

GENERAL ELECTRIC CO  
Form 10-Q  
November 04, 2014

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 September 30, 2014

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-00035

GENERAL ELECTRIC COMPANY  
(Exact name of registrant as specified in 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 10,042,192,011 shares of common stock with a par value of \$0.06 per share outstanding at September 30, 2014.

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General Electric Company

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## FORWARD-LOOKING STATEMENTS

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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 expected income; earnings per share; revenues; organic growth; margins; cost structure; restructuring charges; cash flows; return on capital; capital expenditures, capital allocation or capital structure; dividends; and the split between Industrial and GE 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: current economic and financial conditions, including interest and exchange rate volatility, commodity and equity prices and the value of financial assets; the impact of conditions in the financial and credit markets on the availability and cost of General Electric Capital Corporation's (GECC) funding, GECC's exposure to counterparties and our ability to reduce GECC's asset levels as planned; the impact of conditions in the housing market and unemployment rates on the level of commercial and consumer credit defaults; pending and future mortgage securitization claims and litigation 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; GECC's ability to pay dividends to GE at the planned level, which may be affected by GECC's cash flows and earnings, financial services regulation and oversight, and other factors; our ability to convert pre-order commitments/wins into orders; the price we realize on orders 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; adverse market conditions, timing of and ability to obtain required bank regulatory approvals, or other factors relating to us or Synchrony Financial that could prevent us from completing the Synchrony split-off as planned; 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 announced transactions, such as the proposed transactions and alliances with Alstom, and our ability to realize anticipated earnings and savings; our success in integrating acquired businesses and operating 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, 2013. These 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.

## CORPORATE INFORMATION

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GE's Investor Relations website at [www.ge.com/investor](http://www.ge.com/investor) and our corporate blog at [www.gereports.com](http://www.gereports.com), as well as GE's Facebook page and Twitter accounts, 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.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS.

General Electric Company and consolidated affiliates  
Condensed Statement of Earnings  
(Unaudited)

(In millions, except share amounts)	Three months ended September 30					
	Consolidated		GE(a)		Financial Services (GECC)	
	2014	2013	2014	2013	2014	2013
Revenues and other income						
Sales of goods	\$ 18,723	\$ 17,967	\$ 18,764	\$ 17,994	\$ 28	\$ 33
Sales of services	7,167	7,185	7,261	7,268	-	-
Other income	258	363	236	271	-	-
GECC earnings from continuing operations	-	-	1,492	1,903	-	-
GECC revenues from services (Note 12)	10,026	10,146	-	-	10,423	10,573
Total revenues and other income	36,174	35,661	27,753	27,436	10,451	10,606
Costs and expenses						
Cost of goods sold	15,232	14,657	15,274	14,690	25	29
Cost of services sold	4,508	4,798	4,603	4,881	-	-
Interest and other financial charges	2,357	2,445	377	338	2,093	2,224
Investment contracts, insurance losses and insurance annuity benefits	662	672	-	-	700	714
Provision for losses on financing receivables	957	789	-	-	957	789
Other costs and expenses	8,543	8,680	3,686	3,921	5,082	4,934
Total costs and expenses	32,259	32,041	23,940	23,830	8,857	8,690
Earnings from continuing operations before income taxes	3,915	3,620	3,813	3,606	1,594	1,916
Benefit (provision) for income taxes	(463)	(348)	(416)	(344)	(47)	(3)
Earnings from continuing operations	3,452	3,272	3,397	3,262	1,547	1,913
Earnings (loss) from discontinued operations, net of taxes	57	(91)	57	(91)	57	(91)
Net earnings	3,509	3,181	3,454	3,171	1,604	1,822
Less net earnings (loss) attributable to noncontrolling interests	(28)	(10)	(83)	(20)	55	10
Net earnings attributable to the Company	3,537	3,191	3,537	3,191	1,549	1,812
Preferred stock dividends declared	-	-	-	-	-	-
Net earnings attributable to GE common shareowners	\$ 3,537	\$ 3,191	\$ 3,537	\$ 3,191	\$ 1,549	\$ 1,812
Amounts attributable to GE common shareowners:						
Earnings from continuing operations	\$ 3,452	\$ 3,272	\$ 3,397	\$ 3,262	\$ 1,547	\$ 1,913
Less net earnings (loss) attributable to noncontrolling interests	(28)	(10)	(83)	(20)	55	10
Earnings from continuing operations attributable to the Company	3,480	3,282	3,480	3,282	1,492	1,903

