GENERAL ELECTRIC CO
Form 10-K
February 26, 2019

United States Securities and Exchange Commission
WASHINGTON, D.C. 20549
FORM 10-K
(Mark One)
þ 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		14-0689340
(State or other jurisdiction of incorporation or organization)		(I.R.S. Employer Identification No.)
41 Farnsworth Street, Boston, MA	02210	(617) 443-3000
(Address of principal executive offices)	(Zip Code)	(Telephone No.)

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

Title of each class	Name of each exchange on which registered
Common stock, par value $0.06 per share	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 þ 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 þ
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 þ 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 þ 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 þ 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 þ
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.

TABLE OF CONTENTS

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;
-

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.

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.

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.

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.

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.

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.

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

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

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

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

	December 31, 2018		
(In billions)	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

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

	General Electric Company and consolidated affiliates		
(In millions)	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)

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.

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

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.

- 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

MD&A SEGMENT OPERATIONS | POWER

GAS TURBINES	2018	2017	V
Unit Orders	43	75	(32)
Unit Sales	42	102	(60)

SEGMENT REVENUES (In billions)	2018	2017	2016
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.

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.

MD&A | SEGMENT OPERATIONS | 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

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)

MD&A | SEGMENT OPERATIONS | RENEWABLE ENERGY

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%