GENERAL ELECTRIC CO
Form 10-Q
May 04, 2016

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

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

For the quarterly period ended March 31, 2016

OR

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

For the transition period from ____ to ____

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

New York	14-0689340
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3135 Easton Turnpike, Fairfield, CT	06828-0001
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) (203) 373-2211

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

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

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
No
There were 9,195,657,000 shares of common stock with a par value of $0.06 per share outstanding at March 31, 2016.

TABLE OF CONTENTS

FORWARD LOOKING STATEMENTS

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

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

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

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

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

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

PRESENTATION

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

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

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

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

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

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

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

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

OTHER TERMS USED BY GE

Backlog – unfilled customer orders for products and product services (expected life of contract sales for product services).
Digital revenues – revenues related to software-enabled product upgrades, internally developed software (including Predix) and associated hardware, and software-enabled productivity solutions. These revenues are largely generated from our operating businesses and are included in their segment results.
Earnings – unless otherwise indicated, we refer to captions such as "earnings from continuing operations attributable to common shareowners" simply as earnings.
Earnings per share (EPS) – unless otherwise indicated, when we refer to earnings per share, it is the diluted per-share amount of "earnings from continuing operations attributable to common shareowners".
Ending Net Investment (ENI) – the total capital we have invested in the Financial Services business. It is the sum of short-term borrowings, long-term borrowings and equity (excluding noncontrolling interests) adjusted for unrealized gains and losses on investment securities and hedging instruments. Alternatively, it is the amount of assets of continuing operations less the amount of non-interest-bearing liabilities.
Equipment leased to others (ELTO) – rental equipment we own that is available to rent and is stated at cost less accumulated depreciation.
GE Capital Exit Plan – our plan, announced on April 10, 2015, to reduce the size of our financial services businesses through the sale of most of the assets of GE Capital, and to focus on continued investment and growth in our industrial businesses.
Industrial operating profit margin – Industrial segment profit plus corporate items and eliminations (excluding gains, restructuring, and pre-tax non-operating pension costs) divided by industrial segment revenues plus corporate items and eliminations (excluding gains and GE-GE Capital eliminations).
Industrial segment gross margin – industrial segment sales less industrial segment cost of sales.
Non-operating pension costs – comprise the expected return on plan assets, interest cost on benefit obligations and net actuarial gain (loss) amortization for our principal pension plans.
Operating earnings – GE earnings from continuing operations attributable to common shareowners excluding the impact of non-operating pension costs.
Operating earnings per share – unless otherwise indicated, when we refer to operating earnings per share, it is the diluted per-share amount of "operating earnings".
Operating pension costs – comprise the service cost of benefits earned, prior service cost amortization and curtailment loss for our principal pension plans.
Organic revenues – revenues excluding the effects of acquisitions, dispositions and foreign currency exchange.
Product services – for purposes of the financial statement display of sales and costs of sales in our Statement of Earnings, "goods" is required by SEC regulations to include all sales of tangible products, and "services" must include all other sales, including other services activities. In our MD&A section of this report, we refer to sales under product services agreements and sales of both goods (such as spare parts and equipment upgrades) and related services (such as monitoring, maintenance and repairs) as sales of "product services," which is an important part of our operations.

We refer to "product services" simply as "services" within the MD&A.

Product services agreements – contractual commitments, with multiple-year terms, to provide specified services for products in our Power, Renewable Energy, Oil & Gas, Aviation and Transportation installed base – for example, monitoring, maintenance, service and spare parts for a gas turbine/generator set installed in a customer's power plant.
Revenues – unless otherwise indicated, we refer to captions such as "revenues and other income" simply as revenues.
Segment profit – refers to the operating profit of the industrial segments and the net earnings of the Financial Services segment. See the Segment Operations section within the MD&A for a description of the basis for segment profits.

NON-GAAP FINANCIAL MEASURES

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

Industrial segment organic revenue growth
Operating and non-operating pension costs
Adjusted Corporate costs (operating)
Operating earnings, operating EPS and Industrial operating earnings
Industrial operating + Verticals earnings and EPS
Industrial operating profit and operating profit margin (excluding Alstom)
Industrial segment operating profit and operating profit margin (excluding Alstom)
Industrial cash flows from operating activities (Industrial CFOA)
Capital ending net investment (ENI), excluding liquidity

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

OUR OPERATING SEGMENTS

We are a global digital industrial company, transforming industry with software-defined machines and solutions that are connected, responsive and predictive. With products and services ranging from aircraft engines, locomotives, power generation and oil and gas production equipment to medical imaging, financing and industrial products.

