GENERAL ELECTRIC CO
Form 10-Q
October 30, 2017

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

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2017

OR

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

For the transition period from ____ to ____

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

New York	14-0689340
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
41 Farnsworth Street, Boston, MA	02210
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) (617) 443-3000

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

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

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨
Emerging growth company ¨	

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No þ
There were 8,672,085,000 shares of common stock with a par value of $0.06 per share outstanding at September 30, 2017.

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FORWARD LOOKING STATEMENTS

FORWARD LOOKING STATEMENTS

This document contains "forward-looking statements" - that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and financial condition, and often contain words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "see," "will," "would," “estimate,” “forecast,” "target," "preliminary," or "range."
Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as statements about the completion of our announced plan to reduce the size of our financial services businesses, including earnings per share of GE Capital Global Holdings, LLC’s (GE Capital) retained businesses (Verticals); expected income and Industrial operating profit; earnings per share, including the impact of the new revenue recognition standard; revenues; organic growth; growth and productivity associated with our Digital and Additive businesses; margins; cost structure and plans to reduce costs; restructuring, impairment or other financial charges; tax rates; transaction-related synergies, proceeds and gains; cash flows, including the impact of working capital, contract assets and pension funding contributions; returns on capital and investment; capital expenditures; capital allocation, including dividends, share repurchases, acquisitions and liquidity; or capital structure, including leverage.

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

- the strategy, capital allocation and portfolio review being undertaken by our new chief executive officer;
- our ability to convert Industrial earnings into cash and the amount and timing of our cash flows and earnings, which may be impacted by long-term services agreement dynamics, the amount and timing of dividends from GE Capital and other conditions, all of which may affect our ability to pay our quarterly dividend at the planned level or to repurchase shares at planned levels;
- our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so;
- changes in law, economic and financial conditions, including interest and exchange rate volatility; commodity and equity prices and the value of financial assets;
- the impact of conditions in the financial and credit markets on the availability and cost of GE Capital funding, and GE Capital's exposure to counterparties;
- pending and future mortgage loan repurchase claims, other litigation claims and the U.S. Department of Justice's investigation under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 and other investigations in connection with WMC, which may affect our estimates of liability, including possible loss estimates;
- GE Capital’s ability to pay dividends to GE at the planned level, which may be affected by GE Capital’s cash flows and earnings, claims and investigations relating to WMC, charges that may be required in connection with GE Capital’s run-off insurance operations, credit ratings and other factors;
- our ability to launch new products in a cost-effective manner;
- our ability to increase margins through restructuring and other cost reduction measures;
- our ability to convert pre-order commitments/wins into orders/bookings;
- the price we realize on orders/bookings since commitments/wins are stated at list prices;
- customer actions or market developments such as early aircraft retirements, reduced demand for equipment and services in the energy markets in which we operate or shifts in the competitive landscape for our products and services, changes in economic conditions, including oil prices, and other factors that may affect the level of demand and financial performance of the major industries and customers we serve;
- the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks, including the impact of Alstom investigative and legal proceedings;
- our capital allocation plans, as such plans may change including with respect to the timing and size of dividends, share repurchases, acquisitions, joint ventures, dispositions and other strategic actions;
-

our success in completing, including obtaining regulatory approvals and satisfying other closing conditions for, announced transactions, such as our announced plan to sell our Industrial Solutions business or other dispositions that we may pursue;

- our success in integrating acquired businesses and operating joint ventures, including Baker Hughes, a GE company;
- our ability to realize revenue and cost synergies from announced transactions, acquired businesses and joint ventures, including Alstom and Baker Hughes;
- the impact of potential information technology or data security breaches;
- the other factors that are described in "Forward-Looking Statements" in Baker Hughes, a GE company's most recent earnings release or Securities and Exchange Commission filing; and
- the other factors that are described in “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016.

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

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

PRESENTATION

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

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

- General Electric or the Company – the parent company, General Electric Company.
- GE – the adding together of all affiliates except GE Capital, whose continuing operations are presented on a one-line basis, giving effect to the elimination of transactions among such affiliates. As GE presents the continuing operations of GE Capital on a one-line basis, certain intercompany profits resulting from transactions between GE and GE Capital have been eliminated at the GE level. We present the results of GE in the center column of our consolidated statements of earnings, financial position and cash flows. An example of a GE metric is GE cash from operating activities (GE CFOA).
- General Electric Capital Corporation or GECC – predecessor to GE Capital Global Holdings, LLC.
- GE Capital Global Holdings, LLC or GECGH – successor of GECC.
- GE Capital or Financial Services – refers to GECGH, or its predecessor GECC, and is the adding together of all affiliates of GE Capital giving effect to the elimination of transactions among such affiliates. We present the results of GE Capital in the right-side column of our consolidated statements of earnings, financial position and cash flows.
- GE consolidated – the adding together of GE and GE Capital, giving effect to the elimination of transactions between the two. We present the results of GE consolidated in the left-side column of our consolidated statements of earnings, financial position and cash flows.
- Industrial – GE excluding the continuing operations of GE Capital. We believe that this provides investors with a view as to the results of our industrial businesses and corporate items. An example of an Industrial metric is Industrial CFOA (Non-GAAP), which is GE CFOA excluding the effects of dividends from GE Capital.
- Industrial segment – the sum of our seven industrial reporting segments, without giving effect to the elimination of transactions among such segments and between these segments and our Financial Services segment. This provides investors with a view as to the results of our industrial segments, without inter-segment eliminations and corporate items. An example of an industrial segment metric is industrial segment revenue growth.
- Baker Hughes, a GE company or BHGE - following the combination of our Oil & Gas business with Baker Hughes Incorporated, our Oil & Gas segment is comprised of our ownership interest of approximately 62.5% in the new company formed in the transaction, Baker Hughes, a GE Company (BHGE). We consolidate 100% of BHGE's revenues and cash flows, while our Oil & Gas segment operating profit and net income are derived net of minority interest of approximately 37.5% attributable to BHGE's Class A shareholders. References to "Baker Hughes" represent legacy Baker Hughes Incorporated operating activities which, in certain cases, have been excluded from our results for comparative purposes.
- Total segment – the sum of our seven industrial segments and one financial services segment, without giving effect to the elimination of transactions between such segments. This provides investors with a view as to the results of all of our segments, without inter-segment eliminations and corporate items.

