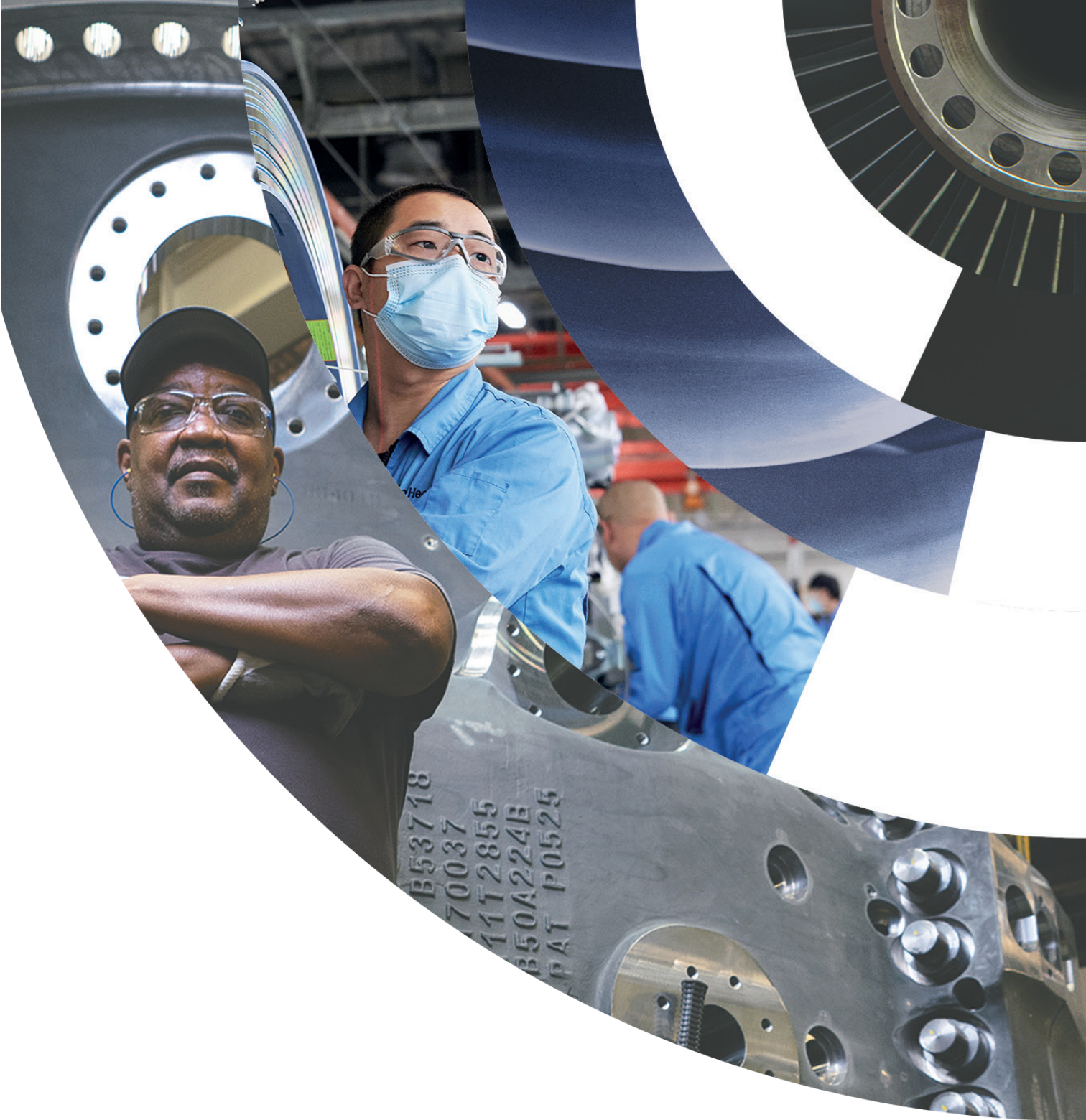




# 2020 Annual Report





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## FORWARD-LOOKING STATEMENTS

Some of the information we provide in this document is forward-looking and therefore could change over time to reflect changes in the environment in which GE competes. For details on the uncertainties that may cause our actual results to be materially different than those expressed in our forward-looking statements, see <https://www.ge.com/investor-relations/important-forward-looking-statement-information>. We do not undertake to update our forward-looking statements.

## NON-GAAP FINANCIAL MEASURES

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 rules. These non-GAAP financial measures supplement our GAAP disclosures and should not be considered an alternative to the GAAP measure. The reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable GAAP financial measures can be found on pages 39-43 of the Management’s Discussion and Analysis within our Form 10-K and in GE’s fourth-quarter 2020 earnings materials posted to [ge.com/investor](https://www.ge.com/investor), as applicable.

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## INSIDE FRONT COVER

GE’s Haliade™-X offshore wind turbine is the world’s most powerful offshore wind turbine in operation today. Shown here, our operating prototype in Rotterdam, Netherlands, broke its own output records in 2020, producing 312 megawatt-hours of energy in a single 24-hour period.

## COVER

Pictured: Healthcare’s Yanmang Zhang in Beijing, China, and Gas Power’s Charles McKinney of Greenville, South Carolina, U.S.A., rise to the challenge of building a world that works.



# Dear fellow shareholder,

*Last year was marked not only by its challenges, but by how the world met them. I'm proud of the meaningful progress GE made in 2020. We have momentum and intend to build on it.*

*The path forward was not a straight one. We began 2020 with a clear game plan, strength in Aviation and Healthcare, and turnarounds well underway in Power and Renewable Energy. Then the COVID-19 pandemic changed the world, disrupting how we live and work and exacting terrible human costs. In GE's businesses, the rapid decline in air travel and disruption of global supply chains hit hard.*

*I often have witnessed our employees' battle-tested commitment and grit over the past two-plus years. Nowhere was this clearer than in the face of the pandemic, and I am profoundly thankful to them. In our mission-critical industries, GE's people served on the front lines since the beginning, from delivering hospital equipment in the first days in Wuhan, China, to maintaining the power equipment that keeps the lights on across the globe.*

Take our Aviation team in Cheltenham, U.K., for example. With demand for patient monitors outstripping Healthcare's production capacity, they helped Healthcare take over available floor space at their factory. Using lean principles and only the materials they had on hand, that Healthcare team went from zero to more than 5,000 patient monitors in 15 weeks, delivering one of our hospital customers' most important tools to fight COVID-19.

Together with our customers, the GE team kept power flowing, hospitals operating, and planes flying. To emerge as a stronger company, we also adjusted our operating model, based on three principles.

First, **embrace reality**. Our former chairman Jack Welch, whose passing we mourned last

year, spoke of the need to "face reality as it is, not as it was or as you wish it to be." While our business impact was severe, we couldn't know early on by how much or for how long. We needed to think about the unthinkable and prepare for a range of outcomes, meeting daily, sometimes hourly, to gather information and adjust.

*Together with our customers, the GE team kept power flowing, hospitals operating, and planes flying.*

Second, **redefine winning** to focus and motivate our teams. In 2020, this often meant simply getting safely to a customer site, completing an outage, or shipping one

more ventilator off the line. It also meant focusing on what we could control, including in our operations.

Third, **execute the plan**. We moved quickly to reduce costs, preserve cash, and manage our debt obligations. We made deep cuts to our global Aviation workforce, an extraordinarily difficult but necessary decision to protect the business long term amid the pressure our airline customers were facing.

These steps, combined with the headway we already had been making to improve execution, strengthened our capacity to work through the uncertainties triggered by the pandemic. And they helped us move faster on our journey to transform GE's performance and culture.



# Rising to the challenge of building a world that works

*Investing in strategic sectors for society's future. Leading with technology, solving sustainable development challenges, and partnering to resolve local needs.*

## ENERGY TRANSITION

Transforming millions of lives with access to reliable, affordable, and cleaner electricity.



## PRECISION HEALTH

Building an intelligence-based healthcare system and a healthier world with more integrated, efficient, and personalized care.



## 2020 scorecard

As I've noted before, this letter should serve as a common reference for how we run GE so we can all keep score together.

In 2020, GE's orders and revenue declined, mainly driven by Aviation. Despite this, our backlog remained strong at \$387 billion with about 80 percent in services, where we are in daily contact with our customers and enjoy higher margins. Margins and profit also contracted organically, but they improved through the year as we executed better and streamlined our costs. We delivered positive free cash flow\* despite the still-difficult macro environment as a direct result of those same efforts. You can find our full performance summary on page six of this letter.

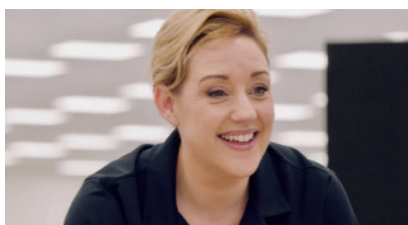
Our goals for the year were three-fold: continuing to strengthen our businesses, improving our financial position, and driving long-term profitable growth. In all, we finished 2020 in a much better position for future growth, and we entered 2021 with confidence.

### CONTINUING TO STRENGTHEN OUR BUSINESSES

Strengthening our businesses begins with building the best team. In 2020, we committed ourselves to the leadership behaviors of **humility, transparency, and focus**. These are more than just words; they are changing the way we work. Humility helps us recognize what we do not know. Ask questions, then listen carefully. Transparency makes us call it like we see it, highlighting

the "red" and "green" in equal measure. Focus helps us prioritize what we will and will not do.

When paired with moving our "center of gravity" toward the businesses, these leadership behaviors enable the GE people closest to our customers to serve them well. They helped GE navigate 2020 and remain critical to our cultural transformation.



*Using lean, Aviation's Angie Norman partnered with Healthcare to stand up patient care monitor production at her facility in Cheltenham, U.K., to help doctors aid in the care of COVID-19 patients.*

Getting the right people in the right positions has been an important part of my job since I started. In 2020, we welcomed a new GE CFO, Carolina Dybeck Happe, and Aviation CEO John Slattery—also marking the retirement of David Joyce, who leaves behind a remarkable legacy. We made numerous internal and external leadership appointments across our businesses and introduced our newest director, former U.S. Secretary of Defense Ashton B. Carter. After a thorough and competitive review, our Board selected Deloitte as GE's independent auditor for 2021.

We also took steps on a much-needed journey to improve inclusion and diversity in our workforce. We named Mike Barber chief

diversity officer and appointed chief diversity officers in each of our businesses. Today, we are publishing GE's Diversity Annual Report, our first in many years. There is no quick fix, but I am committed to driving real impact. We can't build the best team without more progress in this area.

Let me show you how momentum is growing across each of our businesses.

**Power** Our Power businesses help make energy more accessible, providing reliable electricity worldwide. In 2020, gas-based electricity generation and GE gas turbine utilization remained resilient. We continued developing pathways for our customers to decarbonize. Gas Power's 7HA.02 gas turbine, for example, will power the first plant in the U.S. with a large-scale turbine fired by a blend of hydrogen and gas. Power Portfolio progressed its small modular reactor technologies for nuclear energy.

Power also demonstrates the kind of progress on cost, margin, and cash generation that I think is possible across GE with better operational rigor. Gas Power built a lower-risk equipment backlog, and it delivered positive free cash flow\* one year ahead of its commitment due to its efforts to reduce costs and improve working capital. Both Gas Power and Power Portfolio are building stronger foundations to expand margins and generate cash in the years ahead.

**Renewable Energy** Renewable Energy has one of the broadest portfolios in the industry, offering onshore and offshore wind, grid, hydropower, and hybrid solutions including

\* Non-GAAP Financial Measure

## FUTURE OF FLIGHT

Partnering to facilitate recovery of the commercial aviation industry and help airlines achieve their sustainability goals.



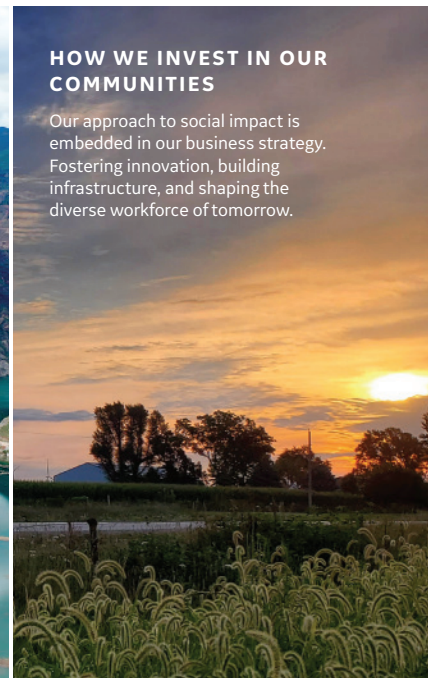
## HOW WE GOVERN OUR COMPANY

Holding ourselves and our partners accountable to the highest standards of integrity and competitiveness. Committed to safety, inclusion, governance, and managing our environmental impact.



## HOW WE INVEST IN OUR COMMUNITIES

Our approach to social impact is embedded in our business strategy. Fostering innovation, building infrastructure, and shaping the diverse workforce of tomorrow.



solar and storage. The market remains a tailwind as new technologies reduce the leveled cost of energy, and wind customers around the world choose larger, more efficient turbines.

Onshore Wind delivered record global volumes in 2020, holding the No. 1 U.S. market position for the last two years. Offshore Wind received full certification for both the 12- and 13-megawatt Haliade™-X, the world's most powerful offshore wind turbine in operation today, which now has 5.7 gigawatts in customer commitments. Grid Solutions and Hydro delivered better project execution and reduced costs. Renewable Energy's growing backlog stands at an all-time high of \$30 billion with better margins, but we have more to do. Our team remains focused on operational improvements.

### *We have momentum and intend to build on it.*

**Aviation** Despite the pressures Aviation faced in 2020, our team never strayed from its purpose of lifting people up and bringing them home safely. As commercial airlines lost a half-trillion dollars in revenue and saw demand drop by more than 65 percent<sup>1</sup>, Aviation supported our global customers throughout, helping them manage their fleets and maintenance plans as they sought to conserve cash.

Aviation improved margins through the year and delivered nearly breakeven free cash flow\*. Our GE9X engine was certified by the U.S. Federal Aviation Administration,

completing our commercial product portfolio renewal, which offers groundbreaking efficiency gains in every market. Our LEAP backlog stands at approximately 9,600 engines, including those for Boeing's 737 MAX, which began reentering service in December. Our military franchise is poised for growth with robust customer demand, and we have a strong installed base in cargo operations.

While it remains difficult to predict when air travel will fully resume, the flying public is eager to get back into the air. This is good for the world and our business. We'll be ready with the industry's youngest fleet with servicing opportunities ahead, a strong narrowbody position with Airbus and Boeing, and a vast installed base.

**Healthcare** Healthcare's own purpose—improving lives in the moments that matter—also shone through in 2020. The team increased output for critical equipment that helps doctors diagnose and treat patients with COVID-19, including quadrupling ventilator production and supporting customers on-site with installation and service. We navigated delays in other parts of our business, like Pharmaceutical Diagnostics, where elective procedures were postponed. Some capital expenditures in healthcare markets are returning, though we're planning cautiously.

Healthcare grew revenue organically and delivered strong margin and cash performance in 2020. Through it all, we invested for the future, launching more than 40 new products and acquiring Prismatic Sensors, which specializes in

photon-counting CT technology. Healthcare remains focused on breakthrough imaging technologies with digital at the forefront as well as expanding margins as the business grows.

**Capital** GE Capital continued to support our industrial businesses and reduce overall risk while navigating significant industry disruption, especially at GECAS, our aircraft leasing business. GECAS worked customer-by-customer to manage our fleet of more than 900 aircraft while responding to high demand for cargo and helping customers bring younger, more fuel-efficient aircrafts

## DEVELOPING A LEAN MINDSET

*"Just go to the genba, where the action is."*  
— Lean Sensei Katahira-san

Lean is a set of principles that emphasizes customer focus, elimination of waste, and ruthless prioritization of work to improve safety, quality, delivery, and cost. Here are some ways GE employees are using lean to deliver better results:

- Gas Power's generator manufacturing team reorganized its production line for stator bars, reducing lead time on this complex component by 63 percent.
- Power Conversion learned the root cause of issues in working capital, created effective countermeasures, and improved their past dues balance by more than 30 percent.
- Renewable Energy's Digital Services Transactional team standardized their process to develop cost models and proposals, cutting the time it took to produce a quote by 70 percent and adding about \$70 million to their transactional backlog over the last year.

<sup>1</sup> International Air Transport Association (IATA) data, November 24, 2020.

\* Non-GAAP Financial Measure



into their fleets. Going forward, with lower debt and a broader commercial market recovery, we expect GE Capital earnings to improve.

**Corporate** Within Corporate, GE Digital has become a billion-dollar software unit focused on improving profit and cash generation. GE Research, International Markets, and our Corporate functions are helping GE's businesses discover and deliver growth opportunities. We also completed the sale of Lighting, narrowing our focus on GE's industrial core.

## SOLIDIFYING OUR FINANCIAL POSITION

Almost exactly two years ago, we announced the sale of our BioPharma business to Danaher. At the time, there was no better way to address the leverage challenges GE was facing while still retaining one of the world's leading healthcare companies. This decision proved to be critical in 2020. When we closed the transaction for about \$20 billion of proceeds on March 31, our liquidity was sound just as pandemic-related market uncertainty was growing.

As the environment grew more volatile, we executed a series of transactions to further enhance our liquidity and minimize risk, extending \$10.5 billion of debt maturities in the spring. We also reduced our debt and commercial paper use, continued to de-risk our pension, and maintained a higher cash balance. In total, we reduced debt by about \$16 billion in 2020 and by \$30 billion since the beginning of 2019. We entered 2021 with \$37 billion of liquidity, giving us the capacity to weather continued volatility, further de-lever, and focus on organic growth.

## DRIVING LONG-TERM PROFITABLE GROWTH

Customers tell me they value GE's technology and team. But many also say it could be easier to do business with us. We are changing this with lean, an operating philosophy based on the Toyota Production System, which is helping us improve safety, quality, delivery, and cost in support of long-term growth.



*Vicki Lunsford helps build the heart of the first-ever 7HA.03 Gas Turbine, the rotor, for Florida Power & Light. Once installed, Gas Power's newest and highest-capacity gas turbine will help FPL squeeze more power from every cubic foot of natural gas, saving money and burning less fuel.*

Lean helps examine processes and continually improve them by solving problems at their root cause. The results are real. Aviation's On-Wing Support facility in Doha, Qatar, for example, used lean tools to reduce cycle time for engine cleaning and repair processes by 30 percent. As a result, our airline customers can now fit these services into existing maintenance schedules rather than separate engine removals, saving them both time and disruption. At Healthcare's plant in Florence, South Carolina, where we manufacture magnets for MRI machines, the team used lean to identify bottlenecks and obstacles to on-time delivery. They grew their on-time delivery rate by more than 90 percent and reduced inventory at the plant by 23 percent with

more to go. Importantly, in both examples, we are providing higher-quality service to our customers.

Lean reaches well beyond manufacturing. These principles are improving the way we write code and collect receivables. We're running the company with a standardized lean operating model, focusing quarterly on key priorities such as talent, strategy, and budgeting. This approach, along with our new, virtual leadership development and lean learning courses, is driving consistency and focus deeper in our businesses.

We've laid the groundwork, but our work is just beginning. In the spirit of *kaizen*, Japanese for continuous improvement, progress uncovers opportunities for more. We are working hard to scale lean company-wide to help GE improve performance and drive lasting cultural change.

## Rising to the challenge of building a world that works

If this is *how* we transform GE into a stronger company, the *why* is to help build a world that works. We're focused on three important opportunities—the energy transition to drive decarbonization, precision medicine that personalizes diagnoses and treatments, and a future of smarter and more efficient flight.

## ENERGY TRANSITION

Climate change is an urgent global priority. With roughly 1 billion people without access to reliable power and energy demand only increasing, we must meet this demand while reducing greenhouse gas emissions. As a company helping to generate one-third of the world's power, GE plays a central role. We set a new goal to achieve carbon neutrality within

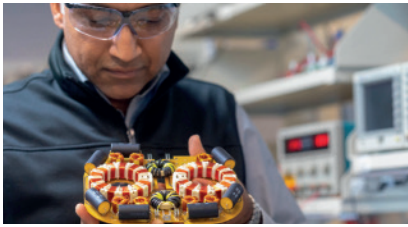
## HOW GE SUPPORTED THE FIGHT AGAINST COVID-19 IN 2020

- **Healthcare** quadrupled ventilator production; increased production capacity and output for other critical medical equipment to help doctors diagnose and treat COVID-19, including monitoring solutions, x-ray, anesthesia, and point-of-care ultrasound products; and launched digital solutions to help providers deliver care to patients virtually.
- **Aviation** produced and serviced engines and components for military and cargo aircraft flying daily around the world to assist in response efforts.
- **Power and Renewable Energy** supported electricity generation for critical hospitals, healthcare facilities, and homes and businesses.
- **Digital** offered free licenses to customers to allow plant operators and management teams real-time monitoring and control access to plant operations.
- **GE's Employee Relief Fund** supported 3,900 GE employees and their families around the world facing unprecedented challenges due to the pandemic.
- The **GE Foundation** contributed to global and community health and disaster relief efforts, helped deliver personal protective equipment to U.S. healthcare workers in urgent need, and worked to shore up healthcare systems in Southeast Asia and Africa with trainings, infrastructure, and equipment.



our own operations by 2030 after surpassing our 2020 emissions reductions targets ahead of schedule, and we announced our intention to exit the new-build coal power market.

Most fundamentally, GE's innovative technology and expertise help our customers meet their decarbonization goals. From the Haliade™-X, to our approximately 50,000 onshore and offshore wind turbines installed, to our HA gas turbine fleet, to digital solutions that help utilities modernize and bring more renewables onto the grid—we can enable substantive emissions reductions today while accelerating new technologies for lower-carbon power generation.



*Satish Prabhakaran is part of a team of GE Research scientists leading new technical advances in electric propulsion components and systems, helping make commercial electric flight a future reality.*

## PRECISION HEALTH

Doctors, nurses, and clinicians are often under-resourced and over-burdened, and COVID-19 has brought this front and center. Solving the industry's productivity challenges by improving access, enabling more precise patient diagnosis and treatment, shortening hospital stays and wait times, and lowering overall costs is more pressing now than ever.

Delivering on the future of healthcare is about enabling precision health—integrated, efficient, and highly personalized care.

Making this a reality requires merging clinical medicine and data science by applying advanced analytics and artificial intelligence across every possible point of the patient journey. Healthcare's Edison™ platform is the foundation of our digital capabilities and helps providers use data in new and significant ways, such as applying deep learning to make MRI scans both clearer and faster. Today and tomorrow, Healthcare is focused on building an intelligence-based healthcare system and a healthier world.

## FUTURE OF FLIGHT

The future of flight will be defined both by how the aviation industry emerges from the current cycle and how it innovates to improve sustainability and efficiency. Servicing our global installed base of commercial and military engines keeps Aviation close to our customers and able to anticipate their needs. Our fuel-efficient engines can help them meet their own emissions-reduction goals as well as new global standards.

Our newest engines are incredibly popular thanks in part to their strong fuel efficiency, with the LEAP powering nearly 60 percent of the Airbus A320neo fleet and the record-setting GE9X already attracting hundreds of orders and commitments. The GE Catalyst turboprop engine, currently in testing, has achieved 15 percent less fuel consumption than predecessors. And further out, our work on hybrid-electric propulsion may help make commercial electric flight a future reality.

## Path to growth

This is why GE exists—to rise to the challenge of building a world that works. GE's people did that in remarkable fashion in 2020, building on

longstanding strengths and developing new skills. As a result, we are starting the year with real momentum.

You can start to see this in the sequential improvements in our 2020 financial performance and our 2021 outlook for revenue, margin, and free cash flow\* growth. What you don't always see is the resilient and passionate team who come to work every day to make a difference—who are using lean to serve customers, deliver for shareholders, and shape the GE of the future.

Last year, I shared some details about a lean event we held to improve the way we build gas turbines. While the pandemic prevented me from visiting as many GE sites as I wanted to in 2020, I was able to return to Greenville, South Carolina. The progress the team made over the last year was impressive; their enthusiasm to find better ways to serve their customers even more so. Lean tools that were new to them when we met are becoming second nature. They are reducing lead times *and* improving on-time delivery *while* reducing inventory. The team also showed me opportunities they are pursuing next. I left that day excited about what GE can do and am keen to return.

This is not just happening in Greenville—or Cheltenham or Doha or Florence. These are examples of lean, not for lean's sake, but to serve our customers and strengthen our company. Over time, working this way not only will help GE deliver better results but also deeply embed humility, transparency, and focus throughout everything we do.

Thank you for your continued interest and investment in our company. It's my honor to be on this team and in this role.

### H. LAWRENCE CULP, JR.

Chairman of the Board and  
Chief Executive Officer  
February 12, 2021



#### First row

- Diana Kayrouz, Renewable Energy, Argentina
- Chris Day, Aviation, U.S.A.
- Amy Shen, Aviation, China
- Clay Griffis, Power, U.S.A.
- Frédéric Nyeto, Renewable Energy, Canada

#### Second row

- Louis Chihara, Power, Japan
- Hridya I, GE Research, India
- Jérôme Poupon, Power, France
- Niall Cronin, Capital, Singapore
- Fitri Afriyanti, Power, Indonesia

#### Last row

- Andy Haileselassie, Aviation, Qatar
- Tyler Vermey, Healthcare, U.S.A.
- Amélie Lorenzi-Mercier, Aviation, Canada
- Erustus Nzomo, Renewable Energy, Kenya
- Nurali Virani, GE Research, U.S.A.

\* Non-GAAP Financial Measure

# How GE Performed in 2020

Dollars in millions;  
except per-share amounts

## Total Company

**PURPOSE** We rise to the challenge of building a world that works

**CEO** H. Lawrence Culp, Jr.

| GAAP                                                | 2020      | 2019      | YOY REPORTED |
|-----------------------------------------------------|-----------|-----------|--------------|
| Total Revenues                                      | \$79,619  | \$95,214  | (16)%        |
| GE Industrial Profit                                | \$7,291   | \$1,801   | F            |
| GE Industrial Profit Margin                         | 10.0%     | 2.1%      | 790bps       |
| Continuing EPS                                      | \$0.59    | \$(0.01)  | F            |
| Net EPS                                             | \$0.58    | \$(0.62)  | F            |
| GE Industrial Cash from Operating Activities (CFOA) | \$(1,254) | \$4,614   | U            |
| Orders                                              | \$71,979  | \$90,254  | (20)%        |
| Backlog                                             | \$386,520 | \$404,572 | (4)%         |

**EMPLOYEES** ~174,000

**GLOBAL OPERATIONS** 170+ countries



| NON-GAAP*                            | 2020     | 2019     | YOY       |
|--------------------------------------|----------|----------|-----------|
| GE Industrial Organic Revenues       | \$73,180 | \$84,051 | (13)%     |
| Adjusted GE Industrial Profit        | \$2,520  | \$8,313  | (70)%     |
| Adjusted GE Industrial Profit Margin | 3.4%     | 9.5%     | (610) bps |
| Adjusted EPS                         | \$0.01   | \$0.61   | (98)%     |
| GE Industrial Free Cash Flow (FCF)   | \$606    | \$2,322  | (74)%     |



## POWER



**MISSION** Powering lives and making electricity more affordable, reliable, accessible, and more sustainable

**UNITS** Gas Power, Power Portfolio

**INSTALLED BASE** 7,000+ gas turbines

**CEO** Gas Power: Scott Strazik; Power Portfolio: Dan Janki (as of 1Q'21)

**EMPLOYEES** ~34,000

|                      | 2020     | YOY REPORTED | YOY ORGANIC |
|----------------------|----------|--------------|-------------|
| Revenues             | \$17,589 | (6)%         | (5)%        |
| Profit/(Loss)        | \$274    | (6)%         | (7)%        |
| Profit/(Loss) Margin | 1.6%     | -bps         | (10)bps     |
| Segment FCF*         | \$15     | \$1,538      | N/A         |
| Orders               | \$15,986 | (5)%         | (4)%        |
| Backlog              | \$79,575 | (7)%         | N/A         |



## RENEWABLE ENERGY



**MISSION** Making renewable power sources more affordable, reliable, and accessible for the benefit of people everywhere

**UNITS** Onshore Wind, Offshore Wind, Grid Solutions Equipment and Services, Hydro Solutions, Hybrids Solutions

**INSTALLED BASE** 400+ GW of renewable energy equipment

**CEO** Jérôme Péresse

**EMPLOYEES** ~40,000

|                      | 2020     | YOY REPORTED | YOY ORGANIC |
|----------------------|----------|--------------|-------------|
| Revenues             | \$15,666 | 2%           | 4%          |
| Profit/(Loss)        | \$(715)  | 10%          | 6%          |
| Profit/(Loss) Margin | (4.6)%   | 60bps        | 50bps       |
| Segment FCF*         | \$(641)  | \$340        | N/A         |
| Orders               | \$16,328 | (3)%         | (3)%        |
| Backlog              | \$30,001 | 9%           | N/A         |



## AVIATION



**MISSION** Providing customers with engines, components, avionics and systems for commercial, military and business & general aviation aircraft and a global service network to support these offerings

**UNITS** Commercial, Military, Systems & Other

**INSTALLED BASE** ~37,700 commercial aircraft engines<sup>1</sup> and ~26,500 military aircraft engines

**CEO** John Slattery

**EMPLOYEES** ~40,000

|                      | 2020      | YOY REPORTED | YOY ORGANIC |
|----------------------|-----------|--------------|-------------|
| Revenues             | \$22,042  | (33)%        | (32)%       |
| Profit/(Loss)        | \$1,229   | (82)%        | (82)%       |
| Profit/(Loss) Margin | 5.6%      | (1,510)bps   | (1,540)bps  |
| Segment FCF*         | \$(34)    | \$(4,449)    | N/A         |
| Orders               | \$21,590  | (41)%        | (41)%       |
| Backlog              | \$260,412 | (5)%         | N/A         |



## HEALTHCARE



**MISSION** Operating at the center of an ecosystem working toward precision health – digitizing healthcare, helping drive productivity and improving outcomes across the health system

**UNITS** Healthcare Systems, Pharmaceutical Diagnostics, BioPharma (this business was sold on March 31, 2020)

**INSTALLED BASE** 4M+ healthcare installations

**CEO** Kieran Murphy

**EMPLOYEES** ~47,000

|                      | 2020     | YOY REPORTED | YOY ORGANIC |
|----------------------|----------|--------------|-------------|
| Revenues             | \$18,009 | (10)%        | 4%          |
| Profit/(Loss)        | \$3,060  | (18)%        | 17%         |
| Profit/(Loss) Margin | 17.0%    | (170)bps     | 190bps      |
| Segment FCF*         | \$2,863  | \$314        | N/A         |
| Orders               | \$18,645 | (12)%        | 1%          |
| Backlog              | \$17,100 | (7)%         | N/A         |



## CAPITAL



**MISSION** Designing and delivering innovative financial solutions for GE Industrial customers in markets around the world

**UNITS** GE Capital Aviation Services (GECAS), Energy Financial Services (EFS), Working Capital Solutions (WCS), Insurance

**CEO** Jennifer VanBelle (as of 1Q'21)

**EMPLOYEES** ~2,000

|                                  | 2020      | YOY   |
|----------------------------------|-----------|-------|
| GE Capital continuing operations | \$(1,710) | U     |
| Discontinued operations          | \$(90)    | U     |
| GE Capital earnings              | \$(1,800) | U     |
| In billions                      |           |       |
| Total GE Capital Assets          | \$116.9   | (4.5) |

\* Non-GAAP Financial Measure

<sup>1</sup> Including GE and its joint venture partners

U Unfavorable

F Favorable



# United States Securities and Exchange Commission

WASHINGTON, D.C. 20549

## FORM 10-K

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended December 31, 2020  
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.)

5 Necco Street, Boston MA

(Address of principal executive offices)

02210

(Zip Code)

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

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

| Title of each class                           | Trading Symbol(s) | Name of each exchange on which registered |
|-----------------------------------------------|-------------------|-------------------------------------------|
| Common stock, par value \$0.06 per share      | GE                | New York Stock Exchange                   |
| 0.375% Notes due 2022                         | GE 22A            | New York Stock Exchange                   |
| 1.250% Notes due 2023                         | GE 23E            | New York Stock Exchange                   |
| 0.875% Notes due 2025                         | GE 25             | New York Stock Exchange                   |
| 1.875% Notes due 2027                         | GE 27E            | New York Stock Exchange                   |
| 1.500% Notes due 2029                         | GE 29             | New York Stock Exchange                   |
| 7 1/2% Guaranteed Subordinated Notes due 2035 | GE /35            | New York Stock Exchange                   |
| 2.125% Notes due 2037                         | GE 37             | New York Stock Exchange                   |

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

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ 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 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 | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/>            |                           |                          |

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the outstanding common equity of the registrant not held by affiliates as of the last business day of the registrant's most recently completed second fiscal quarter was at least \$58.9 billion. There were 8,767,942,000 shares of common stock with a par value of \$0.06 outstanding at January 31, 2021.

#### DOCUMENTS INCORPORATED BY REFERENCE

The definitive proxy statement relating to the registrant's Annual Meeting of Shareholders, to be held May 4, 2021, is incorporated by reference into Part III to the extent described therein.

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**FORWARD-LOOKING STATEMENTS.** Our public communications and SEC filings may contain statements related to future, not past, events. These 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 impacts of the COVID-19 pandemic on our business operations, financial results and financial position and on the world economy; our expected financial performance, including cash flows, revenues, organic growth, margins, earnings and earnings per share; macroeconomic and market conditions and volatility; planned and potential business or asset dispositions; our de-leveraging plans, including leverage ratios and targets, the timing and nature of actions to reduce indebtedness and our credit ratings and outlooks; GE's and GE Capital's funding and liquidity; our businesses' cost structures and plans to reduce costs; restructuring, goodwill impairment or other financial charges; or tax rates.

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

- the continuing severity, magnitude and duration of the COVID-19 pandemic, including impacts of the pandemic, of businesses' and governments' responses to the pandemic and of individual factors such as aviation passenger confidence on our operations and personnel, and on commercial activity and demand across our and our customers' businesses, and on global supply chains;
- the extent to which the COVID-19 pandemic and related impacts will continue to adversely impact our business operations, financial performance, results of operations, financial position, the prices of our securities and the achievement of our strategic objectives;
- changes in macroeconomic and market conditions and market volatility (including developments and volatility arising from the COVID-19 pandemic), including interest rates, the value of securities and other financial assets (including our equity ownership position in Baker Hughes), oil, natural gas and other commodity prices and exchange rates, and the impact of such changes and volatility on our financial position and businesses;
- our de-leveraging and capital allocation plans, including with respect to actions to reduce our indebtedness, the timing and amount of GE dividends, organic investments, and other priorities;
- further downgrades of our current short- and long-term credit ratings or ratings outlooks, or changes in rating application or methodology, and the related impact on our liquidity, funding profile, costs and competitive position;
- GE's liquidity and the amount and timing of our GE Industrial cash flows and earnings, which may be impacted by customer, supplier, competitive, contractual and other dynamics and conditions;
- GE Capital's capital and liquidity needs, including in connection with GE Capital's run-off insurance operations and discontinued operations, the amount and timing of required capital contributions to the insurance operations and any strategic actions that we may pursue; the impact of conditions in the financial and credit markets on GE Capital's ability to sell financial assets; the availability and cost of funding; and GE Capital's exposure to particular counterparties and markets, including through GECAS to the aviation sector and adverse impacts related to COVID-19;
- our success in executing and completing asset dispositions or other transactions, including our plan to exit our equity ownership position in Baker Hughes, the timing of closing for such transactions and the expected proceeds and benefits to GE;
- global economic trends, competition and geopolitical risks, including changes in the rates of investment or economic growth in key markets we serve, or an escalation of sanctions, tariffs or other trade tensions between the U.S. and China or other countries, and related impacts on our businesses' global supply chains and strategies;
- market developments or customer actions that may affect levels of demand and the financial performance of the major industries and customers we serve, such as secular, cyclical and competitive pressures in our Power business, pricing and other pressures in the renewable energy market, levels of demand for air travel and other dynamics related to the COVID-19 pandemic, conditions in key geographic markets and other shifts in the competitive landscape for our products and services;
- operational execution by our businesses, including the operations and execution of our Power and Renewable Energy businesses, and the performance of our Aviation business;
- changes in law, regulation or policy that may affect our businesses, such as trade policy and tariffs, regulation related to climate change, and the effects of tax law changes;
- our decisions about investments in new products, services and platforms, and our ability to launch new products in a cost-effective manner;
- our ability to increase margins through implementation of operational changes, restructuring and other cost reduction measures;
- the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks, including the impact of Alstom and other investigative and legal proceedings;
- the impact of actual or potential failures of our products or third-party products with which our products are integrated, and related reputational effects;
- the impact of potential information technology, cybersecurity or data security breaches at GE or third parties; and
- the other factors that are described in "Risk Factors" in this form 10-K report.

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

**ABOUT GENERAL ELECTRIC.** General Electric Company (General Electric, GE or the Company) is a high-tech industrial company that operates worldwide through its four industrial segments, Power, Renewable Energy, Aviation and Healthcare, and its financial services segment, Capital. See the Segment Operations section within Management's Discussion and Analysis of Financial Condition (MD&A) for segment business descriptions and product and service offerings. See the Consolidated Results section within MD&A and Results of Operations and Note 2 to the consolidated financial statements for information regarding our recent business portfolio actions. Results of segments reclassified to discontinued operations have been recast for all periods presented.

We serve customers in over 170 countries. Manufacturing and service operations are carried out at 82 manufacturing plants located in 28 states in the United States and Puerto Rico and at 149 manufacturing plants located in 34 other countries.

In all of our global business activities, we encounter aggressive and able competition. In many instances, the competitive climate is characterized by changing technology that requires continuing research and development. With respect to manufacturing operations, we believe that, in general, we are one of the leading firms in most of the major industries in which we participate. The businesses in which GE Capital engages are subject to competition from various types of financial institutions.

As a diverse global company, we are affected by world economies, instability in certain regions, commodity prices, foreign currency volatility and policies regarding trade and imports. See the Segment Operations section within MD&A for further information. Other factors impacting our business include:

- product development cycles for many of our products are long and product quality and efficiency are critical to success,
- research and development expenditures are important to our business,
- many of our products are subject to a number of regulatory standards and
- changing end markets, including shifts in energy sources and demand and the impact of technology changes.

We own, or hold licenses to use, numerous patents. New patents are continuously being obtained through our research and development activities as existing patents expire. Patented inventions are used both within the Company and are licensed to others. GE is a trademark and service mark of General Electric Company.

Because of the diversity of our products and services, as well as the wide geographic dispersion of our production facilities, we use numerous sources for the wide variety of raw materials needed for our operations. We have not been adversely affected by our inability to obtain raw materials.

The strength and talent of our workforce are critical to the success of our businesses, and we continually strive to attract, develop and retain personnel commensurate with the needs of our businesses in their operating environments. The Company's human capital management priorities are designed to support the execution of our business strategy and improve organizational effectiveness. We monitor various factors across our priorities, including as a part of our business operating reviews during the year. The priorities focus on:

- Protecting the health and safety of our workforce: GE is committed to establishing and maintaining effective health and safety standards and protocols across our businesses, ensuring continuous process improvement and providing ongoing education.
- Sustaining a Company culture based in leadership behaviors of humility, transparency and focus with a commitment to unyielding integrity: GE's organizational culture supports talent attraction, engagement and retention and ensures our ways of working are strongly connected to our goals.
- Developing and managing our talent to best support our organizational goals: GE's approach to talent management aims to ensure strong individual and company performance; our development offerings are designed to support these goals.
- Promoting inclusion and diversity across the enterprise: GE is committed to fostering an inclusive culture, where everyone feels empowered to do their best work.

At year-end 2020, General Electric Company and consolidated affiliates employed approximately 174,000 people, of whom approximately 56,000 were employed in the United States. Our Power, Renewable Energy, Aviation, Healthcare, and Capital segments employed approximately 34,000, 40,000, 40,000, 47,000 and 2,000 people, respectively. In addition, Corporate employed approximately 10,000 employees. Compared to the year-end 2019 figure of 205,000, the number of those employed at year-end 2020 decreased primarily as a result of restructuring, including actions at GE businesses to manage risk and proactively mitigate the financial impact from COVID-19 and efforts to reduce Corporate costs, and business exits.

In the United States, GE has approximately 5,990 union-represented manufacturing and service employees, the majority of whom are covered by four-year collective bargaining agreements ratified in August 2019. GE's relationship with employee-representative organizations outside the U.S. takes many forms, including in Europe where GE engages employees' representatives' bodies such as works councils and trade unions in accordance with local law.

General Electric's address is 1 River Road, Schenectady, NY 12345-6999; we also maintain executive offices at 5 Necco Street, Boston, MA 02210. GE's Internet address at [www.ge.com](http://www.ge.com), Investor Relations website at [www.ge.com/investor-relations](http://www.ge.com/investor-relations) and our corporate blog at [www.gereports.com](http://www.gereports.com), as well as GE's Facebook page, Twitter accounts and other social media, including @GE\_Reports, contain a significant amount of information about GE, including financial and other information for investors. GE encourages investors to visit these websites from time to time, as information is updated and new information is posted. Additional information on non-financial matters, including environmental and social matters, our integrity policies and our Diversity Annual Report, is available at [www.ge.com/sustainability](http://www.ge.com/sustainability) and [www.ge.com/about-us/diversity](http://www.ge.com/about-us/diversity). Website references in this report are provided as a convenience and do not constitute, and should not be viewed as, incorporation by reference of the information contained on, or available through, the websites. Therefore, such information should not be considered part of this report.



Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available, without charge, on our website, [www.ge.com/investor-relations/events-reports](http://www.ge.com/investor-relations/events-reports), as soon as reasonably practicable after they are filed electronically with the U.S. Securities and Exchange Commission (SEC). Copies are also available, without charge, from GE Corporate Investor Communications. Reports filed with the SEC may be viewed at [www.sec.gov](http://www.sec.gov).

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

The consolidated financial statements of General Electric Company combine the industrial manufacturing and services businesses of GE Industrial with the financial services businesses of GE Capital and are prepared in conformity with U.S. generally accepted accounting principles (GAAP). Unless otherwise noted, tables are presented in U.S. dollars in millions. Certain columns and rows within tables may not add due to the use of rounded numbers. Percentages presented in this report are calculated from the underlying numbers in millions.

Discussions throughout this MD&A are based on continuing operations unless otherwise noted. Results for the years ended December 31, 2020 versus 2019 are discussed within this report. Refer to our Annual Report on Form 10-K for the year ended December 31, 2019 for discussions of results for the years ended December 31, 2019 versus 2018. The MD&A should be read in conjunction with the Financial Statements and Notes to the consolidated financial statements. For purposes of the financial statement display of sales and costs of sales in our consolidated Statement of Earnings (Loss), "goods" is required by SEC regulations to include all sales of tangible products, and "services" must include all other sales, including other services activities. In our MD&A section of this report, we refer to sales under product services agreements and sales of both goods (such as spare parts and equipment upgrades) and related services (such as monitoring, maintenance and repairs) as sales of "services," which is an important part of our operations.