OUR INDUSTRIAL OPERATING SEGMENTS

Power	Energy Connections	Transportation
Renewable Energy	Aviation	Appliances & Lighting
Oil & Gas	Healthcare	

OUR FINANCIAL SERVICES OPERATING SEGMENT

Capital

Operational and financial overviews for our operating segments are provided in the Segment Operations section within this MD&A.

CORPORATE INFORMATION

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

KEY PERFORMANCE INDICATORS

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

REVENUES PERFORMANCE

	1Q 2016
Industrial Segment	6%
Industrial Segment Organic*	(1)%
Financial Services	1%

INDUSTRIAL ORDERS

Equipment
Services

(a) Included $3.0 billion related to Alstom

INDUSTRIAL BACKLOG

Equipment

Services

(a) Included $28.8 billion related to Alstom

INDUSTRIAL SEGMENT PROFIT

(a) Included an insignificant amount related to Alstom

INDUSTRIAL SEGMENT MARGIN

(a) Included (0.7)% related to Alstom

GE CFOA

GE Capital Dividend

Industrial CFOA*

(a) CFOA included $(0.4) billion related to Alstom

EARNINGS (LOSS) PER SHARE

OPERATING EPS*

INDUSTRIAL OPERATING +

VERTICALS
EPS*

*Non-GAAP Financial Measure

SIGNIFICANT DEVELOPMENTS IN 2016

Our consolidated revenues were significantly affected by the U.S. dollar compared with various foreign currencies, and our operating earnings were significantly affected by transactional foreign exchange impacts as described in our consolidated results and segment operating results that follow.

During the first quarter of 2016, we returned $8.3 billion to shareholders including $6.1 billion through buyback of our common stock and $2.2 billion in dividends.

On January 15, 2016, we announced the signing of a definitive agreement to sell our Appliances business to Qingdao Haier Co., Ltd. (Haier) for approximately $5.4 billion. The transaction has been approved by our board of directors and Haier's board of directors and shareholders and remains subject to customary closing conditions, including regulatory approvals. The transaction is targeted to close in the second quarter of 2016.

In March 2016, we completed the previously announced sale of the majority of our North American commercial lending and leasing businesses to Wells Fargo & Co. The sale included GE Capital's global Commercial Distribution Finance (CDF) and North American Vendor Finance and Corporate Finance platforms. The total transaction represents ending net investment (ENI), excluding liquidity (as originally reported at December 31, 2014) of approximately $30 billion. The portion that closed in March represents approximately $28 billion of ENI, excluding liquidity (as originally reported at December 31, 2014) and does not include the sale to Wells Fargo of the CDF business outside North America that is expected to be completed later in 2016.

On March 31, 2016, GE filed its request to the Financial Stability Oversight Council (FSOC) for rescission of GE Capital's designation as a nonbank Systemically Important Financial Institution (SIFI).

CONSOLIDATED RESULTS

THREE MONTHS ENDED MARCH 31
(Dollars in billions)

REVENUES	INDUSTRIAL AND FINANCIAL SERVICES REVENUES
(a)Included $2.8 billion related to Alstom	(a)Included $2.8 billion related to Alstom

COMMENTARY: 2016 - 2015

Consolidated revenues increased $1.6 billion, or 6%.

Industrial revenues increased $1.6 billion, or 7%, mainly as the effects of acquisitions, primarily Alstom ($2.8 billion) were partially offset by the effects of a stronger U.S. dollar ($0.5 billion), the prior year dispositions ($0.5 billion) and organic revenue decreases ($0.2 billion). The effects of acquisitions increased Industrial revenues $0.2 billion and dispositions decreased Industrial revenues $0.2 billion in 2015.

Financial services revenues increased 1% primarily as a result of the effects of acquisitions and organic revenue growth, partially offset by the effects of foreign currency exchange.