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GECC preferred stock dividends declared	-	-	-	-	-	-
Earnings from continuing operations attributable to GE common shareowners	3,480	3,282	3,480	3,282	1,492	1,903
Earnings (loss) from discontinued operations, net of taxes	57	(91)	57	(91)	57	(91)
Net earnings attributable to GE common shareowners	\$ 3,537	\$ 3,191	\$ 3,537	\$ 3,191	\$ 1,549	\$ 1,812

Per-share amounts

Earnings from continuing operations		
Diluted earnings per share	\$ 0.34	\$ 0.32
Basic earnings per share	\$ 0.35	\$ 0.32
Net earnings		
Diluted earnings per share	\$ 0.35	\$ 0.31
Basic earnings per share	\$ 0.35	\$ 0.31
Dividends declared per common share	\$ 0.22	\$ 0.19

(a) Represents the adding together of all affiliated companies except General Electric Capital Corporation (GECC or Financial Services), which is presented on a one-line basis.

See Note 3 for other-than-temporary impairment amounts.

See accompanying notes. Separate information is shown for "GE" and "Financial Services (GECC)." Transactions between GE and GECC have been eliminated from the "Consolidated" columns.

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General Electric Company and consolidated affiliates  
Condensed Statement of Earnings  
(Unaudited)

(In millions, except share amounts)	Nine months ended September 30					
	Consolidated		GE(a)		Financial Services (GECC)	
	2014	2013	2014	2013	2014	2013
Revenues and other income						
Sales of goods	\$ 53,893	\$ 50,902	\$ 54,017	\$ 50,970	\$ 89	\$ 90
Sales of services	21,945	20,939	22,245	21,218	-	-
Other income	792	2,082	689	1,893	-	-
GECC earnings from continuing operations	-	-	5,289	5,765	-	-
GECC revenues from services (Note 12)	29,955	31,740	-	-	31,124	32,900
Total revenues and other income	106,585	105,663	82,240	79,846	31,213	32,990
Costs and expenses						
Cost of goods sold	43,600	41,390	43,729	41,474	81	75
Cost of services sold	14,668	13,871	14,969	14,150	-	-
Interest and other financial charges	7,116	7,648	1,142	988	6,325	6,994
Investment contracts, insurance losses and insurance annuity benefits	1,940	2,022	-	-	2,041	2,131
Provision for losses on financing receivables	2,895	3,256	-	-	2,895	3,256
Other costs and expenses	25,216	25,984	11,355	11,881	14,477	14,631
Total costs and expenses	95,435	94,171	71,195	68,493	25,819	27,087
Earnings from continuing operations before income taxes	11,150	11,492	11,045	11,353	5,394	5,903
Benefit (provision) for income taxes	(1,172)	(1,166)	(1,143)	(1,065)	(29)	(100)
Earnings from continuing operations	9,978	10,326	9,902	10,288	5,365	5,803
Earnings (loss) from discontinued operations, net of taxes	28	(335)	28	(335)	33	(334)
Net earnings	10,006	9,991	9,930	9,953	5,398	5,469
Less net earnings (loss) attributable to noncontrolling interests	(75)	140	(151)	102	76	38
Net earnings attributable to the Company	10,081	9,851	10,081	9,851	5,322	5,431
Preferred stock dividends declared	-	-	-	-	(161)	(135)
Net earnings attributable to GE common shareowners	\$ 10,081	\$ 9,851	\$ 10,081	\$ 9,851	\$ 5,161	\$ 5,296
Amounts attributable to GE common shareowners:						
Earnings from continuing operations	\$ 9,978	\$ 10,326	\$ 9,902	\$ 10,288	\$ 5,365	\$ 5,803
Less net earnings (loss) attributable to noncontrolling interests	(75)	140	(151)	102	76	38
Earnings from continuing operations attributable to the Company	10,053	10,186	10,053	10,186	5,289	5,765
GECC preferred stock dividends declared	-	-	-	-	(161)	(135)
Earnings from continuing operations attributable to GE common shareowners	10,053	10,186	10,053	10,186	5,128	5,630
Earnings (loss) from discontinued operations,						

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net of taxes	28	(335)	28	(335)	33	(334)
Net earnings attributable to GE common shareowners	\$ 10,081	\$ 9,851	\$ 10,081	\$ 9,851	\$ 5,161	\$ 5,296

Per-share amounts

Earnings from continuing operations

Diluted earnings per share	\$ 0.99	\$0.98
Basic earnings per share	\$ 1.00	\$0.99

Net earnings

Diluted earnings per share	\$ 0.99	\$0.95
Basic earnings per share	\$ 1.00	\$0.96

Dividends declared per common share	\$0.66	\$0.57
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(a) Represents the adding together of all affiliated companies except General Electric Capital Corporation (GECC or Financial Services), which is presented on a one-line basis.

See Note 3 for other-than-temporary impairment amounts.