Effective December 31, 2020, in order to enhance our financial statement presentation, we voluntarily made the following reporting changes for all periods presented:

- changed our presentation of GE Industrial restructuring program costs. Previously these costs were recorded within Corporate Items and Eliminations. Now these costs are recorded within segment profit, except for significant, higher-cost programs that continue to be recorded within Corporate Items and Eliminations. This change better aligns restructuring expense with cash spend at the segments, driving accountability in both managing costs and benefits;
- changed the presentation of our Statement of Financial Position to reflect the classification of assets and liabilities into current and non-current and revised the definition of operating working capital in our Statement of Cash Flows, to drive increased transparency to operational drivers for near- and long-term cash needs and enhanced linkage to free cash flows metrics;
- began presenting research and development (R&D) expenses separately as part of costs and expenses in our consolidated Statement of Earnings (Loss) to provide increased transparency to R&D spend and trends as part of GE's total investment in innovation. These costs were previously reported in costs of goods and services sold; and
- ceased reporting GE Capital as an equity method investment within the GE Industrial column. This change simplified reporting for GE Industrial and has no impact on the GE Capital or Consolidated columns. Consistent with our historical practice, all commercial transactions between GE Industrial and GE Capital continue to be reported on arms-length terms and are eliminated upon consolidation.

We believe 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 these terms to mean the following:

- **Consolidated** – the adding together of GE Industrial and GE Capital, giving effect to the elimination of transactions between the two. We present consolidated results in the left-side column of our consolidated Statements of Earnings (Loss), Financial Position and Cash Flows.
- **GE Industrial** – the adding together of all industrial affiliates, giving effect to the elimination of transactions among such affiliates. Any intercompany profits resulting from transactions between GE Industrial and GE Capital are eliminated at the GE Industrial level. We present the results of GE Industrial in the center column of our consolidated Statements of Earnings (Loss), Financial Position and Cash Flows.
- **GE Capital** – the adding together of all affiliates of GE Capital giving effect to the elimination of transactions among such affiliates. We present the results of GE Capital in the right-side column of our consolidated Statements of Earnings (Loss), Financial Position and Cash Flows.

In the accompanying analysis of financial information, we sometimes use information derived from consolidated financial data but not presented in our financial statements prepared in accordance with GAAP. Certain of these data are considered "non-GAAP financial measures" under SEC rules. See the Non-GAAP Financial Measures section for the reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable GAAP financial measures.

## CONSOLIDATED RESULTS

**2020 SIGNIFICANT DEVELOPMENTS. Coronavirus Disease 2019 (COVID-19) Pandemic.** The COVID-19 pandemic has impacted global economies, resulting in workforce and travel restrictions, supply chain and production disruptions and reduced demand and spending across many sectors. Since the latter part of the first quarter of 2020, these factors have had a material adverse impact on our operations and financial performance, as well as on the operations and financial performance of many of the customers and suppliers in industries that we serve. This section provides a brief overview of how we have been responding to current and potential impacts related to COVID-19 on GE's operations and financial condition and results, with additional details provided throughout the MD&A and other relevant sections of this report.

During 2020, we adopted operational and governance rhythms across the Company, and with our Board of Directors, to coordinate and oversee actions related to the COVID-19 pandemic, including an internal task force to protect the health and safety of our employees globally and maintain business continuity; the assessment of financial and operating impacts, financial planning and mitigating cost, cash, and other actions in response; funding and liquidity management and related treasury actions; enterprise risk management and other functional activities across our global commercial, supply chain, human resources, controllership, government affairs, and other organizations. In particular, we took a series of actions to enhance and extend our liquidity at both GE and GE Capital (as described under "Liability Management and Deleveraging Actions" below), and we continue to evaluate market conditions as they evolve and take precautionary measures to strengthen our financial position. We ended the year with \$36.6 billion of consolidated cash, cash equivalents and restricted cash, in addition to our available credit lines of \$20.2 billion. See the Capital Resources and Liquidity section for further information.

While factors related directly and indirectly to the COVID-19 pandemic have been impacting operations and financial performance at varying levels across all our businesses, the most significant impact to date has been at our Aviation segment and our GE Capital Aviation Services (GECAS) aircraft leasing business within our Capital segment. The pandemic has had and continues to have a material adverse effect on the global airline industry, resulting in reduced flight schedules worldwide, an increased number of idle aircraft, lower utilization, workforce reductions and declining financial performance within the airline industry. This has decreased demand for higher margin service revenues within our Aviation segment directly impacting our profitability and cash flows during 2020. Our Healthcare segment experienced increased demand for certain types of products and services, including ventilators, monitoring solutions, x-ray, anesthesia and point-of-care ultrasound product lines, partially offset by decreased demand in other parts of the business as patients have postponed certain procedures and hospitals have deferred spending. Our other businesses were also adversely impacted by market developments, including delays or cancellations of new projects, new orders and related down payments. In addition, workplace, travel and supply chain disruptions have caused delays of deliveries and the achievement of other billing milestones directly impacting our profitability and cash flows for the year ended December 31, 2020. We anticipate many of these impacts related to demand, profitability and cash flows will continue in future periods depending on the severity and duration of the pandemic. For additional details about impacts related to Aviation and GECAS, Healthcare and our other businesses, refer to the respective segment sections within MD&A.

Each of GE's businesses and Corporate are taking cost and cash actions to manage risk and proactively mitigate the financial impact from COVID-19, as supply and demand dynamics continue to shift. In 2020, we executed more than \$2 billion in operational cost reduction and more than \$3 billion in cash preservation actions across the company, including more than \$1 billion in operational cost reduction and more than \$2 billion in cash preservation actions at Aviation, to right-size its cost structure and preserve its ability to serve customers.

The ultimate impact of the COVID-19 pandemic on our operations and financial performance, and on those of customers and suppliers in industries that we serve, depends on many factors that are not within our control, including the severity and duration of the pandemic; governmental, business and individuals' actions in response to the pandemic; and the development, availability and public acceptance of effective treatments or vaccines. See the Risk Factors section for further information about related risks and uncertainties.

**BioPharma.** On March 31, 2020, we completed the sale of our BioPharma business within our Healthcare segment to Danaher Corporation for consideration of \$21.1 billion, and recognized a pre-tax gain of \$12.4 billion. See the Segment Operations - Healthcare section and Note 2 for further information.

**Asset Impairments.** In the third quarter of 2020, we recognized non-cash pre-tax impairment charges of \$0.4 billion related to property, plant and equipment and intangible assets at our Steam business within our Power segment due to our recent announcement to exit the new build coal power market. We will continue to monitor the operating results and cash flow forecasts for the remaining business. In the second quarter of 2020, we recognized a non-cash pre-tax impairment charge of \$0.9 billion related to goodwill at our Additive reporting unit within our Aviation segment. The Steam and Additive charges were recorded within earnings from continuing operations at Corporate. In the second quarter of 2020, we recognized a non-cash pre-tax impairment charge of \$0.8 billion related to goodwill in our GECAS reporting unit within our Capital segment. In the year ended December 31, 2020, we recognized non-cash pre-tax impairments of \$0.5 billion on our GECAS leasing portfolio. See Segment Operations - Capital and Notes 7 and 8 for further information.

**Liability Management and Deleveraging Actions.** We reduced our consolidated borrowings by \$15.8 billion in 2020, driven primarily by debt tenders at GE Industrial and GE Capital of \$4.2 billion and \$11.9 billion, respectively, GE Capital maturities of \$10.5 billion, and repayment of GE Industrial commercial paper of \$3.0 billion, partially offset by new debt issuances at GE Industrial and GE Capital of \$7.5 billion and \$6.0 billion, respectively. GE Industrial net debt\* ended at \$32.3 billion at December 31, 2020, down \$15.5 billion from December 31, 2019, primarily driven by lower debt, a higher cash balance, and pension pre-funding of \$2.5 billion in the fourth quarter of 2020. See the Borrowings section of Capital Resources and Liquidity and Note 11 for further information.

\*Non-GAAP Financial Measure

**SEC Settlement.** As previously reported on December 9, 2020, GE reached a settlement with the SEC that concluded and resolved the SEC's investigation of GE in its entirety. Under the settlement, among other terms, GE paid a civil penalty of \$0.2 billion in December 2020, of which \$0.1 billion was recorded at Corporate and \$0.1 billion was recorded at GE Capital. See Note 23 for further information.

**SUMMARY OF 2020 RESULTS.** Consolidated revenues were \$79.6 billion, down \$15.6 billion (16%) for the year primarily driven by decreased GE industrial revenues of \$14.6 billion and decreased GE Capital revenues of \$1.5 billion. GE Industrial organic revenues\* were \$73.2 billion, down \$10.9 billion (13%) driven by our Aviation and Power segments, partially offset by our Healthcare and Renewable Energy segments.

Continuing earnings per share was \$0.59. Excluding gains (losses) on business dispositions, non-operating benefit costs, unrealized gains (losses) on investments, goodwill impairments, restructuring and other charges, Steam asset impairments, debt extinguishment costs, the SEC settlement, and U.S. tax reform, Adjusted earnings per share\* was \$0.01.

For the year ended December 31, 2020, GE Industrial profit was \$7.3 billion and profit margins were 10.0%, up \$5.5 billion, driven by the gain on the sale of our BioPharma business of \$12.4 billion, lower interest and other financial charges of \$0.8 billion, decreased goodwill impairments of \$0.6 billion, decreased non-operating benefit cost of \$0.4 billion and lower charges for significant, higher-cost restructuring programs of \$0.2 billion, partially offset by decreases at our industrial segments, an increase of \$2.8 billion in losses on our investment in Baker Hughes, impairment charges of \$0.4 billion related to property, plant and equipment and intangible assets at our Steam business, and the SEC settlement charges. Adjusted GE Industrial organic profit\* decreased \$4.7 billion, primarily as a result of the impacts of COVID-19, particularly at our Aviation segment, partially offset by an increase at Healthcare.

GE Industrial cash flows from (used for) operating activities (CFOA) of continuing operations were \$(1.3) billion and \$4.6 billion for the years ended December 31, 2020 and 2019, respectively. GE Industrial CFOA decreased primarily due to lower net income, largely as a result of COVID-19 impacts, GE Pension Plan contributions of \$2.5 billion in 2020 and higher cash paid for taxes, partially offset by lower cash used for operating working capital. GE Industrial free cash flows (FCF)\* were \$0.6 billion and \$2.3 billion for the years ended December 31, 2020 and 2019, respectively. GE Industrial FCF\* decreased primarily due to lower net income, partially offset by lower cash used for operating working capital and a decrease in additions to property, plant and equipment and internal-use software. See the Capital Resources and Liquidity - Statement of Cash Flows section for further information.

Orders are contractual commitments with customers to provide specified goods or services for an agreed upon price. Backlog is unfilled customer orders for products and product services (expected life of contract sales for product services).

| <b>GE INDUSTRIAL ORDERS</b> | <b>2020</b> |        | <b>2019</b> |        | <b>2018</b> |
|-----------------------------|-------------|--------|-------------|--------|-------------|
| Equipment                   | \$          | 36,841 | \$          | 44,951 | \$ 49,276   |
| Services                    |             | 35,137 |             | 45,303 | 45,523      |
| <b>Total orders(a)</b>      | \$          | 71,979 | \$          | 90,254 | \$ 94,799   |

(a) Orders included \$1,136 million, \$3,643 million and \$3,210 million related to BioPharma for the years ended December 31, 2020, 2019 and 2018, respectively.

**For the year ended December 31, 2020**, orders decreased \$18.3 billion (20%) on a reported basis and decreased \$14.8 billion (17%) organically, with decreases at Aviation, primarily driven by declines in both commercial equipment and service orders due to COVID-19 and the 737 MAX grounding; at Power primarily driven by a decrease in equipment orders; and at Renewable Energy primarily due to a decrease in services orders; partially offset by an increase at Healthcare. Equipment orders were down \$5.0 billion (12%) organically and services orders were down \$9.8 billion (22%) organically. Excluding BioPharma, orders decreased \$15.0 billion (17%) organically.

| <b>GE INDUSTRIAL BACKLOG</b> | <b>2020</b> |         | <b>2019</b> |         | <b>2018</b> |
|------------------------------|-------------|---------|-------------|---------|-------------|
| Equipment                    | \$          | 73,286  | \$          | 78,968  | \$ 77,126   |
| Services                     |             | 313,234 |             | 325,605 | 273,499     |
| <b>Total backlog(a)</b>      | \$          | 386,520 | \$          | 404,572 | \$ 350,625  |

(a) Backlog as of December 31, 2020 excludes the BioPharma business due to its disposition in the first quarter of 2020. Backlog as of December 31, 2019 and 2018 included \$1,247 million and \$905 million, respectively, related to BioPharma.

**As of December 31, 2020**, backlog decreased \$18.1 billion (4%) from the prior year primarily driven by Aviation due to a reduction in our Commercial Services backlog and cancellations of commercial equipment orders. The reduction in Commercial Services reflects lower anticipated engine utilization, the cancellation of equipment unit orders, customer fleet restructuring and contract modifications. Power decreased due to sales outpacing new orders; Healthcare decreased with the disposition of the BioPharma business of \$1.2 billion; and Renewable Energy increased due to new orders outpacing sales. Excluding the BioPharma disposition, backlog decreased \$16.8 billion (4%) from December 31, 2019.

\*Non-GAAP Financial Measure



Remaining performance obligation (RPO), a defined term under GAAP, is backlog excluding any purchase order that provides the customer with the ability to cancel or terminate without incurring a substantive penalty, even if the likelihood of cancellation is remote based on historical experience. We plan to continue reporting backlog as we believe that it is a useful metric for investors, given its relevance to total orders. See Note 25 for further information.

| December 31, 2020                       | Equipment        | Services          | Total             |
|-----------------------------------------|------------------|-------------------|-------------------|
| Backlog                                 | \$ 73,286        | \$ 313,234        | \$ 386,520        |
| Adjustments                             | (27,294)         | (128,626)         | (155,921)         |
| <b>Remaining performance obligation</b> | <b>\$ 45,991</b> | <b>\$ 184,608</b> | <b>\$ 230,600</b> |

Adjustments to reported backlog of \$155.9 billion as of December 31, 2020 are largely driven by adjustments of \$146.3 billion in our Aviation segment: (1) backlog includes engine contracts for which we have received purchase orders that are cancelable; (2) our services backlog includes contracts that are cancelable without substantive penalty, primarily time and materials contracts; (3) backlog includes engines contracted under long-term service agreements, even if the engines have not yet been put into service. These adjustments to reported backlog to the extent realized are generally expected to be satisfied beyond one year.

|                               | 2020             | 2019             | 2018             |
|-------------------------------|------------------|------------------|------------------|
| <b>Consolidated revenues</b>  | \$ 79,619        | \$ 95,214        | \$ 97,012        |
| Equipment                     | 37,620           | 43,080           | 43,679           |
| Services                      | 35,480           | 44,639           | 45,359           |
| <b>GE Industrial revenues</b> | <b>\$ 73,100</b> | <b>\$ 87,719</b> | <b>\$ 89,038</b> |
| <b>GE Capital revenues</b>    | <b>\$ 7,245</b>  | <b>\$ 8,741</b>  | <b>\$ 9,551</b>  |

**For the year ended December 31, 2020, consolidated** revenues decreased \$15.6 billion (16%), primarily driven by decreased Industrial revenues of \$14.6 billion and decreased GE Capital revenues of \$1.5 billion.

**GE Industrial** revenues decreased \$14.6 billion (17%), with decreases in services and equipment. The decrease in services was primarily at Aviation, driven by lower commercial spare part shipments, decreased shop visits and the cumulative impact of changes in billing and cost assumptions in our long-term service agreements; and at Power, due to declines in transactional part sales and upgrades at Gas Power. The decrease in equipment was primarily at Aviation, due to fewer commercial install and spare engine unit shipments; and at Healthcare, due to the disposition of the BioPharma business; partially offset by increases at Renewable Energy, primarily from Onshore Wind with more wind turbine shipments than in the prior year, and Offshore Wind; and at Gas Power, due to an increase in Heavy-Duty gas turbine unit shipments. This decrease included the net effects of dispositions of \$3.6 billion and the effects of a stronger U.S. dollar of \$0.3 billion. Excluding the effects of acquisitions, dispositions and foreign currency, GE Industrial organic revenues\* decreased \$10.9 billion (13%), with a decrease in services revenues of \$8.8 billion (20%) and a decrease in equipment revenues of \$2.1 billion (5%). GE Industrial organic revenues\* decreased at Aviation and Power, partially offset by increases at Healthcare and Renewable Energy. Excluding the BioPharma disposition, GE Industrial organic revenues\* decreased \$10.9 billion (13%).

**GE Capital** revenues decreased \$1.5 billion (17%), as a result of volume declines and lower gains. These volume declines were primarily at GECAS related to lower interest income attributable to the sale of PK AirFinance and lower rental revenue on our aircraft leasing portfolio, and at Working Capital Solutions (WCS) related to lower purchases of GE Industrial customer receivables and the run-off of the GE Capital supply chain finance program (See GE Industrial Working Capital Transactions within MD&A for further information).

| (Per-share amounts in dollars and diluted)                               | 2020            | 2019             | 2018               |
|--------------------------------------------------------------------------|-----------------|------------------|--------------------|
| <b>Continuing earnings (loss) attributable to GE common shareholders</b> | <b>\$ 5,355</b> | <b>\$ (44)</b>   | <b>\$ (21,438)</b> |
| <b>Continuing earnings (loss) per share</b>                              | <b>\$ 0.59</b>  | <b>\$ (0.01)</b> | <b>\$ (2.47)</b>   |

**For the year ended December 31, 2020, consolidated** continuing earnings increased \$5.4 billion, due to increased GE Industrial profit of \$5.5 billion and decreased provision for GE Industrial income taxes of \$0.9 billion, partially offset by an increase in GE Capital losses of \$1.2 billion.

**GE Industrial** profit increased \$5.5 billion driven primarily by the gain on the sale of our BioPharma business of \$12.4 billion, lower interest and other financial charges of \$0.8 billion, decreased goodwill impairments of \$0.6 billion, decreased non-operating benefit cost of \$0.4 billion and lower charges for significant, higher-cost restructuring programs of \$0.2 billion; partially offset by decreases at our industrial segments, an increase of \$2.8 billion in losses on our investment in Baker Hughes, impairment charges of \$0.4 billion related to property, plant and equipment and intangible assets at our Steam business, and the SEC settlement charges. GE Industrial profit margin was 10.0%, an increase of 790 basis points, primarily due to the same net increases as described above. Adjusted GE Industrial profit\* was \$2.5 billion, a decrease of 65% organically\*, primarily due to a decrease at our Aviation segment, partially offset by an increase at Healthcare and a decrease in Adjusted corporate operating costs\*. Adjusted GE industrial profit margin\* was 3.4%, a decrease of 520 basis points organically\*, primarily due to the same net decreases as described above. At Aviation, the primary drivers were lower volume on commercial spare part and commercial spare engine shipments, decreased shop visits and net unfavorable changes of \$1.1 billion to the estimated profitability in its long-term service agreements. At Healthcare, the primary drivers were cost reductions and increased demand for Healthcare Systems (HCS) products used directly in response to COVID-19, partially offset by decreases in Pharmaceutical Diagnostics (PDx) volume.

\*Non-GAAP Financial Measure

**GE Capital** continuing losses increased \$1.2 billion primarily due to an impairment of goodwill of \$0.8 billion (pre-tax), volume declines, higher mark-to-market effects and other impairments, including \$0.5 billion (pre-tax) on the GECAS fixed-wing aircraft portfolio as a result of COVID-19 and related market impacts, lower gains, debt tender costs, the SEC settlement charge and the nonrecurrence of a 2019 tax reform enactment adjustment. These increased losses were partially offset by the nonrecurrence of a \$1.0 billion pre-tax charge identified through the completion of our 2019 annual insurance premium deficiency review, higher tax benefits including the tax benefit related to the BioPharma sale and lower excess interest cost. Gains were \$0.4 billion and \$0.7 billion in 2020 and 2019, respectively.

**AVIATION AND GECAS 737 MAX.** Aviation develops, produces, and sells LEAP aircraft engines to Boeing, Airbus and COMAC through CFM International (CFM), a company jointly owned by GE and Safran Aircraft Engines, a subsidiary of the Safran Group of France. The LEAP-1B engine is the exclusive engine for the Boeing 737 MAX. In March 2019, global regulatory authorities ordered a temporary fleet grounding of the Boeing 737 MAX. In May 2020, Boeing resumed production of the 737 MAX. In November 2020, the U.S. Federal Aviation Administration (FAA) lifted the grounding notice for the 737 MAX and Boeing commenced aircraft deliveries to customers in compliance with FAA regulatory requirements in December 2020. A number of other global regulators since the FAA's action have also lifted the orders that suspended 737 MAX operations for airlines under their jurisdictions. Aviation commercial equipment backlog as of December 31, 2020 includes approximately 9,600 LEAP engines, including the impact of approximately 1,500 LEAP-1B unit order cancellations in 2020. See the Segment Operations - Aviation section for further information. During 2020, CFM and Boeing reached an agreement to align production rates for 2020 and secure payment terms for engines delivered in 2019 and 2020. In 2020, Aviation received payments, net of progress collections, of \$0.5 billion for engines delivered in 2019. A final payment of \$0.2 billion, net of progress collections, is expected to be received in the first quarter of 2021 for engines delivered in 2019. CFM and Boeing continue to work closely to ensure a successful reentry into service, with a strong commitment to safety while navigating industry disruption.

During 2020, GECAS agreed with Boeing to restructure its 737 MAX orderbook including previously canceled positions, resulting in 77 orders now remaining. As of December 31, 2020, GECAS owned 29 of these aircraft, 26 of which are contracted for lease to airlines that remain obligated to make contractual rental payments. In addition, GECAS has made pre-delivery payments to Boeing related to 77 of these aircraft on order and has made financing commitments to acquire a further 16 aircraft under purchase and leaseback contracts with airlines.

As of December 31, 2020, we have approximately \$1.7 billion of net assets (\$3.2 billion of assets and \$1.5 billion of liabilities) related to the 737 MAX program that primarily comprised Aviation accounts receivable offset by progress collections and GECAS pre-delivery payments and owned aircraft subject to lease. No impairment charges were incurred related to the 737 MAX aircraft and related balances, as we continue to believe these assets are recoverable over their contractual or useful lives. We continue to monitor 737 MAX return to service and return to delivery developments with our airline customers, lessees and Boeing.

LEAP continues to be a strong engine program for us, and we delivered 815 LEAP engines for Boeing and Airbus platforms in the year.

**SEGMENT OPERATIONS.** Segment revenues include sales of products and services by the segment. Industrial segment profit is determined based on performance measures used by our Chief Operating Decision Maker (CODM), who is our 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 impairments, significant, higher-cost restructuring programs, manufacturing footprint rationalization and other similar expenses, acquisition costs and other related charges, certain gains and losses from acquisitions or dispositions, and certain litigation settlements. See the Corporate Items and Eliminations section for additional information about costs excluded from segment profit.

Segment profit excludes results reported as discontinued operations and 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.

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

Certain corporate costs, such as those related to 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.

**SUMMARY OF REPORTABLE SEGMENTS**

|                                                                                            | 2020             | 2019              | 2018               |
|--------------------------------------------------------------------------------------------|------------------|-------------------|--------------------|
| Power                                                                                      | \$ 17,589        | \$ 18,625         | \$ 22,150          |
| Renewable Energy                                                                           | 15,666           | 15,337            | 14,288             |
| Aviation                                                                                   | 22,042           | 32,875            | 30,566             |
| Healthcare                                                                                 | 18,009           | 19,942            | 19,784             |
| Capital                                                                                    | 7,245            | 8,741             | 9,551              |
| <b>Total segment revenues</b>                                                              | <b>80,551</b>    | <b>95,519</b>     | <b>96,339</b>      |
| Corporate items and eliminations                                                           | (932)            | (305)             | 673                |
| <b>Consolidated revenues</b>                                                               | <b>\$ 79,619</b> | <b>\$ 95,214</b>  | <b>\$ 97,012</b>   |
| Power                                                                                      | \$ 274           | \$ 291            | \$ (1,105)         |
| Renewable Energy                                                                           | (715)            | (791)             | 140                |
| Aviation                                                                                   | 1,229            | 6,812             | 6,454              |
| Healthcare                                                                                 | 3,060            | 3,737             | 3,522              |
| Capital                                                                                    | (1,710)          | (530)             | (489)              |
| <b>Total segment profit</b>                                                                | <b>2,138</b>     | <b>9,519</b>      | <b>8,521</b>       |
| Corporate items and eliminations                                                           | 8,239            | (1,825)           | (2,201)            |
| GE Industrial goodwill impairments                                                         | (877)            | (1,486)           | (22,136)           |
| GE Industrial interest and other financial charges                                         | (1,333)          | (2,115)           | (2,415)            |
| GE Industrial non-operating benefit costs                                                  | (2,424)          | (2,828)           | (2,740)            |
| GE Industrial benefit (provision) for income taxes                                         | (388)            | (1,309)           | (467)              |
| Earnings (loss) from continuing operations attributable to GE common shareholders          | 5,355            | (44)              | (21,438)           |
| Earnings (loss) from discontinued operations, net of taxes                                 | (125)            | (5,335)           | (1,363)            |
| Less net earnings (loss) attributable to noncontrolling interests, discontinued operations | —                | 60                | 1                  |
| Earnings (loss) from discontinued operations, net of taxes and noncontrolling interests    | (125)            | (5,395)           | (1,364)            |
| <b>Consolidated net earnings (loss) attributable to GE common shareholders</b>             | <b>\$ 5,230</b>  | <b>\$ (5,439)</b> | <b>\$ (22,802)</b> |

**POWER.** Power serves power generation, industrial, government and other customers worldwide with products and services related to energy production. Our products and technologies harness resources such as oil, gas, fossil, diesel, nuclear and water to produce electric power and include gas and steam turbines, full balance of plant, upgrade and service solutions, as well as data-leveraging software. We have organized the businesses within our Power segment into Gas Power and Power Portfolio.

**Gas Power** – offers a wide spectrum of heavy-duty and aeroderivative gas turbines for utilities, independent power producers and numerous industrial applications, ranging from small, mobile power to utility scale power plants. Gas Power also delivers maintenance, service and upgrade solutions across total plant assets and over their operational lifecycle.

**Power Portfolio** – offers steam power technology for fossil and nuclear applications including boilers, generators, steam turbines and Air Quality Control Systems (AQCS) to help efficiently produce power and provide performance over the life of a power plant. Power Portfolio also applies the science and systems of power conversion to provide motors, generators, automation and control equipment and drives for energy intensive industries such as marine, oil and gas, mining, rail, metals, test systems and water. It also offers advanced reactor technologies solutions, including reactors, fuels and support services for boiling water reactors, through joint ventures with Hitachi for nuclear fleets.

**Competition & Regulation.** Worldwide competition for power generation products and services is intense. Demand for power generation is global, and as a result, is sensitive to the economic and political environments of each country in which we do business. Our products and services sold to end customers are often subject to many regulatory requirements and performance standards under different federal, state, foreign and energy industry standards.

**Significant Trends & Developments.** We continue to execute for our customers through COVID-19, prioritizing safety first and foremost. From an operations perspective, we are working within our supply chain and with our suppliers to catch up on parts and project scope that were delayed as a result of COVID-19. Despite difficult travel and customer site restrictions, we continue to service our customers' installed base and have completed roughly 90% of all planned outages in the year. From a market perspective, both gas-based electricity generation and GE gas turbine utilization has remained stable. Our ability to close transactions, particularly services parts & upgrades, has been impacted by constrained customer budgets and access to financing due to oil prices and economic slowdown, especially in Gas Power. Although there may be market challenges in the near term, we believe gas will play a critical role in the energy transition and our view of the market has not materially changed, albeit timing on new orders is harder to forecast.

Power continues to right size its business to better align with market demand and drive its businesses with an operational rigor and discipline that is focused on its customers' lifecycle experience. In Gas Power, we continue to size the business for a 25-30 GW market, although acknowledge that the size any given year can vary. We remain focused on our underwriting discipline and risk management to ensure we are securing deals that meet our financial hurdles and we have a high confidence to deliver for our customers.



Looking ahead, we anticipate the power market to continue to be impacted by overcapacity in the industry, continued price pressure from competition on servicing the installed base, and the uncertain timing of deal closures due to financing and the complexities of working in emerging markets. Market factors related to the energy transition such as greater renewable energy penetration and the adoption of climate change-related policies continue to impact long-term demand, to differing degrees across markets globally. As such, we announced in the third quarter of 2020 that we will be exiting the new build coal power market, while continuing to service our customers' installed base.

We continue to invest in new product development, such as our HA-Turbines, and upgrades as these are critical to our customers and the long-term strategy of the business. In 2020, we supplied the first purpose-built hydrogen-burning power plant in the U.S. with Gas Power's 7HA.02 turbine. Our fundamentals remain strong with approximately \$80 billion in backlog and a gas turbine installed base greater than 7,000 units, including approximately 1,800 units under long-term service agreements.

| (In units)                  | Orders |      | Sales |      |
|-----------------------------|--------|------|-------|------|
|                             | 2020   | 2019 | 2020  | 2019 |
| GE Gas Turbines             | 68     | 74   | 71    | 53   |
| Heavy-Duty Gas Turbines(a)  | 57     | 63   | 51    | 38   |
| HA-Turbines(b)              | 20     | 18   | 21    | 11   |
| Aeroderivatives(a)          | 11     | 11   | 20    | 15   |
| GE Gas Turbine Gigawatts(c) | 15.0   | 13.6 |       |      |

(a) Heavy-Duty Gas Turbines and Aeroderivatives are subsets of GE Gas Turbines.

(b) HA-Turbines are a subset of Heavy-Duty Gas Turbines.

(c) Gigawatts reported associated with financial orders in the periods presented.

|                                    | 2020             | 2019             | 2018              |
|------------------------------------|------------------|------------------|-------------------|
| Equipment                          | \$ 17,127        | \$ 17,661        | \$ 18,763         |
| Services                           | 62,448           | 67,640           | 66,230            |
| <b>Total backlog</b>               | <b>\$ 79,575</b> | <b>\$ 85,302</b> | <b>\$ 84,993</b>  |
| Equipment                          | \$ 4,597         | \$ 5,215         | \$ 9,319          |
| Services                           | 11,390           | 11,684           | 13,326            |
| <b>Total orders</b>                | <b>\$ 15,986</b> | <b>\$ 16,899</b> | <b>\$ 22,645</b>  |
| Gas Power                          | \$ 12,655        | \$ 13,122        | \$ 13,296         |
| Power Portfolio                    | 4,935            | 5,503            | 8,853             |
| <b>Total segment revenues</b>      | <b>\$ 17,589</b> | <b>\$ 18,625</b> | <b>\$ 22,150</b>  |
| Equipment                          | \$ 6,707         | \$ 6,247         | \$ 8,077          |
| Services                           | 10,883           | 12,378           | 14,073            |
| <b>Total segment revenues(a)</b>   | <b>\$ 17,589</b> | <b>\$ 18,625</b> | <b>\$ 22,150</b>  |
| <b>Segment profit (loss)(b)(c)</b> | <b>\$ 274</b>    | <b>\$ 291</b>    | <b>\$ (1,105)</b> |
| <b>Segment profit margin</b>       | <b>1.6 %</b>     | <b>1.6 %</b>     | <b>(5.0) %</b>    |

(a) Power segment revenues represent 24% and 22% of total industrial revenues and total segment revenues, respectively, for the year ended December 31, 2020.

(b) Power segment profit represents 4% of total industrial profit for the year ended December 31, 2020.

(c) Included restructuring charges of \$16 million, \$94 million and \$297 million for the years ended December 31, 2020, 2019 and 2018, respectively, that were previously reported within the Corporate segment and were reclassified into the Power segment results in the fourth quarter of 2020 for all periods presented. For a summary of all restructuring charges by segment, see the Other Consolidated Information section.

**For the year ended December 31, 2020, segment orders were down \$0.9 billion (5%), segment revenues were down \$1.0 billion (6%) and segment profit was down 6%.**

Backlog as of December 31, 2020 decreased \$5.7 billion (7%) from December 31, 2019, primarily driven by sales outpacing new orders.

Orders decreased \$0.8 billion (4%) organically, primarily due to decreases in Gas Power Heavy-Duty Gas Turbine unit and services orders and Steam equipment orders.

Revenues decreased \$0.9 billion (5%) organically\*, primarily due to decreases in Gas Power services revenues, primarily related to decreases in transactional part sales and upgrades, partially offset by increases in Gas Power equipment revenues related to 13 more Heavy-Duty gas turbine unit shipments. Steam equipment and service revenues also decreased.

Profit decreased 7% organically\* due to lower revenues, charges of approximately \$0.3 billion related to an under-performing JV in China, charges related to contracts, a charge for a specific customer credit event at Gas Power, and a quality reserve at Power Portfolio on the legacy product line that we have since exited in Power Conversion, partially offset by continued efforts to right size the business across Gas Power and Power Portfolio.

\*Non-GAAP Financial Measure

**RENEWABLE ENERGY.** Renewable Energy includes one of the broadest portfolios in the industry to provide end-to-end solutions for our customers demanding reliable and affordable renewable energy by combining onshore and offshore wind, blades, hydro, storage, solar and grid solutions, as well as hybrid renewables and digital services offerings. We have installed more than 400 gigawatts of clean renewable energy equipment and equipped more than 90 percent of utilities with our grid solutions in developed and emerging markets.

**Onshore Wind** – delivers technology and services for the onshore wind power industry by providing smart, modular turbines that are uniquely situated for a variety of wind environments. Wind services help customers improve cost, capacity and performance of their assets over the lifetime of the fleet, utilizing digital infrastructure to monitor, predict and optimize wind farm energy performance. Our Onshore Wind business supports a turbine installed base of approximately 50,000 units. For reporting purposes, Onshore Wind includes the operations of our blade manufacturer, LM Wind.

**Grid Solutions Equipment and Services (Grid)** – equips power utilities and industries worldwide to bring power reliably and efficiently from the point of generation to end power consumers. Grid offers a comprehensive portfolio of equipment, hardware, protection and control, automation and digital services. Grid is also equipped to address the challenges of the energy transition by safely and reliably connecting intermittent renewable energy generation to transmission networks.

**Hydro Solutions** – represents more than 25 percent of the total installed hydropower capacity worldwide through a portfolio of solutions and services for hydropower generation, including the design, management, construction, installation, maintenance and operation of both large hydropower plants and small hydropower solutions, as well as offering a comprehensive asset management program to hydropower plant operators.

**Offshore Wind** – leads the industry in offshore wind power technologies and offshore wind farm development with the Haliade-X, the world's most powerful offshore wind turbine installed today.

**Hybrid Solutions** – provides reliable, affordable and dispatchable integration of renewable energies that drive vital stability to the grid and includes unique applications to integrate storage and renewable energy generation sources, such as wind, hydropower and solar.

**Competition & Regulation.** While many factors, including government incentives and specific market rules, affect how renewable energy can deliver outcomes for customers in a given region, renewable energy is increasingly able to compete with fossil fuels in terms of levelized cost of electricity. However, continued competitive pressure from other wind and hydro turbine manufacturers as well as from other energy sources, such as solar photovoltaic, reinforced by a general move to electricity auction mechanisms, has driven price pressure and the need for innovation.

We continue to invest in generating wind turbine product improvements, including larger rotors, taller towers and higher nameplate ratings that continue to drive down the cost of wind energy, and in exploring new ways to further improve the efficiency and flexibility of our hydropower technology with new innovative turbine designs and digital solutions. As industry models continue to evolve, our digital strategy and investments in technical innovation will position us to add value for customers looking for clean, renewable energy.

**Significant Trends & Developments.** Renewable energy is in a rapid transition period and competes in the marketplace against existing and new conventional energy sources. Wind energy is currently the second-largest contributor to renewable capacity growth with hydropower projected to remain the largest renewable electricity source through 2023.

We continue to observe growth across the global onshore wind market together with a positive impact on deliveries and installations in the U.S. from the Production Tax Credit (PTC) cycle and customer preference shifting to larger, more efficient units to drive down costs and compete with other power generation options. Despite the competitive nature of the market, onshore wind order pricing has stabilized globally. Several energy-related tax credit extensions were passed into law in December 2020 further extending the phase-down of U.S. PTCs. Under the current legislation, onshore wind projects that begin construction in 2021 will also qualify for a 60% PTC. We expect high levels of production observed in 2020 to continue for 2021 deliveries at Onshore Wind and are closely monitoring our execution during this period.

Additionally, offshore wind projects that begin construction before 2026 are eligible to elect either the PTC or the Investment Tax Credit (ITC), with the ITC extended by five years at the full rate. We have received full certification for our Haliade-X 12- and 13MW prototypes and during the fourth quarter of 2020 reported orders within Offshore Wind for the supply of 95 Haliade-X 13MW units for the first phase of the Dogger Bank Wind Farm in the U.K.

New product introductions remain important to our onshore and offshore customers who are demonstrating the willingness to adopt the new technology of larger turbines that decrease the levelized cost of energy. During 2020, we delivered our first Onshore 5MW Cypress units and have reported more than 600 of these units in backlog. We have observed significant market demand for our Offshore Haliade-X units and based on existing customer commitments, expect to report additional orders and backlog for the next two phases of Dogger Bank and for offshore projects in the U.S. upon obtaining final notification to proceed. We are preparing for large scale production of Haliade-X in response to this market demand.

The grid market remains challenging as we continue to experience pricing pressure in the High Voltage Direct Current (HVDC) and High Voltage (HV) product lines. The hydropower industry continues to maximize value and grid flexibility with refurbishments, repower and pumped storage projects to support both wind and solar expansion. The Grid and Hydro businesses are executing their turnaround plans and we are expecting improved operating results in 2021.

Despite the COVID-19 pandemic, we have continued to deliver for our customers, while taking all necessary precautions for our employees, and returned our manufacturing locations and long-term project sites to pre-COVID-19 capacity levels and operations. While we do not believe the long-term outlook for renewable energy products and services has materially changed, we are monitoring the impact of the pandemic on the renewable energy industry, including electricity consumption forecasts and customer capital expenditure levels, supply chain, availability of financing and our ability to execute on equipment and long-term projects, including the impact of possible customer related delays. In response to volume declines in certain of our businesses, we implemented additional cost reduction measures, restructuring and cash preservation actions.

| Onshore and Offshore (In units)           | Orders           |                  | Sales            |       |
|-------------------------------------------|------------------|------------------|------------------|-------|
|                                           | 2020             | 2019             | 2020             | 2019  |
| Wind Turbines                             | 3,602            | 4,325            | 3,744            | 3,424 |
| Wind Turbine Gigawatts                    | 12.7             | 12.8             | 10.8             | 9.5   |
| Repower units                             | 504              | 1,269            | 1,022            | 1,057 |
|                                           | 2020             | 2019             | 2018             |       |
| Equipment                                 | \$ 17,470        | \$ 16,297        | \$ 14,385        |       |
| Services                                  | 12,531           | 11,233           | 9,285            |       |
| <b>Total backlog</b>                      | <b>\$ 30,001</b> | <b>\$ 27,530</b> | <b>\$ 23,670</b> |       |
| Equipment                                 | \$ 14,109        | \$ 13,964        | \$ 11,763        |       |
| Services                                  | 2,218            | 2,920            | 3,520            |       |
| <b>Total orders</b>                       | <b>\$ 16,328</b> | <b>\$ 16,884</b> | <b>\$ 15,283</b> |       |
| Onshore Wind                              | \$ 10,881        | \$ 10,421        | \$ 8,220         |       |
| Grid Solutions equipment and services     | 3,585            | 4,016            | 4,579            |       |
| Hydro, Offshore Wind and Hybrid Solutions | 1,200            | 900              | 1,489            |       |
| <b>Total segment revenues</b>             | <b>\$ 15,666</b> | <b>\$ 15,337</b> | <b>\$ 14,288</b> |       |
| Equipment                                 | \$ 12,859        | \$ 12,267        | \$ 11,419        |       |
| Services                                  | 2,807            | 3,069            | 2,870            |       |
| <b>Total segment revenues(a)</b>          | <b>\$ 15,666</b> | <b>\$ 15,337</b> | <b>\$ 14,288</b> |       |
| <b>Segment profit (loss)(b)(c)</b>        | <b>\$ (715)</b>  | <b>\$ (791)</b>  | <b>\$ 140</b>    |       |
| <b>Segment profit margin</b>              | <b>(4.6) %</b>   | <b>(5.2) %</b>   | <b>1.0 %</b>     |       |

(a) Renewable Energy segment revenues represent 21% and 19% of total industrial revenues and total segment revenues, respectively, for the year ended December 31, 2020.

(b) Renewable Energy segment profit represents (10)% of total industrial profit for the year ended December 31, 2020.

(c) Included restructuring charges of \$200 million, \$125 million and \$152 million for the years ended December 31, 2020, 2019 and 2018, respectively, that were previously reported within the Corporate segment and were reclassified into the Renewable Energy segment results in the fourth quarter of 2020 for all periods presented. For a summary of all restructuring charges by segment, see the Other Consolidated Information section.

**For the year ended December 31, 2020, segment orders were down \$0.6 billion (3%), segment revenues were up \$0.3 billion (2%) and segment profit was up \$0.1 billion (10%).**

Backlog as of December 31, 2020 increased \$2.5 billion (9%) from December 31, 2019, primarily from Offshore Wind due to our first Haliade-X order from Dogger Bank Wind Farm, new Cypress platform orders mainly in Onshore Wind Europe and an increase in Hydro. These increases were partially offset by sales exceeding new orders at Grid, primarily as a result of increased commercial selectivity in certain product lines.

Orders decreased \$0.4 billion (3%) organically, primarily due to lower Onshore Wind turbine and repower unit orders in North America compared to the prior year due to the PTC phase down and lower orders at Grid. These decreases were partially offset by increased orders at Offshore Wind of Haliade-X, other regions of Onshore Wind, LM Wind, Hybrid Solutions and Hydro.

Revenues increased \$0.6 billion (4%) organically\*, primarily from Onshore Wind with 300 more wind turbine shipments on a unit basis, and 13% more on a megawatt basis, and at Offshore Wind and Hybrid Solutions compared to the prior year. These increases were partially offset by lower Grid revenues, primarily attributable to lower volumes in the Power Transformer product line, and lower Hydro revenues.

Profit increased \$0.1 billion (6%) organically\*, as the impact of higher sales volume at Onshore Wind, the favorable impact of cost reduction measures and improved project execution exceeded higher restructuring costs and the nonrecurrence of a \$0.1 billion non-cash gain from the termination of two Offshore Wind contracts in 2019.

\*Non-GAAP Financial Measure



**AVIATION.** Aviation designs and produces commercial and military aircraft engines, integrated engine components, electric power and mechanical aircraft systems. We also provide aftermarket services to support our products.

**Commercial** – manufactures jet engines for commercial airframes. Our commercial engines power aircraft in all categories: regional, narrowbody and widebody. We also produce and market engines and aftermarket services through joint ventures with Safran Group of France and Raytheon Technologies Corporation via their Pratt & Whitney segment. Commercial provides maintenance, component repair and overhaul services (MRO), including sales of replacement parts.

**Military** – manufactures jet engines for military airframes. Our military engines power a wide variety of military aircraft including fighters, bombers, tankers, helicopters and surveillance aircraft, as well as marine applications. We provide maintenance, component repair and overhaul services, including sales of replacement parts.