*Non-GAAP Financial Measure

THREE MONTHS ENDED MARCH 31
(Dollars in billions)

EARNINGS (LOSS)	OPERATING EARNINGS (LOSS)*	INDUSTRIAL SELLING, GENERAL & ADMINISTRATIVE (SG&A) AS A % OF SALES
		(a) 15.2% excluding $2.9 billion of Alstom sales and $0.6 billion of Alstom SG&A

COMMENTARY: 2016 - 2015

Consolidated earnings increased $4.8 billion.

Financial Services losses decreased 84% primarily due to the absence of the first quarter 2015 charges associated with the GE Capital Exit Plan.

The effects of acquisitions on our consolidated net earnings were a loss of $0.1 billion in 2016 (primarily Alstom) and an insignificant amount in 2015. The effects of dispositions on net earnings were insignificant amounts in both 2016 and 2015, respectively.

Foreign exchange had a significant impact on our first quarter 2016 earnings. Industrial operating profit was adversely affected by $0.3 billion, primarily as a result of foreign exchange transactional impacts related to remeasurement and mark-to-market charges on open hedges. This impact was larger than in previous quarters as a result of significant movements in certain currencies including the weakening of the pound sterling and strengthening of the Japanese yen and Brazilian real. The underlying transactions for which these hedges were put in place will be reflected in sales and cost of sales in future periods and we expect the net impact of the hedges and underlying transactions to be insignificant over the lives of the contracts.

Earnings per share amounts for the first quarter of 2016 were positively impacted by the reduction in number of outstanding common shares compared to the first quarter of 2015. The average number of shares outstanding used to calculate first quarter 2016 earnings per share was 8% lower than in the first quarter of 2015 as a result of previously disclosed actions, primarily the 2015 Synchrony Financial share exchange and ongoing share buyback activities over the last 12 months funded in large part by dividends from GE Capital.

Industrial SG&A as a percentage of sales decreased 30 basis points (bps) as the favorable impact of global cost reduction initiatives, primarily at Corporate, and lower non-operating pension costs were partially offset by higher restructuring and Alstom acquisition-related costs.

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

*Non-GAAP Financial Measure

GE CAPITAL

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

THE GE CAPITAL EXIT PLAN

On April 10, 2015, the Company announced a plan (the GE Capital Exit Plan) to create a simple, more valuable company by reducing the size of its financial services businesses through the sale of most of the assets of GE Capital and aligning a smaller GE Capital with GE's industrial businesses. We expect GE Capital to release approximately $35 billion in dividends to GE (subject to regulatory approval) as a result of the sale of GE Capital assets. We received $4.3 billion in dividends from GE Capital in 2015 and $7.5 billion in the first quarter of 2016. As of March 31, 2016, we are ahead of our plan, having signed agreements with buyers for $166 billion of ending net investment (ENI), excluding liquidity (as originally reported at December 31, 2014), of which $146 billion has closed. In addition, as part of our initiative to reduce the size of our financial services businesses, we completed the split-off of our remaining interest in GE Capital's North American Retail Finance business, Synchrony Financial, to holders of GE common stock, which resulted in a $20.4 billion buyback of GE common stock (671.4 million shares) in 2015. In connection with the GE Capital Exit Plan, we completed a legal reorganization of GE Capital that included a merger of GE Capital into GE, a guarantee by GE of GE Capital debt, and an exchange of $36 billion of GE Capital debt for new GE notes. The result of all these actions reduced GE Capital's total assets by 44% from $501 billion at December 31, 2014 to $281 billion at March 31, 2016. As of March 31, 2016, we incurred charges of $22.6 billion related to these actions and remain on track versus our $23 billion estimate.

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

Further information on these activities is described below and in Note 1 to the consolidated financial statements.

SALES AGREEMENTS

During the three months ended March 31, 2016, GE signed agreements to sell approximately $9 billion of ENI, excluding liquidity (as originally reported at December 31, 2014), of which approximately $4 billion, $4 billion and less than $1 billion related to our Commercial Lending and Leasing (CLL), Consumer and Real Estate businesses, respectively.

Of the signed agreements, sales representing approximately $42 billion of ENI, excluding liquidity (as originally reported at December 31, 2014) have closed during the first quarter of 2016, including approximately $40 billion, $1 billion and less than $1 billion related to our CLL, Consumer and Real Estate businesses, respectively.

