

GENERAL ELECTRIC CO
Form 10-Q
July 29, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2011

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
(State or other jurisdiction of
incorporation or organization)

14-0689340
(I.R.S. Employer Identification No.)

3135 Easton Turnpike, Fairfield, CT
(Address of principal executive offices)

06828-0001
(Zip Code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

There were 10,600,337,000 shares of common stock with a par value of \$0.06 per share outstanding at July 1, 2011.

(1)

General Electric Company

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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,” or “will.” Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include: current economic and financial conditions, including volatility in interest and exchange rates, commodity and equity prices and the value of financial assets; potential market disruptions or other impacts arising in the United States or Europe from sovereign debt issues, including developments in connection with the U.S. indebtedness cap; the impact of conditions in the financial and credit markets on the availability and cost of General Electric Capital Corporation’s (GECC) funding and on our ability to reduce GECC’s asset levels as planned; the impact of conditions in the housing market and unemployment rates on the level of commercial and consumer credit defaults; changes in Japanese consumer behavior that may affect our estimates of liability for excess interest refund claims (Grey Zone); potential financial implications from the Japanese natural disaster; our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so; the adequacy of our cash flow and earnings and other conditions which may affect our ability to pay our quarterly dividend at the planned level; the level of demand and financial performance of the major industries we serve, including, without limitation, air and rail transportation, energy generation, real estate and healthcare; the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks, including the impact of financial services regulation; strategic actions, including acquisitions, joint ventures and dispositions and our success in completing announced transactions

and integrating acquired businesses; and numerous other matters of national, regional and global scale, including those of a political, economic, business and competitive nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

(2)

Part I. Financial Information

Item 1. Financial Statements.

General Electric Company and consolidated affiliates

Condensed Statement of Earnings

(In millions, except share amounts)	Three months ended June 30 (Unaudited)					
	Consolidated		GE(a)		Financial Services (GECS)	
	2011	2010	2011	2010	2011	2010
Revenues						
Sales of goods	\$ 16,223	\$ 14,905	\$ 16,181	\$ 14,736	\$ 42	\$ 168
Sales of services	6,685	9,599	6,780	9,667	—	—
Other income	623	278	675	304	—	—
GECS earnings from continuing operations	—	—	1,593	734	—	—
GECS revenues from services	12,094	12,146	—	—	12,401	12,464
Total revenues	35,625	36,928	25,229	25,441	12,443	12,632
Costs and expenses						
Cost of goods sold	13,095	11,128	13,057	10,974	38	154
Cost of services sold	4,405	6,067	4,500	6,134	—	—
Interest and other financial charges	3,773	3,946	321	430	3,601	3,645
Investment contracts, insurance losses and insurance annuity benefits	746	722	—	—	790	770
Provision for losses on financing receivables	811	2,007	—	—	811	2,007
Other costs and expenses	8,284	8,886	3,204	3,589	5,246	5,464
Total costs and expenses	31,114	32,756	21,082	21,127	10,486	12,040
Earnings from continuing operations						
before income taxes	4,511	4,172	4,147	4,314	1,957	592
Benefit (provision) for income taxes	(890)	(866)	(546)	(986)	(344)	120
Earnings from continuing operations	3,621	3,306	3,601	3,328	1,613	712
Earnings (loss) from discontinued operations, net of taxes	217	(101)	217	(101)	217	(100)
Net earnings	3,838	3,205	3,818	3,227	1,830	612

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Less net earnings (loss) attributable to noncontrolling interests	74	96	54	118	20	(22)
Net earnings attributable to the Company	3,764	3,109	3,764	3,109	1,810	634
Preferred stock dividends declared	(75)	(75)	(75)	(75)	—	—
Net earnings attributable to GE common shareowners	\$ 3,689	\$ 3,034	\$ 3,689	\$ 3,034	\$ 1,810	\$ 634

Amounts attributable to the Company						
Earnings from continuing operations	\$ 3,547	\$ 3,210	\$ 3,547	\$ 3,210	\$ 1,593	\$ 734
Earnings (loss) from discontinued operations, net of taxes	217	(101)	217	(101)	217	(100)
Net earnings attributable to the Company	\$ 3,764	\$ 3,109	\$ 3,764	\$ 3,109	\$ 1,810	\$ 634

Per-share amounts						
Earnings from continuing operations						
Diluted earnings per share	\$ 0.33	\$ 0.29				
Basic earnings per share	\$ 0.33	\$ 0.29				
Net earnings						
Diluted earnings per share	\$ 0.35	\$ 0.28				
Basic earnings per share	\$ 0.35	\$ 0.28				

Dividends declared per common share	\$ 0.15	\$ 0.10				
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(a) Represents the adding together of all affiliated companies except General Electric Capital Services, Inc. (GECS or financial services), which is presented on a one-line basis.

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

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

(3)

General Electric Company and consolidated affiliates

Condensed Statement of Earnings

(In millions, except share amounts)	Six months ended June 30 (Unaudited)					
	Consolidated		GE(a)		Financial Services (GECS)	
	2011	2010	2011	2010	2011	2010
Revenues						
Sales of goods	\$ 30,712	\$ 28,670	\$ 30,670	\$ 28,225	\$ 84	\$ 449
Sales of services	14,187	19,507	14,393	19,687	—	—
Other income	4,249	628	4,341	680	—	—
GECS earnings from continuing operations	—	—	3,361	1,236	—	—
GECS revenues from services	24,812	24,190	—	—	25,400	24,816
Total revenues	73,960	72,995	52,765	49,828	25,484	25,265
Costs and expenses						
Cost of goods sold	24,911	21,700	24,875	21,285	78	419
Cost of services sold	9,288	13,007	9,494	13,186	—	—
Interest and other financial charges	7,574	7,867	676	773	7,190	7,343
Investment contracts, insurance losses and insurance annuity benefits	1,482	1,469	—	—	1,559	1,557
Provision for losses on financing receivables	1,968	4,187	—	—	1,968	4,187
Other costs and expenses	16,814	17,803	6,620	7,126	10,505	11,019
Total costs and expenses	62,037	66,033	41,665	42,370	21,300	24,525
Earnings (loss) from continuing operations						
before income taxes	11,923	6,962	11,100	7,458	4,184	740
Benefit (provision) for income taxes	(4,831)	(1,305)	(4,059)	(1,774)	(772)	469
Earnings from continuing operations	7,092	5,657	7,041	5,684	3,412	1,209
Earnings (loss) from discontinued operations, net of taxes	273	(454)	273	(454)	274	(450)
Net earnings	7,365	5,203	7,314	5,230	3,686	759
Less net earnings (loss) attributable to noncontrolling interests	168	149	117	176	51	(27)
Net earnings attributable to the Company	7,197	5,054	7,197	5,054	3,635	786

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Preferred stock dividends declared	(150)	(150)	(150)	(150)	—	—
Net earnings attributable to GE common shareowners	\$ 7,047	\$ 4,904	\$ 7,047	\$ 4,904	\$ 3,635	\$ 786
Amounts attributable to the Company						
Earnings from continuing operations	\$ 6,924	\$ 5,508	\$ 6,924	\$ 5,508	\$ 3,361	\$ 1,236
Earnings (loss) from discontinued operations, net of taxes	273	(454)	273	(454)	274	(450)
Net earnings attributable to the Company	\$ 7,197	\$ 5,054	\$ 7,197	\$ 5,054	\$ 3,635	\$ 786
Per-share amounts						
Earnings from continuing operations						
Diluted earnings per share	\$ 0.64	\$ 0.50				
Basic earnings per share	\$ 0.64	\$ 0.50				
Net earnings						
Diluted earnings per share	\$ 0.66	\$ 0.45				
Basic earnings per share	\$ 0.66	\$ 0.46				
Dividends declared per common share	\$ 0.29	\$ 0.20				

(a) Represents the adding together of all affiliated companies except General Electric Capital Services, Inc. (GECS or financial services), which is presented on a one-line basis.