- Verticals or GE Capital Verticals – the adding together of GE Capital businesses that we expect to retain, principally its vertical financing businesses—GE Capital Aviation Services (GECAS), Energy Financial Services (EFS) and Industrial Finance (which includes Healthcare Equipment Finance, Working Capital Solutions and Industrial Financing Solutions)—that relate to the Company's core industrial domain and other operations, including our run-off insurance activities, and allocated corporate costs.

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

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

MD&A

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

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

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

OTHER TERMS USED BY GE

- Backlog – unfilled customer orders for products and product services (expected life of contract sales for product services).
- Continuing earnings – unless otherwise indicated, we refer to the caption "earnings from continuing operations attributable to GE common shareowners" as continuing earnings or simply as earnings.
- Continuing earnings per share (EPS) – unless otherwise indicated, when we refer to continuing earnings per share, it is the diluted per-share amount of "earnings from continuing operations attributable to GE common shareowners".
- Digital revenues – revenues related to internally developed software and associated hardware, including Predix™ and software solutions that improve our customers' asset performance. In 2016, we reassessed the span of our digital product offerings, which now excludes software-enabled product upgrades. These revenues are largely generated from our operating businesses and are included in their segment results. Revenues of "Non-GE Verticals" refer to GE Digital revenues from customers operating in industries where GE does not have a presence.
- Equipment leased to others (ELTO) – rental equipment we own that is available to rent and is stated at cost less accumulated depreciation.
- GE Capital Exit Plan – our plan, announced on April 10, 2015, to reduce the size of our financial services businesses through the sale of most of the assets of GE Capital, and to focus on continued investment and growth in our industrial businesses.
- Industrial margin – GE revenues and other income excluding GE Capital earnings (loss) from continuing operations (Industrial revenues) minus GE total costs and expenses less GE interest and other financial charges divided by Industrial revenues.
- Industrial operating profit margin (Non-GAAP) – Industrial segment profit plus corporate items and eliminations (excluding gains, restructuring, and non-operating pension cost) divided by industrial segment revenues plus corporate items and eliminations (excluding gains and GE-GE Capital eliminations).
- Industrial segment gross margin - industrial segment sales less industrial segment cost of sales divided by sales.
- Net earnings – unless otherwise indicated, we refer to the caption "net earnings attributable to GE common shareowners" as net earnings.
- Net earnings per share (EPS) – unless otherwise indicated, when we refer to net earnings per share, it is the diluted per-share amount of "net earnings attributable to GE common shareowners".
- Non-operating pension cost (Non-GAAP) – comprises the expected return on plan assets, interest cost on benefit obligations and net actuarial gain (loss) amortization for our principal pension plans.
- Operating earnings (Non-GAAP) – GE earnings from continuing operations attributable to common shareowners excluding the impact of non-operating pension costs.
- Operating earnings per share (Non-GAAP) – unless otherwise indicated, when we refer to operating earnings per share, it is the diluted per-share amount of "operating earnings".
- Operating pension cost (Non-GAAP) – comprises the service cost of benefits earned, prior service cost amortization and curtailment gain (loss) for our principal pension plans.

- Organic revenues (Non-GAAP) – revenues excluding the effects of acquisitions, dispositions and translational foreign currency exchange.
- Product services – for purposes of the financial statement display of sales and costs of sales in our Statement of Earnings, "goods" is required by SEC regulations to include all sales of tangible products, and "services" must include all other sales, including other services activities. In our MD&A section of this report, we refer to sales under product services agreements and sales of both goods (such as spare parts and equipment upgrades) and related services (such as monitoring, maintenance and repairs) as sales of "product services," which is an important part of our operations. We refer to "product services" simply as "services" within the MD&A.
- Product services agreements – contractual commitments, with multiple-year terms, to provide specified services for products in our Power, Renewable Energy, Oil & Gas, Aviation and Transportation installed base – for example, monitoring, maintenance, service and spare parts for a gas turbine/generator set installed in a customer's power plant.
- Revenues – unless otherwise indicated, we refer to captions such as "revenues and other income" simply as revenues.
- Segment profit – refers to the operating profit of the industrial segments and the net earnings of the Financial Services segment. See the Segment Operations section within the MD&A for a description of the basis for segment profits.

NON-GAAP FINANCIAL MEASURES

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

- Industrial segment organic revenues and Industrial segment organic revenues excluding Power and Oil & Gas
- Operating and non-operating pension cost
- Adjusted corporate costs (operating)
- GE pre-tax earnings from continuing operations, excluding GE Capital earnings (loss) from continuing operations and the corresponding effective tax rates
- Industrial operating earnings and GE Capital earnings (loss) from continuing operations and EPS
- Industrial operating + Verticals earnings and EPS
- Industrial operating profit and operating profit margin (excluding certain items)
- Industrial operating profit excluding Power and Oil & Gas
- Industrial cash flows from operating activities (Industrial CFOA) and Industrial CFOA excluding deal taxes and GE Pension Plan funding

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

OUR OPERATING SEGMENTS

We are a global digital industrial company, transforming industry with software-defined machines and solutions that are connected, responsive and predictive, with products and services ranging from aircraft engines, locomotives, power generation and oil and gas production equipment to medical imaging, financing and industrial products. Operational and financial overviews for our operating segments are provided in the “Segment Operations” section within this MD&A.

