) (d)
Oil & Gas (e)	—	0.2	0.8	—	—	—
Healthcare	0.2	0.3	0.5	0.8	—	—
Transportation	0.1	0.2	0.2	—	—	—
Lighting (f)	0.1	0.2	0.3	(0.5) (d)	(0.7) (d)	3.1 (g)
Total	\$24.1	\$3.3	\$3.7	\$1.2	\$0.9	\$3.0

(a) Included a charge of \$22.0 billion for the impairment of Power goodwill in 2018, \$1.2 billion for the impairment of Power Conversion goodwill in 2017 and \$0.9 billion of Alstom-related restructuring and other charges in 2016.

(b) Related to the sale of our Water business in the third quarter of 2017.

(c) Included a charge of \$0.1 billion for the impairment of our Hydro business within Renewable Energy in 2018.

(d) Related to held for sale charges in our Lighting and Aviation businesses in 2017 and 2018.

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

(f) The Lighting segment included the Appliances business through its disposition in the second quarter of 2016.

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

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INTEREST AND OTHER FINANCIAL CHARGES

Consolidated interest and other financial charges amounted to \$5.1 billion, \$4.9 billion and \$5.0 billion in 2018, 2017 and 2016, respectively. See the Capital Resources and Liquidity section within this MD&A for a discussion of liquidity, borrowings and interest rate risk management.

GE interest and other financial charges (excluding interest on assumed debt) amounted to \$2.7 billion, \$2.8 billion and \$2.0 billion in 2018, 2017 and 2016, respectively. The primary components of GE interest and other financial charges are interest on short- and long-term borrowings and financing costs on sales of receivables. The decrease in 2018 compared to 2017 was primarily due to lower financing costs on sales of receivables, lower average rates on senior notes due to the \$4.0 billion maturity in December 2017 of higher interest rate notes, and lower average short-term borrowings balances, partially offset by higher interest on borrowings issued by BHGE, interest on a higher balance of intercompany loans from GE Capital, and higher interest rates on short-term borrowings. See Notes 4 and 11 to the consolidated financial statements for more information regarding sales of GE receivables and interest rates on GE borrowings, respectively.

GE Capital interest and other financial charges (including interest on debt assumed by GE), was \$3.0 billion, \$3.1 billion and \$3.8 billion in 2018, 2017 and 2016, respectively. The decrease in 2018 compared to 2017 was primarily due to lower average borrowings balances due to maturities and lower net interest on assumed debt resulting from an increase in intercompany loans to GE which bear the right of offset (see the Borrowings section of Capital Resources and Liquidity within this MD&A for an explanation of assumed debt and right-of-offset loans), partially offset by an

increase in average interest rates due to changes in market rates. GE Capital average borrowings were \$78.7 billion, \$103.8 billion and \$145.0 billion in 2018, 2017 and 2016, respectively. The GE Capital average composite effective interest rate (including interest allocated to discontinued operations) was 3.9% in 2018, 3.1% in 2017 and 3.0% in 2016.

POSTRETIREMENT BENEFIT PLANS

BENEFIT PLANS COST (In billions) 2018 2017 2016

Principal pension plans	\$4.3	\$3.7	\$3.6
Other pension plans	(0.1)	0.3	0.4
Principal retiree benefit plans	(0.1)	—	0.1
Total	\$4.1	\$4.0	\$4.1

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PRINCIPAL PENSION PLANS(a) 2018 2017 2016

Discount rates	3.64 %	4.11 %	4.38 %
Expected rate of return	6.75 %	7.50 %	7.50 %

(a) Our principal pension plans are the GE Pension Plan and the GE Supplementary Pension Plan.

2018 – 2017 COMMENTARY

Postretirement benefit plan cost increased \$0.1 billion as lower service cost resulting from fewer active plan participants was offset by effects of lower discount rates and higher loss amortization related to our principal pension plans.

2017 – 2016 COMMENTARY

Postretirement benefit plans cost decreased \$0.1 billion as lower service cost resulting from fewer active principal pension plan participants and earnings from pension plan assets, and the effects of lower discount rates were essentially offset by higher loss amortization related to our principal pension plans.

Looking forward, our key assumptions affecting 2019 postretirement benefits cost are as follows:

• Discount rate at 4.34% for our principal pension plans, reflecting current long-term interest rates.

• Assumed long-term return on our principal pension plan assets of 6.75%, unchanged from 2018.

We expect 2019 postretirement benefit plans cost to be about \$3.2 billion which is a decrease of about \$0.9 billion from 2018.

The table below presents the funded status of our benefit plans. The funded status represents the fair value of plan assets less benefit obligations.

FUNDED STATUS (In billions) 2018 2017

GE Pension Plan	\$(12.4)	\$(17.9)
GE Supplementary Pension Plan	(6.1)	(6.7)
Other pension plans	(3.9)	(4.1)
Principal retiree benefit plans	(4.8)	(5.5)
Total	\$(27.2)	\$(34.2)

Our principal pension plans are the GE Pension Plan and the GE Supplementary Pension Plan.

2018 – 2017 COMMENTARY

• The GE Pension Plan deficit decreased in 2018 primarily due to higher discount rates and employer contributions, partially offset by investment performance and the growth in pension liabilities.

• The decrease in the deficit of our other pension plans was primarily attributable to higher discount rates and employer contributions, partially offset by investment performance.

• The decrease in the principal retiree benefit plans deficit was primarily attributable to employer contributions, higher discount rates and favorable cost trends, partially offset by the growth in retiree benefit liabilities.

The Employee Retirement Income Security Act (ERISA) determines minimum pension funding requirements in the U.S. We made \$6.0 billion and \$1.7 billion in contributions to the GE Pension Plan in 2018 and 2017, respectively. On an ERISA basis, our preliminary estimate is that the GE Pension Plan was approximately 91% funded at January 1, 2019. The ERISA funded status is higher than the GAAP funded status (80% funded) primarily because the ERISA prescribed interest rate 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 2018 contributions satisfy our minimum ERISA funding requirement of \$1.5 billion and the remaining \$4.5 billion was a voluntary contribution to the plan. We currently expect this voluntary contribution will be sufficient to satisfy our minimum ERISA funding requirement for 2019 and 2020.

We expect to contribute approximately \$0.8 billion to our other pension plans in 2019, as compared to \$0.5 billion in 2018 and \$0.9 billion in 2017.

We also expect to contribute approximately \$0.4 billion to our principal retiree benefit plans in 2019 similar to our actual contributions of \$0.4 billion in both 2018 and 2017.

The funded status of our postretirement benefit plans and future effects on operating results depend on economic conditions, interest rates and investment performance. See the Critical Accounting Estimates section within this MD&A and Note 13 to the consolidated financial statements for further information about our benefit plans and the effects of this activity on our financial statements.

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INCOME TAXES

GE pays the income taxes it owes in every country in which it does business. Many factors impact our income tax expense and cash tax payments. The most significant factor is that we conduct business in over 180 countries and the majority of our revenue is earned outside the U.S. Our tax liability is also affected by U.S. and foreign tax incentives designed to encourage certain investments, like research and development; and by acquisitions, dispositions and tax law changes. On December 22, 2017, the U.S. enacted legislation commonly known as the Tax Cuts and Jobs Act (U.S. tax reform) that lowers the statutory tax rate on U.S. earnings, taxes historic foreign earnings at a reduced rate of tax, creates a territorial tax system and enacts new taxes associated with global operations. Finally, our tax returns are routinely audited, and settlements of issues raised in these audits sometimes affect our tax rates.

CONSOLIDATED (Dollars in billions) 2018 2017 2016

Effective tax rate (ETR)	(2.9)%	23.4 %	(16.1)%
Provision (benefit) for income taxes	\$0.6	\$(2.6)	\$(1.1)
Cash income taxes paid(a)	1.9	2.4	7.5

(a) Includes taxes paid related to discontinued operations.

2018 – 2017 COMMENTARY

The consolidated income tax rate for 2018 was (2.9)%. The negative effective tax rate for 2018 reflects a tax expense on a consolidated pre-tax loss.

The 2018 effective tax rate included an insignificant charge associated with the adjustment of the provisional estimate of the impact of the 2017 enactment of U.S. tax reform. As discussed in Note 14 to the consolidated financial statements, the 2017 impact of U.S. tax reform on the revaluation of deferred taxes and the transition tax on historic earnings was recorded on a provisional basis as the legislation provides for additional guidance to be issued by the U.S. Department of the Treasury on several provisions including the computation of the transition tax. Additional guidance may be issued after 2018 and any resulting effect will be recorded in the quarter of issuance.

The increase in the consolidated provision for income taxes was primarily attributable to the decrease in pre-tax loss (excluding non-deductible goodwill impairments) with a tax benefit above the average tax rate and the decrease in benefit from global operations including an increase in valuation allowances on the non-U.S. deferred tax assets of the Power business and the decision to execute internal restructuring for separation actions related to the Healthcare business.

Partially offsetting this increase was the decrease in the consolidated provision for income taxes attributable to the insignificant 2018 charge to adjust the impact of enactment of tax reform compared to the \$4.5 billion charge in 2017 for the estimated impact of enactment.

2017 – 2016 COMMENTARY

The consolidated income tax rate for 2017 was 23.4%. This effective tax rate reflects a tax benefit on a consolidated pre-tax loss.

The effective tax rate included a provisional charge of \$4.5 billion associated with the enactment of U.S. tax reform.

The consolidated tax rate excluding the effect of U.S. tax reform was 63.9%. This effective tax rate was also a tax benefit on a consolidated pre-tax loss. The tax benefit excluding the impact of tax reform was larger than 35% because of the benefit from lower-taxed international income compared to losses taxed at higher than the average rate and the benefit of the lower-taxed disposition of the Water business.

The decrease in the consolidated provision for income taxes was primarily attributable to the increase in the pre-tax loss with a tax benefit above the average tax rate including the one-time charge to revalue insurance reserves partially offset by the tax charge associated with the enactment of U.S. tax reform.

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

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

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

The rate of tax on non-U.S. operations is increased, however, because we also incur losses in foreign jurisdictions where it is not likely that the losses can be utilized and no tax benefit is provided for those losses and valuation allowances against loss carryforwards are provided when it is no longer likely that the losses can be utilized. In addition, as part of U.S. tax reform, the U.S. has enacted a tax on “base eroding” payments from the U.S. We are continuing to evaluate the impact of this provision on our operations and are undertaking restructuring actions to mitigate the impact from this provision. The U.S. has also enacted a minimum tax on foreign earnings (“global intangible low tax income”). Because we have tangible assets outside the U.S. and pay a rate of foreign tax above the minimum tax rate, we generally do not expect a significant increase in tax liability from this new U.S. minimum tax. Overall, these newly enacted provisions increase the rate of tax on our non-U.S. operations.

BENEFITS FROM LOWER-TAXED GLOBAL OPERATIONS (In billions) 2018 2017 2016

Benefit/(detriment) of lower foreign tax rate on non-U.S. earnings	\$(0.6)	\$0.7	\$0.8
Benefit of audit resolutions	0.2	—	0.2
Other	(0.9)	2.8	1.1
Total benefit/(detriment)	\$(1.3)	\$3.5	\$2.1

The amounts reported above exclude the impact of U.S. tax reform which is reported as a separate line in the reconciliation of the U.S. federal statutory income tax rate to the actual tax rate in Note 14 to the consolidated financial statements.

2018 – 2017 COMMENTARY

The decrease in benefit from lower-taxed global operations reflects the lower U.S. statutory tax rate and losses without tax benefit. The decrease in other benefits reflects increases in valuation allowances on non-U.S. deferred tax assets and for 2018 newly enacted taxes on non-U.S. earnings and the nonrecurrence of 2017 benefits associated with repatriation of foreign earnings.

2017 – 2016 COMMENTARY

Included in "other" was an increase in the benefit from 2016 to 2017 from planning at GE Capital to reduce the tax cost of repatriations of foreign cash and to repatriate high-taxed foreign earnings at GE, partially offset by a decrease in the benefit from repatriation of GE non-U.S. earnings due to the nonrecurrence of the benefit of integrating our existing services business with Alstom’s services business.

See Note 14 to the consolidated financial statements for information on the tax charges associated with the enactment of U.S. tax reform. The cash impact of the transition tax on historic foreign earnings was largely offset by accelerated use of deductions and tax credits and was substantially incurred with the filing of the 2017 tax return with no amount subject to the deferred payment provision provided under law.

The tax effect from non-U.S. income taxed at a local country rate 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.

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 this MD&A and Note 14 to the consolidated financial statements. The nature of business activities and associated income taxes differ for GE and for GE Capital; therefore, a separate analysis of each is presented in the paragraphs that follow.

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 GE Capital net earnings from continuing operations, as GE tax expense does not include taxes on GE Capital earnings. See the Non-GAAP Financial Measures section within this MD&A, for further information on this calculation.

GE EFFECTIVE TAX RATE (EXCLUDING GE CAPITAL EARNINGS) (Dollars in billions)	2018	2017	2016
GE ETR, excluding GE Capital earnings*	(4.8)%	24.9%	3.3 %
GE provision for income taxes	\$1.0	\$3.7	\$0.3

*Non-GAAP Financial Measure

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2018 – 2017 COMMENTARY

The GE provision for income taxes decreased in 2018 because of the nonrecurrence of the \$4.9 billion charge for the provisional charge associated with the enactment of U.S. tax reform.

Excluding the charge associated with U.S. tax reform, the GE tax provision increased by \$2.3 billion. The increase was primarily due to the decrease in benefit from global operations including an increase in valuation allowances on the non-U.S. deferred tax assets of the Power business and the decision to execute internal restructuring for separation actions related to the Healthcare business.

2017 – 2016 COMMENTARY

The GE provision for income taxes increased in 2017 because of the \$4.9 billion charge for the provisional estimate of the transition tax on historic foreign earnings (\$2.9 billion) and effect of revaluing our deferred taxes (\$2.0 billion).

Excluding the charge associated with U.S. tax reform, the GE tax provision decreased by \$1.5 billion. The decrease was due primarily to a decrease in pre-tax income, excluding non-deductible held-for-sale and impairment losses, which is taxed at above the average tax rate.

GE CAPITAL EFFECTIVE TAX RATE (Dollars in billions) 2018 2017 2016

GE Capital ETR	99.7 %	49.9 %	70.3 %
GE Capital provision (benefit) for income taxes	\$(0.4)	\$(6.3)	\$(1.4)

2018 – 2017 COMMENTARY

The decrease in the tax benefit at GE Capital from a benefit of \$6.3 billion in 2017 to a benefit of \$0.4 billion in 2018 is primarily due to the decrease in the pre-tax loss with a tax benefit above the average tax rate including the nonrecurrence in the one-time charge to revalue insurance reserves.

2017 – 2016 COMMENTARY

The increase in the tax benefit at GE Capital from a benefit of \$1.4 billion in 2016 to a benefit of \$6.3 billion is primarily due to the increase in the pre-tax loss with a tax benefit above the average tax rate including the one-time charge to revalue insurance reserves.

The GE Capital tax provision included a benefit of \$0.4 billion for the provisional estimate of the transition tax on historic foreign earnings (\$1.8 billion benefit) partially offset by the effect of revaluing our deferred taxes (\$1.4 billion charge).

DISCONTINUED OPERATIONS

Discontinued operations primarily relate to our financial services businesses as a result of the GE Capital Exit Plan and were previously reported in the Capital Segment. These discontinued operations primarily comprise residual assets and liabilities related to our exited U.S. mortgage business (WMC), our mortgage portfolio in Poland, indemnification liabilities associated with the sale of our GE Capital businesses, and other litigation and tax matters.

During the first quarter of 2018, we recorded a reserve of \$1.5 billion in discontinued operations in connection with the DOJ ongoing investigation regarding potential violations of FIRREA by WMC and GE Capital. On January 31, 2019, GE announced that it had reached an agreement in principle with the DOJ to settle this investigation, under which GE will pay the United States a civil penalty of \$1.5 billion, consistent with the \$1.5 billion reserve recorded for this matter in the first quarter 2018. See Legal Proceedings and Note 22 to the consolidated financial statements for further information.

The mortgage portfolio in Poland comprises floating rate residential mortgages, of which approximately 84% are denominated in Swiss Francs and the remainder in local currency. At December 31, 2018, the portfolio had a carrying

value of \$2.7 billion with a 1.4% 90-day delinquency rate and an average loan to value ratio of 71%. The portfolio is recorded at fair value less cost to sell and includes a \$0.3 billion impairment, which considered our best estimate of the effect of potential legislative relief to borrowers.

At December 31, 2018, we have provided specific indemnities to buyers of GE Capital's assets that, in the aggregate, represent a maximum potential claim of \$1.9 billion. The majority of these indemnifications relate to the sale of businesses and assets under the GE Capital Exit Plan. We have recorded related liabilities of \$0.3 billion, which incorporates our evaluation of risk and the likelihood of making payments under the indemnities. The recognized liabilities represent the estimated fair value of the indemnities when issued as adjusted for any subsequent probable and estimable losses. Approximately 15% of these exposures are expected to be resolved within the next five years, while substantially all indemnifications are expected to be resolved within the next ten years. During the fourth quarter of 2018, we received a favorable court ruling related to an indemnity we provided in connection with the sale of a GE Capital business, which, if not subject to further extrajudicial action, would reduce the amount of the maximum potential claim by \$0.7 billion.

Also, in connection with the 2015 public offering and sale of Synchrony Financial, GE Capital indemnified Synchrony Financial and its directors, officers, and employees against the liabilities of GECC's businesses other than historical liabilities of the businesses that are part of Synchrony Financial's ongoing operations.

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Included within discontinued operations at December 31, 2018 are an estimated \$1.9 billion of exposure related to tax audits and tax litigation matters for which we have recorded a reserve of \$0.5 billion. Additionally, ongoing lawsuits and other litigation matters represent exposures of \$1.3 billion for which we have recorded reserves of \$0.1 billion.

See Notes 2 and 22 to the consolidated financial statements for further information related to discontinued operations.

GEOGRAPHIC INFORMATION

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 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 Brazilian real and the Chinese renminbi.

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)	2018	2017	2016	V% 2018/2017	V% 2017/2016
U.S.	\$46.8	\$44.3	\$49.3	6%	-10%
Non-U.S.					
Europe	23.9	23.2	21.3		
Asia	22.9	20.8	20.4		
Americas	11.8	11.0	10.7		
Middle East and Africa	16.3	18.9	17.7		
Total Non-U.S.	74.9	74.0	70.1	1%	5%
Total	\$121.6	\$118.2	\$119.5	3%	(1)%

Non-U.S. Revenues as a % of Consolidated Revenues 62 % 63 % 59 %

NON-U.S. REVENUES AND EARNINGS

The increase in non-U.S. revenues in 2018 was primarily due to increases of 10% in Asia and 12% in Latin America, offset by a decrease of 14% in the Middle East and Africa.

The increase in non-U.S. revenues in 2017 was primarily due increases of 9% in Europe (primarily due to Baker Hughes) and 7% in the Middle East and Africa.

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

Increased revenues by \$0.6 billion in 2018, primarily driven by the euro (\$0.9 billion), the pound sterling (\$0.1 billion) and the Chinese renminbi (\$0.1 billion), partially offset by decreases in revenue driven by the Brazilian real (\$0.4 billion) and the Indian rupee (\$0.1 billion).

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Increased revenues by \$0.6 billion in 2017, primarily driven by the euro (\$0.4 billion), the Brazilian real (\$0.3 billion) and the Indian rupee (\$0.1 billion), partially offset by decreases in revenue driven by the pound sterling (\$0.2 billion).

The effects of foreign currency fluctuations decreased earnings by \$0.1 billion and an insignificant amount in 2018 and 2017, respectively.

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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)	2018	2017
U.S.	\$ 159.8	\$ 181.6
Non-U.S.		
Europe	82.4	117.8
Asia	22.9	23.6
Americas	18.0	21.3
Other Global	21.4	18.9
Total Non-U.S.	\$ 144.7	\$ 181.7
Total	\$ 304.5	\$ 363.3

The decrease in total assets includes \$22.1 billion of impairment related to goodwill in our Power Generation, Grid Solutions and Hydro reporting units and the effects of various portfolio dispositions. See the Consolidated Results section within this MD&A for further information.

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FINANCIAL POLICY

We intend to maintain a disciplined financial policy, targeting a sustainable credit rating in the Single-A range with a GE industrial net debt*/EBITDA ratio of less than 2.5x and a dividend in line with peers over time, as well as a less than 4-to-1 debt-to-equity ratio for GE Capital. We expect to make significant progress toward our leverage goals over the next two years.

For GE, over the next two years we expect to have significant sources that can be used to de-lever and de-risk the Company, including the proceeds from the February 2019 closing of the merger of our Transportation business with Wabtec, the sale of our BioPharma business within our Healthcare segment and the monetization of our remaining stakes in BHGE and Wabtec. GE industrial net debt* was \$55.2 billion at December 31, 2018.

For GE Capital, in addition to \$15.0 billion of liquidity at December 31, 2018, over the next two years we expect to generate additional sources of cash from asset sales, including approximately \$10 billion in 2019 from the completion of its \$25 billion asset reduction plan, as well as cash from repayments of most of the \$13.7 billion of intercompany loans from GE. In addition, in 2019, GE Capital expects to receive approximately \$4 billion of capital contributions from GE.

LIQUIDITY

We maintain a strong focus on liquidity, and define our liquidity risk tolerance based on sources and uses to maintain a sufficient liquidity position to meet our obligations under both normal and stressed conditions. At both GE and GE Capital, we manage our liquidity to provide access to sufficient funding to meet our business needs and financial obligations throughout business cycles.

Our liquidity plans are established within the context of our financial and strategic planning processes and consider the liquidity necessary to fund our operating commitments, which include purchase obligations for inventory and equipment, payroll and general expenses (including pension funding). We also consider our capital allocation and growth objectives, including funding debt maturities and insurance obligations, investing in research and

development, and dividend payments.

GE's primary sources of liquidity consist of cash and cash equivalents, free cash flows from our operating businesses, proceeds from announced dispositions, and short-term borrowing facilities (described below). Cash generation can be subject to variability based on many factors, including seasonality, receipt of down payments on large equipment orders, timing of billings on long-term contracts, the effects of changes in end markets and our ability to execute dispositions. See the Statement of Cash Flows section within this MD&A for further information regarding GE cash flow results.

As mentioned above, GE has available a variety of short-term borrowing facilities to fund its operations, including a commercial paper program, revolving credit facilities and short-term intercompany loans from GE Capital, which are generally repaid within the same quarter. Following the fourth quarter 2018 downgrades in our short-term credit ratings, GE has transitioned from a tier-1 to a tier-2 commercial paper issuer, which has substantially reduced our borrowing capacity in the commercial paper markets. To accommodate GE's short-term liquidity needs, in the fourth quarter of 2018 we increased utilization of our revolving credit facilities. See the Liquidity Sources and Credit Ratings sections for further information.

In 2018, GE generated approximately \$5.9 billion of cash proceeds (net of taxes) related to business dispositions, primarily Industrial Solutions, Healthcare's Value-Based Care division, and Distributed Power. In addition, we realized total proceeds of approximately \$4.4 billion from BHGE in 2018, comprised of a \$2.3 billion public share offering in the fourth quarter as well as \$2.1 billion of other buybacks during the year.

*Non-GAAP Financial Measure

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In 2018, GE Capital loaned GE a total of \$6.5 billion (utilizing a portion of GE Capital's excess unsecured term debt) to fund its \$6 billion contribution to the GE Pension Plan and to refinance \$0.5 billion of other intercompany loans. These loans are priced at market terms and bear the right of offset against amounts owed by GE Capital to GE under the assumed debt agreement, effectively resulting in the transfer of that portion of assumed debt obligation from GE Capital to GE. The \$6.5 billion of intercompany loans executed in 2018 have a weighted average interest rate and term of 3.6% and approximately six years, respectively. At December 31, 2018, the total balance of all such intercompany loans with right of offset was \$13.7 billion, with a collective weighted average interest rate and term of 3.5% and approximately 10 years, respectively. These loans can be prepaid by GE at any time, in whole or in part, without premium or penalty. See the Borrowings section for additional information on assumed debt and right-of-offset loans.

In the fourth quarter of 2018, GE completed the funding of \$3.1 billion for Alstom redemption rights related to certain consolidated joint ventures. See Note 15 to the consolidated financial statements for further information.

In the fourth quarter of 2018, we announced plans to reduce our quarterly dividend from \$0.12 cents to \$0.01 cent per share beginning with the dividend declared in December 2018, which was paid in January 2019. This reduction will allow us to retain approximately \$4 billion of cash per year compared to the prior payout level.

In 2019, GE will pay the United States a \$1.5 billion civil penalty to settle the DOJ investigation of potential violations of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 by WMC. See Legal Proceedings and Note 22 to the consolidated financial statements for further information.

GE Capital's primary sources of liquidity consist of cash and cash equivalents, cash generated from dispositions and cash flows from our businesses. Based on asset and liability management actions we have taken, GE Capital does not plan to issue any incremental GE Capital senior unsecured term debt until 2021. We expect to maintain an adequate liquidity position to fund our insurance obligations and debt maturities primarily as a result of cash generated from asset reductions and dispositions, as well as from GE repayments of intercompany loans and capital contributions. Additionally, while we maintain adequate liquidity levels, we may engage in liability management actions, such as buying back debt, based on market and economic conditions in order to reduce our unallocated interest expense. See the Segment Operations - Capital section within this MD&A for further information regarding allocation of GE Capital interest expense to the GE Capital businesses.

GE Capital provided capital contributions to its insurance subsidiaries of approximately \$3.5 billion and \$1.9 billion in the first quarter of 2018 and 2019, respectively. GE Capital or GE expects to provide further capital contributions of approximately \$9 billion through 2024. These contributions are subject to ongoing monitoring by KID, and the total amount to be contributed could increase or decrease, or the timing could be accelerated, based upon the results of reserve adequacy testing or a decision by KID to modify the schedule of contributions set forth in January 2018. GE maintains specified capital levels at these insurance subsidiaries under capital maintenance agreements. See Other Items - Insurance section within this MD&A and Note 12 to the consolidated financial statements for further information.

In conjunction with the GE Capital Exit Plan, in 2016 GE Capital exchanged its preferred stock into GE preferred stock with the amount and terms mirroring the GE preferred stock held by external investors (\$5,573 million carrying value at December 31, 2018). On July 1, 2018, GE Capital and GE exchanged the existing Series D preferred stock issued to GE for new GE Capital Series D preferred stock that is mandatorily convertible into GE Capital common stock on January 21, 2021. After this conversion, GE Capital will no longer pay preferred dividends to GE. The terms

of the existing GE Series D preferred stock remain unchanged. See Note 15 to the consolidated financial statements for further information.

LIQUIDITY SOURCES

GE cash, cash equivalents and restricted cash totaled \$20.5 billion at December 31, 2018, including \$3.7 billion in BHGE that can only be accessed by GE through the declaration of a dividend by BHGE's Board of Directors, our pro-rata share of BHGE stock buybacks, and settlements of any intercompany positions. As a result of these restrictions, GE does not consider BHGE cash a freely available source of liquidity for its purposes. GE Capital cash, cash equivalents and restricted cash totaled \$15.0 billion, of which \$14.5 billion was classified within continuing operations and \$0.5 billion was classified within discontinued operations.

CASH, CASH EQUIVALENTS AND RESTRICTED CASH (In billions)	December 31, 2018		December 31, 2018
GE(a)	\$ 20.5	U.S.	\$ 18.0
GE Capital(b)	14.5	Non-U.S.	17.0

At December 31, 2018, \$4.1 billion of GE cash, cash equivalents and restricted cash was held in countries with currency controls that may restrict the transfer of funds to the U.S. or limit our ability to transfer funds to the U.S. (a) without incurring substantial costs. These funds are available to fund operations and growth in these countries and we do not currently anticipate a need to transfer these funds to the U.S. Included in this amount was \$1.2 billion of BHGE cash and equivalents, which is subject to similar restrictions.

(b) Excluded \$0.5 billion classified within discontinued operations. Included \$0.7 billion held in insurance and banking entities which are subject to regulatory restrictions.

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Excluding cash held in countries with currency controls and cash at BHGE, total GE cash, cash equivalents and restricted cash was \$13.9 billion at December 31, 2018.

GE has in place committed credit lines which it may use from time to time to meet its short-term liquidity needs. The following table provides a summary of the committed and available credit lines at December 31, 2018.

GE COMMITTED AND AVAILABLE CREDIT FACILITIES (In billions)	December 31, 2018
Unused back-up revolving credit facility(a)	\$ 20.0
Revolving credit facilities (exceeding one year)(b)	23.9
Bilateral revolving credit facilities (364-day)(c)	3.6
Total committed credit facilities	\$ 47.5
Less offset provisions(d)	(6.7)
Total net available credit facilities	\$ 40.8

(a) Consisted of a \$20 billion syndicated credit facility extended by 36 banks, expiring in 2021.

(b) Included a \$19.8 billion syndicated credit facility extended by six banks, expiring in 2020.

(c) Consisted of credit facilities extended by seven banks, with expiration dates ranging from February 2019 to May 2019.

(d) Commitments under certain credit facilities in (a) and (b) may be reduced by up to \$6.7 billion due to offset provisions for any bank that holds a commitment to lend under both syndicated credit facilities.

In 2019 and 2020, the amount committed and available under the \$19.8 billion syndicated credit facility expiring in 2020 will periodically be reduced by the greater of specified contractual commitment reductions or a mandatory prepayment amount, which is determined based on any potential specified issuances of equity and incurrences of incremental debt by GE or its subsidiaries, as well as a portion of industrial business disposition proceeds. Contractual commitment reductions are \$5.0 billion in the first quarter of 2019, \$7.4 billion in the fourth quarter of 2019, \$2.5 billion in the second quarter of 2020, and \$5.0 billion in the fourth quarter of 2020. The \$20 billion syndicated back-up revolving credit facility expiring in 2021 does not contain any contractual commitment reduction features.

Under the terms of an agreement between GE Capital and GE, GE Capital has the right to compel GE to borrow under certain of these credit lines and transfer the proceeds to GE Capital as intercompany loans, which would be subject to the same terms and conditions as those between GE and the lending banks. GE Capital has not exercised this right.

The following table provides a summary of the activity in the primary external sources of short-term liquidity for GE in the fourth quarter of 2018 and 2017.

(In billions)	Commercial Paper(a)	Revolving Credit Facilities(b)	Total(a)(c)
2018			
Average borrowings during the fourth quarter	\$ 7.9	\$ 2.5	\$ 10.4
Maximum borrowings outstanding during the fourth quarter	\$ 10.7	\$ 5.1	\$ 14.8
Ending balance at December 31	\$ 3.0	\$ —	\$ 3.0
2017			

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Average borrowings during the fourth quarter	\$ 17.3	\$ 0.1	\$ 17.4
Maximum borrowings outstanding during the fourth quarter	\$ 19.7	\$ 0.3	\$ 19.7
Ending balance at December 31	\$ 3.0	\$ —	\$ 3.0

Excluded GE Capital commercial paper, which in the fourth quarter of 2018 had average, maximum and ending (a) balances of \$0.6 billion, \$3.0 billion, and an insignificant amount, respectively. GE Capital does not expect to issue any new commercial paper in the foreseeable future.

(b) Consisted of activity in the revolving credit facilities exceeding one year and the bilateral revolving credit facilities (364-day). There was no activity in the \$20 billion back-up revolving credit facility, which remains unused.

(c) Total average and maximum borrowings are calculated based on the daily outstanding balance of the sum of commercial paper and revolving credit facilities.

In addition to its external liquidity sources, GE may from time to time enter into short-term intercompany loans from GE Capital to utilize GE Capital's excess cash as an efficient source of liquidity. These loans are repaid within the same quarter.

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BORROWINGS

Consolidated total borrowings were \$110.0 billion and \$134.6 billion at December 31, 2018 and 2017, respectively. The reduction from 2017 to 2018 was driven primarily by net repayments at GE Capital of \$21.1 billion, net repayments of borrowings at BHGE of \$0.8 billion, and the effects of currency exchange of \$1.8 billion.

In 2015, senior unsecured notes and commercial paper were assumed by GE upon its merger with GE Capital. Under the conditions of the 2015 assumed debt agreement, GE Capital agreed to continue making required principal and interest payments on behalf of GE, resulting in the establishment of an intercompany receivable and payable between GE and GE Capital. On the GE Statement of Financial Position, assumed debt is presented within borrowings with an offsetting receivable from GE Capital, and on the GE Capital Statement of Financial Position, assumed debt is reflected as an intercompany payable to GE within borrowings. In addition, GE Capital has periodically made intercompany loans to GE with maturity terms that mirror the assumed debt; accordingly, these loans qualify for right-of-offset presentation, and therefore reduce the assumed debt intercompany receivable and payable between GE and GE Capital, as noted in the table below.

The following table provides a reconciliation of total short- and long-term borrowings as reported on the respective GE and GE Capital Statements of Financial Position to borrowings adjusted for assumed debt and intercompany loans.

December 31, 2018 (in billions)	GE	GE Capital	Consolidated(a)
Total short- and long-term borrowings	\$68.6	\$43.0	\$ 110.0
Debt assumed by GE from GE Capital	(36.3)	36.3	—
Intercompany loans with right of offset	13.7	(13.7)	—
Total intercompany payable (receivable) between GE and GE Capital	(22.5)	22.5	—
Total borrowings adjusted for assumed debt and intercompany loans	\$46.1	\$65.5	\$ 110.0

(a) Included \$1.6 billion elimination of other GE borrowings from GE Capital, primarily related to timing of cash cutoff associated with the GE receivables monetization program. This amount was \$2.3 billion in 2017.

When measuring the individual financial positions of GE and GE Capital, assumed debt should be considered a GE Capital debt obligation, and the intercompany loans with right-of-offset mentioned above should be considered a GE debt obligation and a reduction of GE Capital's total debt obligations. The following table illustrates the primary components of GE and GE Capital borrowings, adjusted for assumed debt and intercompany loans.

December 31 (Dollars in billions)	GE		December 31 (Dollars in billions)	GE Capital	
	2018	2017		2018	2017
Commercial paper	\$3.0	\$3.0	Commercial paper	\$—	\$5.0
GE Senior notes	20.5	21.0	Senior and subordinated notes	39.1	46.4
Intercompany loans from GE Capital(a)	13.7	7.3	Senior and subordinated notes assumed by GE	36.3	47.1
Other GE borrowings	2.5	3.2	Intercompany loans to GE(a)	(13.7)	(7.3)
Total GE adjusted borrowings excluding BHGE	\$39.7	\$34.5	Other GE Capital borrowings(b)	3.9	3.9
Total BHGE borrowings	6.3	7.2			
Total GE adjusted borrowings	\$46.1	\$41.7	Total GE Capital adjusted borrowings	\$65.5	\$95.2

- (a) The intercompany loans from GE Capital to GE bear the right of offset against amounts owed by GE Capital to GE under the assumed debt agreement.
- (b) Included \$1.9 billion and \$2.0 billion at December 31, 2018 and 2017, respectively, of non-recourse borrowings of consolidated securitization entities.

In addition to long-term borrowings, GE Capital securitizes financial assets as an alternative source of funding. During 2018, we completed \$1.3 billion of non-recourse issuances and \$1.4 billion of non-recourse borrowings matured. At December 31, 2018, consolidated non-recourse securitization borrowings were \$1.9 billion.

CREDIT RATINGS AND CONDITIONS

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

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

Moody's S&P Fitch

GE

Outlook	Stable	Stable	Negative
Short term	P-2	A-2	F2
Long term	Baa1	BBB+	BBB+

GE Capital

Outlook	Stable	Stable	Negative
Short term	P-2	A-2	F2
Long term	Baa1	BBB+	BBB+

On February 7, 2019, Fitch changed its outlook for GE and GE Capital short- and long-term debt from Stable to Negative.

On November 2, 2018, Fitch lowered the credit ratings of GE and GE Capital short- and long-term debt from F1 to F2 and from A to BBB+, respectively, with a Stable outlook.

On October 31, 2018, Moody's lowered the credit ratings of GE and GE Capital short- and long-term debt from P-1 to P-2 and from A2 to Baa1, respectively.

On October 2, 2018, S&P lowered the credit ratings of GE and GE Capital short- and long-term debt from A-1 to A-2 and from A to BBB+, respectively, with a Stable outlook.

As previously mentioned, these downgrades resulted in GE transitioning from a tier-1 to tier-2 commercial paper issuer in the fourth quarter of 2018, substantially reducing our borrowing capacity in the commercial paper markets. This transition did not have a material impact to our access to liquidity or to our interest costs, and these downgrades did not have any other material impact to our liquidity.