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

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

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General Electric Company and consolidated affiliates
Condensed Statement of Financial Position

	Consolidated		GE(a)		Financial Services (GECS)	
	June 30,	December 31,	June 30,	December 31,	June 30,	December 31,
(In millions, except share amounts)	2011 (Unaudited)	2010	2011 (Unaudited)	2010	2011 (Unaudited)	2010
Assets						
Cash and equivalents	\$ 91,053	\$ 78,943	\$ 13,589	\$ 19,241	\$ 77,983	\$ 60,257
Investment securities	45,340	43,938	19	19	45,331	43,921
Current receivables	18,634	18,621	11,872	10,383	—	—
Inventories	14,616	11,526	14,564	11,460	52	66
Financing receivables – net	292,917	303,012	—	—	300,749	312,234
Other GECS receivables	8,533	8,956	—	—	14,263	14,304
Property, plant and equipment – net	68,846	66,212	13,520	12,444	55,326	53,768
Investment in GECS	—	—	75,108	68,984	—	—
Goodwill	70,536	64,388	42,363	36,880	28,173	27,508
Other intangible assets – net	11,798	9,971	9,947	8,088	1,851	1,883
All other assets	109,499	96,342	35,946	17,454	74,598	79,240
Assets of businesses held for sale	895	36,887	—	33,760	895	3,127
Assets of discontinued operations	6,463	12,425	50	50	6,413	12,375
Total assets(b)	\$ 739,130	\$ 751,221	\$ 216,978	\$ 218,763	\$ 605,634	\$ 608,683
Liabilities and equity						
Short-term borrowings	\$ 123,489	\$ 117,959	\$ 1,202	\$ 456	\$ 123,643	\$ 118,797
Accounts payable, principally trade accounts	15,765	14,656	12,695	11,620	7,870	7,035
Progress collections and price adjustments accrued	11,074	11,142	11,852	11,841	—	—
Other GE current liabilities	16,722	12,959	16,722	12,959	—	—
Non-recourse borrowings of consolidated securitization entities	29,075	30,018	—	—	29,075	30,018
Bank deposits	41,548	37,298	—	—	41,548	37,298
Long-term borrowings	277,855	293,323	9,725	9,656	268,962	284,407
Investment contracts, insurance liabilities and insurance annuity benefits	29,318	29,582	—	—	29,854	29,993
All other liabilities	61,947	58,699	38,892	37,815	23,127	20,982
Deferred income taxes	(705)	2,753	(3,464)	(4,237)	2,759	6,990
Liabilities of businesses held for sale	527	16,047	—	15,455	527	592
Liabilities of discontinued operations	2,118	2,587	158	164	1,960	2,423

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Total liabilities(b)	608,733	627,023	87,782	95,729	529,325	538,535
Preferred stock (30,000 shares outstanding at both June 30, 2011 and December 31, 2010)	—	—	—	—	—	—
Common stock (10,600,337,000 and 10,615,376,000 shares outstanding at June 30, 2011 and December 31, 2010, respectively)	702	702	702	702	1	1
Accumulated other comprehensive income – net(c)						
Investment securities	(430)	(636)	(430)	(636)	(436)	(639)
Currency translation adjustments	4,260	(86)	4,260	(86)	1,135	(1,411)
Cash flow hedges	(1,537)	(1,280)	(1,537)	(1,280)	(1,541)	(1,281)
Benefit plans	(14,748)	(15,853)	(14,748)	(15,853)	(381)	(380)
Other capital	36,600	36,890	36,600	36,890	27,627	27,626
Retained earnings	135,098	131,137	135,098	131,137	48,703	45,068
Less common stock held in treasury	(31,871)	(31,938)	(31,871)	(31,938)	—	—
Total GE shareowners' equity	128,074	118,936	128,074	118,936	75,108	68,984
Noncontrolling interests(d)	2,323	5,262	1,122	4,098	1,201	1,164
Total equity	130,397	124,198	129,196	123,034	76,309	70,148
Total liabilities and equity	\$ 739,130	\$ 751,221	\$ 216,978	\$ 218,763	\$ 605,634	\$ 608,683

(a) Represents the adding together of all affiliated companies except General Electric Capital Services, Inc. (GECS or financial services), which is presented on a one-line basis.

(b) Our consolidated assets at June 30, 2011 include total assets of \$45,587 million of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs. These assets include net financing receivables of \$36,387 million and investment securities of \$5,960 million. Our consolidated liabilities at June 30, 2011 include liabilities of certain VIEs for which the VIE creditors do not have recourse to GE. These liabilities include non-recourse borrowings of consolidated securitization entities (CSEs) of \$28,556 million. See Note 18.

(c) The sum of accumulated other comprehensive income - net was \$(12,455) million and \$(17,855) million at June 30, 2011 and December 31, 2010, respectively.

(d) Included accumulated other comprehensive income - net attributable to noncontrolling interests of \$(149) million and \$(153) million at June 30, 2011 and December 31, 2010, respectively.

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

(5)

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General Electric Company and consolidated affiliates
Condensed Statement of Cash Flows

(In millions)	Six months ended June 30 (Unaudited)					
	Consolidated		GE(a)		Financial Services (GECS)	
	2011	2010	2011	2010	2011	2010
Cash flows – operating activities						
Net earnings	\$ 7,365	\$ 5,203	\$ 7,314	\$ 5,230	\$ 3,686	\$ 759
Less net earnings attributable to noncontrolling interests	168	149	117	176	51	(27)
Net earnings attributable to the Company	7,197	5,054	7,197	5,054	3,635	786
(Earnings) loss from discontinued operations	(273)	454	(273)	454	(274)	450
Adjustments to reconcile net earnings attributable to the Company to cash provided from operating activities						
Depreciation and amortization of property, plant and equipment	4,594	4,838	1,026	1,075	3,568	3,763
Earnings from continuing operations retained by GECS	–	–	(3,361)	(1,236)	–	–
Deferred income taxes	(3,170)	(1,650)	(97)	(422)	(3,073)	(1,228)
Decrease (increase) in GE current receivables	43	892	(726)	559	–	–
Decrease (increase) in inventories	(2,212)	522	(2,196)	559	14	–
Increase (decrease) in accounts payable	1,179	477	1,176	201	887	386
Increase (decrease) in GE progress collections	(435)	(1,452)	(356)	(1,486)	–	–
Provision for losses on GECS financing receivables	1,968	4,187	–	–	1,968	4,187
All other operating activities	5,569	2,890	1,990	1,556	2,976	1,536
Cash from (used for) operating activities – continuing operations	14,460	16,212	4,380	6,314	9,701	9,880
Cash from (used for) operating activities – discontinued operations	680	315	–	–	680	315
Cash from (used for) operating activities	15,140	16,527	4,380	6,314	10,381	10,195

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Cash flows – investing activities

Additions to property, plant and equipment	(6,538)	(2,991)	(1,544)	(937)	(5,118)	(2,176)
Dispositions of property, plant and equipment	3,505	2,493	–	–	3,505	2,493
Net decrease (increase) in GECS financing receivables	15,969	14,681	–	–	16,761	15,324
Proceeds from sale of discontinued operations	4,371	–	–	–	4,371	–
Proceeds from principal business dispositions	7,897	2,678	5,820	1,683	2,077	825
Payments for principal businesses purchased	(7,519)	(19)	(7,426)	(19)	(93)	–
Capital contribution from GE to GECS	–	–	–	–	–	–
All other investing activities	3,709	10,969	(340)	(91)	3,653	11,034
Cash from (used for) investing activities – continuing operations	21,394	27,811	(3,490)	636	25,156	27,500
Cash from (used for) investing activities – discontinued operations	(620)	(77)	–	–	(620)	(77)
Cash from (used for) investing activities	20,774	27,734	(3,490)	636	24,536	27,423