OUR INDUSTRIAL OPERATING SEGMENTS

Power[a]	Aviation	Lighting[a]
Renewable Energy	Healthcare	
Oil & Gas[b]	Transportation	

OUR FINANCIAL SERVICES OPERATING SEGMENT

Capital

(a) Beginning in the third quarter of 2017, the Energy Connections business within the former Energy Connections & Lighting segment was combined with the Power segment and presented as one reporting segment called Power. As a result of this combination, our GE Lighting and Current, powered by GE (Current) businesses are now reported as a separate segment called Lighting.

(b) Beginning in the third quarter of 2017, our Oil & Gas segment is comprised of our ownership interest of approximately 62.5% in BHGE. We consolidate 100% of BHGE's revenues and cash flows, while our Oil & Gas segment operating profit and net income are derived net of minority interest of approximately 37.5% attributable to BHGE's Class A shareholders.

CORPORATE INFORMATION

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

MD&A KEY PERFORMANCE INDICATORS

KEY PERFORMANCE INDICATORS
(Dollars in billions; per-share amounts in dollars)
REVENUES PERFORMANCE

	3Q 2017	YTD 2017
Industrial Segment	10%	3%
Industrial Segment Organic*	(1)%	2%
Capital	(8)%	(9)%

GE CFOA

Industrial CFOA(a)* GE Capital Dividend

(a) 2016 included deal taxes of $(1.1) billion related to the sale of our Appliances business and in 2017 included deal taxes of $(0.1) billion related to the Baker Hughes transaction and GE Pension Plan funding of $(1.4) billion.
(b) Included $(0.2) billion related to Baker Hughes and a $0.5 billion correction to operating cash flows for the settlement of certain derivative instruments during the six months ended June 30, 2017.

INDUSTRIAL ORDERS

Services Equipment

(a) Included $2.5 billion related to Baker Hughes

INDUSTRIAL BACKLOG

Services Equipment

INDUSTRIAL PROFIT & MARGINS

INDUSTRIAL OPERATING PROFIT & MARGINS
(NON-GAAP)[(a)]
(a) Excluded gains on disposals, non-operating pension cost, restructuring and other charges and noncontrolling interests
*Non-GAAP Financial Measure

MD&A KEY PERFORMANCE INDICATORS

KEY PERFORMANCE INDICATORS
(Dollars in billions; per-share amounts in dollars and diluted; attributable to GE common shareowners)
NET EARNINGS

NET EARNINGS PER SHARE

OPERATING EARNINGS (NON-GAAP)

OPERATING EARNINGS PER SHARE (NON-GAAP)

INDUSTRIAL OPERATING + VERTICALS EARNINGS(NON-GAAP)

INDUSTRIAL OPERATING + VERTICALS EPS
(NON-GAAP)

MD&A CONSOLIDATED RESULTS

CONSOLIDATED RESULTS

2017 SIGNIFICANT DEVELOPMENTS

LEADERSHIP CHANGES

As announced on June 12, 2017, Jeffery R. Immelt retired as Chief Executive Officer (CEO) on July 31, 2017 and John L. Flannery succeeded Mr. Immelt as CEO effective August 1, 2017. Mr. Flannery also joined the Board of Directors on that date. Mr. Immelt remained Chairman of the Board for a transition period through October 2, 2017, at which point Mr. Flannery succeeded Mr. Immelt as Chairman.

On October 6, 2017, we announced that, effective November 1, 2017, Jamie S. Miller, will become Chief Financial Officer, succeeding Jeffrey S. Bornstein. Mr. Bornstein will remain a Vice Chairman through December 31, 2017. Ms. Miller also serves as a director at Baker Hughes, a GE company.

On October 9, 2017, we announced that Robert Lane retired from the Company's Board of Directors (the Board) after 12 years of service, effective that same date. In addition, the Board elected Edward P. Garden as a director to fill the resulting vacancy, effective on that date. Mr. Garden is the Chief Investment Officer and a Founding Partner of Trian Fund Management, L.P. (Trian), an investment management firm.

2017 SIGNIFICANT TRANSACTIONS

- On January 10, 2017, we completed the acquisition of ServiceMax, a leader in cloud-based field service management (FSM) solutions, for $0.9 billion, net of cash acquired.
- On April 20, 2017, we completed the acquisition of LM Wind Power, one of the world's largest wind turbine blade manufacturers for approximately $1.6 billion, net of cash acquired.
- On July 3, 2017, we completed the transaction to create BHGE. Under the terms of the deal, which we announced in October 2016, we combined our Oil & Gas business and Baker Hughes Incorporated (Baker Hughes) to create a new company in which GE holds an ownership interest of approximately 62.5% and former Baker Hughes shareholders hold an ownership interest of approximately 37.5%. Baker Hughes shareholders also received a cash dividend funded by a $7.5 billion cash contribution from GE. The completion of the transaction followed the approval of Baker Hughes shareholders, regulatory approvals and other customary closing conditions. Effective July 3, 2017, the operations of Baker Hughes are reported in our Oil & Gas segment.
- In October 2016, we announced our plan to sell our Water & Process Technologies business. In March 2017, we announced an agreement to sell the business to Suez Environnement S.A. (Suez), a French-based utility company operating primarily in the water treatment and waste management sectors. On September 29, 2017, we completed the sale for consideration of $3.0 billion, net of obligations assumed and cash transferred (including $0.1 billion from sale of receivables originated in our Water business and sold from GE Capital to Suez), and recognized an after-tax gain of approximately $1.9 billion.
- In the first quarter of 2017, we classified our Industrial Solutions business within our Power segment as held for sale. In September 2017, we announced an agreement to sell the business for approximately $2.6 billion to ABB, a Swiss-based engineering company operating primarily in the robotics, power, heavy electrical equipment and automation technology sectors. The deal is expected to close in mid-2018, subject to customary closing conditions and regulatory approval.