Real Estate transactions that have closed included the majority of GE Capital's Real Estate debt and equity portfolio sold to funds managed by The Blackstone Group (which, in turn, sold a portion of this portfolio to Wells Fargo & Company). In connection with The Blackstone Group transactions, GE Capital provided $3.2 billion of seller financing to The Blackstone Group, which GE Capital intends to collect or sell by the end of 2016. As of March 31, 2016, GE Capital has collected or sold approximately $2.3 billion of this seller financing.

AFTER-TAX CHARGES RELATED TO THE GE CAPITAL EXIT PLAN

In the three months ended March 31, 2016, GE recorded $0.6 billion of after-tax charges related to the GE Capital Exit Plan of which $0.3 billion was recorded in continuing operations and $0.3 billion was recorded in discontinued operations. A description of these after-tax charges is provided below.

$0.3 billion of charges associated with the preferred equity exchange that was completed in January 2016, which was recorded in continuing operations and reported in GE Capital's corporate component under the caption "Preferred stock dividends" in the Statement of Earnings.
$0.3 billion of net loss primarily related to the completed and planned dispositions of most of the CLL businesses, which was recorded in discontinued operations under the caption "Earnings (loss) from discontinued operations, net of taxes" in the Statement of Earnings.
$0.1 billion of restructuring and other charges, of which an insignificant amount was recorded in discontinued operations under the caption "Earnings (loss) from discontinued operations, net of taxes" in the Statement of Earnings and $0.1 billion was recorded in continuing operations and reported in GE Capital's corporate component under the caption "Selling, general and administrative expenses" in the Statement of Earnings.

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

In addition to the above charges, we have incurred other costs related to our ongoing liability management actions, including $0.4 billion pre-tax related to the repurchase of $4.9 billion of long-term unsecured debt and subordinated debentures. These charges will result in lower future interest costs, more than offsetting the initial charges. We expect to continue these actions when economically beneficial.

SEGMENT OPERATIONS

SUMMARY OF OPERATING SEGMENTS

	Three months ended March 31		
(In millions)	2016	2015	V%
Revenues			
Power	$5,204	$4,612	13 %
Renewable Energy	1,669	1,028	62 %
Oil & Gas	3,314	4,040	(18)%
Energy Connections	2,260	1,685	34 %
Aviation	6,262	5,674	10 %
Healthcare	4,183	4,075	3 %
Transportation	981	1,308	(25)%
Appliances & Lighting	1,996	1,940	3 %
Total industrial segment revenues	25,869	24,362	6 %
Capital	2,885	2,866	1 %
Total segment revenues	28,754	27,228	6 %
Corporate items and eliminations	(909)	(988)	
Consolidated revenues	$27,845	$26,239	6 %
Segment profit (loss)			
Power	$573	$757	(24)%
Renewable Energy	83	57	46 %
Oil & Gas	308	489	(37)%
Energy Connections	(85)	28	U
Aviation	1,524	1,314	16 %
Healthcare	631	587	7 %
Transportation	164	225	(27)%
Appliances & Lighting	115	102	13 %
Total industrial segment profit	3,314	3,560	(7)%
Capital	(893)	(5,721)	84 %
Total segment profit (loss)	2,421	(2,162)	F
Corporate items and eliminations	(1,571)	(1,691)	
GE interest and other financial charges	(440)	(389)	
GE provision for income taxes	(201)	(306)	
Earnings (loss) from continuing operations attributable to GE common shareowners	210	(4,548)	F
Earnings (loss) from discontinued operations, net of taxes	(308)	(8,936)	97 %
Less net earnings attributable to noncontrolling interests, discontinued operations	-	89	U
Earnings (loss) from discontinued operations, net of tax and noncontrolling interest	(308)	(9,025)	97 %
Consolidated net earnings (loss) attributable to GE common shareowners	$(98)	$(13,573)	99 %

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REVENUES AND PROFIT

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

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

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

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

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

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

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

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

SEGMENT RESULTS – THREE MONTHS ENDED MARCH 31

(Dollars in billions)

INDUSTRIAL SEGMENT EQUIPMENT & SERVICES REVENUES	INDUSTRIAL SEGMENT PROFIT

Equipment(a)

Services(b)

(a) In 2016, $12.1 billion, excluding $1.7 billion related to Alstom
(b) In 2016, $11.0 billion, excluding $1.2 billion related to Alstom

(a) In 2016, $3.3 billion, excluding an insignificant amount related to Alstom

COMMENTARY: 2016 - 2015

Industrial segment revenues increased 6%, mainly as a result of the effects of acquisitions (primarily Alstom), partially offset by $0.5 billion unfavorable impact of foreign exchange.