Cash flows – financing activities

Net increase (decrease) in borrowings (maturities of 90 days or less)	(1,548)	(1,224)	1,288	(1,063)	(2,857)	(404)
Net increase (decrease) in bank deposits	2,464	619	–	–	2,464	619
Newly issued debt (maturities longer than 90 days)	27,009	32,136	137	4,116	26,964	27,766
Repayments and other reductions (maturities longer than 90 days)	(44,967)	(68,314)	206	(3,218)	(45,173)	(65,096)
Net dispositions (purchases) of GE shares for treasury	(695)	178	(695)	178	–	–
Dividends paid to shareowners	(3,128)	(2,287)	(3,128)	(2,287)	–	–
Purchase of subsidiary shares from noncontrolling interest	(4,298)	–	(4,298)	–	–	–
All other financing activities	(1,061)	(1,637)	(125)	(162)	(936)	(1,475)
Cash from (used for) financing activities – continuing						

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operations	(26,224)	(40,529)	(6,615)	(2,436)	(19,538)	(38,590)
Cash from (used for)						
financing activities –						
discontinued						
operations	(42)	(305)	–	–	(42)	(305)
Cash from (used for)	(26,266)	(40,834)	(6,615)	(2,436)	(19,580)	(38,895)
financing activities						
Effect of currency exchange						
rate changes on cash						
and equivalents	2,480	(1,905)	73	(307)	2,407	(1,598)
Increase (decrease) in cash	12,128	1,522	(5,652)	4,207	17,744	(2,875)
and equivalents						
Cash and equivalents at	79,084	72,444	19,241	8,654	60,398	64,540
beginning of year						
Cash and equivalents at June	91,212	73,966	13,589	12,861	78,142	61,665
30						
Less cash and equivalents of						
discontinued operations						
at June 30	159	1,903	–	–	159	1,903
Cash and equivalents of						
continuing operations						
at June 30	\$ 91,053	\$ 72,063	\$ 13,589	\$ 12,861	\$ 77,983	\$ 59,762

(a) Represents the adding together of all affiliated companies except General Electric Capital Services, Inc. (GECS or financial services), which is presented on a one-line basis.

See accompanying notes. Separate information is shown for "GE" and "Financial Services (GECS)." Transactions between GE and GECS have been eliminated from the "Consolidated" columns and are discussed in Note 19.

(6)

Summary of Operating Segments

General Electric Company and consolidated affiliates

(In millions)	Three months ended June 30 (Unaudited)		Six months ended June 30 (Unaudited)	
	2011	2010	2011	2010
Revenues				
Energy Infrastructure	\$ 10,402	\$ 9,540	\$ 19,851	\$ 18,195
Aviation(a)	4,732	4,259	9,100	8,424
Healthcare(a)	4,498	4,102	8,588	7,835
Transportation(a)	1,231	709	2,134	1,475
Home & Business Solutions	2,153	2,250	4,142	4,190
GE Capital	11,626	11,782	23,837	23,575
Total segment revenues	34,642	32,642	67,652	63,694
Corporate items and eliminations(a)	983	4,286	6,308	9,301
Consolidated revenues	\$ 35,625	\$ 36,928	\$ 73,960	\$ 72,995
Segment profit(a)				
Energy Infrastructure	\$ 1,552	\$ 1,910	\$ 2,933	\$ 3,391
Aviation(a)	959	879	1,800	1,678
Healthcare(a)	711	661	1,242	1,158
Transportation(a)	178	26	335	141
Home & Business Solutions	106	143	180	214
GE Capital	1,655	743	3,460	1,313
Total segment profit	5,161	4,362	9,950	7,895
Corporate items and eliminations(a)	(747)	264	1,709	160
GE interest and other financial charges	(321)	(430)	(676)	(773)
GE provision for income taxes	(546)	(986)	(4,059)	(1,774)
Earnings from continuing operations attributable				
to the Company	3,547	3,210	6,924	5,508
Earnings (loss) from discontinued operations,				
net of taxes, attributable to the Company	217	(101)	273	(454)
Consolidated net earnings attributable to the Company	\$ 3,764	\$ 3,109	\$ 7,197	\$ 5,054

(a) Effective January 1, 2011, we reorganized our segments. We have reclassified prior-period amounts to conform to the current-period presentation. See Note 1 for a description of the reorganization. Segment profit excludes results reported as discontinued operations, earnings attributable to noncontrolling interests of consolidated subsidiaries and accounting changes. Segment profit excludes or includes interest and other financial charges and income taxes according to how a particular segment's management is measured – excluded in determining segment profit, which we sometimes refer to as “operating profit,” for Energy Infrastructure, Aviation, Healthcare, Transportation and Home & Business Solutions; included in determining segment profit, which we sometimes refer to as “net earnings,” for GE Capital. Results of our formerly consolidated subsidiary, NBC Universal, are reported in the Corporate items and eliminations line. See Note 2. Prior to January 1, 2011, segment profit excluded the effects of principal

pension plans. Beginning January 1, 2011, we allocate service costs related to our principal pension plans and we no longer allocate the retiree costs of our postretirement healthcare benefits to our segments. This revised allocation methodology better aligns segment operating costs to the active employee costs, which are managed by the segments.

See accompanying notes.

(7)

Notes to Condensed, Consolidated Financial Statements (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying condensed, consolidated financial statements represent the consolidation of General Electric Company and all companies that we directly or indirectly control, either through majority ownership or otherwise. See Note 1 to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2010 (2010 consolidated financial statements), which discusses our consolidation and financial statement presentation. As used in this report on Form 10-Q (Report) and in our 2010 consolidated financial statements, “GE” represents the adding together of all affiliated companies except General Electric Capital Services, Inc. (GECS or financial services), which is presented on a one-line basis; GECS consists of General Electric Capital Services, Inc. and all of its affiliates; and “Consolidated” represents the adding together of GE and GECS with the effects of transactions between the two eliminated.

Effective January 1, 2011, we reorganized the Technology Infrastructure segment into three segments – Aviation, Healthcare and Transportation. The prior-period results of the Aviation, Healthcare and Transportation businesses are unaffected by this reorganization. Also, beginning January 1, 2011, we allocate service costs related to our principal pension plans and we no longer allocate the retiree costs of our postretirement healthcare benefits to our segments. This revised allocation methodology better aligns segment operating costs to active employee costs that are managed by the segments. This change did not significantly affect our reported segment results.

On January 28, 2011, we sold the assets of our NBC Universal (NBCU) business in exchange for cash and a 49% interest in a new entity, NBCUniversal, LLC (see Note 2). Results of our formerly consolidated subsidiary, NBCU, and our current equity method investment in NBCUniversal, LLC are reported in the Corporate items and eliminations line on the Summary of Operating Segments.

We have reclassified certain prior-period amounts to conform to the current-period presentation. Unless otherwise indicated, information in these notes to the condensed, consolidated financial statements relates to continuing operations.

Accounting Changes

On January 1, 2011, we adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2009-13 and ASU 2009-14, amendments to Accounting Standards Codification (ASC) 605, Revenue Recognition and ASC 985, Software, respectively, (ASU 2009-13 & 14). ASU 2009-13 requires the allocation of consideration to separate components of an arrangement based on the relative selling price of each component. ASU 2009-14 requires certain software-enabled products to be accounted for under the general accounting standards for multiple component arrangements. These amendments are effective for new revenue arrangements entered into or materially modified on or subsequent to January 1, 2011.

Although the adoption of these amendments eliminated the allocation of consideration using residual values, which was applied primarily in our Healthcare segment, the overall impact of adoption was insignificant to our financial statements. In addition, there are no significant changes to the number of components or the pattern and timing of revenue recognition following adoption.

