

GENERAL ELECTRIC CO

Form 425

June 26, 2018

Filed by General Electric Company

Pursuant to Rule 425 under the Securities Act of 1933, as amended,

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Under the Securities Exchange Act of 1934, as amended

Subject Company: General Electric Company

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Date: June 26, 2018

The following is an excerpt from an investor presentation given by General Electric Company on June 26, 2018:

. . . . While our core Aviation, Power and Renewable businesses can thrive inside of the current GE framework, we think substantial value can be created by moving other businesses outside of GE. To implement that strategy, we are creating a separate, standalone Healthcare company and we also intend to fully separate BHGE. These are two strong and competitive businesses with leading positions and strong growth prospects, but they both have various constraints operating inside the current GE construct. We believe these businesses can achieve greater results for employees, customers and our owners as standalone companies. The pending merger of our Transportation business with Wabtec was driven by the same strategic approach.

. . . . In addition to the strength of GE going forward, we are also unlocking substantial value for our shareholders. GE Healthcare is a leader in the drive to more effective and more efficient healthcare outcomes. BHGE is uniquely positioned across the value chain as a full-stream oil & gas company. Our merger with Wabtec creates a global leader in the rail industry. As focused pure plays, they will have greater strategic flexibility and more resources to pursue strategies dedicated to their industries.

. . . . As I've said before, we have been methodically reviewing the portfolio and looking at the best structure or structures to maximize value and position our businesses for success. We are excited about the future of GE Transportation, Baker Hughes GE, and GE Healthcare.

We announced the merger of Wabtec and GE Transportation last month. We are contributing Transportation at an attractive multiple and realizing \$2.9B of cash proceeds, while our shareholders will benefit from the compelling long-term prospects and synergies of the combined platform. The industrial logic of this deal is strong and there are good growth opportunities with GE's installed base and services offerings combining with Wabtec's portfolio.

. . . . We have focused on repositioning Power and continuing to de-risk GE Capital. We have moved quickly on our \$20B of dispositions. With yesterday's announcement on Distributed Power, we are substantially complete. We have also maximized value as you can see in the Wabtec transaction. We have grounded ourselves in a renewed commitment to operating rigor, improving execution and a focus on cash generation. We have and are continuing to cut costs aggressively. We are ahead of our plan. We have revamped our compensation programs and committed ourselves to a culture of candor, transparency and accountability. We have taken a new approach to running the company - sharply reducing corporate and positioning our businesses as the center of gravity. I'm confident that today's actions in conjunction with other changes we have already made will produce improved operating results going forward.

. . . . We set forth today with renewed optimism in the future of GE's Aviation, Power and Renewables businesses. We are on a path of rejuvenation and growth. We are also confident that with Transportation, Healthcare and BHGE, we are unleashing other new "GEs" imbued with the spirit and heritage of the company we love and respect. Our focus going forward will

be on unrelenting execution to deliver the kind of performance you have expected - and should expect - from the General Electric Company. . . .

### **Additional Information and Where to Find It**

In connection with the proposed transaction between GE and Wabtec, Transportation Systems Holdings Inc., a wholly owned subsidiary of GE created for the transaction (“SpinCo”), will file with the SEC a registration statement on Form S-4/S-1 containing a prospectus or a registration statement on Form 10 and Wabtec will file with the SEC a registration statement on Form S-4 that will include a combined proxy statement/prospectus. If the transaction is effected via an exchange offer, GE will also file with the SEC a Schedule TO with respect thereto. This communication is not a substitute for any proxy statement, registration statement, proxy statement/prospectus or other documents GE, Wabtec and/or SpinCo may file with the SEC in connection with the proposed transaction. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ CAREFULLY AND IN THEIR ENTIRETY THESE DOCUMENTS WHEN THEY BECOME AVAILABLE, ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS, AND OTHER DOCUMENTS FILED BY GE, WABTEC OR SPINCO WITH THE SEC IN CONNECTION WITH THE PROPOSED TRANSACTION, BECAUSE THESE DOCUMENTS WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders will be able to obtain free copies of these materials and other documents filed with the SEC by GE, Wabtec and/or SpinCo through the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). Investors and security holders will also be able to obtain free copies of the documents filed by GE, Wabtec and/or SpinCo with the SEC from the respective companies by directing a written request to GE and/or SpinCo at General Electric Company, 41 Farnsworth Street, Boston, Massachusetts 02210 or by calling 617-443-3400, or to Wabtec at Wabtec Corporation, 1001 Air Brake Avenue, Wilmerding, PA 15148 or by calling 412-825-1543.

### **No Offer or Solicitation**

This communication is for informational purposes only and not intended to and does not constitute an offer to subscribe for, buy or sell, the solicitation of an offer to subscribe for, buy or sell, or an invitation to subscribe for, buy or sell, any securities or the solicitation of any vote or approval in any jurisdiction pursuant to or in connection with the proposed transaction or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended, and otherwise in accordance with applicable law.

### **Participants in the Solicitation**

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This communication is not a solicitation of a proxy from any investor or security holder. GE, Wabtec, SpinCo, their respective directors, executive officers and other members of its management and employees may be deemed to be participants in the solicitation of proxies from shareholders of Wabtec in connection with the proposed transaction. Information regarding the persons who may, under the rules of the SEC, be deemed participants in the

solicitation of proxies in connection with the proposed transaction, including a description of their direct or indirect interests, by security holdings or otherwise, will be set forth in the relevant materials when filed with the SEC. Information regarding the directors and executive officers of GE is contained in GE's proxy statement for its 2018 annual meeting of stockholders, filed with the SEC on March 12, 2018, its Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the SEC on February 23, 2018, its Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, which was filed with the SEC on May 1, 2018 and certain of its Current Reports filed on Form 8-K. Information regarding the directors and executive officers of Wabtec is contained in Wabtec's proxy statement for its 2018 annual meeting of stockholders, filed with the SEC on April 5, 2018, its Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the SEC on February 26, 2018, its Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 which was filed with the SEC on May 4, 2018 and certain of its Current Reports filed on Form 8-K. These documents can be obtained free of charge from the sources indicated above.

### **Caution Concerning Forward-Looking Statements**

This communication contains "forward-looking" statements as that term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995, including statements regarding the proposed transaction between GE and Wabtec. All statements, other than historical facts, including statements regarding the expected timing and structure of the proposed transaction; the ability of the parties to complete the proposed transaction considering the various closing conditions; the expected benefits of the proposed transaction, including future financial and operating results, the tax consequences of the proposed transaction, and the combined company's plans, objectives, expectations and intentions; legal, economic and regulatory conditions; and any assumptions underlying any of the foregoing, are forward-looking statements.

Forward-looking statements concern future circumstances and results and other statements that are not historical facts and are sometimes identified by the words "may," "will," "should," "potential," "intend," "expect," "endeavor," "seek," "anticipate," "estimate," "overestimate," "underestimate," "believe," "could," "project," "predict," "continue," "target" or other similar words and expressions. Forward-looking statements are based upon current plans, estimates and expectations that are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. The inclusion of such statements should not be regarded as a representation that such plans, estimates or expectations will be achieved. Important factors that could cause actual results to differ materially from such plans, estimates or expectations include, among others, (1) that one or more closing conditions to the transaction, including certain regulatory approvals, may not be satisfied or waived, on a timely basis or otherwise, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the proposed

transaction, may require conditions, limitations or restrictions in connection with such approvals or that the required approval by the stockholders of Wabtec may not be obtained; (2) the risk that the proposed transaction may not be completed on the terms or in the time frame expected by GE or Wabtec, or at all; (3) unexpected costs, charges or expenses resulting from the proposed transaction; (4) uncertainty of the expected financial performance of the combined company following completion of the proposed transaction; (5) failure to realize the anticipated benefits of the proposed transaction, including as a result of delay in completing the proposed transaction or integrating the businesses of GE, Wabtec and SpinCo; (6) the ability of the combined company to implement its business strategy; (7) difficulties and delays in achieving revenue and cost synergies of the combined company; (8) inability to retain and hire key personnel; (9) the occurrence of any event that could give rise to termination of the proposed transaction; (10) the risk that stockholder litigation in connection with the proposed transaction or other settlements or investigations may affect the timing or occurrence of the proposed transaction or result in significant costs of defense, indemnification and liability; (11) evolving legal, regulatory and tax regimes; (12) changes in general economic and/or industry specific conditions; (13) actions by third parties, including government agencies; and (14) other risk factors as detailed from time to time in GE's and Wabtec's respective reports filed with the SEC, including GE's and Wabtec's annual reports on Form 10-K, periodic quarterly reports on Form 10-Q, periodic current reports on Form 8-K and other documents filed with the SEC. The foregoing list of important factors is not exclusive.

Any forward-looking statements speak only as of the date of this communication. Neither GE nor Wabtec undertakes any obligation to update any forward-looking statements, whether as a result of new information or development, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on any of these forward-looking statements.

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(213  
)  
Interest, net

(173  
)

(6  
)  
—

(281  
)

(12  
)  
—

(472  
)  
Amortization of excess cost of equity investments and other, net

(1  
)

—

—

(6  
)

4

—

(3  
)

Income Before Income Taxes

131

998

1,025

120

(2,080)

)

194

Income Tax Expense

(319  
)

(2  
)  
—

(22  
)

(34  
)

—

(377  
)

Net (Loss) Income



(188  
)

996

1,003

86

(2,080  
)

(183  
)

Net Income Attributable to Noncontrolling Interests

—

—

—

—

—

(5  
)

(5  
)

Net (Loss) Income Attributable to Controlling Interests

(188  
)

996

1,003

86

(2,085  
)

(188  
)

Preferred Stock Dividends

(39  
)

—

—

—

—

—

(39

)  
Net (Loss) Income Available to Common Stockholders

(227

)

996

1,003

86

(2,085

)

(227

)

Net (Loss) Income

\$

(188

)

\$

996

\$

1,003

\$

86

\$  
(2,080  
)

\$  
(183  
)  
Total other comprehensive loss

(3  
)

(47  
)  
—

(32  
)

(31  
)

110

(3  
)  
Comprehensive (loss) income

(191  
)

949

971

55

(1,970  
)

(186  
)  
Comprehensive income attributable to noncontrolling interests

—

—  
—  
—  
—

(5  
)

(5  
)

Comprehensive (loss) income attributable to controlling interests

\$  
(191  
)

\$  
949

\$  
971

\$  
55

\$  
(1,975  
)

\$  
(191  
)

36

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Condensed Consolidating Statements of Income and Comprehensive Income  
for the Nine Months Ended September 30, 2017  
(In Millions)  
(Unaudited)

	Parent Issuer and Guarantor - KMP	Subsidiary Issuer and Guarantor KMP	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated KMI
Total Revenues	\$ 26	\$ —	\$ 8,959	\$ 1,190	\$ (102 )	\$ 10,073
Operating Costs, Expenses and Other						
Costs of sales	—	—	3,033	235	(68 )	3,200
Depreciation, depletion and amortization	12	—	1,451	234	—	1,697
Other operating expenses	37	1	2,065	375	(34 )	2,444
Total Operating Costs, Expenses and Other	49	1	6,549	844	(102 )	7,341
Operating (loss) income	(23 )	(1 )	2,410	346	—	2,732
Other Income (Expense)						
Earnings from consolidated subsidiaries	2,283	2,258	323	50	(4,914 )	—
Earnings from equity investments	—	—	477	—	—	477
Interest, net	(528 )	9	(832 )	(36 )	—	(1,387 )
Amortization of excess cost of equity investments and other, net	—	—	1	14	—	15
Income Before Income Taxes	1,732	2,266	2,379	374	(4,914 )	1,837
Income Tax Expense	(543 )	(4 )	(53 )	(22 )	—	(622 )
Net Income	1,189	2,262	2,326	352	(4,914 )	1,215
Net Income Attributable to Noncontrolling Interests	—	—	—	—	(26 )	(26 )
Net Income Attributable to Controlling Interests	1,189	2,262	2,326	352	(4,940 )	1,189
Preferred Stock Dividends	(117 )	—	—	—	—	(117 )
Net Income Available to Common Stockholders	\$ 1,072	\$ 2,262	\$ 2,326	\$ 352	\$ (4,940 )	\$ 1,072
Net Income	\$ 1,189	\$ 2,262	\$ 2,326	\$ 352	\$ (4,914 )	\$ 1,215
Total other comprehensive income	141	273	290	178	(692 )	190
Comprehensive income	1,330	2,535	2,616	530	(5,606 )	1,405
Comprehensive income attributable to noncontrolling interests	—	—	—	—	(75 )	(75 )
Comprehensive income attributable to controlling interests	\$ 1,330	\$ 2,535	\$ 2,616	\$ 530	\$ (5,681 )	\$ 1,330