**Systems & Other** – provides engines, components, systems and services for commercial and military segments. This includes engines and components for business, general aviation and aeroderivative segments, along with avionics systems, aviation electric power systems and gear and transmission components. Additionally, we provide a wide variety of products and services including additive machines from Concept Laser and Arcam EBM, additive materials (including metal powders from AP&C), and additive engineering services through our consultancy brand AddWorks™.

**Competition & Regulation.** The global businesses for aircraft jet engines, maintenance, component repair and overhaul services (including parts sales) are highly competitive. Both domestic and international markets are important to the growth and success of the business. Product development cycles are long and product quality and efficiency are critical to success. Research and development expenditures are important in this business, as are focused intellectual property strategies and protection of key aircraft engine design, manufacture, repair and product upgrade technologies. Aircraft engine and systems orders tend to follow civil air travel and demand and military procurement cycles.

Our product, services and activities are subject to a number of global regulators such as the U.S. Federal Aviation Administration (FAA), European Union Aviation Safety Agency (EASA), Civil Aviation Administration of China (CAAC) and other regulatory bodies.

**Significant Trends & Developments.** The global COVID-19 pandemic continues to have a material adverse effect on the global airline industry. A key underlying driver of Aviation's commercial engine and services businesses is global commercial air traffic, which in turn is driven by economic activity and consumer and business propensity to travel. Since the beginning of the pandemic in the first quarter of 2020, we have seen varied levels of recovery in global markets. Government travel restrictions, public health advisories, individuals' propensity to travel and continued cases of the virus have all impacted the level of air travel. Due to the global airline industry contraction, Aviation's airline and airframe customers are taking measures to address reduced demand, which, in turn, continue to materially impact Aviation's business operations and financial performance. As a result, our long-term service agreement billings decreased approximately 19% from the prior year, partially mitigated by customer billings for contract terminations, modifications and annual contractual minimum engine flight hours. Aviation is closely monitoring government actions and economic and industry forecasts, although such forecasts continue to evolve and reflect the uncertainty about the severity and duration of the decline in commercial air traffic. Aviation regularly tracks global departures, which as of December 31, 2020, were approximately 40% below the pre-COVID-19 baseline. More broadly, we are in frequent dialogue with our airline and airframe customers about the outlook for commercial air travel, new aircraft production, and after-market services. Given the current trend, we expect domestic travel routes primarily served by narrowbody aircraft to recover before long-haul, international travel routes which are primarily served by widebody aircraft. We continue to expect the engine aftermarket recovery to lag departure trends across regions and fleets, which would result in long-term service agreement billings and cash to recover prior to associated revenues and profits. Consistent with industry projections, Aviation continues to estimate the duration of the market recovery to be prolonged over multiple years dependent on containing the spread of the virus, effective inoculation programs and government collaboration to encourage travel, particularly around quarantine requirements.

Aviation has taken several business actions to respond to the current adverse environment, including a reduction of approximately 25% of its total global workforce. For the year ended December 31, 2020, Aviation realized more than \$1 billion in operational cost reduction and \$2 billion in cash preservation actions, including a headcount reduction of over 11,000 employees. Aviation expects to realize cost and cash savings in 2021 as a result of the actions taken in 2020 and further initiatives in 2021. The business is actively monitoring the pace of demand recovery to ensure the business is appropriately sized for the future. In addition, we continue to partner with our airline and leasing customers and are working closely with our airframe partners to align production rates for 2021 and beyond.

Aviation's operational and financial performance is impacted by commercial air traffic, shop visit and spare part demand, fleet retirements, and demand for new aircraft. We monitor and forecast each of these factors as part of Aviation's long-term planning process, which may result in additional business restructuring actions. Given the uncertainty related to the severity and length of the global COVID-19 pandemic and the impact on these factors across the aviation sector and specific customers, Aviation could be required to record charges, impairments, or other adverse financial impacts in future periods if actual results differ significantly from Aviation's current estimates.

As it relates to the military environment, Aviation continues to forecast strong military demand creating future growth opportunities for our Military business as the U.S. Department of Defense and foreign governments have continued flight operations, and have allocated budgets to upgrade and modernize their existing fleets. During 2020, Aviation experienced supply chain execution challenges which resulted in fewer engine and spare part shipments than the prior year. The business is actively addressing these matters to enable future growth in Military.

Total engineering, comprised of company, customer and partner-funded and nonrecurring engineering costs, decreased compared to prior year in line with the changes in the commercial environment. For the year ended December 31, 2020, company-funded research and development spend decreased compared to 2019, and we expect the reduction to continue in line with the actions outlined above. However, customer and partner-funded engineering efforts, primarily in our Military business, increased compared to the prior year. In September 2020, Aviation announced it received certification from the FAA for the GE9X engine, the world's largest and most powerful commercial aircraft engine.

Aviation is taking actions to protect its ability to serve its customers now and as the global airline industry recovers. While its near-term focus remains on navigating the COVID-19 pandemic, Aviation's deep history of innovation and technology leadership, commercial engine installed base of approximately 37,700 units, military engine installed base of approximately 26,500 units, with approximately 12,500 units under long-term service agreements, and \$260 billion backlog represents strong long-term fundamentals. Aviation is taking actions to protect and strengthen its business and seeks to emerge from this crisis stronger and drive long-term cash and profitable growth over time.

| <i>(In units, except where noted)</i> | Orders |       | Sales   |         |
|---------------------------------------|--------|-------|---------|---------|
|                                       | 2020   | 2019  | 2020    | 2019    |
| Commercial Engines                    | 678    | 2,390 | 1,487   | 2,863   |
| LEAP Engines(a)                       | 351    | 1,568 | 815     | 1,736   |
| Military Engines                      | 1,023  | 801   | 683     | 717     |
| Spares Rate(b)                        |        |       | \$ 18.0 | \$ 31.0 |

(a) LEAP engines are a subset of Commercial Engines

(b) Commercial externally shipped spares and spares used in time & material shop visits in millions of dollars per day.

|                                    | 2020              | 2019              | 2018              |
|------------------------------------|-------------------|-------------------|-------------------|
| Equipment                          | \$ 34,486         | \$ 39,131         | \$ 37,831         |
| Services                           | 225,927           | 234,114           | 185,696           |
| <b>Total backlog</b>               | <b>\$ 260,412</b> | <b>\$ 273,245</b> | <b>\$ 223,527</b> |
| Equipment                          | \$ 8,119          | \$ 14,459         | \$ 15,268         |
| Services                           | 13,471            | 22,280            | 20,248            |
| <b>Total orders</b>                | <b>\$ 21,590</b>  | <b>\$ 36,738</b>  | <b>\$ 35,517</b>  |
| Commercial Engines & Services      | \$ 13,017         | \$ 24,217         | \$ 22,724         |
| Military                           | 4,572             | 4,389             | 4,103             |
| Systems & Other                    | 4,453             | 4,269             | 3,740             |
| <b>Total segment revenues</b>      | <b>\$ 22,042</b>  | <b>\$ 32,875</b>  | <b>\$ 30,566</b>  |
| Equipment                          | \$ 8,582          | \$ 12,737         | \$ 11,499         |
| Services                           | 13,460            | 20,138            | 19,067            |
| <b>Total segment revenues(a)</b>   | <b>\$ 22,042</b>  | <b>\$ 32,875</b>  | <b>\$ 30,566</b>  |
| <b>Segment profit (loss)(b)(c)</b> | <b>\$ 1,229</b>   | <b>\$ 6,812</b>   | <b>\$ 6,454</b>   |
| <b>Segment profit margin</b>       | <b>5.6 %</b>      | <b>20.7 %</b>     | <b>21.1 %</b>     |

(a) Aviation segment revenues represent 30% and 27% of total industrial revenues and total segment revenues, respectively, for the year ended December 31, 2020.

(b) Aviation segment profit represents 17% of total industrial profit for the year ended December 31, 2020.

(c) Included restructuring charges of \$26 million, \$8 million and \$12 million for the years ended December 31, 2020, 2019 and 2018, respectively, that were previously reported within the Corporate segment and were reclassified into the Aviation segment results in the fourth quarter of 2020 for all periods presented. For a summary of all restructuring charges by segment, see the Other Consolidated Information section.

**For the year ended December 31, 2020, segment orders were down \$15.1 billion (41%), segment revenues were down \$10.8 billion (33%) and segment profit was down \$5.6 billion (82%).**

Backlog as of December 31, 2020 decreased \$12.8 billion (5%) from December 31, 2019, primarily due to a reduction in our Commercial Services backlog and cancellations of commercial equipment orders, which included approximately 1,500 LEAP 1-B unit order cancellations and 22 GE9x unit order cancellations. The reduction to Commercial Services backlog reflects estimates of lower engine utilization, the partial cancellation of long-term service agreements related to the equipment unit order cancellations, and anticipated customer fleet restructuring and contract modifications. Backlog adjustments could be necessary in future periods for additional cancellations of new commercial engine orders, fleet retirements, or changes to customer aircraft utilization and operating behavior.

Orders decreased \$14.8 billion (41%) organically, primarily driven by lower commercial equipment and service orders as airline customers have slowed or deferred new engine orders, as well as delayed maintenance and repair operations while existing fleets have lower utilization or been grounded. Military orders increased 21% compared to the prior year primarily driven by equipment and new development orders.

Revenues decreased \$10.5 billion (32%) organically\*. Equipment revenues decreased, primarily due to 1,376 fewer commercial install and spare engine unit shipments, including 921 fewer LEAP units and 228 fewer CFM56 units versus the prior year, in part due to the 737 MAX grounding and production slowdown. Commercial Services revenues decreased, primarily due to lower commercial spare part shipments, decreased shop visits and the cumulative impact of changes in billing and cost assumptions in our long-term service agreements. Military revenues increased primarily due to increased revenues on development contracts and engine shipment mix, partially offset by fewer engine and spare part shipments due to supply chain execution challenges.

Profit decreased \$5.6 billion (82%) organically\*, primarily due to lower volume on commercial spare part and commercial spare engine shipments, and decreased shop visits in our service agreements. During the year ended December 31, 2020, Aviation recorded expenses of \$0.5 billion due to lower production volumes and initiated restructuring actions given decreases in demand primarily related to commercial engines. Aviation also recorded pre-tax charges totaling \$0.2 billion due to expected future losses related primarily to customer credit risk given the current environment. In addition, Aviation recorded net unfavorable changes of \$1.1 billion to the estimated profitability in its long-term service agreements. This decrease includes a \$0.6 billion pre-tax charge to reflect the cumulative COVID-19 pandemic-related impacts of changes to billing and cost assumptions for certain long-term service agreements, reflecting lower engine utilization, anticipated customer fleet restructuring and contract modifications as a result of current and forecasted market conditions. Additional adjustments could occur in future periods and could be material for certain long-term service agreements if actual customer operating behavior differs significantly from Aviation's current estimates.

**HEALTHCARE.** Healthcare provides essential healthcare technologies to developed and emerging markets and has expertise in medical imaging, digital solutions, patient monitoring and diagnostics, drug discovery and performance improvement solutions that are the building blocks of precision health. Products and services are sold worldwide primarily to hospitals and medical facilities.

**Healthcare Systems** – develops, manufactures, markets and services a broad suite of products and solutions used in the diagnosis, treatment and monitoring of patients that is encompassed in imaging, ultrasound, life care solutions and enterprise software and solutions. Imaging includes magnetic resonance, computed tomography, molecular imaging, x-ray systems and complementary software and services, for use in general diagnostics, women's health and image-guided therapies. Ultrasound includes high-frequency soundwave systems, and complementary software and services, for use in diagnostics tailored to a wide range of clinical settings. Life Care Solutions (LCS) includes clinical monitoring and acute care systems, and complementary software and services, for use in intensive care, anesthesia delivery, diagnostic cardiology and perinatal care. Enterprise Digital Solutions (EDS) includes enterprise digital, artificial intelligence applications, consulting and Command Center offerings designed to improve efficiency in healthcare delivery and expand global access to advanced health care.

**Pharmaceutical Diagnostics** – researches, manufactures and markets innovative imaging agents used during medical scanning procedures to highlight organs, tissue and functions inside the human body, to aid physicians in the early detection, diagnosis and management of disease through advanced in-vivo diagnostics. These products include both contrast imaging and molecular imaging agents.

**BioPharma** – This business was sold on March 31, 2020. It delivered products, services and manufacturing solutions for drug discovery, biopharmaceutical production, and cellular and gene therapy technologies, so that scientists can discover new ways to predict, diagnose and treat disease.

**Competition & Regulation.** Healthcare competes with a variety of U.S. and non-U.S. manufacturers and services providers. Customers require products and services that allow them to provide better access to healthcare, improve the affordability of care and improve the quality of patient outcomes. Key factors affecting competition include technological innovations, productivity solutions, competitive pricing and the ability to provide lifecycle services. New technologies and solutions could make our products and services obsolete unless we continue to develop new and improved offerings. Our products are subject to regulation by numerous government agencies, as well as laws and regulations that apply to various reimbursement schemes or other government funded healthcare programs.

**Significant Trends & Developments.** During the first half of 2020, there was an increase in demand for certain of our products that are highly correlated in response to the COVID-19 pandemic, including ventilators, monitoring solutions, x-ray, anesthesia and point-of-care ultrasound product lines. However, we also saw reduction in demand and delays in procurement in other products and services that were not critical to the response efforts or where procedures could be postponed (magnetic resonance, contrast agents and nuclear tracers). We have experienced some moderation in COVID-19 related demand in the second half of 2020 and have experienced some recovery in overall hospital spending, though this varies by market. The pandemic is still driving uncertainty in our markets globally, as well as additional supply chain and logistics costs, and we expect this to continue. We expect capital expenditures, particularly in private markets, to remain under pressure from revenue declines and cautious spending related to COVID-19 impacts. In response to continuing near-term volatility and cost pressures, we have driven structural cost reduction and cash optimization actions that began in the first quarter of 2020.

\*Non-GAAP Financial Measure



The global healthcare market has continued to expand, driven by macro trends relating to growing and aging populations, increasing chronic and lifestyle-related diseases, accelerating demand for healthcare in emerging markets, and increasing use of diagnostic imaging. Technological innovation that makes it possible to address an increasing number of diseases, conditions and patients in a more cost-effective manner has also driven growth across each of our global markets.

The Healthcare Systems (HCS) equipment market over the long term continues to expand at low single-digit rates or better, while demand continues for services on new equipment as well as on our existing installed base. However, there is short-term variation driven by market-specific political, environmental and economic cycles. There has been some moderation in tariffs in both U.S. and China, however, this is subject to changes in U.S.-China trade regulations. Long-term growth in emerging markets is driven by trends of expanding demand and access to healthcare. Developed markets are expected to remain steady in the near term driven by macro trends in the healthcare industry.

The Pharmaceutical Diagnostics (PDx) business is well positioned in the contrast agent and nuclear tracer markets. This market is expected to grow over the long-term, driven by continued diagnostic imaging procedure growth and increasing contrast and tracer-enhanced biomarkers of these same procedures, as these products help to increase the precision of the diagnostic information provided to clinicians. After we experienced reduced demand in the first half of 2020, we saw an increase in the second half of 2020 for PDx products as procedure volume increased.

We continue focusing on creating new products and digital solutions as well as expanding uses of existing offerings that are tailored to the different needs of our global customers. GE Healthcare recently introduced the Voluson™ SWIFT, an industry-first Sono-automation tool, which leverages artificial intelligence to automatically identify fetal anatomy, enhancing workflow by more than 70%. In addition, we launched the next version of Mural Virtual Care Solution, which provides clinical decision support with a view of patients' status across a care area, hospital or system. We also completed the acquisition of Prismatic Sensors AB, which specializes in photon counting Computed Tomography (CT).

|                                    | 2020             | 2019             | 2018             |
|------------------------------------|------------------|------------------|------------------|
| Equipment                          | \$ 5,538         | \$ 6,978         | \$ 6,254         |
| Services                           | 11,562           | 11,480           | 11,155           |
| <b>Total backlog</b>               | <b>\$ 17,100</b> | <b>\$ 18,458</b> | <b>\$ 17,409</b> |
| Equipment                          | \$ 10,811        | \$ 12,959        | \$ 12,574        |
| Services                           | 7,835            | 8,213            | 8,323            |
| <b>Total orders</b>                | <b>\$ 18,645</b> | <b>\$ 21,172</b> | <b>\$ 20,897</b> |
| Healthcare Systems                 | \$ 15,387        | \$ 14,648        | \$ 14,886        |
| Pharmaceutical Diagnostics         | 1,792            | 2,005            | 1,888            |
| BioPharma                          | 830              | 3,289            | 3,010            |
| <b>Total segment revenues</b>      | <b>\$ 18,009</b> | <b>\$ 19,942</b> | <b>\$ 19,784</b> |
| Equipment                          | \$ 9,992         | \$ 11,585        | \$ 11,422        |
| Services                           | 8,017            | 8,357            | 8,363            |
| <b>Total segment revenues(a)</b>   | <b>\$ 18,009</b> | <b>\$ 19,942</b> | <b>\$ 19,784</b> |
| <b>Segment profit (loss)(b)(c)</b> | <b>\$ 3,060</b>  | <b>\$ 3,737</b>  | <b>\$ 3,522</b>  |
| <b>Segment profit margin</b>       | <b>17.0 %</b>    | <b>18.7 %</b>    | <b>17.8 %</b>    |

(a) Healthcare segment revenues represent 25% and 22% of total industrial revenues and total segment revenues, respectively, for the year ended December 31, 2020.

(b) Healthcare segment profit represents 42% of total industrial profit for the year ended December 31, 2020.

(c) Included restructuring charges of \$134 million, \$159 million and \$176 million for the years ended December 31, 2020, 2019 and 2018, respectively, that were previously reported within the Corporate segment and were reclassified into the Healthcare segment results in the fourth quarter of 2020 for all periods presented. For a summary of all restructuring charges by segment, see the Other Consolidated Information section.

**For the year ended December 31, 2020, segment orders were down \$2.5 billion (12%), segment revenues were down \$1.9 billion (10%) and segment profit was down \$0.7 billion (18%).**

Backlog as of December 31, 2020 decreased \$1.4 billion (7%) from December 31, 2019, primarily due to the BioPharma disposition. Excluding BioPharma, backlog decreased \$0.1 billion.

Orders increased \$0.3 billion (1%) organically, due to increases in demand for COVID-19 related products, including a \$0.3 billion order from the U.S. Department of Health and Human Services to deliver 50,000 ventilators in partnership with Ford, partially offset by PDx. Excluding BioPharma, orders were up \$0.1 billion organically.

Revenues increased \$0.7 billion (4%) organically\*, driven by increased demand in HCS products used directly in response to COVID-19, partially offset by reduced volume in PDx from a decrease in non-essential routine procedures. Excluding BioPharma, revenues increased \$0.6 billion (4%) organically\*.

Profit increased \$0.5 billion (17%) organically\*, primarily due to cost reductions and increased demand for HCS products used directly in response to COVID-19, partially offset by decreases in PDx volume. Excluding BioPharma, profits increased \$0.4 billion (17%) organically\*.

\*Non-GAAP Financial Measure

**CAPITAL.** Capital is the financial services division of GE focused on customers and markets aligned with GE's industrial businesses across developed and emerging markets. We provide financial products and services around the globe that build on GE's industry specific expertise in aviation, power, renewables and other activities to capitalize on market-specific opportunities. While there are customer benefits and knowledge sharing advantages linking GE's industrial and capital businesses, the financial and operational relationships are maintained with arms-length terms as though the businesses were independent.

**GE Capital Aviation Services (GECAS)** – an aviation lessor and financier with over 50 years of experience. GECAS provides a wide range of assets including narrow- or widebody aircraft, regional jets, turboprops, freighters, engines, helicopters, financing and materials. GECAS offers a broad array of financing products and services on these assets including operating leases, sale-leasebacks, asset trading and servicing, and airframe parts management. GECAS owns, services or has on order more than 1,600 aircraft and serves approximately 205 customers in 73 countries from a network of 15 offices around the world.

**Energy Financial Services (EFS)** – a global energy investor that provides financial solutions and underwriting capabilities for Power and Renewable Energy to meet rising demand and sustainability imperatives.

**Working Capital Solutions (WCS)** – provides working capital services primarily by purchasing GE Industrial customer receivables.

**Insurance** – Refer to the Other Items - Insurance section for a detailed business description.

**Competition & Regulation.** The businesses in which we engage are highly competitive and are subject to competition from various types of financial institutions including banks, investors, such as sovereign wealth funds, hedge funds and private equity investors, leasing companies, finance companies associated with manufacturers and insurance and reinsurance companies. For our GECAS operations, competition is based on lease rate financing terms, aircraft delivery dates, condition and availability, as well as available capital demand for financing. For our EFS operations, competition is primarily based on deal structure and terms. As we compete globally, EFS' success is sensitive to project execution and merchant electricity prices, as well as the economic and political environment of each country in which we do business.

The businesses in which we engage are subject to a variety of U.S. federal and state laws and regulations. Our insurance operations are regulated by the insurance departments in the states in which they are domiciled or licensed, with the Kansas Insurance Department (KID) being our primary state regulator.

**Significant Trends & Developments.** We continue to evaluate strategic options to accelerate the further reduction in the size of GE Capital, some of which could result in material financial charges depending on the timing, negotiated terms and conditions of any ultimate arrangements.

At GE Capital, the primary effect of the COVID-19 pandemic pertains to its GECAS business. The pandemic has led to worldwide reduction of flight schedules and it is difficult to predict its longer-term impact. Additionally, the related market volatility resulted in higher credit spreads on the investment securities held by our run-off insurance business, which resulted in marks and impairments taken in the first quarter, which, starting in the second quarter more than recovered in 2020.

As of December 31, 2020, GECAS owned 917 fixed-wing aircraft, of which 27 with a book value of \$0.6 billion were available to lease to customers (aircraft on the ground). We test recoverability of each fixed-wing aircraft in our operating lease portfolio at least annually. Additionally, we perform quarterly evaluations in circumstances such as when assets are re-leased or current lease terms have changed.

Given the environment, we accelerated our review in the second quarter to focus on leases with higher risk of repossession based on our assessment of customer credit risk default and any unplaced leased assets rolling-off over the next 12 months, which represented approximately 20% of our fixed-wing aircraft operating lease portfolio. In addition, we performed our detailed annual portfolio review in the third quarter of 2020, which incorporated third-party appraisal data, updates to all cash flow assumptions as well as evolving market and customer dynamics that we are monitoring. These analyses resulted in pre-tax impairments of \$0.5 billion in 2020, primarily on our fixed-wing aircraft operating lease portfolio. Pre-tax impairments were \$0.1 billion in 2019. The increase in pre-tax impairments was driven by declining cash flow projections of the future collectability of rents on aircraft and engines currently under contract related to market impacts resulting from the pandemic. Continued deterioration in cash flow projections, including current rents, downtime, release rates and residual assumptions could result in future impairments in the operating lease portfolio.

Based on the resulting pressure on its airline customers, GECAS continues to work with customers on restructuring requests as they arise. As a result of these requests, we have executed agreements with customers to reschedule certain lease payments. As of December 31, 2020, we have a contractually deferred balance of \$0.4 billion. In addition, we have invoiced \$0.3 billion under these agreements and collected about 84%. We expect to continue to receive requests for rent deferrals and/or lease restructures from our global airline customers as a result of COVID-19 and related market impacts. An extended disruption of regional or international travel could result in an increase in these types of requests in future periods, which could result in an increase to the trade receivable balance. As GECAS evaluates future lease restructures, there is a risk of lease modifications that could have a material adverse effect on GECAS operations, financial position and cash flows.

In October 2020, Pacific Investment Management Company (PIMCO), one of the world's premier fixed income investment managers, and GECAS announced they had reached a preliminary agreement to develop an aviation leasing venture to support up to \$3 billion in aircraft asset financings. PIMCO and GECAS have executed certain of the definitive agreements and obtained relevant regulatory clearances for the venture.

We annually perform premium deficiency testing in the aggregate across our run-off insurance portfolio in the third quarter. As a result of the testing, we identified no premium deficiency. See the Other Items section and Note 12 for further information.

GE Capital received \$2 billion of additional capital contributions from GE in the fourth quarter of 2020. See the Capital Resources and Liquidity section for further information.

As previously mentioned, GE reached a settlement with the SEC and paid a civil penalty of \$0.2 billion in December 2020, of which \$0.1 billion was recorded and paid at GE Capital. See Note 23 for further information.

|                                        | December 31, 2020 | December 31, 2019 |
|----------------------------------------|-------------------|-------------------|
| GECAS                                  | \$ 35,863         | \$ 37,979         |
| EFS                                    | 2,385             | 1,823             |
| WCS(a)                                 | 5,884             | 9,014             |
| Insurance                              | 50,824            | 46,266            |
| Other continuing operations(a)(b)      | 18,569            | 22,463            |
| <b>Total segment assets</b>            | <b>\$ 113,526</b> | <b>\$ 117,546</b> |
| <b>GE Capital debt to equity ratio</b> | <b>3.4:1</b>      | <b>3.9:1</b>      |

(a) In the first quarter of 2020, the remaining Industrial Finance assets of \$268 million were transferred to Other continuing operations.

(b) Included cash, cash equivalents and restricted cash of \$13,245 million as of December 31, 2020 and \$17,618 million as of December 31, 2019.

|                                    | 2020              | 2019            | 2018            |
|------------------------------------|-------------------|-----------------|-----------------|
| GECAS                              | \$ 3,947          | \$ 4,895        | \$ 4,944        |
| EFS                                | 74                | 145             | 144             |
| WCS                                | 334               | 829             | 1,451           |
| Insurance                          | 2,946             | 2,904           | 2,941           |
| Other continuing operations        | (55)              | (31)            | 71              |
| <b>Total segment revenues(a)</b>   | <b>\$ 7,245</b>   | <b>\$ 8,741</b> | <b>\$ 9,551</b> |
| GECAS                              | \$ (786)          | \$ 1,029        | \$ 1,225        |
| EFS                                | 52                | 121             | 85              |
| WCS                                | 66                | 234             | 305             |
| Insurance                          | 189               | (611)           | (157)           |
| Other continuing operations(b)     | (1,232)           | (1,303)         | (1,947)         |
| <b>Total segment profit (loss)</b> | <b>\$ (1,710)</b> | <b>\$ (530)</b> | <b>\$ (489)</b> |

(a) Capital segment revenues represent 9% of total segment revenues for the year ended December 31, 2020.

(b) Other continuing operations primarily comprised excess interest costs from debt previously allocated to assets that have been sold as part of the GE Capital Exit Plan, preferred stock dividend costs and interest costs not allocated to GE Capital businesses, which are driven by GE Capital's interest allocation process. Interest costs are allocated to GE Capital businesses based on the tenor of their assets using the market rate at the time of origination, which differs from the asset profile when the debt was originated. As a result, actual interest expense is higher than interest expense allocated to the remaining GE Capital businesses. All preferred stock dividend costs have become a GE Industrial obligation in January 2021. See Note 16 for further information. In addition, we anticipate unallocated interest costs to gradually decline as debt matures and/or is refinanced.

#### **For the year ended December 31, 2020, segment revenues decreased \$1.5 billion (17%) and segment losses were up \$1.2 billion.**

Capital revenues decreased \$1.5 billion (17%), as a result of volume declines and lower gains. These volume declines were primarily at GECAS related to lower interest income attributable to the sale of PK AirFinance and lower rental revenue on our aircraft leasing portfolio, and at WCS related to lower purchases of GE Industrial customer receivables and the run-off of the GE Capital supply chain finance program (See GE Industrial Working Capital Transactions for further information). Capital losses increased \$1.2 billion, primarily due to an impairment of goodwill of \$0.8 billion (pre-tax), volume declines, higher mark-to-market effects and other impairments, including \$0.5 billion (pre-tax) on the GECAS fixed-wing aircraft portfolio as a result of COVID-19 and related market impacts, lower gains, debt tender costs, the SEC settlement charge and the nonrecurrence of a 2019 tax reform enactment adjustment. These increased losses were partially offset by the nonrecurrence of a \$1.0 billion pre-tax charge identified through the completion of our 2019 annual insurance premium deficiency review, higher tax benefits including the tax benefit related to the BioPharma sale and lower excess interest cost. Gains were \$0.4 billion and \$0.7 billion in 2020 and 2019, respectively, which primarily related to sales of certain GECAS aircraft and engines resulting in gains of \$0.2 billion and \$0.4 billion in 2020 and 2019, respectively, and the sale of equity method investments resulting in gains of \$0.1 billion and \$0.2 billion in 2020 and 2019, respectively, at EFS.



**CORPORATE ITEMS AND ELIMINATIONS.** Corporate Items and Eliminations is a caption used in the Segment Operations – Summary of Reportable Segments table to reconcile the aggregated results of our segments to the consolidated results of the Company. The Corporate Items and Eliminations amounts related to revenues and earnings include the results of disposed businesses, certain amounts not included in industrial operating segment results because they are excluded from measurement of their operating performance for internal and external purposes and the elimination of intersegment activities. In addition, the Corporate Items and Eliminations amounts related to earnings include certain costs of our principal retirement plans, significant, higher-cost restructuring programs and other costs reported in Corporate.

Corporate items and eliminations includes the results of our Lighting segment, through its disposition in the second quarter of 2020, and GE Digital business for all periods presented.

|                                                             | 2020              | 2019              | 2018               |
|-------------------------------------------------------------|-------------------|-------------------|--------------------|
| <b>Revenues</b>                                             |                   |                   |                    |
| Corporate revenues                                          | \$ 1,313          | \$ 1,791          | \$ 2,783           |
| Eliminations and other                                      | (2,245)           | (2,096)           | (2,110)            |
| <b>Total Corporate Items and Eliminations</b>               | <b>\$ (932)</b>   | <b>\$ (305)</b>   | <b>\$ 673</b>      |
| <b>Operating profit (cost)</b>                              |                   |                   |                    |
| Gains (losses) on disposals and held for sale businesses    | \$ 12,472         | \$ 4              | \$ 1,370           |
| Restructuring and other charges                             | (680)             | (886)             | (2,056)            |
| Steam asset impairments(a) (Notes 7 and 8)                  | (363)             | —                 | —                  |
| SEC settlement charge(b)                                    | (100)             | —                 | —                  |
| Unrealized gains (losses)                                   | (1,911)           | 793               | —                  |
| Goodwill impairments(c) (Note 8)                            | (728)             | (1,486)           | (22,136)           |
| Adjusted total corporate operating costs (Non-GAAP)         | (1,328)           | (1,736)           | (1,514)            |
| <b>Total Corporate Items and Eliminations (GAAP)</b>        | <b>\$ 7,362</b>   | <b>\$ (3,311)</b> | <b>\$ (24,337)</b> |
| Less: gains (losses), impairments and restructuring & other | 8,689             | (1,575)           | (22,822)           |
| Adjusted total corporate operating costs (Non-GAAP)         | \$ (1,328)        | \$ (1,736)        | \$ (1,514)         |
| Functions & operations                                      | \$ (1,028)        | \$ (1,295)        | \$ (1,622)         |
| Environmental, health & safety (EHS) and other items        | (104)             | (258)             | 169                |
| Eliminations                                                | (195)             | (184)             | (61)               |
| <b>Adjusted total corporate operating costs (Non-GAAP)</b>  | <b>\$ (1,328)</b> | <b>\$ (1,736)</b> | <b>\$ (1,514)</b>  |

(a) Included non-cash pre-tax impairment charges of \$429 million, net of \$65 million attributable to noncontrolling interests for the Steam business within our Power segment in 2020.

(b) GE reached a settlement with the SEC and paid a civil penalty of \$200 million in December 2020, of which \$100 million was recorded and paid at Corporate and \$100 million was recorded and paid at GE Capital.

(c) Included non-cash pre-tax impairment charge of \$877 million, net of \$149 million attributable to noncontrolling interests for the Additive reporting unit within our Aviation segment in 2020.

Adjusted total corporate operating costs\* excludes gains (losses) on disposals and held for sale businesses, significant, higher-cost restructuring programs, unrealized gains (losses) and goodwill impairments. We believe that adjusting corporate costs to exclude the effects of items that are not closely associated with ongoing corporate operations provides management and investors with a meaningful measure that increases the period-to-period comparability of our ongoing corporate costs.

**For the year ended December 31, 2020**, revenues decreased by \$0.6 billion, primarily as a result of a \$0.5 billion decrease in revenues due to the sale of our Current and Lighting businesses in April 2019 and June 2020, respectively, and \$0.1 billion of higher inter-segment eliminations. Corporate costs decreased by \$10.7 billion due to \$12.5 billion of higher net gains, primarily driven by \$12.4 billion of gains from the sale of our BioPharma business in 2020. Corporate costs also decreased by \$0.8 billion due to \$1.5 billion of goodwill impairment charges related to our Renewable Energy segment in 2019 as compared to \$0.7 billion of net goodwill impairment charges related to our Aviation segment in 2020. In addition, Corporate costs decreased by \$0.2 billion due to lower restructuring and other charges in 2020, primarily at Corporate and Power, partially offset by higher restructuring at Aviation. These decreases were partially offset by \$2.7 billion of higher net unrealized losses, primarily related to a \$1.8 billion mark-to-market loss on our Baker Hughes shares and a \$0.1 billion impairment on our Ventures portfolio in 2020, as compared to a \$0.8 billion mark-to-market gain on our Baker Hughes shares in 2019. Corporate recognized \$0.4 billion of non-cash impairment charges related to property, plant and equipment and intangible assets at our Steam business within our Power segment in 2020. In addition, Corporate costs increased by \$0.1 billion due to the settlement of the SEC investigation in 2020.

Adjusted total corporate operating costs\* decreased by \$0.4 billion in 2020 primarily as the result of \$0.3 billion of cost reductions within our Digital business and functions and \$0.2 billion of lower costs primarily associated with existing EHS matters. Overall, eliminations were relatively flat due to higher intercompany elimination activity from project financing investments associated with wind energy projects in our Renewable Energy segment and higher GE industrial inter-segment eliminations, offset by lower spare engine sales from our Aviation segment to our GECAS business.

\*Non-GAAP Financial Measure

**COSTS AND GAINS NOT INCLUDED IN SEGMENT RESULTS.** As discussed in the Segment Operations section, certain amounts are not included in industrial segment results because they are excluded from measurement of their operating performance for internal and external purposes. These amounts relate primarily to significant, higher-cost restructuring programs, goodwill impairment charges and gains/(losses) on acquisition and disposition activities.

|                                  | Costs    |          |           | Gains (Losses) |        |          |
|----------------------------------|----------|----------|-----------|----------------|--------|----------|
|                                  | 2020     | 2019     | 2018      | 2020           | 2019   | 2018     |
| Power                            | \$ 583   | \$ 307   | \$ 20,178 | \$ 49          | \$ (2) | \$ 988   |
| Renewable Energy                 | 13       | 1,537    | 3,114     | —              | —      | —        |
| Aviation                         | 1,099    | —        | 7         | 14             | —      | (116)    |
| Healthcare                       | 3        | 43       | 58        | 12,364         | (1)    | 785      |
| <b>Total industrial segments</b> | \$ 1,698 | \$ 1,888 | \$ 23,357 | \$ 12,427      | \$ (4) | \$ 1,657 |
| Corporate Items and Eliminations | 173      | 486      | 857       | (1,866)        | 801    | (288)    |
| <b>Total GE Industrial</b>       | \$ 1,871 | \$ 2,374 | \$ 24,214 | \$ 10,561      | \$ 797 | \$ 1,370 |

## OTHER CONSOLIDATED INFORMATION

**RESTRUCTURING.** Restructuring actions are essential to our cost improvement efforts for both existing operations and those acquired. Restructuring and other charges relate primarily to workforce reductions, facility exit costs associated with the consolidation of sales, service and manufacturing facilities, the integration of acquisitions, and certain other asset write-downs such as those associated with product line exits. We also recognize an obligation for severance benefits that vest or accumulate with service. We continue to closely monitor the economic environment and expect to undertake further restructuring actions to more closely align our cost structure with earnings goals. This table is inclusive of all restructuring charges in our segments.

|                                                               | 2020     | 2019     | 2018     |
|---------------------------------------------------------------|----------|----------|----------|
| Workforce reductions                                          | \$ 856   | \$ 823   | \$ 989   |
| Plant closures & associated costs and other asset write-downs | 332      | 349      | 1,449    |
| Acquisition/disposition net charges                           | 66       | 180      | 612      |
| Other                                                         | —        | (9)      | —        |
| <b>Total restructuring and other charges</b>                  | \$ 1,254 | \$ 1,343 | \$ 3,050 |
| Cost of product/services                                      | \$ 570   | \$ 386   | \$ 1,092 |
| Selling, general and administrative expenses                  | 697      | 993      | 1,838    |
| Other income                                                  | (13)     | (36)     | \$ 120   |
| <b>Total restructuring and other charges</b>                  | \$ 1,254 | \$ 1,343 | \$ 3,050 |
|                                                               | 2020     | 2019     | 2018     |
| Power                                                         | \$ 236   | \$ 402   | \$ 1,301 |
| Renewable Energy                                              | 213      | 176      | 301      |
| Aviation                                                      | 397      | 8        | 18       |
| Healthcare                                                    | 137      | 201      | 222      |
| Corporate                                                     | 245      | 529      | 1,110    |
| <b>GE Industrial restructuring and other charges</b>          | \$ 1,229 | \$ 1,315 | \$ 2,952 |
| Capital                                                       | 25       | 28       | 98       |
| <b>Total restructuring and other charges by business</b>      | \$ 1,254 | \$ 1,343 | \$ 3,050 |
| <b>Restructuring and other charges cash expenditures</b>      | \$ 1,175 | \$ 1,209 | \$ 1,480 |

Liabilities associated with restructuring activities were approximately \$1.3 billion, \$1.7 billion, and \$2.6 billion, including actuarial determined post-employment severance benefits of \$0.7 billion, \$1.0 billion, and \$1.6 billion as of December 31, 2020, 2019, and 2018, respectively.

## INTEREST AND OTHER FINANCIAL CHARGES

|               | 2020     | 2019     | 2018     |
|---------------|----------|----------|----------|
| GE Industrial | \$ 1,333 | \$ 2,115 | \$ 2,415 |
| GE Capital    | 2,186    | 2,532    | 2,982    |

The decrease in GE Industrial interest and other financial charges for the year ended December 31, 2020 was driven primarily by lower interest on borrowings due to repayments of intercompany loans from GE Capital and lower losses related to the completion of tender offers to purchase GE Industrial senior notes (including fees and other costs associated with the tenders), and lower expenses on sales of GE Industrial current receivables mainly driven by lower sales of receivables and lower benchmark interest rates. The primary components of GE Industrial interest and other financial charges are interest on short- and long-term borrowings and financing costs on sales of receivables. Total GE Industrial interest and other financial charges of \$0.9 billion and \$1.3 billion were recorded at Corporate and \$0.5 billion and \$0.8 billion were recorded by GE Industrial segments for the years ended December 31, 2020 and 2019, respectively.

The decrease in GE Capital interest and other financial charges for the year ended December 31, 2020 was primarily due to lower average borrowings balances due to maturities and a decrease in average interest rates due to changes in market rates, partially offset by higher net interest on assumed debt resulting from a decrease in intercompany loans to GE Industrial which bear the right of offset (see the Borrowings section of Capital Resources and Liquidity for an explanation of assumed debt and right-of-offset loans), and the \$0.2 billion loss resulting from the completion of tender offers to purchase GE Capital senior notes (including fees and other costs associated with the tenders). GE Capital average borrowings were \$55.8 billion, \$61.8 billion and \$78.7 billion in 2020, 2019 and 2018, respectively. The GE Capital average composite effective interest rate (including interest allocated to discontinued operations) was 4.0%, 4.2% and 3.9% in 2020, 2019 and 2018, respectively.

**POSTRETIREMENT BENEFIT PLANS.** Refer to Note 13 for our pension and retiree benefit plans.

## INCOME TAXES

| <b>CONSOLIDATED</b>                  | <b>2020</b> | <b>2019</b> | <b>2018</b> |
|--------------------------------------|-------------|-------------|-------------|
| Effective tax rate (ETR)             | (9.1)%      | 63.2 %      | (0.4)%      |
| Provision (benefit) for income taxes | \$ (474)    | \$ 726      | \$ 93       |
| Cash income taxes paid(a)            | 1,291       | 2,228       | 1,868       |

(a) Included taxes paid related to discontinued operations.

**For the year ended December 31, 2020**, the consolidated income tax benefit was \$0.5 billion. The change in tax from a tax provision in 2019 to a tax benefit for 2020 was primarily due to the decrease in pre-tax income excluding the gain from the sale of our BioPharma business and non-deductible goodwill impairment charges and a decrease in valuation allowances on non-U.S. deferred tax assets partially offset by the increase in tax expense associated with the disposition of the BioPharma business in 2020 compared to the amount recognized on preparatory steps for the planned disposition in 2019 and a decrease in benefit from the completion of the Internal Revenue Service (IRS) audits.

Absent additional taxes enacted as part of U.S. tax reform and non-U.S. losses without a tax benefit, our consolidated income tax provision is generally reduced because of the benefits of lower-taxed global operations as certain non-U.S. income is subject to local country tax rates that are below the U.S. statutory tax rate.

The rate of tax on our profitable non-U.S. earnings is below the U.S. statutory tax rate because we have significant business operations subject to tax in countries where the tax on that income is lower than the U.S. statutory rate and because GE funds certain non-U.S. operations through foreign companies that are subject to low foreign taxes. Most of these earnings have been reinvested in active non-U.S. business operations and as of December 31, 2020, we have not decided to repatriate these earnings to the U.S. Given U.S. tax reform, substantially all of our net prior unrepatriated earnings were subject to U.S. tax and accordingly we generally expect to have the ability to repatriate available non-U.S. cash without additional U.S. federal tax cost and any foreign withholding taxes on a repatriation to the U.S. would potentially be partially offset by a U.S. foreign tax credit.

A substantial portion of the benefit for lower-taxed non-U.S. earnings related to business operations subject to tax in countries where the tax on that income is lower than the U.S. statutory rate is derived from our GECAS aircraft leasing operations located in Ireland where the earnings are taxed at 12.5%, our Power operations located in Switzerland where the earnings are taxed at between 9% and 18.6% and our Aviation operations located in Singapore where the earnings are primarily taxed at a rate of 8%.

The rate of tax on non-U.S. operations is increased, however, because we also incur losses in foreign jurisdictions where it is not likely that the losses can be utilized and no tax benefit is provided for those losses and valuation allowances against loss carryforwards are provided when it is no longer likely that the losses can be utilized. In addition, as part of U.S. tax reform, the U.S. has enacted a tax on "base eroding" payments from the U.S. We are continuing to undertake restructuring actions to mitigate the impact from this provision. The U.S. has also enacted a minimum tax on foreign earnings (global intangible low tax income). Because we have tangible assets outside the U.S. and pay significant foreign taxes, we generally do not expect a significant increase in tax liability from this new U.S. minimum tax. Overall, these newly enacted provisions increase the rate of tax on our non-U.S. operations.

| <b>BENEFIT/(EXPENSE) FROM GLOBAL OPERATIONS</b>                       | <b>2020</b>     | <b>2019</b>       | <b>2018</b>       |
|-----------------------------------------------------------------------|-----------------|-------------------|-------------------|
| Benefit/(expense) of foreign tax rate difference on non-U.S. earnings | \$ 90           | \$ 27             | \$ (292)          |
| Benefit of audit resolutions                                          | 129             | 86                | 225               |
| BioPharma disposition and preparatory restructuring                   | 1,447           | (633)             | —                 |
| Other                                                                 | (186)           | (526)             | (973)             |
| <b>Total benefit/(expense)</b>                                        | <b>\$ 1,480</b> | <b>\$ (1,046)</b> | <b>\$ (1,040)</b> |

The amounts reported above exclude the impact of U.S. tax reform which is reported as a separate line in the reconciliation of the U.S. federal statutory income tax rate to the actual tax rate in Note 15.