We are disclosing our credit ratings and any current quarter updates to these ratings to enhance understanding of our sources of liquidity and the effects of our ratings on our costs of funds. Our ratings may be subject to a revision or withdrawal at any time by the assigning rating organization, and each rating should be evaluated independently of any other rating. For a description of some of the potential consequences of a reduction in our credit ratings, see the Financial Risks section of Risk Factors.

The following sections provide additional details regarding the significant credit rating conditions for the Company in the event of further downgrades.

DEBT CONDITIONS

Substantially all of our debt agreements do not contain material credit rating covenants.

If our short-term credit ratings were to fall below A-2/P-2, we would no longer have access to the tier-2 commercial paper market, and therefore our borrowing capacity in the commercial paper market would likely be further reduced. This may result in increased utilization of our revolving credit facilities to fund our intra-quarter operations.

DERIVATIVE CONDITIONS

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

Swap, forward and option contracts are executed under standard master agreements that typically contain mutual downgrade provisions that provide the ability of the counterparty to require termination if the credit ratings of the applicable GE entity were to fall below specified ratings levels agreed upon with the counterparty, primarily BBB/Baa2. Our master agreements also typically contain provisions that provide termination rights upon the occurrence of certain other events, such as a bankruptcy or events of default by one of the parties. If an agreement was terminated under any of these circumstances, the termination amount payable would be determined on a net basis and could also take into account any collateral posted. The net amount of our derivative liability subject to such termination provisions, after consideration of collateral posted by us and outstanding interest payments was \$0.7 billion at December 31, 2018. This excludes exposure related to embedded derivatives, which do not have these provisions.

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In addition, certain of our derivatives, primarily interest rate swaps, are subject to additional margin posting requirements if our credit ratings were to fall below BBB/Baa2. The amount of additional margin will vary based on, among other factors, market movements and changes in our positions. At December 31, 2018, the amount of additional margin that we could be required to post in cash if we fell below these ratings levels was approximately \$0.4 billion.

See Note 20 to the consolidated financial statements for further information about our risk exposures, our use of derivatives, and the effects of this activity on our financial statements.

OTHER CONDITIONS

Where we provide servicing for third-party investors, GE is contractually permitted to commingle cash collected from customers on financing receivables sold to third-party investors with our own cash prior to payment to third-party investors, provided our short-term credit rating does not fall below A-2/P-2/F2. In the event any of our ratings were to fall below such levels, we may be required to segregate certain of these cash collections owed to third-party investors into restricted bank accounts and would lose the short-term liquidity benefit of commingling with respect to such collections. The financial impact to our intra-quarter liquidity would vary based on collections activity for a given quarter and may result in increased utilization of our revolving credit facilities. The loss of cash commingling would have resulted in a maximum reduction of approximately \$1 billion to GE intra-quarter liquidity during the fourth quarter of 2018.

In addition, we have relied, and may continue to rely, on securitization programs to provide alternative funding for sales of GE receivables to third-party investors. If any of our short-term credit ratings were to fall below A-2/P-2/F2, the timing or amount of liquidity generated by these programs could be adversely impacted. In the fourth quarter of 2018, the estimated maximum reduction to our ending liquidity had our credit ratings fallen below these levels was approximately \$2 billion.

FOREIGN EXCHANGE AND INTEREST RATE RISKS

Exchange rate and interest rate risks are managed with a variety of techniques, including 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 and their impact to interest and other financial charges. 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, 2019, 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 2018 portfolio and holding all other assumptions constant, we estimated that our consolidated net earnings for the next 12 months, starting in January 1, 2019, would decline by less than \$0.1 billion as a result of this parallel shift in the yield curve. Additionally, refer to the Critical Accounting Estimates section within this MD&A for further interest rate sensitivities related to pension and insurance reserve assumptions.

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 2018 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 2018 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 and any offsetting effect from the forecasted future transactions that are economically hedged.

FOREIGN CURRENCY

As a result of our global operations, we generate and incur a significant portion of our revenues and expenses in currencies other than the U.S. dollar. Such principal currencies are euro, the pound sterling, the Brazilian real and the Chinese renminbi. The results of operating entities reported in currencies other than U.S. dollar are translated to the U.S. dollar at the applicable exchange rate for inclusion in the financial statements. We use a number of techniques to manage the effects of currency exchange, including selective borrowings in local currencies and selective hedging of significant cross-currency transactions. The foreign currency effect arising from operating activities outside of the U.S., including the remeasurement of derivatives, can result in significant transactional foreign currency fluctuations at points in time, but will generally be offset as the underlying hedged item is recognized in earnings. The effects of foreign currency fluctuations, excluding the earnings impact of the underlying hedged item, decreased net earnings for the year ended December 31, 2018 by less than \$0.3 billion.

See Note 20 to the consolidated financial statements for further information about our risk exposures, our use of derivatives, and the effects of this activity on our financial statements.

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STATEMENT OF CASH FLOWS – OVERVIEW FROM 2016 THROUGH 2018

We manage the cash flow performance of our industrial and financial services businesses separately. We therefore believe it is useful to report separate GE and GE Capital columns in our Statement of Cash Flows because it enables us and our investors to evaluate the cash from operating activities of our industrial businesses (the principal source of cash generation for our industrial businesses) separately from the financing cash flows of our financial services business, as well as to evaluate the cash flows between our industrial businesses and GE Capital.

All other operating activities reflect cash sources and uses as well as non-cash adjustments to net earnings (loss). See Note 23 to the consolidated financial statements for further information regarding All other operating activities, All other investing activities and All other financing activities for both GE and GE Capital.

GE CASH FLOWS

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

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

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

See the Intercompany Transactions between GE and GE Capital section within this MD&A and Notes 4 and 24 to the consolidated financial statements for further information regarding certain transactions affecting our consolidated Statement of Cash Flows.

2018 – 2017 COMMENTARY:

GE cash from operating activities was \$2.3 billion in 2018 compared with \$11.0 billion in 2017. The decrease of \$8.8 billion was primarily due to the following:

- No common dividends were paid by GE Capital to GE in 2018 compared with \$4.0 billion in 2017.

- Cash generated from GE CFOA (excluding common dividends received from GE Capital in 2017) amounted to \$2.3 billion in 2018 (including \$1.8 billion from Oil & Gas CFOA) and \$7.0 billion in 2017 (including \$0.5 billion used for Oil & Gas CFOA), primarily due to the following:

- Net earnings for cash flows plus depreciation and amortization of property, plant and equipment, amortization of intangible assets, goodwill impairments, gains on sales of business interests and provisions for income taxes of \$7.1 billion in 2018 compared with \$6.7 billion in 2017. Net earnings for cash flows included pre-tax restructuring and other charges of \$2.9 billion in 2018 compared with \$3.9 billion in 2017.

- Principal pension plan contributions of \$6.3 billion (including \$6.0 billion related to the GE Pension Plan) in 2018 compared with \$2.0 billion (including \$1.7 billion related to the GE Pension Plan) in 2017.

- Lower taxes paid of \$1.8 billion in 2018 compared with \$2.7 billion in 2017.

- Lower growth in contract and other deferred assets of \$0.1 billion in 2018 compared with \$1.9 billion in 2017, primarily due to the timing of revenue recognized relative to the timing of billings and collections on our long-term

equipment agreements, primarily in our Power and Oil & Gas segments, partially offset by our Aviation and Healthcare segments and lower cash used for deferred inventory, primarily in our Power segment.

Cash generated from working capital of an insignificant amount in 2018 compared with \$2.8 billion in 2017. This was primarily due: to an increase in cash used for inventories of \$2.1 billion, mainly in our Oil & Gas, Aviation, Transportation and Healthcare segments, partially offset by our Power segment; an increase in cash used from progress collections of \$2.1 billion, mainly in our Power and Aviation segments, partially offset by our Renewable Energy segment; and an increase in cash used for current receivables of \$1.5 billion across all segments excluding Oil & Gas. These increases in cash used for working capital were partially offset by an increase in cash generated from accounts payable of \$3.0 billion, mainly in our Aviation, Oil & Gas and Renewable Energy segments.

The effects of the BHGE Class B shareholder dividends of \$0.5 billion and \$0.3 billion received in 2018 and 2017, respectively, are eliminated from GE CFOA.

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GE cash from investing activities was \$2.3 billion in 2018 compared with cash used for investing activities of \$8.3 billion in 2017. The \$10.6 billion increase in cash generated was primarily due to the following:

Business acquisitions of \$0.1 billion in 2018, compared with \$6.1 billion in 2017, mainly driven by the Baker Hughes transaction for \$3.4 billion (\$7.5 billion cash consideration, less \$4.1 billion of cash assumed), LM Wind Power for \$1.7 billion (net of cash acquired) and ServiceMax for \$0.9 billion (net of cash acquired).

Proceeds from business dispositions (net of cash transferred) of \$6.5 billion in 2018, primarily from the sale of our Distributed Power business for \$2.8 billion, our Industrial Solutions business for \$2.2 billion and our Value-Based Care business for \$1.0 billion, compared with \$3.1 billion in 2017, mainly driven by the sale of our Water business for \$2.9 billion.

Lower additions to property, plant and equipment and internal-use software of \$3.6 billion in 2018 (including \$1.0 billion at Oil & Gas), compared with \$4.7 billion in 2017 (including \$0.5 billion at Oil & Gas).

GE cash used for financing activities was \$2.3 billion in 2018 compared with cash from financing activities of \$4.6 billion in 2017. The \$6.9 billion increase in cash used was primarily due to the following:

A net increase in borrowings of \$3.6 billion in 2018, mainly driven by intercompany loans from GE Capital to GE of \$6.5 billion (including \$6.0 billion to fund contributions to the GE Pension Plan), partially offset by net repayments of debt of \$2.9 billion (including \$0.8 billion at BHGE), compared with a net increase in borrowings of \$16.0 billion in 2017, mainly driven by the issuance of long-term debt of \$12.5 billion (including \$4.0 billion at BHGE), primarily to fund acquisitions, and long-term loans from GE Capital to GE of \$7.3 billion, partially offset by maturity of long-term debt of \$4.0 billion and the settlement of the remaining portion of a 2016 short-term loan from GE Capital to GE of \$1.3 billion.

The acquisition of Alstom's interest in grid technology, renewable energy, and global nuclear and French steam power joint ventures for \$3.1 billion in 2018.

BHGE net stock repurchases and dividends to noncontrolling interests of \$0.7 billion in 2018, compared with \$0.3 billion in 2017.

These increases in cash used were partially offset by the following decreases:

Common dividends paid to shareowners of \$4.2 billion in 2018, compared with \$8.4 billion in 2017.

An insignificant amount of net repurchases of GE treasury shares in 2018, compared with net repurchases of \$2.6 billion in 2017.

Proceeds from BHGE's public share offering of \$2.3 billion in 2018.

2017 – 2016 COMMENTARY:

GE cash from operating activities was \$11.0 billion in 2017 compared with \$30.0 billion in 2016. The decrease of \$18.9 billion was primarily due to the following:

GE Capital paid common dividends to GE totaling \$4.0 billion in 2017 compared with \$20.1 billion in 2016.

Cash generated from GE CFOA (excluding common dividends received from GE Capital) amounted to \$7.0 billion in 2017 (including \$0.5 billion used for Oil & Gas CFOA) and \$9.9 billion in 2016, primarily due to the following:

Net earnings for cash flows plus depreciation and amortization of property, plant and equipment, amortization of intangible assets, goodwill impairments, gains on sales of business interests and provisions for income taxes of \$6.7 billion in 2017 compared with \$9.9 billion in 2016. Net earnings for cash flows included pre-tax restructuring and other charges of \$3.9 billion in 2017 compared with \$3.4 billion in 2016.

Principal pension plan contributions of \$2.0 billion (including \$1.7 billion related to the GE Pension Plan) in 2017 compared with \$0.6 billion (including \$0.3 billion related to the GE Pension Plan) in 2016.

Lower growth in contract and other deferred assets of \$1.9 billion in 2017 compared with \$2.6 billion in 2016, primarily due to the timing of revenue recognized relative to the timing of billings and collections on our long-term

service agreements, mainly in our Aviation segment.

Cash generated from working capital of \$2.8 billion in 2017 compared with \$3.7 billion in 2016. This was primarily due to: an increase in cash used for accounts payable of \$2.2 billion, mainly in our Power, Aviation and Renewable Energy segments; a decrease in cash generated from current receivables of \$0.6 billion, mainly in our Oil & Gas segment (primarily due to the cessation of sales of current receivables to GE Capital in the fourth quarter of 2017), partially offset by our Renewable Energy segment; and a decrease in progress collections of an insignificant amount, driven by our Power segment, offset by the benefit from the timing of progress collections received in the fourth quarter of 2017 of approximately \$0.7 billion (primarily in our Aviation segment). These decreases in working capital were partially offset by an increase in cash generated from inventories of \$2.0 billion, mainly in our Power, Aviation, Healthcare and Oil & Gas segments and in our Appliances business, due to inventory build in the first half of 2016 which did not reoccur in 2017 as a result of the sale of the business in the second quarter of 2016.

¶The effect of BHGE Class B shareholder dividends of \$0.3 billion received in 2017 is eliminated from GE CFOA.

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GE cash used for investing activities was \$8.3 billion in 2017 compared with \$1.7 billion in 2016. The increase of \$6.6 billion was primarily due to the following:

Business acquisition activities of \$6.1 billion in 2017, primarily driven by the Baker Hughes transaction for \$3.4 billion (\$7.5 billion cash consideration, less \$4.1 billion of cash assumed), LM Wind Power for \$1.7 billion (net of cash acquired) and ServiceMax for \$0.9 billion (net of cash acquired), compared with business acquisitions of \$2.3 billion in 2016, which included two European 3-D printing companies in our Aviation segment for \$1.1 billion (net of cash acquired).

Business disposition proceeds of \$3.1 billion in 2017, primarily driven by the sale of our Water business for \$2.9 billion (net of cash transferred) in 2017, compared with proceeds of \$5.4 billion in 2016, primarily driven by the sale of our Appliances business for \$4.8 billion and the sale of GEAM for \$0.4 billion.

Net cash paid for settlements of derivative hedges of \$1.1 billion in 2017.

GE cash from financing activities was \$4.6 billion in 2018 compared with cash used for financing activities of \$27.4 billion in 2016. The \$31.9 billion increase in cash generated was primarily due to the following:

Net repurchases of GE treasury shares of \$2.6 billion and \$21.4 billion in 2017 and 2016, respectively.

A net increase in borrowings of \$16.0 billion in 2017, mainly driven by the issuance of long-term debt of \$12.5 billion, (including \$4.0 billion at BHGE) and long-term loans from GE Capital to GE of \$7.3 billion, partially offset by maturity of long-term debt of \$4.0 billion and the settlement of the remaining portion of a 2016 short-term loan from GE Capital to GE of \$1.3 billion, compared with a net increase in borrowings of \$2.8 billion in 2016, including a short-term loan from GE Capital to GE of \$1.3 billion.

GE CAPITAL CASH FLOWS

2018 – 2017 COMMENTARY:

GE Capital cash from operating activities was \$1.6 billion in 2018 compared with \$2.4 billion in 2017. The decrease of \$0.8 billion was primarily due to the following:

Net increase in cash collateral and settlements paid to counterparties on derivative contracts of \$1.5 billion partially offset by a general increase in cash generated from earnings (loss) from continuing operations.

GE Capital cash from investing activities was \$11.8 billion in 2018 compared with \$8.2 billion in 2017. The increase of \$3.5 billion was primarily due to the following:

Higher collections of financing receivables of \$7.1 billion.

Proceeds from the sales of EFS' debt origination business and EFS equity investments of \$6.1 billion in 2018.

These increases in cash were partially offset by the following decreases:

A decrease in net investment securities of \$4.6 billion: \$2.5 billion in 2018 compared with \$7.1 billion in 2017.

An increase in net additions to property, plant and equipment of \$1.6 billion.

Net proceeds from sales of discontinued operations of an insignificant amount in 2018 compared with \$1.5 billion in 2017.

An increase in net intercompany loans from GE Capital to GE of \$6.5 billion in 2018 compared with \$5.9 billion in 2017.

A general reduction in funding related to discontinued operations.

GE Capital cash used for financing activities was \$23.9 billion in 2018 compared with \$23.6 billion in 2017. The increase of \$0.3 billion was primarily due to the following:

Higher net repayments of borrowings of \$21.1 billion in 2018 compared with \$19.0 billion in 2017.

A net increase in derivative cash settlements paid of \$2.0 billion.

These increases in cash used were partially offset by the following decrease:

GE Capital paid no common dividends to GE in 2018 compared with \$4.0 billion in 2017.

2017 – 2016 COMMENTARY:

GE Capital cash from operating activities was \$2.4 billion in 2017 compared with cash used for operating activities of \$0.2 billion in 2016. The \$2.6 billion increase in cash generated was primarily due to the following:

Lower cash paid for income taxes and interest of \$2.3 billion.

Net increase in cash collateral and settlements received from counterparties on derivative contracts of \$1.2 billion and a general decrease in cash generated from earnings (loss) from continuing operations.

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GE Capital cash from investing activities was \$8.2 billion in 2017 compared with \$59.8 billion in 2016. The decrease of \$51.5 billion was primarily due to the following:

- Net proceeds from the sales of our discontinued operations of \$1.5 billion in 2017 compared to \$59.9 billion in 2016.

- Maturities of \$10.4 billion related to interest bearing time deposits in 2016.

- Long-term loans from GE Capital to GE of \$7.3 billion, partially offset by the settlement of the remaining portion of 2016 short-term loan from GE Capital to GE of \$1.3 billion in 2017, compared to the issuance of a short-term loan from GE Capital to GE of \$1.3 billion in 2016.

- Net cash paid for derivative settlements of an insignificant amount in 2017 compared to net cash received from derivative settlements of \$0.4 billion in 2016.

- These decreases were partially offset by the following increases:

- Net investment securities of \$18.4 billion related to net maturities of \$7.1 billion in 2017 compared to net purchases of investment securities of \$11.2 billion in 2016.

- Higher collections of financing receivables of \$4.2 billion in 2017.

- A general reduction in funding related to discontinued operations.

GE Capital cash used for financing activities was \$23.6 billion in 2017 compared with \$81.7 billion in 2016. The decrease of \$58.0 billion was primarily due to the following:

- Lower net repayments of borrowings of \$19.0 billion in 2017 compared to \$58.8 billion in 2016.

- GE Capital paid common dividends to GE totaling \$4.0 billion in 2017 compared to \$20.1 billion in 2016.

INTERCOMPANY TRANSACTIONS BETWEEN GE AND GE CAPITAL

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

- GE Capital dividends to GE,

- GE Capital working capital services to GE, including trade receivables and supply chain finance programs,

- GE Capital enabled GE industrial orders, including related GE guarantees to GE Capital,

- GE Capital financing of GE long-term receivables, and

- Aircraft engines, power equipment, renewable energy equipment and healthcare equipment manufactured by GE that are installed on GE Capital investments, including leased equipment.

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

- Expenses related to parent-subsidary pension plans,

- Buildings and equipment leased between GE and GE Capital, including sale-leaseback transactions,

- Information technology (IT) and other services sold to GE Capital by GE,

- Settlements of tax liabilities, and

- Various investments, loans and allocations of GE corporate overhead costs.

CASH FLOWS

DIVIDENDS

GE did not receive a common dividend distribution from GE Capital in 2018 and it does not expect to for the foreseeable future. GE Capital paid \$4.0 billion and \$20.1 billion of common dividends to GE in 2017 and 2016, respectively.

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SALE OF RECEIVABLES

In order to manage short-term liquidity and credit exposure, GE sells current receivables to GE Capital and other third parties in part to fund the growth of our industrial businesses. During any given period, GE receives cash from the sale of receivables to GE Capital and other third parties, and it therefore forgoes the future collections of cash on receivables sold, as GE Capital and the other third parties are entitled to receive the cash from the customer. GE also leverages GE Capital for its expertise in receivables collection services and sales of receivables to GE Capital are made on arm's length terms. These transactions can result in cash generation or cash use in our consolidated Statement of Cash Flows. The incremental amount of cash received from sales of receivables in excess of the cash GE would have otherwise collected had these receivables not been sold represents the cash generated or used in the period relating to this activity. The impact from current receivables sold to GE Capital, including current receivables subsequently sold to third parties, decreased GE's CFOA by \$3.6 billion and \$2.0 billion in 2018 and 2017, respectively and increased GE's CFOA by \$2.1 billion in 2016.

As of December 31, 2018, including the deferred purchase price on our receivables facility, GE Capital had approximately \$4.9 billion recorded on its balance sheet related to current receivables purchased from GE. Of the current receivables purchased and retained by GE Capital, approximately 31% had been sold by GE to GE Capital with full or limited recourse (i.e., GE retains all or some risk of default). The evaluation of whether recourse transactions qualify for accounting derecognition is based, in part, upon the legal jurisdiction of the sale; as such, the majority of recourse transactions outside the U.S. qualify for sale treatment. The effect on GE CFOA of claims by GE Capital on receivables sold with full or limited recourse to GE has not been significant for the years ended December 31, 2018, 2017 and 2016.

In December 2016, GE Capital entered into a receivables facility with members of a bank group, designed to provide extra liquidity to GE. The receivables facility allows us to sell eligible current receivables on a non-recourse basis for cash and a deferred purchase price to members of the bank group. The purchase commitment of the bank group reduced from \$3.8 billion in 2017 to \$3.6 billion in 2018. See Note 4 to the consolidated financial statements for further information.

On December 21, 2018, GE Capital entered into a new revolving current receivables facility with a third-party securitization entity. This facility, whose maximum size is \$1.5 billion, will expire in one year unless extended. In contrast to the aforementioned receivables facility, the Company has no remaining risk in respect of current receivables purchased by the third-party entity. Borrowings of \$0.6 billion were repaid concurrently with the first sale to the third-party securitization. See Note 4 to the consolidated financial statements for further information.

In certain circumstances, GE provided customers primarily within our Power, Renewable Energy and Aviation businesses with extended payment terms for the purchase of new equipment, purchases of significant upgrades and for fixed billings within our long-term service agreements. Similar to current receivables, GE sold these long-term receivables to GE Capital to manage short-term liquidity and fund growth. These transactions were made on arm's length terms and any fair value adjustments, primarily related to time value of money, were recognized within the respective GE Industrial business in the period these receivables were sold to GE Capital. GE Capital accretes financing income over the life of the receivables. Financing income is eliminated in our consolidated results. In addition, the long-term portion of any remaining outstanding receivables as of the end of the period are reflected in "All other assets" within our consolidated Statement of Financial Position. Related to GE long-term customer receivables outstanding, assets at GE Capital included \$1.0 billion, \$2.1 billion and \$1.9 billion, net of deferred

income of approximately \$0.1 billion, \$0.3 billion and \$0.3 billion recorded in its balance sheet at December 31, 2018, 2017 and 2016, respectively. The effect of cash generated from the sale of these long-term receivables to GE Capital decreased GE's CFOA by \$0.9 billion in 2018, and increased GE's CFOA by \$0.3 billion and \$1.6 billion in 2017 and 2016, respectively.

SUPPLY CHAIN FINANCE PROGRAMS

GE's industrial businesses participate in a supply chain finance program with GE Capital where GE Capital may settle supplier invoices early in return for early pay discounts. In turn, GE settles invoices with GE Capital in accordance with the original supplier payment terms. The GE liability associated with the funded participation in the program is presented as accounts payable and amounted to \$5.4 billion and \$5.2 billion at December 31, 2018 and 2017, respectively.

At December 31, 2018, \$0.4 billion of the GE accounts payable balance is subject to supply chain finance programs with third parties. The terms of these arrangements do not alter our obligation to our suppliers and service providers which arise from our contractual supply agreements with them. Our payment obligation to suppliers and service providers continues to exist until we settle our obligation on the contractual payment dates and terms specified in the underlying supply contracts.

On January 16, 2019 we announced the sale of GE Capital's supply chain finance program platform to MUFG Union Bank, N.A. and our intent to start transitioning our existing program to a program with that party. The GE funded participation in the GE Capital program will continue to be settled following the original invoice payment terms with expectation that the majority of the transition will occur over 18 to 24 months. GE CFOA could be adversely affected should certain suppliers not transition to the new third-party program and we elect to take advantage of early pay discounts on trade payables offered by those suppliers.

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ENABLED ORDERS

Enabled orders represent the act of introducing, elevating and influencing customers and prospects that result in industrial sales, potentially coupled with captive financing or incremental products or services. During the years ended December 31, 2018 and 2017, GE Capital enabled \$10.1 billion and \$14.4 billion of GE industrial orders, respectively. In 2018 orders are primarily with our Renewable Energy (\$3.8 billion), Power (\$2.4 billion) and Healthcare (\$2.1 billion) businesses. Most of the financing for these enabled orders is through third-parties including export credit agencies and financial institutions.

AVIATION

During the years ended December 31, 2018 and 2017, GE Capital acquired 64 aircraft (list price totaling \$7.8 billion) and 50 aircraft (list price totaling \$6.6 billion), respectively, from third parties that will be leased to others, which are powered by engines that were manufactured by GE Aviation and affiliates and made payments related to spare engines and engine parts to GE Aviation and affiliates of \$0.4 billion and \$0.1 billion, respectively. Additionally, GE Capital had \$1.2 billion of net book value of engines, originally manufactured by GE Aviation and affiliates and subsequently leased back to GE Aviation and affiliates at both December 31, 2018 and 2017.

PENSIONS

GE Capital is a member of certain GE Pension Plans. As a result of the GE Capital Exit Plan, GE Capital will have additional funding obligations for these pension plans. These obligations are recognized as an expense in GE Capital's other continuing operations when they become probable and estimable. The additional funding obligations recognized by GE Capital were zero, \$0.2 billion and \$0.6 billion for the years ended December 31, 2018, 2017 and 2016, respectively.

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

GE GUARANTEE OF GE CAPITAL THIRD-PARTY TRANSACTIONS

In certain instances, GE provides guarantees for GE Capital transactions with third parties primarily in connection with enabled orders. In order to meet its underwriting criteria, GE Capital may obtain a direct guarantee from GE related to the performance of the third party. GE guarantees can take many forms and may include, but not be limited to, direct performance or payment guarantees, return on investment guarantees, asset value guarantees and loss pool arrangements. As of December 31, 2018, GE had outstanding guarantees to GE Capital on \$1.4 billion of funded exposure and \$0.9 billion of unfunded commitments. The recorded contingent liability for these guarantees was \$0.1 billion as of December 31, 2018 and is based on individual transaction level defaults, losses and/or returns.

GE GUARANTEE OF CERTAIN GE CAPITAL DEBT

GE provides implicit and explicit support to GE Capital through commitments, capital contributions and operating support. As previously discussed, GE debt assumed from GE Capital in connection with the merger of GE Capital into GE was \$36.3 billion and GE guaranteed \$37.7 billion of GE Capital debt at December 31, 2018. See Note 11 to the consolidated financial statements for further information.

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CONTRACTUAL OBLIGATIONS

As defined by reporting regulations, our contractual obligations for estimated future payments as of December 31, 2018, follow.

(In billions)	Payments due by period				
	Total	2019	2020-2021	2022-2023	2024 and thereafter
Borrowings (Note 11)	\$ 110.0	\$ 13.1	\$ 27.2	\$ 17.1	\$ 52.6
Interest on borrowings	31.8	3.3	4.9	3.9	19.7
Purchase obligations(a)(b)	62.3	26.7	19.5	12.5	3.6
Insurance liabilities (Note 12)(c)	35.4	2.6	4.1	4.2	24.5
Operating lease obligations (Note 26)	5.6	1.1	1.7	1.2	1.6
Other liabilities(d)	67.0	7.9	8.6	9.6	40.9
Contractual obligations of discontinued operations(e)	2.9	2.2	0.4	0.1	0.2

Included all take-or-pay arrangements, capital expenditures, contractual commitments to purchase equipment that (a) will be leased to others, 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. See Notes 20 and 22 to the consolidated financial statements for further information on these commitments and other guarantees.

(c) Included all contracts associated with our run-off insurance operations and represents the present value of future policy benefit and claim reserves.

(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: derivatives, deferred income and other sundry items. See Notes 13, 14 and 20 to the consolidated financial statements for further information on certain of these items.

(e) Included payments for other liabilities.

CRITICAL ACCOUNTING ESTIMATES

Accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to an understanding of our financial statements because they involve significant judgments and uncertainties. Many of these estimates include determining fair value. All of these estimates reflect our best judgment about current, and for some estimates future, economic and market conditions and their potential effects based on information available as of the date of these financial statements. If these conditions change from those expected, it is reasonably possible that the judgments and estimates described below could change, which may result in future impairments of investment securities, goodwill, intangibles and long-lived assets, revisions to estimated profitability on long-term service agreements, incremental losses on financing receivables, increases in reserves for contingencies and insurance, establishment of valuation allowances on deferred tax assets and increased tax liabilities, among other effects. Also see Note 1 to the consolidated financial statements, which discusses our most significant accounting policies.

REVENUE RECOGNITION ON LONG-TERM SERVICES AGREEMENTS

We have long-term service agreements with our customers predominately within our Power, Aviation, Transportation and Oil & Gas segments. These agreements require us to maintain the customers' assets over the contract term. Contract terms are generally 5 to 25 years. However, contract modifications that extend or revise contracts are not uncommon.

We recognize revenue as we perform under the arrangements based upon costs incurred at the estimated margin rate of the contract. Revenue recognition on long-term services agreements requires estimates of both customer payments expected to be received over the contract term as well as the costs to perform required maintenance services.

Customers generally pay us based on the utilization of the asset (per hour of usage for example) or upon the occurrence of a major event within the contract such as an overhaul. As a result, a significant estimate in determining expected revenues of a contract is estimating how customers will utilize their assets over the term of the agreement. The estimate of utilization will impact both the amount of customer payments we expect to receive and our estimate of costs to complete the agreement as asset utilization will influence the timing and extent of overhauls and other service events over the life of the contract. We generally use a combination of both historical utilization trends as well as forward-looking information such as market conditions and potential asset retirements in developing our revenue estimates.

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

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We routinely review estimates under long-term services agreements and regularly revise them to adjust for changes in outlook. These revisions are based on objectively verifiable information that is available at the time of the review. Contract modifications that change the rights and obligations, as well as the nature timing and extent of future cash flows, are effectively accounted for as a new contract.

The difference between the timing of our revenue recognition and cash received from our customers results in either a contract asset (revenue in excess of billings) or a contract liability (billing in excess of revenue). As of December 31, 2018, and 2017, we are in a net contract asset position of \$6.8 billion and \$6.9 billion, including contracts in liability position totaling \$5.2 billion and \$5.5 billion, respectively.

We regularly assess expected billings adjustments and customer credit risk inherent in the carrying amounts of receivables and contract assets and estimated earnings, including the risk that contractual penalties may not be sufficient to offset our accumulated investment in the event of customer termination. We gain insight into future utilization and cost trends, as well as credit risk, through our knowledge of the installed base of equipment and the close interaction with our customers that comes with supplying critical services and parts over extended periods. Revisions may affect a long-term services agreement's total estimated profitability resulting in an adjustment of earnings; such adjustments decreased earnings by \$(0.2) billion in 2018 and increased earnings by \$0.5 billion and \$0.7 billion in 2017 and 2016, respectively.

On December 31, 2018, our net long-term service agreements balance of \$6.8 billion represents approximately 3.8% of our total estimated life of contract billings of \$180.3 billion. Our contracts (on average) are approximately 20.1% complete based on costs incurred to date and our estimate of future costs. Revisions to our estimates of future billings or costs that increase or decrease total estimated contract profitability by one percentage point would increase or decrease the long-term service agreements balance by \$0.4 billion. Cash billings collected on these contracts were \$11.9 billion and \$11.6 billion during the years ended December 31, 2018 and 2017, respectively.

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

FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value every reporting period include investments in debt and equity securities and derivatives. Other assets and liabilities are subject to fair value measurements only in certain circumstances, including purchase accounting applied to assets and liabilities acquired in a business combination, impaired loans that have been reduced based on the fair value of the underlying collateral, equity securities without readily determinable fair value and equity method investments and long-lived assets that are written down to fair value when they are impaired. Upon closing an acquisition, we estimate the fair values of assets and liabilities acquired and integrate the acquisition as soon as practicable. The size, scope and complexity of an acquisition will affect the time it takes to obtain the necessary information to record the acquired assets and liabilities at fair value. It may take up to one year to finalize the initial fair value estimates used in the preliminary purchase accounting. Accordingly, it is reasonably likely that our initial estimates will be subsequently revised, which could affect carrying amounts of goodwill, intangibles and potentially other assets and liabilities in our financial statements. Assets that are written down to fair value, less cost to sell when impaired are not subsequently adjusted to fair value unless further impairment occurs.

A fair value measurement is determined as the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a

hypothetical transaction that occurs at the measurement date. The determination of fair value often involves significant judgments about assumptions such as determining an appropriate discount rate that factors in both risk and liquidity premiums, identifying the similarities and differences in market transactions, weighting those differences accordingly and then making the appropriate adjustments to those market transactions to reflect the risks specific to our asset being valued.

See Notes 1, 3, 8, 19 and 20 to the consolidated financial statements for further information on fair value measurements and related matters.

ASSET IMPAIRMENT

Asset impairment assessment involves various estimates and assumptions that may leverage the fair value measurements described above and include:

INVESTMENTS

We regularly review investment securities for impairment using both quantitative and qualitative criteria. For debt securities, if we do not intend to sell the security and it is not more likely than not that we will be required to sell the security before recovery of our amortized cost, we evaluate other qualitative criteria to determine whether a credit loss exists, such as the financial health of and specific prospects for the issuer, including whether the issuer is in compliance with the terms and covenants of the security. Quantitative criteria include determining whether there has been an adverse change in expected future cash flows. Our other-than-temporary impairment reviews involve our finance, risk and asset management functions as well as the portfolio management and research capabilities of our internal and third-party asset managers.

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See Notes 1 and 3 to the consolidated financial statements for further information about the determination of fair value for investment securities and actual and potential impairment losses.

LONG-LIVED ASSETS

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which undiscounted cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. We derive the required undiscounted cash flow estimates from our historical experience and our internal business plans. To determine fair value, we use quoted market prices when available, our internal cash flow estimates discounted at an appropriate discount rate and independent appraisals, as appropriate.

Our operating lease portfolio of commercial aircraft is a significant concentration of assets in Capital, and is particularly subject to market fluctuations. Therefore, we test recoverability of each aircraft in our operating lease portfolio at least annually. Additionally, we perform quarterly evaluations in circumstances such as when aircraft are re-leased, current lease terms have changed or a specific lessee's credit standing changes. We consider market conditions, such as global demand for commercial aircraft. Estimates of future rentals and residual values are based on historical experience and information received routinely from independent appraisers. Estimated cash flows from future leases are reduced for expected downtime between leases and for estimated costs required to prepare aircraft to be redeployed. Fair value used to measure impairment is based on management's best estimates which are benchmarked against third-party appraiser current market values for aircraft of similar type and age. See Notes 7 and 22 to the consolidated financial statements for further information on impairment losses and our exposure to the commercial aviation industry.

GOODWILL AND OTHER IDENTIFIED INTANGIBLE ASSETS

We test goodwill for impairment annually in the third quarter of each year using data as of July 1 of that year. The impairment test consists of two steps: in step one, the carrying value of the reporting unit is compared with its fair value; in step two, which is applied when the carrying value is more than its fair value, the amount of goodwill impairment, if any, is derived by deducting the fair value of the reporting unit's assets and liabilities from the fair value of its equity, and comparing that amount with the carrying amount of goodwill. We determined fair values for each of the reporting units using the market approach, when available and appropriate, or the income approach, or a combination of both. We assess the valuation methodology based upon the relevance and availability of the data at the time we perform the valuation. If multiple valuation methodologies are used, the results are weighted appropriately.

Valuations using the market approach are derived from metrics of publicly traded companies or historically completed transactions of comparable businesses. The selection of comparable businesses is based on the markets in which the reporting units operate giving consideration to risk profiles, size, geography, and diversity of products and services. A market approach is limited to reporting units for which there are publicly traded companies that have the characteristics similar to our businesses.

Under the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future cash flows and include an estimate of long-term future growth rates based on our most recent views of the long-term outlook for each business. Actual results may differ from those assumed in our forecasts. We derive our discount rates using a capital asset pricing model and analyzing published rates for industries relevant to our reporting units to estimate the cost of

equity financing. We use discount rates that are commensurate with the risks and uncertainty inherent in the respective businesses and in our internally developed forecasts. Discount rates used in our annual reporting unit valuations ranged from 9.5% to 23.0%.