Condensed Consolidating Statements of Income and Comprehensive Income  
for the Nine Months Ended September 30, 2016  
(In Millions)  
(Unaudited)

	Parent Issuer and Guarantor- KMP	Subsidiary Issuer and Guarantor KMP	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated KMI
Total Revenues	\$ 26	\$ —	\$ 8,555	\$ 1,127	\$ (39 )	\$ 9,669
Operating Costs, Expenses and Other						
Costs of sales	—	—	2,261	197	(4 )	2,454
Depreciation, depletion and amortization	13	—	1,400	239	—	1,652
Other operating expenses	712	4	1,644	600	(35 )	2,925
Total Operating Costs, Expenses and Other	725	4	5,305	1,036	(39 )	7,031
Operating (loss) income	(699 )	(4 )	3,250	91	—	2,638
Other Income (Expense)						
Earnings from consolidated subsidiaries	2,373	2,335	174	45	(4,927 )	—
Losses from equity investments	—	—	(1 )	—	—	(1 )
Interest, net	(519 )	91	(918 )	(38 )	—	(1,384 )
Amortization of excess cost of equity investments and other, net	—	—	(17 )	14	—	(3 )
Income Before Income Taxes	1,155	2,422	2,488	112	(4,927 )	1,250
Income Tax Expense	(656 )	(5 )	(32 )	(51 )	—	(744 )
Net Income	499	2,417	2,456	61	(4,927 )	506
Net Income Attributable to Noncontrolling Interests	—	—	—	—	(7 )	(7 )
Net Income Attributable to Controlling Interests	499	2,417	2,456	61	(4,934 )	499
Preferred Stock Dividends	(117 )	—	—	—	—	(117 )
Net Income Available to Common Stockholders	382	2,417	2,456	61	(4,934 )	382
Net Income	\$ 499	\$ 2,417	\$ 2,456	\$ 61	\$ (4,927 )	\$ 506
Total other comprehensive (loss) income	(96 )	(208 )	(261 )	101	368	(96 )
Comprehensive income	403	2,209	2,195	162	(4,559 )	410
Comprehensive income attributable to noncontrolling interests	—	—	—	—	(7 )	(7 )
Comprehensive income attributable to controlling interests	\$ 403	\$ 2,209	\$ 2,195	\$ 162	\$ (4,566 )	\$ 403





## Condensed Consolidating Balance Sheets as of September 30, 2017

(In Millions)

(Unaudited)

	Parent Issuer and Guarantor	Subsidiary Issuer and Guarantor - KMP	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated KMI
<b>ASSETS</b>						
Cash and cash equivalents	\$ 11	\$ —	\$ —	\$ 534	\$ (6 )	\$ 539
Other current assets - affiliates	11,645	6,008	16,883	800	(35,336 )	—
All other current assets	107	78	1,680	213	(4 )	2,074
Property, plant and equipment, net	243	—	30,976	8,648	—	39,867
Investments	665	—	6,688	131	—	7,484
Investments in subsidiaries	26,686	28,372	5,304	4,012	(64,374 )	—
Goodwill	13,789	22	5,167	3,186	—	22,164
Notes receivable from affiliates	1,043	20,776	1,362	493	(23,674 )	—
Deferred income taxes	5,802	—	—	—	(2,370 )	3,432
Other non-current assets	217	184	4,208	182	—	4,791
Total assets	\$ 60,208	\$ 55,440	\$ 72,268	\$ 18,199	\$ (125,764 )	\$ 80,351
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
<b>Liabilities</b>						
Current portion of debt	\$ 1,119	\$ 975	\$ 806	\$ 256	\$ —	\$ 3,156
Other current liabilities - affiliates	7,808	16,531	10,313	684	(35,336 )	—
All other current liabilities	400	158	1,966	504	(10 )	3,018
Long-term debt	13,121	18,270	3,059	666	—	35,116
Notes payable to affiliates	1,856	448	21,015	355	(23,674 )	—
Deferred income taxes	—	—	727	1,643	(2,370 )	—
All other long-term liabilities and deferred credits	679	102	1,291	465	—	2,537
Total liabilities	24,983	36,484	39,177	4,573	(61,390 )	43,827
<b>Stockholders' equity</b>						
Total KMI equity	35,225	18,956	33,091	13,626	(65,673 )	35,225
Noncontrolling interests	—	—	—	—	1,299	1,299
Total stockholders' Equity	35,225	18,956	33,091	13,626	(64,374 )	36,524
Total Liabilities and Stockholders' Equity	\$ 60,208	\$ 55,440	\$ 72,268	\$ 18,199	\$ (125,764 )	\$ 80,351

Condensed Consolidating Balance Sheets as of December 31, 2016  
(In Millions)

	Parent Issuer and Guarantor	Subsidiary Issuer and Guarantor - KMP	Subsidiary Guarantors	Subsidiary Non-Guarantor	Consolidating Adjustments	Consolidated KMI
<b>ASSETS</b>						
Cash and cash equivalents	\$ 471	\$ —	\$ 9	\$ 205	\$(1 )	\$ 684
Other current assets - affiliates	5,739	1,999	13,207	655	(21,600 )	—
All other current assets	269	139	1,935	205	(3 )	2,545
Property, plant and equipment, net	242	—	30,795	7,668	—	38,705
Investments	665	2	6,236	124	—	7,027
Investments in subsidiaries	26,907	29,421	4,307	4,028	(64,663 )	—
Goodwill	13,789	22	5,167	3,174	—	22,152
Notes receivable from affiliates	516	21,608	1,132	412	(23,668 )	—
Deferred income taxes	6,647	—	—	—	(2,295 )	4,352
Other non-current assets	72	206	4,455	107	—	4,840
Total assets	\$ 55,317	\$ 53,397	\$ 67,243	\$ 16,578	\$(112,230 )	\$ 80,305
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
<b>Liabilities</b>						
Current portion of debt	\$ 1,286	\$ 600	\$ 687	\$ 123	\$ —	\$ 2,696
Other current liabilities - affiliates	3,551	13,299	4,197	553	(21,600 )	—
All other current liabilities	432	362	2,016	422	(4 )	3,228
Long-term debt	13,308	19,277	4,095	674	—	37,354
Notes payable to affiliates	1,533	448	20,520	1,167	(23,668 )	—
Deferred income taxes	—	—	681	1,614	(2,295 )	—
Other long-term liabilities and deferred credits	776	111	821	517	—	2,225
Total liabilities	20,886	34,097	33,017	5,070	(47,567 )	45,503
<b>Stockholders' equity</b>						
Total KMI equity	34,431	19,300	34,226	11,508	(65,034 )	34,431
Noncontrolling interests	—	—	—	—	371	371
Total stockholders' Equity	34,431	19,300	34,226	11,508	(64,663 )	34,802
Total Liabilities and Stockholders' Equity	\$ 55,317	\$ 53,397	\$ 67,243	\$ 16,578	\$(112,230 )	\$ 80,305

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Condensed Consolidating Statements of Cash Flows for the Nine Months Ended September 30, 2017

(In Millions)

(Unaudited)

	Parent Issuer and Guarantor	Subsidiary Issuer and Guarantor - KMP	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated KMI
Net cash (used in) provided by operating activities	\$ (2,191 )	\$ 2,925	\$ 8,718	\$ 657	\$ (6,802 )	\$ 3,307
Cash flows from investing activities						
Acquisitions of assets and investments, net of cash acquired	—	—	(4 )	—	—	(4 )
Capital expenditures	(18 )	—	(1,699 )	(514 )	—	(2,231 )
Sales of property, plant and equipment, and other net assets, net of removal costs	7	—	98	13	—	118
Contributions to investments	(215 )	—	(408 )	(8 )	—	(631 )
Distributions from equity investments in excess of cumulative earnings	1,525	—	223	—	(1,496 )	252
Funding (to) from affiliates	(3,658 )	639	(5,533 )	(567 )	9,119	—
Other, net	(16 )	24	4	(2 )	—	10
Net cash (used in) provided by investing activities	(2,375 )	663	(7,319 )	(1,078 )	7,623	(2,486 )
Cash flows from financing activities						
Issuances of debt	7,570	—	—	220	—	7,790
Payments of debt	(8,053 )	(600 )	(895 )	(106 )	—	(9,654 )
Debt issue costs	(12 )	—	—	(57 )	—	(69 )
Cash dividends - common shares	(840 )	—	—	—	—	(840 )
Cash dividends - preferred shares	(117 )	—	—	—	—	(117 )
Funding from (to) affiliates	5,563	749	3,197	(390 )	(9,119 )	—
Contributions from investment partner	—	—	444	—	—	444
Contributions from parents, including net proceeds from KML IPO and preferred share issuance	—	—	—	1,483	(1,483 )	—
Contributions from noncontrolling interests - net proceeds from KML IPO	4	—	—	—	1,241	1,245
Contributions from noncontrolling interests - net proceeds from KML preferred share issuance	—	—	—	—	230	230
Contributions from noncontrolling interests - other	—	—	—	—	12	12
Distributions to parents	—	(3,737 )	(4,154 )	(428 )	8,319	—
Distributions to noncontrolling interests	—	—	—	—	(26 )	(26 )
Other, net	(9 )	—	—	—	—	(9 )
Net cash provided by (used in) financing activities	4,106	(3,588 )	(1,408 )	722	(826 )	(994 )

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Effect of exchange rate changes on cash and cash equivalents	—	—	—	28	—	28
Net (decrease) increase in cash and cash equivalents	(460 )	—	(9 )	329	(5 )	(145 )
Cash and cash equivalents, beginning of period	471	—	9	205	(1 )	684
Cash and cash equivalents, end of period	\$ 11	\$ —	\$ —	\$ 534	\$ (6 )	\$ 539

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Condensed Consolidating Statements of Cash Flows for the Nine Months Ended September 30, 2016

(In Millions)

(Unaudited)