Our accounting policy for sales of goods and services is included below and has been updated for the additional disclosure requirements of these amendments. See Note 1 to the consolidated financial statements included in our

Annual Report on Form 10-K for the year ended December 31, 2010 for a summary of the remainder of our significant accounting policies.

Sales of Goods and Services

We record all sales of goods and services only when a firm sales agreement is in place, delivery has occurred or services have been rendered and collectibility of the fixed or determinable sales price is reasonably assured.

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Arrangements for the sale of goods and services sometimes include multiple components. Most of our multiple component arrangements involve the sale of goods and services in the Healthcare segment. Our arrangements with multiple components usually involve an upfront deliverable of large machinery or equipment and future service deliverables such as installation, commissioning, training or the future delivery of ancillary products. In most cases, the relative values of the undelivered components are not significant to the overall arrangement and are typically delivered within three to six months after the core product has been delivered. In such agreements, selling price is determined for each component and any difference between the total of the separate selling prices and total contract consideration (i.e. discount) is allocated pro rata across each of the components in the arrangement. The value assigned to each component is objectively determined and obtained primarily from sources such as the separate selling price for that or a similar item or from competitor prices for similar items. If such evidence is not available, we use our best estimate of selling price, which is established consistent with the pricing strategy of the business and considers product configuration, geography, customer type, and other market specific factors.

Except for goods sold under long-term agreements, we recognize sales of goods under the provisions of U.S. Securities and Exchange Commission (SEC) Staff Accounting Bulletin (SAB) 104, Revenue Recognition. We often sell consumer products and computer hardware and software products with a right of return. We use our accumulated experience to estimate and provide for such returns when we record the sale. In situations where arrangements include customer acceptance provisions based on seller or customer-specified objective criteria, we recognize revenue when we have reliably demonstrated that all specified acceptance criteria have been met or when formal acceptance occurs, respectively. In arrangements where we provide goods for trial and evaluation purposes, we only recognize revenue after customer acceptance occurs. Unless otherwise noted, we do not provide for anticipated losses before we record sales.

We recognize revenue on agreements for sales of goods and services under power generation unit and uprate contracts; nuclear fuel assemblies; larger oil drilling equipment projects; aeroderivative unit contracts; military development contracts; and long-term construction projects, using long-term construction and production contract accounting. We estimate total long-term contract revenue net of price concessions as well as total contract costs. For goods sold under power generation unit and uprate contracts, nuclear fuel assemblies, aeroderivative unit contracts and military development contracts, we recognize sales as we complete major contract-specified deliverables, most often when customers receive title to the goods or accept the services as performed. For larger oil drilling equipment projects and long-term construction projects, we recognize sales based on our progress towards contract completion measured by actual costs incurred in relation to our estimate of total expected costs. We measure long-term contract revenues by applying our contract-specific estimated margin rates to incurred costs. We routinely update our estimates of future costs for agreements in process and report any cumulative effects of such adjustments in current operations. We provide for any loss that we expect to incur on these agreements when that loss is probable.

We recognize revenue upon delivery for sales of aircraft engines, military propulsion equipment and related spare parts not sold under long-term product services agreements. Delivery of commercial engines, non-U.S. military equipment and all related spare parts occurs on shipment; delivery of military propulsion equipment sold to the U.S. Government or agencies thereof occurs upon receipt of a Material Inspection and Receiving Report, DD Form 250 or Memorandum of Shipment. Commercial aircraft engines are complex aerospace equipment manufactured to customer order under a variety of sometimes complex, long-term agreements. We measure sales of commercial aircraft engines by applying our contract-specific estimated margin rates to incurred costs. We routinely update our estimates of future revenues and costs for commercial aircraft engine agreements in process and report any cumulative effects of such adjustments in current operations. Significant components of our revenue and cost estimates include price concessions, performance-related guarantees as well as material, labor and overhead costs. We measure revenue for military propulsion equipment and spare parts not subject to long-term product services agreements based on the specific contract on a specifically measured output basis. We provide for any loss that we expect to incur on these

agreements when that loss is probable; consistent with industry practice, for commercial aircraft engines, we make such provision only if such losses are not recoverable from future highly probable sales of spare parts for those engines.

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We sell product services under long-term product maintenance or extended warranty agreements in our Aviation, Transportation and Energy Infrastructure segments, where costs of performing services are incurred on other than a straight-line basis. We also sell product services in our Healthcare segment, where such costs generally are expected to be on a straight-line basis. For the Aviation, Energy and Transportation agreements, we recognize related sales based on the extent of our progress towards completion measured by actual costs incurred in relation to total expected costs. We routinely update our estimates of future costs for agreements in process and report any cumulative effects of such adjustments in current operations. For the Healthcare agreements, we recognize revenues on a straight-line basis and expense related costs as incurred. We provide for any loss that we expect to incur on any of these agreements when that loss is probable.

NBC Universal, which we deconsolidated on January 28, 2011, records broadcast and cable television and Internet advertising sales when advertisements are aired, net of provision for any viewer shortfalls (make goods). Sales from theatrical distribution of films are recorded as the films are exhibited; sales of home videos, net of a return provision, when the videos are delivered to and available for sale by retailers; fees from cable/satellite operators when services are provided; and licensing of film and television programming when the material is available for airing.

Interim Period Presentation

The condensed, consolidated financial statements and notes thereto are unaudited. These statements include all adjustments (consisting of normal recurring accruals) that we considered necessary to present a fair statement of our results of operations, financial position and cash flows. The results reported in these condensed, consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. It is suggested that these condensed, consolidated financial statements be read in conjunction with the financial statements and notes thereto included in our 2010 consolidated financial statements. We label our quarterly information using a calendar convention, that is, first quarter is labeled as ending on March 31, second quarter as ending on June 30, and third quarter as ending on September 30. It is our longstanding practice to establish interim quarterly closing dates using a fiscal calendar, which requires our businesses to close their books on either a Saturday or Sunday, depending on the business. The effects of this practice are modest and only exist within a reporting year. The fiscal closing calendar from 1993 through 2013 is available on our website, www.ge.com/secreports.

2. ASSETS AND LIABILITIES OF BUSINESSES HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets and Liabilities of Businesses Held for Sale

NBC Universal

In December 2009, we entered into an agreement with Comcast Corporation (Comcast) to transfer the assets of the NBCU business to a newly formed entity, comprising our NBCU business and Comcast's cable networks, regional sports networks, certain digital properties and certain unconsolidated investments, in exchange for cash and a 49% interest in the newly-formed entity.

On March 19, 2010, NBCU entered into a three-year credit agreement and a 364-day bridge loan agreement. On April 30, 2010, NBCU issued \$4,000 million of senior, unsecured notes with maturities ranging from 2015 to 2040 (interest rates ranging from 3.65% to 6.40%). On October 4, 2010, NBCU issued \$5,100 million of senior, unsecured notes with maturities ranging from 2014 to 2041 (interest rates ranging from 2.10% to 5.95%). Subsequent to these issuances, the credit agreement and bridge loan agreements were terminated, with a \$750 million revolving credit agreement remaining in effect. Proceeds from these issuances were used to repay \$1,678 million of existing debt and

pay a dividend of \$7,394 million to GE.

On September 26, 2010, we acquired approximately 38% of Vivendi S.A.'s (Vivendi) 20% interest in NBCU (7.7% of NBCU's outstanding shares) for \$2,000 million. In January 2011 and prior to the transaction with Comcast, we acquired the remaining Vivendi interest in NBCU (12.3% of NBCU's outstanding shares) for \$3,673 million and made an additional payment of \$222 million related to the previously purchased shares.

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On January 28, 2011, we transferred the assets of the NBCU business and Comcast transferred certain of its assets to a newly formed entity, NBCUniversal LLC (NBCU LLC). In connection with the transaction, we received \$6,176 million in cash from Comcast (which included \$49 million of transaction-related cost reimbursements) and a 49% interest in NBCU LLC. Comcast holds the remaining 51% interest in NBCU LLC.