**For the year ended December 31, 2020**, the change from an expense from global operations in 2019 to a benefit from global operations in 2020 reflects the lower rate of tax on the disposition of the BioPharma business in 2020 compared to an amount of tax recognized on preparatory steps for the planned disposition in 2019 and a decrease in valuation allowances on non-U.S. deferred tax assets.

A more detailed analysis of differences between the U.S. federal statutory rate and the consolidated effective rate, as well as other information about our income tax provisions, is provided in the Critical Accounting Estimates section and Note 15. The nature of business activities and associated income taxes differ for GE Industrial and for GE Capital; therefore, a separate analysis of each is presented in the paragraphs that follow.

| <b>GE INDUSTRIAL EFFECTIVE TAX RATE</b>  | 2020   | 2019     | 2018   |
|------------------------------------------|--------|----------|--------|
| GE Industrial ETR                        | 5.3 %  | 72.7 %   | (2.3)% |
| GE Industrial provision for income taxes | \$ 388 | \$ 1,309 | \$ 467 |

**For the year ended December 31, 2020**, the GE Industrial provision for income taxes decreased primarily due to the decrease in pre-tax income excluding the gain from the sale of our BioPharma business and non-deductible goodwill impairment charges and a decrease in valuation allowances on non-U.S. deferred tax assets partially offset by the increase in tax expense associated with the disposition of the BioPharma business in 2020 compared to the amount recognized on preparatory steps for the planned disposition in 2019 and a decrease in benefit from the completion of the IRS audits.

| <b>GE CAPITAL EFFECTIVE TAX RATE</b>            | 2020     | 2019     | 2018     |
|-------------------------------------------------|----------|----------|----------|
| GE Capital ETR                                  | 41.1 %   | 89.3 %   | 99.7 %   |
| GE Capital provision (benefit) for income taxes | \$ (862) | \$ (582) | \$ (374) |

**For the year ended December 31, 2020**, the GE Capital tax benefit increased primarily due to the decrease in pre-tax income excluding non-deductible goodwill impairment charges and due to larger benefits on global operations including a tax benefit associated with the disposition of the BioPharma business in 2020.

**RESEARCH AND DEVELOPMENT.** We conduct research and development (R&D) activities to continually enhance our existing products and services, develop new products and services to meet our customers' changing needs and requirements, and address new market opportunities. In addition to funding R&D internally, we also receive funding externally from our customers and partners, which contributes to the overall R&D for the company.

|                  | GE funded       |                 |                 | Customer and Partner funded(b) |                 |               | Total R&D       |                 |                 |
|------------------|-----------------|-----------------|-----------------|--------------------------------|-----------------|---------------|-----------------|-----------------|-----------------|
|                  | 2020            | 2019            | 2018            | 2020                           | 2019            | 2018          | 2020            | 2019            | 2018            |
| Power            | \$ 317          | \$ 314          | \$ 409          | \$ 13                          | \$ 13           | \$ 5          | \$ 330          | \$ 327          | \$ 414          |
| Renewable Energy | 466             | 522             | 413             | 19                             | 9               | 11            | 485             | 531             | 424             |
| Aviation         | 707             | 906             | 950             | 1,090                          | 911             | 564           | 1,797           | 1,817           | 1,514           |
| Healthcare       | 845             | 994             | 968             | 27                             | 25              | 23            | 872             | 1,019           | 991             |
| Corporate(a)     | 231             | 382             | 675             | 106                            | 89              | 48            | 336             | 471             | 722             |
| <b>Total</b>     | <b>\$ 2,565</b> | <b>\$ 3,118</b> | <b>\$ 3,415</b> | <b>\$ 1,255</b>                | <b>\$ 1,046</b> | <b>\$ 650</b> | <b>\$ 3,820</b> | <b>\$ 4,164</b> | <b>\$ 4,065</b> |

(a) Includes Global Research Center and Digital business.

(b) Customer funded is principally U.S. Government funded in our Aviation segment.

**DISCONTINUED OPERATIONS.** Discontinued operations primarily include certain businesses in our GE Capital segment (our mortgage portfolio in Poland and trailing liabilities associated with the sale of our GE Capital businesses) and our Baker Hughes and Transportation segments. See Notes 2 and 23 for further financial information regarding our businesses in discontinued operations.

The mortgage portfolio in Poland (Bank BPH) comprises floating-rate residential mortgages, 87% of which are indexed to or denominated in foreign currencies (primarily Swiss francs). At December 31, 2020, the total portfolio had a carrying value of \$2.4 billion with a 1.61% 90-day delinquency rate and an average loan to value ratio of approximately 63.0%. The portfolio is recorded at the lower of cost or fair value, less cost to sell, and included a \$0.3 billion impairment, which reflected market yields as well as estimates with respect to ongoing litigation in Poland related to foreign currency-denominated mortgages and other factors. See Note 23 for additional information about this litigation and the potential for further adverse developments to result in further losses related to these loans in future reporting periods.

## CAPITAL RESOURCES AND LIQUIDITY

**FINANCIAL POLICY.** We intend to maintain a disciplined financial policy, including maintaining a high cash balance. We are targeting a sustainable long-term credit rating in the Single-A range, achieving a GE Industrial net debt\*-to-EBITDA ratio of less than 2.5x and a dividend in line with our peers over time, as well as maintaining a less than 4-to-1 debt-to-equity ratio for GE Capital. In addition to net debt\*-to-EBITDA, we also evaluate other leverage measures, including gross debt-to-EBITDA, and we will ultimately size our deleveraging actions across a range of measures to ensure we are operating the Company based on a strong balance sheet. We intend to continue to decrease our GE Industrial leverage over time as we navigate this period of uncertainty, although we now expect to achieve our GE Industrial leverage target over time.

**LIQUIDITY POLICY.** We maintain a strong focus on liquidity and define our liquidity risk tolerance based on sources and uses to maintain a sufficient liquidity position to meet our obligations under both normal and stressed conditions. We intend to maintain a high level of cash and maximize flexibility as we navigate the current environment. At both GE Industrial and GE Capital, we manage our liquidity to provide access to sufficient funding to meet our business needs and financial obligations, as well as capital allocation and growth objectives, throughout business cycles.

GE Industrial has continued to enhance its cash management operations, targeting increased linear cash flow, lower factoring, and reducing restricted cash. As a result, we reduced our intra-quarter borrowings by \$3.6 billion in 2020 and reduced our GE Industrial cash needs to below approximately \$13 billion on a go-forward basis. However, we will continue holding elevated cash levels through this period of uncertainty.

At GE Capital, we continue to hold cash levels to cover at least 12 months of long-term debt maturities.

We believe that our consolidated liquidity and availability under our revolving credit facilities will be sufficient to meet our liquidity needs.

**CONSOLIDATED LIQUIDITY.** Following is a summary of cash, cash equivalents and restricted cash at December 31, 2020.

|                     | December 31, 2020 |               |                     | December 31, 2020 |               |
|---------------------|-------------------|---------------|---------------------|-------------------|---------------|
| GE Industrial       | \$                | 23,209        | U.S.                | \$                | 18,934        |
| GE Capital          |                   | 13,421        | Non-U.S.            |                   | 17,696        |
| <b>Consolidated</b> | <b>\$</b>         | <b>36,630</b> | <b>Consolidated</b> | <b>\$</b>         | <b>36,630</b> |

Cash held in non-U.S. entities has generally been reinvested in active foreign business operations; however, substantially all of our unrepatriated earnings were subject to U.S. federal tax and, if there is a change in reinvestment, we would expect to be able to repatriate available cash (excluding amounts held in countries with currency controls) without additional federal tax cost. Any foreign withholding tax on a repatriation to the U.S. would potentially be partially offset by a U.S. foreign tax credit.

**GE INDUSTRIAL LIQUIDITY.** GE Industrial's primary sources of liquidity consist of cash and cash equivalents, free cash flows from our operating businesses, monetization of receivables, and short-term borrowing facilities, including revolving credit facilities. Cash generation can be subject to variability based on many factors, including seasonality, receipt of down payments on large equipment orders, timing of billings on long-term contracts, market conditions and our ability to execute dispositions. Additionally, as previously reported, we launched a program in the third quarter of 2020 to fully monetize our Baker Hughes position over approximately three years. Consistent with the program's design, we received initial proceeds of approximately \$0.4 billion in the fourth quarter of 2020 and \$0.7 billion in January 2021. See Note 26 for further information.

GE Industrial cash, cash equivalents and restricted cash totaled \$23.2 billion at December 31, 2020, including \$2.2 billion of cash held in countries with currency control restrictions and \$0.4 billion of restricted use cash. Cash held in countries with currency controls represents amounts held in countries that may restrict the transfer of funds to the U.S. or limit our ability to transfer funds to the U.S. without incurring substantial costs. Restricted use cash represents amounts that are not available to fund operations, and primarily comprised funds restricted in connection with certain ongoing litigation matters.

In the fourth quarter of 2020, GE Industrial took actions to continue to solidify its financial position through a \$2.5 billion pre-funding to the GE Pension Plan as well as the repayment of \$1.5 billion of intercompany loans to GE Capital. Based on our current assumptions, we do not anticipate further contributions to the GE Pension Plan through 2023.

As previously communicated, GE Industrial provided a capital contribution to GE Capital in the fourth quarter of 2020 of \$2.0 billion, in line with the first quarter 2020 insurance statutory funding. In 2021, GE Industrial expects to provide an additional contribution to GE Capital in line with the existing insurance statutory funding requirement of approximately \$2.0 billion. Further 2021 capital contributions will depend on GE Capital's performance, including GECAS operations and the Insurance statutory asset adequacy testing results, in light of the uncertain environment. Going forward, we anticipate GE Capital's liquidity and capital needs will be met through a combination of GE Capital liquidity, GE Capital asset sales, GE Capital future earnings and capital contributions from GE Industrial.

**GE CAPITAL LIQUIDITY.** GE Capital's primary sources of liquidity consist of cash and cash equivalents, cash generated from asset sales and cash flows from our businesses, as well as GE Industrial repayments of intercompany loans and capital contributions from GE Industrial. We expect to maintain a sufficient liquidity position to fund our insurance obligations and debt maturities. See the Segment Operations - Capital section for further information regarding allocation of GE Capital interest expense to the GE Capital businesses.

\*Non-GAAP Financial Measure

GE Capital cash, cash equivalents and restricted cash totaled \$13.4 billion at December 31, 2020, excluding \$0.5 billion of cash in insurance entities, which was classified as All other assets on the GE Capital Statement of Financial Position. See Note 10 for further information about classification of cash in insurance entities.

GE Capital provided capital contributions to its insurance subsidiaries of \$2.0 billion, \$1.9 billion and \$3.5 billion in the first quarters of 2020, 2019 and 2018, respectively, and expects to provide further capital contributions of approximately \$7 billion through 2024, including approximately \$2.0 billion in the first quarter of 2021, pending completion of our December 31, 2020 statutory reporting process, which includes asset adequacy testing. These contributions are subject to ongoing monitoring by KID, and the total amount to be contributed could increase or decrease, or the timing could be accelerated, based upon the results of reserve adequacy testing or a decision by KID to modify the schedule of contributions set forth in January 2018. We will continue to monitor the interest rate environment, including the impact of reinvestment rates and our investment portfolio performance, and other factors in determining the related effect on our expected future capital contributions. See the Critical Accounting Estimates section for discussion of the sensitivity of interest rate changes to our insurance liabilities. GE is required to maintain specified capital levels at these insurance subsidiaries under capital maintenance agreements. Going forward, we anticipate funding any capital needs for insurance through a combination of GE Capital liquidity, GE Capital asset sales, GE Capital future earnings and capital contributions from GE Industrial.

**BORROWINGS.** Consolidated total borrowings were \$75.1 billion and \$90.9 billion at December 31, 2020 and December 31, 2019, respectively, a decrease of \$15.8 billion (\$16.3 billion excluding intercompany eliminations). See the following table for a summary of GE Industrial and GE Capital borrowings.

| GE Industrial                                     | December 31, 2020 | December 31, 2019 | GE Capital                                             | December 31, 2020 | December 31, 2019 |
|---------------------------------------------------|-------------------|-------------------|--------------------------------------------------------|-------------------|-------------------|
| Commercial paper                                  | \$ —              | \$ 3,008          | Senior and subordinated notes                          | \$ 30,987         | \$ 36,501         |
| GE Industrial senior notes                        | 18,994            | 15,488            | Senior and subordinated notes assumed by GE Industrial | 22,390            | 31,368            |
| Intercompany loans from GE Capital                | 3,177             | 12,226            | Intercompany loans to GE Industrial                    | (3,177)           | (12,226)          |
| Other GE Industrial borrowings                    | 1,352             | 2,195             | Other GE Capital borrowings                            | 1,944             | 3,358             |
| <b>Total GE Industrial adjusted borrowings(a)</b> | <b>\$ 23,523</b>  | <b>\$ 32,917</b>  | <b>Total GE Capital borrowings(a)(b)</b>               | <b>\$ 52,144</b>  | <b>\$ 59,001</b>  |

(a) Consolidated total borrowings of \$75,067 million and \$90,882 million at December 31, 2020 and December 31, 2019, respectively, are net of intercompany eliminations of \$600 million and \$1,036 million, respectively, of other GE Industrial borrowings from GE Capital, primarily related to timing of cash settlements associated with GE Industrial receivables monetization programs.

(b) Included \$5,687 million and \$4,234 million at December 31, 2020 and December 31, 2019, respectively, of fair value adjustments for debt in fair value hedge relationships. See Note 21 for further information.

The reduction in GE Industrial adjusted borrowings at December 31, 2020 compared to December 31, 2019, was driven primarily by \$9.0 billion (including \$1.5 billion in the fourth quarter of 2020) of repayments of intercompany loans from GE Capital, debt repurchases of \$4.2 billion, lower commercial paper of \$3.0 billion, and net repayments and maturities of other debt of \$1.1 billion, partially offset by issuances of new long-term debt of \$7.5 billion and \$0.6 billion related to changes in foreign exchange rates.

GE Industrial net debt\* was \$32.3 billion and \$47.9 billion at December 31, 2020 and December 31, 2019, respectively. The reduction was driven primarily by \$9.0 billion of repayments of intercompany loans from GE Capital, an increase in the net cash deduction of \$4.2 billion due to a higher cash balance, the repurchase of \$4.2 billion of debt, a reduction in after-tax pension and principal retiree benefit plan liabilities of \$1.8 billion, a reduction in commercial paper of \$3.0 billion, and net repayments and maturities of other debt of \$1.1 billion, partially offset by new issuances of new long-term debt of \$7.5 billion and \$0.6 billion related to changes in foreign exchange rates.

The reduction in GE Capital adjusted borrowings at December 31, 2020 compared to December 31, 2019, was driven primarily by debt repurchases of \$11.9 billion (including \$2.2 billion in the fourth quarter of 2020), long-term debt maturities and other repayments of \$10.7 billion (including \$2.8 billion in the fourth quarter of 2020), and lower non-recourse borrowings of \$0.8 billion, partially offset by GE Industrial repayments of intercompany loans of \$9.0 billion (which has the effect of increasing GE Capital borrowings), issuances of new long-term debt of \$6.0 billion, \$1.4 billion of fair value adjustments for debt in fair value hedge relationships, and \$0.5 billion related to changes in foreign exchange rates.

**Liability Management Actions.** In 2020, we took a series of actions to enhance and extend our liquidity at both GE Industrial and GE Capital, issuing a total of \$13.5 billion of longer-dated debt and reducing near-term maturities by \$10.5 billion in the second quarter, with the remaining \$3 billion to be leverage neutral in GE Capital by the end of 2021. Following are details of these and other actions.

In the second quarter of 2020, GE Industrial issued a total of \$7.5 billion of senior notes, and used the proceeds to complete a tender offer to purchase \$4.2 billion of GE senior notes, to reduce commercial paper and other debt by \$1.8 billion, and to repay \$1.5 billion of intercompany loans from GE Capital. The total of these transactions was leverage neutral for GE Industrial within the second quarter.

\*Non-GAAP Financial Measure

In the second quarter of 2020, GE Capital issued a total of \$6.0 billion of senior notes and used the proceeds to complete a tender offer to purchase a total of \$9.8 billion of debt. In the fourth quarter of 2020, GE Capital completed a tender offer to purchase a total of \$2.2 billion of debt with maturities from 2021 through 2023 using the \$1.5 billion of proceeds from the GE Industrial repayment of intercompany loans as well as existing cash.

The following table provides a reconciliation of total short- and long-term borrowings as reported on the respective GE Industrial and GE Capital Statements of Financial Position to borrowings adjusted for assumed debt and intercompany loans:

| December 31, 2020                                                            | GE Industrial    | GE Capital       | Consolidated     |
|------------------------------------------------------------------------------|------------------|------------------|------------------|
| Total short- and long-term borrowings                                        | \$ 42,736        | \$ 32,931        | \$ 75,067        |
| Debt assumed by GE Industrial from GE Capital                                | (22,390)         | 22,390           | —                |
| Intercompany loans with right of offset                                      | 3,177            | (3,177)          | —                |
| Total intercompany payable (receivable) between GE Industrial and GE Capital | (19,213)         | 19,213           | —                |
| <b>Total borrowings adjusted for assumed debt and intercompany loans</b>     | <b>\$ 23,523</b> | <b>\$ 52,144</b> | <b>\$ 75,067</b> |

In 2015, senior unsecured notes and commercial paper were assumed by GE Industrial upon its merger with GE Capital. Under the conditions of the 2015 assumed debt agreement, GE Capital agreed to continue making required principal and interest payments on behalf of GE Industrial, resulting in the establishment of an intercompany receivable and payable between GE Industrial and GE Capital. In addition, GE Capital has periodically made intercompany loans to GE Industrial with maturity terms that mirror the assumed debt. As these loans qualify for right-of-offset presentation, they reduce the assumed debt intercompany receivable and payable between GE Industrial and GE Capital, as noted in the table above.

The remaining intercompany loans from GE Capital to GE Industrial bear the right of offset against amounts owed by GE Capital to GE Industrial under the assumed debt agreement and can be prepaid by GE Industrial at any time, in whole or in part, without premium or penalty. These loans are priced at market terms and have a collective weighted average interest rate of 3.7% and term of approximately 15.2 years at December 31, 2020.

GE Industrial has in place committed revolving credit lines. The following table provides a summary of committed and available credit lines.

| <b>GE INDUSTRIAL COMMITTED AND AVAILABLE REVOLVING CREDIT FACILITIES</b> | <b>December 31, 2020</b> | <b>December 31, 2019</b> |
|--------------------------------------------------------------------------|--------------------------|--------------------------|
| Unused back-up revolving syndicated credit facility                      | \$ 15,000                | \$ 20,000                |
| Unused revolving syndicated credit facility                              | —                        | 14,772                   |
| Bilateral revolving credit facilities                                    | 5,238                    | 7,225                    |
| <b>Total committed revolving credit facilities</b>                       | <b>\$ 20,238</b>         | <b>\$ 41,997</b>         |
| Less offset provisions                                                   | —                        | 6,700                    |
| <b>Total net available revolving credit facilities</b>                   | <b>\$ 20,238</b>         | <b>\$ 35,297</b>         |

Under the terms of an agreement between GE Capital and GE Industrial, GE Capital has the right to compel GE Industrial to borrow under the \$15.0 billion unused back-up revolving syndicated credit facility. Under this agreement, GE Industrial would transfer the proceeds to GE Capital as intercompany loans, which would be subject to the same terms and conditions as those between GE Industrial and the lending banks. GE Capital has not exercised this right.

The following table provides a summary of the activity in the primary external sources of short-term borrowings for GE Industrial in the fourth quarters of 2020 and 2019. GE Industrial uses its bilateral revolving credit facilities from time to time to meet its short-term liquidity needs.

|      |                                                          | GE Industrial<br>Commercial Paper | Bilateral Revolving<br>Credit Facilities | Total    |
|------|----------------------------------------------------------|-----------------------------------|------------------------------------------|----------|
| 2020 | Average borrowings during the fourth quarter             | \$ —                              | \$ 473                                   | \$ 473   |
|      | Maximum borrowings outstanding during the fourth quarter | —                                 | 1,150                                    | 1,150    |
|      | Ending balance at December 31                            | —                                 | —                                        | —        |
| 2019 | Average borrowings during the fourth quarter             | \$ 2,994                          | \$ 1,272                                 | \$ 4,265 |
|      | Maximum borrowings outstanding during the fourth quarter | 3,231                             | 1,500                                    | 4,731    |
|      | Ending balance at December 31                            | 3,018                             | —                                        | 3,018    |

In the third quarter of 2020, we reduced our ending commercial paper balance to zero. Total average and maximum borrowings in the table above are calculated based on the daily outstanding balance of the sum of commercial paper and revolving credit facilities.



**CREDIT RATINGS AND CONDITIONS.** We have relied, and may continue to rely, on the short- and long-term debt capital markets to fund, among other things, a significant portion of our operations. The cost and availability of debt financing is influenced by our credit ratings. Moody's Investors Service (Moody's), Standard and Poor's Global Ratings (S&P), and Fitch Ratings (Fitch) currently issue separate ratings on GE Industrial and GE Capital short- and long-term debt. The credit ratings of GE Industrial and GE Capital as of the date of this filing are set forth in the table below.

|               |            | Moody's  | S&P      | Fitch  |
|---------------|------------|----------|----------|--------|
| GE Industrial | Outlook    | Negative | Negative | Stable |
|               | Short term | P-2      | A-2      | F3     |
|               | Long term  | Baa1     | BBB+     | BBB    |
| GE Capital    | Outlook    | Negative | Negative | Stable |
|               | Short term | P-2      | A-2      | F3     |
|               | Long term  | Baa1     | BBB+     | BBB    |

We are disclosing our credit ratings and any current quarter updates to these ratings to enhance understanding of our sources of liquidity and the effects of our ratings on our costs of funds and access to liquidity. Our ratings may be subject to a revision or withdrawal at any time by the assigning rating organization, and each rating should be evaluated independently of any other rating. For a description of some of the potential consequences of a reduction in our credit ratings, see the Financial Risks section of Risk Factors in this report.

Substantially all of the Company's debt agreements in place at December 31, 2020 do not contain material credit rating covenants. GE's unused back-up revolving syndicated credit facility and certain of our bilateral revolving credit facilities contain a customary net debt-to-EBITDA financial covenant, which GE satisfied at December 31, 2020.

The Company may from time to time enter into agreements that contain minimum ratings requirements. The following table provides a summary of the maximum estimated potential liquidity impact in the event of further downgrades with regards to the most significant contractual credit ratings conditions of the Company.

| Triggers Below | At December 31, 2020 |
|----------------|----------------------|
| BBB+/A-2/P-2   | \$ 709               |
| BBB/A-3/P-3    | 768                  |
| BBB- and below | 1,432                |

The amounts in the table above represent the incremental estimated liquidity impact that could occur if we were to fall below each given ratings level.

Our most significant contractual ratings requirements are related to ordinary course commercial activities, our receivables sales programs, and our derivatives portfolio. The timing within the quarter of the potential liquidity impact of these areas may differ, as can the remedies to resolving any potential breaches of required ratings levels.

**FOREIGN EXCHANGE AND INTEREST RATE RISKS.** As a result of our global operations, we generate and incur a significant portion of our revenues and expenses in currencies other than the U.S. dollar. Such principal currencies include the euro, the Chinese renminbi, the British pound sterling and the Indian rupee, among others. The effects of foreign currency fluctuations on earnings, excluding the earnings impact of the underlying hedged item, was less than \$0.1 billion, \$0.1 billion, and \$0.3 billion for the years ended December 31, 2020, 2019 and 2018, respectively. This analysis excludes any offsetting effect from the forecasted future transactions that are economically hedged.

Exchange rate and interest rate risks are managed with a variety of techniques, including selective use of derivatives. We apply policies to manage each of these risks, including prohibitions on speculative activities. Following is an analysis of the potential effects of changes in interest rates and currency exchange rates.

It is our policy to minimize exposure to interest rate changes with regards to our borrowings and their impact to interest and other financial charges. We fund our financial investments using a combination of debt and hedging instruments so that the interest rates of our borrowings match the expected interest rate profile on our assets. It is our policy to minimize currency exposures and to conduct operations either within functional currencies or using the protection of hedge strategies. To test the effectiveness of our hedging actions, for interest rate risk we assumed that, on January 1, 2021, interest rates increased by 100 basis points and the increase remained in place for the next 12 months and for currency risk of assets and liabilities denominated in other than their functional currencies, we evaluated the effect of a 10% shift in exchange rates against the U.S. dollar. The analyses indicated that our 2020 consolidated net earnings would decline by less than \$0.1 billion for interest rate risk and approximately \$0.1 billion for foreign exchange risk.

**LIBOR REFORM.** In connection with the potential transition away from the use of the London interbank offered rate (LIBOR) as an interest rate benchmark, on November 30, 2020, the ICE Benchmark Administration Limited (IBA) announced a consultation on its intention to cease the publication of the one-week and two-month USD LIBOR settings immediately following the LIBOR publication on December 31, 2021, and the remaining USD LIBOR settings immediately following the LIBOR publication on June 30, 2023. This followed an announcement on November 18, 2020, that IBA would consult on its intention to cease the publication of all GBP, EUR, CHF and JPY LIBOR settings immediately following the LIBOR publication on December 31, 2021.

The Company's most significant exposures to LIBOR relate to preferred stock issued by GE Industrial and certain floating-rate debt securities issued by GE Capital, for which contractual fallback language exists. Additionally, with respect to our derivatives portfolio, we are managing the transition from LIBOR based on industry-wide LIBOR reform efforts, including the recently released LIBOR protocols issued by the International Swaps and Derivatives Association. None of these exposures are benchmarked to one-week or two-month USD LIBOR.

We are in the process of managing the transition and any financial impact will be accounted for under Accounting Standards Update (ASU) 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which we adopted in the fourth quarter of 2020. See Note 1 for further information.

**STATEMENT OF CASH FLOWS.** We manage the cash flow performance of our industrial and financial services businesses separately, in order to enable us and our investors to evaluate the cash from operating activities of our industrial businesses separately from the cash flows of our financial services business.

Transactions between GE Industrial and GE Capital are reported in the respective columns of our statement of cash flows, but are eliminated in deriving our consolidated statement of cash flows. Intercompany loans from GE Capital to GE Industrial are reflected as cash from (used for) financing activities at GE Industrial and cash from (used for) investing activities at GE Capital. Capital contributions from GE Industrial to GE Capital are reflected as cash used for investing activities at GE Industrial and cash from financing activities at GE Capital. See the GE Industrial working capital transactions section and Notes 4 and 24 for further information regarding certain transactions affecting our consolidated Statement of Cash Flows.

The following provides information on our cash flows in 2020 compared with 2019. Refer to our Annual Report on Form 10-K for the year ended December 31, 2019 for information regarding cash flows in 2019 compared with 2018.

**GE INDUSTRIAL CASH FLOWS FROM CONTINUING OPERATIONS.** The most significant source of cash in GE Industrial CFOA is customer-related activities, the largest of which is collecting cash resulting from product or services sales. The most significant operating use of cash is to pay our suppliers, employees, tax authorities, contribute to post retirement plans and pay others for a wide range of material, services and taxes.

GE Industrial measures itself on a GE Industrial free cash flows\* basis. This metric includes GE Industrial CFOA plus investments in property, plant and equipment and additions to internal-use software; this metric excludes any dividends received from GE Capital and any cash received from dispositions of property, plant and equipment. We believe that investors may also find it useful to compare GE's Industrial free cash flows\* performance without the effects of cash used for taxes related to business sales and contributions to the GE Pension Plan. We believe that this measure better allows management and investors to evaluate the capacity of our industrial operations to generate free cash flows.

#### 2020 CFOA (GAAP) AND FREE CASH FLOWS (FCF) BY SEGMENT (NON-GAAP)

|                                                       | Power        | Renewable<br>Energy | Aviation       | Healthcare      | Corporate &<br>Eliminations | GE Industrial |
|-------------------------------------------------------|--------------|---------------------|----------------|-----------------|-----------------------------|---------------|
| CFOA (GAAP)                                           | \$ 285       | \$ (328)            | \$ 763         | \$ 3,143        | \$ (5,117)                  | \$ (1,254)    |
| Add: gross additions to property, plant and equipment | (245)        | (302)               | (737)          | (256)           | (40)                        | (1,579)       |
| Add: gross additions to internal-use software         | (25)         | (11)                | (61)           | (24)            | (23)                        | (143)         |
| Less: GE Pension Plan funding                         | —            | —                   | —              | —               | (2,500)                     | (2,500)       |
| Less: taxes related to business sales                 | —            | —                   | —              | —               | (1,082)                     | (1,082)       |
| <b>Free cash flows (Non-GAAP)</b>                     | <b>\$ 15</b> | <b>\$ (641)</b>     | <b>\$ (34)</b> | <b>\$ 2,863</b> | <b>\$ (1,598)</b>           | <b>\$ 606</b> |

\*Non-GAAP Financial Measure

**2019 CFOA (GAAP) AND FCF BY SEGMENT (NON-GAAP)**

|                                                       | Power             | Renewable Energy | Aviation        | Healthcare      | Corporate & Eliminations | GE Industrial   |
|-------------------------------------------------------|-------------------|------------------|-----------------|-----------------|--------------------------|-----------------|
| CFOA (GAAP)                                           | \$ (1,200)        | \$ (512)         | \$ 5,552        | \$ 3,024        | \$ (2,250)               | \$ 4,614        |
| Add: gross additions to property, plant and equipment | (277)             | (455)            | (1,031)         | (395)           | (59)                     | (2,216)         |
| Add: gross additions to internal-use software         | (46)              | (14)             | (107)           | (79)            | (28)                     | (274)           |
| Less: GE Pension Plan funding                         | —                 | —                | —               | —               | —                        | —               |
| Less: taxes related to business sales                 | —                 | —                | —               | —               | (198)                    | (198)           |
| <b>Free cash flows (Non-GAAP)</b>                     | <b>\$ (1,523)</b> | <b>\$ (980)</b>  | <b>\$ 4,415</b> | <b>\$ 2,550</b> | <b>\$ (2,139)</b>        | <b>\$ 2,322</b> |

**2018 CFOA (GAAP) AND FCF BY SEGMENT (NON-GAAP)**

|                                                       | Power             | Renewable Energy | Aviation        | Healthcare      | Corporate & Eliminations | GE Industrial   |
|-------------------------------------------------------|-------------------|------------------|-----------------|-----------------|--------------------------|-----------------|
| CFOA (GAAP)                                           | \$ (1,849)        | \$ 406           | \$ 5,373        | \$ 3,485        | \$ (6,714)               | \$ 701          |
| Add: gross additions to property, plant and equipment | (358)             | (297)            | (1,070)         | (378)           | (131)                    | (2,234)         |
| Add: gross additions to internal-use software         | (66)              | (11)             | (73)            | (90)            | (67)                     | (306)           |
| Less: GE Pension Plan funding                         | —                 | —                | —               | —               | (6,000)                  | (6,000)         |
| Less: taxes related to business sales                 | —                 | —                | —               | —               | (180)                    | (180)           |
| <b>Free cash flows (Non-GAAP)</b>                     | <b>\$ (2,273)</b> | <b>\$ 98</b>     | <b>\$ 4,230</b> | <b>\$ 3,018</b> | <b>\$ (731)</b>          | <b>\$ 4,341</b> |

**GE Industrial cash used for operating activities** was \$1.3 billion in 2020, an increase of \$5.9 billion compared with 2019, primarily due to: a general decrease in net income (after adjusting for the gain on the sale of BioPharma and non-cash losses related to our interest in Baker Hughes), primarily due to COVID-19 impacts in our Aviation segment; GE Pension Plan contributions (which are excluded from GE Industrial free cash flows\*) of \$2.5 billion; partially offset by a decrease in cash used for operating working capital of \$2.0 billion; lower provisions for income taxes of \$0.9 billion; and an increase in cash paid for income taxes of \$0.5 billion. Increases in Aviation-related customer allowance accruals (which is a component of All other operating activities) of \$0.5 billion were \$0.2 billion higher compared with 2019.

We utilized the provision of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which allows employers to defer the payment of Social Security taxes and, as a result, we deferred \$0.3 billion as of December 31, 2020.

The decrease in cash used for working capital was due to: a decrease in cash used for current receivables of \$3.3 billion, which was primarily driven by lower volume, partially offset by a higher decrease in sales of receivables; an increase in cash generated by inventories, including deferred inventory, of \$2.5 billion, which was primarily driven by lower material purchases, partially offset by lower liquidations; and changes in current contract assets of \$0.7 billion, primarily due to a net unfavorable change in estimated profitability of \$1.1 billion at Aviation (see Note 9). These decreases in cash used for working capital were partially offset by: an increase in cash used for accounts payable and equipment project accruals of \$2.9 billion, which was primarily as a result of lower volume in 2020 and higher disbursements related to purchases of materials in prior periods; and lower progress collections and current deferred income of \$1.7 billion, which included a partial offset due to early payments received at our Aviation Military equipment business of \$0.7 billion in 2020 as part of the U.S. Department of Defense's efforts to support vendors in its supply chain during the pandemic.

**GE Industrial cash from investing activities** was \$17.7 billion in 2020, an increase of \$13.7 billion compared with 2019, primarily due to: net proceeds from the sale of our BioPharma business of \$20.3 billion; lower capital contributions from GE Industrial to GE Capital of \$2.0 billion; partially offset by the nonrecurrence of proceeds from the spin-off of our Transportation business of \$6.2 billion (including the sale of our retained ownership interests in Wabtec); and lower proceeds from sales of our stake in Baker Hughes of \$2.6 billion (including the sale of a portion of our retained ownership interests in 2020). Cash used for additions to property, plant and equipment and internal-use software, which is a component of GE Industrial free cash flows\*, was \$1.7 billion in 2020, down \$0.8 billion compared with 2019.

**GE Industrial cash used for financing activities** was \$10.9 billion in 2020, an increase of \$3.3 billion compared with 2019, primarily due to: higher repayments of intercompany loans from GE Capital of \$7.5 billion; a reduction in commercial paper of \$3.0 billion; reductions of other debt of \$0.8 billion; partially offset by new principal issuances of long-term debt of \$7.5 billion in the second quarter of 2020 and lower repurchases of long-term debt of \$0.6 billion.

**GE INDUSTRIAL CASH FLOWS FROM DISCONTINUED OPERATIONS.** GE Industrial cash used for investing activities in 2019 was primarily due to the deconsolidation of Baker Hughes cash as a result of the reduction in our ownership interest in the segment in the third quarter of 2019. GE Industrial cash used for financing activities in 2019 primarily reflects payments of Baker Hughes dividends to noncontrolling interests.

\*Non-GAAP Financial Measure

**GE CAPITAL CASH FLOWS FROM CONTINUING OPERATIONS.** **GE Capital cash from operating activities** was \$3.5 billion in 2020, an increase of \$1.6 billion compared with 2019, primarily due to: cash collateral received, which is a standard market practice to minimize derivative counterparty exposures, and settlements received on derivative contracts (components of All other operating activities) of \$1.9 billion in 2020, an increase of \$0.6 billion compared with 2019 as well as a general increase in cash generated from earnings (loss) from continuing operations. These are partially offset by an increase in trade receivables due to short-term extensions of payment terms to customers of \$0.3 billion driven primarily by COVID-19 and other market related effects.

**GE Capital cash from investing activities** was \$8.2 billion in 2020, a decrease of \$1.2 billion compared with 2019, primarily due to: lower proceeds from business dispositions of \$3.9 billion; lower net collections of financing receivables of \$3.2 billion; a decrease in cash related to our current receivables and supply chain finance programs with GE Industrial of \$1.9 billion; higher net purchases of equity investments of \$1.5 billion and a decrease of GECAS sales deposits of \$1.1 billion primarily driven by COVID-19 and other market related effects; partially offset by repayments of GE Capital intercompany loans (a component of All other investing activities) by GE Industrial of \$9.0 billion in 2020, an increase of \$7.5 billion compared with 2019; an increase in cash received related to net settlements between our continuing operations (primarily our Corporate function) and businesses in discontinued operations of \$2.2 billion and a decrease in net purchases of investment securities of \$0.3 billion.

**GE Capital cash used for financing activities** was \$16.7 billion in 2020, an increase of \$9.7 billion compared with 2019, primarily due to: higher net repayments of borrowings of \$8.5 billion and a lower capital contribution from GE Industrial to GE Capital of \$2.0 billion; partially offset by lower cash settlements on derivatives hedging foreign currency debt of \$1.1 billion.

**GE INDUSTRIAL WORKING CAPITAL TRANSACTIONS. Sales of Receivables.** In order to manage short-term liquidity and credit exposure, GE Industrial may sell current customer receivables to GE Capital and third parties. These transactions are made on arms-length terms and any discount related to time value of money is recognized within the respective GE Industrial business in the period these receivables were sold to GE Capital or third parties. See Note 4 for further information.

**Supply Chain Finance Programs.** GE Industrial facilitates voluntary supply chain finance programs with third parties, which provide participating GE Industrial suppliers the opportunity to sell their GE Industrial receivables to third parties at the sole discretion of both the suppliers and the third parties.

At December 31, 2020 and 2019, included in GE Industrial's accounts payable is \$2.9 billion and \$2.4 billion, respectively, of supplier invoices that are subject to the third-party programs. Total GE Industrial supplier invoices paid through these third-party programs were \$4.9 billion and \$1.4 billion for the years ended December 31, 2020 and 2019, respectively.

Previously, GE Capital operated a supply chain finance program for suppliers to GE Industrial's businesses. The remaining GE Industrial liability associated with the funded participation in the GE Capital program is presented as accounts payable and amounted to \$0.1 billion and \$2.1 billion at December 31, 2020 and 2019, respectively. Cash flows associated with the decrease in this liability are reflected as cash used for operating activities at GE Industrial and cash from investing activities at GE Capital, and are eliminated in our consolidated statement of cash flows.

**INTERCOMPANY TRANSACTIONS BETWEEN GE INDUSTRIAL AND GE CAPITAL.** Transactions between related companies are made on arms-length terms and are reported in the GE Industrial and GE Capital columns of our financial statements, which we believe provide useful supplemental information to our consolidated financial statements. Consistent with our historical practice, all commercial transactions between GE Industrial and GE Capital continue to be reported on arms-length terms and are eliminated upon consolidation. See Note 24 for further information.

**GE Capital Finance Transactions.** During the years ended December 31, 2020 and 2019, GE Capital acquired from third parties 20 aircraft with a list price totaling \$1.7 billion and 51 aircraft with a list price totaling \$6.4 billion, respectively, that will be leased to others and are powered by engines manufactured by GE Aviation and affiliates. GE Capital also made payments to GE Aviation and affiliates related to spare engines and engine parts of \$0.2 billion and \$0.7 billion, which included \$0.1 billion and \$0.6 billion to CFM International, during the years ended December 31, 2020 and 2019, respectively. Additionally, GE Capital had \$2.1 billion and \$2.0 billion of net book value of engines, originally manufactured by GE Aviation and affiliates and subsequently leased back to GE Aviation and affiliates at December 31, 2020 and 2019, respectively.

Also, during the years ended December 31, 2020 and 2019, GE Industrial recognized equipment revenues of \$2.3 billion and \$1.6 billion, respectively, from customers within our Power and Renewable Energy segments in which GE Capital has been an investee or is committed to be an investee in the underlying projects. At December 31, 2020 and 2019, GE Capital had funded related investments of \$1.3 billion and \$0.6 billion, respectively.

For certain of these investments, in order to meet its underwriting criteria, GE Capital may obtain a direct guarantee from GE Industrial related to the performance of the third party. GE Industrial guarantees include direct performance or payment guarantees, return on investment guarantees and asset value guarantees. As of December 31, 2020, GE Industrial had outstanding guarantees to GE Capital on \$0.9 billion of funded exposure and \$0.1 billion of unfunded commitments, which included guarantees issued by industrial businesses. The recorded contingent liability for these guarantees was insignificant as of December 31, 2020 and is based on individual transaction level defaults, losses and/or returns.



**CRITICAL ACCOUNTING ESTIMATES.** Accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to an understanding of our financial statements because they involve significant judgments and uncertainties. Actual results in these areas could differ from management's estimates. See Note 1 for further information on our most significant accounting policies.

**REVENUE RECOGNITION ON LONG-TERM SERVICES AGREEMENTS.** We have long-term service agreements with our customers predominately within our Power and Aviation segments that require us to maintain the customers' assets over the contract terms, which generally range from 5 to 25 years. However, contract modifications that extend or revise contracts are not uncommon. We recognize revenue as we perform under the arrangements using the percentage of completion method which is based on our costs incurred to date relative to our estimate of total expected costs. This requires us to make estimates of customer payments expected to be received over the contract term as well as the costs to perform required maintenance services.

Customers generally pay us based on the utilization of the asset (per hour of usage for example) or upon the occurrence of a major event within the contract such as an overhaul. As a result, a significant estimate in determining expected revenues of a contract is estimating how customers will utilize their assets over the term of the agreement. The estimate of utilization, which can change over the contract life, impacts both the amount of customer payments we expect to receive and our estimate of future contract costs. Customers' asset utilization will influence the timing and extent of overhauls and other service events over the life of the contract. We generally use a combination of both historical utilization trends as well as forward-looking information such as market conditions and potential asset retirements in developing our revenue estimates.

To develop our cost estimates, we consider the timing and extent of future maintenance and overhaul events, including the amount and cost of labor, spare parts and other resources required to perform the services. In developing our cost estimates, we utilize a combination of our historical cost experience and expected cost improvements. Cost improvements are only included in future cost estimates after savings have been observed in actual results or proven effective through an extensive regulatory or engineering approval process.

We routinely review estimates under long-term service agreements and regularly revise them to adjust for changes in outlook. These revisions are based on objectively verifiable information that is available at the time of the review. Contract modifications that change the rights and obligations, as well as the nature, timing and extent of future cash flows, are evaluated for potential price concessions, contract asset impairments and significant financing to determine if adjustments of earnings are required before effectively accounting for a modified contract as a new contract.

We regularly assess expected billings adjustments and customer credit risk inherent in the carrying amounts of receivables and contract assets, including the risk that contractual penalties may not be sufficient to offset our accumulated investment in the event of customer termination. We gain insight into future utilization and cost trends, as well as credit risk, through our knowledge of the installed base of equipment and fleet management strategies through close interaction with our customers that comes with supplying critical services and parts over extended periods. Revisions may affect a long-term services agreement's total estimated profitability resulting in an adjustment of earnings.

On December 31, 2020, our net long-term service agreements balance of \$1.3 billion represents approximately 0.7% of our total estimated life of contract billings of \$188.4 billion. Our contracts (on average) are approximately 20.9% complete based on costs incurred to date and our estimate of future costs. Revisions to our estimates of future billings or costs that increase or decrease total estimated contract profitability by one percentage point would increase or decrease the long-term service agreements balance by \$0.4 billion. Cash billings collected on these contracts were \$8.9 billion and \$11.5 billion during the years ended December 31, 2020 and 2019, respectively.