Estimating the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including actual operating results. It is reasonably possible that the judgments and estimates described above could change in future periods.

We review identified intangible assets with defined useful lives and subject to amortization for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment loss occurred requires comparing the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset. We test intangible assets with indefinite lives annually for impairment using a fair value method such as discounted cash flows.

See Notes 1 and 8 to the consolidated financial statements for further information.

BUSINESSES AND ASSETS HELD FOR SALE

Businesses and assets held for sale represent components that meet the accounting requirements to be classified as held for sale and are presented as single asset and liability amounts in our financial statements with a valuation allowance, if necessary, to recognize the net carrying amount at the lower of cost or fair value, less cost to sell. Financing receivables that no longer qualify to be presented as held for investment must be classified as assets held for sale and recognized in our financial statements at the lower of cost or fair value, less cost to sell, with that amount representing a new cost basis at the date of transfer.

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The determination of fair value for businesses and assets held for sale involves significant judgments and assumptions. Development of estimates of fair values in this circumstance is complex and is dependent upon, among other factors, the nature of the potential sales transaction (for example, asset sale versus sale of legal entity), composition of assets and/or businesses in the disposal group, the comparability of the disposal group to market transactions, negotiations with third-party purchasers, etc. Such factors bear directly on the range of potential fair values and the selection of the best estimates. Key assumptions are developed based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction.

We review all businesses and assets held for sale each reporting period to determine whether the existing carrying amounts are fully recoverable in comparison to estimated fair values.

PENSION ASSUMPTIONS

Pension assumptions are significant inputs to the actuarial models that measure pension benefit obligations and related effects on operations. Two assumptions – discount rate and expected return on assets – are important elements of plan expense and asset/liability measurement. We evaluate these critical assumptions at least annually on a plan and country-specific basis. We periodically evaluate other assumptions involving demographic factors such as retirement age, mortality and turnover, and update them to reflect our experience and expectations for the future. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors.

Projected benefit obligations are measured as the present value of expected payments. We discount those cash payments using the weighted average of market-observed yields for high-quality fixed-income securities with maturities that correspond to the payment of benefits. Lower discount rates increase present values and generally increase subsequent-year pension expense; higher discount rates decrease present values and generally reduce subsequent-year pension expense.

Our discount rates for principal pension plans at December 31, 2018, 2017 and 2016 were 4.34%, 3.64% and 4.11%, respectively, reflecting market interest rates.

To determine the expected long-term rate of return on pension plan assets, we consider our asset allocation, as well as historical and expected returns on various categories of plan assets. In developing future long-term return expectations for our principal benefit plans' assets, we formulate views on the future economic environment, both in the U.S. and abroad. We evaluate general market trends and historical relationships among a number of key variables that impact asset class returns such as expected earnings growth, inflation, valuations, yields and spreads, using both internal and external sources. We also take into account expected volatility by asset class and diversification across classes to determine expected overall portfolio results given our asset allocation. Assets in our principal pension plans declined 5.4% in 2018, and had annualized returns of 4.1%, 6.9% and 7.5% in the 5-, 10- and 25-year periods ended December 31, 2018, respectively. Based on our analysis of future expectations of asset performance, past return results, and our asset allocation, we have assumed a 6.75% long-term expected return on those assets for cost recognition in 2019 and 2018 as compared to 7.50% in 2017 and 2016.

Changes in key assumptions for our principal pension plans would have the following effects.

- Discount rate – A 25 basis point increase in discount rate would decrease pension cost in the following year by \$0.2 billion and would decrease the pension benefit obligation at year-end by about \$2.0 billion.
- Expected return on assets – A 50 basis point decrease in the expected return on assets would increase pension cost in the following year by \$0.3 billion.

See Other Consolidated Information – Postretirement Benefit Plans section within this MD&A and Note 13 to the consolidated financial statements for further information on our pension plans.

INCOME TAXES

Our annual tax rate is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining our tax expense and in evaluating our tax positions, including evaluating uncertainties. We review our tax positions quarterly and adjust the balances as new information becomes available. Our income tax rate is significantly affected by the tax rate on our global operations. In addition to local country tax laws and regulations, this rate can depend on the extent earnings are indefinitely reinvested outside the U.S. Historically U.S. taxes were due upon repatriation of foreign earnings. Due to the enactment of U.S. tax reform, most repatriations of foreign earnings will be free of U.S. federal income tax but may incur withholding or state taxes. Indefinite reinvestment is determined by management's judgment about and intentions concerning the future operations of the Company. Most of these earnings have been reinvested in active non-U.S. business operations. At December 31, 2018, we have not changed our indefinite reinvestment decision as a result of tax reform but will reassess this on an ongoing basis.

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Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. We evaluate the recoverability of these future tax deductions and credits by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income rely heavily on estimates. We use our historical experience and our short- and long-range business forecasts to provide insight. Further, our global and diversified business portfolio gives us the opportunity to employ various prudent and feasible tax planning strategies to facilitate the recoverability of future deductions. Amounts recorded for deferred tax assets related to non-U.S. net operating losses, net of valuation allowances, were \$3.1 billion and \$3.7 billion at December 31, 2018 and 2017, including \$0.3 billion and \$0.3 billion at December 31, 2018 and 2017, respectively, of deferred tax assets, net of valuation allowances, associated with losses reported in discontinued operations, primarily related to our Real Estate and Consumer businesses and our loss on the sale of GE Money Japan. Such year-end 2018 amounts are expected to be fully recoverable within the applicable statutory expiration periods. To the extent we consider it more likely than not that a deferred tax asset will not be recovered, a valuation allowance is established.

The 2017 impact of U.S. tax reform was recorded on a provisional basis as the legislation provides for additional guidance to be issued by the U.S. Department of the Treasury on several provisions including the computation of the transition tax on historic foreign earnings. This amount was adjusted in 2018 based on guidance issued during the year. Additional guidance may be issued after 2018 and any resulting effect will be recorded in the quarter of issuance.

Additionally, as part of U.S. tax reform, the U.S. has enacted a tax on “base eroding” payments from the U.S. We are continuing to evaluate the impact of this new provision on our operations and are taking restructuring actions to mitigate the impact from this provision. The U.S. has also enacted a minimum tax on foreign earnings (“global intangible low tax income”). Because we have tangible assets outside the U.S. and pay a rate of foreign tax above the minimum tax rate, we are not expecting a significant increase in tax liability from this new U.S. minimum tax. We have not made an accrual for the deferred tax effects of this tax.

See Other Consolidated Information – Income Taxes section within this MD&A and Note 14 to the consolidated financial statements for further information on income taxes.

DERIVATIVES AND HEDGING

We use derivatives to manage a variety of risks, including risks related to interest rates, foreign exchange and commodity prices. Accounting for derivatives as hedges requires that, at inception and over the term of the arrangement, the hedged item and related derivative meet the requirements for hedge accounting. The rules and interpretations related to derivatives accounting are complex. Failure to apply this complex guidance correctly will result in all changes in the fair value of the derivative being reported in earnings, without regard to the offsetting changes in the fair value of the hedged item.

In evaluating whether a particular relationship qualifies for hedge accounting, we test effectiveness at inception and each reporting period thereafter by determining whether changes in the fair value of the derivative offset, within a specified range, changes in the fair value of the hedged item. If fair value changes fail this test, we discontinue applying hedge accounting to that relationship prospectively. Fair values of both the derivative instrument and the hedged item are calculated using internal valuation models incorporating market-based assumptions, subject to third-party confirmation, as applicable.

See Notes 1, 19 and 20 to the consolidated financial statements for further information about our use of derivatives.

INSURANCE AND INVESTMENT CONTRACTS

Refer to the Other Items - Insurance section within this MD&A for further discussion of the accounting estimates and assumptions in our insurance reserves and their sensitivity to change. Also see Notes 1 and 12 to the consolidated financial statements for further information.

OTHER LOSS CONTINGENCIES

Other loss contingencies are uncertain and unresolved matters that arise in the ordinary course of business and result from events or actions by others that have the potential to result in a future loss. Such contingencies include, but are not limited to environmental obligations, litigation, regulatory investigations and proceedings, product quality and losses resulting from other events and developments.

When a loss is considered probable and reasonably estimable, we record a liability in the amount of our best estimate for the ultimate loss. When there appears to be a range of possible costs with equal likelihood, liabilities are based on the low-end of such range. However, the likelihood of a loss with respect to a particular contingency is often difficult to predict and determining a meaningful estimate of the loss or a range of loss may not be practicable based on the information available and the potential effect of future events and decisions by third parties that will determine the ultimate resolution of the contingency. Moreover, it is not uncommon for such matters to be resolved over many years, during which time relevant developments and new information must be continuously evaluated to determine both the likelihood of potential loss and whether it is possible to reasonably estimate a range of possible loss.

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Disclosure is provided for material loss contingencies when a loss is probable but a reasonable estimate cannot be made, and when it is reasonably possible that a loss will be incurred or when it is reasonably possible that the amount of a loss will exceed the recorded provision. We regularly review all contingencies to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or range of loss can be made. As discussed above, development of a meaningful estimate of loss or a range of potential loss is complex when the outcome is directly dependent on negotiations with or decisions by third parties, such as regulatory agencies, the court system and other interested parties. Such factors bear directly on whether it is possible to reasonably estimate a range of potential loss and boundaries of high and low estimates.

See Note 22 to the consolidated financial statements for further information.

OTHER ITEMS
INSURANCE

The run-off insurance operations of North American Life and Health (NALH) primarily include Employers Reassurance Corporation (ERAC) and Union Fidelity Life Insurance Company (UFLIC). ERAC was formerly part of Employers Reinsurance Corporation (ERC) until the sale of ERC to Swiss Re in 2006. UFLIC was formerly part of Genworth Financial Inc. (Genworth) but was retained by GE after Genworth's initial public offering in 2004.

ERAC primarily assumes long-term care insurance and life insurance from numerous cedents under various types of reinsurance treaties and stopped accepting new policies after 2008. UFLIC primarily assumes long-term care insurance, structured settlement annuities with and without life contingencies and variable annuities from Genworth and has been closed to new business since 2004. The vast majority of NALH's reinsurance exposures are long-duration arrangements that still involve substantial levels of premium collections and benefit payments even though ERAC and UFLIC have not entered into new reinsurance treaties in about a decade.

Our run-off insurance liabilities primarily relate to individual long-term care insurance, structured settlement annuities and life insurance products. Long-term care insurance provides defined benefit levels of protection against the cost of long-term care services provided in the insured's home or in assisted living or nursing home facilities. Structured settlement annuities typically provide fixed monthly or annual annuity payments for a set period of time or, in the case of a life-contingent structured settlement, for the life of the annuitant and may include a guaranteed minimum number of payments. Traditional life insurance triggers a payment in the event of death of a covered life.

In addition to NALH, Electric Insurance Company (EIC) is a property and casualty insurance company primarily providing insurance to GE and its employees with net claim reserves of \$0.3 billion at December 31, 2018.

Insurance liabilities and annuity benefits amounted to \$35.6 billion and \$38.1 billion and as further described below, are primarily supported by investment securities of \$32.9 billion and \$32.4 billion and commercial mortgage loans of \$1.7 billion and \$1.5 billion at December 31, 2018 and 2017, respectively. Additionally, we expect to purchase approximately \$11 billion of new assets through 2024 in conjunction with expected capital contributions from GE Capital to our insurance subsidiaries, of which approximately \$1.9 billion was received in the first quarter of 2019. The insurance liabilities and annuity benefits primarily comprise a liability for future policy benefits for those insurance contract claims not yet incurred and claim reserves for claims that have been incurred or are estimated to have been incurred but not yet reported. Presented in the table below are the reserve balances by insurance product.

December 31, 2018 (In millions)	Long-term care insurance	Structured settlement annuities	Other contracts	Other adjustments	Total
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	contracts	& life	insurance	contracts	
Future policy benefit reserves	\$ 16.0	\$ 9.5	\$ 0.2	\$ 2.2	\$27.9
Claim reserves(a)	3.9	0.2	1.2	—	5.3
Investment contracts(b)	—	1.2	1.1	—	2.4
Unearned premiums and other	—	0.2	0.1	—	0.3
	20.0	11.2	2.6	2.2	36.0
Eliminations	—	—	(0.4)	—	(0.4)
Total	\$ 20.0	\$ 11.2	\$ 2.2	\$ 2.2	\$35.6
Percent of total	56	% 31	% 6	% 6	% 100 %

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MD&A OTHER ITEMS

December 31, 2017 (In millions)	Structured				Total
	Long-term care insurance contracts	settlement annuities & life insurance contracts	Other contracts	Other adjustments	
Future policy benefit reserves	\$ 16.5	\$ 9.3	\$ 0.2	\$ 4.6	\$ 30.6
Claim reserves(a)	3.6	0.3	1.2	—	5.1
Investment contracts(b)	—	1.3	1.2	—	2.6
Unearned premiums and other	—	0.2	0.1	—	0.4
	20.2	11.1	2.8	4.6	38.6
Eliminations	—	—	(0.5)	—	(0.5)
Total	\$ 20.2	\$ 11.1	\$ 2.3	\$ 4.6	\$ 38.1
Percent of total	53	% 29	% 6	% 12	% 100

(a) Other contracts included claim reserves of \$0.3 billion and \$0.4 billion related to short-duration contracts at EIC, net of eliminations, at December 31, 2018 and December 31, 2017, respectively.

(b) Investment contracts are contracts without significant mortality or morbidity risks.

We regularly monitor emerging experience in our run-off insurance operations and industry developments to identify trends that may help us refine our reserve assumptions and evaluate opportunities to reduce our insurance risk profile and improve the results of our run-off insurance operations. These opportunities may include the pursuit of future premium rate increases and benefit reductions on long-term care insurance contracts with our ceding companies; recapture and reinsurance transactions to reduce risk where economically justified; investment strategies to improve asset and liability matching and enhance investment portfolio yields; managing our expense levels; and improving our financial and actuarial analytical capabilities.

KEY PORTFOLIO CHARACTERISTICS

Long-term care insurance contracts

The long-term care insurance contracts we reinsure provide coverage at varying levels of benefits to policyholders and may include attributes that could result in claimants being on claim for longer periods or at higher daily claim costs, or alternatively limiting the premium paying period. For example, policyholders with a lifetime benefit period receive coverage up to the specified daily maximum as long as the policyholder is claim eligible and receives care for covered services; inflation protection options increase the daily maximums to protect the policyholder from the rising cost of care with some options providing automatic annual increases of 3% to 5% or policyholder elected inflation-indexed increases for increased premium; joint life policies provide coverage for two lives which permit either life under a single contract to receive benefits at the same time or separately; and premium payment options may limit the period over which the policyholder pays premiums while still receiving coverage after premium payments cease, which may limit the impact of our future premium rate increases.

The ERAC long-term care insurance portfolio comprises about two-thirds of our total long-term care insurance reserves and is assumed from approximately 30 ceding companies through various types of reinsurance and retrocession contracts having complex terms and conditions. Compared to the overall long-term care insurance block, it has a lower average attained age with a larger number of policies (and covered lives, as over one-third of the policies are joint life policies), with lifetime benefit periods and/or with inflation protection options which may result in a higher potential for future claims.

The UFLIC long-term care insurance block comprises the remainder of our total long-term care insurance reserves and is more mature with policies that are more uniform, as it is assumed from a single ceding company, Genworth, and has fewer policies with lifetime benefit periods, no joint life policies and slightly more policies with inflation protection options.

Long-term care insurance policies allow the issuing insurance entity to increase premiums, or alternatively allow the policyholder the option to decrease benefits, with approval by state regulators, should actual experience emerge significantly worse than what was projected when such policies were initially underwritten. As a reinsurer, we are unable to directly or unilaterally pursue long-term care insurance premium rate increases. However, we engage actively with our ceding company clients in pursuing allowed long-term care insurance premium rate increases. The amount of times that rate increases have occurred varies by ceding company.

As further described within the Premium Deficiency Testing section below, we reconstructed our future claim cost projections in 2017 utilizing trends observed in our emerging experience for older claimant ages and later duration policies. Also described within that section are key assumption changes in 2018.

Presented in the table below are GAAP and statutory reserve balances and key attributes of our long-term care insurance portfolio.

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December 31, 2018 (Dollars in billions, except where noted)	ERAC	UFLIC	Total	
Gross GAAP future policy benefit reserves and claim reserves	\$14.1	\$5.9	\$19.9	
Gross statutory future policy benefit reserves and claim reserves(a)	23.2	7.2	30.4	
Number of policies in force	202,000	72,000	274,000	
Number of covered lives in force	270,000	72,000	342,000	
Average policyholder attained age	75	82	77	
Gross GAAP future policy benefit reserve per policy (in actual dollars)	\$60,000	\$56,000	\$59,000	
Gross GAAP future policy benefit reserve per covered life (in actual dollars)	45,000	56,000	47,000	
Gross statutory future policy benefit reserve per policy (in actual dollars)(a)	105,000	72,000	96,000	
Gross statutory future policy benefit reserve per covered life (in actual dollars)(a)	79,000	72,000	77,000	
Percentage of policies with:				
Lifetime benefit period	70	%35	%60	%
Inflation protection option	81	%91	%84	%
Joint lives	34	%—	%25	%
Percentage of policies that are premium paying	74	%83	%76	%
Policies on claim	10,000	9,200	19,200	

Statutory balances reflect recognition of the estimated remaining statutory increase in reserves of approximately \$9 (a) billion through 2023 under the permitted accounting practice discussed further below and in Note 12 to our consolidated financial statements.

Structured settlement annuities and life insurance contracts

We reinsure approximately 33,000 structured settlement annuities with an average attained age of 50. These structured settlement annuities were primarily underwritten on impaired lives (i.e., shorter-than-average life expectancies) at origination and have projected payments extending decades into the future. Our primary risks associated with these contracts include mortality (i.e., life expectancy or longevity), mortality improvement (i.e., assumed rate that mortality is expected to reduce over time), which may extend the duration of payments on life contingent contracts beyond our estimates, and reinvestment risk (i.e., a low interest rate environment may reduce our ability to achieve our targeted investment margins). Unlike long-term care insurance, structured settlement annuities offer no ability to require additional premiums or reduce benefits.

Our life reinsurance business typically covers the mortality risk associated with various types of life insurance policies that we reinsure from approximately 150 ceding company relationships where we pay a benefit based on the death of a covered life. Across our U.S. and Canadian life insurance blocks, we reinsure approximately \$115 billion of net amount at risk (i.e., difference between the death benefit and any accrued cash value) from approximately 2.7 million policies with an average attained age of 57. In 2018, our incurred claims were approximately \$0.7 billion with an average individual claim of approximately \$55,000. The largest product types covered are 20-year level term policies which represent approximately 45% of the net amount at risk and are anticipated to lapse (i.e., the length of time a policy will remain in force) over the next 3 to 5 years as the policies reach the end of their 20-year level premium period.

Investment portfolio and other adjustments

Our insurance liabilities and annuity benefits are primarily supported by investment securities of \$32.9 billion and \$32.4 billion and commercial mortgage loans of \$1.7 billion and \$1.5 billion at December 31, 2018 and 2017, respectively. Our investment securities are classified as available-for-sale and comprise mainly investment-grade debt securities. The portfolio includes \$2.2 billion of net unrealized gains that are recorded within Other comprehensive income, net of applicable taxes and other adjustments.

In calculating our future policy benefit reserves, we are required to consider the impact of net unrealized gains and losses on our available-for-sale investment securities supporting our insurance contracts as if those unrealized amounts were realized. To the extent that the realization of gains would result in a premium deficiency, a shadow adjustment is recorded to increase future policy benefit reserves with an after-tax offset to Other comprehensive income. At December 31, 2018, the entire \$2.2 billion balance of net unrealized gains on our investment securities required a related increase to future policy benefit reserves. This adjustment decreased from \$4.6 billion in 2017 to \$2.2 billion in 2018 primarily from lower unrealized gains within the investment security portfolio supporting our insurance contracts in response to increased market yields. See Note 3 to our consolidated financial statements for further information about our investment securities.

We manage the investments in our run-off insurance operations under strict investment guidelines, including limitations on asset class concentration, single issuer exposures, asset-liability duration variances, and other factors to meet credit quality, yield, liquidity and diversification requirements associated with servicing our insurance liabilities under reasonable circumstances. Investing in these assets exposes us to both credit risk (i.e., debtor's ability to make timely payments of principal and interest) and interest rate risk (i.e., market price, cash flow variability, and reinvestment risk due to changes in market interest rates). We regularly review investment securities for impairment using both quantitative and qualitative criteria.

MD&A OTHER ITEMS

Additionally, our run-off insurance operations have approximately \$0.7 billion of assets held by states or other regulatory bodies in statutorily required deposit accounts, and approximately \$26.3 billion of assets held in trust accounts associated with reinsurance contracts in place between either ERAC or UFLIC as the reinsuring entity and a number of ceding insurers. Assets in these reinsurance trusts are held by an independent trustee for the benefit of the ceding insurer, and are subject to various investment guidelines as set forth in the respective reinsurance contracts.

We have studied and analyzed various options, along with several external investment advisors, to improve our investment yield subject to maintaining our ability to satisfy insurance liabilities when due, as well as considering our risk-based capital requirements, regulatory constraints, and tolerance for surplus volatility. With the expected capital contributions of \$11 billion from GE Capital through 2024, of which approximately \$1.9 billion was received in the first quarter of 2019, we intend to add new asset classes to further diversify our portfolio, including private equity, senior secured loans and infrastructure debt, among others. We also hired a new Chief Investment Officer in 2018 to oversee our entire investment process and will be adding further investment managers.

CRITICAL ACCOUNTING ESTIMATES

Our insurance reserves include the following key accounting estimates and assumptions described below.

Future policy benefit reserves

Future policy benefit reserves represent the present value of future policy benefits less the present value of future gross premiums based on actuarial assumptions including, but not limited to, morbidity (i.e., frequency and severity of claim, including claim termination rates and benefit utilization rates); morbidity improvement (i.e., assumed rate of improvement in morbidity in the future); mortality (i.e., life expectancy or longevity); mortality improvement (i.e., assumed rate that mortality is expected to reduce over time); policyholder persistency or lapses (i.e., the length of time a policy will remain in force); anticipated premium increases or benefit reductions associated with future in-force rate actions, including actions that are: (a) approved and not implemented, (b) filed but not yet approved and (c) estimated on future filings through 2028, on long-term care insurance policies; and interest rates. Assumptions are locked-in throughout the remaining life of a contract unless a premium deficiency develops.

Claim reserves

Claim reserves are established when a claim is incurred or is estimated to have been incurred and represents our best estimate of the present value of the ultimate obligations for future claim payments and claim adjustment expenses. Key inputs include actual known facts about the claim, such as the benefits available and cause of disability of the claimant, as well as assumptions derived from our actual historical experience and expected future changes in experience factors. Claim reserves are evaluated periodically for potential changes in loss estimates with the support of qualified actuaries, and any changes are recorded in earnings in the period in which they are determined.

Reinsurance recoverables

We cede insurance risk to third-party reinsurers for a portion of our insurance contracts, primarily on long-term care insurance policies. As we are not relieved from our primary obligation to policyholders or cedents, we record receivables that are estimated in a manner consistent with the future policy benefit reserves and claim reserves. Reserves ceded to reinsurers, net of allowance, were \$2.3 billion and \$2.5 billion at December 31, 2018 and 2017, respectively, and are included in the caption "Other GE Capital receivables" on our consolidated Statement of Financial Position.

PREMIUM DEFICIENCY TESTING

We annually perform premium deficiency testing in the aggregate across our run-off insurance portfolio. The premium deficiency testing assesses the adequacy of future policy benefit reserves, net of capitalized acquisition costs, using current assumptions without provision for adverse deviation. A comprehensive review of premium deficiency

assumptions is a complex process and depends on a number of factors, many of which are interdependent and require evaluation individually and in the aggregate across all insurance products. The vast majority of our run-off insurance operations consists of reinsurance from multiple ceding insurance entities with underlying treaties having complex terms and conditions. Premium deficiency testing relies on claim and policy information provided by these ceding entities and considers the underlying treaties. In order to utilize that information for purposes of completing experience studies covering all key assumptions, we perform detailed procedures to conform and validate the data received from the ceding entities. Our long-term care insurance business includes coverage where credible claim experience for higher attained ages is still emerging and to the extent that future experience deviates from current expectations, new projections of claim costs extending over the expected life of the policies may be required. Significant uncertainties exist in making current projections for these long-term care insurance contracts that include consideration of a wide range of possible outcomes.

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MD&A OTHER ITEMS

The primary assumptions used in the premium deficiency tests include:

Morbidity. Morbidity assumptions used in estimating future policy benefit reserves are based on estimates of expected incidences of disability and claim costs, and include consideration of expected future morbidity and mortality improvement. For long-term care exposures, estimating expected future costs includes assessments of incidence (probability of having a claim), utilization (amount of available benefits expected to be incurred) and continuance (how long the claim will last). Prior to 2017, premium deficiency assumptions considered the risk of anti-selection by including issue age adjustments to morbidity based on an actuarial assumption that long-term care policies issued to younger individuals would exhibit lower expected incidences and claim costs than those issued to older policyholders. Recent claim experience and the development of reconstructed claim cost curves indicated minimal issue age differences impacting claim cost projections, and accordingly, beginning in 2017, issue age adjustments were no longer assumed in developing morbidity assumptions. Higher morbidity increases, while higher morbidity improvement decreases, the present value of expected future benefit payments.

Mortality. Mortality assumptions used in estimating future policy benefit reserves are based on published mortality tables as adjusted for the results of our experience studies and estimates of expected future mortality improvement. For life insurance products, higher mortality increases the present value of expected future benefit payments, while for annuity and long-term care insurance contracts, higher mortality decreases the present value of expected future benefit payments.

Discount rate. Interest rate assumptions used in estimating the present value of future policy benefit reserves are based on expected investment yields, net of related investment expenses and expected defaults. In estimating future yields, we consider the actual yields on our current investment securities held by our run-off insurance operations and the future rates at which we expect to reinvest any proceeds from investment security maturities and the projected future capital contributions into our run-off insurance operations. Higher future yields result in a higher discount rate and a lower present value of future policy benefit reserves.

Future long-term care premium rate increases. As a reinsurer, we rely upon the primary insurers that underwrite the underlying policies to file proposed rate increases to the relevant state insurance regulator as we have no ability to institute premium rate increases on the policyholders themselves. We consider recent experience of rate increase filings made by our ceding companies along with state insurance regulatory processes in establishing our current expectations. Higher future premium rate increases lower the present value of future policy benefit reserves.

During 2017, in response to elevated claim experience for a portion of our long-term care insurance contracts that was most pronounced for policyholders with higher attained ages, we initiated a comprehensive review of premium deficiency assumptions across all insurance products, which included reconstructing our future claim cost projections for long-term care contracts utilizing trends observed in our emerging experience for older claimant ages and later duration policies. Certain of our long-term care policyholders only recently started to reach the prime claim paying period and our new claim cost assumptions considered the emerging credibility of this claim data. In addition to the adverse impact from the revised future claim cost projections over a long-term horizon, our premium deficiency assumptions considered mortality, length of time a policy will remain in force and both near-term and longer-term investment return expectations. Future investment yields estimated in 2017 were lower than in previous premium deficiency tests, primarily due to the effect of near-term yields on approximately \$14.5 billion of future expected capital contributions, as discussed below. The capital contributions will be invested at the current market yields which had the impact of lowering the average long-term investment yield used to calculate the discount rate and, as such, further adversely impacted the estimated premium deficiency. Our discount rate assumption for purposes of performing the 2017 premium deficiency assessments resulted in a weighted-average rate of approximately 5.67% compared to approximately 6.17% in 2016.

The 2017 test indicated a premium deficiency requiring the unlocking of reserves and resetting of actuarial assumptions to current assumptions. This resulted in a \$9.5 billion pre-tax charge to earnings in 2017, which included a \$0.4 billion impairment of deferred acquisition costs, a \$0.2 billion impairment of present value of future profits, and an \$8.9 billion increase in future policy benefit reserves. During 2018, we integrated these new assumptions into our systems and processes embedded in our framework of internal controls over financial reporting.

In connection with our premium deficiency test in 2017, additions to reinsurance recoverables of \$2.4 billion were largely offset by an allowance for losses of \$2.2 billion based upon our assessment of collectability that would otherwise have reduced the earnings impact of the premium deficiency. The vast majority of our remaining net reinsurance recoverables are secured by assets held in a trust for which we are the beneficiary.

During the fourth quarter of 2018, we completed our annual premium deficiency test. This review included updated experience studies based on up to four quarters of additional data since the 2017 test and considered updated external input based on industry trends and adjustments to assumptions as a result. As we experienced a premium deficiency in 2017, our 2018 premium deficiency test started with a zero margin and accordingly, any adverse developments would result in a future charge to earnings. Based on this analysis, using our most recent future policy benefit reserve assumptions, we identified a premium deficiency which resulted in a \$0.1 billion pre-tax charge to earnings in 2018. The increase to future policy benefit reserves was primarily attributable to the following key assumption changes:

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MD&A OTHER ITEMS

Increased discount rate assumptions in 2018 compared to our original estimate. Our revised reinvestment plan incorporates the remaining projected capital contribution of approximately \$11 billion through 2024, of which approximately \$1.9 billion was received in the first quarter of 2019, and introduction of strategic initiatives for the investment into new higher-yielding asset classes while maintaining an overall A-rated fixed income portfolio. These initiatives are the result of an extensive review in 2018 of our investment management opportunities including the engagement of external investment advisors. Our discount rate assumption for purposes of performing the premium deficiency assessments resulted in a weighted-average rate of approximately 6.04%, compared to approximately 5.67% in 2017. The increased discount rate favorably impacted our reserve margin by \$1.9 billion;

Lower long-term care insurance morbidity improvement assumptions indicating less long-term improvement (1.25% per year) over shorter durations (between 12 and 20 years based on the average attained age of the underlying books of business) which adversely impacted our reserve margin by \$1.2 billion;

Higher interest rates leading to higher inflation which increased projected utilization on long-term care insurance policies which adversely impacted our reserve margin by \$0.3 billion;

Lower policy terminations on long-term care insurance policies and revisions to assumptions of future mortality primarily for older attained ages, based on experience analysis of internal and industry data, on life insurance products which adversely impacted our reserve margin by \$0.2 billion and \$0.3 billion, respectively; and

Higher levels of projected long-term care premium rate increases due to larger rate filings by some ceding companies than previously planned which favorably impacted our reserve margin by \$0.2 billion. Our 2018 premium deficiency test includes approximately \$1.7 billion of anticipated premium increases or benefit reductions associated with future in-force rate actions, including actions that are: (a) approved and not implemented, (b) filed but not yet approved and (c) estimated on future filings through 2028.

GAAP RESERVE SENSITIVITIES

The results of our premium deficiency testing are sensitive to the assumptions described above. Certain future adverse changes in our assumptions could result in the unlocking of reserves, resetting of actuarial assumptions to current assumptions, an increase to future policy benefit reserves and a charge to earnings. Considering the results of the 2018 premium deficiency test which reset our margin to zero, any future adverse changes in our assumptions could result in an increase to future policy benefit reserves. For example, adverse changes in key assumptions to our future policy benefits reserves, holding all other assumptions constant, would have the following effects as presented in the table below. Any favorable changes to these assumptions could result in additional margin in our premium deficiency test and higher income over the remaining duration of the portfolio, including higher investment income. The assumptions within our future policy benefit reserves are subject to significant uncertainties, including those inherent in the complex nature of our reinsurance treaties. Many of our assumptions are interdependent and require evaluation individually and in the aggregate across all insurance products. Small changes in the amounts used in the sensitivities or the use of different factors could result in materially different outcomes from those reflected below.

	2017 assumption	2018 assumption	Hypothetical change in 2018 assumption	Estimated increase to future policy benefit reserves (In billions, pre-tax)
Long-term care insurance morbidity improvement(a)	1.6% per year over 16 to 20 years	1.25% per year over 12 to 20 years	25 basis point reduction No morbidity improvement	\$0.7 \$3.7
Long-term care insurance morbidity	Based on company experience	Based on company experience	5% increase in dollar amount of paid claims	\$1.0
Long-term care insurance mortality	0.5% per year for 10 years with annual improvement	0.5% per year for 10 years with annual improvement	1.0% per year for 10 years with annual	\$0.4

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improvement	graded to 0% over next 10 years	graded to 0% over next 10 years	improvement graded to 0% over next 10 years	
Total terminations:			Reduce total terminations by 10%	\$1.0
Long-term care insurance mortality	Based on company experience	Based on company experience		
Long-term care insurance lapse rate	Varies by block, attained age and benefit period; average 0.7 - 1.0%	Varies by block, attained age and benefit period; average 0.5 - 1.15%		
Long-term care insurance benefit exhaustion	Based on company experience	Based on company experience		
Long-term care insurance future premium rate increases	Varies by block based on filing experience	Varies by block based on filing experience	25% adverse change in premium rate increase success rate	\$0.4
Discount rate	Approximately 5.67%	Approximately 6.04%	25 basis point reduction	\$1.0
Structured settlement annuity mortality	Based on company experience	Based on company experience	5% decrease in mortality	\$0.1
Life insurance mortality	Based on company experience	Based on company experience	5% increase in mortality	\$0.3

(a) In both 2017 and 2018, these morbidity improvement assumptions are applied to the future claim cost curves that were reconstructed in 2017 and do not include any issue-age adjustments.

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STATUTORY CONSIDERATIONS

Our run-off insurance subsidiaries are required to prepare statutory financial statements in accordance with statutory accounting practices. Statutory accounting practices, not GAAP, determine the required statutory capital levels of our insurance legal entities and, therefore, may affect the amount or timing of capital contributions from GE Capital to the insurance legal entities.

Statutory accounting practices are set forth by the National Association of Insurance Commissioners (NAIC) as well as state laws, regulation and general administrative rules and differ in certain respects from GAAP. Under statutory accounting practices, base formulaic reserve assumptions typically do not change unless approved by our primary regulator, KID. In addition to base reserves, statutory accounting practices require additional actuarial reserves (AAR) be established based on results of asset adequacy testing reflecting moderately adverse conditions (i.e., assumptions include a provision for adverse deviation (PAD) rather than current assumptions without a PAD as required for premium deficiency testing under GAAP). As a result, our statutory asset adequacy testing assumptions reflect less long-term care insurance morbidity improvement and for shorter durations, restrictions on future long-term care insurance premium rate increases, no life insurance mortality improvement and a lower discount rate. As a result, several of the sensitivities described in the table above would be less impactful on our statutory reserves.

The adverse impact on our statutory AAR arising from our revised assumptions in 2017, including the collectability of reinsurance recoverables, is expected to require GE Capital to contribute approximately \$14.5 billion additional capital, to its run-off insurance operations in 2018-2024. For statutory accounting purposes, KID approved our request for a permitted accounting practice to recognize the 2017 AAR increase over a seven-year period. GE Capital provided capital contributions to its insurance subsidiaries of approximately \$3.5 billion and \$1.9 billion in the first quarter of 2018 and 2019, respectively. GE Capital expects to provide further capital contributions of approximately \$9 billion through 2024, subject to ongoing monitoring by KID. GE is a party to capital maintenance agreements with ERAC and UFLIC whereby GE will maintain their minimum statutory capital levels at 300% of their year-end Authorized Control Level risk-based capital requirements as defined from time to time by the NAIC.

If our future policy benefit reserves established under GAAP are realized over the estimated remaining life of our run-off insurance obligations, we would expect the \$14.5 billion of capital contributed to the run-off insurance operations over the 2018 to 2024 period to be considered statutory capital surplus at the end of the period with no additional charge to GAAP earnings. However, should the more conservative statutory assumptions be realized, we would be required to record the difference between GAAP assumptions and statutory assumptions as a charge to GAAP earnings in the future periods.

See Other Items - New Accounting Standards within this MD&A and Notes 1 and 12 to the consolidated financial statements for further information.

NEW ACCOUNTING STANDARDS

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-12, Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts. The ASU is effective for periods beginning after December 15, 2020, with an election to adopt early. We are evaluating the effect of the standard on our consolidated financial statements and anticipate that its adoption will significantly change the accounting for measurements of our long-duration insurance liabilities. The ASU requires cash flow assumptions used in the measurement of various insurance liabilities to be reviewed at least annually and updated if actual experience or other evidence indicates previous assumptions need to be revised with any required changes recorded in earnings. Under the current accounting guidance, the discount rate is based on expected investment yields, while under the ASU the discount rate will be equivalent to the upper-medium grade (i.e., single A) fixed-income instrument yield reflecting the duration characteristics of the liability and is required to be updated in

each reporting period with changes recorded in accumulated other comprehensive income. In measuring the insurance liabilities, contracts shall not be grouped together from different issue years. These changes result in the elimination of premium deficiency testing and shadow adjustments. While we continue to evaluate the effect of the standard on our ongoing financial reporting, we anticipate that the adoption of the ASU will materially affect our financial statements. As the ASU is only applicable to the measurements of our long-duration insurance liabilities under GAAP, it will not affect the accounting for our insurance reserves or the levels of capital and surplus under statutory accounting practices.