	Parent Issuer and Guarantor - KMP	Subsidiary Issuer and Guarantor KMP	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated KMI
Net cash (used in) provided by operating activities	\$ (3,015 )	\$ 3,903	\$ 8,778	\$ 681	\$ (6,844 )	\$ 3,503
Cash flows from investing activities						
Acquisitions of assets and investments, net of cash acquired	(2 )	—	(331 )	—	—	(333 )
Capital expenditures	(39 )	—	(1,550 )	(520 )	—	(2,109 )
Proceeds from sale of equity interests in subsidiaries, net	—	—	1,402	—	—	1,402
Sales of property, plant and equipment, and other net assets, net of removal costs	—	—	250	—	—	250
Contributions to investments	(343 )	—	(36 )	(10 )	—	(389 )
Distributions from equity investments in excess of cumulative earnings	1,773	298	127	—	(2,040 )	158
Funding to affiliates	(2,354 )	(495 )	(3,650 )	(529 )	7,028	—
Other, net	—	(52 )	37	(11 )	—	(26 )
Net cash used in investing activities	(965 )	(249 )	(3,751 )	(1,070 )	4,988	(1,047 )
Cash flows from financing activities						
Issuances of debt	8,111	—	374	—	—	8,485
Payments of debt	(7,178 )	(500 )	(1,449 )	(8 )	—	(9,135 )
Restricted cash held in escrow for debt repayment	—	—	(776 )	—	—	(776 )
Debt issue costs	(13 )	—	(1 )	(1 )	—	(15 )
Cash dividends - common shares	(839 )	—	—	—	—	(839 )
Cash dividends - preferred shares	(115 )	—	—	—	—	(115 )
Funding from affiliates	4,070	973	1,539	446	(7,028 )	—
Contributions from parents	—	—	88	—	(88 )	—
Contributions from noncontrolling interests	—	—	—	—	88	88
Distributions to parents	—	(4,127 )	(4,801 )	(14 )	8,942	—
Distributions to noncontrolling interests	—	—	—	—	(17 )	(17 )
Other, net	(8 )	—	—	—	—	(8 )
Net cash provided by (used in) financing activities	4,028	(3,654 )	(5,026 )	423	1,897	(2,332 )
Effect of exchange rate changes on cash and cash equivalents	—	—	—	4	—	4
Net increase in cash and cash equivalents	48	—	1	38	41	128
Cash and cash equivalents, beginning of period	123	—	12	142	(48 )	229

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Cash and cash equivalents, end of period	\$ 171	\$ —	\$ 13	\$ 180	\$(7	) \$ 357
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## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### General and Basis of Presentation

The following discussion and analysis should be read in conjunction with our accompanying interim consolidated financial statements and related notes included elsewhere in this report, and in conjunction with (i) our consolidated financial statements and related notes and (ii) our management's discussion and analysis of financial condition and results of operations included in our 2016 Form 10-K.

### Sale of Approximate 30% Interest in our Canadian Business

On May 30, 2017, our indirectly owned subsidiary, KML, completed an IPO of 102,942,000 restricted voting shares at a price to the public of C\$17.00 per restricted voting share for total gross proceeds of approximately C\$1,750 million. The net proceeds of C\$1,677 million (USD \$1,245 million) from the IPO were used by KML to indirectly acquire from us an approximate 30% interest in a limited partnership that holds our Canadian business with us retaining the remaining 70% interest. We used the proceeds from KML to pay down debt.

Subsequent to the IPO, we retained control of KML and the limited partnership, and as a result, they remain consolidated in our consolidated financial statements. The public ownership of the KML restricted voting shares is reflected within "Noncontrolling interests" in our consolidated statements of stockholders' equity and consolidated balance sheets. Earnings attributable to the public ownership of KML are presented in "Net income attributable to noncontrolling interests" in our consolidated statements of income for the periods presented after May 30, 2017. The portion of the Canadian business operations that we sold to the public on May 30, 2017 represented Canadian assets that are included in our Kinder Morgan Canada, Terminals and Products Pipelines business segments and included the Trans Mountain Pipeline system (including related terminals assets), Trans Mountain Expansion Project, the Puget Sound and Jet Fuel Pipeline systems, the Canadian portion of the Cochin Pipeline system, the Vancouver Wharves Terminal and the North 40 Terminal; as well as three jointly controlled investments: the Edmonton Rail Terminal, the Alberta Crude Terminal and the Base Line Terminal.

In addition, upon completion of the IPO, we announced our final investment decision for the Trans Mountain Expansion Project. Construction on the Trans Mountain Expansion Project, a C\$7.4 billion project, began in September 2017 with completion expected in December 2019.

### Sale of Equity Interest in SNG

On September 1, 2016, we completed the sale of a 50% interest in our SNG natural gas pipeline system to The Southern Company (Southern Company), receiving proceeds of \$1.4 billion, and the formation of a joint venture, which includes our remaining 50% interest in SNG. We used the proceeds from the sale to reduce outstanding debt. We recognized a pre-tax loss of \$84 million on the sale of our interest in SNG which is included within "Loss on impairments and divestitures, net" on the accompanying consolidated statements of income for the three and nine months ended September 30, 2016. As a result of this transaction, we no longer hold a controlling interest in SNG or Bear Creek Storage Company, LLC (Bear Creek) (50% of which is owned by SNG) and, as such, we now account for our remaining equity interests in SNG and Bear Creek as equity investments.

### Results of Operations

#### Overview

Our management evaluates our performance primarily using the measures of Segment EBDA and, as discussed below under "—Non-GAAP Measures," distributable cash flow, or DCF, and Segment EBDA before certain items. Segment EBDA is a useful measure of our operating performance because it measures the operating results of our segments before DD&A and certain expenses that are generally not controllable by our business segment operating managers, such as general and administrative expenses, interest expense, net, and income taxes. Our general and administrative expenses include such items as employee benefits, insurance, rentals, unallocated litigation and environmental



expenses, and shared corporate services including accounting, information technology, human resources and legal services.

Segment results for the three and nine months ended September 30, 2016 have been retrospectively adjusted to reflect the elimination of the Other segment as a reportable segment. The activities that previously comprised the Other segment are now presented within Corporate non-segment activities in reconciling to the consolidated totals in the respective segment reporting

tables. The Other segment had historically been comprised primarily of legacy operations of acquired businesses not associated with our ongoing operations. These business activities have since been sold or have otherwise ceased. In addition, the Other segment included certain company owned real estate assets which are primarily leased to our operating subsidiaries as well as third party tenants. This activity is now reflected within Corporate activity. In addition, the portions of interest income and income tax expense previously allocated to our business segments are now included in “Interest expense, net” and “Income tax expense” for all periods presented in the following tables.

Consolidated Earnings Results

	Three Months Ended September 30,		Earnings increase/(decrease)		
	2017	2016			
	(In millions, except percentages)				
Segment EBDA(a)					
Natural Gas Pipelines	\$884	\$542	\$ 342	63	%
CO <sub>2</sub>	197	217	(20 )	(9 )	%
Terminals	314	294	20	7	%
Products Pipelines	302	292	10	3	%
Kinder Morgan Canada	50	48	2	4	%
Total Segment EBDA(b)	1,747	1,393	354	25	%
DD&A	(562 )	(549 )	(13 )	(2 )	%
Amortization of excess cost of equity investments	(15 )	(15 )	—	—	%
General and administrative and corporate charges(c)	(164 )	(163 )	(1 )	(1 )	%
Interest, net(d)	(459 )	(472 )	13	3	%
Income before income taxes	547	194	353	182	%
Income tax expense	(160 )	(377 )	217	58	%
Net income (loss)	387	(183 )	570	311	%
Net income attributable to noncontrolling interests	(14 )	(5 )	(9 )	(180 )	%
Net income (loss) attributable to Kinder Morgan, Inc.	373	(188 )	561	298	%
Preferred Stock Dividends	(39 )	(39 )	—	—	%
Net income (loss) available to common stockholders	\$334	\$(227)	\$ 561	247	%

	Nine Months Ended September 30,		Earnings increase/(decrease)		
	2017	2016			
	(In millions, except percentages)				
Segment EBDA(a)					
Natural Gas Pipelines	\$2,846	\$2,503	\$ 343	14	%
CO <sub>2</sub>	636	608	28	5	%
Terminals	925	856	69	8	%
Products Pipelines	913	761	152	20	%
Kinder Morgan Canada	136	140	(4 )	(3 )	%
Total Segment EBDA(b)	5,456	4,868	588	12	%
DD&A	(1,697 )	(1,652 )	(45 )	(3 )	%
Amortization of excess cost of equity investments	(45 )	(45 )	—	—	%
General and administrative and corporate charges(c)	(490 )	(537 )	47	9	%

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Interest, net(d)	(1,387 )	(1,384 )	(3 )	—	%
Income before income taxes	1,837	1,250	587	47	%
Income tax expense	(622 )	(744 )	122	16	%
Net income	1,215	506	709	140	%
Net income attributable to noncontrolling interests	(26 )	(7 )	(19 )	(271 )	%
Net income attributable to Kinder Morgan, Inc.	1,189	499	690	138	%
Preferred Stock Dividends	(117 )	(117 )	—	—	%
Net income available to common stockholders	\$1,072	\$382	\$ 690	181	%

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Includes revenues, earnings from equity investments, and other, net, less operating expenses, other expense (income), net, losses on impairments and divestitures, net and losses on impairments and divestitures of equity investments, net. Operating expenses include costs of sales, operations and maintenance expenses, and taxes, other than income taxes.

Certain items affecting Total Segment EBDA (see “—Non-GAAP Measures” below)

Three and nine month 2017 amounts include a net decrease in earnings of \$46 million and increase in earnings of \$33 million, respectively, and three and nine month 2016 amounts include net decreases in earnings of \$429 million and \$740 million, respectively, related to the combined effect of the certain items impacting Total Segment EBDA. The extent to which these items affect each of our business segments is discussed below in the footnotes to the tables within “—Segment Earnings Results.”

Three and nine month 2017 amounts include increases in expense of \$5 million and \$8 million, respectively, and nine month 2016 amount includes net increases in expense of \$24 million related to the combined effect of the certain items related to general and administrative expense and corporate charges disclosed below in “—General and Administrative and Corporate Charges, Interest, net and Noncontrolling Interests.”

Three and nine month 2017 amounts include net decreases in expense of \$4 million and \$21 million, respectively, and three and nine month 2016 amounts include net decreases in expense of \$31 million and \$140 million, respectively, related to the combined effect of the certain items related to interest expense, net of interest income disclosed below in “—General and Administrative and Corporate Charges, Interest, net and Noncontrolling Interests.”

The certain item totals reflected in footnotes (b), (c), and (d) to the table above accounted for \$351 million of the increase in income before income taxes for the third quarter of 2017, as compared to the same prior year period (representing the difference between the decreases of \$47 million and \$398 million, respectively, in income before income taxes for the third quarters of 2017 and 2016, respectively) and an increase of \$670 million in income before income taxes for the nine months ended September 30, 2017, when compared to the same prior year period (representing the difference between an increase of \$46 million and a decrease of \$624 million in income before income taxes for the nine months ended September 30, 2017 and 2016, respectively). After giving effect to these certain items, the remaining increase in income before income taxes from the prior year quarter was \$2 million (0%) and the remaining decrease in income before income taxes year-to-date was \$83 million (4%). The quarter-to-date increase from 2016 is primarily attributable to decreased interest expense partially offset by decreased performance from our Natural Gas Pipelines business segment, largely associated with our sale of a 50% interest in SNG to The Southern Company on September 1, 2016, and increased DD&A expense. The year-to-date decrease from 2016 is primarily attributable to decreased performance from our Natural Gas Pipelines business segment, largely associated with our sale of a 50% interest in SNG to The Southern Company on September 1, 2016, and increased DD&A expense partially offset by decreased general and administrative expense and by decreased interest expense.

#### Non-GAAP Financial Measures

Our non-GAAP performance measures are DCF, both in the aggregate and per share, and Segment EBDA before certain items. Certain items are items that are required by GAAP to be reflected in net income, but typically either (i) do not have a cash impact (for example, asset impairments), or (ii) by their nature are separately identifiable from our normal business operations and in our view are likely to occur only sporadically (for example certain legal settlements, hurricane impacts and casualty losses).

Our non-GAAP performance measures described below should not be considered alternatives to GAAP net income or other GAAP measures and have important limitations as analytical tools. Our computations of DCF and Segment EBDA before certain items may differ from similarly titled measures used by others. You should not consider these non-GAAP performance measures in isolation or as substitutes for an analysis of our results as reported under GAAP. DCF should not be used as an alternative to net cash provided by operating activities computed under GAAP. Management compensates for the limitations of these non-GAAP performance measures by reviewing our comparable

GAAP measures, understanding the differences between the measures and taking this information into account in its analysis and its decision making processes.