See Notes 1 and 9 for further information.

**IMPAIRMENT OF GOODWILL AND OTHER IDENTIFIED INTANGIBLE ASSETS.** We perform our annual goodwill impairment testing in the fourth quarter. In assessing the possibility that a reporting unit's fair value has been reduced below its carrying amount due to the occurrence of events or circumstances between annual impairment testing dates, we consider all available evidence, including (i) the results of our impairment testing from the most recent testing date (in particular, the magnitude of the excess of fair value over carrying value observed), (ii) downward revisions to internal forecasts or decreases in market multiples (and the magnitude thereof), if any, and (iii) declines in market capitalization below book value (and the magnitude and duration of those declines), if any.

We determine fair value for each of the reporting units using the market approach, when available and appropriate, or the income approach, or a combination of both. We assess the valuation methodology based upon the relevance and availability of the data at the time we perform the valuation. If multiple valuation methodologies are used, the results are weighted appropriately.

Valuations using the market approach are derived from metrics of publicly traded companies or historically completed transactions of comparable businesses. The selection of comparable businesses is based on the markets in which the reporting units operate giving consideration to risk profiles, size, geography, and diversity of products and services. A market approach is limited to reporting units for which there are publicly traded companies that have the characteristics similar to our businesses.

Under the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future cash flows and include an estimate of long-term future growth rates based on our most recent views of the long-term outlook for each business. We derive our discount rates using a capital asset pricing model and analyzing published rates for industries relevant to our reporting units to estimate the cost of equity financing. We use discount rates that are commensurate with the risks and uncertainty inherent in the respective businesses and in our internally developed forecasts. Discount rates used in our annual reporting unit valuations ranged from 10.5% to 22.5%.

Estimating the fair value of reporting units requires the use of significant judgments that are based on a number of factors including actual operating results, internal forecasts, market observable pricing multiples of similar businesses and comparable transactions, possible control premiums, determining the appropriate discount rate and long-term growth rate assumptions, and, if multiple approaches are being used, determining the appropriate weighting applied to each approach. It is reasonably possible that the judgments and estimates described above could change in future periods.

We review identified intangible assets with defined useful lives and subject to amortization for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment loss has occurred requires the use of our internal forecast to estimate future cash flows and the useful life over which these cash flows will occur. To determine fair value, we use our internal cash flow estimates discounted at an appropriate discount rate.

See Notes 1 and 8 for further information.

**INSURANCE AND INVESTMENT CONTRACTS.** Refer to the Other Items - Insurance section for further discussion of the accounting estimates and assumptions in our insurance reserves and their sensitivity to change. Also see Notes 1 and 12 for further information.

**PENSION ASSUMPTIONS.** Refer to Note 13 for our accounting estimates and assumptions related to our postretirement benefit plans.

**INCOME TAXES.** Our annual tax rate is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining our tax expense and in evaluating our tax positions, including evaluating uncertainties. We review our tax positions quarterly and adjust the balances as new information becomes available. Our income tax rate is significantly affected by the tax rate on our global operations. In addition to local country tax laws and regulations, this rate can depend on the extent earnings are indefinitely reinvested outside the U.S. Historically U.S. taxes were due upon repatriation of foreign earnings. Due to the enactment of U.S. tax reform, repatriations of available cash from foreign earnings are expected to be free of U.S. federal income tax but may incur withholding or state taxes. Indefinite reinvestment is determined by management's judgment about and intentions concerning the future operations of the Company. Most of these earnings have been reinvested in active non-U.S. business operations. At December 31, 2020, we have not changed our indefinite reinvestment decision as a result of tax reform but will reassess this on an ongoing basis.

We evaluate the recoverability of deferred income tax assets by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies, which heavily rely on estimates. We use our historical experience and our short- and long-range business forecasts to provide insight. Further, our global and diversified business portfolio gives us the opportunity to employ various prudent and feasible tax planning strategies to facilitate the recoverability of future deductions. Amounts recorded for deferred tax assets related to non-U.S. net operating losses, net of valuation allowances, were \$2.1 billion and \$2.2 billion at December 31, 2020 and 2019, respectively. Of this, \$0.1 billion and \$0.2 billion at December 31, 2020 and 2019, respectively, were associated with losses reported in discontinued operations, primarily related to our legacy financial services businesses, and \$0.2 billion was related to held for sale assets at December 31, 2019.

See Other Consolidated Information – Income Taxes section and Notes 1 and 15 for further information.

**LOSS CONTINGENCIES.** Loss contingencies are uncertain and unresolved matters that arise in the ordinary course of business and result from events or actions by others that have the potential to result in a future loss. Such contingencies include, but are not limited to, environmental obligations, litigation, regulatory investigations and proceedings, product quality and losses resulting from other events and developments. When a loss is considered probable and reasonably estimable, we record a liability in the amount of our best estimate for the ultimate loss. When there appears to be a range of possible costs with equal likelihood, liabilities are based on the low-end of such range. However, the likelihood of a loss with respect to a particular contingency is often difficult to predict and determining a meaningful estimate of the loss or a range of loss may not be practicable based on the information available and the potential effect of future events and negotiations with or decisions by third parties that will determine the ultimate resolution of the contingency. Moreover, it is not uncommon for such matters to be resolved over many years, during which time relevant developments and new information must be continuously evaluated to determine both the likelihood of potential loss and whether it is possible to reasonably estimate a range of possible loss. Disclosure is provided for material loss contingencies when a loss is probable but a reasonable estimate cannot be made, and when it is reasonably possible that a loss will be incurred or the amount of a loss will exceed the recorded provision. We regularly review contingencies to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or range of loss can be made. See Note 23 for further information.

## OTHER ITEMS

**INSURANCE.** The run-off insurance operations of North American Life and Health (NALH) primarily include Employers Reassurance Corporation (ERAC) and Union Fidelity Life Insurance Company (UFLIC). ERAC was formerly part of Employers Reinsurance Corporation (ERC) until the sale of ERC to Swiss Re in 2006. UFLIC was formerly part of Genworth Financial Inc. (Genworth) but was retained by GE after Genworth's initial public offering in 2004.

ERAC primarily assumes long-term care insurance and life insurance from numerous cedents under various types of reinsurance treaties and stopped accepting new policies after 2008. UFLIC primarily assumes long-term care insurance, structured settlement annuities with and without life contingencies and variable annuities from Genworth and has been closed to new business since 2004. The vast majority of NALH's reinsurance exposures are long-duration arrangements that still involve substantial levels of premium collections and benefit payments even though ERAC and UFLIC have not entered into new reinsurance treaties in about a decade. These long-duration arrangements involve a number of direct writers and contain a range of risk transfer provisions and other contractual elements. In many instances, these arrangements do not transfer to us 100 percent of the risk embodied in the encompassed underlying policies issued by the direct writers. Furthermore, we cede insurance risk to third-party reinsurers for a portion of our insurance contracts, primarily on long-term care insurance policies.

Our run-off insurance liabilities and annuity benefits primarily comprise a liability for future policy benefits for those insurance contract claims not yet incurred and claim reserves for claims that have been incurred or are estimated to have been incurred but not yet reported. The insurance liabilities and annuity benefits amounted to \$42.2 billion and \$39.8 billion and primarily relate to individual long-term care insurance reserves of \$21.3 billion and \$21.0 billion and structured settlement annuities and life insurance reserves of \$10.7 billion and \$11.1 billion, at December 31, 2020 and 2019, respectively. The increase in insurance liabilities and annuity benefits of \$2.4 billion from December 31, 2019 to December 31, 2020 is primarily due to an adjustment of \$2.5 billion resulting from an increase in unrealized gains on investment securities that would result in a premium deficiency should those gains be realized.

In addition to NALH, Electric Insurance Company (EIC) is a property and casualty insurance company primarily providing insurance to GE and its employees with net claim reserves of \$0.3 billion at both December 31, 2020 and 2019.

We regularly monitor emerging experience in our run-off insurance operations and industry developments to identify trends that may help us refine our reserve assumptions. We believe recent elevated mortality across our portfolio and lower long-term care insurance claims are short term in nature and attributable to COVID-19. However, the effects of COVID-19, including the timing and success of vaccinations, remain uncertain and may result in variability in levels of future mortality and long-term care insurance claims activity, including changes in policyholder behavior (e.g., policyholder willingness to enter long-term care facilities or seek care at home), among others.

These monitoring activities also allow us to evaluate opportunities to reduce our insurance risk profile and improve the results of our run-off insurance operations. Such opportunities may include the pursuit of future premium rate increases and benefit reductions on long-term care insurance contracts in accordance with our reinsurance contracts with our ceding companies; recapture and reinsurance transactions to reduce risk where economically justified; investment strategies to improve asset and liability matching and enhance investment portfolio yields; and managing our expense levels.

### Key Portfolio Characteristics

*Long-term care insurance contracts.* The long-term care insurance contracts we reinsure provide coverage at varying levels of benefits to policyholders and may include attributes that could result in claimants being on claim for longer periods or at higher daily claim costs, or alternatively limiting the premium paying period, compared to contracts with a lower level of benefits. For example, policyholders with a lifetime benefit period could receive coverage up to the specified daily maximum as long as the policyholder is claim eligible and receives care for covered services; inflation protection options increase the daily maximums to protect the policyholder from the rising cost of care with some options providing automatic annual increases of 3% to 5% or policyholder elected inflation-indexed increases for increased premium; joint life policies provide coverage for two lives which permit either life under a single contract to receive benefits at the same time or separately; and premium payment options may limit the period over which the policyholder pays premiums while still receiving coverage after premium payments cease, which may limit the impact of our benefit from future premium rate increases.

The ERAC long-term care insurance portfolio comprises more than two-thirds of our total long-term care insurance reserves and is assumed from approximately 30 ceding companies through various types of reinsurance and retrocession contracts having complex terms and conditions. Compared to the overall long-term care insurance block, it has a lower average attained age with a larger number of policies (and covered lives, as over one-third of the policies are joint life policies), with lifetime benefit periods and/or with inflation protection options which may result in a higher potential for future claims.

The UFLIC long-term care insurance block comprises the remainder of our total long-term care insurance reserves and is more mature with policies that are more uniform, as it is assumed from a single ceding company, Genworth, and has fewer policies with lifetime benefit periods, no joint life policies and slightly more policies with inflation protection options.

As further described within the Premium Deficiency Testing section below, we reconstructed our future claim cost projections in 2017 utilizing trends observed in our emerging experience for older claimant ages and later duration policies. Also described within that section are key assumption changes in 2020.

Presented in the table below are GAAP and statutory reserve balances and key attributes of our long-term care insurance portfolio.

| December 31, 2020                                                                     | ERAC      | UFLIC     | Total     |
|---------------------------------------------------------------------------------------|-----------|-----------|-----------|
| Gross GAAP future policy benefit reserves and claim reserves                          | \$ 15,757 | \$ 5,570  | \$ 21,327 |
| Gross statutory future policy benefit reserves and claim reserves(a)                  | 24,081    | 6,843     | 30,924    |
| Number of policies in force                                                           | 190,000   | 62,000    | 252,000   |
| Number of covered lives in force                                                      | 254,000   | 62,000    | 316,000   |
| Average policyholder attained age                                                     | 76        | 83        | 78        |
| Gross GAAP future policy benefit reserve per policy (in actual dollars)               | \$ 70,600 | \$ 56,900 | \$ 67,200 |
| Gross GAAP future policy benefit reserve per covered life (in actual dollars)         | 52,800    | 56,900    | 53,600    |
| Gross statutory future policy benefit reserve per policy (in actual dollars)(a)       | 113,800   | 77,000    | 104,700   |
| Gross statutory future policy benefit reserve per covered life (in actual dollars)(a) | 85,100    | 77,000    | 83,500    |
| Percentage of policies with:                                                          |           |           |           |
| Lifetime benefit period                                                               | 69 %      | 34 %      | 61 %      |
| Inflation protection option                                                           | 81 %      | 91 %      | 84 %      |
| Joint lives                                                                           | 34 %      | — %       | 25 %      |
| Percentage of policies that are premium paying                                        | 72 %      | 80 %      | 74 %      |
| Policies on claim                                                                     | 11,000    | 8,800     | 19,800    |

(a) Statutory balances reflect recognition of the estimated remaining statutory increase in reserves of approximately \$5.5 billion through 2023 under the permitted accounting practice discussed further below and in Note 12.

*Structured settlement annuities and life insurance contracts.* We reinsure approximately 29,100 structured settlement annuities with an average attained age of 53. These structured settlement annuities were primarily underwritten on impaired lives (i.e., shorter-than-average life expectancies) at origination and have projected payments extending decades into the future. Our primary risks associated with these contracts include mortality (i.e., life expectancy or longevity), mortality improvement (i.e., assumed rate that mortality is expected to reduce over time), which may extend the duration of payments on life contingent contracts beyond our estimates, and reinvestment risk (i.e., a low interest rate environment may reduce our ability to achieve our targeted investment margins). Unlike long-term care insurance, structured settlement annuities offer no ability to require additional premiums or reduce benefits.

Our life reinsurance business typically covers the mortality risk associated with various types of life insurance policies that we reinsure from approximately 150 ceding company relationships where we pay a benefit based on the death of a covered life. As of December 31, 2020, across our U.S. and Canadian life insurance blocks, we reinsure approximately \$80 billion of net amount at risk (i.e., difference between the death benefit and any accrued cash value) from approximately 2 million policies with an average attained age of 59. In 2020, our incurred claims were approximately \$0.6 billion with an average individual claim of approximately \$50,000. The largest product types covered are 20-year level term policies, which represent approximately 35% of the net amount at risk and a significant portion are anticipated to lapse (i.e., the length of time a policy will remain in force) over the next 3 years as the policies reach the end of their 20-year level premium period.

*Investment portfolio and other adjustments.* Our insurance liabilities and annuity benefits are primarily supported by investment securities of \$42.0 billion and \$38.0 billion and commercial mortgage loans of \$1.8 billion and \$1.9 billion at December 31, 2020 and 2019, respectively. Additionally, we expect to purchase approximately \$7 billion of new assets through 2024 in conjunction with expected capital contributions from GE Capital to our insurance subsidiaries, of which approximately \$2.0 billion is expected to be contributed in the first quarter of 2021, pending completion of our December 31, 2020 statutory reporting process, which includes asset adequacy testing. Our investment securities are classified as available-for-sale and comprise mainly investment-grade debt securities. The portfolio includes \$8.2 billion of net unrealized gains that are recorded within Other comprehensive income, net of applicable taxes and other adjustments as of December 31, 2020.

In calculating our future policy benefit reserves, we are required to consider the impact of net unrealized gains and losses on our available-for-sale investment securities supporting our insurance contracts as if those unrealized amounts were realized. To the extent that the realization of gains would result in a premium deficiency, an adjustment is recorded to increase future policy benefit reserves with an after-tax offset to Other comprehensive income. At December 31, 2020, the entire \$8.2 billion balance of net unrealized gains on our investment securities required a related increase to future policy benefit reserves. This adjustment increased from \$5.7 billion in 2019 to \$8.2 billion in 2020 primarily from higher unrealized gains within the investment security portfolio supporting our insurance contracts as a result of decreased market yields. See Note 3 for further information about our investment securities.



We manage the investments in our run-off insurance operations under strict investment guidelines, including limitations on asset class concentration, single issuer exposures, asset-liability duration variances, and other factors to meet credit quality, yield, liquidity and diversification requirements associated with servicing our insurance liabilities under reasonable circumstances. This process includes consideration of various asset allocation strategies and incorporates information from several external investment advisors to improve our investment yield subject to maintaining our ability to satisfy insurance liabilities when due, as well as considering our risk-based capital requirements, regulatory constraints, and tolerance for surplus volatility. With the expected capital contributions from GE Capital through 2024, we intend to add new asset classes to further diversify our portfolio, including private equity, senior secured loans and infrastructure debt, among others. Asset allocation planning is a dynamic process that considers changes in market conditions, risk appetite, liquidity needs and other factors which are reviewed on a periodic basis by our investment team. Investing in these assets exposes us to both credit risk (i.e., debtor's ability to make timely payments of principal and interest) and interest rate risk (i.e., market price, cash flow variability, and reinvestment risk due to changes in market interest rates). We regularly review investment securities for impairment using both quantitative and qualitative criteria.

Our run-off insurance operations have approximately \$0.8 billion of assets held by states or other regulatory bodies in statutorily required deposit accounts, and approximately \$32.2 billion of assets held in trust accounts associated with reinsurance contracts and reinsurance security trust agreements in place between either ERAC or UFLIC as the reinsuring entity and a number of ceding insurers. Assets in these trusts are held by an independent trustee for the benefit of the ceding insurer, and are subject to various investment guidelines as set forth in the respective reinsurance contracts and trust agreements. Some of these trust agreements may allow a ceding company to withdraw trust assets from the trust and hold these assets on its balance sheet, in an account under its control for the benefit of ERAC or UFLIC which might allow the ceding company to exercise investment control over such assets.

**Critical Accounting Estimates.** Our insurance reserves include the following key accounting estimates and assumptions described below.

*Future policy benefit reserves.* Future policy benefit reserves represent the present value of future policy benefits less the present value of future gross premiums based on actuarial assumptions including, but not limited to, morbidity (i.e., frequency and severity of claim, including claim termination rates and benefit utilization rates); morbidity improvement (i.e., assumed rate of improvement in morbidity in the future); mortality (i.e., life expectancy or longevity); mortality improvement (i.e., assumed rate that mortality is expected to reduce over time); policyholder persistency or lapses (i.e., the length of time a policy will remain in force); anticipated premium increases or benefit reductions associated with future in-force rate actions, including actions that are: (a) approved and not yet implemented, (b) filed but not yet approved, and (c) estimated on future filings through 2028, on long-term care insurance policies; and interest rates. Assumptions are locked-in throughout the remaining life of a contract unless a premium deficiency develops.

*Claim reserves.* Claim reserves are established when a claim is incurred and represents our best estimate of the present value of the ultimate obligations for future claim payments and claim adjustment expenses. Key inputs include actual known facts about the claim, such as the benefits available and cause of disability of the claimant, as well as assumptions derived from our actual historical experience and expected future changes in experience factors. Claim reserves are evaluated periodically for potential changes in loss estimates with the support of qualified actuaries, and any changes are recorded in earnings in the period in which they are determined.

*Reinsurance recoverables.* We cede insurance risk to third-party reinsurers for a portion of our insurance contracts, primarily on long-term care insurance policies, and record receivables for estimated recoveries as we are not relieved from our primary obligation to policyholders or cedents. These receivables are estimated in a manner consistent with the future policy benefit reserves and claim reserves. Reserves ceded to reinsurers, net of allowance, were \$2.6 billion and \$2.4 billion at December 31, 2020 and 2019, respectively, and are included in the caption Other GE Capital receivables in our consolidated Statement of Financial Position.

**Premium Deficiency Testing.** We annually perform premium deficiency testing in the third quarter in the aggregate across our run-off insurance portfolio. The premium deficiency testing assesses the adequacy of future policy benefit reserves, net of unamortized capitalized acquisition costs, using current assumptions without provision for adverse deviation. A comprehensive review of premium deficiency assumptions is a complex process and depends on a number of factors, many of which are interdependent and require evaluation individually and in the aggregate across all insurance products. The vast majority of our run-off insurance operations consists of reinsurance from multiple ceding insurance entities pursuant to treaties having complex terms and conditions. Premium deficiency testing relies on claim and policy information provided by these ceding entities and considers the reinsurance treaties and underlying policies. In order to utilize that information for purposes of completing experience studies covering all key assumptions, we perform detailed procedures to conform and validate the data received from the ceding entities. Our long-term care insurance business includes coverage where credible claim experience for higher attained ages is still emerging, and to the extent future experience deviates from current expectations, new projections of claim costs extending over the expected life of the policies may be required. Significant uncertainties exist in making projections for these long-term care insurance contracts, which requires that we consider a wide range of possible outcomes.

The primary assumptions used in the premium deficiency tests include:

***Morbidity.*** Morbidity assumptions used in estimating future policy benefit reserves are based on estimates of expected incidences of disability among policyholders and the costs associated with these policyholders asserting claims under their contracts, and these estimates account for any expected future morbidity improvement. For long-term care exposures, estimating expected future costs includes assessments of incidence (probability of a claim), utilization (amount of available benefits expected to be incurred) and continuance (how long the claim will last). Prior to 2017, premium deficiency assumptions considered the risk of anti-selection by including issue age adjustments to morbidity based on an actuarial assumption that long-term care policies issued to younger individuals would exhibit lower expected incidences and claim costs than those issued to older policyholders. Recent claim experience and the development of reconstructed claim cost curves indicated issue age differences had minimal impact on claim cost projections, and, accordingly, beginning in 2017, issue age adjustments were eliminated in developing morbidity assumptions. Higher morbidity increases, while lower morbidity decreases, the present value of expected future benefit payments.

***Rate of Change in Morbidity.*** Our annual premium deficiency testing incorporates our best estimates of projected future changes in the morbidity rates reflected in our base claim cost curves. These estimates draw upon a number of inputs, some of which are subjective, and all of which are interpreted and applied in the exercise of professional actuarial judgment in the context of the characteristics specific to our portfolios. This exercise of judgment considers factors such as the work performed by internal and external independent actuarial experts engaged to advise us in our annual testing, the observed actual experience in our portfolios measured against our base projections, industry developments, and other trends, including advances in the state of medical care and health-care technology development. With respect to industry developments, we take into account that there are differences between and among industry peers in portfolio characteristics (such as demographic features of the insured populations), the aggregate effect of morbidity improvement or deterioration as applied to base claim cost projections, the extent to which such base cost projections reflect the most current experience, and the accepted diversity of practice in actuarial professional judgment. We assess the potential for any change in morbidity with reference to our existing base claim cost projections, reconstructed in 2017. Projected improvement or deterioration in morbidity can have a material impact on our future claim cost projections, both on a stand-alone basis and also by virtue of influencing other variables such as discount rate and premium rate increases.

***Mortality.*** Mortality assumptions used in estimating future policy benefit reserves are based on published mortality tables as adjusted for the results of our experience studies and estimates of expected future mortality improvement. For life insurance products, higher mortality increases the present value of expected future benefit payments, while for annuity and long-term care insurance contracts, higher mortality decreases the present value of expected future benefit payments.

***Discount rate.*** Interest rate assumptions used in estimating the present value of future policy benefit reserves are based on expected investment yields, net of related investment expenses and expected defaults. In estimating future investment yields, we consider the actual yields on our current investment securities held by our run-off insurance operations and the future rates at which we expect to reinvest any proceeds from investment security maturities, net of other operating cash flows, and the projected future capital contributions into our run-off insurance operations. Lower future investment yields result in a lower discount rate and a higher present value of future policy benefit reserves.

***Future long-term care premium rate increases.*** Long-term care insurance policies allow the issuing insurance entity to increase premiums, or alternatively allow the policyholder the option to decrease benefits, with approval by state regulators, should actual experience emerge worse than what was projected when such policies were initially underwritten. As a reinsurer, we rely upon the primary insurers that issued the underlying policies to file proposed premium rate increases on those policies with the relevant state insurance regulators. While we have no direct ability to seek or to institute such premium rate increases, we often collaborate with the primary insurers in accordance with reinsurance contractual terms to file proposed premium rate increases. The amount of times that rate increases have occurred varies by ceding company. We consider recent experience of rate increase filings made by our ceding companies along with state insurance regulatory processes and precedents in establishing our current expectations. Higher future premium rate increases lower the present value of future policy benefit reserves and lower future premium rate increases increase the present value of future policy benefit reserves.

***Terminations.*** Terminations refers to the rate at which the underlying policies are cancelled due to either mortality, lapse (non-payment of premiums by a policyholder), or, in the case of long-term care insurance, benefit exhaustion. Termination rate assumptions used in estimating the present value of future policy benefit reserves are based on the results of our experience studies and reflect actuarial judgment. Lower termination rates increase, while higher termination rates decrease, the present value of expected future benefit payments.

In 2017, based on elevated claim experience for a portion of our long-term care insurance contracts, we initiated a comprehensive review of all premium deficiency testing assumptions across all insurance products, resulting in a reconstruction of our future claim cost projections for long-term care insurance products. While our long-term care insurance claim experience has shown some emerging modest favorable experience, it remains largely in-line with those reconstructed projections. However, the extent of actual experience since 2017 to date is limited in the context of a long-tailed, multi-decade portfolio.

**2020 Premium Deficiency Testing.** We completed our annual premium deficiency testing in the aggregate across our run-off insurance portfolio in the third quarter of 2020. These procedures included updating experience studies since our last test completed in the third quarter of 2019, independent actuarial analysis and review of industry benchmarks. As we experienced a premium deficiency in 2019, our 2020 premium deficiency testing started with a zero margin and, accordingly, any net adverse development would result in a future premium deficiency. Using our most recent future policy benefit reserve assumptions, including changes to our assumptions related to morbidity, future premium rate increases and discount rate, the 2020 premium deficiency testing results indicated there was a positive margin of less than 2% of the recorded future policy benefit reserves, excluding Other adjustments, at September 30, 2020. As a result, the assumptions updated in connection with the premium deficiency recognized in 2019 remain locked-in and will remain so unless another premium deficiency occurs in the future.

The increase in the premium deficiency testing margin from our 2019 testing was primarily attributable to modestly favorable emerging morbidity experience in our long-term care insurance portfolio, primarily at the older attained ages, in the period since the 2017 reconstruction of our future claim cost projections (\$0.4 billion) and higher projected future premium rate increase approvals (\$0.2 billion), partially offset by a decline in the overall discount rate to a weighted average rate of 5.70% compared to 5.74% in 2019 (\$0.2 billion). This decline in the discount rate from 2019 to 2020 reflects a lower expected reinvestment rate, due to lower benchmark interest rates in the U.S, increasing to a lower expected long-term average investment yield over a longer period and slightly lower actual yields on our investment security portfolio, partially offset by increased allocations to higher yielding asset classes introduced with our 2018 strategic initiatives, which included a modest decline in expected yield compared to 2019 assumptions.

As noted above, while our observed long-term care insurance claim experience has shown some emerging modest favorable experience in the period since the 2017 reconstruction of our future claim cost projections, it remains largely in-line with those reconstructed projections. Based on the application of professional actuarial judgment to the factors discussed above, we have made no substantial change to our assumptions concerning morbidity improvement, mortality, mortality improvement, or terminations in 2020. As with all assumptions underlying our premium deficiency testing, we will continue to monitor these factors, which may result in future changes in our assumptions.

Since our premium deficiency testing performed in 2019, we have implemented approximately \$0.3 billion of previously approved long-term care insurance premium rate increase actions and expect higher projected future premium rate increase approvals of approximately \$0.2 billion. Our 2020 premium deficiency test includes approximately \$1.9 billion of anticipated future premium increases or benefit reductions associated with future in-force rate actions. This represents a decrease of \$0.1 billion from our 2019 premium deficiency test to account for actions that are: (a) approved and not yet implemented, (b) filed but not yet approved, and (c) estimated on future filings through 2028 and includes the effects of the lower discount rate mentioned above and longer anticipated timing to achieve certain premium rate approvals.

As a result of exposure period cut-off dates to permit experience to develop and lags in ceding company data reporting from our ceding companies, the impact of COVID-19 is not reflected in the experience studies data used in our 2020 premium deficiency testing. However, we assessed certain scenarios to understand potential impacts associated with COVID-19 and, due to the insignificance and short-term nature of such uncertain future impacts, including the natural offsets from mortality in the aggregate across our run-off insurance products, concluded adjustments to our primary assumptions used in the premium deficiency testing were not warranted.

When results of the premium deficiency testing indicate overall reserves are sufficient, we are also required to assess whether additional future policy benefit reserves are required to be accrued over time in the future. Such an accrual would be required if profits are projected in earlier future periods followed by losses projected in later future years (i.e., profits followed by losses). When this pattern of profits followed by losses is projected, we would be required to accrue a liability in the expected profitable years by the amount necessary to offset projected losses in later future years. We noted our projections as of third quarter 2020 indicate the present value of projected earnings in each future year to be positive, and therefore, no further adjustments to our future policy benefit reserves were required at this time.

**GAAP Reserve Sensitivities.** The results of our premium deficiency testing are sensitive to the assumptions described above. Considering the results of the 2020 premium deficiency test which resulted in a small margin, any future net adverse changes in our assumptions may reduce the margin or result in a premium deficiency requiring an increase to future policy benefit reserves. For example, adverse changes in key assumptions related to our future policy benefits reserves, holding all other assumptions constant, would have the following effects on the projected present value of future cash flows as presented in the table below. Any future net favorable changes to these assumptions could result in a lower projected present value of future cash flows and additional margin in our premium deficiency test and higher income over the remaining duration of the portfolio, including higher investment income. The assumptions within our future policy benefit reserves are subject to significant uncertainties, including those inherent in the complex nature of our reinsurance treaties. Many of our assumptions are interdependent and require evaluation individually and in the aggregate across all insurance products. Small changes in the amounts used in the sensitivities or the use of different factors could result in materially different outcomes from those reflected below.

|                                                        | 2019 assumption                                                                    | 2020 assumption                                                                    | Hypothetical change in 2020 assumption                                             | Estimated increase to projected present value of future cash flows (pre-tax) |
|--------------------------------------------------------|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Long-term care insurance morbidity improvement         | 1.25% per year over 12 to 20 years                                                 | 1.25% per year over 12 to 20 years                                                 | 25 basis point reduction<br>No morbidity improvement                               | \$600<br>\$3,400                                                             |
| Long-term care insurance morbidity                     | Based on company experience                                                        | Based on company experience                                                        | 5% increase in dollar amount of paid claims                                        | \$1,000                                                                      |
| Long-term care insurance mortality improvement         | 0.5% per year for 10 years with annual improvement graded to 0% over next 10 years | 0.5% per year for 10 years with annual improvement graded to 0% over next 10 years | 1.0% per year for 10 years with annual improvement graded to 0% over next 10 years | \$400                                                                        |
| Total terminations:                                    |                                                                                    |                                                                                    |                                                                                    |                                                                              |
| Long-term care insurance mortality                     | Based on company experience                                                        | Based on company experience                                                        | Any change in termination assumptions that reduce total terminations by 10%        | \$1,100                                                                      |
| Long-term care insurance lapse rate                    | Varies by block, attained age and benefit period; average 0.5 - 1.15%              | Varies by block, attained age and benefit period; average 0.5 - 1.15%              |                                                                                    |                                                                              |
| Long-term care insurance benefit exhaustion            | Based on company experience                                                        | Based on company experience                                                        |                                                                                    |                                                                              |
| Long-term care insurance future premium rate increases | Varies by block based on filing experience                                         | Varies by block based on filing experience                                         | 25% adverse change in premium rate increase success rate                           | \$500                                                                        |
| Discount rate:                                         |                                                                                    |                                                                                    |                                                                                    |                                                                              |
| Overall discount rate                                  | 5.74%                                                                              | 5.70%                                                                              | 25 basis point reduction                                                           | \$900                                                                        |
| Reinvestment rate                                      | 3.05%; grading to a long-term average investment yield of 5.9%                     | 2.70%; grading to a long-term average investment yield of 5.8%                     | 25 basis point reduction; grading to a long-term average investment yield of 5.8%  | Less than \$100                                                              |
| Structured settlement annuity mortality                | Based on company experience                                                        | Based on company experience                                                        | 5% decrease in mortality                                                           | \$100                                                                        |
| Life insurance mortality                               | Based on company experience                                                        | Based on company experience                                                        | 5% increase in mortality                                                           | \$300                                                                        |

**Statutory Considerations.** Our run-off insurance subsidiaries are required to prepare statutory financial statements in accordance with statutory accounting practices. Statutory accounting practices, not GAAP, determine the required statutory capital levels of our insurance legal entities.

Statutory accounting practices are set forth by the National Association of Insurance Commissioners (NAIC) as well as state laws, regulation and general administrative rules and differ in certain respects from GAAP. Under statutory accounting practices, base formulaic reserve assumptions typically do not change unless approved by our primary regulator, KID. In addition to base reserves, statutory accounting practices require additional actuarial reserves (AAR) be established based on results of asset adequacy testing reflecting moderately adverse conditions (i.e., assumptions include a provision for adverse deviation (PAD) rather than current assumptions without a PAD as required for premium deficiency testing under GAAP). As a result, our statutory asset adequacy testing assumptions reflect less long-term care insurance morbidity improvement and for shorter durations, restrictions on future long-term care insurance premium rate increases, no life insurance mortality improvement and a lower discount rate, among other differences. As a result, several of the sensitivities described in the table above would be less impactful on our statutory reserves.

The adverse impact on our statutory AAR arising from our revised assumptions in 2017, including the collectability of reinsurance recoverables, is expected to require GE Capital to contribute approximately \$14.5 billion additional capital, to its run-off insurance operations in 2018-2024. For statutory accounting purposes, KID approved our request for a permitted accounting practice to recognize the 2017 AAR increase over a seven-year period. GE Capital provided capital contributions to its insurance subsidiaries of \$2.0 billion, \$1.9 billion and \$3.5 billion in the first quarter of 2020, 2019 and 2018, respectively. GE Capital expects to provide further capital contributions of approximately \$7 billion through 2024 (of which approximately \$2.0 billion is expected to be contributed in the first quarter of 2021, pending completion of our December 31, 2020 statutory reporting process, which includes asset adequacy testing), subject to ongoing monitoring by KID. GE is a party to capital maintenance agreements with ERAC and UFLIC under which GE is required to maintain their minimum statutory capital levels at 300% of their year-end Authorized Control Level risk-based capital requirements as defined from time to time by the NAIC.



If our future policy benefit reserves established under GAAP are realized over the estimated remaining life of our run-off insurance obligations, we would expect the \$14.5 billion of capital contributed to the run-off insurance operations over the 2018 to 2024 period to be considered statutory capital surplus at the end of the estimated remaining life with no additional charge to GAAP earnings. However, should the more conservative statutory assumptions be realized, we would be required to record the difference between GAAP assumptions and statutory assumptions as a charge to GAAP earnings in the future periods.

See Other Items - New Accounting Standards and Notes 1 and 12 for further information.

**NEW ACCOUNTING STANDARDS.** The Financial Accounting Standards Board (FASB) issued ASU No. 2018-12, *Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts* with an effective date for periods beginning after December 31, 2021, with an election to adopt early. On November 5, 2020, the FASB issued ASU 2020-11, *Financial Services - Insurance (Topic 944): Effective Date and Early Application* which defers the effective date for all insurance entities by one year and allows the early application transition date to be either the beginning of the prior period or the earliest prior period presented. We are evaluating the effect of the standard on our consolidated financial statements and anticipate that its adoption will significantly change the accounting for measurements of our long-duration insurance liabilities. The ASU requires cash flow assumptions used in the measurement of various insurance liabilities to be reviewed at least annually and updated if actual experience or other evidence indicates previous assumptions need to be revised with any required changes recorded in earnings. Under the current accounting guidance, the discount rate is based on expected investment yields, while under the ASU the discount rate will be equivalent to the upper-medium grade (i.e., single A) fixed-income instrument yield reflecting the duration characteristics of the liability and is required to be updated in each reporting period with changes recorded in other comprehensive income. In measuring the insurance liabilities under the new standard, contracts shall not be grouped together from different issue years. These changes result in the elimination of premium deficiency testing and shadow adjustments. While we continue to evaluate the effect of the standard on our ongoing financial reporting, we anticipate that the adoption of the ASU will materially affect our financial statements. As the ASU is only applicable to the measurements of our long-duration insurance liabilities under GAAP, it will not affect the accounting for our insurance reserves or the levels of capital and surplus under statutory accounting practices.

**NON-GAAP FINANCIAL MEASURES.** We believe that presenting non-GAAP financial measures provides management and investors useful measures to evaluate performance and trends of the total company and its businesses. This includes adjustments in recent periods to GAAP financial measures to increase period-to-period comparability following actions to strengthen our overall financial position and how we manage our business.

In addition, management recognizes that certain non-GAAP terms may be interpreted differently by other companies under different circumstances. In various sections of this report we have made reference to the following non-GAAP financial measures in describing our (1) revenues, specifically GE Industrial organic revenues by segment; BioPharma organic revenues, GE Industrial organic revenues, and GE Industrial equipment and services organic revenues (2) profit, specifically GE Industrial organic profit and profit margin by segment; BioPharma organic profit and profit margin, Adjusted GE Industrial profit and profit margin (excluding certain items); Adjusted GE Industrial organic profit and profit margin; Adjusted earnings (loss); and Adjusted earnings (loss) per share (EPS), and (3) debt balances, specifically GE Industrial net debt. The reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable GAAP financial measures follow.

**GE INDUSTRIAL ORGANIC REVENUES, PROFIT (LOSS) AND PROFIT MARGIN BY SEGMENT (NON-GAAP)**

|                                                          | Revenues         |                  |              | Segment profit (loss) |                 |              | Profit margin |               |                  |
|----------------------------------------------------------|------------------|------------------|--------------|-----------------------|-----------------|--------------|---------------|---------------|------------------|
|                                                          | 2020             | 2019             | V%           | 2020                  | 2019            | V%           | 2020          | 2019          | V pts            |
| Power (GAAP)                                             | \$ 17,589        | \$ 18,625        | (6)%         | \$ 274                | \$ 291          | (6)%         | 1.6 %         | 1.6 %         | —pts             |
| Less: acquisitions                                       | 19               | 19               |              | (3)                   | (2)             |              |               |               |                  |
| Less: business dispositions                              | 15               | 104              |              | 2                     | 7               |              |               |               |                  |
| Less: foreign currency effect                            | (64)             | —                |              | 10                    | —               |              |               |               |                  |
| <b>Power organic (Non-GAAP)</b>                          | <b>\$ 17,619</b> | <b>\$ 18,502</b> | <b>(5)%</b>  | <b>\$ 266</b>         | <b>\$ 287</b>   | <b>(7)%</b>  | <b>1.5 %</b>  | <b>1.6 %</b>  | <b>(0.1)pts</b>  |
| Renewable Energy (GAAP)                                  | \$ 15,666        | \$ 15,337        | 2 %          | \$ (715)              | \$ (791)        | 10 %         | (4.6)%        | (5.2)%        | 0.6pts           |
| Less: acquisitions                                       | —                | —                |              | —                     | —               |              |               |               |                  |
| Less: business dispositions                              | 8                | 94               |              | —                     | (11)            |              |               |               |                  |
| Less: foreign currency effect                            | (167)            | —                |              | 16                    | —               |              |               |               |                  |
| <b>Renewable Energy organic (Non-GAAP)</b>               | <b>\$ 15,824</b> | <b>\$ 15,243</b> | <b>4 %</b>   | <b>\$ (731)</b>       | <b>\$ (781)</b> | <b>6 %</b>   | <b>(4.6)%</b> | <b>(5.1)%</b> | <b>0.5pts</b>    |
| Aviation (GAAP)                                          | \$ 22,042        | \$ 32,875        | (33)%        | \$ 1,229              | \$ 6,812        | (82)%        | 5.6 %         | 20.7 %        | (15.1)pts        |
| Less: acquisitions                                       | —                | —                |              | —                     | —               |              |               |               |                  |
| Less: business dispositions                              | 13               | 369              |              | (2)                   | (2)             |              |               |               |                  |
| Less: foreign currency effect                            | (3)              | —                |              | (5)                   | —               |              |               |               |                  |
| <b>Aviation organic (Non-GAAP)</b>                       | <b>\$ 22,032</b> | <b>\$ 32,506</b> | <b>(32)%</b> | <b>\$ 1,237</b>       | <b>\$ 6,814</b> | <b>(82)%</b> | <b>5.6 %</b>  | <b>21.0 %</b> | <b>(15.4)pts</b> |
| Healthcare (GAAP)                                        | \$ 18,009        | \$ 19,942        | (10)%        | \$ 3,060              | \$ 3,737        | (18)%        | 17.0 %        | 18.7 %        | (1.7)pts         |
| Less: acquisitions                                       | 55               | 21               |              | (13)                  | (4)             |              |               |               |                  |
| Less: business dispositions                              | 21               | 2,603            |              | (2)                   | 1,111           |              |               |               |                  |
| Less: foreign currency effect                            | (46)             | —                |              | (6)                   | —               |              |               |               |                  |
| <b>Healthcare organic (Non-GAAP)</b>                     | <b>\$ 17,979</b> | <b>\$ 17,318</b> | <b>4 %</b>   | <b>\$ 3,081</b>       | <b>\$ 2,630</b> | <b>17 %</b>  | <b>17.1 %</b> | <b>15.2 %</b> | <b>1.9pts</b>    |
| Less: BioPharma organic (Non-GAAP)                       | 839              | 762              |              | 380                   | 311             |              |               |               |                  |
| <b>Healthcare excluding BioPharma organic (Non-GAAP)</b> | <b>\$ 17,140</b> | <b>\$ 16,557</b> | <b>4 %</b>   | <b>\$ 2,701</b>       | <b>\$ 2,319</b> | <b>16 %</b>  | <b>15.8 %</b> | <b>14.0 %</b> | <b>1.8pts</b>    |

We believe these measures provide management and investors with a more complete understanding of underlying operating results and trends of established, ongoing operations by excluding the effect of acquisitions, dispositions and foreign currency, as these activities can obscure underlying trends. We also believe presenting organic revenues\* and organic profit\* separately for our industrial businesses provides management and investors with useful information about the trends of our industrial businesses and enables a more direct comparison to other non-financial companies.

**BIOPHARMA ORGANIC REVENUES, PROFIT (LOSS) AND PROFIT MARGIN (NON-GAAP)**

|                                     | Revenues      |               |             | Segment profit (loss) |               |             | Profit margin |               |                |
|-------------------------------------|---------------|---------------|-------------|-----------------------|---------------|-------------|---------------|---------------|----------------|
|                                     | 2020          | 2019          | V%          | 2020                  | 2019          | V%          | 2020          | 2019          | V pts          |
| BioPharma (GAAP)                    | \$ 830        | \$ 3,289      | (75)%       | \$ 382                | \$ 1,472      | (74)%       | 46.0 %        | 44.8 %        | 1.2 pts        |
| Less: acquisitions                  | —             | —             |             | —                     | —             |             |               |               |                |
| Less: business dispositions         | —             | 2,527         |             | —                     | 1,161         |             |               |               |                |
| Less: foreign currency effect       | \$ (9)        | —             |             | \$ 2                  | —             |             |               |               |                |
| <b>BioPharma organic (Non-GAAP)</b> | <b>\$ 839</b> | <b>\$ 762</b> | <b>10 %</b> | <b>\$ 380</b>         | <b>\$ 311</b> | <b>22 %</b> | <b>45.3 %</b> | <b>40.8 %</b> | <b>4.5 pts</b> |

**GE INDUSTRIAL ORGANIC REVENUES (NON-GAAP)**

|                                                  | 2020             | 2019             | V%           |
|--------------------------------------------------|------------------|------------------|--------------|
| GE Industrial total revenues (GAAP)              | \$ 73,100        | \$ 87,719        | (17)%        |
| Adjustments:                                     |                  |                  |              |
| Less: acquisitions                               | 138              | 37               |              |
| Less: business dispositions(a)                   | 58               | 3,631            |              |
| Less: foreign currency effect(b)                 | (276)            | —                |              |
| <b>GE Industrial organic revenues (Non-GAAP)</b> | <b>\$ 73,180</b> | <b>\$ 84,051</b> | <b>(13)%</b> |

(a) Dispositions impact in 2019 primarily related to our BioPharma business within our Healthcare segment, with revenues of \$2,527 million, Lighting with revenues of \$299 million, and Hamble Aerostructures within our Aviation segment, with revenues of \$203 million.