With respect to our 49% interest in NBCU LLC, we hold redemption rights, which, if exercised, would require NBCU LLC or Comcast to purchase (either directly or indirectly by GE transferring common stock of our holding company that owns 49% of NBCU LLC) half of our ownership interest after three and a half years and the remaining half after seven years, subject to certain exceptions, conditions and limitations. Our interest in NBCU LLC also is subject to call provisions, which, if exercised, allow Comcast to purchase our interest (either directly or indirectly) at specified times subject to certain exceptions. The redemption prices for such transactions are determined based on a contractually specified formula.

In connection with the transaction, we also entered into a number of agreements with Comcast governing the operation of the venture and transitional services, employee, tax and other matters. Under the operating agreement, excess cash generated by the operations of NBCU LLC will be used to reduce borrowings, except for distributions in amounts necessary to pay taxes on NBCU LLC's profits. In addition, Comcast is obligated to share with us potential tax savings associated with Comcast's purchase of its NBCU LLC member interest, if realized. We have not recognized these potential future payments as consideration for the sale, but will record such payments in income as they are received.

As part of the transfer, we provided guarantees and indemnifications related to certain pre-existing contractual arrangements entered into by NBCU. We have provided guarantees, on behalf of NBCU LLC, for the acquisition of sports programming in the amount of \$3,258 million, triggered only in the event NBCU LLC fails to meet its payment commitments. We also have agreed to indemnify Comcast against any loss (after giving consideration to underlying collateral) related to pre-existing debt plus accrued interest owed by a joint venture of NBCU LLC and have recorded a liability of \$446 million for this guarantee.

Following the transaction, we deconsolidated NBCU and we account for our investment in NBCU LLC under the equity method. We recognized a pre-tax gain on the sale of \$3,557 million (\$400 million after tax). In connection with the sale, we recorded income tax expense of \$3,157 million, reflecting the low tax basis in our investment in the NBCU business and the recognition of deferred tax liabilities related to our 49% investment in NBCU LLC. As our investment in NBCU LLC is structured as a partnership for U.S. tax purposes, U.S. taxes are recorded separately from the equity investment.

At June 30, 2011, the carrying amount of our equity investment in NBCU LLC was \$17,291 million, reported in the "All other assets" caption in our Statement of Financial Position. Deferred tax liabilities related to our NBCU LLC investment were \$4,736 million at June 30, 2011 and were reported in the "Deferred income taxes" caption in our Statement of Financial Position.

We valued the initial carrying value of our investment in NBCU LLC based on a combination of income and market approaches. An income approach was used to determine the fair values of NBCU LLC's underlying businesses and, when available and appropriate, an analysis of comparative market multiples was also undertaken. The resulting fair values were weighted equally between the two approaches. For purposes of the income approach, fair value was determined based on the present values of estimated future cash flows discounted at appropriate risk-adjusted rates. We used NBCU LLC management projections to estimate future cash flows and included an estimate of long-term future growth rates based on management's most recent views of the long-term outlook for its businesses. We believe that these assumptions are consistent with market participant assumptions. We derived discount rates using a weighted average cost of capital. The cost of equity was determined using the capital asset pricing model and the cost of debt financing was based on published rates for industries relevant to NBCU LLC. Under the market approach, the most significant assumption was the price multiple, which was selected based on the operating performance and financial condition of comparable publicly traded companies in industries similar to those of the NBCU LLC businesses. As NBCU LLC is a partnership, the fair value of our investment in NBCU LLC was determined based upon the amount a market participant would pay for the partnership interest taking into consideration the tax benefit associated with such a purchase. The value of our investment also incorporates the fair value of the redemption features described above, which was determined based on an option pricing framework that incorporates the specific contractual terms of the redemption features.

At December 31, 2010, we classified the NBCU assets and liabilities of \$33,758 million and \$15,455 million, respectively, as held for sale. The major classes of assets at December 31, 2010 were current receivables (\$2,572 million), property, plant and equipment – net (\$2,082 million), goodwill and other intangible assets – net (\$22,263 million) and all other assets (\$6,841 million), including film and television production costs of \$4,423 million. The major classes of liabilities at December 31, 2010 were accounts payable (\$492 million), other GE current liabilities (\$3,983 million), long-term debt (\$9,906 million) and all other liabilities (\$1,073 million).

Other

In the second quarter of 2011, we committed to sell our GE Capital Consumer business banking operations in Latvia.

In 2010, we committed to sell our GE Capital Consumer businesses in Argentina, Brazil, and Canada, a CLL business in South Korea, and our Interpark business in Real Estate. The GE Capital Consumer Canada disposition was completed during the first quarter of 2011. The GE Capital Consumer Brazil and our Interpark business in Real Estate dispositions were completed during the second quarter of 2011 for proceeds of \$22 million and \$704 million, respectively.

Summarized financial information for businesses held for sale is shown below.

(In millions)	June 30, 2011	December 31, 2010
Assets		
Cash and equivalents	\$ 149	\$ 63
Current receivables	—	2,572
Financing receivables – net	576	1,917
Property, plant and equipment – net	100	2,185
Goodwill	—	19,606
Other intangible assets – net	31	2,844
All other assets	9	7,560
Other	30	140
Assets of businesses held for sale	\$ 895	\$ 36,887
Liabilities		
Short-term borrowings	\$ 399	\$ 146
Accounts payable	56	538
Other GE current liabilities	—	3,994
Long-term borrowings	19	10,134
All other liabilities	53	1,235
Liabilities of businesses held for sale	\$ 527	\$ 16,047

Discontinued Operations

Discontinued operations primarily comprised BAC Credomatic GECF Inc. (BAC) (our Central American bank and card business), GE Money Japan (our Japanese personal loan business, Lake, and our Japanese mortgage and card businesses, excluding our investment in GE Nissen Credit Co., Ltd.), our U.S. mortgage business (WMC), our U.S. recreational vehicle and marine equipment financing business (Consumer RV Marine), Consumer Mexico, Consumer Singapore and our Consumer home lending operations in Australia and New Zealand (Australian Home Lending). Associated results of operations, financial position and cash flows are separately reported as discontinued operations for all periods presented.

Summarized financial information for discontinued operations is shown below.

(In millions)	Three months ended		Six months ended June 30	
	2011	2010	2011	2010
Operations				
Total revenues	\$ 121	\$ 513	\$ 324	\$ 1,050
Earnings (loss) from discontinued operations				
before income taxes	\$ (14)	\$ 103	\$ 8	\$ 118
Benefit (provision) for income taxes	35	(19)	30	(6)
Earnings (loss) from discontinued operations,				

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net of taxes	\$	21	\$	84	\$	38	\$	112
Disposal								
Gain (loss) on disposal before income taxes	\$	(52)	\$	(185)	\$	(41)	\$	(566)
Benefit for income taxes		248		—		276		—
Gain (loss) on disposal, net of taxes	\$	196	\$	(185)	\$	235	\$	(566)
Earnings (loss) from discontinued operations,								
net of taxes(a)	\$	217	\$	(101)	\$	273	\$	(454)

(a) The sum of GE industrial earnings (loss) from discontinued operations, net of taxes, and GECS earnings (loss) from discontinued operations, net of taxes, is reported as GE industrial earnings (loss) from discontinued operations, net of taxes, on the Condensed Statement of Earnings.

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(In millions)	June 30, 2011	December 31, 2010
Assets		
Cash and equivalents	\$ 159	\$ 142
Financing receivables – net	4,966	10,589
All other assets	17	168
Other	1,321	1,526
Assets of discontinued operations	\$ 6,463	\$ 12,425

(In millions)	June 30, 2011	December 31, 2010
Liabilities		
Accounts payable, principally trade accounts	\$ 16	\$ 110
Deferred income taxes	169	230
All other liabilities	1,926	2,205
Other	7	42
Liabilities of discontinued operations	\$ 2,118	\$ 2,587

Assets at June 30, 2011 and December 31, 2010, primarily comprised cash, financing receivables and a deferred tax asset for a loss carryforward, which expires principally in 2015 and in part in 2017, related to the sale of our GE Money Japan business.