See accompanying notes. Separate information is shown for "GE" and "Financial Services (GECC)." Transactions between GE and GECC have been eliminated from the "Consolidated" columns.

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General Electric Company and consolidated affiliates  
Condensed, Consolidated Statement of Comprehensive Income  
(Unaudited)

(In millions)	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Net earnings	\$ 3,509	\$ 3,181	\$ 10,006	\$ 9,991
Less net earnings (loss) attributable to noncontrolling interests	(28)	(10)	(75)	140
Net earnings attributable to the Company	\$ 3,537	\$ 3,191	\$ 10,081	\$ 9,851
Other comprehensive income (loss)				
Investment securities	\$ (284)	\$ 170	\$ 450	\$ (362)
Currency translation adjustments	(1,590)	(383)	(1,649)	(469)
Cash flow hedges	55	58	136	351
Benefit plans	859	765	2,072	2,826
Other comprehensive income (loss)	(960)	610	1,009	2,346
Less other comprehensive income (loss) attributable to noncontrolling interests	(8)	10	(1)	(21)
Other comprehensive income (loss) attributable to the Company	\$ (952)	\$ 600	\$ 1,010	\$ 2,367
Comprehensive income	\$ 2,549	\$ 3,791	\$ 11,015	\$ 12,337
Less comprehensive income (loss) attributable to noncontrolling interests	(36)	-	(76)	119
Comprehensive income attributable to the Company	\$ 2,585	\$ 3,791	\$ 11,091	\$ 12,218

Amounts presented net of taxes. See Note 11 for further information about other comprehensive income and noncontrolling interests.

See accompanying notes.

General Electric Company and consolidated affiliates  
Condensed, Consolidated Statement of Changes in Shareowners' Equity  
(Unaudited)

(In millions)	Nine months ended September 30	
	2014	2013
GE shareowners' equity balance at January 1	\$ 130,566	\$ 123,026
Increases from net earnings attributable to the Company	10,081	9,851
Dividends and other transactions with shareowners	(6,635)	(5,839)
Other comprehensive income (loss) attributable to the Company	1,010	2,367
Net sales (purchases) of shares for treasury	(444)	(6,454)
Changes in other capital	420	(259)
Ending balance at September 30	134,998	122,692

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Noncontrolling interests	8,513	6,353
Total equity balance at September 30	\$ 143,511	\$ 129,045

See Note 11 for further information about changes in shareowners' equity.

See accompanying notes.

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General Electric Company and consolidated affiliates  
Condensed Statement of Financial Position

(In millions, except share amounts)	Consolidated		GE(a)		Financial Services (GECC)	
	September 30, 2014 (Unaudited)	December 31, 2013	September 30, 2014 (Unaudited)	December 31, 2013	September 30, 2014 (Unaudited)	December 31, 2013
<b>Assets</b>						
Cash and equivalents	\$ 90,439	\$ 88,555	\$ 10,576	\$ 13,682	\$ 79,863	\$ 74,873
Investment securities (Note 3)	47,016	43,981	318	323	46,701	43,662
Current receivables	21,957	21,388	11,461	10,970	-	-
Inventories (Note 4)	19,431	17,325	19,374	17,257	57	68
Financing receivables – net (Note 5 and 18)	226,553	241,940	-	-	237,405	253,029
Other GECC receivables	8,601	9,114	-	-	15,273	16,513
Property, plant and equipment – net (Note 6)	65,460	68,827	16,677	17,574	49,135	51,607
Investment in GECC	-	-	81,323	77,745	-	-
Goodwill (Note 7)	77,859	77,648	52,193	51,453	25,666	26,195
Other intangible assets – net (Note 7)	14,357	14,310	13,167	13,180	1,195	1,136
All other assets	71,241	70,808	24,705	23,708	47,140	47,366
Assets of businesses held for sale (Note 2)	5,777	50	2,619	-	3,158	50
Assets of discontinued operations (Note 2)	1,330	2,339	9	9	1,321	2,330
<b>Total assets(b)</b>	<b>\$ 650,021</b>	<b>\$ 656,285</b>	<b>\$ 232,422</b>	<b>\$ 225,901</b>	<b>\$ 506,914</b>	<b>\$ 516,829</b>
<b>Liabilities and equity</b>						
Short-term borrowings (Note 8)	\$ 69,916	\$ 77,890	\$ 2,043	\$ 1,841	\$ 68,676	\$ 77,298
Accounts payable, principally trade accounts	16,758	16,471	15,693	16,353	7,182	6,549
Progress collections and price adjustments accrued	12,384	13,125	12,397	13,152	-	-
Dividends payable	2,209	2,220	2,209	2,220	-	-
Other GE current liabilities	12,695	13,381	12,695	13,381	-	-
Non-recourse borrowings of consolidated securitization entities (Note 8)	30,231	30,124	-	-	30,231	30,124
Bank deposits (Note 8)	60,815	53,361	-	-	60,815	53,361
Long-term borrowings (Note 8)	213,179	221,665	14,543	11,515	198,735	210,279
Investment contracts, insurance liabilities and insurance annuity benefits	27,491	26,544	-	-	27,991	26,979
All other liabilities	56,347	61,057	40,214	40,955	16,593	20,531
Deferred income taxes	1,612	(275)	(4,084)	(5,061)	5,696	4,786
Liabilities of businesses held for sale (Note 2)	1,721	6	807	-	914	6
Liabilities of discontinued operations (Note 2)	1,152	3,933	148	143	1,004	3,790
<b>Total liabilities(b)</b>	<b>506,510</b>	<b>519,502</b>	<b>96,665</b>	<b>94,499</b>	<b>417,837</b>	<b>433,703</b>
<b>GECC preferred stock (50,000 shares outstanding at both September 30, 2014 and December 31, 2013)</b>						
	-	-	-	-	-	-
<b>Common stock (10,042,192,000 and 10,060,881,000 shares outstanding at September 30, 2014 and</b>						