(b) Primarily the Brazilian real, euro and Indian rupee.

We believe these measures provide management and investors with a more complete understanding of underlying operating results and trends of established, ongoing operations by excluding the effect of acquisitions, dispositions and foreign currency, as these activities can obscure underlying trends.

\*Non-GAAP Financial Measure

| <b>GE INDUSTRIAL EQUIPMENT ORGANIC REVENUES (NON-GAAP)</b> |    | 2020   | 2019      | V%    |
|------------------------------------------------------------|----|--------|-----------|-------|
| GE Industrial total equipment revenues (GAAP)              | \$ | 37,620 | \$ 43,080 | (13)% |
| Adjustments:                                               |    |        |           |       |
| Less: acquisitions                                         |    | 13     | 14        |       |
| Less: business dispositions                                |    | 19     | 3,193     |       |
| Less: foreign currency effect                              |    | (174)  | —         |       |
| <b>GE Industrial equipment organic revenues (Non-GAAP)</b> | \$ | 37,761 | \$ 39,873 | (5)%  |

| <b>GE INDUSTRIAL SERVICES ORGANIC REVENUES (NON-GAAP)</b> |    | 2020   | 2019      | V%    |
|-----------------------------------------------------------|----|--------|-----------|-------|
| GE Industrial total services revenues (GAAP)              | \$ | 35,480 | \$ 44,639 | (21)% |
| Adjustments:                                              |    |        |           |       |
| Less: acquisitions                                        |    | 125    | 23        |       |
| Less: business dispositions                               |    | 39     | 438       |       |
| Less: foreign currency effect                             |    | (102)  | —         |       |
| <b>GE Industrial services organic revenues (Non-GAAP)</b> | \$ | 35,419 | \$ 44,178 | (20)% |

We believe this measure provides management and investors with a more complete understanding of underlying operating results and trends of established, ongoing operations by excluding the effect of acquisitions, dispositions and foreign currency, as these activities can obscure underlying trends.

| <b>ADJUSTED GE INDUSTRIAL PROFIT AND PROFIT MARGIN</b>                           |    | 2020    | 2019      |
|----------------------------------------------------------------------------------|----|---------|-----------|
| GE Industrial total revenues (GAAP)                                              | \$ | 73,100  | \$ 87,719 |
| GE Industrial total costs and expenses (GAAP)                                    |    | 77,252  | 88,118    |
| Less: GE Industrial interest and other financial charges                         |    | 1,333   | 2,115     |
| Less: non-operating benefit costs                                                |    | 2,424   | 2,828     |
| Less: restructuring & other(a)                                                   |    | 693     | 922       |
| Less: Steam asset impairments(a)                                                 |    | 363     | —         |
| Less: SEC settlement charge(a)                                                   |    | 100     | —         |
| Less: goodwill impairments(a)                                                    |    | 728     | 1,486     |
| Add: noncontrolling interests                                                    |    | (161)   | 6         |
| <b>Adjusted GE Industrial costs (Non-GAAP)</b>                                   |    | 71,450  | 80,773    |
| GE Industrial other income (GAAP)                                                |    | 11,444  | 2,200     |
| Less: unrealized gains (losses)(a)                                               |    | (1,911) | 793       |
| Less: restructuring & other(a)                                                   |    | 13      | 36        |
| Less: gains (losses) and impairments for disposed or held for sale businesses(a) |    | 12,472  | 4         |
| <b>Adjusted GE Industrial other income (Non-GAAP)</b>                            |    | 871     | 1,367     |
| <b>GE Industrial profit (GAAP)</b>                                               | \$ | 7,291   | \$ 1,801  |
| <b>GE Industrial profit margin (GAAP)</b>                                        |    | 10.0 %  | 2.1 %     |
| <b>Adjusted GE Industrial profit (Non-GAAP)</b>                                  | \$ | 2,520   | \$ 8,313  |
| <b>Adjusted GE Industrial profit margin (Non-GAAP)</b>                           |    | 3.4 %   | 9.5 %     |

(a) See the Corporate Items and Eliminations section for further information.

We believe GE Industrial profit and profit margins adjusted for the items included in the above reconciliation are meaningful measures because they increase the comparability of period-to-period results.

| <b>ADJUSTED GE INDUSTRIAL ORGANIC PROFIT (NON-GAAP)</b>        |    | 2020  | 2019     | V%       |
|----------------------------------------------------------------|----|-------|----------|----------|
| Adjusted GE Industrial profit (Non-GAAP)                       | \$ | 2,520 | \$ 8,313 | (70) %   |
| Adjustments:                                                   |    |       |          |          |
| Less: acquisitions                                             |    | (4)   | 6        |          |
| Less: business dispositions                                    |    | (3)   | 1,064    |          |
| Less: foreign currency effect                                  |    | 22    | —        |          |
| <b>Adjusted GE Industrial organic profit (Non-GAAP)</b>        | \$ | 2,505 | \$ 7,244 | (65) %   |
| <b>Adjusted GE Industrial profit margin (Non-GAAP)</b>         |    | 3.4 % | 9.5 %    | (6.1)pts |
| <b>Adjusted GE Industrial organic profit margin (Non-GAAP)</b> |    | 3.4 % | 8.6 %    | (5.2)pts |

We believe this measure provides management and investors with a more complete understanding of underlying operating results and trends of established, ongoing operations by excluding the effect of acquisitions, dispositions and foreign currency, as these activities can obscure underlying trends.

**ADJUSTED EARNINGS (LOSS) AND ADJUSTED EPS**
**(NON-GAAP)** *(Per-share amounts in dollars)*

|                                                                                                           | 2020            |                  | 2019            |                |
|-----------------------------------------------------------------------------------------------------------|-----------------|------------------|-----------------|----------------|
|                                                                                                           | Earnings        | EPS              | Earnings        | EPS            |
| Consolidated earnings (loss) from continuing operations attributable to GE common shareholders (GAAP)(a)  | \$ 5,342        | \$ 0.61          | \$ (45)         | \$ (0.01)      |
| Add: Accretion of redeemable noncontrolling interests (RNCI)                                              | (151)           | (0.02)           | —               | —              |
| Less: GE Capital earnings (loss) from continuing operations attributable to GE common shareholders (GAAP) | (1,710)         | (0.20)           | (530)           | (0.06)         |
| GE Industrial earnings (loss) (Non-GAAP)                                                                  | 6,901           | 0.79             | 485             | 0.06           |
| Non-operating benefits costs (pre-tax) (GAAP)                                                             | (2,424)         | (0.28)           | (2,828)         | (0.32)         |
| Tax effect on non-operating benefit costs                                                                 | 509             | 0.06             | 594             | 0.07           |
| Less: non-operating benefit costs (net of tax)                                                            | (1,915)         | (0.22)           | (2,234)         | (0.26)         |
| Gains (losses) and impairments for disposed or held for sale businesses (pre-tax)(b)                      | 12,472          | 1.42             | 4               | —              |
| Tax effect on gains (losses) and impairments for disposed or held for sale businesses                     | (1,080)         | (0.12)           | 34              | —              |
| Less: gains (losses) and impairments for disposed or held for sale businesses (net of tax)                | 11,392          | 1.30             | 39              | —              |
| Restructuring & other (pre-tax)(b)                                                                        | (680)           | (0.08)           | (886)           | (0.10)         |
| Tax effect on restructuring & other                                                                       | 151             | 0.02             | 187             | 0.02           |
| Less: restructuring & other (net of tax)                                                                  | (529)           | (0.06)           | (699)           | (0.08)         |
| Less: SEC settlement charge (pre-tax and net of tax)                                                      | (100)           | (0.01)           | —               | —              |
| Steam asset impairments (pre-tax)(b)                                                                      | (363)           | (0.04)           | —               | —              |
| Tax effect on Steam asset impairments                                                                     | 37              | —                | —               | —              |
| Less: Steam asset impairments (net of tax)                                                                | (326)           | (0.04)           | —               | —              |
| Goodwill impairments (pre-tax)(b)                                                                         | (728)           | (0.08)           | (1,486)         | (0.17)         |
| Tax effect on goodwill impairments                                                                        | (23)            | —                | (55)            | (0.01)         |
| Less: goodwill impairments (net of tax)                                                                   | (751)           | (0.09)           | (1,541)         | (0.18)         |
| Unrealized gains (losses) (pre-tax)(b)                                                                    | (1,911)         | (0.22)           | 793             | 0.09           |
| Tax effect on unrealized gains (losses)                                                                   | 460             | 0.05             | (114)           | (0.01)         |
| Less: unrealized gains (losses) (net of tax)                                                              | (1,451)         | (0.17)           | 679             | 0.08           |
| Debt extinguishment costs (pre-tax)                                                                       | (63)            | (0.01)           | (255)           | (0.03)         |
| Tax effect on debt extinguishment costs                                                                   | 13              | —                | 53              | 0.01           |
| Less: Debt extinguishment costs (net of tax)                                                              | (50)            | (0.01)           | (201)           | (0.02)         |
| BioPharma deal expense (pre-tax)                                                                          | —               | —                | —               | —              |
| Tax on BioPharma deal expense                                                                             | —               | —                | (647)           | (0.07)         |
| Less: BioPharma deal expense (net of tax)                                                                 | —               | —                | (647)           | (0.07)         |
| Accretion of RNCI (pre-tax)                                                                               | (151)           | (0.02)           | —               | —              |
| Tax effect on accretion of RNCI                                                                           | —               | —                | —               | —              |
| Less: Accretion of RNCI (net of tax)                                                                      | (151)           | (0.02)           | —               | —              |
| Less: GE Industrial U.S. tax reform enactment adjustment                                                  | (51)            | (0.01)           | (101)           | (0.01)         |
| <b>Adjusted GE Industrial earnings (loss) (Non-GAAP)</b>                                                  | <b>\$ 833</b>   | <b>\$ 0.10</b>   | <b>\$ 5,191</b> | <b>\$ 0.59</b> |
| GE Capital earnings (loss) from continuing operations attributable to GE common shareholders (GAAP)       | (1,710)         | (0.20)           | (530)           | (0.06)         |
| Insurance premium deficiency test charge (pre-tax)                                                        | —               | —                | (972)           | (0.11)         |
| Tax effect on insurance premium deficiency test charge                                                    | —               | —                | 204             | 0.02           |
| Less: Insurance premium deficiency test charge (net of tax)                                               | —               | —                | (768)           | (0.09)         |
| Goodwill impairments (pre-tax)                                                                            | (839)           | (0.10)           | —               | —              |
| Tax effect on goodwill impairments                                                                        | 3               | —                | —               | —              |
| Less: goodwill impairments (net of tax)                                                                   | (836)           | (0.10)           | —               | —              |
| Less: SEC settlement charge (pre-tax and net of tax)                                                      | (100)           | (0.01)           | —               | —              |
| Debt extinguishment costs (pre-tax)                                                                       | (238)           | (0.03)           | —               | —              |
| Tax effect on debt extinguishment costs                                                                   | 44              | —                | —               | —              |
| Less: debt extinguishment costs (net of tax)                                                              | (194)           | (0.02)           | —               | —              |
| Less: GE Capital U.S. tax reform enactment adjustment                                                     | 2               | —                | 99              | 0.01           |
| Less: GE Capital tax benefit related to BioPharma sale                                                    | 143             | 0.02             | —               | —              |
| <b>Adjusted GE Capital earnings (loss) (Non-GAAP)</b>                                                     | <b>\$ (724)</b> | <b>\$ (0.08)</b> | <b>\$ 139</b>   | <b>\$ 0.02</b> |
| Adjusted GE Industrial earnings (loss) (Non-GAAP)                                                         | \$ 833          | \$ 0.10          | \$ 5,191        | \$ 0.59        |
| Add: Adjusted GE Capital earnings (loss) (Non-GAAP)                                                       | (724)           | (0.08)           | 139             | 0.02           |
| <b>Adjusted earnings (loss) (Non-GAAP)</b>                                                                | <b>\$ 109</b>   | <b>\$ 0.01</b>   | <b>\$ 5,330</b> | <b>\$ 0.61</b> |

(a) Earnings for per-share calculation includes allocation of participating securities pursuant to the two-class method. See Note 18 for further information. Earnings-per-share amounts are computed independently. As a result, the sum of per-share amounts may not equal the total.

(b) See the Corporate Items and Eliminations section for further information.



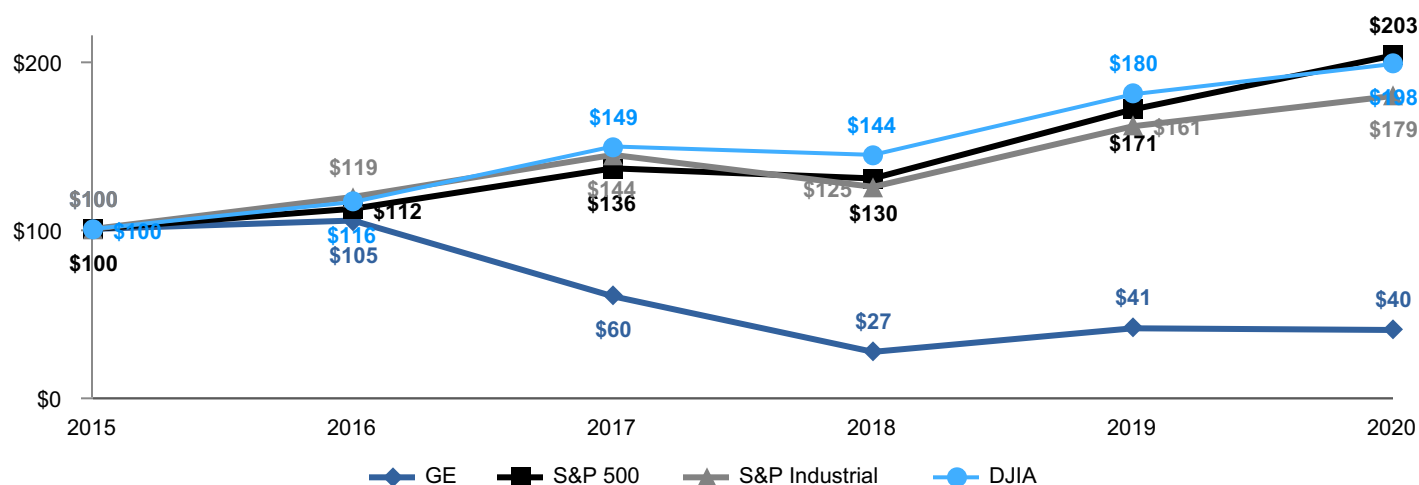
The service cost for our pension and other benefit plans are included in adjusted earnings\*, which represents the ongoing cost of providing pension benefits to our employees. The components of non-operating benefit costs are mainly driven by capital allocation decisions and market performance. We believe the retained costs in Adjusted earnings\* and Adjusted EPS\* provides management and investors a useful measure to evaluate the performance of the total company and increases period-to-period comparability. We also use Adjusted EPS\* as a performance metric at the company level for our annual executive incentive plan for 2020. We believe presenting Adjusted Industrial earnings\* and Adjusted Industrial EPS\* separately for our financial services businesses also provides management and investors with useful information about the relative size of our industrial and financial services businesses in relation to the total company.

| <b>GE INDUSTRIAL NET DEBT (NON-GAAP)</b>                                      | <b>December 31, 2020</b> | <b>December 31, 2019</b> |
|-------------------------------------------------------------------------------|--------------------------|--------------------------|
| Total GE Industrial short- and long-term borrowings (GAAP)                    | \$ 42,736                | \$ 52,059                |
| Less: GE Capital short- and long-term debt assumed by GE Industrial           | 22,390                   | 31,368                   |
| Add: intercompany loans from GE Capital                                       | 3,177                    | 12,226                   |
| Total adjusted GE Industrial borrowings                                       | \$ 23,523                | \$ 32,917                |
| Pension and principal retiree benefit plan liabilities (pre-tax)(a)           | 25,492                   | 27,773                   |
| Less: taxes at 21%                                                            | 5,353                    | 5,832                    |
| Pension and principal retiree benefit plan liabilities (net of tax)           | \$ 20,139                | \$ 21,941                |
| GE Industrial operating lease liabilities                                     | 3,133                    | 3,369                    |
| GE Industrial preferred stock                                                 | 5,918                    | 5,738                    |
| Less: 50% of GE Industrial preferred stock                                    | 2,959                    | 2,869                    |
| 50% of preferred stock                                                        | \$ 2,959                 | \$ 2,869                 |
| Deduction for total GE Industrial cash, cash equivalents and restricted cash  | (23,209)                 | (17,613)                 |
| Less: 25% of GE Industrial cash, cash equivalents and restricted cash         | (5,802)                  | (4,403)                  |
| Deduction for 75% of GE Industrial cash, cash equivalents and restricted cash | \$ (17,407)              | \$ (13,210)              |
| <b>Total GE Industrial net debt (Non-GAAP)</b>                                | <b>\$ 32,347</b>         | <b>\$ 47,886</b>         |

(a) Represents the sum of the net deficit of principal pension, other pension, and principal retiree benefit plans as disclosed in Note 13. In this document we use GE Industrial net debt\*, which is calculated based on rating agency methodologies. We are including the calculation of GE industrial net debt\* to provide investors more clarity regarding how the credit rating agencies measure GE Industrial leverage.

## OTHER FINANCIAL DATA

### FIVE-YEAR PERFORMANCE GRAPH



The annual changes for the five-year period shown in the above graph are based on the assumption that \$100 had been invested in General Electric common stock, the Standard & Poor's 500 Stock Index (S&P 500), the Standard & Poor's 500 Industrials Stock Index (S&P Industrial) and the Dow Jones Industrial Average (DJIA) on December 31, 2015, and that all quarterly dividends were reinvested. The cumulative dollar returns shown on the graph represent the value that such investments would have had on December 31 for each year indicated. In 2020, we began measuring GE's relative performance against the S&P Industrial index for performance share unit awards. In previous years we have provided the DJIA, and it is included in the above graph for comparison purposes only.

With respect to "Market Information," in the United States, General Electric common stock is listed on the New York Stock Exchange under the ticker symbol "GE" (its principal market). General Electric common stock is also listed on the London Stock Exchange, Euronext Paris, the SIX Swiss Exchange and the Frankfurt Stock Exchange.

As of January 31, 2021, there were approximately 365,000 shareholder accounts of record.

\*Non-GAAP Financial Measure

**PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS.** GE did not repurchase any equity securities during the three months ended December 31, 2020.

**RISK FACTORS.** The following discussion of the material factors, events and uncertainties that may make an investment in the Company speculative or risky contains "forward-looking statements," as discussed in the Forward-Looking Statements section. These risk factors may be important to understanding any statement in this Form 10-K report or elsewhere. The risks described below should not be considered a complete list of potential risks that we face, and additional risks not currently known to us or that we currently consider immaterial may also negatively impact us. The following information should be read in conjunction with the MD&A section and the consolidated financial statements and related notes. The risks we describe in this Form 10-K report or in our other SEC filings could, in ways we may not be able to accurately predict, recognize or control, have a material adverse effect on our business, reputation, financial position, results of operations, cash flows and stock price, and they could cause our future results to be materially different than we presently anticipate.

**STRATEGIC RISKS.** Strategic risk relates to the Company's future business plans and strategies, including the risks associated with: the global macro-environment; competitive threats, the demand for our products and services and the success of our investments in technology and innovation; our portfolio of businesses and capital allocation decisions; dispositions, acquisitions, joint ventures and restructuring activity; intellectual property; and other risks.

**COVID-19 - The global COVID-19 pandemic has had and is expected to continue to have a material adverse impact on our operations and financial performance, as well as on the operations and financial performance of many of the customers and suppliers in industries that we serve.** Our operations and financial performance have been negatively impacted by the COVID-19 pandemic that has caused, and is expected to continue to cause, the global slowdown of economic activity (including the decrease in demand for a broad variety of goods and services), disruptions in global supply chains and significant volatility and disruption of financial markets. Across all of our businesses, we have experienced and expect to continue to experience operational challenges from the need to protect employee health and safety, site shutdowns, workplace disruptions and restrictions on the movement of people, raw materials and goods, both at our own facilities and at those of our customers and suppliers. We also have experienced, and expect to continue experiencing, lower demand and volume for products and services (particularly at GE Aviation, as described below, and also for portions of GE Healthcare's business), customer requests for potential payment deferrals or other contract modifications, supply chain under-liquidation, delays of deliveries and the achievement of other billing milestones, delays or cancellations of new projects and related down payments and other factors related directly and indirectly to the COVID-19 pandemic that adversely impact our businesses.

In particular, the interruption of regional and international air travel from COVID-19 is having a material adverse effect on our airline and airframer customers, the viability of their businesses and their demand for our services and products. In this context, we have observed a significant increase in the number of requests for payment deferrals, contract modifications, aircraft lease restructurings and similar actions across the aviation sector, which may lead to additional charges, impairments and other adverse financial impacts, or to customer disputes, at GE Aviation and GE Capital Aviation Services. Disruption of the aviation industry, which could continue for an uncertain period of time, is particularly significant for GE, as we have depended on the strength of our Aviation business as we have been working to improve the operations and execution of other GE businesses and strengthen the company's balance sheet. As a result, disruption of the aviation industry, which could continue for an uncertain period of time, is particularly significant for GE.

The ultimate impact of the COVID-19 pandemic on our operations and financial performance depends on many factors that are not within our control, including, but not limited, to: the severity and duration of the pandemic, including the impact of coronavirus mutations and resurgences; governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic (including restrictions on travel and transport and workforce pressures); the impact of the pandemic and actions taken in response on global and regional economies, travel, and economic activity; the development, availability and public acceptance of effective treatments or vaccines; the availability of federal, state, local or non-U.S. funding programs; general economic uncertainty in key global markets and financial market volatility; global economic conditions and levels of economic growth; and the pace and extent of recovery when the COVID-19 pandemic subsides. A number of accounting estimates that we make have been and will continue to be affected by the COVID-19 pandemic and uncertainties related to these and other factors, and our accounting estimates and assumptions may change over time in response to COVID-19 (see Note 1). As the COVID-19 pandemic continues to adversely affect our operating and financial results, it may also have the effect of heightening many of the other risk factors described below.

**Global macro-environment - Our growth is subject to global economic, political and geopolitical risks.** We operate in virtually every part of the world, serve customers in over 170 countries and received 56% of our revenues for 2020 from outside the United States. Our operations and the execution of our business plans and strategies are subject to the effects of global economic trends, geopolitical risks and demand or supply shocks from events that could include war, a major terrorist attack, natural disasters or actual or threatened health emergencies (such as COVID-19). They are also affected by local and regional economic environments and policies in the U.S. and other markets that we serve, including interest rates, monetary policy, inflation, economic growth, recession, commodity prices, currency volatility, currency controls or other limitations on the ability to expatriate cash, sovereign debt levels and actual or anticipated defaults on sovereign debt. For example, changes in local economic conditions or outlooks, such as lower rates of investment or economic growth in China, Europe or other key markets, affect the demand for or profitability of our products and services outside the U.S., and the impact on the Company could be significant given the extent of our activities outside the United States. Political changes and trends such as populism, protectionism, economic nationalism and sentiment toward multinational companies and resulting tariffs, export controls or other trade barriers, or changes to tax or other laws and policies, have been and may continue to be disruptive and costly to our businesses, and these can interfere with our global operating model, supply chain, production costs, customer relationships and competitive position. Further escalation of specific trade tensions, such as those between the U.S. and China, or in global trade conflict more broadly could be harmful to global economic growth, and related decreases in confidence or investment activity in the global markets would adversely affect our business performance. We also do business in many emerging market jurisdictions where economic, political and legal risks are heightened.

**Industry dynamics and outlooks – The strategic priorities and financial performance of our businesses are subject to major trends in our industries, such as decarbonization and digitization, and we may not appropriately plan for or adapt quickly enough to dynamics that in some cases can take many years to play out.** Our long-term operating results and competitive position depend substantially upon our ability to continually develop, introduce, and market new and innovative technology, products, services and platforms, to modify existing products and services, to customize products and services, to maintain long-term customer relationships and to increase our productivity over time as we perform on long-term service agreements. A failure to appropriately plan for future customer demand and industry trends may adversely affect our delivery of products, services and outcomes in line with our projected financial performance or cost estimates, and ultimately may result in excess costs, build-up of inventory that becomes obsolete, lower profit margins and an erosion of our competitive position. In some cases, major disruptive dynamics can arise quickly in our industries, such as the impact of the COVID-19 pandemic on air travel and the outlook for a return to flight at pre-pandemic levels, as described above. In other cases, we must anticipate and respond to market and technological changes driven by broader trends such as decarbonization efforts in response to climate change, or increased digitization in healthcare or other industries we serve or growth in industrial automation, that present both risks and opportunities for our businesses. For example, the significant decreases in recent years in the levelized cost of energy for renewable sources of power generation (such as wind and solar), along with ongoing changes in government, investor, customer and consumer policies, commitments, preferences and considerations related to climate change, in some cases have adversely affected, and are expected to continue to affect, the demand for and the competitiveness of products and services related to fossil fuel-based power generation, including sales of new gas turbines and the utilization and servicing needs for existing gas power plants. Continued shifts toward greater penetration by renewables in both new capacity additions and the proportionate share of power generation, particularly depending on the pace and timeframe for such shifts across different markets globally, could have a material adverse effect on the performance of our Power business and our consolidated results. While the anticipated market growth and generation share for renewable energy over time is favorable for our wind businesses, there too we face uncertainties related to the future anticipated levels of government subsidies and credits, significant price competition among wind equipment manufacturers, dynamics between onshore and offshore wind power, potential further consolidation in the wind industry and competition with other sources of renewable energy such as solar. In addition, the achievement of deep decarbonization goals over the coming decades is likely to depend in part on technologies that are not yet deployed or widely adopted today but may become more important over time (such as grid-scale batteries or other storage solutions, hydrogen-based power generation, carbon capture and sequestration or advanced nuclear power), and we may not adequately position our businesses to benefit from the growth in adoption of these technologies. These trends related to the global energy transition and decarbonization, including the relative competitiveness of different types of product and service offerings within and across our energy businesses, as well as for GE Aviation, will continue to be impacted in ways that are uncertain by factors such as the pace of technological developments and related cost considerations, the levels of economic growth in different markets around the world and the adoption of climate change-related policies (such as carbon taxes, cap and trade regimes, increased efficiency standards, greenhouse gas emission reduction commitments, incentives or mandates for particular types of energy or policies that impact the availability of financing for certain types of projects) at the national and sub-national levels or by private actors.

**Competitive environment - We are dependent on the maintenance of existing product lines and service relationships, market acceptance of new product and service introductions and technology and innovation leadership for revenue and earnings growth.** The markets in which we operate are highly competitive in terms of pricing, product and service quality, product development and introduction time, customer service, financing terms and shifts in market demand, and competitors are increasingly offering services for our installed base. Our businesses are also subject to technological change and require us to continually attract and retain skilled talent. The introduction of innovative and disruptive technologies in the markets in which we operate also poses risks in the form of new competitors (including new entrants from outside our traditional industries, such as competitors from digital technology companies), market consolidation, substitutions of existing products, services or solutions, niche players, new business models and competitors that are faster to market with new or more cost-effective products or services. Because the research and development cycle involved in bringing products in our businesses to market is often lengthy, it is inherently difficult to predict the economic conditions and competitive dynamics that will exist when any new product is complete, and our investments, to the extent they result in bringing a product to market, may generate weaker returns than we anticipated at the outset. Our capacity to invest in research and development efforts to pursue advancement in a wide range of technologies, products and services also depends on the financial resources that we have available for such investment relative to other capital allocation priorities, and to the extent there may be under-investment that could lead to loss of sales of our products and services in the future, particularly in our long-cycle businesses. The amounts that we do invest in research and development divert resources from other potential investments in our businesses, and our efforts may not lead to the development of new technologies or products on a timely basis or meet the needs of our customers as fully as competitive offerings.

**Restructuring & retention - We have been undertaking extensive cost reduction and restructuring efforts; these efforts may have adverse effects on our operations, employee retention, results and reputation and may not achieve the expected benefits.** We continue undertaking restructuring actions that include workforce reductions, global facility consolidations and other cost reduction initiatives. These actions have been a central component of our ongoing efforts to improve operational and financial performance, and we have also taken additional actions or accelerated the pace of actions to mitigate the adverse financial effects of COVID-19 on our businesses. The extent of change across our organizational structure, senior leadership, culture, functional alignment, outsourcing and other areas poses risks in the form of personnel capacity constraints and institutional knowledge loss that could lead to missed performance or financial targets, loss of key personnel and harm to our reputation. The risk of capacity constraints is also heightened with the number of interdependent and transformational business portfolio and internal actions that we have been undertaking during a period of significant restructuring and cost reduction across the Company. Moreover, if we do not successfully manage our restructuring and other transformational activities, the anticipated operational improvements, efficiencies and other benefits might be delayed or not realized, and our operations and business could be disrupted. Risks associated with these actions include unforeseen delays in implementation of workforce reductions, additional unexpected costs, adverse effects on employee morale, loss of key employees or other retention issues, inability to attract and hire talented professionals or the failure to meet operational targets due to the loss of employees or work stoppages, any of which may impair our ability to achieve anticipated cost reductions or may otherwise harm our business or reputation and have an adverse effect on our competitive position or financial performance.

**Business portfolio - Our success depends on achieving our strategic and financial objectives, including through dispositions, acquisitions, integrations and joint ventures.** Over the past several years we have been pursuing a variety of dispositions, including the ongoing monetization of our remaining equity ownership position in Baker Hughes. The proceeds from those dispositions have been an important source of cash flow for the Company as part of our strategic and financial planning. When we seek to sell certain businesses, equity interests or assets, we may encounter difficulties in finding buyers or in market conditions that could delay or prevent the accomplishment of our objectives, and declines in the values of equity interests (such as our remaining interest in Baker Hughes) or other assets that we sell can diminish the cash proceeds that we realize. We may dispose of businesses or assets at a price or on terms that are less favorable than we had anticipated, or with purchase price adjustments or the exclusion of assets or liabilities that must be divested, managed or run off separately. We can also be subject to limitations in the form of regulatory or governmental approvals that may prevent certain prospective counterparties from completing transactions with us or delay us from executing transactions on our preferred timeline, or arising from our debt or other contractual obligations that limit our ability to complete certain transactions. Moreover, dispositions have the effect of reducing the Company's cash flow and earnings capacity, resulting in a less diversified portfolio of businesses and increasing our dependency on remaining businesses for our financial results from ongoing operations. Dispositions or other business separations also often involve continued financial involvement in the divested business, such as through continuing equity ownership, retained assets or liabilities, transition services agreements, commercial agreements, guarantees, indemnities or other current or contingent financial obligations or liabilities. Under these arrangements, performance by the divested businesses or other conditions outside our control could materially affect our future financial results. With respect to acquisitions, joint ventures and business integrations, we may not achieve expected returns and other benefits on a timely basis or at all as a result of changes in strategy or separation/integration challenges related to personnel, IT systems or other factors. Executing on all types of portfolio transactions can divert senior management time and resources from other pursuits. In addition, in connection with acquisitions over time, we have recorded significant goodwill and other intangible assets on our balance sheet, and if we are not able to realize the value of these assets, we may be required to incur charges relating to the impairment of these assets. We also participate in a number of joint ventures with other companies or government enterprises in various markets around the world, including joint ventures where we have a lesser degree of control over the business operations, which may expose us to additional operational, financial, reputational, legal or compliance risks.



**Intellectual property - Our intellectual property portfolio may not prevent competitors from independently developing products and services similar to or duplicative to ours, and the value of our intellectual property may be negatively impacted by external dependencies.** Our patents and other intellectual property may not prevent competitors from independently developing or selling products and services similar to or duplicative of ours, and there can be no assurance that the resources invested by us to protect our intellectual property will be sufficient or that our intellectual property portfolio will adequately deter misappropriation or improper use of our technology. Trademark licenses of the GE brand in connection with dispositions may negatively impact the overall value of the brand in the future. We also face competition in some countries where we have not invested in an intellectual property portfolio. If we are not able to protect our intellectual property, the value of our brand and other intangible assets may be diminished, and our business may be adversely affected. We also face attempts to gain unauthorized access to our IT systems or products for the purpose of improperly acquiring our trade secrets or confidential business information. The theft or unauthorized use or publication of our trade secrets and other confidential business information as a result of such an incident could adversely affect our competitive position and the value of our investment in research and development. In addition, we are subject to the enforcement of patents or other intellectual property by third parties, including aggressive and opportunistic enforcement claims by non-practicing entities. Regardless of the merit of such claims, responding to infringement claims can be expensive and time-consuming. If GE is found to infringe any third-party rights, we could be required to pay substantial damages or we could be enjoined from offering some of our products and services. The value of, or our ability to use, our intellectual property may also be negatively impacted by dependencies on third parties, such as our ability to obtain or renew on reasonable terms licenses that we need in the future, or our ability to secure or retain ownership or rights to use data in certain software analytics or services offerings.

**OPERATIONAL RISKS.** Operational risk relates to risks arising from systems, processes, people and external events that affect the operation of our businesses. It includes risks related to product and service lifecycle and execution; product safety and performance; information management and data protection and security, including cybersecurity; and supply chain and business disruption.

**Operational execution - Operational challenges could have a material adverse effect on our business, reputation, financial position, results of operations and cash flows.** The Company's financial results depend on the successful execution of our businesses' operating plans across all steps of the product and service lifecycle. We continue working to improve the operations and execution of our businesses and our ability to effect the desired improvements will be a significant factor in determining the financial performance of the Company as a whole. For example, new product introductions remain important to onshore and offshore wind customers, and in that environment the Renewable Energy business will need to continue to prioritize product quality, delivery and other aspects of its operational execution as new technology of larger turbines is introduced, including the Haliade-X offshore wind turbine. Operational failures at any of our businesses that result in quality problems or potential product, environmental, health or safety risks, could have a material adverse effect on our business, reputation, financial position and results of operations. In addition, a portion of our business, particularly within our Power and Renewable Energy businesses, involves large projects where we take on, or are members of a consortium responsible for, the full scope of engineering, procurement, construction or other services. These types of projects often pose unique risks related to their location, scale, complexity, duration and pricing or payment structure. Performance issues or schedule delays can arise due to inadequate technical expertise, unanticipated project modifications, developments at project sites, environmental, health and safety issues, execution by or coordination with suppliers, subcontractors or consortium partners, financial difficulties of our customers or significant partners or compliance with government regulations, and these can lead to cost overruns, contractual penalties, liquidated damages and other adverse consequences. Where GE is a member of a consortium, we are typically subject to claims based on joint and several liability, and claims can extend to aspects of the project or costs that are not directly related or limited to GE's scope of work or over which GE does not have control. Operational, quality or other issues at large projects, or across our projects portfolio more broadly, can adversely affect GE's business, reputation or results of operations.

**Product safety - Our products and services are highly sophisticated and specialized, and a major failure or similar event affecting our products or third-party products with which our products are integrated can adversely affect our business, reputation, financial position, results of operations and cash flows.** We produce highly sophisticated products and provide specialized services for both our own and third-party products that incorporate or use complex or leading-edge technology, including both hardware and software. Many of our products and services involve complex industrial machinery or infrastructure projects, such as commercial jet engines, gas turbines, onshore and offshore wind turbines or nuclear power generation, and accordingly the impact of a catastrophic product failure or similar event could be significant. In particular, actual or perceived design or production issues related to new product introductions or relatively new product lines can result in significant reputational harm to our businesses, in addition to direct warranty, maintenance and other costs that may arise. A significant product issue resulting in injuries or death, widespread outages, a fleet grounding or similar systemic consequences could have a material adverse effect on our business, reputation, financial position and results of operations. We may also incur increased costs, delayed payments or lost equipment or services revenue in connection with a significant issue with a third party's product with which our products are integrated, or if parts or other components that we incorporate in our products have defects or other quality issues. For example, the LEAP-1B engine that our Aviation business develops, produces and sells through CFM is the exclusive engine for the Boeing 737 MAX, which was subject to a global fleet grounding for nearly two years until November 2020 following two fatal crashes that were unrelated to the LEAP engine. The pace and success of the 737 MAX's safe return to service and the corresponding LEAP engine production rates will have material significance to the results and outlook of our Aviation business. There can be no assurance that the operational processes around product design, manufacture, performance and servicing that we or our customers or other third parties have designed to meet rigorous quality standards will be sufficient to prevent us or our customers or other third parties from experiencing operational process or product failures and other problems, including through manufacturing or design defects, process or other failures of contractors or third-party suppliers, cyber-attacks or other intentional acts, software vulnerabilities or malicious software, that could result in potential product, safety, quality, regulatory or environmental risks.

**Cybersecurity - Increased cybersecurity requirements, vulnerabilities, threats and more sophisticated and targeted computer crime pose a risk to our systems, networks, products, solutions, services and data.** Increased global cybersecurity vulnerabilities, threats, computer viruses and more sophisticated and targeted cyber-related attacks, as well as cybersecurity failures resulting from human error and technological errors, pose a risk to the security of GE's and its customers', partners', suppliers' and third-party service providers' infrastructure, products, systems and networks and the confidentiality, availability and integrity of GE's and its customers' data. As the perpetrators of such attacks become more capable (including sophisticated state or state-affiliated actors), and as critical infrastructure is increasingly becoming digitized, the risks in this area continue to grow. A significant cyber-related attack in one of our industries, even if such an attack does not involve GE products, services or systems, could pose broader disruptions and adversely affect our business. For example, we have observed an increase in third-party breaches at suppliers, service providers and software providers, and our efforts to mitigate adverse effects on GE if this trend continues may be less successful in the future. The increasing degree of interconnectedness between GE and its partners, suppliers and customers also poses a risk to the security of GE's network as well as the larger ecosystem in which GE operates. There can be no assurance that our attempts to mitigate cybersecurity risks by employing a number of measures, including employee training, monitoring and testing, performing security reviews and requiring business partners with connections to the GE network to appropriately secure their information technology systems, and maintenance of protective systems and contingency plans, will be sufficient to prevent, detect and limit the impact of cyber-related attacks, and we remain vulnerable to known or unknown threats. In addition to existing risks, the adoption of new technologies in the future may also increase our exposure to cybersecurity breaches and failures. While we have developed secure development lifecycle design practices to secure our software designs and connected products, an unknown vulnerability or compromise could potentially impact the security of GE's software or connected products, lead to the loss of GE intellectual property, safety risks or unavailability of equipment. We also have access to sensitive, confidential or personal data or information in certain of our businesses that is subject to privacy and security laws, regulations or customer-imposed controls. Despite our use of reasonable and appropriate controls to protect our systems and sensitive, confidential or personal data or information, we have vulnerability to security breaches, theft, misplaced, lost or corrupted data, programming errors, employee errors and/or malfeasance (including misappropriation by departing employees) that could potentially lead to material compromising of sensitive, confidential or personal data or information, improper use of our systems, software solutions or networks, unauthorized access, use, disclosure, modification or destruction of or denial of access to information, defective products, production downtimes and operational disruptions. Data privacy and protection laws are evolving, can vary significantly by country and present increasing compliance challenges, which increase our costs, affect our competitiveness and can expose us to substantial fines or other penalties. In addition, a significant cyber-related attack could result in other negative consequences, including damage to our reputation or competitiveness, remediation or increased protection costs, litigation or regulatory action.

**Supply chain - Significant raw material shortages, supplier capacity constraints, supplier or customer production disruptions, supplier quality and sourcing issues or price increases can increase our operating costs and adversely impact the competitive positions of our products.** Our reliance on third-party suppliers, contract manufacturers and service providers, and commodity markets to secure raw materials, parts, components and sub-systems used in our products exposes us to volatility in the prices and availability of these materials, parts, components, systems and services. As our supply chains extend into many different countries and regions around the world, we are also subject to global economic and geopolitical dynamics and risks associated with exporting components manufactured in particular countries for incorporation into finished products completed in other countries. In addition, some of our suppliers or their sub-suppliers are limited- or sole-source suppliers. We also have internal dependencies on certain key GE manufacturing or other facilities. Disruptions in deliveries from a key GE facility or from our third-party suppliers, contract manufacturers or outsourced or other service providers, capacity constraints, production disruptions up- or down-stream, price increases, or decreased availability of raw materials or commodities, including as a result of war, natural disaster, actual or threatened public health emergencies or other business continuity events, adversely affect our operations and, depending on the length and severity of the disruption, can limit our ability to meet our commitments to customers or significantly impact our operating profit or cash flows. Quality, capability, compliance and sourcing issues experienced by third-party providers can also adversely affect our costs, margin rates and the quality and effectiveness of our products and services and result in liability and reputational harm; the harm to us could be significant if, for example, a quality issue at a supplier or with components that we integrate into our products results in a widespread quality issue across one of our product lines or our fleet. In addition, while we require our suppliers to implement and maintain reasonable and appropriate controls to protect information we provide to them, they may be the victim of a cyber-related attack that could lead to the compromise of the Company's intellectual property, personal data or other confidential information, or to production downtimes and operational disruptions that could have an adverse effect on our ability to meet our commitments to customers. An unknown security vulnerability or malicious software embedded in a supplier's product that is later integrated into a GE product could lead to a vulnerability in the security of GE's product or if used internally in the GE network environment to a compromise of the GE network, which could potentially lead to the loss of information or operational disruptions.

**FINANCIAL RISKS.** Financial risk relates to our ability to meet financial obligations and mitigate exposure to broad market risks, including funding and liquidity risks, such as risk related to our credit ratings and our availability and cost of funding; credit risk; and volatility in foreign currency exchange rates, interest rates and commodity prices. Liquidity risk refers to the potential inability to meet contractual or contingent financial obligations (whether on- or off-balance sheet) as they arise, and could potentially impact our financial condition or overall safety and soundness. Credit risk is the risk of financial loss arising from a customer or counterparty failure to meet its contractual obligations, and we face credit risk arising from both our industrial businesses and from GE Capital.

**Leverage & borrowings - Our indebtedness levels could limit the flexibility of our businesses, and we could face further constraints as a result of failing to decrease our leverage over time, further downgrades of our credit ratings or adverse market conditions.** Our ability to decrease our leverage as planned is dependent primarily on cash flows from operations, as well as proceeds from dispositions. Continuing to de-lever and service our debt will require a significant amount of cash, and if we are unable to generate cash flows in accordance with our plans we may be required to adopt one or more alternatives such as increasing borrowing under credit lines, further reducing or delaying investments or capital expenditures, selling other businesses or assets, refinancing debt or raising additional equity capital. In addition, we have significant pension and run-off insurance liabilities that are sensitive to numerous factors and assumptions that we use in our pension liability, GAAP insurance reserve and statutory insurance calculations. For example, the impact of low or declining market interest rates on the discount rates that we use to calculate these long-term liabilities (holding other variables constant) can adversely affect our earnings and cash flows, as well as the pace of progress toward our leverage goals for GE and for GE Capital. Lower than expected cash generation by our businesses or disposition proceeds over time could also adversely affect our progress toward our leverage goals. Our indebtedness could put us at a competitive disadvantage compared to competitors with lower debt levels that may have greater financial flexibility to secure additional funding for their operations, pursue strategic acquisitions, finance long-term projects or take other actions. Continuing to have substantial indebtedness could also increase our vulnerability to general economic conditions, such as slowing economic growth or recession. It could also increase our vulnerability to adverse industry-specific conditions or to increases in the capital or liquidity needs at the GE or GE Capital levels, and it could limit our flexibility in planning for, or reacting to, changes in the economy and the industries in which we compete. In addition, our existing levels of indebtedness may impair our ability to obtain additional debt financing on favorable terms in the future, particularly if coupled with further downgrades of our credit ratings or a deterioration of capital markets conditions more generally. External conditions in the financial and credit markets, such as the increased economic uncertainty and reduced economic activity resulting from the COVID-19 pandemic, may limit the availability of funding at particular times or increase the cost of funding, which could adversely affect our business, financial position and results of operations.