BAC Credomatic GECF Inc. (BAC)

During the fourth quarter of 2010, we classified BAC as discontinued operations and completed the sale of BAC for \$1,920 million. Immediately prior to the sale, and in accordance with terms of a previous agreement, we increased our ownership interest in BAC from 75% to 100% for a purchase price of \$633 million. As a result of the sale of our interest in BAC, we recognized an after-tax gain of \$780 million in 2010.

BAC revenues from discontinued operations were \$248 million and \$508 million in the three and six months ended June 30, 2010, respectively. In total, BAC earnings from discontinued operations, net of taxes, were \$20 million and \$37 million in the three and six months ended June 30, 2010, respectively.

GE Money Japan

During the third quarter of 2007, we committed to a plan to sell our Japanese personal loan business, Lake, upon determining that, despite restructuring, Japanese regulatory limits for interest charges on unsecured personal loans did not permit us to earn an acceptable return. During the third quarter of 2008, we completed the sale of GE Money Japan, which included Lake, along with our Japanese mortgage and card businesses, excluding our investment in GE Nissen Credit Co., Ltd. In connection with the sale, we reduced the proceeds from the sale for estimated interest refund claims in excess of the statutory interest rate. Proceeds from the sale were to be increased or decreased based

on the actual claims experienced in accordance with loss-sharing terms specified in the sale agreement, with all claims in excess of 258 billion Japanese Yen (approximately \$3,000 million) remaining our responsibility. The underlying portfolio to which this obligation relates is in runoff and interest rates were capped for all designated accounts by mid-2009. In the third quarter of 2010, we began making reimbursements under this arrangement.

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Our overall claims experience developed unfavorably through 2010. We believe that the level of excess interest refund claims has been impacted by the challenging global economic conditions, in addition to Japanese legislative and regulatory changes. In September 2010, a large independent personal loan company in Japan filed for bankruptcy, which precipitated a significant amount of publicity surrounding excess interest refund claims in the Japanese marketplace, along with substantial legal advertising. We observed an increase in claims during September 2010 and higher average daily claims in the fourth quarter of 2010 and the first two months of 2011. While we have experienced a decline in claims following the February 2011 claims filing deadline related to the bankruptcy filing of the personal loan company, it continues to be unclear whether excess interest refund claims activity will be also affected by the March 11, 2011 earthquake and subsequent tsunami in Japan. As of June 30, 2011, our reserve for reimbursement of claims in excess of the statutory interest rate was \$1,037 million.

The amount of these reserves is based on analyses of recent and historical claims experience, pending and estimated future excess interest refund requests, the estimated percentage of customers who present valid requests, and our estimated payments related to those requests. Our estimated liability for excess interest refund claims at June 30, 2011 assumes the pace of incoming claims will decelerate, average exposure per claim remains consistent with historical experience, and we continue to see further impact of our loss mitigation efforts. Estimating the pace of decline in incoming claims can have a significant effect on the total amount of our liability. Average daily claims have been higher than expected, which we believe is primarily attributable to the bankruptcy filing of the large independent personal loan company described above and claims activity has declined substantially following that period. We believe that continued evaluation of claims activity will be important in order to fully assess the potential impact of this bankruptcy or other events on our overall claim reserve estimate. Holding all other assumptions constant, if claims declined at a rate of one percent higher or lower than assumed, our liability estimate would change by approximately \$250 million.

Uncertainties around the impact of laws and regulations, challenging economic conditions, the runoff status of the underlying book of business, the effects of the March 11, 2011 earthquake and subsequent tsunami in Japan and the effects of our mitigation efforts make it difficult to develop a meaningful estimate of the aggregate possible claims exposure. Recent trends, including the effect of governmental actions, market activity regarding other personal loan companies and consumer activity, may continue to have an adverse effect on claims development.

GE Money Japan losses from discontinued operations, net of taxes, were \$0 million and \$188 million in the three months ended June 30, 2011 and 2010, respectively, and \$0 million and \$571 million in the six months ended June 30, 2011 and 2010, respectively.

WMC

During the fourth quarter of 2007, we completed the sale of WMC, our U.S. mortgage business. WMC substantially discontinued all new loan originations by the second quarter of 2007, and is not a loan servicer. In connection with the sale, WMC retained certain obligations related to loans sold prior to the disposal of the business, including WMC's contractual obligations to repurchase previously sold loans as to which there was an early payment default or with respect to which certain contractual representations and warranties were not met. All claims received for early payment default have either been resolved or are no longer being pursued.

Pending claims for unmet representations and warranties were \$783 million at December 31, 2009, \$347 million at December 31, 2010 and \$469 million at June 30, 2011. Reserves related to these contractual representations and warranties were \$101 million at both June 30, 2011 and December 31, 2010. The amount of these reserves is based upon pending and estimated future loan repurchase requests, the estimated percentage of loans validly tendered for repurchase, and our estimated losses on loans repurchased. Based on our historical experience, we estimate that a

small percentage of the total loans WMC originated and sold will be tendered for repurchase, and of those tendered, only a limited amount will qualify as “validly tendered,” meaning the loans sold did not satisfy specified contractual obligations. WMC’s current reserve represents our best estimate of losses with respect to WMC’s repurchase obligations. Actual losses could exceed the reserve amount if actual claim rates, investigative or litigation activity, valid tenders or losses WMC incurs on repurchased loans are higher than we have historically observed with respect to WMC.

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WMC revenues (loss) from discontinued operations were \$0 million and \$(3) million in the three months ended June 30, 2011 and 2010, respectively, and \$0 million and \$(3) million in the six months ended June 30, 2011 and 2010, respectively. In total, WMC's earnings (loss) from discontinued operations, net of taxes, were \$(2) million and \$1 million in the three months ended June 30, 2011 and 2010, respectively, and \$(3) million in both the six months ended June 30, 2011 and 2010.

Other Financial Services

In the second quarter of 2011, we entered into an agreement to sell our Australian Home Lending operations for approximately \$4,700 million. As a result, we recognized an after-tax loss of \$150 million in the second quarter of 2011. Australian Home Lending revenues from discontinued operations were \$101 million and \$131 million in the three months ended June 30, 2011 and 2010, respectively, and \$215 million and \$268 million in the six months ended June 30, 2011 and 2010, respectively. Australian Home Lending earnings (loss) from discontinued operations, net of taxes, were \$(118) million and \$24 million in the three months ended June 30, 2011 and 2010, respectively, and \$(80) million and \$37 million in the six months ended June 30, 2011 and 2010, respectively.

In the first quarter of 2011, we entered into an agreement to sell our Consumer Singapore business for \$692 million. The sale was completed in the second quarter of 2011 and resulted in the recognition of a gain on disposal, net of taxes, of \$319 million. Consumer Singapore revenues from discontinued operations were \$2 million and \$26 million in the three months ended June 30, 2011 and 2010, respectively, and \$31 million and \$52 million in the six months ended June 30, 2011 and 2010, respectively. Consumer Singapore earnings from discontinued operations, net of taxes, were \$319 million and \$8 million in the three months ended June 30, 2011 and 2010, respectively, and \$326 million and \$16 million in the six months ended June 30, 2011 and 2010, respectively.