#### Distributable Cash Flow

DCF is a significant performance measure used by us and by external users of our financial statements to evaluate our performance and to measure and estimate the ability of our assets to generate cash earnings after servicing our debt and preferred stock dividends, paying cash taxes and expending sustaining capital, that could be used for discretionary purposes such as common stock dividends, stock repurchases, retirement of debt, or expansion capital expenditures. Management uses this performance measure and believes it provides users of our financial statements a useful performance measure reflective of our business's ability to generate cash earnings to supplement the comparable GAAP measure. We believe the GAAP measure most directly comparable to DCF is net income available to common stockholders. A reconciliation of DCF to net income available to common stockholders is provided in the table below. DCF per share is DCF divided by average outstanding shares, including restricted stock awards that participate in dividends.

## Segment EBDA Before Certain Items

Segment EBDA before certain items is used by management in its analysis of segment performance and management of our business. General and administrative expenses are generally not under the control of our segment operating managers, and therefore, are not included when we measure business segment operating performance. We believe Segment EBDA before certain items is a significant performance metric because it provides us and external users of our financial statements additional insight into the ability of our segments to generate segment cash earnings on an ongoing basis. We believe it is useful to investors because it is a performance measure that management uses to allocate resources to our segments and assess each segment's performance. We believe the GAAP measure most directly comparable to Segment EBDA before certain items is segment earnings before DD&A and amortization of excess cost of equity investments (Segment EBDA).

In the tables for each of our business segments under “— Segment Earnings Results” below, Segment EBDA before certain items is calculated by adjusting the Segment EBDA for the applicable certain item amounts, which are totaled in the tables and described in the footnotes to those tables.

## Reconciliation of Net Income Available to Common Stockholders to DCF

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
	2017	2016	2017	2016
	(In millions, except per share amounts)			
Net Income (Loss) Available to Common Stockholders	\$334	\$(227)	\$1,072	\$382
Add/(Subtract):				
Certain items before book tax(a)	47	398	(46)	624
Book tax certain items(b)	(53)	172	(24)	70
Certain items after book tax	(6)	570	(70)	694
Noncontrolling interest certain items(c)	—	—	1	(9)
Net income available to common stockholders before certain items	328	343	1,003	1,067
Add/(Subtract):				
DD&A expense(d)	661	653	2,018	1,961
Total book taxes(e)	244	230	730	745
Cash taxes(f)	(9)	(22)	(54)	(61)
Other items(g)	(13)	11	11	31
Sustaining capital expenditures(h)	(156)	(134)	(416)	(379)
DCF	\$1,055	\$1,081	\$3,292	\$3,364
Weighted average common shares outstanding for dividends(i)	2,241	2,239	2,240	2,237
DCF per common share	\$0.47	\$0.48	\$1.47	\$1.50
Declared dividend per common share	\$0.125	\$0.125	\$0.375	\$0.375

(a) Consists of certain items summarized in footnotes (b) through (d) to the “—Results of Operations—Consolidated Earnings Results” tables included above, and described in more detail below in the footnotes to tables included in both our management's discussion and analysis of segment results and “—General and Administrative and Corporate Charges, Interest, net and Noncontrolling Interests.”

(b) Represents income tax provision on certain items, plus discrete income tax certain items. For the three and nine months ended September 30, 2017, discrete income tax items included a \$36 million federal return-to-provision tax

benefit as a result of the recognition of an enhanced oil recovery credit instead of deduction. For the three and nine months ended September 30, 2016, discrete income tax items included a \$276 million increase in tax expense primarily due to the impact of the sale of a 50% interest in SNG discussed in Note 8 "Income Taxes" to our consolidated financial statements.

(c) Represents noncontrolling interests share of certain items.

Includes DD&A and amortization of excess cost of equity investments. Three and nine month 2017 amounts also include \$84 million and \$276 million, respectively, and three and nine month 2016 amounts also include \$89

(d) million and \$264 million, respectively, of our share of certain equity investees' DD&A, net of the DD&A associated with noncontrolling interests in KML and consolidating joint venture partners' share of DD&A.

Excludes book tax certain items. Three and nine month 2017 amounts also include \$31 million and \$84 million,

(e) respectively, and three and nine month 2016 amounts also include \$25 million and \$71 million, respectively, of our share of taxable equity investees' book tax expense.

Three and nine month 2017 amounts also include \$(9) million and \$(54) million, respectively, and three and nine

(f) month 2016 amounts include \$(25) million and \$(59) million, respectively, of our share of taxable equity investees' cash taxes.

Amounts include non-cash compensation associated with our restricted stock program. Three and nine months (g) ended September 30, 2017 also include a pension contribution and the noncontrolling interest portion of KML's book taxes.

Three and nine month 2017 amounts include \$(29) million and \$(74) million, respectively, and three and nine (h) month 2016 amounts include \$(24) million and \$(66) million, respectively, of our share of equity investees' sustaining capital expenditures.

(i) Includes restricted stock awards that participate in common share dividends.

## Segment Earnings Results

### Natural Gas Pipelines

	Three Months		Nine Months	
	Ended September		Ended September	
	30,	30,	30,	30,
	2017	2016	2017	2016
	(In millions, except operating statistics)			
Revenues(a)	\$2,024	\$2,050	\$6,290	\$5,904
Operating expenses	(1,262 )	(1,199 )	(3,846 )	(3,142 )
Loss on impairments and divestitures, net(b)	(27 )	(78 )	(27 )	(199 )
Earnings from equity investments(b)	134	111	389	273
Loss on impairments of equity investments(b)	—	(350 )	—	(356 )
Other, net	15	8	40	23
Segment EBDA(b)	884	542	2,846	2,503
Certain items(b)	44	417	6	547
Segment EBDA before certain items	\$928	\$959	\$2,852	\$3,050
Change from prior period	Increase/(Decrease)			
Revenues before certain items	\$(16 )	(1 )%	\$381	6 %
Segment EBDA before certain items	\$(31 )	(3 )%	\$(198 )	(6 )%
Natural gas transport volumes (BBtu/d)(c)	28,879	28,144	28,796	28,162
Natural gas sales volumes (BBtu/d)(c)	2,181	2,438	2,329	2,350
Natural gas gathering volumes (BBtu/d)(c)	2,523	2,935	2,635	3,044
Crude/condensate gathering volumes (MBbl/d)(c)	271	270	268	300

### Certain items affecting Segment EBDA

Three and nine month 2017 amounts include decreases in revenue of \$12 million and increases in revenue of \$10 million, respectively, and three and nine month 2016 amounts include decreases in revenue of \$2 million and \$34 (a) million, respectively, related to non-cash mark-to-market derivative contracts used to hedge forecasted natural gas, NGL and crude oil sales. Nine month 2016 amount also includes an increase in revenue of \$39 million associated with revenue collected on a customer's early buyout of a long-term natural gas storage contract.

(b) In addition to the revenue certain items described in footnote (a) above: three and nine month 2017 amounts also include (i) decreases in earnings of \$30 million for both periods related to a non-cash impairment loss associated with the Colden storage field; (ii) increases in earnings from our equity investment in EagleHawk of \$12 million for both periods related to a customer contract settlement; (iii) decreases in earnings of \$7 million and \$12 million, respectively, related to early termination of debt at an equity investee; and (iv) decreases in earnings of \$7 million and \$8 million, respectively, from other certain items. Also, nine month 2017 amount includes an increase in earnings from equity investments of \$22 million on the sale of a claim related to the early termination of a long-term natural gas transportation contract of an equity investee as a result of a customer bankruptcy proceeding, and three and nine month 2016 amounts also include (i) a \$350 million impairment of our equity investment in



MEP; (ii) an \$84 million pre-tax loss on the sale of a 50% interest in our SNG natural gas pipeline system; (iii) an increase in earnings of \$18 million related to the early termination of a customer contract at an equity investee; and (iv) an increase in earnings of \$1 million and a decrease in earnings \$17 million, respectively, from other certain items. Nine month 2016 amount also includes decreases in earnings of (i) \$106 million of project write-offs; and (ii) \$13 million related to an equity investment impairment.

Other

Joint venture throughput is reported at our ownership share. Volumes for acquired pipelines are included at our (c)ownership share for the entire period, however, EBDA contributions from acquisitions are included only for the periods subsequent to their acquisition.

Below are the changes in both Segment EBDA before certain items and revenues before certain items, in the comparable three and nine month periods ended September 30, 2017 and 2016:

Three months ended September 30, 2017 versus Three months ended September 30, 2016

	Segment EBDA before certain items increase/(decrease) increase/(decrease) (In millions, except percentages)	Revenues before certain items increase/(decrease) increase/(decrease) (In millions, except percentages)
SNG	\$(49) (62)%	\$ (85 ) (91 )%
South Texas Midstream	(18 ) (26)%	(21 ) (8 )%
CIG	(12 ) (20)%	(11 ) (14 )%
Hiland Midstream	(5 ) (10)%	29 21 %
TGP	23 9 %	29 8 %
Elba Express	11 50 %	13 59 %
EPNG	11 10 %	6 4 %
Texas Intrastate Natural Gas Pipeline Operations	— — %	12 2 %
All others (including eliminations)	8 4 %	12 6 %
Total Natural Gas Pipelines	\$(31) (3 )%	\$ (16 ) (1 )%

Nine months ended September 30, 2017 versus Nine months ended September 30, 2016

	Segment EBDA before certain items increase/(decrease) increase/(decrease) (In millions, except percentages)	Revenues before certain items increase/(decrease) increase/(decrease) (In millions, except percentages)
SNG	\$(206) (70)%	\$ (350 ) (94 )%
South Texas Midstream	(42 ) (20)%	(29 ) (4 )%
CIG	(41 ) (20)%	(38 ) (14 )%
Hiland Midstream	(17 ) (11)%	119 31 %
TGP	59 7 %	67 6 %
Elba Express	31 46 %	35 52 %
EPNG	16 5 %	15 3 %
Texas Intrastate Natural Gas Pipeline Operations	9 3 %	554 29 %
All others (including eliminations)	(7 ) (1 )%	8 1 %
Total Natural Gas Pipelines	\$(198) (6 )%	\$ 381 6 %

The changes in Segment EBDA for our Natural Gas Pipelines business segment are further explained by the following discussion of the significant factors driving Segment EBDA before certain items in the comparable three and nine month periods ended September 30, 2017 and 2016:

- decreases of \$49 million (62%) and \$206 million (70%), respectively, from SNG due to our sale of a 50% interest in SNG to The Southern Company on September 1, 2016;

- decreases of \$18 million (26%) and \$42 million (20%), respectively, from South Texas Midstream primarily due to lower volumes on commodity based service revenues and residue gas sales, partially offset by higher revenues due to NGL prices, and for the nine month period, higher costs due to index prices;

- decreases of \$12 million (20%) and \$41 million (20%), respectively, from CIG primarily due to a decrease in tariff rates effective January 1, 2017 as a result of a rate case settlement entered into in 2016;

decreases of \$5 million (10%) and \$17 million (11%), respectively, from Hiland Midstream primarily due to lower crude oil margins driven by lower crude oil gathering and delivery volumes and higher operating expenses partially offset by higher natural gas margins primarily due to higher NGL prices and renegotiated contracts. The increases in revenues of \$29 million and \$119 million, respectively, resulted primarily from an increase in natural gas revenue due to higher commodity prices which was largely offset by a corresponding increase in costs of sales;

increases of \$23 million (9%) and \$59 million (7%), respectively, from TGP primarily due to higher firm transportation revenues driven by incremental capacity sales and an expansion project placed in service fourth quarter 2016;

increases of \$11 million (50%) and \$31 million (46%), respectively, from Elba Express primarily due to an expansion project placed in service in December 2016;

increases of \$11 million (10%) and \$16 million (5%), respectively, from EPNG primarily due to higher transportation revenues driven by incremental Permian capacity sales and an increase in volumes due to the ramp up of existing customer volumes associated with an expansion project; and

flat and increase of \$9 million (3%), respectively, from our Texas intrastate natural gas pipeline operations (including the operations of its Kinder Morgan Tejas, Border, Kinder Morgan Texas, North Texas and Mier-Monterrey Mexico pipeline systems). The quarter-to-date results were primarily affected by higher park and loan revenues and transportation margins offset by lower storage and sales margins. The year-to-date increase was primarily due to higher transportation margins as a result of higher volumes and higher park and loan revenues partially offset by lower storage and sales margins. The increases in revenues of \$12 million and \$554 million, respectively, resulted primarily from an increase in sales revenue due to higher commodity prices which was largely offset by a corresponding increase in costs of sales.