**Liquidity - Failure to meet our cash flow targets, or additional credit downgrades, could adversely affect our liquidity, funding costs and related margins.** We rely primarily on cash from operations, as well as proceeds from business and asset dispositions and access to the short- and long-term debt markets, to fund our operations, maintain a contingency buffer of liquidity and meet our financial obligations and capital allocation priorities. If we do not meet our cash flow objectives, through both improved cash performance in our businesses or successful execution of business and asset dispositions, our financial condition could be adversely affected. Our access to the debt markets depends, in part, on our credit ratings. As previously reported, in April 2020, Moody's and S&P changed their credit rating outlooks for GE and GE Capital from Stable to Negative, and Fitch lowered its credit ratings for GE and GE Capital. There can be no assurance that we will not face additional credit downgrades as a result of factors such as our continued progress in decreasing our leverage, the performance of our businesses, the failure to execute on dispositions or changes in rating application or methodology for GE or GE Capital. Future downgrades could further adversely affect our cost of funds and related margins, liquidity, competitive position and access to capital markets, and a significant downgrade could have an adverse commercial impact on our industrial businesses. In addition, swap, forward and option contracts are executed under standard master agreements that typically contain mutual downgrade provisions that provide the ability of the counterparty to require termination if the credit ratings of the applicable GE entity were to fall below specified ratings levels agreed upon with the counterparty. For additional discussion about our current credit ratings and related considerations, refer to the Capital Resources and Liquidity - Credit Ratings and Conditions section within MD&A.

**GE Capital - A smaller GE Capital continues to have exposure to insurance, credit, legal and other risks and, in the event of future adverse developments, may not be able to meet its business and financial objectives without further actions at GE Capital or additional capital contributions by GE compared to current plans.** To fund the statutory capital contributions that it expects to make to its insurance subsidiaries over the next several years, as well as to meet its debt maturities and other obligations, GE Capital expects to rely on its existing liquidity, cash generated from asset sales and cash flows from its businesses, as well as GE repayments of intercompany loans and capital contributions from GE. However, as GE Capital's excess liquidity from past disposition proceeds runs off, and as its future earnings are reduced as a result of business and asset sales, there is a risk that future adverse developments could cause liquidity or funding stress for GE Capital. For example, it is possible that future requirements for capital contributions to the insurance subsidiaries will be greater than currently estimated or could be accelerated by regulators. Our annual testing of insurance reserves is subject to a variety of assumptions, including assumptions about the discount rate (which is sensitive to changes in market interest rates), morbidity, mortality and future long-term care premium increases. Any future adverse changes to these assumptions (to the extent not offset by any favorable changes to these assumptions) could result in an increase to future policy benefit reserves and, potentially, to the amount of capital we are required to contribute to the insurance subsidiaries (as discussed in the Other Items - Insurance section within MD&A). We also anticipate that the new insurance accounting standard scheduled to be effective after 2022 (as discussed in the Other Items - New Accounting Standards section within MD&A) will significantly change the accounting for measurements of our long-duration insurance liabilities under GAAP and that the adoption of the accounting standard will materially affect our financial statements. In addition, we continue to evaluate strategic options to accelerate the further reduction in the size of GE Capital. Some of these options could have a material financial charge or other adverse effects depending on the timing, negotiated terms and conditions of any ultimate arrangements. It is also possible that contingent liabilities and loss estimates from GE Capital's continuing or discontinued operations, such as those related to Bank BPH (see Note 23) will need to be recognized or increase in the future and will become payable. If GE Capital's credit ratings are downgraded because of inadequate increases in its capital levels over time, changes in rating application or methodology for GE Capital or other factors, GE Capital may also face increased interest costs and limitations on its ability to access external funding in the future. There can be no assurance that future liabilities, losses or impairments to the carrying value of financial assets would not materially and adversely affect GE Capital's business, financial position, results of operations and capacity to provide financing to support orders from GE's industrial businesses, or that factors causing sufficiently severe stress at GE Capital would not require GE to make larger than expected capital contributions to GE Capital in the future.

**Customers & counterparties – Global economic, industry-specific or other developments that weaken the soundness of significant customers, governments, financial institutions or other parties we deal with can adversely affect our business, results of operations and cash flows.** The business and operating results of our industrial businesses have been, and will continue to be, affected by worldwide economic conditions, including conditions in the air transportation, power generation, renewable energy, healthcare and other industries we serve. Existing or potential customers may delay or cancel plans to purchase our products and services, including large infrastructure projects, and may not be able to fulfill their obligations to us in a timely fashion or at all as a result of business deterioration, cash flow shortages or difficulty obtaining financing for particular projects or due to macroeconomic conditions, geopolitical disruptions, changes in law or other challenges affecting the strength of the global economy. The airline industry, for example, is highly cyclical, and the level of demand for air travel is correlated to the strength of the U.S. and international economies. Aviation industry activity is also particularly influenced by a small group of large original equipment manufacturers, as well as large airlines in various geographies, and our credit exposure to some of our largest aviation customers is significant. As described above, the current extended disruption of regional and international air travel from the COVID-19 pandemic has had and is expected to continue to have a material adverse effect on our airframer and airline customers. A potential future disruption in connection with a terrorist incident, cyberattack, actual or threatened public health emergency or recessionary economic environment that results in the loss of business and leisure traffic could also adversely affect these customers, their ability to fulfill their obligations to us in a timely fashion or at all, demand for our products and services and the viability of a customer's business. Secular, cyclical or other pressures facing customers across our energy businesses, including in connection with decarbonization, industry consolidation and competition and shifts in the availability of financing for certain types of projects, can also have a significant impact on the operating results and outlooks for our businesses operating in those industries. GE Capital also has exposure to many different industries and counterparties, including customers that are sovereign governments or located in emerging markets, and routinely executes transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, insurance companies and other institutional clients. Many of these transactions expose GE Capital and its subsidiaries to credit and other risks in the event of insolvency or other default of its counterparty or client. For example, a portion of GE Capital's run-off insurance operations' assets that are held in trust accounts associated with UFLIC reinsurance contracts and reinsurance security trust agreements are currently held in trusts for the benefit of insurance company subsidiaries of Genworth, which in January 2021 announced that it would focus on a contingency plan to meet its near-term liabilities amidst uncertainty around the completion of its planned merger with China Oceanwide. Solvency or other concerns about Genworth or its insurance company subsidiaries may cause those subsidiaries or their regulators to take or attempt to take actions that could adversely affect UFLIC, including control over assets in the relevant trusts. We also at times face greater challenges collecting on receivables with customers that are sovereign governments or located in emerging markets. If there is significant deterioration in the global economy, in our industries, in financial markets or with particular significant counterparties, our results of operations, financial position and cash flows could be materially adversely affected.

**Postretirement benefit plans - Increases in pension, healthcare and life insurance benefits obligations and costs can adversely affect our earnings, cash flows and progress toward our leverage goals.** Our results of operations may be positively or negatively affected by the amount of income or expense we record for our defined benefit pension plans. GAAP requires that we calculate income or expense for the plans using actuarial valuations, which reflect assumptions about financial markets, interest rates and other economic conditions such as the discount rate and the expected long-term rate of return on plan assets. We are also required to make an annual measurement of plan assets and liabilities, which may result in a significant reduction or increase to equity. The factors that impact our pension calculations are subject to changes in key economic indicators, and future decreases in the discount rate or low returns on plan assets can increase our funding obligations and adversely impact our financial results. In addition, although GAAP expense and pension funding contributions are not directly related, key economic factors that affect GAAP expense would also likely affect the amount of cash we would be required to contribute to pension plans under ERISA. Failure to achieve expected returns on plan assets driven by various factors, which could include a continued environment of low interest rates or sustained market volatility, could also result in an increase to the amount of cash we would be required to contribute to pension plans. In addition, there may be upward pressure on the cost of providing healthcare benefits to current and future retirees, and life insurance benefits to eligible retirees. There can be no assurance that the measures we have taken to control increases in these costs will succeed in limiting cost increases, and continued upward pressure could reduce our profitability. For a discussion regarding how our financial statements have been and can be affected by our pension and healthcare benefit obligations, see Note 13.

**LEGAL & COMPLIANCE RISKS.** Legal and compliance risk relates to risks arising from the government and regulatory environment and action and from legal proceedings and compliance with integrity policies and procedures, including those relating to financial reporting and environmental, health and safety matters. Government and regulatory risk includes the risk that the government or regulatory actions will impose additional cost on us or require us to make adverse changes to our business models or practices.



**Regulatory - We are subject to a wide variety of laws, regulations and government policies that may change in significant ways.** Our businesses are subject to regulation under a wide variety of U.S. federal and state and non-U.S. laws, regulations and policies. There can be no assurance that laws, regulations and policies will not be changed or interpreted or enforced in ways that will require us to modify our business models and objectives or affect our returns on investments by restricting existing activities and products, subjecting them to escalating costs or prohibiting them outright. In particular, recent trends globally toward increased protectionism, import and export controls and the use of tariffs and other trade barriers can result in actions by governments around the world that have been and may continue to be disruptive and costly to our businesses, and can interfere with our global operating model and weaken our competitive position. Other legislative and regulatory areas of significance for our businesses that U.S. and non-U.S. governments have focused and continue to focus on include cybersecurity, data privacy and sovereignty, improper payments, competition law, compliance with complex economic sanctions, climate change and greenhouse gas emissions, foreign exchange intervention in response to currency volatility and currency controls that could restrict the movement of liquidity from particular jurisdictions. Potential further changes to tax laws, including changes to taxation of global income, may have an effect on GE's, GE Capital's or other regulated subsidiaries' structure, operations, sales, liquidity, capital requirements, effective tax rate and performance. For example, legislative or regulatory measures by U.S. federal, states or non-U.S. governments, or rules, interpretations or audits under the new or existing tax laws, could increase our costs or tax rate. In addition, efforts by public and private sectors to control healthcare costs may lead to lower reimbursements and increased utilization controls related to the use of our products by healthcare providers. Regulation or government scrutiny may impact the requirements for marketing our products and slow our ability to introduce new products, resulting in an adverse impact on our business. Furthermore, we have been, and expect to continue, participating in U.S. and international governmental programs, which require us to comply with strict governmental regulations. Inability to comply with these regulations could adversely affect our status in these projects and could have collateral consequences such as debarment. Debarment, depending on the entity involved and length of time, can limit our ability to participate in other projects involving multilateral development banks and adversely affect our results of operations, financial position and cash flows.

**Legal proceedings - We are subject to legal proceedings, disputes, investigations and legal compliance risks, including trailing liabilities from businesses that we dispose of or that are inactive.** We are subject to a variety of legal proceedings, commercial disputes, legal compliance risks and environmental, health and safety compliance risks in virtually every part of the world. We, our representatives, and the industries in which we operate are subject to continuing scrutiny by regulators, other governmental authorities and private sector entities or individuals in the U.S., the European Union, China and other jurisdictions, which have led or may, in certain circumstances, lead to enforcement actions, adverse changes to our business practices, fines and penalties, required remedial actions such as contaminated site clean-up or the assertion of private litigation claims, and damages that could be material. For example, following our acquisition of Alstom's Thermal, Renewables and Grid businesses in 2015, we are subject to legacy legal proceedings and legal compliance risks that relate to claimed anti-competitive conduct or improper payments by Alstom in the pre-acquisition period, and payments for settlements, judgments, penalties or other liabilities in connection with those matters have resulted and will in the future result in cash outflows. In addition, while in December 2020 we entered into a settlement to conclude the previously disclosed SEC investigation of GE, we remain subject to a range of shareholder lawsuits related to the Company's financial performance, accounting and disclosure practices and related legacy matters. We have observed that these proceedings related to claims about past financial performance and reporting pose particular reputational risks for the Company that can cause new allegations about past or current misconduct, even if unfounded, to have a more significant impact on our reputation and how we are viewed by investors, customers and others than they otherwise would. We have established reserves for legal matters when and as appropriate; however, the estimation of legal reserves or possible losses involves significant judgment and may not reflect the full range of uncertainties and unpredictable outcomes inherent in litigation and investigations, and the actual losses arising from particular matters may exceed our current estimates and adversely affect our results of operations. There can be no assurance that the risk management and compliance programs we have adopted will mitigate legal and compliance risks, particularly in light of the global and diverse nature of our operations and the current enforcement environment. We are also subject to material trailing legal liabilities from businesses that we dispose of or that are inactive. We also expect that additional legal proceedings and other contingencies will arise from time to time. Moreover, we sell products and services in growth markets where claims arising from alleged violations of law, product failures or other incidents involving our products and services are adjudicated within legal systems that are less developed and less reliable than those of the U.S. or other more developed markets, and this can create additional uncertainty about the outcome of proceedings before courts or other governmental bodies in such markets. See Note 23 for further information about legal proceedings and other loss contingencies.

**LEGAL PROCEEDINGS.** Refer to Legal Matters and Environmental, Health and Safety Matters in Note 23 for information relating to legal proceedings.

## MANAGEMENT AND AUDITOR'S REPORTS

**MANAGEMENT'S DISCUSSION OF FINANCIAL RESPONSIBILITY.** Management is responsible for the preparation of the consolidated financial statements and related information that are presented in this report. The consolidated financial statements, which include amounts based on management's estimates and judgments, have been prepared in conformity with U.S generally accepted accounting principles.

The Company designs and maintains accounting and internal control systems to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that the financial records are reliable for preparing consolidated financial statements and maintaining accountability for assets. These systems are enhanced by policies and procedures, an organizational structure providing division of responsibilities, careful selection and training of qualified personnel, and a program of internal audits.

The Company engaged KPMG LLP, an independent registered public accounting firm, to audit and render an opinion on the consolidated financial statements and internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB). In June 2020, we announced that the Audit Committee selected Deloitte and Touche LLP as the Company's independent registered public accounting firm for the Company's fiscal year ending December 31, 2021.

The Board of Directors, through its Audit Committee, which consists entirely of independent directors, meets periodically with management, internal auditors, and our independent registered public accounting firm to ensure that each is meeting its responsibilities and to discuss matters concerning internal controls and financial reporting. KPMG LLP and the internal auditors each have full and free access to the Audit Committee.

**MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING.** Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. With our participation, an evaluation of the effectiveness of our internal control over financial reporting was conducted as of December 31, 2020, based on the framework and criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2020.

Our independent registered public accounting firm has issued an audit report on our internal control over financial reporting. Their report follows.

/s/ H. Lawrence Culp, Jr.

H. Lawrence Culp, Jr.

Chairman and Chief Executive Officer

February 12, 2021

/s/ Carolina Dybeck Happe

Carolina Dybeck Happe

Chief Financial Officer

**DISCLOSURE CONTROLS.** Under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated our disclosure controls and procedures and internal control over financial reporting and concluded that our disclosure controls and procedures were effective as of December 31, 2020. There have been no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2020, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders  
of General Electric Company:

### ***Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting***

We have audited the accompanying consolidated statements of financial position of General Electric Company and consolidated affiliates (the Company) as of December 31, 2020 and 2019, the related consolidated statements of earnings (loss), comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

### ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control Over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### ***Accompanying Supplemental Information***

The accompanying consolidating information appearing on pages 57, 59, and 61 (the supplemental information) has been subjected to audit procedures performed in conjunction with the audit of the Company's consolidated financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the consolidated financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### **Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### **Evaluation of revenue recognition on certain long-term service agreements**

As discussed in Note 1 to the consolidated financial statements, the Company enters into long-term service agreements with some of its customers. Certain long-term service agreements require the Company to provide maintenance services that may include levels of assurance regarding asset performance and uptime throughout the contract period. Revenue for such long-term service agreements is recognized using the percentage of completion method, based on costs incurred relative to total expected costs.

We identified the evaluation of revenue recognition on certain long-term service agreements as a critical audit matter because of the complex auditor judgment required in evaluating some of the long-term estimates in such arrangements. Such estimates include the amount of customer payments expected to be received over the contract term, which are generally based on a combination of both historical customer utilization of the covered assets as well as forward-looking information such as market conditions. In addition, these estimates include the total costs expected to be incurred to perform required maintenance services over the contract term and include estimates of expected cost improvements when such cost improvements are supported by actual results or have been proven effective. Further, contract modifications that extend or revise contract terms are not uncommon and require judgment in evaluating the related revisions of the long-term estimates.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's revenue recognition process for long-term service agreements, including controls related to estimating customer payments and costs expected to be incurred to perform required maintenance services over the contract term. We evaluated the estimated customer payments by comparing the estimated customer utilization of the covered assets to historical utilization and industry utilization data, specifically considering the information provided by the Company's airline customers about the current outlook in response to the COVID-19 pandemic for commercial air travel and after-market services within the Aviation segment, where available. We evaluated the estimated costs expected to be incurred to perform required maintenance services over the contract term by:

- comparing estimated labor and part costs to historical labor and parts costs,
- comparing the estimated useful life, which is referred to as part life, of certain component parts to historical data and regulatory limits on part life, where applicable,
- inspecting evidence underlying the inclusion of cost improvements in estimated costs, including regulatory and engineering approvals and actual reductions in production costs to date, and
- ascertaining if major overhauls of covered assets are included in the cost estimates on a basis consistent with the estimated customer utilization of the assets that is used in estimating customer payments.

In addition, we involved valuation professionals with specialized skills and knowledge, who assisted in testing certain cost estimates, including assessing statistical models used by the Company to estimate the part life of certain component parts of the covered assets.

#### **Evaluation of premium deficiency testing to assess the adequacy of future policy benefit reserves**

As discussed in Note 12 to the consolidated financial statements, the Company performs premium deficiency testing to assess the adequacy of future policy benefit reserves. This testing is performed on an annual basis, or whenever events and changes in circumstances indicate that a premium deficiency event may have occurred. Significant uncertainties exist in testing cash flow projections in the premium deficiency testing for these insurance contracts, including consideration of a wide range of possible outcomes of future events over the life of the underlying contracts that can extend for long periods of time.

We identified the evaluation of premium deficiency testing to assess the adequacy of future policy benefit reserves as a critical audit matter. Specifically, the evaluation of the following key assumptions in the premium deficiency testing required subjective auditor judgment and specialized skills and knowledge: long-term care morbidity improvement and mortality improvement, discount rates, and long-term care premium rate increases.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's premium deficiency testing process, including controls to develop the key assumptions described above. In addition, we involved actuarial professionals with specialized skills and knowledge, who assisted in:

- assessing the Company's key assumptions and results by evaluating the relevance, reliability, and consistency of the assumptions with each other, the underlying data, relevant historical data, and industry data,
- assessing the summary experience data and the corresponding actuarial assumptions for conformity with generally accepted actuarial principles,
- performing recalculations to assess that the key assumptions were reflected in the cash flow projections, and



- comparing the current year and prior year cash flow projections to analyze the impact of the updated key assumptions on the gross premium valuation used to assess the adequacy of the future policy benefit reserves.

We evaluated projected future long-term premium rate increases by comparing the proposed, attained, denied, and approved premium rate increases to underlying source documentation. We also compared the current year premium rate increase projection to actual historical rate increase experience.

#### ***Evaluation of the carrying value of goodwill in the Additive and GECAS reporting units***

As discussed in Note 8 to the consolidated financial statements, the Company performs a goodwill impairment test on an annual basis or whenever events or changes in circumstances indicate that the carrying value of a reporting unit might exceed its fair value. The discount rate applied to projected cash flows and the selection of publicly traded companies are important elements used by the Company in determining the fair value of each reporting unit and the amount of related goodwill impairment losses. In the second quarter of 2020, the Company performed an interim goodwill impairment test in response to the decline in current market conditions as a result of the COVID-19 pandemic. The goodwill allocated to the Additive reporting unit and the goodwill allocated to the GE Capital Aviation Services (GECAS) reporting unit were determined to be impaired, and impairment losses of \$877 million and \$839 million were recorded, respectively.

We identified the evaluation of the discount rate applied to projected cash flows used in the assessment of the carrying value of goodwill for the Additive reporting unit, and the evaluation of publicly traded companies used in the assessment of the carrying value of goodwill for the GECAS reporting unit, for which such assumptions are used by the Company in the determination of related goodwill impairment losses, as a critical audit matter. Specifically, the evaluation of these assumptions required the application of subjective auditor judgment because changes to these assumptions may have a substantial impact on the determination of fair value of each reporting unit. We performed sensitivity analyses to determine the significance of the assumptions used to determine the fair value of the Additive and GECAS reporting units, individually and in the aggregate, which required a higher degree of auditor judgment.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's goodwill impairment process, including controls over the Company's selection of the discount rate, and the relevance of the publicly traded companies selected by the Company's specialists. In our evaluation of the Additive reporting unit fair value, we evaluated the Company's assessment of the value of the reporting unit under the discounted cash flow method. We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the reasonableness of the discount rate applied to projected cash flows selected by management by comparing the discount rate selected by management against a discount rate that was independently developed using publicly available market data for comparable entities. In our evaluation of the GECAS reporting unit fair value, we involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the Company's assessment of the value of the reporting unit under the market approach. We evaluated the reasonableness of the market approach utilized and we evaluated the relevance of the publicly traded companies utilized by:

- comparing the publicly traded companies selected in management's analysis over the GECAS reporting unit to similar companies in the aircraft leasing industry, and
- comparing management's determination of the fair value of the GECAS reporting unit to a range of fair values that was independently developed.

#### ***Evaluation of the effects of particular tax positions***

As discussed in Note 15 to the consolidated financial statements, the Company's annual tax rate is based on the Company's income, statutory tax rates, and the effects of tax positions taken in the various jurisdictions in which the Company operates. Tax laws are complex and subject to different interpretations by taxpayers and respective government taxing authorities.

We identified the evaluation of the effects of particular tax positions as a critical audit matter. Complex auditor judgment was involved in evaluating the Company's interpretation of applicable tax laws and regulations for these tax positions, including the evaluation of income tax uncertainties related to the tax positions.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's income tax process for particular tax positions, including controls related to the Company's interpretation of applicable tax laws and regulations and the evaluation of income tax uncertainties. We inspected relevant documentation related to particular tax positions, including correspondence between the Company and taxing authorities. In addition, we involved tax professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's interpretation and application of relevant tax laws and regulations related to the tax positions, including income tax uncertainties, and
- assessing the Company's computation of the effects of the tax positions.

/s/ KPMG LLP

KPMG LLP

We have served as the Company's auditor since 1909.

Boston, Massachusetts

February 12, 2021

# STATEMENT OF EARNINGS (LOSS)

For the years ended December 31 (In millions; per-share amounts in dollars)

|                                                                                            | Consolidated    |                   |                    |
|--------------------------------------------------------------------------------------------|-----------------|-------------------|--------------------|
|                                                                                            | 2020            | 2019              | 2018               |
| Sales of goods                                                                             | \$ 49,464       | \$ 58,949         | \$ 60,148          |
| Sales of services                                                                          | 23,558          | 28,538            | 28,792             |
| GE Capital revenues from services                                                          | 6,597           | 7,728             | 8,072              |
| <b>Total revenues (Note 25)</b>                                                            | <b>79,619</b>   | <b>95,214</b>     | <b>97,012</b>      |
| Cost of goods sold                                                                         | 42,041          | 45,902            | 47,570             |
| Cost of services sold                                                                      | 18,380          | 21,009            | 21,833             |
| Selling, general and administrative expenses                                               | 12,621          | 13,949            | 14,643             |
| Research and development                                                                   | 2,565           | 3,118             | 3,415              |
| Interest and other financial charges                                                       | 3,273           | 4,227             | 4,766              |
| Insurance losses and annuity benefits (Note 12)                                            | 2,397           | 3,294             | 2,790              |
| Goodwill impairments (Note 8)                                                              | 1,717           | 1,486             | 22,136             |
| Non-operating benefit costs                                                                | 2,433           | 2,844             | 2,753              |
| Other costs and expenses                                                                   | 384             | 458               | 414                |
| <b>Total costs and expenses</b>                                                            | <b>85,809</b>   | <b>96,287</b>     | <b>120,320</b>     |
| Other income (Note 19)                                                                     | 11,387          | 2,222             | 2,321              |
| <b>Earnings (loss) from continuing operations before income taxes</b>                      | <b>5,197</b>    | <b>1,149</b>      | <b>(20,987)</b>    |
| Benefit (provision) for income taxes (Note 15)                                             | 474             | (726)             | (93)               |
| <b>Earnings (loss) from continuing operations</b>                                          | <b>5,672</b>    | <b>423</b>        | <b>(21,080)</b>    |
| Earnings (loss) from discontinued operations, net of taxes (Note 2)                        | (125)           | (5,335)           | (1,363)            |
| <b>Net earnings (loss)</b>                                                                 | <b>5,546</b>    | <b>(4,912)</b>    | <b>(22,443)</b>    |
| Less net earnings (loss) attributable to noncontrolling interests                          | (158)           | 66                | (89)               |
| <b>Net earnings (loss) attributable to the Company</b>                                     | <b>5,704</b>    | <b>(4,979)</b>    | <b>(22,355)</b>    |
| Preferred stock dividends                                                                  | (474)           | (460)             | (447)              |
| <b>Net earnings (loss) attributable to GE common shareholders</b>                          | <b>\$ 5,230</b> | <b>\$ (5,439)</b> | <b>\$ (22,802)</b> |
| <b>Amounts attributable to GE common shareholders</b>                                      |                 |                   |                    |
| Earnings (loss) from continuing operations                                                 | \$ 5,672        | \$ 423            | \$ (21,080)        |
| Less net earnings (loss) attributable to noncontrolling interests, continuing operations   | (158)           | 7                 | (90)               |
| Earnings (loss) from continuing operations attributable to the Company                     | 5,829           | 416               | (20,991)           |
| Preferred stock dividends                                                                  | (474)           | (460)             | (447)              |
| Earnings (loss) from continuing operations attributable to GE common shareholders          | 5,355           | (44)              | (21,438)           |
| Earnings (loss) from discontinued operations, net of taxes                                 | (125)           | (5,335)           | (1,363)            |
| Less net earnings (loss) attributable to noncontrolling interests, discontinued operations | —               | 60                | 1                  |
| <b>Net earnings (loss) attributable to GE common shareholders</b>                          | <b>\$ 5,230</b> | <b>\$ (5,439)</b> | <b>\$ (22,802)</b> |
| <b>Per-share amounts (Note 18)</b>                                                         |                 |                   |                    |
| Earnings (loss) from continuing operations                                                 |                 |                   |                    |
| Diluted earnings (loss) per share                                                          | \$ 0.59         | \$ (0.01)         | \$ (2.47)          |
| Basic earnings (loss) per share                                                            | \$ 0.59         | \$ (0.01)         | \$ (2.47)          |
| Net earnings (loss)                                                                        |                 |                   |                    |
| Diluted earnings (loss) per share                                                          | \$ 0.58         | \$ (0.62)         | \$ (2.62)          |
| Basic earnings (loss) per share                                                            | \$ 0.58         | \$ (0.62)         | \$ (2.62)          |
| <b>Dividends declared per common share</b>                                                 | <b>\$ 0.04</b>  | <b>\$ 0.04</b>    | <b>\$ 0.37</b>     |

**STATEMENT OF EARNINGS (LOSS)**  
**(CONTINUED)**

| <i>For the years ended December 31 (In millions)</i>                                       | GE Industrial   |                   |                    | GE Capital        |                 |                   |
|--------------------------------------------------------------------------------------------|-----------------|-------------------|--------------------|-------------------|-----------------|-------------------|
|                                                                                            | 2020            | 2019              | 2018               | 2020              | 2019            | 2018              |
| Sales of goods                                                                             | \$ 49,443       | \$ 59,138         | \$ 60,147          | \$ 57             | \$ 79           | \$ 121            |
| Sales of services                                                                          | 23,656          | 28,581            | 28,891             | —                 | —               | —                 |
| GE Capital revenues from services                                                          | —               | —                 | —                  | 7,188             | 8,662           | 9,430             |
| <b>Total revenues (Note 25)</b>                                                            | <b>73,100</b>   | <b>87,719</b>     | <b>89,038</b>      | <b>7,245</b>      | <b>8,741</b>    | <b>9,551</b>      |
| Cost of goods sold                                                                         | 42,030          | 46,115            | 47,591             | 48                | 61              | 95                |
| Cost of services sold                                                                      | 15,951          | 19,051            | 19,869             | 2,527             | 2,019           | 2,089             |
| Selling, general and administrative expenses                                               | 12,073          | 13,404            | 13,851             | 823               | 931             | 1,341             |
| Research and development                                                                   | 2,565           | 3,118             | 3,415              | —                 | —               | —                 |
| Interest and other financial charges                                                       | 1,333           | 2,115             | 2,415              | 2,186             | 2,532           | 2,982             |
| Insurance losses and annuity benefits (Note 12)                                            | —               | —                 | —                  | 2,438             | 3,353           | 2,849             |
| Goodwill impairments (Note 8)                                                              | 877             | 1,486             | 22,136             | 839               | —               | —                 |
| Non-operating benefit costs                                                                | 2,424           | 2,828             | 2,740              | 9                 | 16              | 12                |
| Other costs and expenses                                                                   | —               | —                 | (51)               | 469               | 480             | 558               |
| <b>Total costs and expenses</b>                                                            | <b>77,252</b>   | <b>88,118</b>     | <b>111,967</b>     | <b>9,339</b>      | <b>9,392</b>    | <b>9,926</b>      |
| Other income (Note 19)                                                                     | 11,444          | 2,200             | 2,317              | —                 | —               | —                 |
| <b>Earnings (loss) from continuing operations before income taxes</b>                      | <b>7,291</b>    | <b>1,801</b>      | <b>(20,612)</b>    | <b>(2,095)</b>    | <b>(652)</b>    | <b>(375)</b>      |
| Benefit (provision) for income taxes (Note 15)                                             | (388)           | (1,309)           | (467)              | 862               | 582             | 374               |
| <b>Earnings (loss) from continuing operations</b>                                          | <b>6,904</b>    | <b>492</b>        | <b>(21,079)</b>    | <b>(1,232)</b>    | <b>(69)</b>     | <b>(1)</b>        |
| Earnings (loss) from discontinued operations, net of taxes (Note 2)                        | (35)            | (5,527)           | 307                | (90)              | 192             | (1,670)           |
| <b>Net earnings (loss)</b>                                                                 | <b>6,868</b>    | <b>(5,035)</b>    | <b>(20,772)</b>    | <b>(1,322)</b>    | <b>123</b>      | <b>(1,672)</b>    |
| Less net earnings (loss) attributable to noncontrolling interests                          | (161)           | 66                | (129)              | 3                 | 1               | 40                |
| <b>Net earnings (loss) attributable to the Company</b>                                     | <b>7,029</b>    | <b>(5,101)</b>    | <b>(20,643)</b>    | <b>(1,325)</b>    | <b>122</b>      | <b>(1,712)</b>    |
| Preferred stock dividends                                                                  | —               | —                 | —                  | (474)             | (460)           | (447)             |
| <b>Net earnings (loss) attributable to GE common shareholders</b>                          | <b>\$ 7,029</b> | <b>\$ (5,101)</b> | <b>\$ (20,643)</b> | <b>\$ (1,800)</b> | <b>\$ (338)</b> | <b>\$ (2,159)</b> |
| <b>Amounts attributable to GE common shareholders:</b>                                     |                 |                   |                    |                   |                 |                   |
| Earnings (loss) from continuing operations                                                 | \$ 6,904        | \$ 492            | \$ (21,079)        | \$ (1,232)        | \$ (69)         | \$ (1)            |
| Less net earnings (loss) attributable to noncontrolling interests, continuing operations   | (161)           | 6                 | (130)              | 3                 | 1               | 40                |
| Earnings (loss) from continuing operations attributable to the Company                     | 7,065           | 486               | (20,949)           | (1,235)           | (70)            | (42)              |
| Preferred stock dividends                                                                  | —               | —                 | —                  | (474)             | (460)           | (447)             |
| Earnings (loss) from continuing operations attributable to GE common shareholders          | 7,065           | 486               | (20,949)           | (1,710)           | (530)           | (489)             |
| Earnings (loss) from discontinued operations, net of taxes                                 | (35)            | (5,527)           | 307                | (90)              | 192             | (1,670)           |
| Less net earnings (loss) attributable to noncontrolling interests, discontinued operations | —               | 60                | 1                  | —                 | —               | —                 |
| <b>Net earnings (loss) attributable to GE common shareholders</b>                          | <b>\$ 7,029</b> | <b>\$ (5,101)</b> | <b>\$ (20,643)</b> | <b>\$ (1,800)</b> | <b>\$ (338)</b> | <b>\$ (2,159)</b> |

# STATEMENT OF FINANCIAL POSITION

December 31 (In millions, except share amounts)

|                                                                                                                            | Consolidated      |                   |
|----------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                                                            | 2020              | 2019              |
| Cash, cash equivalents and restricted cash(a)                                                                              | \$ 36,630         | \$ 35,811         |
| Investment securities (Note 3)                                                                                             | 7,319             | 9,888             |
| Current receivables (Note 4)                                                                                               | 16,691            | 16,568            |
| Financing receivables – net (Note 5)                                                                                       | 1,265             | 1,077             |
| Inventories, including deferred inventory costs (Note 6)                                                                   | 15,890            | 17,215            |
| Other GE Capital receivables                                                                                               | 3,331             | 2,635             |
| Receivable from GE Capital                                                                                                 | —                 | —                 |
| Current contract assets (Note 9)                                                                                           | 5,764             | 7,390             |
| All other current assets (Note 10)                                                                                         | 1,522             | 3,362             |
| Assets of businesses held for sale (Note 2)                                                                                | —                 | 9,149             |
| <b>Current assets</b>                                                                                                      | <b>88,412</b>     | <b>103,096</b>    |
| Investment securities (Note 3)                                                                                             | 42,549            | 38,632            |
| Financing receivables – net (Note 5)                                                                                       | 1,771             | 2,057             |
| Other GE Capital receivables                                                                                               | 4,661             | 4,509             |
| Property, plant and equipment – net (Note 7)                                                                               | 44,662            | 45,879            |
| Receivable from GE Capital                                                                                                 | —                 | —                 |
| Goodwill (Note 8)                                                                                                          | 25,524            | 26,734            |
| Other intangible assets – net (Note 8)                                                                                     | 9,774             | 10,653            |
| Contract and other deferred assets (Note 9)                                                                                | 5,888             | 5,737             |
| All other assets (Note 10)                                                                                                 | 14,597            | 13,882            |
| Deferred income taxes (Note 15)                                                                                            | 12,081            | 9,889             |
| Assets of discontinued operations (Note 2)                                                                                 | 3,532             | 4,109             |
| <b>Total assets</b>                                                                                                        | <b>\$ 253,452</b> | <b>\$ 265,177</b> |
| Short-term borrowings (Note 11)                                                                                            | \$ 4,778          | \$ 23,641         |
| Short-term borrowings assumed by GE (Note 11)                                                                              | —                 | —                 |
| Accounts payable and equipment project accruals                                                                            | 16,476            | 17,357            |
| Progress collections and deferred income (Note 9)                                                                          | 18,215            | 18,389            |
| All other current liabilities (Note 14)                                                                                    | 16,600            | 17,821            |
| Liabilities of businesses held for sale (Note 2)                                                                           | —                 | 1,658             |
| <b>Current liabilities</b>                                                                                                 | <b>56,069</b>     | <b>78,865</b>     |
| Deferred income (Note 9)                                                                                                   | 1,801             | 1,555             |
| Long-term borrowings (Note 11)                                                                                             | 70,288            | 67,241            |
| Long-term borrowings assumed by GE (Note 11)                                                                               | —                 | —                 |
| Insurance liabilities and annuity benefits (Note 12)                                                                       | 42,191            | 39,826            |
| Non-current compensation and benefits                                                                                      | 29,752            | 31,687            |
| All other liabilities (Note 14)                                                                                            | 16,077            | 15,938            |
| Liabilities of discontinued operations (Note 2)                                                                            | 200               | 203               |
| <b>Total liabilities</b>                                                                                                   | <b>216,378</b>    | <b>235,316</b>    |
| Preferred stock (5,939,875 shares outstanding at both December 31, 2020 and December 31, 2019)                             | 6                 | 6                 |
| Common stock (8,765,493,000 and 8,738,434,000 shares outstanding at December 31, 2020 and December 31, 2019, respectively) | 702               | 702               |
| Accumulated other comprehensive income (loss) – net attributable to GE                                                     | (9,749)           | (11,732)          |
| Other capital                                                                                                              | 34,307            | 34,405            |
| Retained earnings                                                                                                          | 92,247            | 87,732            |
| Less common stock held in treasury                                                                                         | (81,961)          | (82,797)          |
| Total GE shareholders' equity                                                                                              | 35,552            | 28,316            |
| Noncontrolling interests (Note 16)                                                                                         | 1,522             | 1,545             |
| <b>Total equity</b>                                                                                                        | <b>37,073</b>     | <b>29,861</b>     |
| <b>Total liabilities and equity</b>                                                                                        | <b>\$ 253,452</b> | <b>\$ 265,177</b> |

(a) Excluded \$455 million and \$583 million at December 31, 2020 and 2019, respectively, in GE Capital insurance entities, which is subject to regulatory restrictions. This balance is included in All other assets. See Note 10 for further information.