In the fourth quarter of 2010, we entered into agreements to sell our Consumer RV Marine portfolio and Consumer Mexico business. The Consumer RV Marine and Consumer Mexico dispositions were completed during the first quarter and the second quarter of 2011, respectively, for proceeds of \$2,365 million and \$1,943 million, respectively. Consumer RV Marine revenues from discontinued operations were \$6 million and \$54 million in the three months ended June 30, 2011 and 2010, respectively, and \$11 million and \$108 million in the six months ended June 30, 2011 and 2010, respectively. Consumer RV Marine earnings (loss) from discontinued operations, net of taxes, were \$2 million and \$17 million in the three months ended June 30, 2011 and 2010, respectively, and \$2 million and \$(1) million in the six months ended June 30, 2011 and 2010, respectively. Consumer Mexico revenues from discontinued operations were \$12 million and \$56 million in the three months ended June 30, 2011 and 2010, respectively, and \$67 million and \$117 million in the six months ended June 30, 2011 and 2010, respectively. Consumer Mexico earnings from discontinued operations, net of taxes, were \$17 million in both the three months ended June 30, 2011 and 2010, and \$33 million and \$35 million in the six months ended June 30, 2011 and 2010, respectively.

GE Industrial

GE industrial losses from discontinued operations, net of taxes, were \$1 million in both the three months ended June 30, 2011 and 2010, and \$1 million and \$4 million in the six months ended June 30, 2011 and 2010, respectively. The sum of GE industrial earnings (loss) from discontinued operations, net of taxes, and GECS earnings (loss) from discontinued operations, net of taxes, is reported as GE industrial earnings (loss) from discontinued operations, net of taxes, on the Condensed Statement of Earnings.

Assets of GE industrial discontinued operations were \$50 million at both June 30, 2011 and December 31, 2010. Liabilities of GE industrial discontinued operations were \$158 million and \$164 million at June 30, 2011, and

December 31, 2010, respectively, and primarily represent taxes payable and pension liabilities related to the sale of our Plastics business in 2007.

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3. INVESTMENT SECURITIES

Substantially all of our investment securities are classified as available-for-sale. These comprise mainly investment grade debt securities supporting obligations to annuitants, policyholders and holders of guaranteed investment contracts (GICs) in our run-off insurance operations and Trinity, and investment securities at our treasury operations. We do not have any securities classified as held to maturity.

(In millions)	At June 30, 2011				December 31, 2010			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
GE								
Debt – U.S. corporate	\$ 1	\$ –	\$ –	\$ 1	\$ 1	\$ –	\$ –	\$ 1
Equity –	18	–	–	18	18	–	–	18
available-for-sale	19	–	–	19	19	–	–	19
GECS								
Debt								
U.S. corporate	20,818	1,809	(116)	22,511	21,233	1,576	(237)	22,572
State and municipal	3,182	120	(244)	3,058	2,961	45	(282)	2,724
Residential								
mortgage-								
backed(a)	2,876	131	(319)	2,688	3,092	95	(378)	2,809
Commercial	2,881	172	(203)	2,850	3,009	145	(230)	2,924
mortgage-backed								
Asset-backed	3,853	33	(145)	3,741	3,407	16	(193)	3,230
Corporate – non-U.S.	2,810	133	(91)	2,852	2,883	116	(132)	2,867
Government –	2,693	88	(85)	2,696	2,242	82	(58)	2,266
non-U.S.								
U.S. government								
and federal								
agency	3,302	62	(28)	3,336	3,358	57	(47)	3,368
Retained interests	32	16	(3)	45	55	10	(26)	39
Equity								
Available-for-sale	886	224	(31)	1,079	500	213	(8)	705
Trading	475	–	–	475	417	–	–	417
	43,808	2,788	(1,265)	45,331	43,157	2,355	(1,591)	43,921
Eliminations	(10)	–	–	(10)	(2)	–	–	(2)
Total	\$ 43,817	\$ 2,788	\$ (1,265)	\$ 45,340	\$ 43,174	\$ 2,355	\$ (1,591)	\$ 43,938

(a) Substantially collateralized by U.S. mortgages. Of our total residential mortgage-backed securities (RMBS) portfolio at June 30, 2011, \$1,657 million relates to securities issued by government sponsored entities and \$1,031 million relates to securities of private label issuers. Securities issued by private label issuers are collateralized primarily by pools of individual direct mortgage loans of individual financial institutions.

The fair value of investment securities increased to \$45,340 million at June 30, 2011, from \$43,938 million at December 31, 2010, primarily driven by improved market conditions and purchases in our financial services businesses.

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The following tables present the estimated fair values and gross unrealized losses of our available-for-sale investment securities.

(In millions)	In loss position for			
	Less than 12 months		12 months or more	
	Estimated fair value	Gross unrealized losses(a)	Estimated fair value	Gross unrealized losses(a)
June 30, 2011				
Debt				
U.S. corporate	\$ 1,341	\$ (29)	\$ 992	\$ (87)
State and municipal	322	(20)	586	(224)
Residential mortgage-backed	318	(8)	943	(311)
Commercial mortgage-backed	962	(129)	705	(74)
Asset-backed	65	(4)	882	(141)
Corporate – non-U.S.	339	(7)	788	(84)
Government – non-U.S.	1,115	(3)	129	(82)
U.S. government and federal agency	–	–	224	(28)
Retained interests	–	–	6	(3)
Equity	71	(31)	–	–
Total	\$ 4,533	\$ (231)	\$ 5,255	\$ (1,034)
December 31, 2010				
Debt				
U.S. corporate	\$ 2,375	\$ (81)	\$ 1,519	\$ (156)
State and municipal	949	(43)	570	(239)
Residential mortgage-backed	188	(4)	1,024	(374)
Commercial mortgage-backed	831	(104)	817	(126)
Asset-backed	113	(5)	910	(188)
Corporate – non-U.S.	448	(12)	804	(120)
Government – non-U.S.	661	(6)	107	(52)
U.S. government and federal agency	1,822	(47)	–	–
Retained interests	–	–	34	(26)
Equity	49	(8)	–	–
Total	\$ 7,436	\$ (310)	\$ 5,785	\$ (1,281)

(a) At June 30, 2011, other-than-temporary impairments previously recognized through other comprehensive income (OCI) on securities still held amounted to \$(472) million, of which \$(358) million related to RMBS. Gross unrealized losses related to those securities at June 30, 2011 amounted to \$(615) million, of which \$(547) million related to RMBS.

We regularly review investment securities for impairment using both qualitative and quantitative criteria. We presently do not intend to sell the vast majority of our debt securities and believe that it is not more likely than not that we will be required to sell these securities that are in an unrealized loss position before recovery of our amortized cost.

We believe that the unrealized loss associated with our equity securities will be recovered within the foreseeable future. The methodologies and significant inputs used to measure the amount of credit loss for our investment securities during the three and six months ended June 30, 2011 have not changed from those described in our 2010 consolidated financial statements. See Note 3 in our 2010 consolidated financial statements for additional information regarding these methodologies and inputs.

During the second quarter of 2011, we recorded other-than-temporary impairments of \$113 million, of which \$54 million was recorded through earnings (\$5 million relates to equity securities) and \$59 million was recorded in accumulated other comprehensive income (AOCI). At April 1, 2011, cumulative impairments recognized in earnings associated with debt securities still held were \$536 million. During the second quarter, we recognized first time impairments of \$19 million and incremental charges on previously impaired securities of \$24 million. These amounts included \$18 million related to securities that were subsequently sold.

(18)

During the second quarter of 2010, we recorded other-than-temporary impairments of \$101 million, of which \$56 million was recorded through earnings and \$45 million was recorded in AOCI. At April 1, 2010, cumulative impairments recognized in earnings associated with debt securities still held were \$381 million. During the second quarter of 2010, we recognized first time impairments of \$36 million and incremental charges on previously impaired securities of \$17 million. These amounts included \$7 million related to securities that were subsequently sold.

During the six months ended June 30, 2011, we recorded other-than-temporary impairments of \$184 million, of which \$118 million was recorded through earnings (\$10 million relates to equity securities) and \$66 million was recorded in AOCI. At January 1, 2011, cumulative impairments recognized in earnings associated with debt securities still held were \$500 million. During the six months ended June 30, 2011, we recognized first time impairments of \$20 million and incremental charges on previously impaired securities of \$81 million. These amounts included \$41 million related to securities that were subsequently sold.