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December 31, 2013, respectively)	702	702	702	702	-	-
Accumulated other comprehensive income (loss) – net(c)						
Investment securities	755	307	755	307	830	309
Currency translation adjustments	(1,518)	126	(1,518)	126	(1,196)	(687)
Cash flow hedges	(121)	(257)	(121)	(257)	(105)	(293)
Benefit plans	(7,226)	(9,296)	(7,226)	(9,296)	(360)	(363)
Other capital	32,914	32,494	32,914	32,494	32,999	32,563
Retained earnings	152,497	149,051	152,497	149,051	54,105	51,165
Less common stock held in treasury	(43,005)	(42,561)	(43,005)	(42,561)	-	-
Total GE shareowners' equity	134,998	130,566	134,998	130,566	86,273	82,694
Noncontrolling interests(d) (Note 11)	8,513	6,217	759	836	2,804	432
Total equity	143,511	136,783	135,757	131,402	89,077	83,126
Total liabilities and equity	\$ 650,021	\$ 656,285	\$ 232,422	\$ 225,901	\$ 506,914	\$ 516,829

(a) Represents the adding together of all affiliated companies except General Electric Capital Corporation (GECC or Financial Services), which is presented on a one-line basis.

Our consolidated assets at September 30, 2014 included total assets of \$49,456 million of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs. These assets included net financing receivables of \$42,799 million and investment securities of \$3,500 million. Our consolidated liabilities at September 30, 2014 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 \$28,780 million. See Note 16.

(c) The sum of accumulated other comprehensive income (loss) (AOCI) attributable to the Company was \$(8,110) million and \$(9,120) million at September 30, 2014 and December 31, 2013, respectively.

(d) Included AOCI attributable to noncontrolling interests of \$(181) million and \$(180) million at September 30, 2014 and December 31, 2013, respectively.

See accompanying notes. Separate information is shown for "GE" and "Financial Services (GECC)." Transactions between GE and GECC have been eliminated from the "Consolidated" columns.

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General Electric Company and consolidated affiliates  
Condensed Statement of Cash Flows

(In millions)	Nine months ended September 30 (Unaudited)					
	Consolidated		GE(a)		Financial Services (GECC)	
	2014	2013	2014	2013	2014	2013
Cash flows – operating activities						
Net earnings	\$ 10,006	\$ 9,991	\$ 9,930	\$ 9,953	\$ 5,398	\$ 5,469
Less net earnings (loss) attributable to noncontrolling interests	(75)	140	(151)	102	76	38
Net earnings attributable to the Company	10,081	9,851	10,081	9,851	5,322	5,431
(Earnings) loss from discontinued operations	(28)	335	(28)	335	(33)	334
Adjustments to reconcile net earnings attributable to the Company to cash provided from operating activities						
Depreciation and amortization of property, plant and equipment	6,995	7,152	1,891	1,783	5,104	5,369
Earnings from continuing operations retained by GECC(b)	-	-	(3,068)	(1,818)	-	-
Deferred income taxes	(1,937)	(2,043)	(618)	(2,568)	(1,319)	525
Decrease (increase) in GE current receivables	(691)	196	(535)	(1,262)	-	-
Decrease (increase) in inventories	(2,768)	(1,795)	(2,771)	(1,759)	20	-
Increase (decrease) in accounts payable	1,377	971	1,054	574	811	741
Increase (decrease) in GE progress collections	(735)	918	(748)			