THIRD QUARTER 2017 RESULTS

Overall, our consolidated results in the third quarter were below our expectations. Consolidated revenues (after adjusting for the Water gain of $1.9 billion and the impact of incremental Baker Hughes revenues of $2.5 billion*) were $29.0 billion, down $0.2 billion or 1%. The decline in revenues was a result of lower Industrial segment revenues of 1% organically* driven principally by our Power and Oil & Gas segments. For all other Industrial segments, revenues increased 2% organically* as Aviation and Healthcare experienced revenue growth versus the prior year period. Continuing earnings per share was $0.22, down 4% from the prior year. Industrial operating plus Verticals earnings per share* was $0.29, down 9% versus the prior year, driven substantially by a 10% decrease in Industrial segment operating profit*.

Restructuring and other charges were $0.21 per share, including $0.02 per share related to BHGE integration and synergy investment. In total, restructuring and other items were $2.4 billion before tax, with restructuring charges totaling about $0.8 billion (including $0.2 billion related to BHGE) and $0.3 billion of businesses development charges, primarily related to the Baker Hughes transaction. Restructuring charges were higher than originally planned, driven by the accelerated restructuring actions taken at Corporate. Additionally, within restructuring and other charges, we recognized two significant impairments in the quarter totaling $0.13 per share, which included non-cash pre-tax impairment charges of $0.9 billion related to goodwill in our Power Conversion business and $0.3 billion related to a power plant asset. See Note 8 to the consolidated financial statements for further information on the results of our annual goodwill impairment testing.

MD&A CONSOLIDATED RESULTS

Industrial profit was $2.4 billion and industrial margins were 7.6%, down $0.3 billion, or 240 basis points, versus the third quarter of 2016 primarily driven by a reduction in Industrial segment profit of $0.7 billion, or 16%. After adjusting segment operating profit of $3.6 billion for restructuring charges of $0.3 billion related to Oil & Gas, which, subsequent to the Baker Hughes transaction, are recorded in the segment rather than at Corporate, adjusted Industrial segment operating profit* was down $0.4 billion, or 10%. The decline in adjusted Industrial segment operating profit* was primarily due to lower results within our Power and Oil & Gas segments, partially offset by the performance of our remaining industrial segments, which had increases in organic revenues* of 2% and adjusted Industrial segment operating profit* of 23%, including lower Corporate costs.

Beginning in the third quarter of 2017, the Energy Connections business within the former Energy Connections & Lighting segment was combined with the Power segment and presented as one reporting segment called Power. The Power segment experienced a revenue decline of 4% and an operating profit decline of 51% versus the third quarter of 2016. Power revenues were $8.7 billion, with equipment revenues down 3% and service revenues down 4%.

The decline in Power segment results was primarily driven by three factors:

- A decline in year-over-year results, principally in our service business, lower shipments of our aeroderivative products, and performance of our Power Conversion business. Within services, we sold fewer Advanced Gas Path (AGP) upgrades and experienced lower outages. Services outages were down 18% versus the third quarter of 2016. Aeroderivative units were down 32 versus the third quarter of 2016. Our markets have also been challenged by the increasing penetration of renewables, fleet penetration for AGPs, lower capacity payments, utilization, and outages. We expect these conditions to persist through the fourth quarter and into 2018.
- Second, we experienced project delays and incurred costs associated with certain quality matters. In addition, we recognized a bad debt reserve for a Venezuelan customer receivable. The net effect of these items amounted to approximately $0.1 billion.
- Third, the mix effect of having lower volume in our high-margin aero and service businesses, and higher volume in low-margin grid and balance of plant revenues resulted in a substantial margin headwind.

Refer to the Power segment results section within this MD&A for further information.

Beginning in the third quarter of 2017, our Oil & Gas segment is comprised of our ownership interest of approximately 62.5% in the combined BHGE entity. We consolidate 100% of BHGE’s revenues and cash flows while segment operating profit and net income are derived net of minority ownership interest of approximately 37.5% attributable to BHGE’s Class A shareholders. Also, the operating profit we report for our Oil & Gas segment is adjusted for GE reporting conventions, such as excluding restructuring and other charges. Therefore, our operating profit of approximately 62.5% will differ from BHGE's operating income as reported in its standalone financial statements.

During the third quarter of 2017, Oil & Gas reported revenues of $5.4 billion, an increase of 81% versus the third quarter of 2016, driven by the effects of the Baker Hughes transaction. Adjusting for the Baker Hughes transaction, segment revenues* were $2.8 billion in the quarter, down 5% due to continued weakness in the oil and gas market. Segment operating profit (loss) was $(36) million, or $231 million after adjusting for restructuring and other charges reported in the segment*. The decline in segment operating profit (after adjusting for restructuring and other charges reported in the segment*) of 35% was primarily driven by longer cycle oilfield equipment business. Refer to the Oil & Gas segment results section within this MD&A for further information.

GE CFOA was $4.1 billion and $18.3 billion for the nine months ended September 30, 2017 and 2016, respectively. The decline in GE CFOA is primarily due to a $12.0 billion decrease in dividends from GE Capital, reflecting a decrease in proceeds from GE Capital Exit Plan disposals. GE CFOA was also impacted by lower earnings from Power and Oil & Gas, as well as lower than expected working capital improvements. Additionally, GE CFOA was negatively impacted by GE Pension Plan payments of $1.4 billion in 2017, compared to zero in the prior year period. Further, due to our ongoing insurance actuarial review, we have deferred the decision whether GE Capital will pay additional dividends to GE until the review is completed. Refer to the GE Cash Flows and Critical Accounting Estimates sections within this MD&A for further information.