During the six months ended June 30, 2010, we recorded other-than-temporary impairments of \$259 million, of which \$135 million was recorded through earnings (\$1 million relates to equity securities) and \$124 million was recorded in AOCI. At January 1, 2010, cumulative impairments recognized in earnings associated with debt securities still held were \$340 million. During the six months ended June 30, 2010, we recognized first time impairments of \$92 million and incremental charges on previously impaired securities of \$35 million. These amounts included \$39 million related to securities that were subsequently sold.

Contractual Maturities of GECS Investment in Available-for-Sale Debt Securities (Excluding Mortgage-Backed and Asset-Backed Securities)

(In millions)		Amortized cost		Estimated fair value
Due in				
2011	\$	2,958	\$	2,985
2012-2015		7,298		7,580
2016-2020		4,730		4,922
2021 and later		17,811		18,958

We expect actual maturities to differ from contractual maturities because borrowers have the right to call or prepay certain obligations.

Supplemental information about gross realized gains and losses on available-for-sale investment securities follows.

(In millions)	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
GE				
Gains	\$ —	\$ —	\$ —	\$ —
Losses, including impairments	—	—	—	—
Net	—	—	—	—
GECS				
Gains	45	37	161	126
Losses, including impairments	(56)	(62)	(127)	(144)

Net		(11)		(25)		34		(18)
Total	\$	(11)	\$	(25)	\$	34	\$	(18)

(19)

Although we generally do not have the intent to sell any specific securities at the end of the period, in the ordinary course of managing our investment securities portfolio, we may sell securities prior to their maturities for a variety of reasons, including diversification, credit quality, yield and liquidity requirements and the funding of claims and obligations to policyholders. In some of our bank subsidiaries, we maintain a certain level of purchases and sales volume principally of non-U.S. government debt securities. In these situations, fair value approximates carrying value for these securities.

Proceeds from investment securities sales and early redemptions by the issuer totaled \$4,833 million and \$3,524 million in the three months ended June 30, 2011 and 2010, respectively, and \$9,972 million and \$7,315 million in the six months ended June 30, 2011 and 2010, respectively, principally from the sales of short-term securities in our bank subsidiaries and treasury operations.

We recognized net pre-tax gains on trading securities of \$52 million and \$4 million in the three months ended June 30, 2011 and 2010, respectively, and \$55 million and \$19 million in the six months ended June 30, 2011 and 2010, respectively.

4. INVENTORIES

Inventories consisted of the following.

(In millions)	At	
	June 30, 2011	December 31, 2010
Raw materials and work in process	\$ 8,717	\$ 6,973
Finished goods	5,724	4,501
Unbilled shipments	566	456
	15,007	11,930
Less revaluation to LIFO	(391)	(404)
Total	\$ 14,616	\$ 11,526

5. GECS FINANCING RECEIVABLES AND ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES

GECS financing receivables – net, consisted of the following.

(In millions)	At	
	June 30, 2011	December 31, 2010
Loans, net of deferred income(a)	\$266,704	\$275,877
Investment in financing leases, net of deferred income	41,099	44,390
	307,803	320,267
Less allowance for losses	(7,054)	(8,033)

Financing receivables – net(b)	\$300,749	\$312,234
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- (a) Deferred income was \$2,274 million and \$2,351 million at June 30, 2011 and December 31, 2010, respectively.
- (b) Financing receivables at June 30, 2011 and December 31, 2010 included \$1,389 million and \$1,503 million, respectively, relating to loans that had been acquired in a transfer but have been subject to credit deterioration since origination per Accounting Standards Codification (ASC) 310, Receivables.

(20)

The following tables provide additional information about our financing receivables and related activity in the allowance for losses for our Commercial, Real Estate and Consumer portfolios.

Financing Receivables – net

The following table displays our financing receivables balances.

(In millions)	June 30, 2011	December 31, 2010
Commercial		
CLL		
Americas	\$ 79,614	\$ 86,596
Europe	37,897	37,498
Asia	11,759	11,943
Other	2,489	2,626
Total CLL	131,759	138,663
Energy Financial Services	6,143	7,011
GECAS	11,952	12,615
Other	1,517	1,788
Total Commercial financing receivables	151,371	160,077
Real Estate		
Debt	27,750	30,249
Business Properties	9,057	9,962
Total Real Estate financing receivables	36,807	40,211
Consumer		
Non-U.S. residential mortgages	40,731	40,011
Non-U.S. installment and revolving credit	21,047	20,132
U.S. installment and revolving credit	42,178	43,974
Non-U.S. auto	7,141	7,558
Other	8,528	8,304
Total Consumer financing receivables	119,625	119,979
Total financing receivables	307,803	320,267
Less allowance for losses	(7,054)	(8,033)
Total financing receivables – net	\$ 300,749	\$ 312,234

(21)

Allowance for Losses on Financing Receivables

The following tables provide a roll-forward of our allowance for losses on financing receivables.

(In millions)	Balance at January 1, 2011	Provision charged to operations	Other(a)	Gross write-offs(b)	Recoveries(b)	Balance at June 30, 2011
Commercial						
CLL						
Americas	\$ 1,287	\$ 219	\$ (72)	\$ (366)	\$ 55	\$ 1,123
Europe	429	73	30	(133)	34	433
Asia	222	77	10	(147)	18	180
Other	7	—	—	—	—	7
Total CLL	1,945	369	(32)	(646)	107	1,743
Energy						
Financial						
Services	22	11	(1)	(4)	7	35
GECAS	20	(2)	—	(3)	—	15
Other	58	11	1	(17)	1	54
Total	2,045	389	(32)	(670)	115	1,847
Commercial						
Real Estate						
Debt	1,292	122	9	(341)	10	1,092
Business	196	54	1	(70)	3	184
Properties						
Total Real Estate	1,488	176	10	(411)	13	1,276
Consumer						
Non-U.S. residential mortgages	803	66	40	(150)	31	790
Non-U.S. installment and revolving credit	937	311	64	(664)	286	934
U.S. installment and revolving credit	2,333	941	1	(1,688)	259	1,846
Non-U.S. auto	168	26	12	(126)	63	143
Other	259	59	4	(152)	48	218

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Total									
Consumer	4,500	1,403	121	(2,780)	687	3,931			
Total	\$ 8,033	\$ 1,968	\$ 99	\$ (3,861)	\$ 815	\$ 7,054			

- (a) Other primarily included transfers to held for sale and the effects of currency exchange.
- (b) Net write-offs (write-offs less recoveries) in certain portfolios may exceed the beginning allowance for losses as our revolving credit portfolios turn over more than once per year or, in all portfolios, can reflect losses that are incurred subsequent to the beginning of the fiscal year due to information becoming available during the current year, which may identify further deterioration on existing financing receivables.

(22)

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	Balance at December 31, 2009	Adoption of ASU 2009 16 & 17(a)	Balance at January 1, 2010	Provision charged to operations	Other(b)	Gross write-offs(c)	Recoveries(c)	Balance at June 30, 2010
(In millions)	2009	17(a)	2010	operations	Other(b)	Gross write-offs(c)	Recoveries(c)	2010
Commercial CLL								
Americas	\$ 1,179	\$ 66	\$ 1,245	\$ 630	\$ (10)	\$ (558)	\$ 55	1,362
Europe	575	—	575	137	(70)	(288)	28	382
Asia	244	(10)	234	108	(23)	(94)	9	234
Other	11	—	11	(1)	(2)	—	—	8
Total CLL	2,009	56	2,065	874	(105)	(940)	92	1,986
Energy Financial Services	28	—	28	24	1	—	—	53
GECAS	104	—	104	35	—	(89)	—	50
Other	34	—	34	18	—			