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The ASU is effective for periods beginning after December 15, 2018, with an election to adopt early. The ASU requires certain changes to the presentation of hedge accounting in the financial statements and some new or modified disclosures. The ASU also simplifies the application of hedge accounting and expands the strategies that qualify for hedge accounting. The ASU will not have a material effect to our financial statements.

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In January 2017, the FASB issued ASU No. 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The ASU is effective for periods beginning after December 15, 2019, with an election to adopt early. The ASU requires only a one-step quantitative impairment test, whereby a goodwill impairment loss will be measured as the excess of a reporting unit's carrying amount over its fair value. It eliminates Step 2 of the current two-step goodwill impairment test, under which a goodwill impairment loss is measured by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. As the ASU is to be applied prospectively, it will not impact our previously reported financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases. The new standard establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition. Similarly, lessors will be required to classify leases as sales-type, finance or operating, with classification affecting the pattern of income recognition. Classification for both lessees and lessors will be based on an assessment of whether risks and rewards as well as substantive control have been transferred through a lease contract. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. We plan to elect the new transition method approved by the FASB on July 30, 2018, which allows companies to apply the provisions of the new leasing standard as of January 1, 2019, without adjusting the comparative periods presented by recognizing a cumulative-effect adjustment to the opening balance of retained earnings. As we finalize our system solutions and adoption processes, we estimate the adoption of the ASU will result in the recognition of a right-of-use asset and related lease liability in the range of approximately \$4 billion to \$5 billion with an estimated immaterial effect to our retained earnings. Cash received by GE Capital on financing leases is classified as Cash from investing activities for the three year period ended December 31, 2018. After adoption, such cash receipts will be classified as Cash from operating activities.

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

MINE SAFETY DISCLOSURES

Our barite mining operations, in support of our drilling fluids products and services business, are subject to regulation by the federal Mine Safety and Health Administration under the Federal Mine Safety and Health Act of 1977. Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this annual report.

IRAN THREAT REDUCTION AND SYRIA HUMAN RIGHTS ACT OF 2012

The Company is making the following disclosure pursuant to Section 13(r) of the Securities Exchange Act of 1934. Under Section 13(r) of the Securities Exchange Act of 1934, enacted in 2012, GE is required to disclose in its periodic reports if it or any of its affiliates knowingly engaged in business activities relating to Iran, even if those activities are conducted in accordance with authorizations subsequently issued by the U.S. Government. Reportable activities include investments that significantly enhance Iran's ability to develop petroleum resources valued at \$20 million or

more in the aggregate during a twelve-month period. Reporting is also required for transactions related to Iran's domestic production of refined petroleum products or Iran's ability to import refined petroleum products valued at \$5 million or more in the aggregate during a twelve-month period.

In January 2016, the U.S. Department of Treasury's Office of Foreign Assets Control (OFAC) issued General License H authorizing U.S.-owned or controlled foreign entities to engage in transactions with Iran if these entities meet the requirements of the general license. On May 8, 2018, President Trump announced that the United States will cease participation in the Joint Comprehensive Plan of Action (JCPOA) and begin re-imposing the U.S. nuclear-related sanctions. On June 27, 2018, OFAC revoked General License H and added Section 560.537 to the Iranian Transactions and Sanctions Regulations (ITSR), which authorized all transactions and activities that are ordinarily incident and necessary to the winding down of activities previously approved under General License H through November 4, 2018. Prior to May 8, 2018, certain non-U.S. affiliates of GE conducted limited activities as described below in accordance with General License H. As of November 5, 2018, non-U.S. affiliates of GE have concluded all activity previously conducted under General License H in Iran. These activities were conducted in accordance with all applicable laws and regulations.

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During the year ending December 31, 2018, but prior to the expiration of the wind down period for General License H, non-U.S. affiliates of GE conducted the following reportable activities:

A non-U.S. affiliate of GE's Oil & Gas business received 5 purchase orders and attributed €31.4 million (\$36.0 million) in gross revenues and €8.6 million (\$9.9 million) in net profits related to the sale of valves and parts for industrial machinery and equipment used in gas plants, petrochemical plants and gas production projects in Iran.

A second non-U.S. affiliate of GE's Oil & Gas business received 12 purchase orders and attributed €0.1 million (\$0.1 million) in gross revenues and less than €0.1 million (\$0.1 million) in net profits to the sale of valves and other spare parts for use in the petrochemical industry in Iran.

A third non-U.S. affiliate of GE's Oil & Gas business attributed €0.3 million (\$0.3 million) in gross revenues and €0.1 million (\$0.1 million) in net profits to transactions involving the sale of films used in the inspection of pipelines in Iran.

A non-U.S. affiliate of GE's Power business received one purchase order and attributed €0.1 million (\$0.1 million) in gross revenues and €0.1 million (\$0.1 million) in net profits related to the sale of compressor parts to a petrochemical company in Iran.

A second non-U.S. affiliate of GE's Power business attributed €0.4 million (\$0.5 million) in gross revenues and €0.2 million (\$0.2 million) in net profits to a services contract with an Iranian petrochemical plant.

A third non-U.S. affiliate of GE's Power business received three purchase orders and attributed €0.6 million (\$0.6 million) in gross revenues and €0.2 million (\$0.2 million) in net profits for the sale of protection relays to oil refineries in Iran.

A fourth non-U.S. affiliate of GE's Power business received two purchase orders for the sale of spare parts to petrochemical companies in Iran but attributed no gross revenues to this activity. The non-U.S. affiliate recognized less than €0.1 million (\$0.1 million) in losses due to costs incurred.

These non-U.S. affiliates do not intend to continue the activities described above. The Company has ended all of these activities in full compliance with U.S. sanctions and at this time does not intend to seek specific U.S. Government authorization to collect revenues associated with previously reported projects.

For additional information on business activities related to Iran, please refer to the Other Items section within MD&A in our quarterly report on Form 10-Q for the quarter ended September 30, 2018.

ENVIRONMENTAL MATTERS

Our operations, like operations of other companies engaged in similar businesses, involve the use, disposal and cleanup of substances regulated under environmental protection laws. We are involved in a number of remediation actions to clean up hazardous wastes as required by federal and state laws, including the Housatonic River matter discussed in Legal Proceedings. Such statutes require that responsible parties fund remediation actions regardless of fault, legality of original disposal or ownership of a disposal site. Expenditures for site remediation actions amounted to approximately \$0.1 billion, \$0.2 billion, and \$0.2 billion for the years ended December 31, 2018, 2017, and 2016, respectively. We presently expect that such remediation actions will require average annual expenditures of about \$0.2 billion in 2019 and 2020, respectively.

OTHER

We own, or hold licenses to use, numerous patents. New patents are continuously being obtained through our research and development activities as existing patents expire. Patented inventions are used both within the Company and are licensed to others.

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Because of the diversity of our products and services, as well as the wide geographic dispersion of our production facilities, we use numerous sources for the wide variety of raw materials needed for our operations. We have not been adversely affected by our inability to obtain raw materials.

Sales of goods and services to agencies of the U.S. Government as a percentage of GE revenues follow.

2018 2017 2016

Total sales to U.S. Government agencies	4	%4	%3	%
Aviation segment defense-related sales	3	%3	%3	%

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MD&A NON-GAAP FINANCIAL MEASURES

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

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

• GE Industrial segment organic revenues – revenues excluding the effects of acquisitions, dispositions and translational foreign currency exchange.

• GE Industrial structural costs – Industrial structural costs include segment structural costs excluding the impact of restructuring and other charges, business acquisitions and dispositions, foreign exchange, plus total Corporate operating profit excluding restructuring and other charges and gains. The Baker Hughes acquisition is represented on a pro-forma basis, which means we calculated our structural costs by including legacy Baker Hughes results for the first six months of 2017.

• Power structural costs - Power structural costs include segment structural costs excluding the impact of restructuring and other charges, business acquisitions and dispositions and foreign exchange.

• Adjusted earnings (loss) – continuing earnings excluding the impact of non-operating benefit costs, gains (losses) and impairments for disposed or held for sale businesses, restructuring and other, goodwill impairments and GE Capital EFS impairments and insurance charge in 2017 after-tax, excluding the effects of U.S. tax reform enactment adjustment.

• Adjusted earnings (loss) per share (EPS) – when we refer to adjusted earnings per share, it is the diluted per-share amount of “adjusted earnings.”

• Adjusted GE Industrial profit and profit margin (excluding certain items) – GE Industrial profit margin excluding interest and other financial charges, non-operating benefit costs, gains (losses), restructuring and other charges and goodwill impairment plus noncontrolling interests.

• GE Industrial organic profit – profit excluding the effects of acquisitions, business dispositions and translational foreign currency exchange.

• Adjusted Oil & Gas segment profit – Reported Oil & Gas segment profit less GE's share of restructuring & other charges.

• GE effective tax rates, excluding GE Capital earnings – GE provision for income taxes divided by GE pre-tax earnings from continuing operations, excluding GE Capital earnings (loss) from continuing operations.

• GE Industrial Free Cash Flows (FCF) and Adjusted GE Industrial FCF – GE Industrial free cash flows is GE CFOA adjusted for gross GE additions to property, plant and equipment and internal-use software, which are included in cash flows from investing activities, and excluding dividends from GE Capital, GE Pension Plan funding, and taxes related to business sales. Adjusted GE Industrial free cash flows (Non-GAAP) is GE Industrial free cash flows adjusted for Oil & Gas CFOA, gross Oil & Gas additions to property, plant and equipment and internal-use software, and including the BHGE Class B shareholder dividend.

• GE Industrial net debt – GE Industrial net debt reflects the total of gross debt excluding BHGE, after-tax net pension and retiree benefit plan liabilities, adjustments for operating lease obligations excluding BHGE, and adjustments for 50% of preferred stock, less 75% of GE's cash balance excluding BHGE.

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

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MD&A NON-GAAP FINANCIAL MEASURES

GE INDUSTRIAL SEGMENT ORGANIC REVENUES (NON-GAAP) (In millions)	2018	2017	V%
GE Industrial segment revenues (GAAP)	\$ 115,664	\$ 113,168	2 %
Adjustments:			
Less: acquisitions	5,589	92	
Less: business dispositions (other than dispositions acquired for investment)	138	3,857	
Less: currency exchange rate(a)	597	—	
GE Industrial segment organic revenues (Non-GAAP)	\$ 109,340	\$ 109,220	— %
	2017	2016	V%
GE Industrial segment revenues (GAAP)	\$ 113,168	\$ 112,324	1 %
Adjustments:			
Less: acquisitions	6,061	37	
Less: business dispositions (other than dispositions acquired for investment)	9	3,478	
Less: currency exchange rate(a)	557	—	
GE Industrial segment organic revenues (Non-GAAP)	\$ 106,540	\$ 108,808	(2) %

(a) Translational foreign exchange

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

When comparing revenue growth between periods excluding the effects of acquisitions, business dispositions and currency exchange rates, those effects are different when comparing results for different periods. Revenues from acquisitions are considered inorganic from the date we complete an acquisition through the end of the fourth quarter following the acquisition and are therefore reflected as an adjustment to reported revenue to derive organic revenue for the period following the acquisition. In subsequent periods, the revenues from the acquisition become organic as these revenues are included for all periods presented.

Additionally, when comparing the calculation of Industrial segment organic revenues* with 2018 in the first table, there is no adjustment to the 2017 GAAP revenues for currency exchange rates while in the calculation of 2017 organic revenues* compared to 2016 in the second table there is an adjustment to 2017 reported revenues of \$557 million for currency exchange rates. This is the case because in the comparison of 2017 to 2016 we are adjusting the 2017 reported revenues to exclude the effect of currency exchange rates to provide a more direct comparison to the 2016 results. That is, we are adjusting 2017 reported revenues to eliminate the effects of changes in foreign currency had on 2017 revenues. Additionally, when comparing 2017 to 2016, we adjust the 2017 revenue amount for the effects of currency exchange to enable a more direct comparison to 2016.

*Non-GAAP Financial Measure

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MD&A NON-GAAP FINANCIAL MEASURES

GE INDUSTRIAL STRUCTURAL COSTS (NON-GAAP) (In millions)	2018	2017	2016
GE total costs and expenses (GAAP)	\$135,656	\$111,710	\$105,774
Less: GE interest and other financial charges (GAAP)	2,708	2,753	2,026
Less: goodwill impairments (GAAP)	22,136	1,165	—
Less: non-operating benefit costs (GAAP)	2,764	2,385	2,349
GE Industrial costs excluding interest and other financial charges, goodwill impairments and non-operating benefit costs (Non-GAAP)	108,048	105,407	101,399
Less: Segment variable costs	81,661	77,986	73,647
Less: Segment restructuring & other	834	792	—
Less: Segment acquisitions/dispositions structural costs and impact from foreign exchange	518	(102)	)548
Less: Corporate restructuring & other charges	2,958	3,350	3,544
Add: Corporate revenue (ex. GE-GE Capital eliminations), other income and noncontrolling interests	280	852	(2,155)
Less: Corporate (gains) losses(a)	(1,350)	)(926)	)(3,480)
Less: Corporate unrealized (gains) losses	—	—	—
GE Industrial structural costs (Non-GAAP)	\$23,707	\$25,159	\$24,984

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

Industrial structural costs* include segment structural costs excluding the impact of restructuring and other charges, business acquisitions and dispositions, foreign exchange, plus total Corporate operating profit excluding restructuring and other charges and gains. The Baker Hughes acquisition is represented on a pro-forma basis, which means we calculated our structural costs by including legacy Baker Hughes results for the first six months of 2017.

Segment variable costs are those costs within our industrial segments that vary with volume. The most significant variable costs would be material and direct labor costs incurred to produce our products and deliver our services that are recorded in the captions "Cost of goods" and "Cost of services sold" in our consolidated Statement of Earnings (Loss).

We believe that Industrial structural costs* is a meaningful measure as it is broader than selling, general and administrative costs and represents the total costs in the Industrial segments and Corporate that generally do not vary with volume and excludes the effect of segment acquisitions, dispositions, and foreign exchange movements.

POWER STRUCTURAL COSTS (NON-GAAP) (In millions)	2018	2017	V\$
Power total costs and expenses (GAAP)	\$28,494	\$33,912	\$(5,418)
Less: Power interest and other financial charges	267	653	(386)
Less: non-operating benefit costs	(75)	)(10)	)(65)
Power costs excluding interest and other financial charges and non-operating benefit costs (Non-GAAP)	28,302	33,269	(4,967)
Less: Segment variable costs	21,245	24,805	(3,560)
Less: Segment restructuring & other	116	—	116
Less: Segment acquisitions/dispositions structural costs and impact from foreign exchange	178	791	(613)
Power structural costs (Non-GAAP)	\$6,763	\$7,673	\$(910)

Power structural costs* include segment structural costs excluding the impact of restructuring and other charges, business acquisitions and dispositions and foreign exchange.

Segment variable costs are those costs within our industrial segments that vary with volume. The most significant variable costs would be material and direct labor costs incurred to produce our products and deliver our services that are recorded in the captions "Cost of goods" and "Cost of services sold" in our consolidated Statement of Earnings (Loss).

*Non-GAAP Financial Measure

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MD&A NON-GAAP FINANCIAL MEASURES

ADJUSTED EARNINGS (LOSS) (NON-GAAP) (In millions)	2018	2017	2016
Consolidated earnings (loss) from continuing operations attributable to GE common shareowners (GAAP)	\$(21,076)	\$(8,605)	\$7,797
Less: GE Capital earnings (loss) from continuing operations attributable to GE common shareowners (GAAP)	(489)	(6,765)	(1,251)
GE Industrial earnings (loss) (Non-GAAP)	(20,587)	(1,841)	9,048
Non-operating benefits costs (pre-tax) (GAAP)	(2,764)	(2,385)	(2,349)
Tax effect on non-operating benefit costs(a)	581	835	822
Less: non-operating benefit costs (net of tax)	(2,184)	(1,550)	(1,527)
Gains (losses) and impairments for disposed or held for sale businesses (pre-tax)	1,350	926	3,480
Tax effect on gains (losses) and impairments for disposed or held for sale businesses(b)	(375)	(62)	(1,106)
Less: gains (losses) and impairments for disposed or held for sale businesses (net of tax)	974	864	2,374
Restructuring & other (pre-tax)	(3,440)	(4,030)	(3,544)
Tax effect on restructuring & other(b)	492	1,252	1,061
Less: restructuring & other (net of tax)	(2,948)	(2,778)	(2,483)
Goodwill impairments (pre-tax)	(22,136)	(1,165)	—
Tax effect on goodwill impairments(b)	(235)	9	—
Less: goodwill impairments (net of tax)	(22,371)	(1,156)	—
Less: GE Industrial U.S. tax reform enactment adjustment	(38)	(4,905)	—
Adjusted GE Industrial earnings (loss) (Non-GAAP)	\$5,980	\$7,685	\$10,684
GE Capital earnings (loss) from continuing operations attributable to GE common shareowners (GAAP)	(489)	(6,765)	(1,251)
EFS impairments and insurance charge (pre-tax)	—	(11,444)	—
Tax effect on EFS impairments and insurance charge(b)	—	3,501	—
Less: EFS impairments and insurance charge (net of tax)	—	(7,943)	—
Less: GE Capital U.S. tax reform enactment adjustment	(173)	206	—
Adjusted GE Capital earnings (loss) (Non-GAAP)	\$(316)	\$972	\$(1,251)
Adjusted GE Industrial earnings (loss) (Non-GAAP)	\$5,980	\$7,685	\$10,684
Add: Adjusted GE Capital earnings (loss) (Non-GAAP)	(316)	972	(1,251)
Adjusted earnings (loss) (Non-GAAP)	\$5,664	\$8,657	\$9,433

(a) The tax effect was calculated using a 21% and 35% U.S. federal statutory tax rate in 2018 and 2017, respectively, based on its applicability to such cost.

(b) The tax effect presented includes both the rate for the relevant item as well as other direct and incremental tax charges.

Adjusted earnings (loss)* excludes non-operating benefit costs, gains (losses) and impairments for disposed or held for sale businesses, restructuring and other, goodwill impairments and GE Capital EFS impairments and insurance charge in 2017, after-tax, excluding the effects of U.S. tax reform enactment adjustment. The service cost of our pension and other benefit plans are included in adjusted earnings*, which represents the ongoing cost of providing pension benefits to our employees. The components of non-operating benefit costs are mainly driven by capital allocation decisions and market performance, and we manage these separately from the operational performance of our businesses. Gains and restructuring and other items are impacted by the timing and magnitude of gains associated with dispositions, and the timing and magnitude of costs associated with restructuring activities. Prior to the third

quarter of 2018, goodwill impairment was included as a component of restructuring and other charges; beginning in the third quarter of 2018, on a comparable basis, we reported it separately in our consolidated Statement of Earnings (Loss) because of the significance of the charge that quarter, and Adjusted earnings (loss)* continues to exclude amounts related to goodwill impairment separate from the ongoing operations of our businesses. We believe that the retained costs in Adjusted earnings (loss)* provides management and investors a useful measure to evaluate the performance of the total company, and increases period-to-period comparability. We believe that presenting Adjusted Industrial earnings (loss)* separately from our financial services businesses also provides management and investors with useful information about the relative size of our industrial and financial services businesses in relation to the total company.

*Non-GAAP Financial Measure

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MD&A NON-GAAP FINANCIAL MEASURES

ADJUSTED EARNINGS (LOSS) PER SHARE (NON-GAAP)	2018	2017	2016
Consolidated EPS from continuing operations attributable to GE common shareowners (GAAP)	\$(2.43)	\$(0.99)	\$0.85
Less: GE Capital EPS from continuing operations attributable to GE common shareowners (GAAP)	(0.06)	(0.78)	(0.14)
GE Industrial EPS (Non-GAAP)	(2.37)	(0.21)	0.99
Non-operating benefits costs (pre-tax) (GAAP)	(0.32)	(0.27)	(0.26)
Tax effect on non-operating benefit costs(a)	0.07	0.10	0.09
Less: non-operating benefit costs (net of tax)	(0.25)	(0.18)	(0.17)
Gains (losses) and impairments for disposed or held for sale businesses (pre-tax)	0.16	0.11	0.38
Tax effect on gains (losses) and impairments for disposed or held for sale businesses(b)	(0.04)	(0.01)	(0.12)
Less: gains (losses) and impairments for disposed or held for sale businesses (net of tax)	0.11	0.10	0.26
Restructuring & other (pre-tax)	(0.40)	(0.46)	(0.39)
Tax effect on restructuring & other(b)	0.06	0.14	0.12
Less: restructuring & other (net of tax)	(0.34)	(0.32)	(0.27)
Goodwill impairments (pre-tax)	(2.55)	(0.13)	—
Tax effect on goodwill impairments(b)	(0.03)	—	—
Less: goodwill impairments (net of tax)	(2.57)	(0.13)	—
Less: GE Industrial U.S. tax reform enactment adjustment	—	(0.56)	—
Adjusted GE Industrial EPS (Non-GAAP)	\$0.69	\$0.88	\$1.17
GE Capital EPS from continuing operations attributable to GE common shareowners (GAAP)	(0.06)	(0.78)	(0.14)
EFS impairments and insurance charge (pre-tax)	—	(1.32)	—
Tax effect on EFS impairments and insurance charge(b)	—	0.40	—
Less: EFS impairments and insurance charge (net of tax)	—	(0.91)	—
Less: GE Capital U.S. tax reform enactment adjustment	(0.02)	0.02	—
Adjusted GE Capital EPS (Non-GAAP)	\$(0.04)	\$0.11	\$(0.14)
Adjusted GE Industrial EPS (Non-GAAP)	\$0.69	\$0.88	\$1.17
Add: Adjusted GE Capital EPS (Non-GAAP)	(0.04)	0.11	(0.14)
Adjusted EPS (Non-GAAP)(c)	\$0.65	\$1.00	\$1.03

(a) The tax effect was calculated using a 21% and 35% U.S. federal statutory tax rate in 2018 and 2017, respectively, based on its applicability to such cost.

(b) The tax effect presented includes both the rate for the relevant item as well as other direct and incremental tax charges.

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

Adjusted EPS* excludes non-operating benefit costs, gains (losses) and impairments for disposed or held for sale businesses, restructuring and other, goodwill impairments and GE Capital EFS impairments and insurance charge in 2017, after-tax, excluding the effects of U.S. tax reform enactment adjustment. The service cost of our pension and other benefit plans are included in adjusted earnings*, which represents the ongoing cost of providing pension benefits to our employees. The components of non-operating benefit costs are mainly driven by capital allocation decisions and market performance, and we manage these separately from the operational performance of our businesses. Gains and restructuring and other items are impacted by the timing and magnitude of gains associated with dispositions, and the timing and magnitude of costs associated with restructuring activities. Prior to the third quarter of 2018, goodwill

impairment was included as a component of restructuring and other charges; beginning in the third quarter of 2018, on a comparable basis, we reported it separately in our consolidated Statement of Earnings (loss) because of the significance of the charge that quarter, and Adjusted EPS* continues to exclude amounts related to goodwill impairment separate from the ongoing operations of our businesses. We believe that the retained costs in Adjusted EPS* provides management and investors a useful measure to evaluate the performance of the total company, and increases period-to-period comparability. We also use Adjusted EPS* as a performance metric at the company level for our annual executive incentive plan for 2018. We believe that presenting Adjusted EPS* separately from our financial services businesses also provides management and investors with useful information about the relative size of our industrial and financial services businesses in relation to the total company.

*Non-GAAP Financial Measure

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MD&A NON-GAAP FINANCIAL MEASURES

ADJUSTED GE INDUSTRIAL PROFIT AND PROFIT MARGIN (EXCLUDING CERTAIN ITEMS) (NON-GAAP) (Dollars in millions)	2018	2017	2016
GE total revenues (GAAP)	\$ 113,642	\$ 111,255	\$ 110,615
Costs			
GE total costs and expenses (GAAP)	135,656	111,710	105,774
Less: GE interest and other financial charges	2,708	2,753	2,026
Less: non-operating benefit costs	2,764	2,385	2,349
Less: restructuring & other	3,487	3,923	3,544
Less: goodwill impairments	22,136	1,165	—
Add: noncontrolling interests	(129)	(368)	(278)
Adjusted GE Industrial costs (Non-GAAP)	104,432	101,116	97,577
Other Income			
GE other income (GAAP)	2,255	1,937	4,227
Less: restructuring & other	(87)	(107)	—
Less: gains (losses) and impairments for disposed or held for sale businesses	1,350	926	3,480
Adjusted GE other income (Non-GAAP)	992	1,118	748
GE Industrial profit (GAAP)	\$(19,759)	\$ 1,482	\$ 9,068
GE Industrial profit margin (GAAP)	(17.4)%	1.3 %	8.2 %
Adjusted GE Industrial profit (Non-GAAP)	\$ 10,203	\$ 11,257	\$ 13,786
Adjusted GE Industrial profit margin (Non-GAAP)	9.0 %	10.1 %	12.5 %

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

GE INDUSTRIAL ORGANIC PROFIT (NON-GAAP) (In millions)	2018	2017	V%
Adjusted GE Industrial profit (Non-GAAP)	\$ 10,203	\$ 11,257	(9)%
Adjustments:			
Less: acquisitions	291	(19)	
Less: business dispositions (other than dispositions acquired for investment)	(4)	453	
Less: currency exchange rate(a)	(67)	—	
Adjusted GE Industrial organic profit (Non-GAAP)	\$ 9,983	\$ 10,823	(8)%
	2017	2016	V%
Adjusted GE Industrial profit (Non-GAAP)	\$ 11,257	\$ 13,786	(18)%
Adjustments:			
Less: acquisitions	127	(11)	
Less: business dispositions (other than dispositions acquired for investment)	55	418	
Less: currency exchange rate(a)	41		
Adjusted GE Industrial organic profit (Non-GAAP)	\$ 11,034	\$ 13,378	(18)%

(a) Translational foreign exchange

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

ADJUSTED OIL & GAS SEGMENT PROFIT (NON-GAAP) (In millions) 2018 2017

Reported Oil & Gas segment profit (GAAP)	\$429	\$158
Less: restructuring & other (GE share)	(616)	(679)
Adjusted Oil & Gas segment profit (Non-GAAP)	\$1,045	\$837

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

*Non-GAAP Financial Measure

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MD&A NON-GAAP FINANCIAL MEASURES

GE EFFECTIVE TAX RATES, EXCLUDING GE CAPITAL EARNINGS

(NON-GAAP) (Dollars in millions)	2018	2017	2016
GE earnings (loss) from continuing operations before income taxes (GAAP)	\$(20,248)	\$(5,282)	\$7,817
Less: GE Capital earnings (loss) from continuing operations	(489)	(6,765)	(1,251)
Total	\$(19,759)	\$1,483	\$9,068
GE provision for income taxes (GAAP)	\$957	\$3,691	\$298
GE effective tax rate, excluding GE Capital earnings (Non-GAAP)	(4.8)	% 248.9	% 3.3 %

RECONCILIATION OF U.S. FEDERAL STATUTORY INCOME TAX RATE TO
GE EFFECTIVE TAX RATE EXCLUDING GE CAPITAL EARNINGS (NON-GAAP)

	2018	2017	2016
U.S. federal statutory income tax rate	21.0	% 35.0	% 35.0 %
Reduction in rate resulting from:			
Tax on global activities including exports	(6.8)	(130.2)	(22.0)
U.S. business credits	0.5	(6.1)	(1.0)
Goodwill impairments	(22.9)	27.0	—
Tax Cuts and Jobs Acts enactment	0.5	330.7	—
All other – net	2.9	(7.5)	(8.7)
	(25.8)	213.9	(31.7)
GE effective tax rate, excluding GE Capital earnings (Non-GAAP)	(4.8)	% 248.9	% 3.3 %

We believe that the GE effective tax rate, excluding GE Capital earnings*, is best analyzed in relation to GE earnings before income taxes excluding the GE Capital net earnings from continuing operations, as GE tax expense does not include taxes on GE Capital earnings. Management believes that in addition to the Consolidated and GE Capital tax rates shown in Note 14 to the consolidated financial statements, this supplemental measure provides investors with useful information as it presents the GE effective tax rate that can be used in comparing the GE results to other non-financial services businesses.

GE INDUSTRIAL FREE CASH FLOWS (FCF) AND ADJUSTED GE INDUSTRIAL

FCF (NON-GAAP) (In millions)	2018	2017	2016
GE CFOA (GAAP)	\$2,258	\$11,033	\$29,972
Add: gross additions to property, plant and equipment	(3,302)	(4,132)	(3,758)
Add: gross additions to internal-use software	(347)	(518)	(740)
Less: common dividends from GE Capital	—	4,016	20,095
Less: GE Pension Plan funding	(6,000)	(1,717)	(347)
Less: taxes related to business sales	(180)	(229)	(1,398)
GE Industrial Free Cash Flows (Non-GAAP)	\$4,789	\$4,313	\$7,124
Less: Oil & Gas CFOA	1,763	(477)	—
Less: Oil & Gas gross additions to property, plant and equipment	(964)	(488)	—
Less: Oil & Gas gross additions to internal-use software	(31)	(34)	—
Add: BHGE Class B shareholder dividend	494	251	—
Adjusted GE Industrial Free Cash Flows (Non-GAAP)	\$4,515	\$5,562	\$7,124

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

We believe that investors may also find it useful to compare GE's Industrial free cash flows* performance without the effects of cash used for taxes related to business sales and contributions to the GE Pension Plan. We believe that this measure will better allow management and investors to evaluate the capacity of our industrial operations to generate free cash flows. In addition, we report Adjusted GE Industrial Free Cash Flows* in order to provide a more fair representation of the cash that we are entitled to utilize in a given period. We also use Adjusted GE Industrial Free Cash Flows* as a performance metric at the company-wide level for our annual executive incentive plan for 2018. Management recognizes that the term "free cash flows" may be interpreted differently by other companies and under different circumstances. Although this may have an effect on comparability of absolute percentage growth from company to company, we believe that these measures are useful in assessing trends of the respective businesses or companies and may therefore be a useful tool in assessing period-to-period performance trends.

*Non-GAAP Financial Measure

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MD&A NON-GAAP FINANCIAL MEASURES

	December 31, 2018
GE INDUSTRIAL NET DEBT (NON-GAAP) (Dollars in millions)	
Total GE short- and long-term borrowings (GAAP)	\$68,570
Less: GE Capital short- and long-term debt assumed by GE	36,262
Less: BHGE total borrowings	6,330
Add: intercompany loans from GE Capital	13,749
Total adjusted GE borrowings	39,727
Total pension and retiree benefit plan liabilities (pre-tax)(a)	27,159
Less: taxes at 21%	5,703
Total pension and retiree benefit plan liabilities (net of tax)	21,456
GE rental expense for the year ended December 31, 2018	1,850
Multiply by 3	3
Total operating lease obligations	5,550
Less: BHGE rental expense for the year ended December 31, 2018 multiplied by 3	1,682
Total operating lease obligations excluding BHGE	3,868
GE preferred stock	5,573
Less: 50% of GE preferred stock	2,787
50% of preferred stock	2,787
Deduction for total GE cash, cash equivalents and restricted cash	(20,528)
Less: BHGE cash, cash equivalents and restricted cash	(3,723)
Deduction for total GE cash, cash equivalents and restricted cash, excluding BHGE	(16,805)
Less: 25% of GE cash, cash equivalents and restricted cash, excluding BHGE	(4,201)
Deduction for 75% of GE cash, cash equivalents and restricted cash, excluding BHGE	(12,604)
Total GE Industrial net debt (Non-GAAP)	\$55,233

(a) Represents the total underfunded status of Principal pension plans (\$18,491 million), Other pension plans (\$3,877 million), and Retiree health and life benefit plans (\$4,791 million).

In this document we use GE industrial net debt*, which is calculated based on rating agency methodologies. There is significant uncertainty around the timing and events that could give rise to items included in the determination of this metric, including the timing of pension funding, proceeds from dispositions, and the impact of interest rates on our pension assets and liabilities. We are including the calculation of GE industrial net debt* to provide investors more clarity regarding how the credit rating agencies measure GE industrial leverage.

*Non-GAAP Financial Measure

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OTHER FINANCIAL DATA

OTHER FINANCIAL DATA

SELECTED FINANCIAL DATA

(In millions, except total employees; per-share amounts in dollars)

General Electric Company and Consolidated Affiliates

	2018	2017	2016	2015	2014
Revenues	\$121,615	\$118,243	\$119,469	\$115,159	\$116,407
Earnings (loss) from continuing operations attributable to the Company	(20,629)	(8,169)	8,453	1,488	9,447
Earnings (loss) from discontinued operations, net of taxes, attributable to the Company	(1,726)	(315)	(952)	(7,807)	5,698
Net earnings (loss) attributable to the Company	(22,355)	(8,484)	7,500	(6,320)	15,145
Dividends declared(a)	3,669	7,741	9,054	9,161	8,949
Per common share					
Earnings (loss) from continuing operations – diluted	\$(2.43)	\$(0.99)	\$0.85	\$0.15	\$0.93
Earnings (loss) from discontinued operations – diluted	(0.20)	(0.04)	(0.10)	(0.78)	0.56
Net earnings (loss) – diluted	(2.62)	(1.03)	0.75	(0.63)	1.49
Earnings (loss) from continuing operations – basic	(2.43)	(0.99)	0.86	0.15	0.94
Earnings (loss) from discontinued operations – basic	(0.20)	(0.04)	(0.11)	(0.78)	0.57
Net earnings (loss) – basic	(2.62)	(1.03)	0.76	(0.64)	1.51
Dividends declared	0.37	0.84	0.93	0.92	0.89
Total assets	309,129	369,245	359,122	489,115	654,018
Short-term borrowings	12,849	24,036	30,714	49,860	70,402
Non-recourse borrowings of consolidated securitization entities	1,875	1,980	417	3,083	4,403
Long-term borrowings	95,234	108,575	105,080	144,659	185,832
Redeemable noncontrolling interests	\$382	\$3,391	\$3,017	\$2,962	\$98
Total employees	283,000	313,000	295,000	333,000	305,000

Transactions between GE and GE Capital have been eliminated from the consolidated information.

(a) Included \$447 million, \$436 million, \$656 million and \$18 million of preferred stock dividends in 2018, 2017, 2016 and 2015, respectively.

PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Period	Total number of shares purchased	Total number of shares purchased	
		Average price paid per share	as part of our share repurchase program(a)

(Shares in thousands)

2018			
October	1,428	\$ 11.74	1,428
November	3,870	8.32	3,870
December	2,302	7.26	2,302
Total	7,600	\$ 8.64	7,600

(a) Shares were repurchased through the GE Share Repurchase Program that we announced on April 10, 2015 (the Program). Under the program, we were authorized to repurchase up to \$50.0 billion of our common stock through December 31, 2018. As of December 31, 2018, we had repurchased a total of approximately \$29.3 billion under the

Program. The Program was flexible and shares were acquired with a combination of borrowings and free cash flows from the public markets and other sources, including GE Stock Direct, a stock purchase plan that is available to the public.

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RISK FACTORS

RISK FACTORS

The following discussion of risk factors contains "forward-looking statements," as discussed in the Forward-Looking Statements section. These risk factors may be important to understanding any statement in this Form 10-K report or elsewhere. The risks described below should not be considered a complete list of potential risks that we may face. The following information should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section and the consolidated financial statements and related notes. We also incorporate the risks described in BHGE's Form 10-K report and other SEC filings. The risks we describe in this Form 10-K report or in our other SEC filings could have a material adverse effect on our business, reputation, financial position and results of operations.

Our businesses routinely encounter and address risks, some of which will cause our future results to be different - sometimes materially different - than we presently anticipate. Below, we describe certain important strategic, operational, financial, and legal and compliance risks. Our reactions to material future developments as well as our competitors' reactions to those developments will affect our future results.

STRATEGIC RISKS

Strategic risk relates to the Company's future business plans and strategies, including the risks associated with: our portfolio of businesses and capital allocation decisions; dispositions, mergers and acquisitions and restructuring activity; the global macro-environment in which we operate; intellectual property; and other risks, including the demand for our products and services, competitive threats and the success of investments in our technology and other product and service innovations.

Portfolio strategy execution - Our success depends on achieving our strategic and financial objectives, including through dispositions or other business separations.