As noted in the second quarter of 2017 earnings release presentation, Mr. Flannery is conducting a comprehensive review of the Company, including a review of the Company's business units, the GE Store and Corporate. Mr. Flannery provided an update on this review as part of the third quarter earnings release presentation, at which time he stated that management had identified $20 billion plus of assets that would be exited in the next one to two years. On November 13, 2017, Mr. Flannery will present to investors outlining, among other items, the results of the business assessment, cost reduction actions, capital allocation and 2018 outlook. We expect additional restructuring charges related to cost reduction actions, and held-for-sale and other associated charges related to the exit or sale of assets or businesses.

*Non-GAAP Financial Measure

MD&A CONSOLIDATED RESULTS

CONSOLIDATED RESULTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30
(Dollars in billions)

REVENUES INDUSTRIAL AND FINANCIAL SERVICES REVENUES
(a) Included $2.5 billion related to Baker Hughes

COMMENTARY: 2017 - 2016

THREE MONTHS
Consolidated revenues increased $4.2 billion, or 14%.

- Consolidated revenues decreased $0.2 billion, or 1%, excluding the $1.9 billion pre-tax gain recorded at Corporate from the sale of our Water business in the third quarter of 2017 and the impact of incremental Baker Hughes revenues of $2.5 billion*.
- Industrial segment revenues increased approximately $0.2 billion, or 1%, excluding the items noted above*, as the net effects of acquisitions of $0.3 billion and the effects of a weaker U.S. dollar of $0.2 billion were partially offset by organic revenue* decreases of $0.4 billion.
- Financial Services revenues decreased $0.2 billion, or 8%, primarily due to higher impairments and organic revenue declines, partially offset by higher gains.

NINE MONTHS
Consolidated revenues increased $0.1 billion.

- Consolidated revenues decreased $1.2 billion, or 1%, excluding the pre-tax gains recorded at Corporate of $3.1 billion from the sale of Appliances in the second quarter of 2016 and $1.9 billion from the sale of our Water business in the third quarter of 2017 as well as the impact of incremental Baker Hughes revenues of $2.5 billion*.
- Industrial segment revenues decreased approximately $0.3 billion, excluding the items noted above*, as the net effects of acquisitions of $0.7 billion and organic revenue* increases of $1.9 billion were partially offset by the net effects of dispositions of $2.8 billion and the effects of a stronger U.S. dollar of $0.1 billion.
- Financial Services revenues decreased $0.7 billion, or 9%, primarily due to higher impairments, organic revenue declines and lower gains.

*Non-GAAP Financial Measure

MD&A CONSOLIDATED RESULTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30
(Dollars in billions; attributable to GE common shareowners)
CONTINUING EARNINGS OPERATING EARNINGS*

COMMENTARY: 2017 - 2016

THREE MONTHS
Consolidated continuing earnings decreased $0.2 billion.
Industrial

- Earnings decreased $2.1 billion, or 98%, excluding the $1.9 billion after-tax gain recorded at Corporate from the sale of our Water business in the third quarter of 2017*.
- Industrial segment profit decreased $0.7 billion, or 16%, due to organic operating decreases* of $0.6 billion and restructuring costs related to Baker Hughes of $0.3 billion, partially offset by the net effects of acquisitions of $0.1 billion.
- In addition, restructuring and other costs recorded at Corporate increased $1.3 billion, including non-cash impairment charges of $0.9 billion related to goodwill and $0.3 billion related to a power plant asset. Gains recorded at Corporate decreased $0.2 billion, excluding the $1.9 billion pre-tax gain on the sale of our Water business.
- Interest and other financial charges increased $0.2 billion while the provision for income taxes decreased $0.3 billion, excluding the tax impact from the sale of our Water business*.
- The net effect of acquisitions on our consolidated operating earnings was a decrease of $0.2 billion while the net effect of dispositions was an increase of $1.4 billion in the third quarter of 2017.
- Foreign exchange favorably affected industrial operating earnings by $0.1 billion as a result of both translational and transactional impacts related to remeasurement and mark-to-market charges on open hedges.

Financial Services
Financial Services earnings decreased 8%, primarily due to lower tax benefits primarily associated with a 2016 IRS tax settlement, higher impairments and lower gains, partially offset by lower treasury and headquarters operation expenses associated with the GE Capital Exit Plan and core increases.

*Non-GAAP Financial Measure

NINE MONTHS
Consolidated continuing earnings decreased $1.5 billion.
Industrial

- Earnings decreased $1.6 billion, or 41%, excluding the after-tax gains recorded at Corporate of $1.8 billion from the sale of Appliances in the second quarter of 2016 and $1.9 billion from the sale of our Water business in the third quarter of 2017*.
- Industrial segment profit decreased $0.6 billion, or 5%, driven by restructuring costs related to Baker Hughes of $0.3 billion, organic operating decreases* of $0.2 billion and the net effects of dispositions of $0.2 billion, partially offset by the net effects of acquisitions of $0.1 billion.
- In addition, restructuring and other costs recorded at Corporate increased $1.2 billion, including non-cash impairment charges of $0.9 billion related to goodwill and $0.3 billion related to a power plant asset. Gains recorded at Corporate decreased $0.3 billion, excluding the $3.1 billion pre-tax gain on the sale of Appliances in 2016 and the $1.9 billion pre-tax gain on the sale of our Water business in 2017.

- Interest and other financial charges increased $0.4 billion while the provision for income taxes increased $0.5 billion, excluding the tax impacts from the sale of Appliances and the sale of our Water business*.
- The net effect of acquisitions on our consolidated operating earnings was a decrease of $0.2 billion while the net effect of dispositions was a decrease of $1.2 billion in 2017.
- Foreign exchange adversely affected industrial operating earnings by an insignificant amount in 2017.

Financial Services

- Financial Services losses decreased $1.3 billion, or 87% primarily due to lower treasury and headquarters operation expenses associated with the GE Capital Exit Plan, lower preferred dividend expenses associated with the January 2016 preferred equity exchange and core increases, partially offset by lower gains, higher impairments and lower tax benefits primarily associated with a 2016 IRS tax settlement.