## CO2

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2017	2016	2017	2016
	(In millions, except operating statistics)			
Revenues(a)	\$289	\$310	\$899	\$916
Operating expenses	(102 )	(102 )	(294 )	(302 )
Gain (loss) on impairments and divestitures, net(b)	—	—	1	(20 )
Earnings from equity investments(b)	10	9	30	14
Segment EBDA(b)	197	217	636	608
Certain items(b)	20	12	23	73
Segment EBDA before certain items	\$217	\$229	\$659	\$681
Change from prior period	Increase/(Decrease)			
Revenues before certain items	\$(13 )	(4 )%	\$(33 )	(3 )%
Segment EBDA before certain items	\$(12 )	(5 )%	\$(22 )	(3 )%
Southwest Colorado CO <sub>2</sub> production (gross)(Bcf/d)(c)	1.2	1.2	1.3	1.2
Southwest Colorado CO <sub>2</sub> production (net)(Bcf/d)(c)	0.6	0.6	0.6	0.6
SACROC oil production (gross)(MBbl/d)(d)	27.5	28.9	27.7	29.7
SACROC oil production (net)(MBbl/d)(e)	22.9	24.1	23.1	24.8
Yates oil production (gross)(MBbl/d)(d)	17.1	17.9	17.5	18.5
Yates oil production (net)(MBbl/d)(e)	7.6	7.9	7.8	8.2
Katz, Goldsmith and Tall Cotton oil production (gross)(MBbl/d)(d)	8.4	6.9	7.9	6.9
Katz, Goldsmith and Tall Cotton oil production (net)(MBbl/d)(e)	7.1	5.8	6.7	5.8
NGL sales volumes (net)(MBbl/d)(e)	9.6	10.6	9.9	10.3
Realized weighted-average oil price per Bbl(f)	\$58.29	\$62.12	\$58.08	\$61.27
Realized weighted-average NGL price per Bbl(g)	\$24.79	\$18.03	\$23.92	\$16.42

### Certain items affecting Segment EBDA

(a) Three and nine month 2017 amounts include unrealized losses of \$20 million and \$33 million, respectively, and three and nine month 2016 amounts include unrealized losses of \$12 million and \$40 million, respectively, related

to non-cash mark to market derivative contracts used to hedge forecasted commodity sales. Nine month 2017 amount also includes an increase in revenues of \$9 million related to the settlement of a CO<sub>2</sub> customer sales contract.

In addition to the revenue certain items described in footnote (a) above: nine month 2017 amount also includes a (b) \$1 million decrease in expense related to source and transportation project write-offs, and nine month 2016 amount also includes a decrease of \$12 million in

equity earnings for our share of a project write-off recorded by an equity investee and a \$21 million increase in expense related to source and transportation project write-offs.

Other

(c) Includes McElmo Dome and Doe Canyon sales volumes.

Represents 100% of the production from the field. We own approximately 97% working interest in the SACROC unit, an approximately 50% working interest in the Yates unit, an approximately 99% working interest in the Katz unit and a 99% working interest in the Goldsmith Landreth unit and a 100% working interest in the Tall Cotton field.

(d) Net after royalties and outside working interests.

(e) Includes all crude oil production properties.

(f) Includes production attributable to leasehold ownership and production attributable to our ownership in processing plants and third party processing agreements.

Below are the changes in both Segment EBDA before certain items and revenues before certain items, in the comparable three and nine month periods ended September 30, 2017 and 2016.

Three months ended September 30, 2017 versus Three months ended September 30, 2016

	Segment EBDA before certain items increase/(decrease) (In millions, except percentages)	Revenues before certain items increase/(decrease)
Source and Transportation Activities	\$— —%	\$ (4 ) (5 )%
Oil and Gas Producing Activities	(12 ) (8)%	(11 ) (4 )%
Intrasegment eliminations	— —%	2 20 %
Total CO2	\$(12) (5)%	\$( 13 ) (4 )%

Nine months ended September 30, 2017 versus Nine months ended September 30, 2016

	Segment EBDA before certain items increase/(decrease) (In millions, except percentages)	Revenues before certain items increase/(decrease)
Source and Transportation Activities	\$11 5 %	\$ 4 2 %
Oil and Gas Producing Activities	(33 ) (7)%	(35 ) (5 )%
Intrasegment eliminations	— —%	(2 ) (7 )%
Total CO2	\$(22) (3)%	\$( 33 ) (3 )%

The changes in Segment EBDA for our CO<sub>2</sub> business segment are further explained by the following discussion of the significant factors driving Segment EBDA before certain items in the comparable three and nine month periods ended September 30, 2017 and 2016:

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flat and increase of \$11 million (5%), respectively, from our Source and Transportation activities. Quarter-to-date results were impacted by lower revenues of \$4 million driven by lower volumes of \$6 million partially offset by higher contract sales prices of \$2 million which were offset by lower operating expenses of \$3 million and increased earnings from an equity investee of \$1 million. The year-to-date increase was primarily due to higher revenues of \$4 million driven by increased volumes of \$9 million partially offset by lower contract sales prices of \$5 million, \$4 million related to increased earnings from an equity investee and lower operating expenses of \$3 million; and decreases of \$12 million (8%) and \$33 million (7%), respectively, from our Oil and Gas Producing activities primarily due to decreased revenues of \$11 million and \$35 million, respectively, driven by lower volumes of \$5 million and \$26 million, respectively, and lower commodity prices of \$6 million and \$9 million, respectively. These decreases were also impacted by an increase of \$1 million and a decrease of \$2 million, respectively, in operating expenses.

## Terminals

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
	(In millions, except operating statistics)			
Revenues(a)	\$485	\$484	\$1,459	\$1,437
Operating expenses	(202 )	(194 )	(575 )	(580 )
Gain (loss) on impairments and divestitures, net(b)	22	(4 )	16	(21 )
Earnings from equity investments	6	6	18	17
Other, net	3	2	7	3
Segment EBDA(b)	314	294	925	856
Certain items(b)	(18 )	(1 )	(28 )	8
Segment EBDA before certain items	\$296	\$293	\$897	\$864
Change from prior period	Increase/(Decrease)			
Revenues before certain items	\$5	1	% \$37	3 %
Segment EBDA before certain items	\$3	1	% \$33	4 %
Bulk transload tonnage (MMtons)	15.5	15.0	44.4	41.1
Ethanol (MMBbl)	17.8	17.3	51.3	48.9
Liquids leasable capacity (MMBbl)	85.8	84.7	85.8	84.7
Liquids utilization %(c)	93.9 %	96.1 %	93.9 %	96.1 %

## Certain items affecting Segment EBDA

(a) Three and nine month 2017 amounts include increases in revenue of \$2 million and \$7 million, respectively, and three and nine month 2016 amounts include increases in revenue of \$6 million and \$22 million, respectively, from the amortization of a fair value adjustment (associated with the below market contracts assumed upon acquisition) from our Jones Act tankers.

In addition to the revenue certain items described in footnote (a) above: three and nine month 2017 amounts also include an increase in earnings of \$23 million for both periods primarily related to the sale of a 40% membership interest in the Deeprock Development joint venture in July 2017; partially offset by decreases in earnings of \$7 million for both periods related to hurricane repairs, and nine month 2017 amount also includes (i) decreases in (b) expense of \$10 million related to a true-up of accrued dredging costs; (ii) losses of \$8 million related to impairments and divestitures, net; and (iii) an increase in earnings of \$3 million related to other certain items; and three and nine month 2016 amounts also include increases in expense of \$5 million and \$10 million, respectively, related to other certain items, and nine month 2016 amount also includes \$20 million related to losses on impairments and divestitures, net.

## Other

(c) The ratio of our actual leased capacity to our estimated potential capacity.

Below are the changes in both Segment EBDA before certain items and revenues before certain items, in the comparable three and nine month periods ended September 30, 2017 and 2016.

Three months ended September 30, 2017 versus Three months ended September 30, 2016

Segment EBDA before certain items	Revenues before certain items
increase/(decrease)	increase/(decrease)



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	(In millions, except percentages)					
Marine Operations	\$13	33	%	\$21	36	%
Gulf Liquids	2	3	%	7	8	%
Gulf Central	(5)	(20)	%	(5)	(14)	%
Held for sale operations	(5)	(100)	%	(16)	(100)	%
All others (including intrasegment eliminations)	(2)	(1)	%	(2)	(1)	%
Total Terminals	\$3	1	%	\$5	1	%

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Nine months ended September 30, 2017 versus Nine months ended September 30, 2016

	Segment		Revenues before		increase/(decrease)	
	EBDA before		certain items		increase/(decrease)	
	certain items		increase/(decrease)		increase/(decrease)	
	(In millions, except percentages)					
Marine Operations	\$34	32 %	\$ 55	34 %		
Gulf Liquids	15	8 %	28	11 %		
Gulf Central	(9 )	(11 )%	(5 )	(5 )%		
Held for sale operations	(13 )	(100)%	(41 )	(87 )%		
All others (including intrasegment eliminations)	6	1 %	—	— %		
Total Terminals	\$33	4 %	\$ 37	3 %		

The changes in Segment EBDA for our Terminals business segment are further explained by the following discussion of the significant factors driving Segment EBDA before certain items in the comparable three and nine month periods ended September 30, 2017 and 2016:

increases of \$13 million (33%) and \$34 million (32%), respectively, from our Marine Operations related to the incremental earnings from the May 2016, July 2016, September 2016, December 2016, March 2017, June 2017 and July 2017 deliveries of the Jones Act tankers, the Magnolia State, Garden State, Bay State, American Endurance, American Freedom, Palmetto State and American Liberty, respectively, partially offset by decreased charter rates on the Golden State, Pelican State, Sunshine State and Empire State Jones Act tankers;

increases of \$2 million (3%) and \$15 million (8%), respectively, from our Gulf Liquids terminals, primarily related to higher volumes as a result of various expansion projects, including the recently commissioned Kinder Morgan Export Terminal and North Docks terminal, partially offset by lost revenue associated with Hurricane Harvey-related operational disruptions;

decreases of \$5 million (20%) and \$9 million (11%), respectively, from our Gulf Central terminals, primarily related to the sale of a 40% membership interest in the Deeprock Development joint venture in July 2017 and the subsequent change in accounting treatment of our retained 11% membership interest as well as lost revenue associated with Hurricane Harvey-related operational disruptions; and

decreases of \$5 million (100%) and \$13 million (100%), respectively, from our sale of certain bulk terminal facilities to an affiliate of Watco Companies, LLC in December 2016 and early 2017.