As previously announced, we are pursuing a variety of dispositions, including the planned sale of our BioPharma business within our Healthcare segment and plans to exit our equity ownership positions in BHGE and Wabtec. The proceeds that we expect to receive from such actions are an important source of cash flow for the Company as part of our strategic and financial planning. As we seek to sell or separate certain assets, equity interests or businesses, we may encounter difficulty in finding buyers, managing interdependencies across multiple transactions and other Company initiatives, implementing separation plans or executing alternative exit strategies on acceptable terms, which could delay or prevent the accomplishment of our strategic and financial objectives, including our goal of reducing the Company's leverage to targeted levels over time. In particular, some of the sale and disposition strategies that we are considering or may consider will depend on favorable conditions in the capital markets for execution on our preferred timeline, and declines in market valuations that adversely impact the values of equity interests or other assets that we sell will diminish the cash proceeds that we can realize through such sales. We may dispose of assets or businesses at a price or on terms that are less favorable than we had anticipated, or with the exclusion of assets that must be divested or run off separately. We may also face limitations in the form of regulatory or governmental approvals that prevent certain prospective purchasers from completing transactions with us or delay us from executing transactions on our preferred timeline, or arising from our debt or other contractual obligations that limit our ability to complete certain asset or business dispositions. Moreover, the effect of planned transactions over time will reduce the Company's cash flow and earnings capacity and result in a less diversified portfolio of businesses, and we will have a greater dependency on remaining businesses for our financial results. Executing on these transactions can divert senior management time and resources from other pursuits, particularly with transaction structures that result in partial GE ownership and continuing governance or oversight rights in separate companies. Dispositions or other business separations may also involve continued financial involvement in the divested business, such as through continuing equity ownership, transition service agreements, guarantees, indemnities or other current or contingent financial obligations or liabilities. Under these arrangements, performance by the divested businesses or other conditions outside our control could materially affect our future financial results.

With respect to past and potential future acquisitions, joint ventures and business integrations, we may not achieve expected returns and other benefits as a result of changes in strategy or integration and collaboration challenges related to personnel, IT systems or other factors. For example, the anticipated returns from the combination of our Oil & Gas business with Baker Hughes that we completed in July 2017 included cost and growth synergy benefits over a multi-year period that we may not fully realize, or that we may realize to a lesser extent than originally projected as we execute on our announced plan of an orderly separation from BHGE. In addition, in connection with mergers and acquisitions over time, we have recorded significant goodwill and other intangible assets on our balance sheet, and if we are not able to realize the value of these assets we may be required to incur charges relating to the impairment of these assets. We also participate in a number of joint ventures with other companies or government enterprises in various markets around the world, including joint ventures where we may have a lesser degree of control over the business operations, which may expose us to additional operational, financial, legal or compliance risks.

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RISK FACTORS

Restructuring & personnel - We are undertaking extensive cost reduction and restructuring efforts; these efforts may have adverse effects on our operations, employee retention and results and may not achieve the expected benefits. We are undertaking extensive restructuring actions that include workforce reductions, global facility consolidations and other cost reduction initiatives. These actions are a central component of our efforts to improve operational and financial performance. The period of substantial change across our organizational structure, senior leadership, culture, functional alignment, outsourcing and other areas that we are in the midst of poses risks in the form of personnel capacity constraints and institutional knowledge loss that could lead to missed performance or financial targets, loss of key personnel and harm to our reputation. The risk of capacity constraints is also heightened with the number of interdependent and transformational business portfolio and internal actions that we are undertaking during a period of significant restructuring and cost reduction across the Company. Moreover, if we do not successfully manage our restructuring and other transformational activities, expected efficiencies, benefits and operational improvements might be delayed or not realized, and our operations and business could be disrupted. Risks associated with these actions include unforeseen delays in implementation of workforce reductions, additional unexpected costs, adverse effects on employee morale, loss of key employees or other retention issues, inability to attract and hire talented professionals or the failure to meet operational targets due to the loss of employees or work stoppages, any of which may impair our ability to achieve anticipated cost reductions or may otherwise harm our business and have an adverse effect on our competitive position or financial performance.

Global macro-environment - Our growth is subject to global economic and political risks. We operate in virtually every part of the world and serve customers in over 180 countries. In 2018, 62% of our revenue was attributable to activities outside the United States. Our operations and the execution of our business plans and strategies are subject to the effects of global competition and geopolitical risks. They are also affected by local and regional economic environments, including interest rates, monetary policy, inflation, recession, currency volatility, currency controls or other limitations on the ability to expatriate cash and actual or anticipated default on sovereign debt. For example, changes in local economic conditions, such as an economic slowdown in China or other key markets, or fluctuations in exchange rates may affect demand for or the profitability of our products and services outside the U.S., and the impact on the Company could be significant given the extent of our activities outside the U.S. Political changes and trends such as populism, protectionism, economic nationalism and sentiment toward multinational companies and resulting changes to trade, tax or other laws and policies may be disruptive, and can interfere with our global operating model, our supply chain, our customer relationships and competitive position. An increase in trade conflict could lead to a significant deterioration of global growth, and related decreases in confidence or investment activity in the global markets would adversely affect our business performance. We also do business in many emerging markets jurisdictions where economic, political and legal risks are heightened. While some types of these economic risks can be hedged using derivatives or other financial instruments and some are insurable, such attempts to mitigate these risks are costly and not always successful, and our ability to engage in such mitigation may decrease or become even more costly as a result of more volatile market conditions.

Competitive environment - We are dependent on the maintenance of existing product lines and service relationships, market acceptance of new product and service introductions and innovations for revenue and earnings growth. The markets in which we operate are highly competitive in terms of pricing, product and service quality, product development and introduction time, customer service, financing terms and shifts in market demands, and competitors are increasingly offering services for our installed base. Our businesses are also subject to technological change and require us to continually attract and retain skilled talent. Our long-term operating results and competitive position depend substantially upon our ability to continually develop, introduce, and market new and innovative products, services and platforms, to modify existing products and services, to customize products and services, to increase our productivity as we perform on long-term service agreements, to anticipate and respond to market and technological changes driven by trends such as increased digitization or automation, or by developments such as climate change that present both risks and opportunities for our businesses. A failure to be adequately market-based, or to accurately

forecast customer demand and industry trends, may adversely affect our delivery of products, services and outcomes in line with our projected financial performance or cost estimates, and ultimately may result in excess costs, build-up of inventory that becomes obsolete, lower profit margins and an erosion of our competitive position. For example, our Aviation business is in the midst of increasing the production volume for its LEAP engine, and a successful ramp in engine commitments over the next few years will require significant coordination across supply chains, systems, materials, training, logistics and other areas to achieve expected levels of cost and profitability. In addition, increased use of alternative energy sources due to greater cost competitiveness of such sources, or changes in technology or consumer preferences, could adversely affect the demand for our products and related services that are used in power generation or other applications that use oil or natural gas as energy sources, and as a result could have a material adverse effect on the performance of our businesses or our consolidated results. The introduction of innovative and disruptive technologies in the markets in which we operate can also pose risks in the form of new competitors, substitutions of existing products, services or solutions, niche players, new business models and competitors that are faster to market with new products or services than we are. Our capacity to invest in research and development efforts to pursue advancement in a wide range of technologies, products and services depends on the financial resources that we have available for such investment relative to other capital allocation priorities, and under-investment could lead to the loss of market share for our products and services. The amounts that we do invest in research and development divert resources from other potential investments in our businesses, and our efforts may not lead to the development of new technologies or products on a timely basis or meet the needs of our customers as fully as competitive offerings.

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RISK FACTORS

Intellectual property - Our intellectual property portfolio may not prevent competitors from independently developing products and services similar to or duplicative to ours, and the value of our intellectual property may be negatively impacted by external dependencies.

Our patents and other intellectual property may not prevent competitors from independently developing or selling products and services similar to or duplicative of ours, and there can be no assurance that the resources invested by us to protect our intellectual property will be sufficient or that our intellectual property portfolio will adequately deter misappropriation or improper use of our technology. In the context of the Company's recent performance and planned portfolio actions, the value of the GE brand may be negatively impacted, and we may offer multiple long-term and concurrent trademark licenses of the GE brand in connection with dispositions that may negatively impact the overall value of the brand in the future. As a result of increased numbers of employee exits due to restructuring activities or otherwise, we also face heightened risks related to the loss or unauthorized use of the Company's intellectual property or other protected data. We could also face competition in some countries where we have not invested in an intellectual property portfolio. If we are not able to protect our intellectual property, the value of our brand and other intangible assets may be diminished, and our business may be adversely affected. We also face attempts to gain unauthorized access to our IT systems or products for the purpose of improperly acquiring our trade secrets or confidential business information. The theft or unauthorized use or publication of our trade secrets and other confidential business information as a result of such an incident could adversely affect our competitive position and the value of our investment in research and development. In addition, we may be the target of enforcement of patents or other intellectual property by third parties, including aggressive and opportunistic enforcement claims by non-practicing entities. Regardless of the merit of such claims, responding to infringement claims can be expensive and time-consuming. If GE is found to infringe any third-party rights, we could be required to pay substantial damages or we could be enjoined from offering some of our products and services. The value of, or our ability to use, our intellectual property may also be negatively impacted by dependencies on third parties, such as our ability to obtain or renew on reasonable terms licenses that we need in the future, or our ability to secure or retain ownership or rights to use data in certain software analytics or services offerings.

OPERATIONAL RISKS

Operational risk relates to risks arising from systems, processes, people and external events that affect the operation of our businesses. It includes risks related to product and service life cycle and execution; product safety and performance; information management and data protection and security, including cybersecurity; and supply chain and business disruption.

Operational execution - We may face operational challenges that could have a material adverse effect on our business, reputation, financial position and results of operations.

The Company's financial results depend on the successful execution of our businesses' operating plans across all steps of the product and service development, production, marketing, sales, servicing and cash collections lifecycle. For example, we are working to improve the operations and execution of our Power business, and our ability to effect an operational turnaround will be a significant factor in determining the financial performance of the Company as a whole. In addition, we have dependency on the continued strength of our Aviation business and its successful plan execution, because of both the continued weakness in Power as well as the planned dispositions that will result in our portfolio of businesses, earnings and sources of operating cash flows becoming less diversified. Organizational changes, including as a result of restructuring actions that lead to employee attrition or declining labor relations, could adversely affect our ability to manage operational challenges. Operational failures could result in quality problems or potential product, labor safety or environmental risks, which could have a material adverse effect on our business, reputation, financial position and results of operations. In addition, a portion of our business, particularly within our Power and Renewable Energy businesses, involves large projects where we take on the full scope of engineering, procurement, construction or other services. These types of projects can pose unique risks related to their scale, complexity and duration. Performance issues can arise due to inadequate technical expertise, developments at project

sites, environmental, health and safety issues, execution by subcontractors or consortium partners and compliance with government regulations, and can lead to cost overruns, contractual penalties, liquidated damages and other adverse consequences. As the Company's portfolio evolves, to the extent that such projects represent a larger share of GE's business than they did in the past, the risk will become greater that operational, quality or other issues at particular projects could adversely affect GE's business, reputation or results of operations.

Product safety - Our products and services are highly sophisticated and specialized, and a major product failure or similar event could adversely affect our business, reputation, financial position and results of operations.

We produce highly sophisticated products and provide specialized services for both our and third-party products that incorporate or use complex or leading-edge technology, including both hardware and software. Many of our products and services involve complex industrial machinery or infrastructure projects, such as commercial jet engines, gas turbines, offshore oil and gas drilling or nuclear power generation, and accordingly the impact of a catastrophic product failure or similar event could be significant. In particular, actual or perceived design or production issues related to new product introductions or relatively new product lines can result in significant reputational harm to our businesses, in addition to direct warranty, maintenance and other costs that may arise, and a more significant product issue resulting in widespread outages, a fleet grounding or similar systemic consequences could have a material adverse effect on our business, financial position and results of operations. While we have built operational processes to ensure that our product design, manufacture, performance and servicing meet rigorous quality standards, there can be no assurance that we or our customers or other third parties will not experience operational process or product failures and other problems, including through manufacturing or design defects, process or other failures of contractors or third-party suppliers, cyber-attacks or other intentional acts, that could result in potential product, safety, regulatory or environmental risks.

RISK FACTORS

Cybersecurity - Increased cybersecurity requirements, vulnerabilities, threats and more sophisticated and targeted computer crime could pose a risk to our systems, networks, products, solutions, services and data.

Increased global cybersecurity vulnerabilities, threats, computer viruses and more sophisticated and targeted cyber-related attacks, as well as cybersecurity failures resulting from human error and technological errors, pose a risk to the security of GE's and its customers', partners', suppliers' and third-party service providers' products, systems and networks and the confidentiality, availability and integrity of GE's and its customers' data. As the perpetrators of such attacks become more capable, and as critical infrastructure is increasingly becoming digitized, the risks in this area continue to grow. While we attempt to mitigate these risks by employing a number of measures, including employee training, monitoring and testing, and maintenance of protective systems and contingency plans, we remain potentially vulnerable to additional known or unknown threats, and there is no assurance that the impact from such threats will not be material. In addition to existing risks, the adoption of new technologies may also increase our exposure to cybersecurity breaches and failures. We also may have access to sensitive, confidential or personal data or information in certain of our businesses that is subject to privacy and security laws, regulations or customer-imposed controls. Despite our use of reasonable and appropriate controls to protect our systems and sensitive, confidential or personal data or information, we may be vulnerable to material security breaches, theft, misplaced, lost or corrupted data, programming errors, employee errors and/or malfeasance (including misappropriation by departing employees) that could potentially lead to the compromising of sensitive, confidential or personal data or information, improper use of our systems, software solutions or networks, unauthorized access, use, disclosure, modification or destruction of information, defective products, production downtimes and operational disruptions. Data privacy and protection laws are evolving, can vary significantly by country and present increasing compliance challenges, which increase our costs, affect our competitiveness and can expose us to substantial fines or other penalties. In addition, a cyber-related attack could result in other negative consequences, including damage to our reputation or competitiveness, remediation or increased protection costs, litigation or regulatory action.

Supply chain - Significant raw material shortages, supplier capacity constraints, supplier production disruptions, supplier quality and sourcing issues or price increases could increase our operating costs and adversely impact the competitive positions of our products.

Our reliance on third-party suppliers, contract manufacturers and service providers, and commodity markets to secure raw materials, parts, components and sub-systems used in our products exposes us to volatility in the prices and availability of these materials, parts, components, systems and services. Some of these suppliers or their sub-suppliers are limited- or sole-source suppliers. We also have internal dependencies on certain key GE manufacturing or other facilities. A disruption in deliveries from a key GE facility or from our third-party suppliers, contract manufacturers or outsourced or other service providers, capacity constraints, production disruptions, price increases, or decreased availability of raw materials or commodities, including as a result of catastrophic or other business continuity events, could have an adverse effect on our ability to meet our commitments to customers or increase our operating costs.

Quality, capability and sourcing issues experienced by third-party providers can also adversely affect our costs, margin rates and the quality and effectiveness of our products and services and result in liability and reputational harm. In addition, while we require our suppliers to implement and maintain reasonable and appropriate controls to protect information we provide to them, they may be the victim of a cyber-related attack that could potentially lead to the compromise of the Company's intellectual property or other confidential information, or to production downtimes and operational disruptions that could have an adverse effect on our ability to meet our commitments to customers.

FINANCIAL RISKS

Financial risk relates to our ability to meet financial obligations and mitigate exposure to broad market risks, including funding and liquidity risks, such as risk related to our credit ratings and our availability and cost of funding; credit risk; and volatility in foreign currency exchange rates, interest rates and commodity prices. Liquidity risk refers to the potential inability to meet contractual or contingent financial obligations (whether on- or off-balance sheet) as they arise, and could potentially impact an institution's financial condition or overall safety and soundness. Credit risk is

the risk of financial loss arising from a customer or counterparty failure to meet its contractual obligations, and we face credit risk arising from both our industrial businesses and from GE Capital.

Leverage & borrowings - Our indebtedness levels could limit the flexibility of our businesses, and we could face further constraints as a result of failing to decrease our leverage over time, further downgrades of our credit ratings or adverse market conditions.

Our ability to decrease our leverage as planned is dependent on the proceeds that we generate from business and asset dispositions, as well as our cash flows from operations. De-leveraging and servicing our debt will require a significant amount of cash, and if we are unable to generate cash flows in accordance with our plans we may be required to adopt one or more alternatives such as increasing borrowing under credit lines, further reducing or delaying investments or capital expenditures, selling other businesses or assets, refinancing debt or raising additional equity capital. Our indebtedness could put us at a competitive disadvantage compared to competitors with lower debt levels that may have greater financial flexibility to secure additional funding for their operations, pursue strategic acquisitions, finance long-term projects or take other actions. Continuing to have substantial indebtedness could also have the consequences of increasing our vulnerability to adverse general economic or industry-specific conditions or to increases in the capital or liquidity needs at the GE or GE Capital levels, and it could limit our flexibility in planning for, or reacting to, changes in the economy and the industries in which we compete.

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In addition, our existing levels of indebtedness may impair our ability to obtain additional debt financing on favorable terms in the future, particularly if coupled with further downgrades of our credit ratings or a deterioration of capital markets conditions more generally. External conditions in the financial and credit markets may limit the availability of funding at particular times or increase the cost of funding, which could adversely affect our business, financial position and results of operations. Factors that may affect the availability of funding or cause an increase in our funding costs include disruptions in the funding markets, and potential market impacts arising in the United States, Europe, China or emerging markets, currency movements or other potential market disruptions. If our cost of funding were to increase, it may adversely affect our competitive position and result in lower net interest margins, earnings and cash flows as well as lower returns on shareowners' equity and invested capital.

Liquidity - Failure to meet our cash flow targets, or additional credit downgrades, could adversely affect our liquidity, funding costs and related margins.

We rely on cash from operations and proceeds from business and asset dispositions, as well as access to the short- and long-term debt markets, to fund our operations, maintain liquidity and meet our financial obligations and capital allocation priorities. In particular, we have historically relied on significant short-term borrowings in the commercial paper market to fund our operations on an intra-quarter basis. If we do not meet our cash flow objectives, whether through improved cash performance in our businesses or successful execution of dispositions and other portfolio actions, our financial condition could be adversely affected. Our access to the debt markets, and to the commercial paper markets in particular, depends on our credit ratings. As a result of fourth quarter 2018 ratings actions by Moody's, S&P and Fitch, GE has transitioned to a tier-2 commercial paper issuer, which reduced our borrowing capacity in the commercial paper markets. To accommodate GE's short-term liquidity needs, we are increasing utilization of our revolving credit facilities, which will result in an overall increase to our cost of funds. A significant increase in our cost of capital could require us to consider changes to our capital allocation plans, such as our planned dividend levels.

There can also be no assurance that we will not face additional credit downgrades as a result of factors such as our progress in decreasing our leverage, the performance of our businesses, the failure to execute on dispositions and other portfolio actions or changes in rating application or methodology. Future downgrades could further adversely affect our cost of funds and related margins, liquidity, competitive position and access to capital markets, and a significant downgrade could have an adverse commercial impact on our industrial businesses. For example, if our short-term credit ratings were to fall below A-2/P-2, we would no longer have access to the tier-2 commercial paper market, and therefore our borrowing capacity in the commercial paper market would likely be further reduced. Further, we have relied, and may continue to rely, on securitization programs to provide alternative funding for sales of GE receivables to third-party investors. If any of our short-term credit ratings were to fall below A-1/P-2/F-2, the timing or amount of liquidity generated by these programs could be adversely affected. In addition, in certain securitization transactions where we provide servicing for third-party investors, we are contractually permitted to commingle cash collected from customers on financing receivables sold or pledged to third-party investors with our own cash prior to making required payments to third-party investors, provided our short-term credit rating does not fall below A-2/P-2/F-2. In the event our ratings were to fall below such levels, we would be required to segregate certain of these cash collections owed to third-party investors into restricted bank accounts and would lose the short-term liquidity benefit of commingling with respect to such collections. In addition, under various debt and derivative instruments, guarantees and covenants, we could be required to post additional capital or collateral in the event of a ratings downgrade, which would increase the impact of a ratings downgrade on our liquidity and capital position. Swap, forward and option contracts are executed under standard master agreements that typically contain mutual downgrade provisions that provide the ability of the counterparty to require termination if the credit ratings of the applicable GE entity were to fall below specified ratings levels agreed upon with the counterparty, primarily BBB/Baa2. For additional discussion about our current credit ratings and related considerations, refer to the Capital Resources and Liquidity - Credit Ratings and Conditions section of this report.

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Economy, customers & counterparties - A deterioration in conditions in the global economy, the major industries we serve or the financial markets, or in the soundness of financial institutions, governments or customers we deal with, may adversely affect our business and results of operations.

The business and operating results of our industrial businesses have been, and will continue to be, affected by worldwide economic conditions, including conditions in the air transportation, power generation, oil and gas, renewables, healthcare and other major industries we serve. Existing or potential customers may delay or cancel plans to purchase our products and services, including large infrastructure projects, and may not be able to fulfill their obligations to us in a timely fashion as a result of business deterioration, cash flow shortages, low oil prices or difficulty obtaining financing due to macroeconomic conditions, geopolitical disruptions, changes in law or other unexpected challenges affecting the strength of the global economy. The airline industry, for example, is highly cyclical, and the level of demand for air travel is correlated to the strength of the U.S. and international economies. An extended disruption of regional or international travel, such as a disruption following a terrorist incident, or a recessionary economic environment that results in the loss of business and leisure traffic, could have a material adverse effect on our airline customers and the viability of their business. Such effects would be particularly significant for GE in the current environment, in which we have dependency on the continued strength of our Aviation business as we execute on planned dispositions and our overall portfolio of businesses, earnings and sources of operating cash flows becomes less diversified. Service contract cancellations or customer dynamics such as early aircraft retirements, reduced demand in our Power business as a result of increased market penetration by renewables and other secular or cyclical pressures, reduced demand in the wind energy market from the elimination of production or other tax credits for new wind projects or declines in orders, project commencement delays and pricing pressures at BHGE from low oil prices could affect our ability to fully recover our contract costs and estimated earnings. In particular, our ability to effect an operational turnaround in our Power business will be more challenging to the extent that markets for our products and services remain lower for longer than expected. Further, our vendors may experience similar conditions, which may impact their ability to fulfill their obligations to us. We may also face greater challenges collecting on receivables with customers that are sovereign governments or located in emerging markets. If there is significant deterioration in the global economy, our results of operations, financial position and cash flows could be materially adversely affected.

GE Capital - A smaller GE Capital continues to have exposure to insurance, credit and other risks and, in the event of future adverse developments, may not be able to meet its business and financial objectives without further actions at GE Capital or additional capital contributions by GE.

To fund the statutory capital contributions that it expects to make to its insurance subsidiaries over the next several years, as well as to meet its other obligations, GE Capital plans to rely on its existing liquidity, cash flows from its businesses and generating additional cash through dispositions, including substantially reducing the size of its Energy Financial Services and Industrial Finance businesses. We are also planning approximately \$4 billion of capital contributions from GE to GE Capital in 2019. However, as GE Capital's excess liquidity from past disposition proceeds runs off, and as future earnings may be reduced as a result of business or other asset sales, the risk will increase that future adverse developments could cause liquidity or funding stress for GE Capital. For example, it is possible that future requirements for capital contributions to the insurance subsidiaries will be greater than currently estimated or could be accelerated by regulators. For example, if our annual testing of insurance reserves results in a premium deficiency, we are required to unlock and update the assumptions for our future policy benefit reserves, and any future adverse changes to these assumptions (to the extent not offset by any favorable changes to these assumptions) could result in an increase to future policy benefit reserves and, potentially, to the amount of capital we are required to contribute to the insurance subsidiaries. We anticipate that the adoption of recent changes to insurance accounting standards (as discussed in the Other Items - New Accounting Standards section within MD&A) will also materially affect our financial statements. In addition, we continue to evaluate strategic options to accelerate the further reduction in the size of GE Capital. Certain of these options could have a material financial charge depending on the timing, negotiated terms and conditions of any ultimate arrangements. It is also possible that contingent

liabilities and loss estimates from GE Capital's continuing or discontinued operations will need to be recognized or will increase in the future and will become payable. If GE Capital's credit ratings are downgraded because of inadequate increases in its capital levels over time, changes in rating application or methodology or other factors, GE Capital may also face increased interest costs and limitations on its ability to access external funding in the future. We anticipate funding any insurance capital requirements or strategic options through a combination of GE Capital earnings, asset sales, liquidity and GE parent support.

GE Capital also has exposure to many different industries and counterparties, including sovereign governments, and routinely executes transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks and other institutional clients. Many of these transactions expose GE Capital to credit risk in the event of default of its counterparty or client. If conditions in the financial markets deteriorate, they may adversely affect the business and results of operations of GE Capital, as well as the soundness of financial institutions, governments and other counterparties we deal with. In addition, GE Capital's credit risk may be increased when the value of collateral held cannot be realized through sale or is liquidated at prices insufficient to recover the full amount of the loan or derivative exposure due to it. There can be no assurance that future liabilities, losses or impairments to the carrying value of financial assets would not materially and adversely affect GE Capital's business, financial position, results of operations and capacity to provide financing to support orders from GE's industrial businesses, or that factors causing sufficiently severe stress at GE Capital would not require GE to make larger than expected capital contributions to GE Capital in the future.

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Social costs - Sustained increases in pension and healthcare benefits costs may reduce our profitability. Our results of operations may be positively or negatively affected by the amount of income or expense we record for our defined benefit pension plans. GAAP requires that we calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial market and other economic conditions, which may change based on changes in key economic indicators. The most significant year-end assumptions we use to estimate pension expense for 2019 are the discount rate and the expected long-term rate of return on the plan assets. In addition, we are required to make an annual measurement of plan assets and liabilities, which may result in a significant reduction or increase to equity. At the end of 2018, the GE Pension Plan was underfunded, on a GAAP basis, by \$12.4 billion, and the GE Supplementary Pension Plan, an unfunded plan, had a projected benefit obligation of \$6.1 billion. We made contributions of \$6.0 billion to the GE Pension Plan in 2018. The 2018 contributions satisfy our minimum ERISA funding requirement of \$1.5 billion, and the remaining \$4.5 billion was a voluntary contribution to the plan, a portion of which will be used to satisfy our minimum ERISA funding requirement for 2019. Although GAAP expense and pension funding contributions are not directly related, key economic factors that affect GAAP expense would also likely affect the amount of cash we would contribute to pension plans as required under ERISA. Failure to achieve expected returns on plan assets driven by various factors, which could include a continued environment of low interest rates or sustained market volatility, could also result in an increase to the amount of cash we would be required to contribute to pension plans. In addition, there may be upward pressure on the cost of providing healthcare benefits to current employees and retirees. Although we have actively sought to control increases in these costs, there can be no assurance that we will succeed in limiting cost increases, and continued upward pressure could reduce our profitability. For a discussion regarding how our financial statements can be affected by our pension and healthcare benefit obligations, see the Other Consolidated Information - Postretirement Benefit Plans section within MD&A and Note 13 to the consolidated financial statements. See also the Critical Accounting Estimates - Pension Assumptions section within MD&A for a discussion regarding how our financial statements can be affected by our pension plan accounting policies.

LEGAL & COMPLIANCE RISKS

Legal and compliance risk relates to risks arising from the government and regulatory environment and action and from legal proceedings and compliance with integrity policies and procedures, including those relating to financial reporting, environmental, health and safety. Government and regulatory risk includes the risk that the government or regulatory actions will impose additional cost on us or require us to make adverse changes to our business models or practices.

Regulatory - We are subject to a wide variety of laws, regulations and government policies that may change in significant ways.

Our businesses are subject to regulation under a wide variety of U.S. federal and state and non-U.S. laws, regulations and policies. There can be no assurance that laws, regulations and policies will not be changed in ways that will require us to modify our business models and objectives or affect our returns on investments by restricting existing activities and products, subjecting them to escalating costs or prohibiting them outright. In particular, legislative, regulatory or other areas of significance for our businesses that U.S. and non-U.S. governments have focused and continue to focus on include cybersecurity, data privacy and sovereignty, trade controls and compliance with complex economic sanctions, improper payments, competition law, foreign exchange intervention in response to currency volatility, currency controls that could restrict the movement of liquidity from particular jurisdictions, tariffs on imports and exports in the U.S. or other countries, and potential further changes to tax laws, including additional guidance concerning the enactment of U.S. tax reform, may have an effect on GE's, GE Capital's or other regulated subsidiaries' structure, operations, sales, liquidity, capital requirements, effective tax rate and performance. For example, legislative or regulatory measures by states or non-U.S. governments in response to the recent U.S. federal tax reform or otherwise, or rules and interpretations under the new tax laws, could increase our costs or tax rate. In addition, efforts by public and private sectors to control the growth of healthcare costs may lead to lower

reimbursements and increased utilization controls related to the use of our products by healthcare providers. Regulation or government scrutiny may impact the requirements for marketing our products and slow our ability to introduce new products, resulting in an adverse impact on our business. Furthermore, we have been, and expect to continue, participating in U.S. and international governmental programs, which require us to comply with strict governmental regulations. Inability to comply with these regulations could adversely affect our status in these projects and could have collateral consequences such as limiting our ability to participate in other projects involving multilateral development banks and adversely affect our results of operations, financial position and cash flows.

Legal proceedings - We are subject to legal proceedings, investigations and legal compliance risks, including trailing liabilities from businesses that we dispose of or that are inactive.

We are subject to a variety of legal proceedings and legal compliance risks in virtually every part of the world, including the matters described in the Legal Proceedings section and the Other Items - Environmental Matters section within MD&A. We, our representatives, and the industries in which we operate are subject to continuing scrutiny by regulators, other governmental authorities and private sector entities or individuals in the U.S., the European Union, China and other jurisdictions, which may, in certain circumstances, lead to enforcement actions, adverse changes to our business practices, fines and penalties, required remedial actions such as contaminated site clean-up or the assertion of private litigation claims, and damages that could be material. For example, following our acquisition of Alstom's Thermal, Renewables and Grid businesses in 2015, we are subject to legacy legal proceedings and legal compliance risks that relate to claimed anti-competitive conduct or improper payments by Alstom in the pre-acquisition period, and payments for settlements, judgments, penalties or other liabilities in connection with those matters will result in cash outflows. In addition, since late 2017 we have been subject to a range of shareholder lawsuits and inquiries from governmental authorities related to the Company's financial performance, accounting and disclosure practices and related matters, as described in the Legal Proceedings section.

RISK FACTORS

We have established reserves for legal matters when and as appropriate; however, the estimation of legal reserves or possible losses involves significant judgment and may not reflect the full range of uncertainties and unpredictable outcomes inherent in litigation and investigations, and the actual losses arising from particular matters may exceed our current estimates and adversely affect our results of operations. While we believe that we have adopted appropriate risk management and compliance programs, the global and diverse nature of our operations and the current enforcement environment mean that legal and compliance risks will continue to exist with respect to our continuing and discontinued operations, and we may also be subject to material trailing legal liabilities from businesses that we dispose of or that are inactive. We also expect that additional legal proceedings and other contingencies, the outcome of which cannot be predicted with certainty, will arise from time to time. Moreover, we are increasingly selling products and services in growth markets where claims arising from a catastrophic product failure, alleged violations of law or other incidents involving our products and services may be adjudicated within legal systems that are less developed and less reliable than those of the U.S. or other more developed markets, and this can create additional uncertainty about the outcome of proceedings before courts or other governmental bodies in such markets. See the Legal Proceedings section and Note 22 to the consolidated financial statements for further information about legal proceedings and other loss contingencies.

LEGAL PROCEEDINGS

In addition to the legal matters described below, we also incorporate the information reported under "Legal Proceedings" in BHGE's Form 10-K report.

WMC. At December 31, 2018, there was one pending lawsuit in which our discontinued U.S. mortgage business, WMC, is a party. The lawsuit is pending in the United States District Court for the District of Connecticut. TMI Trust Company (TMI), as successor to Law Debenture Trust Company of New York, is asserting claims on approximately \$800 million of mortgage loans, and alleges losses on these loans in excess of \$425 million. Trial in this case commenced in January 2018. The parties concluded their presentation of evidence and delivered closing arguments in June 2018. Based on a joint application by the parties, the District Court ordered a 30-day stay of proceedings on February 8, 2019, in light of ongoing settlement negotiations. The amount of the claim at issue in the TMI case reflects the purchase price or unpaid principal balances of the mortgage loans at issue at the time of purchase and does not give effect to pay downs, accrued interest or fees, or potential recoveries based upon the underlying collateral. All of the mortgage loans involved in this lawsuit are included in WMC's reported claims at December 31, 2018. See Note 22 to the consolidated financial statements for further information.

In December 2015, we learned that, as part of continuing industry-wide investigation of subprime mortgages, the Civil Division of the U.S. Department of Justice (DOJ) had initiated an investigation of potential violations of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) by WMC and its affiliates arising out of the origination, purchase or sale of residential mortgage loans between January 1, 2005 and December 31, 2007. On January 31, 2019, GE announced that it had reached an agreement in principle with the DOJ to settle this investigation, under which GE will pay the United States a civil penalty of \$1,500 million, consistent with the \$1,500 million reserve recorded for this matter in the first quarter 2018, as described in Note 22 to the consolidated financial statements. The parties are negotiating the definitive settlement agreement, which will contain no admission of any allegation or liability and will conclude this investigation.

Alstom legacy matters. In connection with our acquisition of Alstom's Thermal, Renewables and Grid businesses in November 2015, we are subject to legacy legal proceedings and legal compliance risks that relate to claimed anti-competitive conduct or improper payments by Alstom in the pre-acquisition period, including the previously reported matters described below. See Note 22 to the consolidated financial statements for further information.

In September 2013, the Israeli Antitrust Authority issued a decision whereby Alstom, Siemens AG and ABB Ltd. were held liable for an alleged anti-competitive arrangement in the gas-insulated switchgears market in Israel. While there was no fine in connection with that decision, claimants brought civil actions in 2013 seeking damages of approximately \$950 million and \$600 million, respectively, related to the alleged conduct underlying the decision that are pending before the Central District Court in Israel. The parties have been working to finalize a settlement, which will be subject to the Israeli Attorney General's approval and is expected to be scheduled for a hearing in the first half of 2019.

In connection with alleged improper payments by Alstom relating to contracts won in 2006 and 2008 for work on a state-owned power plant in Šoštanj, Slovenia, the power plant owner in January 2017 filed an arbitration claim for damages of approximately \$430 million before the International Chamber of Commerce Court of Arbitration in Vienna, Austria. In February 2017, a government investigation in Slovenia of the same underlying conduct proceeded to an investigative phase overseen by a judge of the Celje District Court.

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

LEGAL PROCEEDINGS

Shareholder and related lawsuits. Since November 2017, several putative shareholder class actions under the federal securities laws have been filed against GE and certain affiliated individuals and consolidated into a single action currently pending in the U.S. District Court for the Southern District of New York (the Hachem case). In October 2018, the lead plaintiff filed a fourth amended consolidated class action complaint naming as defendants GE and current and former GE executive officers. It alleges violations of Sections 10(b) and 20(a) and Rule 10b-5 of the Securities Exchange Act of 1934 related to insurance reserves and accounting for long-term service agreements and seeks damages on behalf of shareowners who acquired GE stock between February 27, 2013 and January 23, 2018. GE has filed a motion to dismiss, and briefing on that motion concluded in October 2018.

Since February 2018, multiple shareholder derivative lawsuits have also been filed against current and former GE executive officers and members of GE's Board of Directors and GE (as nominal defendant). Four of these lawsuits are currently pending: the Gammel case, the Trueblood case and the Cuker case, which were filed in New York state court, and the Bennett case, which was filed in Massachusetts state court. The lawsuits allege violations of securities laws, breaches of fiduciary duties, unjust enrichment, waste of corporate assets, abuse of control and gross mismanagement. The specific matters underlying the allegations vary among the pending lawsuits, but they primarily relate to substantially the same facts as those underlying the securities class action described above, as well as the oversight of past GE practices regarding the use of its corporate aircraft, the goodwill charge related to GE's Power business announced in October 2018 and alleged corruption in China. The Bennett complaint also includes a claim for professional negligence and accounting malpractice against GE's auditor, KPMG. The plaintiffs seek unspecified damages and improvements in GE's corporate governance and internal procedures. In June 2018, January 2019 and February 2019, respectively, GE filed motions to dismiss the Gammel, Trueblood and Cuker cases. The Bennett case has been stayed pending resolution of the motion to dismiss in the Gammel case.