MD&A SEGMENT OPERATIONS

SEGMENT OPERATIONS
SUMMARY OF OPERATING SEGMENTS

	Three months ended September 30			Nine months ended September 30		
(In millions)	2017	2016	V%	2017	2016	V%
Revenues						
Power(a)	$8,679	$8,995	(4) %	$26,569	$25,664	4 %
Renewable Energy	2,905	2,770	5 %	7,406	6,533	13 %
Oil & Gas	5,365	2,964	81 %	11,475	9,497	21 %
Aviation	6,816	6,300	8 %	20,153	19,074	6 %
Healthcare	4,724	4,482	5 %	13,714	13,190	4 %
Transportation	1,074	1,249	(14) %	3,185	3,471	(8)%
Lighting(a)	483	576	(16) %	1,442	4,239	(66)%
Total industrial segment revenues	30,046	27,335	10 %	83,943	81,667	3 %
Capital	2,397	2,600	(8) %	7,525	8,256	(9)%
Total segment revenues	32,444	29,936	8 %	91,468	89,923	2 %
Corporate items and eliminations	1,028	(670)		(777)	681	
Consolidated revenues	$33,472	$29,266	14 %	$90,691	$90,604	— %
Segment profit (loss)						
Power(a)	$611	$1,259	(51) %	$2,526	$2,924	(14)%
Renewable Energy	257	202	27 %	524	413	27 %
Oil & Gas(b)	(36)	353	U	325	981	(67)%
Aviation	1,680	1,494	12 %	4,856	4,366	11 %
Healthcare	820	717	14 %	2,289	2,130	7 %
Transportation	276	309	(11) %	634	747	(15)%
Lighting(a)	23	(15)	F	43	196	(78)%
Total industrial segment profit	3,630	4,320	(16) %	11,198	11,756	(5)%
Capital	24	26	(8)%	(195)	(1,466)	87 %
Total segment profit (loss)	3,654	4,345	(16)%	11,003	10,290	7 %
Corporate items and eliminations	(1,095)	(1,524)		(4,687)	(2,120)	
GE interest and other financial charges	(718)	(483)		(1,918)	(1,490)	
GE benefit (provision) for income taxes	64	(241)		(297)	(1,034)	
Earnings (loss) from continuing operations attributable to GE common shareowners	1,905	2,097	(9) %	4,101	5,645	(27)%
Earnings (loss) from discontinued operations, net of taxes	(106)	(105)	(1)%	(490)	(954)	49 %
Less net earnings attributable to noncontrolling interests, discontinued operations	(1)	(2)		6	2	
Earnings (loss) from discontinued operations, net of tax and noncontrolling interest	(105)	(103)	(2)%	(497)	(956)	48 %
Consolidated net earnings (loss) attributable to the GE common shareowners	$1,800	$1,994	(10) %	$3,604	$4,689	(23)%

(a) Beginning in the third quarter of 2017, the Energy Connections business within the former Energy Connections & Lighting segment was combined with the Power segment and presented as one reporting segment called Power. As a result of this combination, our GE Lighting and Current, powered by GE (Current) businesses are now reported as a separate segment called Lighting.

(b) Oil & Gas segment operating profit excluding restructuring and other charges was $231 million and $593 million for the three and nine months ended September 30, 2017, respectively.

MD&A SEGMENT OPERATIONS

REVENUES AND PROFIT

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

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

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

Segment profit excludes or includes interest and other financial charges, income taxes, and preferred stock dividends according to how a particular segment’s management is measured:

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

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

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

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

SIGNIFICANT SEGMENT DEVELOPMENTS

SALE OF APPLIANCES

On January 15, 2016, we announced the signing of an agreement to sell our Appliances business to Haier. On June 6, 2016, we completed the sale for proceeds of $5.6 billion (including $0.8 billion from the sale of receivables originated in our Appliances business and sold from GE Capital to Haier) and recognized an after-tax gain of $1.8 billion in 2016. For the nine months ended September 30, 2016, Appliances contributed revenues of $2.6 billion and an operating profit of $0.3 billion.

CREATION OF BAKER HUGHES, A GE COMPANY

On July 3, 2017, we completed the transaction to create Baker Hughes, a GE company (BHGE). Under the terms of the deal, which we announced in October 2016, we combined our Oil & Gas business and Baker Hughes Incorporated (Baker Hughes) to create a new company in which GE holds an ownership interest of approximately 62.5% and former Baker Hughes shareholders hold an ownership interest of approximately 37.5%. Baker Hughes shareholders also received a cash dividend funded by a $7.5 billion cash contribution from GE. The completion of the transaction followed the approval of Baker Hughes shareholders, regulatory approvals and other customary closing conditions. Effective July 3, 2017, the operations of Baker Hughes are reported in our Oil & Gas segment.

INCLUSION OF ENERGY CONNECTIONS IN POWER REPORTING SEGMENT

Beginning in the third quarter of 2017, the Energy Connections business within the former Energy Connections & Lighting segment was combined with the Power segment and presented as one reporting segment called Power. As a result of the combination, our GE Lighting and Current, powered by GE (Current) businesses are now reported as a separate segment called Lighting.