Industrial segment profit decreased 7% mainly driven by lower earnings at Power, Oil & Gas and Energy Connections, partially offset by higher earnings at Aviation. Industrial segment profit decreased $0.3 billion as a result of foreign exchange, primarily transactional impacts from remeasurement and mark-to-market on open hedges.

Industrial segment margin decreased 180 bps primarily driven by effects of Alstom results. Excluding Alstom, industrial segment margin was 14.5%, compared with 14.6% in the same period of 2015.

SIGNIFICANT SEGMENT DEVELOPMENTS

ALSTOM ACQUISITION

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

Given the timing and complexity of the acquisition, the presentation of these businesses in our financial statements, including the preliminary allocation of the purchase price, is not final and is expected to change in future reporting periods.

At year-end 2015, we recognized approximately $13.5 billion of goodwill, $5.2 billion of intangible assets, and $1.1 billion of unfavorable customer contract liabilities. The preliminary fair value of the associated noncontrolling interest was approximately $3.6 billion. In the first quarter of 2016, the preliminary amount of goodwill, intangible assets and unfavorable customer contract liabilities recognized was adjusted to approximately $14.2 billion, $4.5 billion, and $1.1 billion, respectively. The adjustments reflected refinements in estimates in the first quarter of 2016, primarily related to updated revenue and cost assumptions for customer contracts, and other fair value adjustments related to acquired assets and liabilities. Further purchase accounting adjustments are expected. We will complete our post-closing procedures and purchase price allocation no later than the fourth quarter of 2016. See Note 7 to the consolidated financial statements for further information.

For the first quarter of 2016, Alstom contributed revenues of $2.8 billion and an operating loss of $0.2 billion ($0.1 billion after tax), which includes the effects of purchase accounting and acquisition related charges at Corporate. Alstom related revenues and operating profit are presented separately in the segment revenues and profit walks that follow.

PLANNED SALE OF APPLIANCES

On January 15, 2016, we announced the signing of a definitive agreement to sell our Appliances business to Qingdao Haier Co., Ltd. (Haier) for approximately $5.4 billion. The transaction has been approved by our board of directors and Haier's board of directors and shareholders and remains subject to customary closing conditions, including regulatory approvals. The transaction is targeted to close in the second quarter of 2016.

POWER

OPERATIONAL OVERVIEW
(Dollars in billions)
(a) Includes Water & Distributed Power and GE Hitachi Nuclear

2016 YTD SUB-SEGMENT REVENUES

EQUIPMENT/SERVICES REVENUES

Services Equipment

ORDERS

BACKLOG

Equipment

Equipment

Services

Services

(a) Included $1.5 billion related to Alstom

(a) Included $15.2 billion related to Alstom

UNIT SALES

FINANCIAL OVERVIEW
(Dollars in billions)

SEGMENT REVENUES		SEGMENT PROFIT	SEGMENT PROFIT MARGIN
(a) $3.8 billion, excluding $1.4 billion related to Alstom*	Equipment	(a) $0.5 billion, excluding an insignificant amount related to Alstom*	(a) 14.4%, excluding 1.9% related to Alstom*
	Services		

SEGMENT REVENUES & PROFIT WALK:

	Revenues	Profit
March 31, 2015	$ 4.6	$ 0.8
Volume	(0.7)	(0.1)
Price	-	-
Foreign Exchange	(0.1)	-
(Inflation)/Deflation	N/A	-
Mix	N/A	0.1
Productivity	N/A	(0.2)
Other	(0.1)	(0.1)
Alstom	1.4	-
March 31, 2016	$ 5.2	$ 0.6

COMMENTARY: 2016 - 2015

Segment revenues up $0.6 billion (13%);
Segment profit down $0.2 billion (24%) as a result of:

The increase in revenues was primarily driven by the effects of Alstom and increased service revenues, primarily at Power Services, that were partially offset by lower volume at Gas Power Systems as a result of 26 fewer gas turbine shipments than in the prior year. Revenues also decreased as a result of the effects of a stronger U.S. dollar and lower other income, including negative foreign exchange transactional hedge impacts.