In June 2018, a lawsuit (the Bezio case) was filed in New York state court derivatively on behalf of participants in GE's 401(k) plan (the GE Retirement Savings Plan (RSP)), and alternatively as a class action on behalf of shareowners who acquired GE stock between February 26, 2013 and January 24, 2018, alleging violations of Section 11 of the Securities Act of 1933 based on alleged misstatements and omissions related to insurance reserves and performance of GE's business segments in a GE RSP registration statement and documents incorporated therein by reference. In November 2018, the plaintiffs filed an amended derivative complaint naming as defendants GE, former GE executive officers and Fidelity Management Trust Company, as trustee for the GE RSP. In January 2019, GE filed a motion to dismiss.

In July 2018, a putative class action (the Mahar case) was filed in New York state court naming as defendants GE, former GE executive officers, a former member of GE's Board of Directors and KPMG. It alleged violations of Sections 11, 12 and 15 of the Securities Act of 1933 based on alleged misstatements related to insurance reserves and performance of GE's business segments in GE Stock Direct Plan registration statements and documents incorporated therein by reference and seeks damages on behalf of shareowners who acquired GE stock between July 20, 2015 and July 19, 2018 through the GE Stock Direct Plan. In February 2019, this case was dismissed.

In October 2018, a putative class action (the Houston case) was filed in New York state court naming as defendants GE, certain GE subsidiaries and current and former GE executive officers and employees. It alleges violations of Sections 11, 12 and 15 of the Securities Act of 1933 and seeks damages on behalf of purchasers of senior notes issued in 2016 and rescission of transactions involving those notes. We are in the process of negotiating an agreement to stay this case pending resolution of the motion to dismiss the Hachem case.

In December 2018, a putative class action (the Varga case) was filed in the U.S. District Court for the Northern District of New York naming GE and a former GE executive officer as defendants in connection with the oversight of the GE RSP. It alleges that the defendants breached fiduciary duties under the Employee Retirement Income Security

Act of 1974 (ERISA) by failing to advise GE RSP participants that GE Capital insurance subsidiaries were allegedly under-reserved and continued to retain a GE stock fund as an investment option in the GE RSP. The plaintiffs seek unspecified damages on behalf of a class of GE RSP participants and beneficiaries from January 1, 2010 through January 19, 2018 or later.

In February 2019, a putative class action (the Birnbaum case) was filed in the U.S. District Court for the Southern District of New York naming as defendants GE and our current CEO. It alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 based on alleged misstatements in connection with GE's October 2018 announcement that the reporting of its third quarter financial results would be delayed for five days and seeks damages on behalf of shareowners who acquired GE stock between October 12 and October 29, 2018.

In February 2019, a putative class action (the Sheet Metal Workers Local 17 Trust Funds case) was filed in the U.S. District Court for the Southern District of New York naming as defendants GE and current and former GE executive officers. It alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 based on alleged misstatements regarding GE's H-Class turbines and the disclosure in October 2018 about the goodwill impairment charge related to GE's Power business. The lawsuit seeks damages on behalf of shareowners who acquired GE stock between December 27, 2017 and October 29, 2018.

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

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LEGAL PROCEEDINGS

SEC investigation. In late November 2017, staff of the Boston office of the U.S. Securities & Exchange Commission (SEC) notified us that they are conducting an investigation of GE's revenue recognition practices and internal controls over financial reporting related to long-term service agreements. Following our investor update in January 2018 about the increase in future policy benefit reserves for GE Capital's run-off insurance operations, the SEC staff expanded the scope of its investigation to encompass the reserve increase and the process leading to the reserve increase. Following our announcement in October 2018 about the expected non-cash goodwill impairment charge related to GE's Power business, as discussed further in Note 8 to the consolidated financial statements, the SEC expanded the scope of its investigation to include that charge as well. We are providing documents and other information requested by the SEC staff, and we are cooperating with the ongoing investigation. Staff from the DOJ are also investigating these matters, and we are providing them with requested documents and information as well.

Other GE Retirement Savings Plan class actions. Since September 2017, four putative class action lawsuits have been filed regarding the oversight of the GE RSP, and those class actions have been consolidated into a single action in the U.S. District Court for the District of Massachusetts. The consolidated complaint names as defendants GE, GE Asset Management, current and former GE and GE Asset Management executive officers and employees who served on fiduciary bodies responsible for aspects of the GE RSP during the class period and current and former members of GE's Board of Directors. Like similar lawsuits that have been brought against other companies in recent years, this action alleges that the defendants breached their fiduciary duties under ERISA in their oversight of the GE RSP, principally by retaining five proprietary funds that plaintiffs allege were underperforming as investment options for plan participants and by charging higher management fees than some alternative funds. The plaintiffs seek unspecified damages on behalf of a class of GE RSP participants and beneficiaries from October 30, 2011 through the date of any judgment. In August and December 2018, the court issued orders dismissing one count of the complaint and denying GE's motion to dismiss the remaining counts. We believe we have defenses to the claims and are responding accordingly.

Environmental matters. As previously reported, in 2000, GE and the Environmental Protection Agency (EPA) entered into a consent decree relating to PCB cleanup of the Housatonic River in Massachusetts. Following EPA's release in September 2015 of an intended final remediation decision, GE and EPA engaged in mediation and the first step of the dispute resolution process contemplated by the consent decree. In October 2016, the EPA issued its final decision pursuant to the consent decree, which GE and several other interested parties appealed to EPA's Environmental Appeals Board (EAB). The EAB issued its decision in January 2018, affirming parts of EPA's decision and granting relief to GE on certain significant elements of its challenge. The EAB remanded the decision back to EPA to address those elements and reissue a revised final remedy, and EPA has convened a mediation process with GE and interested stakeholders. The revised final remedy may be appealed to the EAB and ultimately the U.S. Court of Appeals for the First Circuit. The full remedy will not be implemented until any appeals of the revised decision are resolved. As of December 31, 2018, and based on its assessment of current facts and circumstances and its defenses, GE believes that it has recorded adequate reserves to cover future obligations associated with an expected final remedy. See Note 22 to the consolidated financial statements for further information.

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REPORTS

MANAGEMENT AND AUDITOR'S REPORTS

MANAGEMENT'S DISCUSSION OF FINANCIAL RESPONSIBILITY

Members of our corporate leadership team review each of our businesses routinely on matters that range from overall strategy and financial performance to staffing and compliance. Our business leaders monitor financial and operating systems, enabling us to identify potential opportunities and concerns at an early stage and positioning us to respond rapidly. Our Board of Directors oversees management's business conduct, and our Audit Committee, which consists entirely of independent directors, oversees our internal control over financial reporting. We continually examine our governance practices in an effort to enhance investor trust and improve the Board's overall effectiveness. The Board and its committees annually conduct a performance self-evaluation and recommend improvements. Our lead director chaired four meetings of our independent directors this year, helping us sharpen our full Board meetings to better cover significant topics. Compensation policies for our executives are aligned with the long-term interests of GE investors.

We strive to maintain a dynamic system of internal controls and procedures-including internal control over financial reporting- designed to ensure reliable financial recordkeeping, transparent financial reporting and disclosure, and protection of physical and intellectual property. We recruit, develop and retain a world-class financial team. Our internal audit function (Corporate Audit Staff) conducts financial, compliance and process improvement audits each year. Our Audit Committee oversees the scope and evaluates the overall results of these audits, and in 2018, members of that Committee attended GE Corporate Audit Staff and Controllershship Council meetings.

We are keenly aware of the importance of full and open presentation of our financial position and operating results, and rely for this purpose on our disclosure controls and procedures, including our Disclosure Committee, which comprises senior executives with detailed knowledge of our businesses and the related needs of our investors. We ask this committee to review our compliance with accounting and disclosure requirements, to evaluate the fairness of our financial and non-financial disclosures, and to report their findings to us. In 2018, we further ensured strong disclosure by holding approximately 100 analyst and investor meetings with GE leadership present.

We welcome the strong oversight of our financial reporting activities by our independent registered public accounting firm, KPMG LLP, engaged by and reporting directly to the Audit Committee. In December 2018, we announced our intention to conduct an auditor tender process. The effective date for the audit firm appointment following that process will be based on the progress toward completing the Company's previously announced portfolio actions.

U.S. legislation requires management to report on internal control over financial reporting and for auditors to render an opinion on such controls. Our report and the KPMG LLP report for 2018 follow.

REPORTS

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. With our participation, an evaluation of the effectiveness of our internal control over financial reporting was conducted as of December 31, 2018, based on the framework and criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2018.

Our independent registered public accounting firm has issued an audit report on our internal control over financial reporting. Their report follows.

/s/ H. Lawrence Culp, Jr.	/s/ Jamie S. Miller
H. Lawrence Culp, Jr.	Jamie S. Miller

Chairman of the Board and Chief Executive Officer	Senior Vice President and Chief Financial Officer
--	--

February 26, 2019

DISCLOSURE CONTROLS

Under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated our disclosure controls and procedures and internal control over financial reporting and concluded that our disclosure controls and procedures were effective as of December 31, 2018.

There have been no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2018, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

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REPORTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareowners
of General Electric Company:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated statement of financial position of General Electric Company (the Company) as of December 31, 2018 and 2017, the related consolidated statements of earnings, comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for revenue recognition in 2018 due to the adoption of ASU 2014-09, Revenue from Contracts with Customers and the related amendments.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s consolidated financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide

a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Accompanying Supplemental Information

The accompanying consolidating information appearing on pages 95, 99, and 101 ("supplemental information") has been subjected to audit procedures performed in conjunction with the audit of the Company's consolidated financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the consolidated financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

/s/ KPMG LLP
KPMG LLP

We have served as the Company's auditor since 1909.

Boston, Massachusetts
February 26, 2019

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FINANCIAL STATEMENTS

AUDITED FINANCIAL STATEMENTS AND NOTES

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STATEMENT OF EARNINGS (LOSS)

	General Electric Company and consolidated affiliates		
For the years ended December 31 (In millions; per-share amounts in dollars)	2018	2017	2016
Revenues			
Sales of goods	\$74,855	\$74,990	\$76,721
Sales of services	38,689	35,977	33,450
GE Capital revenues from services	8,072	7,276	9,297
Total revenues (Note 9)	121,615	118,243	119,469
Costs and expenses			
Cost of goods sold	63,116	63,075	62,605
Cost of services sold	29,555	27,808	25,047
Selling, general and administrative expenses	18,111	17,569	17,756
Interest and other financial charges	5,059	4,869	5,025
Investment contracts, insurance losses and insurance annuity benefits	2,790	12,168	2,797
Goodwill impairments (Note 8)	22,136	2,550	—
Non-operating benefit costs	2,777	2,399	2,365
Other costs and expenses	464	1,082	982
Total costs and expenses	144,008	131,520	116,577
Other income (Note 18)	2,259	2,126	4,140
GE Capital earnings (loss) from continuing operations	—	—	—
Earnings (loss) from continuing operations before income taxes	(20,134)	(11,151)	7,031
Benefit (provision) for income taxes (Note 14)	(583)	2,611	1,133
Earnings (loss) from continuing operations	(20,717)	(8,540)	8,165
Earnings (loss) from discontinued operations, net of taxes (Note 2)	(1,726)	(309)	(954)
Net earnings (loss)	(22,443)	(8,849)	7,211
Less net earnings (loss) attributable to noncontrolling interests	(89)	(365)	(289)
Net earnings (loss) attributable to the Company	(22,355)	(8,484)	7,500
Preferred stock dividends	(447)	(436)	(656)
Net earnings (loss) attributable to GE common shareowners	\$(22,802)	\$(8,920)	\$6,845
Amounts attributable to GE common shareowners			
Earnings (loss) from continuing operations	\$(20,717)	\$(8,540)	\$8,165
Less net earnings (loss) attributable to noncontrolling interests, continuing operations	(89)	(371)	(288)
Earnings (loss) from continuing operations attributable to the Company	(20,629)	(8,169)	8,453
Preferred stock dividends	(447)	(436)	(656)
Earnings (loss) from continuing operations attributable to GE common shareowners	(21,076)	(8,605)	7,797
Earnings (loss) from discontinued operations, net of taxes	(1,726)	(309)	(954)

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Less net earnings (loss) attributable to noncontrolling interests, discontinued operations	—	6	(1)
Net earnings (loss) attributable to GE common shareowners	\$(22,802)	\$(8,920	)	\$6,845

Per-share amounts (Note 17)

Earnings (loss) from continuing operations					
Diluted earnings (loss) per share	\$(2.43	)	\$(0.99	)	\$0.85
Basic earnings (loss) per share	\$(2.43	)	\$(0.99	)	\$0.86

Net earnings (loss)

Diluted earnings (loss) per share	\$(2.62	)	\$(1.03	)	\$0.75
Basic earnings (loss) per share	\$(2.62	)	\$(1.03	)	\$0.76

Dividends declared per common share

\$0.37 \$0.84 \$0.93

Amounts may not add due to rounding.

See accompanying notes.

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STATEMENT OF EARNINGS (LOSS) (CONTINUED) For the years ended December 31 (In millions; per-share amounts in dollars)	GE(a)			Financial Services (GE Capital)		
	2018	2017	2016	2018	2017	2016
Revenues						
Sales of goods	\$74,854	\$75,068	\$76,887	\$121	\$130	\$115
Sales of services	38,788	36,187	33,729	—	—	—
GE Capital revenues from services	—	—	—	9,430	8,940	10,790
Total revenues (Note 9)	113,642	111,255	110,615	9,551	9,070	10,905
Costs and expenses						
Cost of goods sold	63,137	63,180	62,793	95	102	93
Cost of services sold	27,591	25,822	23,088	2,089	2,196	2,238
Selling, general and administrative expenses	17,319	16,406	15,518	1,341	1,662	2,931
Interest and other financial charges	2,708	2,753	2,026	2,982	3,145	3,790
Investment contracts, insurance losses and insurance annuity benefits	—	—	—	2,849	12,213	2,861
Goodwill impairments (Note 8)	22,136	1,165	—	—	1,386	—
Non-operating benefit costs	2,764	2,385	2,349	12	14	16
Other costs and expenses	—	—	—	558	986	1,013
Total costs and expenses	135,656	111,710	105,774	9,926	21,703	12,942
Other income (Note 18)	2,255	1,937	4,227	—	—	—
GE Capital earnings (loss) from continuing operations	(489	)(6,765	)(1,251) —	—	—
Earnings (loss) from continuing operations before income taxes	(20,248	)(5,282	)(7,817	(375	)(12,633	)(2,037
Benefit (provision) for income taxes (Note 14)	(957	)(3,691	)(298	) 374	6,302	1,431
Earnings (loss) from continuing operations	(21,205	)(8,973	)(7,519	(1	)(6,331	)(606
Earnings (loss) from discontinued operations, net of taxes (Note 2)	(1,726	)(315	)(952	)(1,670	)(312	)(954
Net earnings (loss)	(22,931	)(9,288	)(6,567	(1,672	)(6,643	)(1,560
Less net earnings (loss) attributable to noncontrolling interests	(129	)(368	)(278	) 40	4	(12
Net earnings (loss) attributable to the Company	(22,802	)(8,920	)(6,845	(1,712	)(6,647	)(1,548
Preferred stock dividends	—	—	—	(447	)(436	)(656
Net earnings (loss) attributable to GE common shareowners	\$(22,802)	\$(8,920)	\$(6,845)	\$(2,159)	\$(7,083)	\$(2,204)
Amounts attributable to GE common shareowners:						
Earnings (loss) from continuing operations	\$(21,205)	\$(8,973)	\$(7,519)	\$(1	)(6,331)	)(606
Less net earnings (loss) attributable to noncontrolling interests, continuing operations	(129	)(368	)(278	) 40	(3	)(10
Earnings (loss) from continuing operations attributable to the Company	(21,076	)(8,605	)(7,797	(42	)(6,328	)(595
Preferred stock dividends	—	—	—	(447	)(436	)(656
Earnings (loss) from continuing operations attributable to GE common shareowners	(21,076)(8,605)(7,797	(489)(6,765)(1,251

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Earnings (loss) from discontinued operations, net of taxes	(1,726)	(315)	(952)	(1,670)	(312)	(954)
Less net earnings (loss) attributable to noncontrolling interests, discontinued operations	—	—	—	—	6	(1)
Net earnings (loss) attributable to GE common shareowners	\$(22,802)	\$(8,920)	\$6,845	\$(2,159)	\$(7,083)	\$(2,204)

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

Amounts may not add due to rounding.

In the consolidating data on this page, “GE” means the basis of consolidation as described in Note 1 to the consolidated financial statements; “GE Capital” means GE Capital Global Holdings, LLC (GECGH) and all of their affiliates and associated companies. Separate information is shown for “GE” and “Financial Services (GE Capital).” Transactions between GE and GE Capital have been eliminated from the “General Electric Company and consolidated affiliates” columns on the prior page.

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FINANCIAL STATEMENTS

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

For the years ended December 31 (In millions)

	2018	2017	2016
Net earnings (loss)	\$(22,443)	\$(8,849)	\$7,211
Less net earnings (loss) attributable to noncontrolling interests	(89)	(365)	(289)
Net earnings (loss) attributable to the Company	\$(22,355)	\$(8,484)	\$7,500
Other comprehensive income (loss)			
Investment securities	\$64	\$(776)	\$203
Currency translation adjustments	(1,664)	2,178	(1,298)
Cash flow hedges	(51)	51	93
Benefit plans	1,416	2,782	(1,068)
Other comprehensive income (loss)	(235)	4,236	(2,070)
Less other comprehensive income (loss) attributable to noncontrolling interests	(225)	51	(14)
Other comprehensive income (loss) attributable to the Company	\$(10)	\$4,184	\$(2,056)
Comprehensive income (loss)	\$(22,678)	\$(4,613)	\$5,141
Less comprehensive income (loss) attributable to noncontrolling interests	(314)	(314)	(303)
Comprehensive income (loss) attributable to the Company	\$(22,364)	\$(4,300)	\$5,444

Amounts presented net of taxes.

Amounts may not add due to rounding.

See accompanying notes.

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FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION	General Electric Company and consolidated affiliates	
	2018	2017
December 31 (In millions, except share amounts)		
Assets		
Cash, cash equivalents and restricted cash(a)	\$35,020	\$43,967
Investment securities (Note 3)	33,835	38,696
Current receivables (Note 4)	19,874	24,209
Inventories (Note 5)	19,271	19,419
Financing receivables – net (Note 6)	7,699	10,336
Other GE Capital receivables	6,218	6,301
Property, plant and equipment – net (Note 7)	50,749	53,874
Receivable from GE Capital	—	—
Investment in GE Capital	—	—
Goodwill (Note 8)	59,614	83,968
Other intangible assets – net (Note 8)	18,159	20,273
Contract and other deferred assets (Note 10)	20,000	20,356
All other assets	20,018	28,949
Deferred income taxes (Note 14)	12,432	8,819
Assets of businesses held for sale (Note 2)	1,630	4,164
Assets of discontinued operations (Note 2)	4,610	5,912
Total assets(b)	\$309,129	\$369,245
Liabilities and equity		
Short-term borrowings (Note 11)	\$12,849	\$24,036
Short-term borrowings assumed by GE (Note 11)	—	—
Accounts payable, principally trade accounts	17,153	15,172
Progress collections and deferred income (Note 10)	20,895	22,117
Dividends payable	95	1,052
Other GE current liabilities	16,345	16,919
Non-recourse borrowings of consolidated securitization entities (Note 11)	1,875	1,980
Long-term borrowings (Note 11)	95,234	108,575
Long-term borrowings assumed by GE (Note 11)	—	—
Investment contracts, insurance liabilities and insurance annuity benefits (Note 12)	35,562	38,136
Non-current compensation and benefits	33,783	41,630
All other liabilities	20,892	20,784
Liabilities of businesses held for sale (Note 2)	708	1,248
Liabilities of discontinued operations (Note 2)	1,875	706
Total liabilities(b)	257,266	292,355
Redeemable noncontrolling interests (Note 15)	382	3,391
Preferred stock (5,939,875 shares outstanding at both December 31, 2018 and December 31, 2017)	6	6
Common stock (8,702,227,000 and 8,680,571,000 shares outstanding at December 31, 2018 and December 31, 2017, respectively)	702	702

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Accumulated other comprehensive income (loss) – net attributable to GE(c)		
Investment securities	(39)(102)
Currency translation adjustments	(6,134	)(4,661)
Cash flow hedges	13	62
Benefit plans	(8,254	)(9,702)
Other capital	35,504	37,384
Retained earnings	93,109	117,245
Less common stock held in treasury	(83,925	)(84,902)
Total GE shareowners' equity	30,981	56,030
Noncontrolling interests(d) (Note 15)	20,500	17,468
Total equity (Note 15)	51,481	73,498
Total liabilities, redeemable noncontrolling interests and equity	\$309,129	\$369,245

(a) Included restricted cash of \$492 million and \$668 million at December 31, 2018 and December 31, 2017, respectively.

Our consolidated assets at December 31, 2018 included total assets of \$5,475 million of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs. These assets included current receivables and net financing receivables of \$3,158 million and investment securities of \$35 million within continuing (b) operations and assets of discontinued operations of \$133 million. Our consolidated liabilities at December 31, 2018 included liabilities of certain VIEs for which the VIE creditors do not have recourse to GE. These liabilities included non-recourse borrowings of consolidated securitization entities (CSEs) of \$1,875 million within continuing operations. See Note 21.

(c) The sum of accumulated other comprehensive income (loss) (AOCI) attributable to the Company was \$(14,414) million and \$(14,404) million at December 31, 2018 and December 31, 2017, respectively.

(d) Included AOCI attributable to noncontrolling interests of \$(451) million and \$(226) million at December 31, 2018 and December 31, 2017, respectively.

Amounts may not add due to rounding.

See accompanying notes.

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FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION (CONTINUED)	GE(a)		Financial Services (GE Capital)	
	2018	2017	2018	2017
December 31 (In millions, except share amounts)				
Assets				
Cash, cash equivalents and restricted cash(b)	\$20,528	\$18,822	\$14,492	\$25,145
Investment securities (Note 3)	514	569	33,393	38,231
Current receivables (Note 4)	15,418	14,638	—	—
Inventories (Note 5)	19,222	19,344	50	75
Financing receivables – net (Note 6)	—	—	13,628	21,967
Other GE Capital receivables	—	—	15,361	16,945
Property, plant and equipment – net (Note 7)	21,967	23,963	29,510	30,595
Receivable from GE Capital(c)(d)	22,513	39,844	—	—
Investment in GE Capital	11,412	13,493	—	—
Goodwill (Note 8)	58,710	82,985	904	984
Other intangible assets – net (Note 8)	17,923	20,014	236	259
Contract and other deferred assets (Note 10)	20,000	20,356	—	—
All other assets	10,288	13,627	9,819	15,606
Deferred income taxes (Note 14)	10,491	7,815	1,936	999
Assets of businesses held for sale (Note 2)	1,525	3,799	—	—
Assets of discontinued operations (Note 2)	—	—	4,610	5,912
Total assets	\$230,510	\$279,267	\$123,939	\$156,716
Liabilities and equity				
Short-term borrowings(d) (Note 11)	\$5,220	\$6,237	\$4,999	\$11,291
Short-term borrowings assumed by GE(c) (Note 11)	4,207	8,310	2,684	8,310
Accounts payable, principally trade accounts	22,972	21,851	1,612	1,853
Progress collections and deferred income (Note 10)	21,151	22,221	—	—
Dividends payable	95	1,052	—	—
Other GE current liabilities	16,345	16,919	—	—
Non-recourse borrowings of consolidated securitization entities (Note 11)	—	—	1,875	1,980
Long-term borrowings(d) (Note 11)	27,089	28,236	36,154	42,081
Long-term borrowings assumed by GE(c)(d) (Note 11)	32,054	38,804	19,828	31,533
Investment contracts, insurance liabilities and insurance annuity benefits (Note 12)	—	—	35,994	38,587
Non-current compensation and benefits	32,918	40,820	856	801
All other liabilities	15,772	16,873	6,724	5,886
Liabilities of businesses held for sale (Note 2)	748	1,248	—	—
Liabilities of discontinued operations (Note 2)	76	23	1,800	683
Total liabilities	178,648	202,595	112,527	143,007
Redeemable noncontrolling interests (Note 15)	382	3,391	—	—
Preferred stock (5,939,875 shares outstanding at both December 31, 2018 and December 31, 2017)	6	6	6	6
Common stock (8,702,227,000 and 8,680,571,000 shares outstanding at December 31, 2018 and December 31, 2017, respectively)	702	702	—	—

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Accumulated other comprehensive income (loss) – net attributable to GE				
Investment securities	(39)(102) (32)(99
Currency translation adjustments	(6,134	)(4,661	) (162	)(225
Cash flow hedges	13	62	53	54
Benefit plans	(8,254	)(9,702	) (642	)(524
Other capital	35,504	37,384	12,883	12,806
Retained earnings	93,109	117,245	(694	)1,476
Less common stock held in treasury	(83,925	)(84,902) —	—
Total GE shareowners' equity	30,981	56,030	11,412	13,493
Noncontrolling interests (Note 15)	20,499	17,252	1	217
Total equity (Note 15)	51,480	73,282	11,412	13,709
Total liabilities, redeemable noncontrolling interests and equity	\$230,510	\$279,267	\$123,939	\$156,716

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

GE restricted cash was \$459 million and \$611 million at December 31, 2018 and December 31, 2017, respectively, (b) and GE Capital restricted cash was \$33 million and \$57 million at December 31, 2018 and December 31, 2017, respectively.

At December 31, 2018, the remaining GE Capital borrowings that had been assumed by GE as part of the GE Capital Exit Plan was \$36,262 million (\$4,207 million short term and \$32,054 million long term), for which GE (c) has an offsetting Receivable from GE Capital of \$22,513 million. The difference of \$13,749 million represents the amount of borrowings GE Capital had funded with available cash to GE via an intercompany loan in lieu of GE issuing borrowings externally. See Note 11 and the Borrowings section of Capital Resources and Liquidity within MD&A for further information.

At December 31, 2018, total GE borrowings is comprised of GE-issued borrowings of \$32,309 million (\$5,220 (d) million short term and \$27,089 million long term) and the \$13,749 million of borrowings from GE Capital as described in note (c) above for a total of \$46,058 million (including \$6,330 million BHGE borrowings). See Note 11 and the Borrowings section of Capital Resources and Liquidity within MD&A for further information.

Amounts may not add due to rounding.

In the consolidating data on this page, “GE” means the basis of consolidation as described in Note 1 to the consolidated financial statements; “GE Capital” means GE Capital Global Holdings, LLC (GECGH) and all of their affiliates and associated companies. Separate information is shown for “GE” and “Financial Services (GE Capital).” Transactions between GE and GE Capital have been eliminated from the “General Electric Company and consolidated affiliates” columns on the prior page.

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STATEMENT OF CASH FLOWS	General Electric Company and consolidated affiliates		
For the years ended December 31 (In millions)	2018	2017	2016
Cash flows – operating activities			
Net earnings (loss)	\$(22,443)	\$(8,849)	\$7,211
(Earnings) loss from discontinued operations	1,726	309	954
Adjustments to reconcile net earnings (loss) to cash provided from operating activities:			
Depreciation and amortization of property, plant and equipment (Note 7)	5,562	5,139	4,997
Amortization of intangible assets (Note 8)	2,662	2,290	2,073
Goodwill impairments (Note 8)	22,136	2,550	—
(Earnings) loss from continuing operations retained by GE Capital	—	—	—
(Gains) losses on purchases and sales of business interests (Note 18)	(1,582)	(1,021)	(3,731)
Principal pension plans cost (Note 13)	4,260	3,687	3,623
Principal pension plans employer contributions (Note 13)	(6,283)	(1,978)	(552)
Other postretirement benefit plans (net) (Note 13)	(1,101)	(888)	(716)
Provision (benefit) for income taxes (Note 14)	583	(2,611)	(1,133)
Cash recovered (paid) during the year for income taxes	(1,864)	(2,436)	(7,280)
Decrease (increase) in contract and other deferred assets	(92)	(1,898)	(2,617)
Decrease (increase) in GE current receivables	(430)	(2,846)	1,460
Decrease (increase) in inventories	(902)	1,183	(815)
Increase (decrease) in accounts payable	2,199	(394)	1,228
Increase (decrease) in GE progress collections	(502)	1,737	1,725
All other operating activities	735	13,027	1,078
Cash from (used for) operating activities – continuing operations	4,662	7,000	7,503
Cash from (used for) operating activities – discontinued operations(a)	(416)	(968)	(6,343)
Cash from (used for) operating activities	4,246	6,032	1,160
Cash flows – investing activities			
Additions to property, plant and equipment	(7,695)	(7,371)	(7,199)
Dispositions of property, plant and equipment	4,519	5,746	4,424
Additions to internal-use software	(361)	(549)	(749)
Net decrease (increase) in GE Capital financing receivables	1,796	805	200
Proceeds from sale of discontinued operations	29	1,464	59,890
Proceeds from principal business dispositions	8,884	3,228	5,357
Net cash from (payments for) principal businesses purchased	(90)	(6,087)	(2,271)
All other investing activities	10,969	11,112	2,913
Cash from (used for) investing activities – continuing operations	18,052	8,348	62,566
Cash from (used for) investing activities – discontinued operations	187	(1,784)	(13,431)
Cash from (used for) investing activities	18,239	6,564	49,135
Cash flows – financing activities			
Net increase (decrease) in borrowings (maturities of 90 days or less)	(4,436)	1,794	(1,135)
Newly issued debt (maturities longer than 90 days)	3,201	14,876	1,492
Repayments and other reductions (maturities longer than 90 days)	(21,166)	(25,622)	(58,768)
Net dispositions (purchases) of GE shares for treasury	(17)	(2,550)	(21,429)
Dividends paid to shareowners	(4,474)	(8,650)	(8,806)
All other financing activities	(4,141)	(903)	(2,607)

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Cash from (used for) financing activities – continuing operations	(31,033)	(21,055)	(91,253)
Cash from (used for) financing activities – discontinued operations	—	1,909	789
Cash from (used for) financing activities	(31,033)	(19,146)	(90,464)
Effect of currency exchange rate changes on cash, cash equivalents and restricted cash	(628)	891	(1,146)
Increase (decrease) in cash, cash equivalents and restricted cash	(9,176)	(5,660)	(41,315)
Cash, cash equivalents and restricted cash at beginning of year	44,724	50,384	91,698
Cash, cash equivalents and restricted cash at end of year	35,548	44,724	50,384
Less cash, cash equivalents and restricted cash of discontinued operations at end of year	528	757	1,601
Cash, cash equivalents and restricted cash of continuing operations at end of year	\$35,020	\$43,967	\$48,783
Supplemental disclosure of cash flows information			
Cash paid during the year for interest	\$ (4,409)	\$ (4,211)	\$ (5,779)

(a) Included cash recovered (paid) during the year for income taxes of \$(4) million, an insignificant amount and \$(188) million for the years ended December 31, 2018, 2017 and 2016, respectively.

Amounts may not add due to rounding.

See accompanying notes.

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STATEMENT OF CASH FLOWS (CONTINUED)	GE(a)			Financial Services (GE Capital)		
	2018	2017	2016	2018	2017	2016
For the years ended December 31 (In millions)						
Cash flows – operating activities						
Net earnings (loss)	\$(22,931)	\$(9,288)	\$6,567	\$(1,672)	\$(6,643)	\$(1,560)
(Earnings) loss from discontinued operations	1,726	315	952	1,670	312	954
Adjustments to reconcile net earnings (loss) to cash provided from operating activities:						
Depreciation and amortization of property, plant and equipment (Note 7)	3,433	2,857	2,597	2,110	2,277	2,384
Amortization of intangible assets	2,608	2,225	1,942	53	65	131
Goodwill impairments (Note 8)	22,136	1,165	—	—	1,386	—
(Earnings) loss from continuing operations retained by GE Capital(b)	489	10,781	21,345	—	—	—
(Gains) losses on purchases and sales of business interests (Note 18)	(1,294)	)(1,021)	)(3,731)	)(288))(—))(—)
Principal pension plans cost (Note 13)	4,260	3,687	3,623	—	—	—
Principal pension plans employer contributions (Note 13)	(6,283)	)(1,978)	)(552))(—))(—))(—)
Other postretirement benefit plans (net) (Note 13)	(1,084)	)(865)	)(715)	)(18)	)(23)	)(1)
Provision (benefit) for income taxes (Note 14)	957	3,691	298	(374)	)(6,302)	)(1,431)
Cash recovered (paid) during the year for income taxes	(1,803)	)(2,700)	)(2,547)	)(61)	)(264)	)(4,734)
Decrease (increase) in contract and other deferred assets	(92)	)(1,898)	)(2,617))(—))(—))(—)
Decrease (increase) in GE current receivables	(1,233)	)(310)	875	—	—	—
Decrease (increase) in inventories	(941)	)(1,200)	(762)	)(31)	)(2)	)(10)
Increase (decrease) in accounts payable	2,548	(429)	)(1,746)	2	(75)	)(17)
Increase (decrease) in GE progress collections	(364)	)(1,763)	1,803	—	—	—
All other operating activities (Note 23)	125	1,221	(851)	)(127)	11,115	4,032
Cash from (used for) operating activities – continuing operations	2,258	11,033	29,972	1,582	2,374	(219)
Cash from (used for) operating activities – discontinued operations	—	(1)	)(90)	)(415)	)(968)	)(6,253)
Cash from (used for) operating activities	2,257	11,033	29,882	1,166	1,407	(6,472)
Cash flows – investing activities						
Additions to property, plant and equipment	(3,302)	)(4,132)	)(3,758)	)(4,569)	)(3,680)	)(3,769)
Dispositions of property, plant and equipment	698	1,401	1,080	3,853	4,579	3,637
Additions to internal-use software	(347)	)(518)	)(740)	)(14)	)(31)	)(8)
Net decrease (increase) in GE Capital financing receivables (Note 23)	—	—	—	9,986	2,897	(1,279)
Proceeds from sale of discontinued operations	—	—	—	29	1,464	59,890
Proceeds from principal business dispositions	6,507	3,106	5,357	2,011	—	—
Net cash from (payments for) principal businesses purchased	(90)	)(6,087)	)(2,271))(—))(—))(—)
All other investing activities (Note 23)	(1,190)	)(2,061)	)(1,349)	)(482)	3,013	1,297
Cash from (used for) investing activities – continuing operations	2,276	(8,291)	)(1,681)	)(11,777)	8,242	59,769
Cash from (used for) investing activities – discontinued operations	—	1	90	186	(1,784))(13,521)

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Cash from (used for) investing activities	2,277	(8,291)(1,592) 11,964	6,458	46,248
Cash flows – financing activities						
Net increase (decrease) in borrowings (maturities of 90 days or less)	(1,197	)1,704	1,655	(4,308	)69	(1,655
Newly issued debt (maturities longer than 90 days)	6,651	20,264	5,307	3,045	1,909	1,174
Repayments and other reductions (maturities longer than 90 days)	(1,870	)(5,981	)(4,155	) (19,836	)(21,007	)(58,285
Net dispositions (purchases) of GE shares for treasury (Note 23)	(17	)(2,550	)(21,429) —	—	—
Dividends paid to shareowners	(4,179	)(8,355	)(8,474	) (371	)(4,311	)(20,427
All other financing activities (Note 23)	(1,723	)(528	)(273	) (2,408	)(280	)(2,460
Cash from (used for) financing activities – continuing operations	(2,334	)4,554	(27,371	) (23,878	)(23,619	)(81,653
Cash from (used for) financing activities – discontinued operations	—	—	—	—	1,909	789
Cash from (used for) financing activities	(2,334	)4,554	(27,371	) (23,878	)(21,710	)(80,864
Effect of currency exchange rate changes on cash, cash equivalents and restricted cash	(494	)444	(392	) (134	)447	(754
Increase (decrease) in cash, cash equivalents and restricted cash	1,706	7,739	527	(10,882	)(13,399	)(41,842
Cash, cash equivalents and restricted cash at beginning of year	18,822	11,083	10,556	25,902	39,301	81,143
Cash, cash equivalents and restricted cash at end of year	20,528	18,822	11,083	15,020	25,902	39,301
Less cash, cash equivalents and restricted cash of discontinued operations at end of year	—	—	—	528	757	1,601
Cash, cash equivalents and restricted cash of continuing operations at end of year	\$20,528	\$18,822	\$11,083	\$14,492	\$25,145	\$37,700
Supplemental disclosure of cash flows information						
Cash paid during the year for interest	\$(2,201	)\$(2,347	)\$(1,753	) \$(2,883	)(2,793	)(4,982

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

(b) Represents GE Capital earnings/loss from continuing operations attributable to the Company, net of GE Capital dividends paid to GE.