## Products Pipelines

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
	2017	2016	2017	2016
	(In millions, except operating statistics)			
Revenues	\$412	\$419	\$1,232	\$1,216
Operating expenses(a)	(124 )	(138 )	(353 )	(432 )
Loss on impairments and divestitures, net(b)	—	(1 )	(1 )	(74 )
Earnings from equity investments	17	12	40	40
Gain on divestiture of equity investment(c)	—	—	—	12
Other, net	(3 )	—	(5 )	(1 )
Segment EBDA(a)(b)(c)	302	292	913	761
Certain items(a)(b)(c)	—	1	(34 )	112
Segment EBDA before certain items	\$302	\$293	\$879	\$873
Change from prior period	Increase/(Decrease)			
Revenues before certain items	\$(7 )	(2 )	% \$16	1 %
Segment EBDA before certain items	\$9	3	% \$6	1 %
Gasoline (MMBbl)(d)	98.6	97.4	284.3	280.9
Diesel fuel (MMBbl)	33.4	32.9	94.8	94.7
Jet fuel (MMBbl)	27.5	27.9	81.2	79.0
Total refined product volumes (MMBbl)(e)	159.5	158.2	460.3	454.6
NGL (MMBbl)(e)	10.0	9.9	30.5	28.9
Crude and condensate (MMBbl)(e)	26.6	28.8	88.1	87.6
Total delivery volumes (MMBbl)	196.1	196.9	578.9	571.1
Ethanol (MMBbl)(f)	11.1	10.9	31.7	31.7

## Certain items affecting Segment EBDA

Nine month 2017 amounts include a decrease in expense of \$34 million related to a right-of-way settlement, and (a) nine month 2016 amount includes increases in expense of \$31 million of rate case liability estimate adjustments associated with prior periods and \$20 million related to a legal settlement.

Three and nine month 2016 amounts include increases in expense of \$1 million and \$9 million, respectively, (b) of non-cash impairment charges related to the sale of a Transmix facility; and nine month 2016 amount also includes an increase in expense of \$64 million related to the Palmetto project write-off.

(c) Nine month 2016 amount includes \$12 million of gains related to the sale of an equity investment.

Other

(d) Volumes include ethanol pipeline volumes.

(e) Joint venture throughput is reported at our ownership share.

(f) Represents total ethanol volumes, including ethanol pipeline volumes included in gasoline volumes above.

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Below are the changes in both Segment EBDA before certain items and revenues before certain items, in the comparable three and nine month periods ended September 30, 2017 and 2016.

Three months ended September 30, 2017 versus Three months ended September 30, 2016

	Segment EBDA before certain items increase/(decrease) (In millions, except percentages)					
Plantation Pipe Line	\$5	36 %	\$ —	—	%	
Pacific operations	4	5 %	4	3	%	
South East Terminals	4	22 %	2	7	%	
Crude & Condensate Pipeline	(2 )	(4 )%	(3 )	(5 )	%	
Double H pipeline	—	— %	(2 )	(11 )	%	
Parkway pipeline	—	— %	(1 )	(100 )	%	
All others (including eliminations)	(2 )	(2 )%	(7 )	(4 )	%	
Total Products Pipelines	\$9	3 %	\$ (7 )	(2 )	%	

Nine months ended September 30, 2017 versus Nine months ended September 30, 2016

	Segment EBDA before certain items increase/(decrease) (In millions, except percentages)					
Plantation Pipe Line	\$2	4 %	\$ —	—	%	
Pacific operations	3	1 %	6	2	%	
South East Terminals	2	4 %	3	3	%	
Crude & Condensate Pipeline	1	1 %	5	3	%	
Double H pipeline	4	10 %	2	4	%	
Parkway pipeline	(3 )	(100)%	(1 )	(100 )	%	
All others (including eliminations)	(3 )	(1 )%	1	—	%	
Total Products Pipelines	\$6	1 %	\$ 16	1	%	

The changes in Segment EBDA for our Products Pipelines business segment are further explained by the following discussion of the significant factors driving Segment EBDA before certain items in the comparable three and nine month periods ended September 30, 2017 and 2016:

- increases of \$5 million (36%) and \$2 million (4%), respectively, from our equity investment in Plantation Pipe Line primarily due to a favorable adjustment made in the third quarter of 2017 to depreciation expense related to a change in depreciation rate partially offset by higher operating costs attributable to a project write-off and higher pipeline environmental costs;

- increases of \$4 million (5%) and \$3 million (1%), respectively, from Pacific operations primarily due to higher service revenues driven by an increase in volumes;

- increases of \$4 million (22%) and \$2 million (4%), respectively, from South East Terminals primarily due to higher revenues driven by higher volumes and favorable property taxes;

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decrease of \$2 million (4%) and increase of \$1 million (1%), respectively, from Kinder Morgan Crude & Condensate Pipeline. The quarter-to-date decrease was primarily due to lower services revenues driven by a decrease in pipeline throughput volumes as a result of lower volumes during Hurricane Harvey. The

year-to-date increase was primarily due to favorable product sales impacting margins:

flat and increase of \$4 million (10%), respectively, from Double H pipeline. The quarter-to-date results were affected by lower service revenues driven by lower volumes offset by a favorable change in physical product gain/loss affecting operating costs. The year-to-date increase was primarily due to higher service revenues driven by higher volumes and a favorable change in physical product gain/loss affecting operating costs; and

flat and decrease of \$3 million (100%), respectively, from Parkway pipeline due to our sale of our 50% interest in Parkway pipeline to Valero Energy Corp. on July 1, 2016.

## Kinder Morgan Canada

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
	2017	2016	2017	2016
	(In millions, except operating statistics)			
Revenues	\$66	\$66	\$185	\$188
Operating expenses	(24 )	(21 )	(67 )	(60 )
Other, net	8	3	18	12
Segment EBDA	\$50	\$48	\$136	\$140
Change from prior period	Increase/(Decrease)			
Revenues	\$—	—	% \$(3 )	(2 )%
Segment EBDA	\$2	4	% \$(4 )	(3 )%

Transport volumes (MMBbl)(a) 29.3 30.7 84.4 88.1

(a) Represents Trans Mountain pipeline system volumes.

For the comparable three and nine month periods of 2017 and 2016, the Kinder Morgan Canada business segment had an increase in Segment EBDA of \$2 million (4%) and a decrease in Segment EBDA of \$4 million (3%), respectively. The quarter-to-date increase was largely due to currency translation gains due to the strengthening of the Canadian dollar and higher capitalized equity financing costs due to spending on the Trans Mountain expansion project partially offset by timing of operating costs. The year-to-date decrease was primarily due to operating expense timing changes and lower Washington state revenues partially offset by currency translation gains due to the strengthening of the Canadian dollar and higher capitalized equity financing costs due to spending on the Trans Mountain expansion project.

## General and Administrative and Corporate Charges, Interest, net and Noncontrolling Interests

	Three Months Ended September 30,			
	2017	2016	Increase/(decrease)	
	(In millions, except percentages)			
General and administrative and corporate charges(a)	\$164	\$163	\$ 1	1 %
Certain items(a)	(5 )	—	(5 )	n/a
General and administrative and corporate charges before certain items(a)	\$159	\$163	\$ (4 )	(2 )%
Interest, net(b)	\$459	\$472	\$ (13 )	(3 )%
Certain items(b)	4	31	(27 )	(87 )%
Interest, net, before certain items	\$463	\$503	\$ (40 )	(8 )%
Net income attributable to noncontrolling interests	\$14	\$5	\$ 9	180 %
Noncontrolling interests associated with certain items(c)	—	—	—	n/a
Net income attributable to noncontrolling interests before certain items	\$14	\$5	\$ 9	180 %
	Nine Months Ended September 30,			
	2017	2016	Increase/(decrease)	
	(In millions, except percentages)			
General and administrative and corporate charges(a)	\$490	\$537	\$ (47 )	(9 )%
Certain items(a)	(8 )	(24 )	16	67 %
General and administrative and corporate charges before certain items(a)	\$482	\$513	\$ (31 )	(6 )%
Interest, net(b)	\$1,387	\$1,384	\$ 3	— %
Certain items(b)	21	140	(119 )	(85 )%
Interest, net, before certain items	\$1,408	\$1,524	\$ (116 )	(8 )%
Net income attributable to noncontrolling interests	\$26	\$7	\$ 19	271 %
Noncontrolling interests associated with certain items(c)	(1 )	9	(10 )	(111 )%
Net income attributable to noncontrolling interests before certain items	\$25	\$16	\$ 9	56 %

n/a - not applicable

## Certain items

Three and nine month 2017 amounts include (i) increases in expense of \$1 million and \$3 million, respectively, related to certain corporate litigation matters; and (ii) an increase in expense of \$4 million and a decrease in expense of \$2 million, respectively, related to other certain items. Nine month 2017 amount also includes an increase in expense of \$7 million for acquisition and divestiture related costs. Three and nine month 2016 amounts (a) include (i) a decrease in expense of \$1 million and an increase in expense of \$7 million, respectively, related to certain corporate legal matters; (ii) increases in expense of \$1 million and \$13 million, respectively, related to severance costs; (iii) increases in expense of \$4 million and \$12 million, respectively, related to acquisition and divestiture related costs; and (iv) decreases in expense of \$4 million and \$8 million, respectively, related to other certain items.

Three and nine month 2017 amounts include (i) decreases in interest expense of \$6 million and \$35 million, respectively, related to debt fair value adjustments associated with acquisitions; and (ii) increases in interest expense of \$2 million and \$6 million, respectively, related to non-cash true-ups of our estimates of swap ineffectiveness. Also, nine month 2017 amounts include increases in interest expense of \$8 million related to other certain items. Three and nine month 2016 amounts include (i) decreases in interest expense of \$47 million and \$84 million, respectively, related to debt fair value adjustments associated with acquisitions; and (ii) an increase in interest expense of \$16 million and a decrease in interest expense of \$56 million, respectively, related to non-cash true-ups of our estimates of swap ineffectiveness.

Nine month 2017 amount includes a gain of \$1 million associated with Terminals segment certain items and (c)disclosed above in “—Terminals.” Nine month 2016 amount includes a loss of \$9 million associated with Natural Gas Pipelines segment certain items and disclosed above in “—Natural Gas Pipelines.”

The decreases in general and administrative expenses and corporate charges before certain items of \$4 million and \$31 million, respectively, for the three and nine months ended September 30, 2017 when compared with the respective prior periods



was primarily driven by the sale of a 50% interest in our SNG natural gas pipeline system (effective September 1, 2016) and higher capitalized costs partially offset by higher pension costs. The year-to-date decrease was also impacted by lower state franchise taxes, legal and insurance costs.

In the table above, we report our interest expense as “net,” meaning that we have subtracted interest income and capitalized interest from our total interest expense to arrive at one interest amount. Our consolidated interest expense net of interest income before certain items for the three and nine months ended September 30, 2017 when compared with the respective prior periods decreased \$40 million and \$116 million, respectively. The decreases in interest expense were primarily due to lower weighted average debt balances as proceeds from our May 2017 KML IPO and September 2016 sale of a 50% interest in SNG were used to pay down debt, partially offset by a slightly higher overall weighted average interest rate on our outstanding debt.

We use interest rate swap agreements to convert a portion of the underlying cash flows related to our long-term fixed rate debt securities (senior notes) into variable rate debt in order to achieve our desired mix of fixed and variable rate debt. As of September 30, 2017 and December 31, 2016, approximately 27% and 28%, respectively, of our debt balances (excluding debt fair value adjustments) were subject to variable interest rates—either as short-term or long-term variable rate debt obligations or as fixed-rate debt converted to variable rates through the use of interest rate swaps. For more information on our interest rate swaps, see Note 5 “Risk Management—Interest Rate Risk Management” to our consolidated financial statements.

Net income attributable to noncontrolling interests, represents the allocation of our consolidated net income attributable to all outstanding ownership interests in our consolidated subsidiaries that are not owned by us. Net income attributable to noncontrolling interests before certain items for the three and nine months ended September 30, 2017 when compared with the respective prior periods increase by \$9 million due to the inclusion of earnings attributable to the public ownership of KML.