MD&A SEGMENT OPERATIONS

SEGMENT RESULTS – THREE AND NINE MONTHS ENDED SEPTEMBER 30

(Dollars in billions)
INDUSTRIAL SEGMENT EQUIPMENT
& SERVICES REVENUES

INDUSTRIAL SEGMENT PROFIT
Services (a) Equipment (b)

(a) $13.6 billion, excluding $1.5 billion related to Baker Hughes*, and $40.1 billion, excluding $1.5 billion related to Baker Hughes*, for the three and nine months ended September 30, 2017, respectively
(b) $13.9 billion, excluding $1.0 billion related to Baker Hughes*, and $41.3 billion, excluding $1.0 billion related to Baker Hughes*, for the three and nine months ended September 30, 2017, respectively

(a) $3.8 billion, excluding $(0.1) billion related to Baker Hughes*
(b) $11.3 billion, excluding $(0.1) billion related to Baker Hughes*

2017 – 2016 COMMENTARY: THREE MONTHS ENDED SEPTEMBER 30

- Industrial segment revenues increased $2.7 billion, or 10%, driven by increases at Oil & Gas primarily due to Baker Hughes, Aviation, Healthcare and Renewable Energy, partially offset by decreases at Power, Transportation and Lighting.
- Industrial segment profit decreased $0.7 billion, or 16%, driven primarily by lower earnings at Power, Oil & Gas primarily due to restructuring costs associated with Baker Hughes, and Transportation, partially offset by higher earnings at Aviation, Healthcare, Renewable Energy and Lighting.
- Industrial segment margin decreased 280 bps to 13.0% in 2017 from 15.8% in 2016 driven by negative cost productivity and business mix. The decrease in Industrial segment margin reflects decreases at Oil & Gas and Power, offset by increases at Renewable Energy, Healthcare, Transportation, Aviation and Lighting.

2017 – 2016 COMMENTARY: NINE MONTHS ENDED SEPTEMBER 30

- Industrial segment revenues increased $2.3 billion, or 3%, driven by increases at Oil & Gas primarily due to Baker Hughes, Aviation, Power, Renewable Energy, and Healthcare, partially offset by decreases at Lighting primarily due to the sale of the Appliances business in the second quarter of 2016, and Transportation.
- Industrial segment profit decreased $0.6 billion, or 5%, driven primarily by lower earnings at Oil & Gas, Power, Lighting due to the sale of Appliances in the second quarter of 2016, and Transportation, partially offset by higher earnings at Aviation, Healthcare, and Renewable Energy.
- Industrial segment margin decreased 70 bps to 13.7% in 2017 from 14.4% in 2016 driven by price and business mix. The decrease in Industrial segment margin reflects decreases at Oil & Gas, Power and Transportation, partially offset by increases at Aviation, Renewable Energy, Healthcare and Lighting.

*Non-GAAP Financial Measure

POWER

OPERATIONAL OVERVIEW
(Dollars in billions)
2017 YTD SUB-SEGMENT REVENUES

EQUIPMENT/SERVICES REVENUES

(a) Includes Distributed Power
(b) Includes Water & Process Technologies and GE Hitachi Nuclear

Services Equipment

ORDERS

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Services Equipment

Services Equipment

UNIT SALES

	3Q 2016	3Q 2017	V	YTD 2016	YTD 2017	V
Gas Turbines	30	22	(8)	69	63	(6)

SEGMENT
MD&A OPERATIONS
| POWER

FINANCIAL OVERVIEW
(Dollars in billions)
SEGMENT REVENUES SEGMENT PROFIT SEGMENT PROFIT MARGIN
Services Equipment

SEGMENT REVENUES & PROFIT WALK:

THREE MONTHS

	Revenues	Profit
September 30, 2016	$ 9.0	$ 1.3
Volume	(0.5)	(0.1)
Price	(0.1)	(0.1)
Foreign Exchange	0.1	—
(Inflation)/Deflation	N/A	—
Mix	N/A	(0.2)
Productivity	N/A	(0.4)
Other	0.2	0.1
September 30, 2017	$ 8.7	$ 0.6

NINE MONTHS

	Revenues	Profit
September 30, 2016	$ 25.7	$ 2.9
Volume	0.9	0.1
Price	(0.2)	(0.2)
Foreign Exchange	(0.1)	—
(Inflation)/Deflation	N/A	0.1
Mix	N/A	(0.2)
Productivity	N/A	(0.4)
Other	0.3	0.2
September 30, 2017	$ 26.6	$ 2.5

COMMENTARY: 2017 - 2016
Segment revenues down $0.3 billion (4%);
Segment profit down $0.6 billion (51%):

- The decrease in revenues was driven by lower services volume at Power Services due to 15 fewer AGP upgrades. Equipment volume also decreased, primarily at Gas Power Systems, as a result of eight fewer gas turbine and 32 fewer aeroderivative units, partially offset by seven more Heat Recovery Steam Generator shipments and extended scope including higher balance of plant revenues. Further decreases in revenue were due to lower prices offset by the effects of a weaker U.S. dollar versus the euro and increased other income including a reduction in foreign exchange transactional losses.
- The decrease in profit was due to negative variable cost productivity, unfavorable business mix due to higher revenues from lower margin balance of plant volume and fewer higher margin aeroderivative units, lower prices and lower overall volume, partially offset by increased other income including a reduction in foreign exchange transactional losses.

Segment revenues up $0.9 billion (4%);
Segment profit down $0.4 billion (14%):

- The increase in revenues was driven by higher equipment volume, primarily at Gas Power Systems, due to higher balance of plant as well as 36 more Heat Recovery Steam Generator shipments, partially offset by six fewer gas turbine and 27 fewer aeroderivative units. Revenues also increased due to increased other income including a reduction in foreign exchange transactional losses offset by lower prices and the effects of a stronger U.S. dollar versus the euro.
- The decrease in profit was due to negative variable cost productivity, unfavorable business mix due to higher revenues from lower margin balance of plant volume and fewer higher margin aeroderivative units, and lower prices. These decreases were partially offset by positive base cost productivity on higher volume and increased other income including a reduction in foreign exchange transactional losses.