Amounts may not add due to rounding. In the consolidating data on this page, “GE” means the basis of consolidation as described in Note 1 to the consolidated financial statements; “GE Capital” means GE Capital Global Holdings, LLC (GECGH) and all of their affiliates and associated companies. Separate information is shown for “GE” and “Financial Services (GE Capital).” Transactions between GE and GE Capital have been eliminated from the “Consolidated” columns and are discussed in Note 24.

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NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
CONSOLIDATION

Our financial statements consolidate all of our affiliates – entities in which we have a controlling financial interest, most often because we hold a majority voting interest. To determine if we hold a controlling financial interest in an entity, we first evaluate if we are required to apply the variable interest entity (VIE) model to the entity; otherwise, the entity is evaluated under the voting interest model.

Where we hold current or potential rights that give us the power to direct the activities of a VIE that most significantly impact the VIEs economic performance, combined with a variable interest that gives us the right to receive potentially significant benefits or the obligation to absorb potentially significant losses, we have a controlling financial interest in that VIE. Rights held by others to remove the party with power over the VIE are not considered unless one party can exercise those rights unilaterally. When changes occur to the design of an entity, we reconsider whether it is subject to the VIE model. We continuously evaluate whether we have a controlling financial interest in a VIE.

We hold a controlling financial interest in other entities where we currently hold, directly or indirectly, more than 50% of the voting rights or where we exercise control through substantive participating rights or as a general partner. Where we are a general partner, we consider substantive removal rights held by other partners in determining if we hold a controlling financial interest. We reevaluate whether we have a controlling financial interest in these entities when our voting or substantive participating rights change.

Associated companies are unconsolidated VIEs and other entities in which we do not have a controlling financial interest, but over which we have significant influence, most often because we hold a voting interest of 20% to 50%. Associated companies are accounted for as equity method investments. Our share of the results of associated companies are presented on a one-line basis. Investments in, and advances to, associated companies are presented on a one-line basis in the caption “All other assets” in our consolidated Statement of Financial Position, net of allowance for losses, which represents our best estimate of probable losses inherent in such assets.

FINANCIAL STATEMENT PRESENTATION

We have reclassified certain prior-year amounts to conform to the current-year’s presentation. Certain columns and rows may not add due to the use of rounded numbers. Percentages presented are calculated from the underlying numbers in millions.

Upon closing an acquisition, we consolidate the acquired business as soon as practicable. The size, scope and complexity of an acquisition can affect the time necessary to adjust the acquired company’s accounting policies, procedures, and books and records to our standards. Accordingly, it is possible that changes will be necessary to the carrying amounts and presentation of assets and liabilities in our financial statements as the acquired company is fully assimilated.

Financial data and related measurements are presented in the following categories:

GE. This represents the adding together of all affiliates except GE Capital, whose continuing operations are presented on a one-line basis, giving effect to the elimination of transactions among such affiliates.

GE Capital. This refers to GE Capital Global Holdings, LLC (GECGH), and represents the adding together of all affiliates of GE Capital giving effect to the elimination of transactions among such affiliates.

Consolidated. This represents the adding together of GE and GE Capital, giving effect to the elimination of transactions between GE and GE Capital.

Operating Segments. These comprise our eight businesses, focused on the broad markets they serve: Power, Renewable Energy, Aviation, Oil & Gas, Healthcare, Transportation, Lighting and Capital.

Unless otherwise indicated, information in these notes to consolidated financial statements relates to continuing operations. Certain of our operations have been presented as discontinued. We present businesses that represent components as discontinued operations when the components meet the criteria for held for sale, are sold, or spun-off and their disposal represents a strategic shift that has, or will have, a major effect on our operations and financial results. See Note 2.

The effects of translating to U.S. dollars the financial statements of non-U.S. affiliates whose functional currency is other than the U.S. dollar are included in shareowners' equity. Asset and liability accounts are translated at period-end exchange rates, while revenues and expenses are translated at average rates for the respective periods.

Our financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP), which requires us to make estimates based on assumptions about current, and for some estimates future, economic and market conditions which affect reported amounts and related disclosures in our financial statements. Although our current estimates contemplate current conditions and how we expect them to change in the future, as appropriate, it is reasonably possible that actual conditions could be worse than anticipated in those estimates, which could materially affect our results of operations and financial position. Among other effects, such changes could result in future impairments of investment securities, goodwill, intangibles and long-lived assets, revisions to estimated profitability on long-term service agreements, incremental losses on financing receivables, establishment of valuation allowances on deferred tax assets, incremental fair value marks on businesses and assets held for sale carried at lower of cost or market less cost to sell, increased tax liabilities and loss contingency and insurance reserves.

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REVENUES FROM THE SALE OF EQUIPMENT
PERFORMANCE OBLIGATIONS SATISFIED OVER TIME

We recognize revenue on agreements for the sale of customized goods including power generation equipment, larger oil drilling equipment projects, military development contracts, locomotive units, and long-term construction projects on an over time basis. We recognize revenue using percentage of completion based on costs incurred relative to total expected costs. Our estimate of costs to be incurred to fulfill our promise to a customer is based on our history of manufacturing or constructing similar assets for customers and is updated routinely to reflect changes in quantity or pricing of the inputs. We recognize revenue as we customize the customer's equipment during the manufacturing or integration process and obtain right to payment for work performed. We provide for potential losses on any of these agreements when it is probable that we will incur the loss.

Our billing terms for these over-time contracts vary, but are generally based on achieving specified milestones. The differences between the timing of our revenue recognized (based on costs incurred) and customer billings (based on contractual terms) results in changes to our contract asset or contract liability positions (see Note 10 for further information).

PERFORMANCE OBLIGATIONS SATISFIED AT A POINT IN TIME

We recognize revenue on agreements for non-customized equipment including commercial aircraft engines, healthcare equipment, resource extraction equipment and other goods we manufacture on a standardized basis for sale to the market at a point in time. We recognize revenue at the point in time that the customer obtains control of the good, which is generally no earlier than when the customer has physical possession of the product. We use proof of delivery for certain large equipment with more complex logistics, whereas the delivery of other equipment is estimated based on historical averages of in-transit periods (i.e., time between shipment and delivery).

In situations where arrangements include customer acceptance provisions based on seller or customer-specified objective criteria, we recognize revenue when we have concluded that the customer has control of the goods and that acceptance is likely to occur. We generally do not provide for anticipated losses on point-in-time transactions prior to transferring control of the equipment to the customer.

Our billing terms for these point-in-time equipment contracts vary and generally coincide with delivery to the customer; however, within certain businesses, we receive progress payments from customers for large equipment purchases, which is generally to reserve production slots.

REVENUES FROM THE SALE OF SERVICES

Consistent with our discussion in the MD&A and the way we manage our businesses, we refer to sales under services agreements and sales of both goods (such as spare parts and equipment upgrades) and related services (such as monitoring, maintenance and repairs) as sales of "services," which is an important part of our operations.

PERFORMANCE OBLIGATIONS SATISFIED OVER TIME

We enter into long-term service agreements with our customers primarily within our Aviation, Power, Oil & Gas and Transportation segments. These agreements require us to provide preventative maintenance, overhauls, and standby "warranty-type" services that include certain levels of assurance regarding asset performance and uptime throughout the contract periods, which generally range from 5 to 25 years. We account for items that are integral to the maintenance of the equipment as part of our service related performance obligation, unless the customer has a substantive right to make a separate purchasing decision (e.g., equipment upgrade). We recognize revenue as we

perform under the arrangements using percentage of completion based on costs incurred relative to total expected costs. Throughout the life of a contract, this measure of progress captures the nature, timing and extent of our underlying performance activities as our stand-ready services often fluctuate between routine inspections and maintenance, unscheduled service events and major overhauls at pre-determined usage intervals. We provide for potential losses on any of these agreements when it is probable that we will incur the loss. Contract modifications that extend or revise contract terms are not uncommon and generally result in our recognizing the impact of the revised terms prospectively over the remaining life of the modified contract (i.e., effectively like a new contract).

Our billing terms for these arrangements are generally based on the utilization of the asset (e.g., per hour of usage) or upon the occurrence of a major maintenance event within the contract, such as an overhaul. The differences between the timing of our revenue recognized (based on costs incurred) and customer billings (based on contractual terms) results in changes to our contract asset or contract liability positions (see Note 10 for further information).

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Changes in customer utilization can influence the timing and extent of overhauls and other service events over the life of the contract. As a result, the revenue recognized each period is dependent on our estimate of how customers will utilize their assets over the term of the agreement. We generally use a combination of both historical utilization trends as well as forward-looking information such as market conditions and potential asset retirements in developing our revenue estimates. This estimate of customer utilization will impact both the total contract billings and costs to satisfy our obligation to maintain the equipment. In developing our cost estimates, we utilize a combination of our historical cost experience and expected cost improvements. Cost improvements are generally only included in future cost estimates after savings have been observed in actual results or proven to be effective through an extensive regulatory engineering approval process.

We also enter into long-term services agreements in our Healthcare and Renewable Energy segments. Revenues are recognized for these arrangements on a straight-line basis consistent with the nature, timing and extent of our services, which primarily relate to routine maintenance and as needed product repairs. Our billing terms for these contracts vary, but we generally invoice periodically as services are provided.

PERFORMANCE OBLIGATIONS SATISFIED AT A POINT IN TIME

We sell certain tangible products, largely spare equipment, through our services businesses. We recognize revenues and bill our customers for this equipment at the point in time that the customer obtains control of the good, which is at the point in time we deliver the spare part to the customer.

GE CAPITAL REVENUES FROM SERVICES (EARNED INCOME)

We use the interest method to recognize income on loans. Interest on loans includes origination, commitment and other non-refundable fees related to funding (recorded in earned income on the interest method). 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. Previously recognized interest income that was accrued but not collected from the borrower is reversed, unless the terms of the loan agreement permit capitalization of accrued interest to the principal balance. Payments received on nonaccrual loans are applied to reduce the principal balance of the loan. We resume accruing interest on nonaccrual loans only when payments are brought current according to the loan's original terms and future payments are reasonably assured.

We recognize financing lease income on the interest method to produce a level yield on funds not yet recovered. Estimated unguaranteed residual values are based upon management's best estimates of the value of the leased asset at the end of the lease term. We use various sources of data in determining these estimates, including information obtained from third parties, which is adjusted for the attributes of the specific asset under lease. Guarantees of residual values by unrelated third parties are included within minimum lease payments. Significant assumptions we use in estimating residual values include estimated net cash flows over the remaining lease term, anticipated results of future remarketing, and estimated future component part and scrap metal prices, discounted at an appropriate rate.

We recognize operating lease income on a straight-line basis over the terms of underlying leases.

BUSINESSES AND ASSETS HELD FOR SALE

Businesses and assets held for sale represent components that meet accounting requirements to be classified as held for sale and are presented as single asset and liability amounts in our financial statements with a valuation allowance, if necessary, to recognize the net carrying amount at the lower of cost or fair value, less cost to sell. Financing receivables that no longer qualify to be presented as held for investment must be classified as assets held for sale and

recognized in our financial statements at the lower of cost or fair value, less cost to sell, with that amount representing a new cost basis at the date of transfer.

The determination of fair value for businesses and assets held for sale involves significant judgments and assumptions. Development of estimates of fair values in this circumstance is complex and is dependent upon, among other factors, the nature of the potential sales transaction (for example, asset sale versus sale of legal entity), composition of assets and/or businesses in the disposal group, the comparability of the disposal group to market transactions and negotiations with third-party purchasers. Such factors bear directly on the range of potential fair values and the selection of the best estimates. Key assumptions were developed based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction.

We review all businesses and assets held for sale each reporting period to determine whether the existing carrying amounts are fully recoverable in comparison to estimated fair values, less cost to sell.

DEPRECIATION AND AMORTIZATION

The cost of GE property, plant and equipment is generally depreciated on a straight-line basis over its estimated economic life. The cost of GE Capital equipment leased to others on operating leases is depreciated on a straight-line basis to estimated residual value over the lease term or over the estimated economic life of the equipment.

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LOSSES ON FINANCING RECEIVABLES

Our financing receivables portfolio consists of a variety of loans and leases, including both larger-balance, non-homogeneous loans and leases and smaller-balance homogeneous loans and leases. We routinely evaluate our entire portfolio for potential specific credit or collection issues that might indicate an impairment.

Losses on financing receivables are recognized when they are incurred, which requires us to make our best estimate of probable losses inherent in the portfolio. The method for calculating the best estimate of losses depends on the size, type and risk characteristics of the related financing receivable. Such an estimate requires consideration of historical loss experience, adjusted for current conditions, and judgments about the probable effects of relevant observable data, including present economic conditions such as delinquency rates, financial health of specific customers and market sectors, collateral values, and the present and expected future levels of interest rates. The underlying assumptions, estimates and assessments we use to provide for losses are updated periodically to reflect our view of current conditions. Changes in such estimates can significantly affect the allowance and provision for losses. It is possible that we will experience credit losses that are different from our current estimates. Write-offs are deducted from the allowance for losses when we judge the principal to be uncollectible and subsequent recoveries are added to the allowance at the time cash is received on a written-off account.

PARTIAL SALES OF BUSINESS INTERESTS

Gains or losses on sales of affiliate shares where we retain a controlling financial interest are recorded in equity. Gains or losses on sales that result in our loss of a controlling financial interest are recorded in earnings along with remeasurement gains or losses on any investments in the entity that we retained.

CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Debt securities and money market instruments with original maturities of three months or less are included in cash, cash equivalents and restricted cash unless designated as available-for-sale and classified as investment securities.

INVESTMENT SECURITIES

We report investments in debt and marketable equity securities, and certain other equity securities, at fair value. See Note 19 for further information on fair value. Unrealized gains and losses on available-for-sale debt securities are included in shareowners' equity, net of applicable taxes and other adjustments. Unrealized gains and losses on equity securities with readily determinable fair values, are recorded to earnings.

We regularly review investment securities for impairment using both quantitative and qualitative criteria. For debt securities, if we do not intend to sell the security or it is not more likely than not that we will be required to sell the security before recovery of our amortized cost, we evaluate other qualitative criteria to determine whether we do not expect to recover the amortized cost basis of the security, such as the financial health of and specific prospects for the issuer. We also evaluate quantitative criteria including determining whether there has been an adverse change in expected future cash flows. If we do not expect to recover the entire amortized cost basis of the security, we consider the security to be other-than-temporarily impaired (OTTI), and we record the difference between the security's amortized cost basis and its recoverable amount in earnings and the difference between the security's recoverable amount and fair value in other comprehensive income. If we intend to sell the security or it is more likely than not we will be required to sell the security before recovery of its amortized cost basis, the security is also considered OTTI and we recognize the entire difference between the security's amortized cost basis and its fair value in earnings.

Realized gains and losses are accounted for on the specific identification method. Unrealized gains and losses on investment securities classified as trading are included in earnings.

INVENTORIES

All inventories are stated at lower of cost or realizable values. Effective January 1, 2018, we voluntarily changed the cost method of the GE U.S. inventories that were previously measured on a last-in, first-out (LIFO) basis to first-in, first-out (FIFO) basis. See Accounting Changes section for further information.

GOODWILL AND OTHER INTANGIBLE ASSETS

We do not amortize goodwill, but test it at least annually for impairment at the reporting unit level. A reporting unit is the operating segment, or one level below that operating segment (the component level) if discrete financial information is prepared and regularly reviewed by segment management. However, components are aggregated as a single reporting unit if they have similar economic characteristics. We recognize an impairment charge if the carrying amount of a reporting unit exceeds its fair value and the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill. We use a market approach, when available and appropriate, or the income approach, or a combination of both to establish fair values. When a portion of a reporting unit is disposed, goodwill is allocated to the gain or loss on disposition based on the relative fair values of the business or businesses disposed and the portion of the reporting unit that will be retained.

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We amortize the cost of other intangibles over their estimated useful lives unless such lives are deemed indefinite. The cost of intangible assets is generally amortized on a straight-line basis over the asset's estimated economic life, except that individually significant customer-related intangible assets are amortized in relation to total related sales. Amortizable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. In these circumstances, they are tested for impairment based on undiscounted cash flows and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Intangible assets with indefinite lives are tested annually for impairment and written down to fair value as required.

INVESTMENT CONTRACTS, INSURANCE LIABILITIES AND INSURANCE ANNUITY BENEFITS

Our run-off insurance operations include providing insurance and reinsurance for life and health risks and providing certain annuity products. Primary product types include long-term care, structured settlement annuities, life and disability insurance contracts and investment contracts. Insurance contracts are contracts with significant mortality and/or morbidity risks, while investment contracts are contracts without such risks.

For traditional long-duration insurance contracts, we report premiums as revenue when due. Premiums received on non-traditional long-duration insurance contracts and investment contracts (including annuities without significant mortality risk) are not reported as revenues but rather as deposit liabilities. We recognize revenues for charges and assessments on these contracts, mostly for mortality, contract initiation, administration and surrender. Amounts credited to policyholder accounts are charged to expense.

Liabilities for traditional long-duration insurance contracts includes both future policy benefit reserves and claims reserves. Future policy benefit reserves represent the present value of future policy benefits less the present value of future gross premiums based on actuarial assumptions. These assumptions include, but are not limited to, morbidity, mortality, the length of time a policy will remain in force, anticipated future premium increases from future in-force rate actions and interest rates. Assumptions are locked-in throughout the life of a contract unless a premium deficiency develops at which time we change these assumptions to reflect our most recent assumptions. Our annual premium deficiency testing assesses the adequacy of future policy benefit reserves, net of capitalized acquisition costs, using our most recent assumptions. Liabilities for investment contracts equal the account value, that is, the amount that accrues to the benefit of the contract or policyholder including credited interest and assessments through the financial statement date.

Claim reserves are established when a claim is incurred or is estimated to have been incurred and represents our best estimate of the present value of the ultimate obligations for future claim payments and claim adjustments expenses. Key inputs include actual known facts about the claims, such as the benefits available and cause of disability of the claimant, as well as assumptions derived from our actual historical experience and expected future changes in experience factors. Claim reserves are evaluated periodically for potential changes in loss estimates with the support of qualified actuaries, and any changes are recorded in earnings in the period in which they are determined.

FAIR VALUE MEASUREMENTS

The following sections describe the valuation methodologies we use to measure financial and non-financial instruments accounted for at fair value including certain assets within our pension plans and retiree benefit plans.

For financial assets and liabilities measured at fair value on a recurring basis, fair value is the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date.

In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1 - Quoted prices for identical instruments in active markets.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 - Significant inputs to the valuation model are unobservable.

We maintain policies and procedures to value instruments using the best and most relevant data available. In addition, we have risk management teams that review valuation, including independent price validation for certain instruments. With regard to Level 3 valuations (including instruments valued by third parties), we perform a variety of procedures to assess the reasonableness of the valuations. Such reviews include an evaluation of instruments whose fair value change exceeds predefined thresholds (and/or does not change) and consider the current interest rate, currency and credit environment, as well as other published data, such as rating agency market reports and current appraisals. This detailed review may include the use of a third-party valuation firm.

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RECURRING FAIR VALUE MEASUREMENTS

The following sections describe the valuation methodologies we use to measure different financial instruments at fair value on a recurring basis.

Investments in Debt and Equity Securities. When available, we use quoted market prices to determine the fair value of investment securities, and they are included in Level 1. Level 1 securities primarily include publicly traded equity securities.

For large numbers of debt securities for which market prices are observable for identical or similar investment securities but not readily accessible for each of those investments individually (that is, it is difficult to obtain pricing information for each individual investment security at the measurement date), we obtain pricing information from an independent pricing vendor. The pricing vendor uses various pricing models for each asset class that are consistent with what other market participants would use. The inputs and assumptions to the model of the pricing vendor are derived from market observable sources including: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and other market-related data. Since many fixed income securities do not trade on a daily basis, the methodology of the pricing vendor uses available information as applicable such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing. The pricing vendor considers available market observable inputs in determining the evaluation for a security. Thus, certain securities may not be priced using quoted prices, but rather determined from market observable information. These investments are included in Level 2 and primarily comprise our portfolio of corporate fixed income, and government, mortgage and asset-backed securities. Our pricing vendors may provide us with valuations that are based on significant unobservable inputs, and in those circumstances we classify the investment securities in Level 3.

Annually, we conduct reviews of our primary pricing vendor to validate that the inputs used in that vendor's pricing process are deemed to be market observable as defined in the standard. While we are not provided access to proprietary models of the vendor, our reviews have included on-site walk-throughs of the pricing process, methodologies and control procedures for each asset class and level for which prices are provided. Our reviews also include an examination of the underlying inputs and assumptions for a sample of individual securities across asset classes, credit rating levels and various durations. In addition, the pricing vendor has an established challenge process in place for all security valuations, which facilitates identification and resolution of potentially erroneous prices. We believe that the prices received from our pricing vendor are representative of prices that would be received to sell the assets at the measurement date (exit prices) and are classified appropriately in the hierarchy.

We use non-binding broker quotes and other third-party pricing services as our primary basis for valuation when there is limited, or no, relevant market activity for a specific instrument or for other instruments that share similar characteristics. We have not adjusted the prices we have obtained. Investment securities priced using non-binding broker quotes and other third-party pricing services are included in Level 3. As is the case with our primary pricing vendor, third-party brokers and other third-party pricing services do not provide access to their proprietary valuation models, inputs and assumptions. Accordingly, we conduct reviews of vendors, as applicable, similar to the reviews performed of our primary pricing vendor. In addition, we conduct internal reviews of pricing for all such investment securities quarterly to ensure reasonableness of valuations used in our financial statements. These reviews are designed to identify prices that appear stale, those that have changed significantly from prior valuations, and other anomalies that may indicate that a price may not be accurate. Based on the information available, we believe that the fair values provided by the brokers and other third-party pricing services are representative of prices that would be received to sell the assets at the measurement date (exit prices).

Equity investments with readily determinable fair values are valued using market observable data such as quoted prices.

Derivatives. The majority of our derivatives are valued using internal models. The models maximize the use of market observable inputs including interest rate curves and both forward and spot prices for currencies and commodities. Derivative assets and liabilities included in Level 2 primarily represent interest rate swaps, cross-currency swaps and foreign currency and commodity forward and option contracts.

Derivative assets and liabilities included in Level 3 primarily represent equity derivatives and interest rate products that contain embedded optionality or prepayment features.

NONRECURRING FAIR VALUE MEASUREMENTS

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis, but are subject to fair value adjustments only in certain circumstances. These assets can include loans and long-lived assets that have been reduced to fair value when they are held for sale, impaired loans that have been reduced based on the fair value of the underlying collateral, equity securities without readily determinable fair value and equity method investments and long-lived assets that are written down to fair value when they are impaired and the remeasurement of retained investments in formerly consolidated subsidiaries upon a change in control that results in deconsolidation of a subsidiary, if we sell a controlling interest and retain a noncontrolling stake in the entity. Assets that are written down to fair value when impaired and retained investments are not subsequently adjusted to fair value unless further impairment occurs.

The following sections describe the valuation methodologies we use to measure financial and non-financial instruments accounted for at fair value on a nonrecurring basis and for certain assets within our pension plans and retiree benefit plans at each reporting period, as applicable.

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Financing Receivables and Loans Held for Sale. When available, we use observable market data, including pricing on recent closed market transactions, to value loans that are included in Level 2. When this data is unobservable, we use valuation methodologies using current market interest rate data adjusted for inherent credit risk, and such loans are included in Level 3. When appropriate, loans may be valued using collateral values (see Long-lived Assets below).

Equity investments without readily determinable fair value and Equity Method Investments. Equity investments without readily determinable fair value and equity method investments are valued using market observable data such as transaction prices when available. When market observable data is unavailable, investments are valued using a discounted cash flow model, comparative market multiples or a combination of both approaches as appropriate and other third-party pricing sources. These investments are generally included in Level 3.

Investments in private equity, real estate and collective funds held within our pension plans, are generally valued using the net asset value (NAV) per share as a practical expedient for fair value provided certain criteria are met. The NAVs are determined based on the fair values of the underlying investments in the funds. Investments that are measured at fair value using the NAV practical expedient are not required to be classified in the fair value hierarchy.

Long-lived Assets. Fair values of long-lived assets, including aircraft, are primarily derived internally and are based on observed sales transactions for similar assets. In other instances, for example, collateral types for which we do not have comparable observed sales transaction data, collateral values are developed internally and corroborated by external appraisal information. Adjustments to third-party valuations may be performed in circumstances where market comparables are not specific to the attributes of the specific collateral or appraisal information may not be reflective of current market conditions due to the passage of time and the occurrence of market events since receipt of the information.

Retained Investments in Formerly Consolidated Subsidiaries. Upon a change in control that results in deconsolidation of a subsidiary, the fair value measurement of our retained noncontrolling stake is valued using market observable data such as quoted prices when available, or if not available, an income approach, a market approach, or a combination of both approaches as appropriate. In applying these methodologies, we rely on a number of factors, including actual operating results, future business plans, economic projections, market observable pricing multiples of similar businesses and comparable transactions, and possible control premium. These investments are generally included in Level 1 or Level 3, as appropriate, determined at the time of the transaction.

ACCOUNTING CHANGES

On October 1, 2018, we adopted Accounting Standards Update (ASU) No. 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The ASU provides that the stranded tax effects from the Tax Cuts and Jobs Act (U.S. Tax Reform) on the balance of accumulated other comprehensive income (AOCI) may be reclassified to retained earnings. The stranded tax effects relate primarily to pension and other employee benefit plans and absent the ASU, our policy is to release stranded tax effects on plan termination. We elected to early adopt the standard and reclassified the tax effect recorded within AOCI associated primarily with the change in tax rate under U.S. tax reform to retained earnings. The adoption resulted in a decrease to AOCI and an increase to retained earnings of \$1,815 million.

On January 1, 2018, we adopted ASU 2014-09, Revenue from Contracts with Customers, and the related amendments (ASC 606), which supersedes most previous GAAP revenue guidance. We elected to adopt the new standard on a retrospective basis to ensure a consistent basis of presentation within our consolidated financial statements for all

periods reported. In addition, we elected the practical expedient for contract modifications, which essentially means that the terms of the contract that existed at the beginning of the earliest period presented can be assumed to have been in place since the inception of the contract (i.e., not practical to separately evaluate the effects of all prior contract modifications).

ASC 606 requires companies to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time based on when control of goods and services transfers to a customer. As a result of the adoption of the standard, we recorded significant changes in the timing of revenue recognition and in the classification between revenues and costs. The financial statement effect of the adoption was a decrease to our previously reported retained earnings as of January 1, 2016 of \$4,240 million and a decrease to our previously reported revenues and earnings (loss) from continuing operations of \$2,224 million and \$2,668 million, respectively, for the year ended December 31, 2017 and \$220 million and \$1,182 million, respectively, for the year ended December 31, 2016. The effect on our consolidated Statement of Financial Position was principally comprised of changes to our contract assets, inventories, deferred taxes, deferred income and progress collections balances resulting in an \$8,317 million decrease to previously reported total assets as of December 31, 2017.

As discussed in prior filings, the impact of adopting the ASC 606 includes:

Long-Term Service Agreements. For our long-term service agreements, we will continue to recognize revenue over time using percentage of completion based on costs incurred relative to total expected costs. We will also continue to record cumulative effect adjustments resulting from changes to our estimated contract billings or costs (excluding those resulting from contract modifications as discussed below). Our accounting was impacted by various changes in the new revenue standard including (1) accounting for contract modifications and their related impacts, and (2) changes in the accounting scope and term of our contracts.

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Modifications. Under the new revenue standard, contract modifications are generally accounted for as if we entered into a new contract, resulting in prospective recognition of changes to our estimates of contract billings and costs. That is, cumulative effect adjustments will generally no longer be recognized in the period that modifications occur. There was limited guidance for accounting for contract modifications under prior GAAP. As a result, our previous method of accounting for contract modifications was developed with the objective of accounting for the nature of the contract modifications. Generally, contract modifications were accounted for as cumulative effect adjustments, which reflected an update to the contract margin for the impact of the modification (i.e., changes to estimates of future contract billings and costs); however, modifications that substantially changed the economics of the arrangement were effectively accounted for as a new contract.

Scope and term. The new revenue standard provides more prescriptive guidance on identifying the elements of long-term service type contracts that should be accounted for as separate performance obligations. Application of this guidance, which focuses on understanding the nature of the arrangement, including our customers' discretion in purchasing decisions, has resulted in changes to the scope of elements included in our accounting model for long-term service agreements. For example, significant equipment upgrades offered as part of our long-term service agreements are generally accounted for as separate performance obligations under the new revenue standard.

Also, the term of our contracts is now defined as the shorter of the stated term or the term not subject to customer termination without substantive penalty. Over this contract term, we estimate our revenues and related costs, including estimates of fixed and variable payments related to asset utilization and related costs to fulfill our performance obligations. Historically, our accounting for long-term contracts did not reflect an expectation that a contract would be terminated prior to the stated term, particularly when the probability of termination was considered remote. Under prior GAAP, while termination rights were considered, more emphasis was placed on expected outcomes (i.e., use of best estimates). For example, we used historical experience with similar types of contracts as well as other evidence (e.g., customer intent, economic compulsion and future plans for operating the asset) to determine the contract term for application of our accounting model.

These changes to our long-term service agreement accounting have significantly impacted all of our industrial businesses except for Renewable Energy, Healthcare, and Lighting and were some of the drivers in the reduction of the related contract asset balance of \$8,255 million as of December 31, 2017. While these contract asset balances have been reduced due to the accounting changes, the economics and cash impact of these contracts remain unchanged.

Aviation Commercial Engines. For Aviation Commercial engines our previous method applied contract-specific estimated margin rates, which included the effect of estimated cost improvements over time, to costs incurred to determine the amount of revenue that should be recognized. The new revenue standard resulted in a significant change from our previous long-term contract accounting model. While we will continue to recognize revenue at delivery, each engine is now accounted for as a separate performance obligation, reflecting the contractually stated price and manufacturing cost of each engine. The most significant effect of this change is on our new engine launches, where the cost of earlier production units is higher than the cost of later production units driven by expected cost improvements over the life of the engine program, which generally resulted in lower earnings or increased losses on our early program engine deliveries to our customers. The effect of this change reduced the related contract asset balance by \$1,755 million as of December 31, 2017.

All Other Large Equipment. For the remainder of our equipment businesses, the new revenue standard's emphasis on transfer of control rather than risks and rewards has resulted in an accelerated timing of revenue recognition versus our previous accounting for certain products. While this change impacts all our businesses, our Renewable Energy business was most significantly impacted on a year over year basis with certain of their products recognized at an

earlier point in time compared to historical standards. Our policy under ASC 605 was to defer recognition until all risk had transferred to the customer, which was generally upon product installation or customer acceptance. For these equipment contracts, the customer has control of the equipment in advance of the related installation or acceptance event based on our evaluation of the indicators provided in ASC 606. Consistent with our industry peers, certain of our businesses' products have transitioned either to a point in time or over time recognition based on the nature of the arrangement. This change in timing of revenue had an effect on inventory, contract assets and progress collections to reflect the transfer of control at an earlier point in time.

On January 1, 2018, we adopted ASU No. 2017-07, Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The ASU requires the service cost component of the net periodic costs for pension and postretirement plans to be presented in the same line item in the statement of earnings as other employee-related compensation costs. The non-service related costs are now required to be presented separately from the service cost component. This change to our consolidated Statement of Earnings (Loss) has been reflected on a retrospective basis and had no effect on continuing or net income. The new standard also added guidance requiring entities to exclude these non-service related costs from capitalization in inventory or other internally-developed assets on a prospective basis, which did not have a significant effect.

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On January 1, 2018 we adopted ASU No. 2016-18, Statement of Cash Flows: Restricted Cash. The ASU requires the changes in the total of cash and restricted cash to be presented in the statement of cash flows. In addition, when cash and restricted cash are presented on separate lines on the balance sheet, an entity is required to reconcile the totals in the statement of cash flows to the related line items in the balance sheet. While not a direct effect of the adoption of the standard, to simplify the reconciliation of the statement of cash flows to the cash balances presented in our consolidated Statement of Financial Position, we have elected to present cash and restricted cash as a single line on the balance sheet, which resulted in an increase of \$668 million and \$654 million to our previously reported December 31, 2017 and December 31, 2016 cash balances, respectively. The change to our cash balances and cash flows has been reflected on a retrospective basis for all periods presented.

On January 1, 2018, we adopted ASU No. 2016-16, Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory. The ASU eliminates the deferral of the tax effects of intra-entity asset transfers other than inventory and was required to be adopted on a modified retrospective basis. As a result, the tax expense from the intercompany sale of assets, other than inventory, and associated changes to deferred taxes will be recognized when the sale occurs even though the pre-tax effects of the transaction have not been recognized as they are eliminated in consolidation. This change to our income tax provision has been reflected as a \$410 million cumulative catch up adjustment to increase retained earnings as of January 1, 2018 and is not reflected in periods prior to this date.

On January 1, 2018, we adopted ASU No. 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments. The ASU is required to be reflected on a retrospective basis and provides guidance on the classification of certain cash receipts and cash payments, including requiring payments received on beneficial interests in securitization transactions be classified as investing activities.

Our GE Industrial businesses sell whole current receivables to GE Capital in normal course sale transactions and report those transactions as operating cash flows in the GE Statement of Cash Flows. In contrast, GE Capital, in one of its receivables facilities, sells current receivables daily to third parties, predominantly commercial paper conduits, for cash and a beneficial interest in the previously sold receivables (the Deferred Purchase Price or DPP). GE Capital reports all cash flows associated with the purchase and sale of current receivables from the GE Industrial businesses as investing cash flows. On a consolidated basis we eliminate the transactions between GE and GE Capital and account only for the external transaction and the resulting DPP, therefore we recorded the adoption impact in our consolidated Statement of Cash Flows.

In adopting the ASU, we determined the investing cash flows associated with the DPP based on the contractual payments on the DPP that we received monthly and reclassified \$553 million and \$184 million from cash inflows from operating activities to cash inflows from investing activities for the years ended December 31, 2017 and 2018, respectively, in our consolidated Statement of Cash Flows.

In the third quarter of 2018, we learned of an interpretation of the ASU that requires a daily computation of both non-cash activities and cash flows associated with the DPP when receivables are sold daily that is different from the monthly computation of the DPP we used in our previously reported accounting, which was based on the timing of settlements.

We completed our evaluation of this interpretation in the fourth quarter of 2018 and determined that a change in the method of presenting our cash flows in a manner consistent with this interpretation required us to reclassify an incremental \$5,008 million and \$3,858 million from cash inflows from operating activities to cash inflows from

investing activities for the years ended December 31, 2018 and 2017, respectively, in our consolidated Statement of Cash Flows.

In December 2018, we modified the terms of the receivables facility affected so that future sales of receivables will occur at each monthly settlement date as opposed to daily. There was no change to the economic terms of the arrangement as a result of this modification. The \$5,008 million and \$3,858 million reclassifications described above were a consequence of the timing difference between our daily sales and the monthly settlement. The renegotiated terms remove this timing difference. Accordingly, in future periods, applying the ASU to the revised terms will result in our calculating consolidated cash flows in a manner similar to those reported prior to the incremental reclassifications described above.

On January 1, 2018 we adopted ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The ASU requires that equity investments with readily determinable fair value, except those accounted for under the equity method of accounting, will be measured at fair value with changes in fair value recognized in earnings. The adoption had an insignificant impact to retained earnings and other comprehensive income.

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Effective January 1, 2018, we voluntarily changed the cost method of the GE U.S. inventories that were previously measured on a last-in, first-out (LIFO) basis to first-in, first-out (FIFO) basis. We believe the FIFO method is a preferable measure for our inventories as it is expected to better reflect the current value of inventory reported in our consolidated Statement of Financial Position, improve the matching of costs of goods sold with related revenue, and provide for greater consistency and uniformity across our operations with respect to the method of inventory valuation. While this change will also require us to make a conforming change for U.S. income tax purposes, all GE businesses previously using LIFO are expected to be in a deflationary cost environment due to the manufacturing life cycle of the products and continuous reduction in the manufacturing costs due to better efficiencies, which would significantly decrease the tax benefit that LIFO would otherwise provide. Prior to the change and as reported in our 2017 Annual Report on Form 10-K, LIFO was used for approximately 32% of GE inventories as of December 31, 2017.

As required by GAAP, we have reflected this change in accounting principle on a retrospective basis resulting in changes to the historical periods presented. The retrospective application of the change resulted in a decrease to our January 1, 2016 retained earnings of \$105 million and a decrease to our results from continuing operations by \$124 million and \$147 million for the years ended December 31, 2017 and December 31, 2016, respectively. This change did not affect our previously reported cash flows from operating, investing or financing activities.