#### Income Taxes

Our tax expense for the three months ended September 30, 2017 was approximately \$160 million as compared with \$377 million for the same period of 2016. The \$217 million decrease in tax expense was primarily due to (i) the 2016 impact of our Regulated Natural Gas Pipeline segment’s \$817 million non-tax-deductible goodwill as a result of the sale of a 50% interest in SNG as discussed in Note 8 “Income Taxes” to our consolidated financial statements; (ii) the recognition of an enhanced oil recovery credit as a result of our federal return-to-provision; and (iii) adjustments to our income tax reserve for uncertain tax positions. These decreases were partially offset by (i) an increase in quarter-over-quarter earnings as a result of no asset impairments or project write-offs in 2017; and (ii) tax deductions related to equity compensation.

Our tax expense for the nine months ended September 30, 2017 was approximately \$622 million as compared with \$744 million for the same period of 2016. The \$122 million decrease in tax expense is primarily due to (i) the 2016 impact of our Regulated Natural Gas Pipeline segment’s \$817 million non-tax-deductible goodwill as a result of the sale of a 50% interest in SNG; and (ii) the recognition of an enhanced oil recovery credit as a result of our federal return-to-provision; partially offset by an increase in year-over-year earnings as a result of no asset impairments or project write-offs in 2017.

#### Liquidity and Capital Resources

##### General

As of September 30, 2017, we had \$539 million of “Cash and cash equivalents,” a decrease of \$145 million (21%) from December 31, 2016. We believe our cash position, remaining borrowing capacity on our credit facility (discussed

below in “—Short-term Liquidity”), and cash flows from operating activities are adequate to allow us to manage our day-to-day cash requirements and anticipated obligations as discussed further below.

We have consistently generated substantial cash flow from operations, providing a source of funds of \$3,307 million and \$3,503 million in the first nine months of 2017 and 2016, respectively. The period-to-period decrease is discussed below in “Cash Flows—Operating Activities.” We have primarily relied on cash provided from operations to fund our operations as well as our debt service, capital expenditures and dividend payments.

On June 16, 2017, KML entered into a definitive credit agreement establishing (i) a C\$4.0 billion revolving construction facility for the purposes of funding the development, construction and completion of the Trans Mountain expansion project; (ii) a C\$1.0 billion revolving contingent credit facility for the purpose of funding, if necessary, additional Trans Mountain expansion project costs (and, subject to the need to fund such additional costs and regulatory approval, meeting the Canadian National Energy Board-mandated liquidity requirements); and (iii) a C\$500 million revolving working capital facility, to be used for working capital and other general corporate purposes (collectively, the “Credit Facility”). The KML Credit Facility

has a five year term and is with a syndicate of financial institutions with Royal Bank of Canada as the administrative agent. As of September 30, 2017, KML had a combined C\$165 million (USD\$132 million) outstanding under its Credit Facility which is included in “Current portion of debt” on our consolidated balance sheet and C\$47 million (USD\$38 million) in letters of credit. In addition, KML received C\$293 million (USD\$230 million) of net proceeds from the issuance of preferred shares, Series 1 in August 2017.

We expect to fund KML’s Trans Mountain expansion project capital expenditures through (i) additional borrowings on KML’s Credit Facility; (ii) the additional issuance of KML preferred shares; (iii) the issuance of additional KML restricted voting stock; (iv) the issuance of KML long-term notes payable; and (v) KML’s retained cash flow from operations or a combination of the above. KML established a dividend policy on its restricted voting shares pursuant to which it will pay its quarterly dividend in an amount based on a portion of its distributable cash flow discussed below in “—Noncontrolling interests—KML Restricted Voting Share Dividends below.

Generally, we expect that our short-term liquidity needs will be met primarily through retained cash from operations, short-term borrowings or by issuing new long-term debt to refinance certain of our maturing long-term debt obligations. We also expect that KMI’s current common stock dividend level will allow it to use retained cash to fund our other growth projects in 2017. Moreover, as a result of KMI’s current common stock dividend policy and by continuing to focus on high-grading our other growth project backlog to allocate capital to the highest return opportunities, we do not expect the need to access the equity capital markets to fund our other growth projects for the foreseeable future.

#### Short-term Liquidity

As of September 30, 2017, our principal sources of short-term liquidity are (i) our \$5.0 billion revolving credit facility and associated \$4.0 billion commercial paper program; (ii) the KML Credit Facility (for the purposes described above) and (iii) cash from operations. The loan commitments under our revolving credit facility can be used for working capital and other general corporate purposes and as a backup to our commercial paper program. Borrowings under our commercial paper program and letters of credit reduce borrowings allowed under ours and the KML respective credit facilities. We provide for liquidity by maintaining a sizable amount of excess borrowing capacity under our credit facility and, as previously discussed, have consistently generated strong cash flows from operations.

As of September 30, 2017, our \$3,156 million of short-term debt consisted primarily of (i) \$132 million outstanding borrowings under the KML C\$4.0 billion revolving construction facility; (ii) \$60 million outstanding under our \$4.0 billion commercial paper program; and (iii) \$2,784 million of senior notes that mature in the next year. We intend to refinance our short-term debt through credit facility borrowings, commercial paper borrowings, or by issuing new long-term debt or paying down short-term debt using cash retained from operations. Our short-term debt balance as of December 31, 2016 was \$2,696 million.

We had working capital (defined as current assets less current liabilities) deficits of \$3,561 million and \$2,695 million as of September 30, 2017 and December 31, 2016, respectively. Our current liabilities may include short-term borrowings used to finance our expansion capital expenditures, which we may periodically replace with long-term financing and/or partially pay down using retained cash from operations. The overall \$866 million (32%) unfavorable change from year-end 2016 was primarily due to a net increase in our current portion of long-term debt and decreases in cash and accounts receivable, net. Generally, our working capital balance varies due to factors such as the timing of scheduled debt payments, timing differences in the collection and payment of receivables and payables, the change in fair value of our derivative contracts, and changes in our cash and cash equivalent balances as a result of excess cash from operations after payments for investing and financing activities.

#### Capital Expenditures

We account for our capital expenditures in accordance with GAAP. We also distinguish between capital expenditures that are maintenance/sustaining capital expenditures and those that are expansion capital expenditures (which we also refer to as discretionary capital expenditures). Expansion capital expenditures are those expenditures which increase throughput or capacity from that which existed immediately prior to the addition or improvement, and are not deducted in calculating DCF (see “Results of Operations—Distributable Cash Flow”). With respect to our oil and gas producing activities, we classify a capital expenditure as an expansion capital expenditure if it is expected to increase capacity or throughput (i.e., production capacity) from the capacity or throughput immediately prior to the making or acquisition of such additions or improvements. Maintenance capital expenditures are those which maintain throughput or capacity. The distinction between maintenance and

expansion capital expenditures is a physical determination rather than an economic one, irrespective of the amount by which the throughput or capacity is increased.

Budgeting of maintenance capital expenditures is done annually on a bottom-up basis. For each of our assets, we budget for and make those maintenance capital expenditures that are necessary to maintain safe and efficient operations, meet customer needs and comply with our operating policies and applicable law. We may budget for and make additional maintenance capital expenditures that we expect to produce economic benefits such as increasing efficiency and/or lowering future expenses. Budgeting and approval of expansion capital expenditures are generally made periodically throughout the year on a project-by-project basis in response to specific investment opportunities identified by our business segments from which we generally expect to receive sufficient returns to justify the expenditures. Generally, the determination of whether a capital expenditure is classified as maintenance/sustaining or as expansion capital expenditures is made on a project level. The classification of our capital expenditures as expansion capital expenditures or as maintenance capital expenditures is made consistent with our accounting policies and is generally a straightforward process, but in certain circumstances can be a matter of management judgment and discretion. The classification has an impact on DCF because capital expenditures that are classified as expansion capital expenditures are not deducted from DCF, while those classified as maintenance capital expenditures are.

Our capital expenditures for the nine months ended September 30, 2017, and the amount we expect to spend for the remainder of 2017 to sustain and grow our businesses are as follows:

	Nine Months Ended 2017 September 30, 2017		Total
	Remaining		
	(In millions)		
Sustaining capital expenditures(a)(c)	\$416	\$ 177	\$593
KMI Discretionary capital investments(b)(c)(d)(e)	\$2,289	\$ 770	\$3,059
KML Discretionary capital investments post IPO(c)	\$240	\$ 205	\$445

Nine months ended September 30, 2017, 2017 Remaining, and Total 2017 amounts include \$74 million, \$34 million, and \$108 million, respectively, for our proportionate share of sustaining capital expenditures of unconsolidated joint ventures.

Nine months ended September 30, 2017 is net of \$216 million of contributions from certain partners for capital investments at non-wholly owned consolidated subsidiaries offset by \$570 million of our contributions to certain unconsolidated joint ventures for capital investments.

Nine months ended September 30, 2017 includes \$286 million of net changes from accrued capital expenditures, contractor retainage, and other.

Nine months ended September 30, 2017 includes \$107 million of capital spent on Canadian projects prior to KML's May 25, 2017 IPO and excludes KML capital expenditures thereafter as it has the capacity to draw on its construction credit facility to fund its capital expenditures.

2017 Remaining amount includes our estimated contributions to certain unconsolidated joint ventures, net of contributions estimated from certain partners in non-wholly owned consolidated subsidiaries for capital investments.

#### Off Balance Sheet Arrangements

Other than commitments for the purchase of property, plant and equipment discussed below, there have been no material changes in our obligations with respect to other entities that are not consolidated in our financial statements that would affect the disclosures presented as of December 31, 2016 in our 2016 Form 10-K.

Commitments for the purchase of property, plant and equipment as of September 30, 2017 and December 31, 2016 were \$857 million and \$1,112 million, respectively. The \$255 million decrease is primarily related to a reduction in various capital commitments associated with our tankers and our natural gas business segment, partially offset by an increase in capital commitments associated with our Trans Mountain pipeline project.

#### Cash Flows

##### Operating Activities

The net decrease of \$196 million in cash provided by operating activities for the first nine months of 2017 compared to the respective 2016 period was primarily attributable to:

a \$148 million decrease in operating cash flow resulting from the combined effects of adjusting the \$709 million increase in net income for the period-to-period net decrease in non-cash items including the following: (i) net losses on

impairments and divestitures of assets and equity investments (see discussion above in “—Results of Operations”); (ii) change in fair market value of derivative contracts; (iii) DD&A expenses (including amortization of excess cost of equity investments); (iv) deferred income taxes; and (v) earnings from equity investments; and a \$48 million decrease associated with net changes in working capital items and non-current assets and liabilities, primarily driven, among other things, by a decrease in cash related to gas in underground storage inventory resulting from an increase in storage injections and price increases, and payments related to certain litigation matters. These decreases were partially offset by an increase in cash due to a \$144 million income tax refund received in 2017.

#### Investing Activities

The \$1,439 million net increase in cash used in investing activities for the first nine months of 2017 compared to the respective 2016 period was primarily attributable to:

- a \$1,402 million increase in cash used due to proceeds received in the 2016 period from the sale of a 50% equity interest in SNG;
- a \$242 million increase in cash used for contributions to equity investments primarily due to the contributions we made in 2017 to Utopia Holding LLC, Fayetteville Express Pipeline LLC and SNG;
- \$132 million lower cash proceeds from sales of property, plant and equipment and other net assets, primarily driven by the higher proceeds we received in 2016 from sales of other long-lived assets; and
- a \$122 million increase in capital expenditures primarily due to higher expenditures related to natural gas and Trans Mountain expansion projects, offset in part by lower expenditures in the Terminals segment; partially offset by
  - a \$329 million decrease in expenditures for acquisitions of assets and investments, primarily driven by the \$324 million portion of the purchase price we paid in the 2016 period for the BP terminals acquisition; and
- a \$94 million increase in cash for distributions received from equity investments in excess of cumulative earnings, primarily driven by the higher distributions from Midcontinent Express Pipeline LLC and Ruby Pipeline Holding Company, L.L.C.