SEGMENT OPERATIONS
MD&A | RENEWABLE ENERGY

RENEWABLE ENERGY

OPERATIONAL OVERVIEW
(Dollars in billions)
2017 YTD SUB-SEGMENT REVENUES

EQUIPMENT/SERVICES REVENUES

Services Equipment

ORDERS

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Services Equipment

Services Equipment

UNIT SALES

	3Q 2016	3Q 2017	V	YTD 2016	YTD 2017	V
Wind Turbines	976	749	(227)	2,500	2,073	(427)

MD&A | SEGMENT OPERATIONS | RENEWABLE ENERGY

FINANCIAL OVERVIEW
(Dollars in billions)

SEGMENT REVENUES SEGMENT PROFIT SEGMENT PROFIT MARGIN

Services Equipment

SEGMENT REVENUES & PROFIT WALK:

THREE MONTHS

	Revenues	Profit
September 30, 2016	$ 2.8	$ 0.2
Volume	0.1	—
Price	—	—
Foreign Exchange	—	—
(Inflation)/Deflation	N/A	—
Mix	N/A	—
Productivity	N/A	0.1
Other	—	—
September 30, 2017	$ 2.9	$ 0.3

NINE MONTHS

	Revenues	Profit
September 30, 2016	$ 6.5	$ 0.4
Volume	0.6	—
Price	(0.1)	(0.1)
Foreign Exchange	0.1	—
(Inflation)/Deflation	N/A	0.1
Mix	N/A	—
Productivity	N/A	(0.1)
Other	0.2	0.2
September 30, 2017	$ 7.4	$ 0.5

COMMENTARY: 2017 - 2016

Segment revenues up $0.1 billion (5%);
Segment profit up $0.1 billion (27%):

- The increase in revenues was primarily driven by higher services volume due to increased repowering projects at Onshore Wind, partially offset by lower equipment sales driven by 227 fewer wind turbine shipments and 16% fewer megawatts shipped than in the prior year.
- The increase in profit was due to positive cost productivity.

Segment revenues up $0.9 billion (13%);
Segment profit up $0.1 billion (27%):

- The increase in revenues was primarily driven by higher volume due to increased repowering projects at Onshore Wind and higher equipment sales at Hydro, partially offset by 427 fewer wind turbine shipments and 4% fewer megawatts shipped than in the prior year. Revenues also increased due to increased other income including a reduction in foreign exchange transactional losses, and the effects of a weaker U.S. dollar versus the Brazilian real, partially offset by lower prices.
- The increase in profit was due to material deflation and increased other income including a reduction in foreign exchange transactional losses. These increases were partially offset by negative cost productivity and lower prices.

SEGMENT
MD&A OPERATIONS
| OIL & GAS

OIL & GAS

OPERATIONAL OVERVIEW
(Dollars in billions)
2017 YTD SUB-SEGMENT REVENUES

(a) Previously referred to as Surface
(b) Previously referred to as Subsea Systems & Drilling

EQUIPMENT/SERVICES REVENUES

Services Equipment

ORDERS

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Services Equipment
(a) Included $2.5 billion related to Baker Hughes
(b) Included $2.5 billion related to Baker Hughes

Services Equipment

MD&A SEGMENT OPERATIONS | OIL & GAS

FINANCIAL OVERVIEW
(Dollars in billions)

SEGMENT REVENUES SEGMENT PROFIT SEGMENT PROFIT MARGIN

Services Equipment

(a) $2.8 billion, excluding $2.5 billion related to Baker Hughes*	(a) $0.1 billion, excluding $(0.1) billion related to Baker Hughes*	(a) 3.9%, excluding (5.7)% related to Baker Hughes*
(b) $8.9 billion, excluding $2.5 billion related to Baker Hughes*	(b) $0.5 billion, excluding $(0.1) billion related to Baker Hughes*	(b) 5.3%, excluding (5.7)% related to Baker Hughes*

SEGMENT REVENUES & PROFIT WALK:

THREE MONTHS

	Revenues	Profit
September 30, 2016	$ 3.0	$ 0.4
Volume	(0.2)	—
Price	—	—
Foreign Exchange	0.1	—
(Inflation)/Deflation	N/A	—
Mix	N/A	—
Productivity	N/A	(0.3)
Other	0.1	—
Baker Hughes	2.5	(0.1)
September 30, 2017	$ 5.4	$ —

NINE MONTHS

	Revenues	Profit
September 30, 2016	$ 9.5	$ 1.0
Volume	(0.5)	(0.1)
Price	(0.2)	(0.2)
Foreign Exchange	—	—
(Inflation)/Deflation	N/A	0.1
Mix	N/A	—
Productivity	N/A	(0.5)
Other	0.2	0.1
Baker Hughes	2.5	(0.1)
September 30, 2017	$ 11.5	$ 0.3

*Non-GAAP Financial Measure

COMMENTARY: 2017 - 2016

Segment revenues up $2.4 billion (81%);
Segment profit down $0.4 billion (110%):

- The increase in revenues was primarily driven by the effects of Baker Hughes, a weaker U.S. dollar versus the euro and increased other income including a reduction in foreign exchange transactional losses, partially offset by negative market conditions which resulted in lower organic equipment volume primarily in Oilfield Equipment.
-

The decrease in operating profit was driven by negative variable cost productivity as well as restructuring and other charges, partially offset by increased volume from Baker Hughes.

Segment revenues up $2.0 billion (21%);
Segment profit down $0.7 billion (67%):

- The increase in revenues was primarily driven by the effects of Baker Hughes and increased other income including a reduction in foreign exchange transactional losses, partially offset by negative market conditions which resulted in lower prices and lower organic equipment volume primarily in Oilfield Equipment and Turbomachinery & Process Solutions.
- The decrease in operating profit was primarily driven by negative variable cost productivity, restructuring and other charges, lower prices, and lower organic volume, partially offset by increased volume from Baker Hughes, deflation and increased other income including a reduction in foreign exchange transactional losses.

AVIATION

OPERATIONAL OVERVIEW
(Dollars in billions)
2017 YTD SUB-SEGMENT REVENUES

EQUIPMENT/SERVICES REVENUES

Services Equipment

ORDERS

BACKLOG

Services Equipment