NOTE 2. BUSINESSES HELD FOR SALE AND DISCONTINUED OPERATIONS
ASSETS AND LIABILITIES OF BUSINESSES HELD FOR SALE

In 2018, we signed an agreement to sell Energy Financial Services' (EFS) debt origination business within our Capital segment, to Starwood Property Trust, Inc. The sale was completed for proceeds of \$2,011 million and we recognized a pre-tax gain of \$288 million.

On November 13, 2017, the Company announced its intention to exit approximately \$20 billion of assets over the next one to two years. Since this announcement, GE has classified various businesses at Corporate and across our Power, Lighting, Aviation and Healthcare segments as held for sale. As these businesses met the criteria for held for sale, we presented these businesses as a single asset and liability in our financial statements and recognized a valuation allowance, if necessary, to recognize the net carrying amount at the lower of cost or fair value, less cost to sell. To date, we have recorded a cumulative pre-tax loss on the planned disposals of \$1,657 million (\$1,535 million after-tax), of which \$625 million was recorded in 2018. Through the fourth quarter of 2018, we closed certain of these transactions within our Power, Healthcare, and Lighting segments for total net proceeds of \$6,389 million, recognized a pre-tax gain of \$1,150 million in the caption "Other income" in our consolidated Statement of Earnings (Loss) and liquidated \$546 million of our previously recorded valuation allowance. These transactions are subject to customary working capital and other post-close adjustments.

On February 25, 2019, we announced an agreement to sell our BioPharma business within our Healthcare segment to Danaher Corporation for total consideration of approximately \$21.4 billion, subject to certain adjustments, and we completed the spin-off and subsequent merger of our Transportation business with Wabtec. These transactions as well as our anticipated exit of our equity ownership position in BHGE had not met the accounting criteria for held for sale classification as of December 31, 2018.

FINANCIAL INFORMATION FOR ASSETS AND LIABILITIES OF BUSINESSES HELD FOR SALE 2018 2017

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December 31 (In millions)

Assets		
Current receivables(a)	\$184	\$612
Inventories	529	931
Property, plant, and equipment – net	423	931
Goodwill	514	1,619
Other intangible assets – net	370	403
Contract and other deferred assets	562	619
Valuation allowance on disposal group classified as held for sale(b)	(1,013)	(1,000)
Other	60	49
Assets of businesses held for sale	\$1,630	\$4,164
Liabilities		
Accounts payable(a)	\$344	\$602
Progress collections and price adjustments accrued	84	179
Non-current compensation and benefits	152	162
Other liabilities	128	305
Liabilities of businesses held for sale	\$708	\$1,248

Included transactions in our industrial businesses that were made on arm's length terms with GE Capital, including GE current receivables sold to GE Capital of \$105 million and \$366 million at December 31, 2018 and December 31, 2017, respectively, and amounts due to GE Capital associated with the supply chain finance program of \$40 million at December 31, 2018. These intercompany balances included within our held for sale businesses are reported in the GE and GE Capital columns of our financial statements, but are eliminated in deriving our consolidated financial statements.

(b) We adjusted the carrying value to fair value less cost to sell for certain held for sale businesses.

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DISCONTINUED OPERATIONS

Discontinued operations primarily relate to our financial services businesses as a result of the GE Capital Exit Plan and were previously reported in the Capital segment. These discontinued operations primarily comprise residual assets and liabilities related to our exited U.S. mortgage business (WMC), our mortgage portfolio in Poland, indemnification liabilities associated with the sale of our GE Capital businesses, and other litigation and tax matters. Results of operations, financial position and cash flows for these businesses are separately reported as discontinued operations for all periods presented. See Note 22 for further information about indemnifications and further discussion on WMC.

FINANCIAL INFORMATION FOR DISCONTINUED OPERATIONS (In millions) 2018 2017 2016

Operations

Total revenues and other income (loss)	\$(1,347)	\$182	\$2,968
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Earnings (loss) from discontinued operations before income taxes	\$(1,811)	\$(731)	\$(162)
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Benefit (provision) for income taxes(a)	82	295	460
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Earnings (loss) from discontinued operations, net of taxes	\$(1,729)	\$(437)	\$298
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Disposals

Gain (loss) on disposals before income taxes	\$4	\$306	\$(750)
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Benefit (provision) for income taxes(a)	(1)(178))(502)
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Gain (loss) on disposals, net of taxes	\$3	\$128	\$(1,252)
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Earnings (loss) from discontinued operations, net of taxes	\$(1,726)	\$(309)	\$(954)
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GE Capital's total tax benefit (provision) for discontinued operations and disposals included current tax benefit (provision) of \$201 million, \$(299) million and \$945 million for the years ended December 31, 2018, 2017 and (a)2016, respectively, including current U.S. Federal tax benefit (provision) of \$91 million, \$(402) million and \$1,224 million and deferred tax benefit (provision) of \$(120) million, \$416 million and \$(988) million for the years ended December 31, 2018, 2017 and 2016, respectively.

December 31 (In millions)	2018	2017
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Assets

Cash, cash equivalents and restricted cash	\$528	\$757
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Investment securities	195	647
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Deferred income taxes	872	951
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Financing receivables held for sale	2,745	3,215
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Other assets	270	342
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Assets of discontinued operations	\$4,610	\$5,912
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Liabilities

Accounts payable	\$43	\$51
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All other liabilities	1,833	655
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Liabilities of discontinued operations	\$1,875	\$706
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NOTE 3. INVESTMENT SECURITIES

Substantially all of our investment securities are classified as available-for-sale and comprise mainly investment-grade debt securities supporting obligations to annuitants and policyholders in our run-off insurance operations. We do not have any securities classified as held-to-maturity.

December 31 (In millions)	2018				2017			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Debt								
U.S. corporate	\$21,306	\$ 2,257	\$ (357)	\$ 23,206	\$20,104	\$ 3,775	\$ (35)	\$ 23,843
Non-U.S. corporate	1,906	53	(76)	1,883	5,455	86	(13)	5,528
State and municipal	3,320	367	(54)	3,633	3,775	534	(40)	4,269
Mortgage and asset-backed	3,325	51	(54)	3,322	2,820	81	(23)	2,878
Government and agencies	1,603	63	(20)	1,645	1,927	75	(2)	2,000
Equity(a)	146	—	—	146	166	12	—	178
Total	\$31,605	\$ 2,792	\$ (561)	\$ 33,835	\$34,246	\$ 4,564	\$ (114)	\$ 38,696

These securities have readily determinable fair values and subsequently to the adoption of ASU 2016-01 on January 1, 2018, changes in fair value are recorded to earnings. Net unrealized gains (losses) recorded to earnings were \$(3) million, \$29 million and \$(2) million for the years ended December 31, 2018, 2017 and 2016, respectively.

The estimated fair value and gross unrealized losses of available-for-sale debt securities in a loss position for less than 12 months were \$7,231 million and \$(310) million, and \$3,093 million and \$(23) million for the years ended December 31, 2018 and 2017, respectively. The estimated fair value and gross unrealized losses of available-for-sale debt securities in a loss position for 12 months or more were \$3,856 million and \$(251) million, and \$4,949 million and \$(91) million for the years ended December 31, 2018 and 2017, respectively. Unrealized losses are not indicative of the amount of credit loss that would be recognized and are primarily due to increases in market yields subsequent to our purchase of the securities. The decline in gross unrealized gains and increase in gross unrealized losses at December 31, 2018 relative to December 31, 2017 is primarily due to increased market yields in 2018. We presently do not intend to sell those debt securities that are in unrealized loss positions and believe that it is not more likely than not that we will be required to sell the vast majority of these securities before anticipated recovery of our amortized cost.

Total pre-tax, other-than-temporary impairments on investment securities recognized in earnings were an insignificant amount, \$8 million and \$31 million for the years ended December 31, 2018, 2017 and 2016, respectively.

CONTRACTUAL MATURITIES OF INVESTMENT IN AVAILABLE-FOR-SALE DEBT SECURITIES
(EXCLUDING MORTGAGE AND ASSET-BACKED SECURITIES) (In millions)

	Amortized cost	Estimated fair value
Due		
Within one year	\$ 534	\$ 536
After one year through five years	2,870	2,963
After five years through ten years	6,116	6,527

After ten years

18,676 20,412

We expect actual maturities to differ from contractual maturities because borrowers have the right to call or prepay certain obligations.

Although we generally do not have the intent to sell any specific securities at the end of the period, in the ordinary course of managing our investment securities portfolio, we may sell securities prior to their maturities for a variety of reasons, including diversification, credit quality, yield and liquidity requirements and the funding of claims and obligations to policyholders. Gross realized gains on available-for-sale investment securities were \$251 million, \$244 million and \$61 million, and gross realized losses were \$(41) million, \$(24) million and \$(55) million for the years ended 2018, 2017 and 2016, respectively.

Proceeds from investment securities sales and early redemptions by issuers totaled \$3,239 million, \$3,241 million, and \$1,718 million for the years ended December 31, 2018, 2017, and 2016, respectively.

In addition to equity securities with readily determinable fair value, we hold \$1,085 million of equity securities without readily determinable fair value at the year ended December 31, 2018 that are classified as "All other assets" in our consolidated Statement of Financial Position that are originally recorded at cost and adjusted for observable price changes for identical or similar instruments less any impairment. We recorded fair value increases of \$55 million to those securities based on observable transactions and impairments of \$(48) million for the year ended December 31, 2018.

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NOTE 4. CURRENT RECEIVABLES

	Consolidated(a)		GE(b)	
	2018	2017	2018	2017
December 31 (In millions)				
Power	\$6,982	\$9,735	\$4,325	\$4,664
Renewable Energy	1,333	1,687	1,181	962
Aviation	2,973	3,722	2,562	1,859
Oil & Gas	5,643	5,953	5,645	5,832
Healthcare	2,888	3,487	1,721	1,814
Transportation	375	289	307	184
Lighting	85	105	50	36
Corporate and eliminations	598	304	623	342
	20,878	25,282	16,415	15,693
Less Allowance for losses	(1,004)	(1,073)	(997)	(1,055)
Total	\$19,874	\$24,209	\$15,418	\$14,638

The consolidated total included a DPP receivable of \$468 million and \$388 million at December 31, 2018 and 2017, respectively, related to the Receivables facility (described below). During the years ended December 31, (a) 2018 and 2017, GE Capital received additional non-cash DPP related to the sale of new current receivables of \$5,272 million and \$4,292 million, respectively and received cash payments on the DPP of \$5,192 million and \$4,411 million, respectively.

GE current receivables balances at December 31, 2018 and 2017, before allowance for losses, included \$11,491 million and \$10,452 million, respectively, from sales of goods and services to customers. The remainder of the (b) balances primarily relates to supplier advances, revenue sharing programs and other non-income based tax receivables.

SALES OF GE CURRENT RECEIVABLES

During the years ended December 31, 2018 and 2017, GE sold approximately 55% and 63%, respectively, of its current receivables to GE Capital or third parties to manage GE short-term liquidity and credit exposure. The performance of sold current receivables are similar to the performance of our other GE current receivables, delinquencies are not expected to be significant. Any difference between the carrying value of receivables sold and total cash collected is recognized as financing costs by GE in "Interest and other financial charges" in our consolidated Statement of Earnings (Loss). Costs of \$655 million were recognized for the year ended December 31, 2018.

The following table summarizes the ownership and outstanding balances of current receivables previously sold by GE as of December 31, 2018 and 2017:

(In millions)	2018	2017
Retained by GE Capital(a)	\$4,455	\$9,982
Sold to Receivables facilities and others(b)	7,900	5,763
Total	\$12,355	\$15,745

(a) Of these amounts, approximately 31% and 40% at December 31, 2018 and 2017, respectively, GE provided GE Capital with full or limited recourse (i.e., GE retains all or some risk of default).

(b) Other than the DPP held by GE Capital described below, the Company has no substantive risk of loss with respect to these sold receivables.

RECEIVABLES FACILITIES

The Company has two revolving receivables facilities, with a total program size of \$5,100 million, under which receivables are sold to third-party entities by GE Capital. In one of our facilities, upon the sale of receivables, we receive proceeds of cash and DPP. The DPP is an interest in specified assets of the purchaser entities (the sold receivables) that entitles the Company to the residual cash flows of those specified assets. The Company's remaining risk with respect to the sold receivables is limited to the balance of the DPP, collection of which is dependent on collection of the previously sold current receivables. In our other receivables facility, established on December 21, 2018, upon sale of the receivables, we receive proceeds of cash only and therefore the Company has no remaining risk with respect to current receivables sold under this facility.

For the year ended December 31, 2018, GE sold current receivables of \$23,508 million to GE Capital, which GE Capital then sold to third parties under the receivables facilities. GE Capital services the current receivables sold in exchange for a market-based fee. The Company received total cash collections of \$22,540 million on previously sold current receivables owed to the purchasing entities. The purchasing entities invested \$18,102 million including \$14,798 million of collections to purchase newly originated current receivables from the Company.

SOLD TO OTHERS

In addition to receivables sold under the receivables facilities, during the year ended December 31, 2018, GE and GE Capital sold \$12,577 million of current receivables to third parties in exchange for cash proceeds of \$12,402 million.

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NOTE 5. INVENTORIES

December 31 (In millions)	2018	2017
Raw materials and work in process	\$10,665	\$10,131
Finished goods	8,387	8,847
Unbilled shipments	219	441
Total inventories	\$19,271	\$19,419

NOTE 6. GE CAPITAL FINANCING RECEIVABLES AND ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES

FINANCING RECEIVABLES – NET December 31 (In millions) 2018 2017

Loans, net of deferred income	\$10,834	\$17,404
Investment in financing leases, net of deferred income	2,822	4,614
	13,656	22,018
Allowance for losses	(28)	(51)
Financing receivables – net	\$13,628	\$21,967

NET INVESTMENT IN FINANCING LEASES	Total financing leases		Direct financing leases		Leveraged leases	
	2018	2017	2018	2017	2018	2017
December 31 (In millions)						
Total minimum lease payments receivable	\$2,719	\$4,637	\$1,421	\$2,952	\$1,298	\$1,685
Less principal and interest on third-party non-recourse debt	(474)	(638)	—	—	(474)	(638)
Net rentals receivable	2,245	3,999	1,421	2,952	824	1,047
Estimated unguaranteed residual value of leased assets	1,295	1,590	571	743	724	847
Less deferred income	(718)	(975)	(437)	(614)	(282)	(361)
Investment in financing leases, net of deferred income(a)	\$2,822	\$4,614	\$1,556	\$3,081	\$1,266	\$1,533

(a) See Note 14 for deferred tax amounts related to financing leases.

CONTRACTUAL MATURITIES (In millions)	Total loans	Net rentals receivable
Due in		
2019	\$5,932	\$ 446
2020	1,371	391
2021	1,208	334
2022	753	247
2023	796	329
2024 and later	773	497
Total	\$10,834	\$ 2,245

We expect actual maturities to differ from contractual maturities, primarily as a result of prepayments.

We manage our GE Capital financing receivables portfolio using delinquency and nonaccrual data as key performance indicators. At December 31, 2018, 2.4%, 1.8% and 0.9% of financing receivables were over 30 days past due, over 90 days past due and on nonaccrual, respectively. At December 31, 2017, 2.5%, 0.6% and 1.1% of financing receivables

were over 30 days past due, over 90 days past due and on nonaccrual, respectively.

The GE Capital financing receivables portfolio includes \$1,387 million and \$4,148 million of current receivables at December 31, 2018 and 2017, respectively, which are purchased from GE with full or limited recourse. These receivables are classified within current receivables at a consolidated level and are excluded from the calculation of GE Capital delinquency and nonaccrual data. The portfolio also includes \$688 million and \$1,141 million of financing receivables that are guaranteed by GE, of which \$96 million and \$239 million of these loans are on nonaccrual at a GE consolidated level at December 31, 2018 and 2017, respectively. Additional allowance for loan losses of \$43 million and \$161 million are recorded at GE and on a consolidated level for these guaranteed loans at December 31, 2018 and 2017, respectively. In the fourth quarter of 2018, GE settled its guarantee with GE Capital on \$135 million of past due financing receivables, for which GE had previously recorded \$112 million in allowance for loan losses and reclassified those financing receivables to held for sale at fair value, less cost to sell.

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NOTE 7. PROPERTY, PLANT AND EQUIPMENT

December 31 (Dollars in millions)	Depreciable lives-new (in years)	Original Cost		Net Carrying Value	
		2018	2017	2018	2017
GE					
Land and improvements	8	(a) \$1,148	\$1,175	\$1,113	\$1,154
Buildings, structures and related equipment	8-40	11,557	11,486	6,479	6,913
Machinery and equipment	4-20	27,088	26,702	11,828	12,734
Leasehold costs and manufacturing plant under construction	1-10	3,289	3,862	2,546	3,162
		\$43,082	\$43,225	\$21,967	\$23,963
GE Capital(b)					
Land and improvements, buildings, structures and related equipment	1-40	(a) \$153	\$171	\$32	\$45
Equipment leased to others					
Aircraft	15-20	44,944	46,296	29,352	30,067
All other	4-34	205	718	126	483
		\$45,302	\$47,185	\$29,510	\$30,595
Eliminations		(909)	(802)	(728)	(684)
Total		\$87,475	\$89,608	\$50,749	\$53,874

(a) Depreciable lives exclude land.

(b) Included \$1,397 million and \$1,414 million of original cost of assets leased to GE with accumulated amortization of \$241 million and \$193 million at December 31, 2018 and 2017, respectively.

Consolidated depreciation and amortization related to property, plant and equipment was \$5,562 million, \$5,139 million and \$4,997 million in 2018, 2017 and 2016, respectively. Amortization of GE Capital equipment leased to others was \$2,089 million, \$2,190 million and \$2,231 million in 2018, 2017 and 2016, respectively.

Noncancellable future rentals due from customers for equipment on operating leases at December 31, 2018, are as follows:

(In millions)

Due in	
2019	\$3,054
2020	2,800
2021	2,418
2022	2,063
2023	1,599
2024 and later	5,921
Total	\$17,855

NOTE 8. ACQUISITIONS, GOODWILL AND OTHER INTANGIBLE ASSETS
ACQUISITIONS

On April 20, 2017, we acquired LM Wind Power, the Danish maker of rotor blades for approximately \$1,700 million. The purchase price allocation resulted in goodwill of \$1,593 million and amortizable intangible assets of \$206 million.

On January 10, 2017, we acquired the remaining 96% of ServiceMax, a leader in cloud-based field service management solutions, for \$867 million, net of cash acquired of \$91 million. Upon gaining control, we fair valued the business including our previously held 4% equity interest. The purchase price allocation resulted in goodwill of \$686 million and amortizable intangible assets of \$279 million.

BAKER HUGHES

On July 3, 2017, GE completed the combination of GE's Oil & Gas business (GE Oil & Gas) with Baker Hughes Incorporated (Baker Hughes). As part of the transaction, GE contributed GE Oil & Gas and \$7,498 million in cash in exchange for an ownership interest of approximately 62.5% in the new combined company. The operating assets of the new combined company are held through a partnership named Baker Hughes, a GE company, LLC (BHGE LLC). At the time of the acquisition, GE held an economic interest of approximately 62.5% in this partnership, and Baker Hughes' former shareholders held an ownership interest of approximately 37.5% through a newly NYSE listed corporation, Baker Hughes, a GE company (BHGE), which controls the partnership. In turn, GE held a controlling, voting interest of approximately 62.5% in BHGE through Class B Common Stock, which grants voting rights but no economic rights. Baker Hughes' former shareholders received one share of BHGE Class A Common Stock and a special one-time cash dividend of \$17.50 per share at closing. Total consideration was \$24,798 million, including the \$7,498 million cash contribution.

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The Baker Hughes acquisition has been accounted for as a business combination, using the acquisition method. The net assets of Baker Hughes' contributed businesses were recorded at their fair value, and GE Oil & Gas continues at its historical or carryover basis. At the time of the acquisition, we recorded noncontrolling interest of \$16,238 million for the approximate 37.5% ownership interest in the combined company held by BHGE's Class A shareholders. The noncontrolling interest is recorded at fair value for the portion attributable to Baker Hughes and at our historical cost for the portion attributable to GE Oil & Gas. The fair value of the noncontrolling interest associated with the acquired net assets was determined by the publicly traded share price of Baker Hughes at the close of the transaction. The impact of recognizing the noncontrolling interest in GE Oil & Gas resulted in an increase to additional paid in capital of \$94 million. In the prior year, we disclosed that the impact of recognizing the noncontrolling interest was a decrease to additional paid in capital of \$126 million. The primary reason for the change from prior year is the adoption of ASC 606 in the first quarter of 2018.

The tables below present the fair value of the consideration exchanged and the allocation of purchase price to the major classes of assets and liabilities of the acquired Baker Hughes business and the associated fair value of preexisting noncontrolling interest related to the acquired net assets of Baker Hughes.

PURCHASE PRICE (In millions)	July 3, 2017
Cash consideration	\$7,498
Fair value of the Class A Shares in BHGE issued to Baker Hughes shareholders	17,300
Total consideration for Baker Hughes	\$24,798
IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED (In millions)	July 3, 2017
Cash and cash equivalents	\$4,133
Accounts receivable	2,342
Inventories	1,712
Property, plant, and equipment - net	4,514
Other intangible assets - net	4,005
All other assets	1,335
Accounts payable	(1,245)
Borrowings	(3,370)
Deferred taxes(a)	(249)
All other liabilities	(2,487)
Total identifiable net assets(b)	10,690
Fair value of existing noncontrolling interest	(35)
Goodwill(c)	14,143
Total allocated purchase price	\$24,798

Includes an increase of approximately \$806 million primarily related to fair value adjustments to identifiable assets (a) and liabilities (excluding goodwill) partially offset by a tax asset of approximately \$553 million associated with the recognition of foreign tax credits.

(b) Through the end of the purchase accounting window in 2018, measurement period adjustments increased goodwill by \$787 million primarily due to reductions in the fair value of property, plant and equipment of \$362 million, equity method investments of \$228 million, intangible assets of \$123 million, and an increase to other liabilities of \$315 million, partially offset by deferred tax adjustments of \$251 million. Certain of these adjustments resulted in

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a cumulative decrease to depreciation and amortization expense of \$33 million. In addition, we reclassified certain legacy Baker Hughes business balances to conform to our presentation.

(c) Goodwill represents future economic benefits expected to be recognized from combining the operations of GE Oil & Gas and Baker Hughes, including expected future synergies and operating efficiencies. Goodwill resulting from the acquisition has been allocated to our Oil & Gas reporting units, of which \$67 million is deductible for tax purposes.

The fair value of intangible assets and related useful lives in the preliminary purchase price allocation included:

(Dollars in millions)	Estimated fair value	Estimated useful life (in years)
Trademarks - Baker Hughes	\$ 2,100	Indefinite life
Customer-related	1,240	24
Patents and technology	465	4-8
Trademarks - Other	45	10
Capitalized software	64	3-7
In-process research and development	70	Indefinite life
Favorable lease contracts	21	10
Total	\$ 4,005	

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As we have previously announced, we plan an orderly separation of our ownership interest in BHGE over time. In November 2018, BHGE completed an underwritten public offering in which we sold 101.2 million shares of BHGE Class A common stock. BHGE also repurchased 65 million BHGE LLC units from us. As a result, our economic interest in BHGE reduced from 62.5% to 50.4%. See Note 15 for further information.

GOODWILL

CHANGES IN GOODWILL BALANCES

(In millions)	2018				2017					
	Balance at January 1	Acquisitions	Impairments	Disposition currency exchange and other	Balance at December 31	Balance at January 1	Acquisitions	Impairments	Disposition currency exchange and other	Balance at December 31
Power	\$25,269	\$ —	\$ (21,209)	\$(2,289)	\$1,772	\$26,403	\$ 37	\$ (1,165)	\$(6)	\$25,269
Renewable Energy	4,093	—	(94)	(28)	3,971	2,507	1,503	—	83	4,093
Aviation	10,008	—	—	(170)	9,839	9,455	25	—	529	10,008
Oil & Gas	23,943	68	—	444	24,455	10,363	13,364	—	216	23,943
Healthcare	17,306	—	—	(80)	17,226	17,424	60	—	(178)	17,306
Transportation	902	—	—	(18)	884	899	—	—	3	902
Lighting	—	—	—	—	—	281	—	—	(281)	—
Capital	984	—	—	(80)	904	2,368	—	(1,386)	2	984
Corporate	1,463	—	(833)	(66)	563	739	727	—	(3)	1,463
Total	\$83,968	\$ 68	\$ (22,136)	\$(2,286)	\$59,614	\$70,438	\$15,716	\$ (2,550)	\$(365)	\$83,968

Goodwill balances decreased primarily as a result of impairments (discussed below), the sale of the Distributed Power business within our Power segment and currency effects of a stronger U.S. dollar, partially offset by adjustments to the allocation of purchase price associated with our acquisitions of Baker Hughes and LM Wind Power.

We test goodwill for impairment annually in the third quarter of each year using data as of July 1 of that year. The impairment test consists of two steps: in step one, the carrying value of the reporting unit is compared with its fair value; in step two, which is applied when the carrying value is more than its fair value, the amount of goodwill impairment, if any, is derived by deducting the fair value of the reporting unit's assets and liabilities from the fair value of its equity, and comparing that amount with the carrying amount of goodwill. We determined fair values for each of the reporting units using the market approach, when available and appropriate, or the income approach, or a combination of both. We assess the valuation methodology based upon the relevance and availability of the data at the time we perform the valuation. If multiple valuation methodologies are used, the results are weighted appropriately.

Valuations using the market approach are derived from metrics of publicly traded companies or historically completed transactions of comparable businesses. The selection of comparable businesses is based on the markets in which the reporting units operate giving consideration to risk profiles, size, geography, and diversity of products and services. A market approach is limited to reporting units for which there are publicly traded companies that have the characteristics similar to our businesses.

Under the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future cash flows and include an estimate of long-term future growth rates based on our most recent views of the long-term outlook for each business. Actual results may differ from those assumed in our forecasts. We derive our discount rates using a capital asset pricing model and analyzing published rates for industries relevant to our reporting units to estimate the cost of equity financing. We use discount rates that are commensurate with the risks and uncertainty inherent in the respective businesses and in our internally developed forecasts. Discount rates used in our annual reporting unit valuations ranged from 9.5% to 23.0%.

Based on the results of our annual impairment test, the fair values of each of our reporting units exceeded their carrying values except for the Power Generation and Grid Solutions reporting units, within our Power segment. The majority of the goodwill in our Power segment was recognized as a result of the Alstom acquisition, at which time approximately \$15,800 million of goodwill was attributed to our Power Generation and Grid Solutions reporting units. As previously disclosed, the power market as well as its operating environment continues to be challenging. Our outlook for Power has continued to deteriorate driven by the significant overcapacity in the industry, lower market penetration, uncertain timing of deal closures due to deal financing, and the complexities of working in emerging markets. In addition, our near-term earnings outlook has been negatively impacted by project execution and our own underlying operational challenges. Finally, market factors such as increasing energy efficiency and renewable energy penetration continue to impact our view of long-term demand. These conditions resulted in downward revisions of our forecasts on current and future projected earnings and cash flows at these businesses.

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Therefore, we conducted step two of the goodwill impairment test for the Power Generation and Grid Solutions reporting units. Step two requires that we allocate the fair value of the reporting unit to identifiable assets and liabilities of the reporting unit, including previously unrecognized intangible assets. Any residual fair value after this allocation is compared to the goodwill balance and any excess goodwill is charged to expense.

In performing the second step, we identified significant unrecognized intangible assets primarily related to customer relationships, backlog, technology, and trade name. The value of these unrecognized intangible assets is driven by high customer retention rates in our Power business, our contractual backlog, the value of internally created technology, and the GE trade name. The combination of these unrecognized intangibles, adjustments to the carrying value of other assets and liabilities, and reduced reporting unit fair values calculated in step one, resulted in an implied fair value of goodwill substantially below the carrying value of goodwill for the Power Generation and Grid Solutions reporting units. Therefore, in the third quarter of 2018, we recorded our best estimate of a non-cash impairment loss of \$21,973 million. We recorded the estimated impairment losses in the caption "Goodwill impairments" in our consolidated Statement of Earnings (Loss). During the fourth quarter of 2018, we finalized step two of the impairment analysis, and increased the impairment charge by \$69 million resulting in a final impairment charge of \$22,042 million. The impairment loss included \$833 million of goodwill recorded at Corporate associated with our Digital acquisitions that was previously allocated to our Power Generation and Grid solutions reporting units for goodwill testing purposes.

In the fourth quarter of 2018, due to a decline in order growth and increased project costs, we updated projected cash flows at our Hydro reporting unit within our Renewable Energy segment. As a result of these revised cash flow projections, we performed an impairment test as of October 1, 2018, which resulted in the fair value of our Hydro reporting unit to be less than its carrying value. Therefore, we performed a step two analysis which resulted in a non-cash goodwill impairment loss of \$94 million. We recorded the impairment loss in the caption "Goodwill impairments" in our consolidated Statement of Earnings (Loss). All of the goodwill in our Hydro reporting unit was recognized as a result of the Alstom acquisition.

After the impairment charges, the fair values of our Grid solutions and Hydro reporting units were in excess of their carrying values by approximately 21% and 25%, respectively. While the remaining goodwill at our Grid Solutions and Hydro reporting units is not currently impaired, if the power markets continue to decline or we do not meet our cash flow forecasts, there could be an impairment in the future. We will continue to monitor the power markets and the impact it may have on these reporting units. There is no remaining goodwill associated with our Power Generation reporting unit.

In addition, the fair value of our Additive reporting unit in our Aviation segment was in excess of its carrying value by approximately 23%. Additive was formed in fourth quarter of 2016 after the acquisition of two businesses. At the time of the acquisition, fair value equaled carrying value. We will continue to measure our ability to meet our cash flow forecasts and to monitor the operating results of the Additive business, which could impact the fair value of this reporting unit in the future.

While the fair value of each of the reporting units in our Oil & Gas segment are in excess of their carrying values, our basis in BHGE's shares exceed its publicly traded share price. While the goodwill of our Oil & Gas reporting units is not currently impaired, there can be no assurances that further sustained declines in BHGE's share price or any future declines in macroeconomic or business conditions affecting the oil and gas industry will not occur. If they were to occur, this could result in impairments in future periods.

In the second quarter of 2018, we classified a significant portion of Healthcare Equipment Finance’s financing receivables as assets held for sale. In the fourth quarter of 2018, we completed the sale transaction and as a result, we wrote off goodwill of \$85 million in our Industrial Finance reporting unit within our Capital segment.

In 2017, we recognized a total non-cash goodwill impairment loss in our Power Conversion and Energy Financial Services reporting units of \$1,165 million and \$1,386 million, respectively. After the impairment loss, there was no remaining goodwill in our Power Conversion and our Energy Financial Services reporting units.

Determining the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including actual operating results. It is reasonably possible that the judgments and estimates described above could change in future periods.

OTHER INTANGIBLE ASSETS

OTHER INTANGIBLE ASSETS – NET December 31 (In millions) 2018 2017

Intangible assets subject to amortization	\$ 15,937	\$ 18,056
Indefinite-lived intangible assets(a)	2,222	2,217
Total	\$ 18,159	\$ 20,273

(a) Indefinite-lived intangible assets principally comprise trademarks and in-process research and development.

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INTANGIBLE ASSETS SUBJECT TO AMORTIZATION December 31 (In millions)	2018			2017		
	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Customer-related(a)	\$ 10,214	\$ (3,722)	\$ 6,494	\$ 10,614	\$ (3,095)	\$ 7,521
Patents and technology	10,332	(4,528)	5,804	10,271	(3,899)	6,372
Capitalized software	7,437	(4,617)	2,820	8,064	(4,974)	3,089
Trademarks	1,137	(524)	613	1,280	(421)	859
Lease valuations	150	(84)	66	170	(80)	89
All other	242	(103)	139	218	(92)	125
Total	\$ 29,513	\$ (13,578)	\$ 15,937	\$ 30,617	\$ (12,561)	\$ 18,056

(a) Balance includes payments made to our customers, primarily within our Aviation business.

Intangible assets subject to amortization decreased by \$2,120 million in the twelve months ended December 31, 2018, primarily as a result of amortization, impairments, currency effects of a stronger U.S. dollar and the sale of the Distributed Power business, partially offset by the acquisition of a technology intangible asset of \$632 million at our Aviation business and the capitalization of new software across several business platforms. Due to the continued decline in the Power industry, we determined that certain intangible assets, primarily technology and customer relationships, were impaired. Therefore, included within amortization expense for the twelve months ended December 31, 2018, was a \$428 million non-cash impairment charge recorded by our Power Conversion business within our Power segment. This charge was recorded within the caption "Selling, general and administrative expense" caption in our consolidated Statement of Earnings (Loss).

GE consolidated amortization expense related to intangible assets subject to amortization was \$2,662 million, \$2,290 million and \$2,073 million in 2018, 2017 and 2016, respectively. Estimated GE Consolidated annual pre-tax amortization for intangible assets over the next five calendar years are as follows:

ESTIMATED 5 YEAR CONSOLIDATED AMORTIZATION (In millions)	2019	2020	2021	2022	2023
Estimated annual pre-tax amortization	\$ 2,108	\$ 1,973	\$ 1,810	\$ 1,641	\$ 1,506

During 2018, we recorded additions to intangible assets subject to amortization of \$1,395 million. The components of finite-lived intangible assets acquired during 2018 and their respective weighted-average amortizable periods are as follows:

COMPONENTS OF FINITE-LIVED INTANGIBLE ASSETS ACQUIRED DURING 2018 (Dollars in millions)	Gross carrying value	Weighted-average amortizable period (in years)
Customer-related	\$ 23	20
Patents and technology	662	19.5
Capitalized software	686	4.7
Trademarks	1	10
All other	23	11
Total gross carrying value	\$ 1,395	

NOTE 9. REVENUES
DISAGGREGATED
EQUIPMENT
AND SERVICES
REVENUES(a)

Years ended December 31

(In millions)	2018			2017			2016		
	Equipment Revenue	Services Revenues	Total Revenues	Equipment Revenue	Services Revenues	Total Revenues	Equipment Revenue	Services Revenues	Total Revenues
Power	\$12,296	\$15,004	\$27,300	\$17,477	\$17,401	\$34,878	\$17,359	\$18,476	\$35,835
Renewable Energy	7,036	2,497	9,533	7,036	2,169	9,205	8,861	891	9,752
Aviation	11,499	19,067	30,566	10,215	16,797	27,013	11,357	14,883	26,240
Oil & Gas	9,251	13,608	22,859	7,188	9,992	17,180	6,083	6,855	12,938
Healthcare	11,422	8,363	19,784	10,771	8,246	19,017	10,206	8,006	18,212
Transportation	1,363	2,535	3,898	1,686	2,248	3,935	2,279	2,306	4,585
Lighting	1,630	93	1,723	1,887	55	1,941	4,583	179	4,762
Total Industrial Segment Revenues	\$54,497	\$61,167	\$115,664	\$56,260	\$56,909	\$113,168	\$60,728	\$51,596	\$112,324

(a) Revenues classification consistent with our MD&A defined Services revenue.

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SUB-SEGMENT REVENUES (In millions)	Years ended December 31		
	2018	2017	2016
Power(a)			
Gas Power Systems	\$5,186	\$7,990	\$7,594
Steam Power Systems	1,912	2,176	1,793
Power Services	11,793	12,930	13,748
Other	8,409	11,782	12,700
Power revenues	\$27,300	\$34,878	\$35,835
Renewable Energy			
Onshore Wind	\$8,258	\$8,056	\$8,576
Offshore Wind	447	296	249
Hydro	827	853	927
Renewable Energy revenues	\$9,533	\$9,205	\$9,752
Aviation			
Commercial Engines & Services	\$22,724	\$19,709	\$19,521
Military	4,103	3,991	3,585
Systems & Other	3,740	3,314	3,135
Aviation revenues	\$30,566	\$27,013	\$26,240
Oil & Gas			
Turbomachinery & Process Solutions (TPS)	\$5,999	\$6,298	\$6,525
Oilfield Services (OFS)	11,617	5,881	788
Oilfield Equipment (OFE)	2,641	2,661	3,541
Digital Solutions	2,603	2,340	2,084
Oil & Gas revenues	\$22,859	\$17,180	\$12,938
Healthcare			
Healthcare Systems	\$14,886	\$14,460	\$13,975
Life Sciences	4,898	4,557	4,237
Healthcare revenues	\$19,784	\$19,017	\$18,212
Transportation			
Locomotives	\$867	\$1,309	\$2,071
Services	2,087	1,888	1,853
Mining	571	387	334