The decrease in profit was mainly due to lower cost productivity on lower volume and lower other income, including negative foreign exchange transactional hedge impacts, partially offset by a favorable business mix.

*Non-GAAP Financial Measure

RENEWABLE ENERGY

OPERATIONAL OVERVIEW
(Dollars in billions)

2016 YTD SUB-SEGMENT REVENUES

EQUIPMENT/SERVICES REVENUES

(a) Offshore Wind revenues were insignificant

Services

Equipment

ORDERS

BACKLOG

Equipment

Equipment

Services

Services

(a) Included $0.2 billion related to Alstom

(a) Included $5.0 billion related to Alstom

UNIT SALES

FINANCIAL OVERVIEW
(Dollars in billions)

SEGMENT REVENUES	SEGMENT PROFIT	SEGMENT PROFIT MARGIN

(a) $1.4 billion, excluding $0.3 billion related to Alstom*

Equipment

(a) $0.1 billion, excluding an insignificant amount related to Alstom*

(a) 6.6%, excluding (2.7)% related to Alstom*

Services

SEGMENT REVENUES & PROFIT WALK:

	Revenues	Profit
March 31, 2015	$ 1.0	$ 0.1
Volume	0.5	-
Price	-	-
Foreign Exchange	(0.1)	-
(Inflation)/Deflation	N/A	-
Mix	N/A	-
Productivity	N/A	0.1
Other	-	-
Alstom	0.3	-
March 31, 2016	$ 1.7	$ 0.1

COMMENTARY: 2016 - 2015

Segment revenues up $0.6 billion (62%);
Segment profit up 46%:

The increase in revenues was driven by higher volume, primarily higher turbine sales at Onshore Wind and higher sales at Hydro, including the effects of the Alstom acquisition. These increases were partially offset by the effects of a stronger U.S. dollar.

The increase in profit was due to higher cost productivity, including the effects of a customer contract termination, and higher volume. These increases were partially offset by negative transactional foreign exchange impact.

*Non-GAAP Financial Measure

OIL & GAS

OPERATIONAL OVERVIEW
(Dollars in billions)

2016 YTD SUB-SEGMENT REVENUES	EQUIPMENT/SERVICES REVENUES
(a) Previously referred to as Measurement & Controls (M&C)	Equipment Services
ORDERS	BACKLOG
Equipment Services	Equipment Services
(a) Included an insignificant amount related to Alstom	(a) Included $0.1 billion related to Alstom

FINANCIAL OVERVIEW
(Dollars in billions)

SEGMENT REVENUES		SEGMENT PROFIT	SEGMENT PROFIT MARGIN
(a) $3.3 billion, excluding an insignificant amount related to Alstom*	Equipment	(a) $0.3 billion, excluding an insignificant amount related to Alstom*	(a) 9.4%, excluding an insignificant amount related to Alstom*
	Services		

SEGMENT REVENUES & PROFIT WALK:

COMMENTARY: 2016 - 2015

Segment revenues down $0.7 billion (18%);
Segment profit down $0.2 billion (37%) as a result of:

The decrease in revenues was primarily market driven, mainly due to lower equipment volume, driven by SS&D and Surface, as well as the impact of a stronger U.S. dollar and lower price, partially offset by higher other income, including a favorable foreign exchange transactional hedge impact.

The decrease in operating profit was primarily market driven, due to lower volume at SS&D and Surface and lower prices at DTS and SS&D. The decrease in profit also resulted from lower productivity, which included the negative transactional impact of foreign exchange, partially offset by cost out actions, and higher other income resulting from lower foreign exchange mark-to-market charges than in 2015.

	Revenues	Profit
March 31, 2015	$ 4.0	$ 0.5
Volume	(0.6)	(0.1)
Price	(0.1)	(0.1)
Foreign Exchange	(0.2)	-
(Inflation)/Deflation	N/A	-
Mix	N/A	-
Productivity	N/A	(0.2)
Other	0.1	0.1
Alstom	-	