#### Financing Activities

The net decrease of \$1,338 million in cash used in financing activities for the first nine months of 2017 compared to the respective 2016 period was primarily attributable to:

- a \$1,399 million increase in cash due to contributions from noncontrolling interests, primarily reflecting \$1,245 million in net proceeds received from the May 2017 KML IPO and \$230 million net proceeds received from the KML preferred share issuance in the third quarter of 2017, compared with \$84 million of contributions received from BP for its 25% share of a newly formed joint venture in the 2016 period;
- a \$776 million increase in cash resulting from cash held in “Restricted deposits” at September 30, 2016 for an October, 2016 debt repayment; and
- a \$444 million increase in cash resulting from contributions received in the 2017 period from EIG, consisting of \$386 million for the sale of a 49% partnership interest in ELC and \$58 million as additional contributions for 2017 capital expenditures; partially offset by
- a \$1,268 million net increase in cash used related to debt activity as a result of higher net debt payments in the 2017 period compared to the 2016 period. See Note 3 “Debt” for further information regarding our debt activity.

#### Dividends and Stock Buyback Program

##### KMI Common Stock Dividends

We expect to declare common stock dividends of \$0.50 per share on our common stock for 2017 (\$0.125/quarter).

Three months ended	Total	Date of declaration	Date of record	Date of dividend
quarterly				
dividend				
per share				
for the				

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	period			
December 31, 2016	\$ 0.125	January 18, 2017	February 1, 2017	February 15, 2017
March 31, 2017	\$ 0.125	April 19, 2017	May 1, 2017	May 15, 2017
June 30, 2017	\$ 0.125	July 19, 2017	July 31, 2017	August 15, 2017
September 30, 2017	\$ 0.125	October 18, 2017	October 31, 2017	November 15, 2017



As a result of substantial balance sheet improvement achieved since the end of 2015, we announced multiple steps to return significant value to shareholders. First, we announced our expectation to declare an annual dividend of \$0.80 per share for 2018, a 60% increase from the expected 2017 dividend. The first 2018 increase is expected to be the dividend declared for the first quarter of 2018. Additionally, we plan to increase our dividend to \$1.00 per share in 2019 and \$1.25 per share in 2020, a growth rate of 25% annually.

The actual amount of common stock dividends to be paid on our capital stock will depend on many factors, including our financial condition and results of operations, liquidity requirements, business prospects, capital requirements, legal, regulatory and contractual constraints, tax laws, Delaware laws and other factors. See Item 1A. “Risk Factors—The guidance we provide for our anticipated dividends is based on estimates. Circumstances may arise that lead to conflicts between using funds to pay anticipated dividends or to invest in our business.” of our 2016 Form 10-K. All of these matters will be taken into consideration by our board of directors in declaring dividends.

Our common stock dividends are not cumulative. Consequently, if dividends on our common stock are not paid at the intended levels, our common stockholders are not entitled to receive those payments in the future. Our common stock dividends generally are expected to be paid on or about the 15th day of each February, May, August and November.

#### KMI Preferred Stock Dividends

Dividends on our mandatory convertible preferred stock are payable on a cumulative basis when, as and if declared by our board of directors (or an authorized committee thereof) at an annual rate of 9.750% of the liquidation preference of \$1,000 per share on January 26, April 26, July 26 and October 26 of each year, commencing on January 26, 2016 to, and including, October 26, 2018. We may pay dividends in cash or, subject to certain limitations, in shares of common stock or any combination of cash and shares of common stock. The terms of the mandatory convertible preferred stock provide that, unless full cumulative dividends have been paid or set aside for payment on all outstanding mandatory convertible preferred stock for all prior dividend periods, no dividends may be declared or paid on common stock.

Period	Total dividend per share for the period	Date of declaration	Date of record	Date of dividend
October 26, 2016 through January 25, 2017	\$ 24.375	October 19, 2016	January 11, 2017	January 26, 2017
January 26, 2017 through April 25, 2017	\$ 24.375	January 18, 2017	April 11, 2017	April 26, 2017
April 26, 2017 through July 25, 2017	\$ 24.375	April 19, 2017	July 11, 2017	July 26, 2017
July 26, 2017 through October 25, 2017	\$ 24.375	July 19, 2017	October 11, 2017	October 26, 2017

The cash dividend of \$24.375 per share of our mandatory convertible preferred stock is equivalent to \$1.21875 per depository share.

#### Stock Buyback Program

On July 19, 2017, our board of directors approved a \$2 billion share buyback program expected to begin in 2018.

#### Noncontrolling Interests

##### KML Restricted Voting Share Dividends

KML established a dividend policy pursuant to which it may pay a quarterly dividend on its restricted voting shares in an amount based on a portion of its distributable cash flow. The payment of dividends is not guaranteed and the amount and timing of any dividends payable will be at the discretion of KML’s board of directors. The actual amount of cash dividends paid to KML’s shareholders, if any, will depend on numerous factors including: (i) KML’s results of operations; (ii) KML’s financial requirements, including the funding of its current and future growth projects; (iii) the

amount of distributions paid indirectly by KMC LP to KML through KMC GP, including any contributions from the completion of its growth projects; (iv) the satisfaction by KML and KMC GP of certain liquidity and solvency tests; (v) any agreements relating to KML's indebtedness or the limited partnership; and (vi) the cost and timely completion of current and future growth projects. KML intends to pay quarterly dividends, if any, on or about the 45th day (or next business day) following the end of each calendar quarter to holders of its restricted voting shares of record as of the close of business on or about the last business day of the month following the end of each calendar quarter.

On August 15, 2017, KML paid a dividend of C\$0.0571 per restricted voting share to restricted voting shareholders of record as of the close of business on July 31, 2017 for the quarterly period ended June 30, 2017. This initial dividend was prorated from May 30, 2017, the day KML closed on its IPO, to June 30, 2017 and amounted to approximately C\$6 million. Based on a full quarter, the dividend amounted to C\$0.1625 per restricted voting share (C\$0.65 annualized). KML paid approximately C\$4 million of this dividend to restricted voting shareholders in cash, and, under KML's Dividend Reinvestment Plan (DRIP), 94,003 restricted voting shares were issued in lieu of cash dividends. KML's DRIP allows holders (excluding holders not resident in Canada) of restricted voting shares to elect to have any or all cash dividends payable to such shareholder automatically reinvested in additional restricted voting shares at a price per share calculated by reference to the volume-weighted average of the closing price of the restricted voting shares on the stock exchange on which the restricted voting shares are then listed for the five trading days immediately preceding the relevant dividend payment date, less a discount of between 0% and 5% (as determined from time to time by KML's board of directors, in its sole discretion). The market discount for the dividend paid on August 15, 2017 was 3%.

For 2017, KML expects to pay a prorated dividend of C\$0.3821 per restricted voting share (or C\$0.65 per restricted voting share on an annualized basis).

On October 17, 2017, KML's board of directors declared a dividend for the quarterly period ended September 30, 2017 of C\$0.1625 per restricted voting share, payable on November 15, 2017, to restricted voting shareholders of record as of the close of business on October 31, 2017.

#### KML Preferred Share Offering

On August 15, 2017, KML completed an offering of 12,000,000 cumulative redeemable minimum rate reset preferred shares, Series 1 (Series 1 Preferred Shares) on the Toronto Stock Exchange at a price to the public of C\$25.00 per Series 1 Preferred Share for total gross proceeds of C\$300 million (USD \$235 million). The net proceeds of C\$293 million from the offering were used by KML to indirectly subscribe for preferred units in KMCLP, which in turn were used by KMC LP to repay Credit Facility indebtedness recently incurred to, directly or indirectly, finance the development, construction and completion of the Trans Mountain Expansion project and Base Line Terminal project, and for general corporate purposes.

Dividends on the Series 1 Preferred Shares are fixed, cumulative, preferential and C\$1.3125 per share annually, payable quarterly on the 15th day of February, May, August and November, as and when declared by the KML's board of directors, for the initial fixed rate period to but excluding November 15, 2022.

On October 17, 2017, KML's board of directors declared a cash dividend of C\$0.3308 per share of its Series 1 Preferred Shares for the period from and including August 15, 2017 through and including November 14, 2017, which is payable on November 15, 2017 to Series 1 Preferred Shareholders of record as of the close of business on October 31, 2017.

#### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in market risk exposures that would affect the quantitative and qualitative disclosures presented as of December 31, 2016, in Item 7A in our 2016 Form 10-K. For more information on our risk management activities, see Item 1, Note 5 "Risk Management" to our consolidated financial statements.

#### Item 4. Controls and Procedures.

As of September 30, 2017, our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934. There are inherent limitations to the effectiveness of any

system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon and as of the date of the evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported as and when required, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. There has been no change in our internal control over financial reporting during the quarter ended September 30, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings.

See Part I, Item 1, Note 9 to our consolidated financial statements entitled “Litigation, Environmental and Other Contingencies” which is incorporated in this item by reference.

### Item 1A. Risk Factors.

There have been no material changes in the risk factors disclosed in Part I, Item 1A in our 2016 Form 10-K.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On July 19, 2017, our board of directors approved a \$2 billion common share buyback program expected to begin in 2018.

The warrant repurchase program, dated June 12, 2015, which authorized us to repurchase up to \$100 million of warrants, expired along with the warrants on May 25, 2017.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

The Company no longer owns or operates mines for which reporting requirements apply under the mine safety disclosure requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), except for one terminal that is in temporary idle status with the Mine Safety and Health Administration. The Company has not received any specified health and safety violations, orders or citations, related assessments or legal actions, mining-related fatalities, or similar events requiring disclosure pursuant to the mine safety disclosure requirements of Dodd-Frank for the quarter ended September 30, 2017.

### Item 5. Other Information.

None.

Item 6. Exhibits.

- 3.1 \* Amended and Restated Certificate of Incorporation of KMI (filed as Exhibit 3.1 to KMI's Quarterly Report on Form 10-Q for the three months ended June 30, 2015 (file No. 001-35081)).
- 3.2 \* Amended and Restated Bylaws of KMI (filed as Exhibit 3.1 to KMI's Current Report on Form 8-K, filed October 20, 2017 (File No. 001-35081)).
- 4.1 Certificate of the Vice President and Treasurer and the Vice President and Chief Financial Officer of KMI establishing the terms of the 3.150% Senior Notes due January 15, 2023.
- 4.2 Certificate of the Vice President and Treasurer and the Vice President and Chief Financial Officer of KMI establishing the terms of the Floating Rate Senior Notes due January 15, 2023.
- 10.1 Cross Guarantee Agreement, dated as of November 26, 2014, among Kinder Morgan, Inc. and certain of its subsidiaries, with schedules updated as of September 30, 2017.
- 10.2 \* Credit Agreement, dated June 16, 2017, among Kinder Morgan Cochin ULC and Trans Mountain Pipeline ULC and the lenders party thereto (filed as Exhibit 10.1 to KMI's Current Report on Form 8-K/A filed August 25, 2017 (File No. 001-35081)) (portions of the exhibit have been omitted pursuant to 17 CFR 240.24b-2 and filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application).
- 31.1 Certification by Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification by Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 Interactive data files pursuant to Rule 405 of Regulation S-T: (i) our Consolidated Statements of Income for the three and nine months ended September 30, 2017 and 2016; (ii) our Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2017 and 2016; (iii) our Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016; (iv) our Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016; (v) our Consolidated Statements of Stockholders' Equity for the nine months ended September 30, 2017 and 2016; and (vi) the notes to our Consolidated Financial Statements.

\* Asterisk indicates exhibit incorporated by reference as indicated; all other exhibits are filed herewith, except as noted otherwise.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KINDER  
MORGAN,  
INC.  
Registrant

Date: October 20, 2017 By: /s/ Kimberly A. Dang  
Kimberly A. Dang  
Vice President and Chief Financial Officer  
(principal financial and accounting officer)