**STATEMENT OF FINANCIAL POSITION (CONTINUED)**
*December 31 (In millions, except share amounts)*

|                                                                                                                            | GE Industrial     |                   | GE Capital        |                   |
|----------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                                                                            | 2020              | 2019              | 2020              | 2019              |
| Cash, cash equivalents and restricted cash                                                                                 | \$ 23,209         | \$ 17,613         | \$ 13,421         | \$ 18,198         |
| Investment securities (Note 3)                                                                                             | 7,319             | 9,888             | —                 | —                 |
| Current receivables (Note 4)                                                                                               | 13,442            | 13,682            | —                 | —                 |
| Financing receivables – net (Note 5)                                                                                       | —                 | —                 | 5,110             | 4,922             |
| Inventories, including deferred inventory costs (Note 6)                                                                   | 15,890            | 17,215            | —                 | —                 |
| Other GE Capital receivables                                                                                               | —                 | —                 | 5,069             | 6,881             |
| Receivable from GE Capital                                                                                                 | 2,432             | 2,104             | —                 | —                 |
| Current contract assets (Note 9)                                                                                           | 5,764             | 7,390             | —                 | —                 |
| All other current assets (Note 10)                                                                                         | 835               | 852               | 1,021             | 2,936             |
| Assets of businesses held for sale (Note 2)                                                                                | —                 | 8,626             | —                 | 241               |
| <b>Current assets</b>                                                                                                      | <b>68,892</b>     | <b>77,371</b>     | <b>24,621</b>     | <b>33,177</b>     |
| Investment securities (Note 3)                                                                                             | 36                | 120               | 42,515            | 38,514            |
| Financing receivables – net (Note 5)                                                                                       | —                 | —                 | 1,771             | 2,057             |
| Other GE Capital receivables                                                                                               | —                 | —                 | 5,076             | 4,886             |
| Property, plant and equipment – net (Note 7)                                                                               | 16,433            | 17,447            | 29,600            | 29,886            |
| Receivable from GE Capital                                                                                                 | 16,780            | 17,038            | —                 | —                 |
| Goodwill (Note 8)                                                                                                          | 25,524            | 25,895            | —                 | 839               |
| Other intangible assets – net (Note 8)                                                                                     | 9,632             | 10,461            | 143               | 192               |
| Contract and other deferred assets (Note 9)                                                                                | 5,921             | 5,769             | —                 | —                 |
| All other assets (Note 10)                                                                                                 | 7,948             | 7,748             | 7,068             | 6,294             |
| Deferred income taxes (Note 15)                                                                                            | 9,350             | 8,189             | 2,731             | 1,700             |
| Assets of discontinued operations (Note 2)                                                                                 | 144               | 202               | 3,388             | 3,907             |
| <b>Total assets</b>                                                                                                        | <b>\$ 160,658</b> | <b>\$ 170,238</b> | <b>\$ 116,914</b> | <b>\$ 121,454</b> |
| Short-term borrowings (Note 11)                                                                                            | \$ 918            | \$ 5,606          | \$ 2,028          | \$ 13,598         |
| Short-term borrowings assumed by GE (Note 11)                                                                              | 2,432             | 5,473             | 2,432             | 2,104             |
| Accounts payable and equipment project accruals                                                                            | 16,380            | 19,134            | 947               | 886               |
| Progress collections and deferred income (Note 9)                                                                          | 18,371            | 18,575            | —                 | —                 |
| All other current liabilities (Note 14)                                                                                    | 14,131            | 15,251            | 3,890             | 4,052             |
| Liabilities of businesses held for sale (Note 2)                                                                           | —                 | 1,620             | —                 | 52                |
| <b>Current liabilities</b>                                                                                                 | <b>52,232</b>     | <b>65,660</b>     | <b>9,297</b>      | <b>20,691</b>     |
| Deferred income (Note 9)                                                                                                   | 1,801             | 1,555             | —                 | —                 |
| Long-term borrowings (Note 11)                                                                                             | 19,428            | 15,085            | 30,902            | 26,261            |
| Long-term borrowings assumed by GE (Note 11)                                                                               | 19,957            | 25,895            | 16,780            | 17,038            |
| Insurance liabilities and annuity benefits (Note 12)                                                                       | —                 | —                 | 42,565            | 40,232            |
| Non-current compensation and benefits                                                                                      | 29,291            | 31,208            | 453               | 472               |
| All other liabilities (Note 14)                                                                                            | 16,440            | 16,306            | 1,151             | 1,226             |
| Liabilities of discontinued operations (Note 2)                                                                            | 139               | 106               | 61                | 97                |
| <b>Total liabilities</b>                                                                                                   | <b>139,289</b>    | <b>155,815</b>    | <b>101,210</b>    | <b>106,016</b>    |
| Preferred stock (5,939,875 shares outstanding at both December 31, 2020 and December 31, 2019)                             | 6                 | 6                 | 6                 | 6                 |
| Common stock (8,765,493,000 and 8,738,434,000 shares outstanding at December 31, 2020 and December 31, 2019, respectively) | 702               | 702               | —                 | —                 |
| Accumulated other comprehensive income (loss) – net attributable to GE                                                     | (8,945)           | (10,881)          | (804)             | (852)             |
| Other capital                                                                                                              | 15,294            | 17,398            | 19,007            | 17,001            |
| Retained earnings                                                                                                          | 94,910            | 88,589            | (2,663)           | (857)             |
| Less common stock held in treasury                                                                                         | (81,961)          | (82,797)          | —                 | —                 |
| Total GE shareholders' equity                                                                                              | 20,006            | 13,017            | 15,545            | 15,299            |
| Noncontrolling interests (Note 16)                                                                                         | 1,363             | 1,406             | 159               | 139               |
| <b>Total equity</b>                                                                                                        | <b>21,369</b>     | <b>14,423</b>     | <b>15,704</b>     | <b>15,438</b>     |
| <b>Total liabilities and equity</b>                                                                                        | <b>\$ 160,658</b> | <b>\$ 170,238</b> | <b>\$ 116,914</b> | <b>\$ 121,454</b> |

# STATEMENT OF CASH FLOWS

For the years ended December 31 (In millions)

|                                                                                           | Consolidated    |                 |                 |
|-------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|
|                                                                                           | 2020            | 2019            | 2018            |
| Net earnings (loss)                                                                       | \$ 5,546        | \$ (4,912)      | \$ (22,443)     |
| (Earnings) loss from discontinued operations                                              | 125             | 5,335           | 1,363           |
| Adjustments to reconcile net earnings (loss) to cash provided from operating activities:  |                 |                 |                 |
| Depreciation and amortization of property, plant and equipment (Note 7)                   | 4,636           | 4,026           | 4,419           |
| Amortization of intangible assets (Note 8)                                                | 1,382           | 1,569           | 2,163           |
| Goodwill impairments (Note 8)                                                             | 1,717           | 1,486           | 22,136          |
| (Gains) losses on purchases and sales of business interests (Note 19)                     | (12,526)        | (53)            | (1,522)         |
| (Gains) losses on equity securities (Note 19)                                             | 2,105           | (693)           | (166)           |
| Principal pension plans cost (Note 13)                                                    | 3,559           | 3,878           | 4,226           |
| Principal pension plans employer contributions (Note 13)                                  | (2,806)         | (298)           | (6,283)         |
| Other postretirement benefit plans (net) (Note 13)                                        | (893)           | (1,228)         | (1,033)         |
| Provision (benefit) for income taxes (Note 15)                                            | (474)           | 726             | 93              |
| Cash recovered (paid) during the year for income taxes (Note 15)                          | (1,441)         | (1,950)         | (1,404)         |
| Changes in operating working capital:                                                     |                 |                 |                 |
| Decrease (increase) in current receivables                                                | (1,319)         | (2,851)         | (358)           |
| Decrease (increase) in inventories, including deferred inventory costs                    | 1,105           | (1,581)         | (573)           |
| Decrease (increase) in current contract assets                                            | 1,631           | 891             | 751             |
| Increase (decrease) in accounts payable and equipment project accruals                    | (575)           | 2,674           | 666             |
| Increase (decrease) in progress collections and current deferred income                   | (216)           | 1,531           | (563)           |
| All other operating activities                                                            | 2,040           | 1,869           | 1,739           |
| <b>Cash from (used for) operating activities – continuing operations</b>                  | <b>3,597</b>    | <b>10,419</b>   | <b>3,210</b>    |
| Cash from (used for) operating activities – discontinued operations                       | —               | (1,647)         | 1,768           |
| <b>Cash from (used for) operating activities</b>                                          | <b>3,597</b>    | <b>8,772</b>    | <b>4,978</b>    |
| Additions to property, plant and equipment                                                | (3,252)         | (5,813)         | (6,627)         |
| Dispositions of property, plant and equipment                                             | 1,644           | 3,718           | 4,093           |
| Additions to internal-use software                                                        | (151)           | (282)           | (320)           |
| Net decrease (increase) in GE Capital financing receivables                               | (20)            | 1,117           | 1,796           |
| Proceeds from sale of discontinued operations                                             | —               | 5,864           | 29              |
| Proceeds from principal business dispositions                                             | 20,596          | 4,683           | 8,425           |
| Net cash from (payments for) principal businesses purchased                               | (85)            | (68)            | (1)             |
| Capital contribution from GE Industrial to GE Capital                                     | —               | —               | —               |
| Sales of retained ownership interests                                                     | 417             | 3,383           | —               |
| Net (purchases) dispositions of GE Capital investment securities (Note 3)                 | (1,352)         | (1,616)         | 2,534           |
| All other investing activities                                                            | (1,019)         | (301)           | 8,995           |
| <b>Cash from (used for) investing activities – continuing operations</b>                  | <b>16,778</b>   | <b>10,684</b>   | <b>18,925</b>   |
| Cash from (used for) investing activities – discontinued operations                       | (136)           | (1,745)         | (645)           |
| <b>Cash from (used for) investing activities</b>                                          | <b>16,642</b>   | <b>8,939</b>    | <b>18,280</b>   |
| Net increase (decrease) in borrowings (maturities of 90 days or less)                     | (4,168)         | 280             | (4,343)         |
| Newly issued debt (maturities longer than 90 days)                                        | 15,028          | 2,185           | 3,120           |
| Repayments and other reductions (maturities longer than 90 days)                          | (29,876)        | (16,567)        | (20,319)        |
| Capital contribution from GE Industrial to GE Capital                                     | —               | —               | —               |
| Dividends paid to shareholders                                                            | (648)           | (649)           | (4,474)         |
| All other financing activities                                                            | (188)           | (1,013)         | (1,328)         |
| <b>Cash from (used for) financing activities – continuing operations</b>                  | <b>(19,853)</b> | <b>(15,764)</b> | <b>(27,345)</b> |
| Cash from (used for) financing activities – discontinued operations                       | 1               | (368)           | (4,462)         |
| <b>Cash from (used for) financing activities</b>                                          | <b>(19,852)</b> | <b>(16,133)</b> | <b>(31,806)</b> |
| Effect of currency exchange rate changes on cash, cash equivalents and restricted cash    | 145             | (50)            | (628)           |
| <b>Increase (decrease) in cash, cash equivalents and restricted cash</b>                  | <b>531</b>      | <b>1,529</b>    | <b>(9,176)</b>  |
| Cash, cash equivalents and restricted cash at beginning of year                           | 37,077          | 35,548          | 44,724          |
| Cash, cash equivalents and restricted cash at end of year                                 | 37,608          | 37,077          | 35,548          |
| Less cash, cash equivalents and restricted cash of discontinued operations at end of year | 524             | 638             | 4,424           |
| Cash, cash equivalents and restricted cash of continuing operations at end of year        | \$ 37,085       | \$ 36,439       | \$ 31,124       |
| <b>Supplemental disclosure of cash flows information</b>                                  |                 |                 |                 |
| Cash paid during the year for interest                                                    | \$ (2,976)      | \$ (4,101)      | \$ (4,508)      |

**STATEMENT OF CASH FLOWS (CONTINUED)**
*For the years ended December 31 (In millions)*

|                                                                                           | GE Industrial   |                |                | GE Capital      |                |                 |
|-------------------------------------------------------------------------------------------|-----------------|----------------|----------------|-----------------|----------------|-----------------|
|                                                                                           | 2020            | 2019           | 2018           | 2020            | 2019           | 2018            |
| Net earnings (loss)                                                                       | \$ 6,868        | \$ (5,035)     | \$ (20,772)    | \$ (1,322)      | \$ 123         | \$ (1,672)      |
| (Earnings) loss from discontinued operations                                              | 35              | 5,527          | (307)          | 90              | (192)          | 1,670           |
| Adjustments to reconcile net earnings (loss) to cash provided from operating activities:  |                 |                |                |                 |                |                 |
| Depreciation and amortization of property, plant and equipment (Note 7)                   | 2,130           | 2,001          | 2,290          | 2,534           | 2,026          | 2,110           |
| Amortization of intangible assets (Note 8)                                                | 1,325           | 1,512          | 2,109          | 57              | 57             | 53              |
| Goodwill impairments (Note 8)                                                             | 877             | 1,486          | 22,136         | 839             | —              | —               |
| (Gains) losses on purchases and sales of business interests (Note 19)                     | (12,468)        | (3)            | (1,234)        | (58)            | (50)           | (288)           |
| (Gains) losses on equity securities (Note 19)                                             | 2,080           | (688)          | (185)          | 25              | (6)            | 21              |
| Principal pension plans cost (Note 13)                                                    | 3,559           | 3,878          | 4,226          | —               | —              | —               |
| Principal pension plans employer contributions (Note 13)                                  | (2,806)         | (298)          | (6,283)        | —               | —              | —               |
| Other postretirement benefit plans (net) (Note 13)                                        | (846)           | (1,213)        | (1,015)        | (47)            | (15)           | (18)            |
| Provision (benefit) for income taxes (Note 15)                                            | 388             | 1,309          | 467            | (862)           | (582)          | (374)           |
| Cash recovered (paid) during the year for income taxes (Note 15)                          | (2,447)         | (1,904)        | (1,343)        | 1,007           | (46)           | (61)            |
| Changes in operating working capital:                                                     |                 |                |                |                 |                |                 |
| Decrease (increase) in current receivables                                                | (558)           | (3,904)        | (966)          | —               | —              | —               |
| Decrease (increase) in inventories, including deferred inventory costs                    | 1,188           | (1,349)        | (581)          | —               | —              | —               |
| Decrease (increase) in current contract assets                                            | 1,631           | 891            | 751            | —               | —              | —               |
| Increase (decrease) in accounts payable and equipment project accruals                    | (2,556)         | 381            | 716            | (29)            | (44)           | 2               |
| Increase (decrease) in progress collections and current deferred income                   | (247)           | 1,476          | (424)          | —               | —              | —               |
| All other operating activities                                                            | 591             | 548            | 1,117          | 1,261           | 610            | 138             |
| <b>Cash from (used for) operating activities – continuing operations</b>                  | <b>(1,254)</b>  | <b>4,614</b>   | <b>701</b>     | <b>3,495</b>    | <b>1,881</b>   | <b>1,582</b>    |
| Cash from (used for) operating activities – discontinued operations                       | 32              | (49)           | 2,051          | (32)            | (1,917)        | (415)           |
| <b>Cash from (used for) operating activities</b>                                          | <b>(1,223)</b>  | <b>4,565</b>   | <b>2,752</b>   | <b>3,463</b>    | <b>(35)</b>    | <b>1,166</b>    |
| Additions to property, plant and equipment                                                | (1,579)         | (2,216)        | (2,234)        | (1,765)         | (3,830)        | (4,569)         |
| Dispositions of property, plant and equipment                                             | 202             | 371            | 271            | 1,450           | 3,348          | 3,853           |
| Additions to internal-use software                                                        | (143)           | (274)          | (306)          | (7)             | (8)            | (14)            |
| Net decrease (increase) in GE Capital financing receivables (Note 5)                      | —               | —              | —              | 199             | 3,389          | 9,986           |
| Proceeds from sale of discontinued operations                                             | —               | 5,864          | —              | —               | —              | 29              |
| Proceeds from principal business dispositions                                             | 20,394          | 1,083          | 6,047          | 34              | 3,938          | 2,011           |
| Net cash from (payments for) principal businesses purchased                               | (85)            | (447)          | (1)            | —               | —              | —               |
| Capital contribution from GE Industrial to GE Capital                                     | (2,000)         | (4,000)        | —              | —               | —              | —               |
| Sales of retained ownership interests                                                     | 417             | 3,383          | —              | —               | —              | —               |
| Net (purchases) dispositions of GE Capital investment securities (Note 3)                 | —               | —              | —              | (1,352)         | (1,616)        | 2,534           |
| All other investing activities                                                            | 523             | 292            | (640)          | 9,673           | 4,233          | (2,052)         |
| <b>Cash from (used for) investing activities – continuing operations</b>                  | <b>17,729</b>   | <b>4,056</b>   | <b>3,138</b>   | <b>8,231</b>    | <b>9,453</b>   | <b>11,777</b>   |
| Cash from (used for) investing activities – discontinued operations                       | (36)            | (3,449)        | (698)          | (100)           | 2,023          | 186             |
| <b>Cash from (used for) investing activities</b>                                          | <b>17,693</b>   | <b>607</b>     | <b>2,439</b>   | <b>8,131</b>    | <b>11,476</b>  | <b>11,964</b>   |
| Net increase (decrease) in borrowings (maturities of 90 days or less)                     | (4,234)         | (595)          | (987)          | (525)           | (256)          | (4,308)         |
| Newly issued debt (maturities longer than 90 days)                                        | 7,462           | 31             | 6,570          | 7,566           | 2,154          | 3,045           |
| Repayments and other reductions (maturities longer than 90 days)                          | (13,673)        | (6,458)        | (1,023)        | (25,252)        | (11,632)       | (19,836)        |
| Capital contribution from GE Industrial to GE Capital                                     | —               | —              | —              | 2,000           | 4,000          | —               |
| Dividends paid to shareholders                                                            | (354)           | (352)          | (4,179)        | (469)           | (455)          | (371)           |
| All other financing activities                                                            | (141)           | (283)          | 1,090          | (58)            | (819)          | (2,408)         |
| <b>Cash from (used for) financing activities – continuing operations</b>                  | <b>(10,941)</b> | <b>(7,658)</b> | <b>1,470</b>   | <b>(16,738)</b> | <b>(7,007)</b> | <b>(23,878)</b> |
| Cash from (used for) financing activities – discontinued operations                       | 1               | (368)          | (4,462)        | —               | (1)            | —               |
| <b>Cash from (used for) financing activities</b>                                          | <b>(10,940)</b> | <b>(8,026)</b> | <b>(2,992)</b> | <b>(16,738)</b> | <b>(7,008)</b> | <b>(23,878)</b> |
| Effect of currency exchange rate changes on cash, cash equivalents and restricted cash    | 61              | (56)           | (494)          | 84              | 6              | (134)           |
| <b>Increase (decrease) in cash, cash equivalents and restricted cash</b>                  | <b>5,591</b>    | <b>(2,911)</b> | <b>1,706</b>   | <b>(5,060)</b>  | <b>4,439</b>   | <b>(10,882)</b> |
| Cash, cash equivalents and restricted cash at beginning of year                           | 17,617          | 20,528         | 18,822         | 19,460          | 15,020         | 25,902          |
| Cash, cash equivalents and restricted cash at end of year                                 | 23,209          | 17,617         | 20,528         | 14,400          | 19,460         | 15,020          |
| Less cash, cash equivalents and restricted cash of discontinued operations at end of year | —               | 4              | 3,896          | 524             | 633            | 528             |
| Cash, cash equivalents and restricted cash of continuing operations at end of year        | \$23,209        | \$17,613       | \$16,632       | \$13,876        | \$18,826       | \$14,492        |
| <b>Supplemental disclosure of cash flows information</b>                                  |                 |                |                |                 |                |                 |
| Cash paid during the year for interest                                                    | \$ (1,276)      | \$ (1,975)     | \$ (2,201)     | \$ (1,957)      | \$ (2,632)     | \$ (2,883)      |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31 (In millions)

|                                                                                 | 2020     | 2019       | 2018        |
|---------------------------------------------------------------------------------|----------|------------|-------------|
| <b>Net earnings (loss)</b>                                                      | \$ 5,546 | \$ (4,912) | \$ (22,443) |
| Less net earnings (loss) attributable to noncontrolling interests               | (158)    | 66         | (89)        |
| <b>Net earnings (loss) attributable to the Company</b>                          | \$ 5,704 | \$ (4,979) | \$ (22,355) |
| Investment securities                                                           | \$ (1)   | \$ 100     | \$ 64       |
| Currency translation adjustments                                                | 435      | 1,275      | (1,664)     |
| Cash flow hedges                                                                | (77)     | 36         | (51)        |
| Benefit plans                                                                   | 1,632    | 1,229      | 1,416       |
| <b>Other comprehensive income (loss)</b>                                        | 1,989    | 2,641      | (235)       |
| Less other comprehensive income (loss) attributable to noncontrolling interests | 6        | (40)       | (225)       |
| <b>Other comprehensive income (loss) attributable to the Company</b>            | \$ 1,984 | \$ 2,681   | \$ (10)     |
| <b>Comprehensive income (loss)</b>                                              | \$ 7,536 | \$ (2,272) | \$ (22,678) |
| Less comprehensive income (loss) attributable to noncontrolling interests       | (152)    | 26         | (314)       |
| <b>Comprehensive income (loss) attributable to the Company</b>                  | \$ 7,688 | \$ (2,297) | \$ (22,364) |

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31 (In millions)

|                                                                     | 2020        | 2019        | 2018        |
|---------------------------------------------------------------------|-------------|-------------|-------------|
| Preferred stock issued                                              | \$ 6        | \$ 6        | \$ 6        |
| Common stock issued                                                 | \$ 702      | \$ 702      | \$ 702      |
| Beginning balance                                                   | (11,732)    | (14,414)    | (14,404)    |
| Investment securities                                               | (1)         | 100         | 63          |
| Currency translation adjustments                                    | 433         | 1,315       | (1,472)     |
| Cash flow hedges                                                    | (77)        | 35          | (49)        |
| Benefit plans                                                       | 1,628       | 1,231       | 1,448       |
| <b>Accumulated other comprehensive income (loss) ending balance</b> | \$ (9,749)  | \$ (11,732) | \$ (14,414) |
| Beginning balance                                                   | 34,405      | 35,504      | 37,384      |
| Gains (losses) on treasury stock dispositions                       | (703)       | (925)       | (759)       |
| Stock-based compensation                                            | 429         | 475         | 413         |
| Other changes                                                       | 176         | (649)       | (1,534)     |
| <b>Other capital ending balance</b>                                 | \$ 34,307   | \$ 34,405   | \$ 35,504   |
| Beginning balance                                                   | 87,732      | 93,109      | 117,245     |
| Net earnings (loss) attributable to the Company                     | 5,704       | (4,979)     | (22,355)    |
| Dividends and other transactions with shareholders                  | (1,014)     | (766)       | (4,042)     |
| Changes in accounting (Note 1)                                      | (175)       | 368         | 2,261       |
| <b>Retained earnings ending balance</b>                             | \$ 92,247   | \$ 87,732   | \$ 93,109   |
| Beginning balance                                                   | (82,797)    | (83,925)    | (84,902)    |
| Purchases                                                           | (28)        | (57)        | (268)       |
| Dispositions                                                        | 864         | 1,186       | 1,244       |
| <b>Common stock held in treasury ending balance</b>                 | \$ (81,961) | \$ (82,797) | \$ (83,925) |
| GE shareholders' equity balance                                     | 35,552      | 28,316      | 30,981      |
| Noncontrolling interests balance (Note 16)                          | 1,522       | 1,545       | 20,500      |
| <b>Total equity balance at December 31(a)</b>                       | \$ 37,073   | \$ 29,861   | \$ 51,481   |

(a) Total equity balance decreased by \$(14,408) million from December 31, 2018, primarily due to reduction of noncontrolling interest balance of \$(19,239) million attributable to Baker Hughes Class A shareholders at December 31, 2018, after-tax loss of \$(8,238) million in discontinued operations due to deconsolidation of Baker Hughes in 2019, and after-tax net realized and unrealized loss on our remaining interest in Baker Hughes of \$(936) million in 2019 and 2020, partially offset by after-tax gain of \$11,213 million due to the sale of our BioPharma business within our Healthcare segment, and after-tax gain of \$2,508 million in discontinued operations due to spin-off and subsequent merger of our Transportation business with Wabtec in 2019.



## NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**FINANCIAL STATEMENT PRESENTATION.** 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 supplemental information to our consolidated financial statements. To the extent that we have transactions between GE Industrial and GE Capital, these transactions are made on arms-length terms, are reported in the respective columns of our financial statements and are eliminated in consolidation. See Note 24 for further information.

Effective December 31, 2020, in order to enhance our financial statement presentation, we voluntarily made the following reporting changes for all periods presented:

- changed our presentation of GE Industrial restructuring program costs. Previously these costs were recorded within Corporate Items and Eliminations. Now these costs are recorded within segment profit, except for significant, higher-cost programs that continue to be recorded within Corporate Items and Eliminations;
- changed the presentation of our Statement of Financial Position to reflect the classification of assets and liabilities into current and non-current and revised the definition of operating working capital in our Statement of Cash Flows. For the classification of certain current assets and liabilities, we use the duration of our operating cycle, which may be longer than one year;
- began presenting research and development expenses separately as part of costs and expenses in our consolidated Statement of Earnings (Loss). These costs were previously reported in costs of goods and services sold; and
- ceased reporting GE Capital as an equity method investment within the GE Industrial column. This change has no impact on the GE Capital or Consolidated columns. Consistent with our historical practice, all commercial transactions between GE Industrial and GE Capital continue to be reported on arms-length terms and are eliminated upon consolidation.

Our financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP), which requires us to make estimates based on assumptions about current, and for some estimates, future, economic and market conditions which affect reported amounts and related disclosures in our financial statements. Although our current estimates contemplate current and expected future conditions, as applicable, it is reasonably possible that actual conditions could differ from our expectations, which could materially affect our results of operations and financial position. In particular, a number of estimates have been and will continue to be affected by the ongoing Coronavirus Disease 2019 (COVID-19) pandemic. The severity, magnitude and duration, as well as the economic consequences of the COVID-19 pandemic, are uncertain, rapidly changing and difficult to predict. As a result, our accounting estimates and assumptions may change over time in response to COVID-19. Such changes could result in future impairments of goodwill, intangibles, long-lived assets and investment securities, revisions to estimated profitability on long-term product service agreements, incremental credit losses on receivables and debt securities, a decrease in the carrying amount of our tax assets, or an increase in our insurance liabilities and pension obligations as of the time of a relevant measurement event.

In preparing our Statement of Cash Flows, we make certain adjustments to reflect cash flows that cannot otherwise be calculated by changes in our Statement of Financial Position. These adjustments may include, but are not limited to, the effects of currency exchange, acquisitions and dispositions of businesses, businesses classified as held for sale, the timing of settlements to suppliers for property, plant and equipment, non-cash gains/losses and other balance sheet reclassifications.

We have reclassified certain prior-year amounts to conform to the current-year's presentation. Unless otherwise noted, tables are presented in U.S. dollars in millions. Certain columns and rows may not add due to the use of rounded numbers. Percentages presented are calculated from the underlying numbers in millions. Earnings per share amounts are computed independently for earnings from continuing operations, earnings from discontinued operations and net earnings. As a result, the sum of per-share amounts may not equal the total. Unless otherwise indicated, information in these notes to consolidated financial statements relates to continuing operations. Certain of our operations have been presented as discontinued. We present businesses whose disposal represents a strategic shift that has, or will have, a major effect on our operations and financial results as discontinued operations when the components meet the criteria for held for sale, are sold, or spun-off. See Note 2 for further information.

**CONSOLIDATION.** Our financial statements consolidate all of our affiliates, entities where we have a controlling financial interest, most often because we hold a majority voting interest, or where we are required to apply the variable interest entity (VIE) model because we have the power to direct the most economically significant activities of entities. We reevaluate whether we have a controlling financial interest in all entities when our rights and interests change.

**REVENUES FROM THE SALE OF EQUIPMENT. Performance Obligations Satisfied Over Time.** We recognize revenue on agreements for the sale of customized goods including power generation equipment, long-term construction projects and military development contracts on an over-time basis as we customize the customer's equipment during the manufacturing or integration process and obtain right to payment for work performed.

We recognize revenue as we perform under the arrangements using the percentage of completion method which is based on our costs incurred to date relative to our estimate of total expected costs. Our estimate of costs to be incurred to fulfill our promise to a customer is based on our history of manufacturing or constructing similar assets for customers and is updated routinely to reflect changes in quantity or pricing of the inputs. We provide for potential losses on these agreements when it is probable that we will incur the loss.

Our billing terms for these over-time contracts are generally based on achieving specified milestones. The differences between the timing of our revenue recognized (based on costs incurred) and customer billings (based on contractual terms) results in changes to our contract asset or contract liability positions. See Note 9 for further information.

**Performance Obligations Satisfied at a Point in Time.** We recognize revenue on agreements for non-customized equipment including commercial aircraft engines, healthcare equipment and other goods we manufacture on a standardized basis for sale to the market at the point in time that the customer obtains control of the good, which is generally no earlier than when the customer has physical possession of the product. We use proof of delivery for certain large equipment with more complex logistics, whereas the delivery of other equipment is estimated based on historical averages of in-transit periods (i.e., time between shipment and delivery).

Where arrangements include customer acceptance provisions based on seller or customer-specified objective criteria, we recognize revenue when we have concluded that the customer has control of the goods and that acceptance is likely to occur. We do not provide for anticipated losses on point-in-time transactions prior to transferring control of the equipment to the customer.

Our billing terms for these point-in-time equipment contracts generally coincide with delivery to the customer; however, within certain businesses, we receive progress collections from customers for large equipment purchases, to generally reserve production slots.

**REVENUES FROM THE SALE OF SERVICES.** Consistent with our Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) discussion and the way we manage our businesses, we refer to sales under service agreements, which includes both goods (such as spare parts and equipment upgrades) and related services (such as monitoring, maintenance and repairs) as sales of "services," which is an important part of our operations. We sometimes offer our customers financing discounts for the purchase of certain GE Industrial products when sold in contemplation of long-term service agreements. These sales are accounted for as financing arrangements when payments for the products are collected through higher usage-based fees from servicing the equipment. See Note 9 for further information.

**Performance Obligations Satisfied Over Time.** We enter into long-term service agreements with our customers primarily within our Aviation and Power segments. These agreements require us to provide preventative maintenance, overhauls, and standby "warranty-type" services that include certain levels of assurance regarding asset performance and uptime throughout the contract periods, which generally range from 5 to 25 years. We account for items that are integral to the maintenance of the equipment as part of our performance obligation, unless the customer has a substantive right to make a separate purchasing decision (e.g., equipment upgrade). We recognize revenue as we perform under the arrangements using the percentage of completion method which is based on our costs incurred to date relative to our estimate of total expected costs. Throughout the life of a contract, this measure of progress captures the nature, timing and extent of our underlying performance activities as our stand-ready services often fluctuate between routine inspections and maintenance, unscheduled service events and major overhauls at pre-determined usage intervals. We provide for potential losses on these agreements when it is probable that we will incur the loss.

Our billing terms for these arrangements are generally based on the utilization of the asset (e.g., per hour of usage) or upon the occurrence of a major maintenance event within the contract, such as an overhaul. The differences between the timing of our revenue recognized (based on costs incurred) and customer billings (based on contractual terms) results in changes to our contract asset or contract liability positions. See Note 9 for further information.

We also enter into long-term services agreements in our Healthcare and Renewable Energy segments. Revenues are recognized for these arrangements on a straight-line basis consistent with the nature, timing and extent of our services, which primarily relate to routine maintenance and as needed product repairs. We generally invoice periodically as services are provided.

**Performance Obligations Satisfied at a Point in Time.** We sell certain tangible products, largely spare parts, through our services businesses. We recognize revenues and bill our customers at the point in time that the customer obtains control of the good, which is at the point in time we deliver the spare part to the customer.

**COLLABORATIVE ARRANGEMENTS.** Our Aviation business enters into collaborative arrangements and joint ventures with manufacturers and suppliers of components used to build and maintain certain engines. Under these arrangements, GE and its collaborative partners share in the risks and rewards of these programs through various revenue, cost and profit sharing payment structures. GE recognizes revenue and costs for these arrangements based on the scope of work GE is responsible for transferring to its customers. GE's payments to participants are primarily recorded as either cost of services sold (\$1,221 million, \$1,939 million and \$1,809 million for the years ended December 31, 2020, 2019 and 2018, respectively) or as cost of goods sold (\$2,279 million, \$2,974 million and \$3,097 million for the years ended December 31, 2020, 2019 and 2018, respectively). Our most significant collaborative arrangement is with Safran Aircraft engines, a subsidiary of Safran Group of France, which sells LEAP and CFM56 engines through CFM International, a jointly owned non-consolidated company. GE makes substantial sales of parts and services to CFM International based on arms-length terms.

**GE CAPITAL REVENUES FROM SERVICES.** We recognize operating lease income on a straight-line basis over the terms of underlying leases, and we use the interest method to recognize income on loans and finance leases. We stop accruing interest on loans at the earlier of the time at which collection of an account becomes doubtful or the account becomes 90 days past due. Estimated unguaranteed residual values for finance leases are based upon management's best estimates of the value of the leased asset at the end of the lease term. We use various sources of data in determining these estimates, including information obtained from third parties, which is adjusted for the attributes of the specific asset under lease. Guarantees of residual values by unrelated third parties are included within minimum lease payments.

For traditional long-duration insurance contracts, we report premiums as revenue when due. Premiums received on non-traditional long-duration insurance contracts and investment contracts, including annuities without significant mortality risk, are not reported as revenues but rather as deposit liabilities. We recognize revenues for charges and assessments on these contracts, mostly for mortality, contract initiation, administration and surrender. Amounts credited to policyholder accounts are charged to expense.

**CASH, CASH EQUIVALENTS AND RESTRICTED CASH.** Debt securities and money market instruments with original maturities of three months or less are included in cash, cash equivalents and restricted cash unless classified as available-for-sale investment securities. Restricted cash primarily comprised collateral for receivables sold and funds restricted in connection with certain ongoing litigation matters and amounted to \$411 million and \$589 million at December 31, 2020 and December 31, 2019, respectively.

**INVESTMENT SECURITIES.** We report investments in available-for-sale debt securities and certain equity securities at fair value. Unrealized gains and losses on available-for-sale debt securities are recorded to other comprehensive income, net of applicable taxes and adjustments related to our insurance liabilities. Unrealized gains and losses on equity securities with readily determinable fair values are recorded to earnings.

Although we generally do not have the intent to sell any specific debt securities in the ordinary course of managing our portfolio, we may sell debt 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.

We regularly review investment securities for impairment. For debt securities, if we do not intend to sell the security or it is not more likely than not that we will be required to sell the security before recovery of our amortized cost, we evaluate qualitative criteria, such as the financial health of and specific prospects for the issuer, to determine whether we do not expect to recover the amortized cost basis of the security. We also evaluate quantitative criteria including determining whether there has been an adverse change in expected future cash flows. If we do not expect to recover the entire amortized cost basis of the security, we consider the security to contain an expected credit loss, and we record the difference between the security's amortized cost basis and its recoverable amount in earnings as an allowance for credit loss and the difference between the security's recoverable amount and fair value in other comprehensive income. If we intend to sell the security or it is more likely than not we will be required to sell the security before recovery of its amortized cost basis, the security is considered impaired, and we recognize the entire difference between the security's amortized cost basis and its fair value in earnings. See Note 3 for further information.

**CURRENT RECEIVABLES.** Amounts due from customers arising from the sales of products and services are recorded at the outstanding amount, less allowance for losses. We regularly monitor the recoverability of our receivables. See Note 4 for further information.

**ALLOWANCE FOR CREDIT LOSSES.** When we record customer receivables, contract assets and financing receivables arising from revenue transactions, as well as commercial mortgage loans and reinsurance recoverables in GE Capital's run-off insurance operations, financial guarantees and certain commitments, we record an allowance for credit losses for the current expected credit losses (CECL) inherent in the asset over its expected life. The allowance for credit losses is a valuation account deducted from the amortized cost basis of the assets to present their net carrying value at the amount expected to be collected. Each period the allowance for credit losses is adjusted through earnings to reflect expected credit losses over the remaining lives of the assets. We evaluate debt securities with unrealized losses to determine whether any of the losses arise from concerns about the issuer's credit or the underlying collateral and record an allowance for credit losses, if required.

We estimate expected credit losses based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. When measuring expected credit losses, we pool assets with similar country risk and credit risk characteristics. Changes in the relevant information may significantly affect the estimates of expected credit losses.

**FINANCING RECEIVABLES.** Our financing receivables portfolio consists of a variety of loans and leases, including both larger-balance, non-homogeneous loans and leases and smaller-balance homogeneous loans and leases. We routinely evaluate our entire portfolio for potential specific credit or collection issues that might indicate an impairment. See Note 5 for further information.

**INVENTORIES.** All inventories are stated at lower of cost or realizable values. Cost of inventories is primarily determined on a first-in, first-out (FIFO) basis. See Note 6 for further information.

**PROPERTY, PLANT AND EQUIPMENT.** The cost of GE Industrial property, plant and equipment is generally depreciated on a straight-line basis over its estimated economic life. The cost of GE Capital equipment leased to others on operating leases is depreciated on a straight-line basis to estimated residual value over the lease term or over the estimated economic life of the equipment. See Note 7 for further information.

**LEASE ACCOUNTING. Lessee Arrangements.** At lease commencement, we record a lease liability and corresponding right-of-use (ROU) asset. Options to extend the lease are included as part of the ROU lease asset and liability when it is reasonably certain the Company will exercise the option. We have elected to include lease and non-lease components in determining our lease liability for all leased assets except our vehicle leases. Non-lease components are generally services that the lessor performs for the Company associated with the leased asset. The present value of our lease liability is determined using our incremental collateralized borrowing rate at lease inception. For leases with an initial term of 12 months or less, an ROU asset and lease liability is not recognized and lease expense is recognized on a straight-line basis over the lease term. We test ROU assets whenever events or changes in circumstance indicate that the asset may be impaired.

**Lessor Arrangements.** Equipment leased to others under operating leases are included in Property, plant and equipment, and leases classified as finance leases are included in Financing receivables on our Statement of Financial Position. See Notes 5 and 7 for further information.

**GOODWILL AND OTHER INTANGIBLE ASSETS.** We test goodwill at least annually for impairment at the reporting unit level. We recognize an impairment charge if the carrying amount of a reporting unit exceeds its fair value. When a portion of a reporting unit is disposed, goodwill is allocated to the gain or loss on disposition based on the relative fair values of the business or businesses disposed and the portion of the reporting unit that will be retained.

For other intangible assets that are not deemed indefinite-lived, cost is generally amortized on a straight-line basis over the asset's estimated economic life, except for individually significant customer-related intangible assets that are amortized in relation to total related sales. Amortizable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. In these circumstances, they are tested for impairment based on undiscounted cash flows and, if impaired, written down to estimated fair value based on either discounted cash flows or appraised values. See Note 8 for further information.

**DERIVATIVES AND HEDGING.** We use derivatives to manage a variety of risks, including risks related to interest rates, foreign exchange, certain equity investments and commodity prices. Accounting for derivatives as hedges requires that, at inception and over the term of the arrangement, the hedged item and related derivative meet the requirements for hedge accounting. In evaluating whether a particular relationship qualifies for hedge accounting, we test effectiveness at inception and each reporting period thereafter by determining whether changes in the fair value of the derivative offset, within a specified range, changes in the fair value of the hedged item. If fair value changes fail this test, we discontinue applying hedge accounting to that relationship prospectively. Fair values of both the derivative instrument and the hedged item are calculated using internal valuation models incorporating market-based assumptions, subject to third-party confirmation, as applicable. See Note 21 for further information.

**DEFERRED INCOME TAXES.** Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases, as well as from net operating loss and tax credit carryforwards, and are stated at enacted tax rates expected to be in effect when those taxes are paid or recovered. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. We evaluate the recoverability of these future tax deductions and credits by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. To the extent we consider it more likely than not that a deferred tax asset will not be recovered, a valuation allowance is established. Deferred taxes, as needed, are provided for our investment in affiliates and associated companies when we plan to remit those earnings. See Note 15 for further information.

**INSURANCE LIABILITIES AND ANNUITY BENEFITS.** Our run-off insurance operations include providing insurance and reinsurance for life and health risks and providing certain annuity products. Primary product types include long-term care, structured settlement annuities, life and disability insurance contracts and investment contracts. Insurance contracts are contracts with significant mortality and/or morbidity risks, while investment contracts are contracts without such risks.

Liabilities for traditional long-duration insurance contracts include both future policy benefit reserves and claims reserves. Future policy benefit reserves represent the present value of future policy benefits less the present value of future gross premiums based on actuarial assumptions. Liabilities for investment contracts equal the account value, that is, the amount that accrues to the benefit of the contract or policyholder including credited interest and assessments through the financial statement date.

Claim reserves are established when a claim is incurred or is estimated to have been incurred and represent our best estimate of the present value of the ultimate obligations for future claim payments and claim adjustments expenses.

To the extent that unrealized gains on specific investment securities supporting our insurance contracts would result in a premium deficiency, should those gains be realized, an increase in future policy benefit reserves is recorded, with an offsetting after-tax reduction to net unrealized gains recorded in other comprehensive income.

Reinsurance recoverables are recorded when we cede insurance risk to third parties but are not relieved from our primary obligation to policyholders and cedents. When losses on ceded risks give rise to claims for recovery, we establish allowances for probable losses on such receivables from reinsurers as required. See Note 12 for further information.



**POSTRETIREMENT BENEFIT PLANS.** We sponsor a number of pension and retiree health and life insurance benefit plans that we present in three categories, principal pension plans, other pension plans and principal retiree benefit plans. We use a December 31 measurement date for these plans. On our consolidated Statement of Financial Position, we measure our plan assets at fair value and the obligations at the present value of the estimated payments to plan participants. Participants earn benefits based on their service and pay. Those estimated future payment amounts are determined based on assumptions. Differences between our actual results and what we assumed are recorded in a separate component of equity each period. These differences are amortized into earnings over the remaining average future service of active employees or the expected life of inactive participants, as applicable, who participate in the plan. See Note 13 for further information.

**LOSS CONTINGENCIES.** Loss contingencies are uncertain and unresolved matters that arise in the ordinary course of business and result from events or actions by others that have the potential to result in a future loss. Such contingencies include, but are not limited to environmental obligations, litigation, regulatory investigations and proceedings, product quality and losses resulting from other events and developments. When a loss is considered probable and reasonably estimable, we record a liability in the amount of our best estimate for the ultimate loss. When there appears to be a range of possible costs with equal likelihood, liabilities are based on the low-end of such range. Disclosure is provided for material loss contingencies when a loss is probable but a reasonable estimate cannot be made, and when it is reasonably possible that a loss will be incurred or the amount of a loss will exceed the recorded provision. We regularly review contingencies to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or range of loss can be made. See Note 23 for further information.

**SUPPLY CHAIN FINANCE PROGRAMS.** We evaluate supply chain finance programs to ensure where we use a third-party intermediary to settle our trade payables, their involvement does not change the nature, existence, amount, or timing of our trade payables and does not provide the Company with any direct economic benefit. If any characteristics of the trade payables change or we receive a direct economic benefit, we reclassify the trade payables as borrowings.

**FAIR VALUE MEASUREMENTS.** The following sections describe the valuation methodologies we use to measure financial and non-financial instruments accounted for at fair value including certain assets within our pension plans and retiree benefit plans. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. These inputs establish a fair value hierarchy:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Significant inputs to the valuation model are unobservable.

**RECURRING FAIR VALUE MEASUREMENTS.** For financial assets and liabilities measured at fair value on a recurring basis, primarily investment securities and derivatives, fair value is the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. See Note 20 for further information.

**Debt Securities.** When available, we use quoted market prices to determine the fair value of debt securities which are included in Level 1. For our remaining debt securities, we obtain pricing information from an independent pricing vendor. The inputs and assumptions to the pricing vendor's models are derived from market observable sources including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers and other market-related data. These investments are included in Level 2. Our pricing vendors may also provide us with valuations that are based on significant unobservable inputs, and in those circumstances, we classify the investment securities in Level 3.

Annually, we conduct reviews of our primary pricing vendor to validate that the inputs used in that vendor's pricing process are deemed to be market observable as defined in the standard. We believe that the prices received from our pricing vendor are representative of prices that would be received to sell the assets at the measurement date (exit prices) and are classified appropriately in the hierarchy.

We use non-binding broker quotes and other third-party pricing services as our primary basis for valuation when there is limited, or no, relevant market activity for a specific instrument or for other instruments that share similar characteristics. Debt securities priced in this manner are included in Level 3.

**Equity securities with readily determinable fair values.** These publicly traded equity securities are valued using quoted prices and are included in Level 1.

**Derivatives.** The majority of our derivatives are valued using internal models. The models maximize the use of market observable inputs including interest rate curves and both forward and spot prices for currencies and commodities. Derivative assets and liabilities included in Level 2 primarily represent interest rate swaps, cross-currency swaps and foreign currency and commodity forward and option contracts. Derivative assets and liabilities included in Level 3 primarily represent equity derivatives and interest rate products that contain embedded optionality or prepayment features.

**Investments in private equity, real estate and collective funds held within our pension plans.** These investments are generally valued using the net asset value (NAV) per share as a practical expedient for fair value provided certain criteria are met. The NAVs are determined based on the fair values of the underlying investments in the funds. Investments that are measured at fair value using the NAV practical expedient are not required to be classified in the fair value hierarchy. See Note 13 for further information.

**NONRECURRING FAIR VALUE MEASUREMENTS.** Certain assets are measured at fair value on a nonrecurring basis. These assets may include loans and long-lived assets reduced to fair value upon classification as held for sale, impaired loans based on the fair value of the underlying collateral, impaired equity securities without readily determinable fair value, equity method investments and long-lived assets, and remeasured retained investments in formerly consolidated subsidiaries upon a change in control that results in the deconsolidation of that subsidiary and retention of a noncontrolling stake in the entity. Assets written down to fair value when impaired and retained investments are not subsequently adjusted to fair value unless further impairment occurs.

**Equity investments without readily determinable fair value and Associated companies.** Equity investments without readily determinable fair value and associated companies are valued using market observable data such as transaction prices when available. When market observable data is unavailable, investments are valued using either a discounted cash flow model, comparative market multiples, third-party pricing sources or a combination of these approaches as appropriate. These investments are generally included in Level 3.

**Long-lived Assets.** Fair values of long-lived assets, including aircraft, are primarily derived internally and are based on observed sales transactions for similar assets. In other instances for which we do not have comparable observed sales transaction data, collateral values are developed internally and corroborated by external appraisal information. Adjustments to third-party valuations may be performed in circumstances where market comparables are not specific to the attributes of the specific collateral or appraisal information may not be reflective of current market conditions due to the passage of time and the occurrence of market events since receipt of the information.

**ACCOUNTING CHANGES.** On January 1, 2020, we adopted ASU No. 2016-13, *Financial Instruments - Credit Losses*. ASU 2016-13 requires us to prospectively record an allowance for credit losses for the current expected credit losses inherent in the asset over its expected life, replacing the incurred loss model that recognized losses only when they became probable and estimable. We recorded a \$221 million increase in our allowance for credit losses and a \$175 million decrease to retained earnings, net of tax, reflecting the cumulative effect on retained earnings.

On January 1, 2020 we adopted ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The ASU eliminates Step 2 of the goodwill impairment test and the qualitative assessment for any reporting unit with a zero or negative carrying amount. The ASU also requires an entity to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount. The adoption did not have an impact on our financial statements.

In March 2020, the Financial Accounting Standards Board issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. On October 1, 2020, we adopted the new standard, which provides optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. We will apply the accounting relief as relevant contract and hedge accounting relationship modifications are made during the reference rate reform transition period. We do not expect the standard to have a material impact on our consolidated financial statements.

## **NOTE 2. BUSINESSES HELD FOR SALE AND DISCONTINUED OPERATIONS**

**ASSETS AND LIABILITIES OF BUSINESSES HELD FOR SALE.** On March 31, 2020, we completed the sale of our BioPharma business within our Healthcare segment for total consideration of \$21,112 million (after certain working capital adjustments). The consideration consisted of \$20,695 million in cash and \$417 million of pension liabilities that were assumed by Danaher. In addition, we incurred \$185 million of cash payments directly associated with the transaction. As a result, we recognized a pre-tax gain of \$12,362 million (\$11,213 million after-tax) in our consolidated Statement of Earnings (Loss).

In the first half of 2020, we sold all our remaining businesses classified as held for sale, including the remaining Lighting business within Corporate and the remaining PK AirFinance business within our Capital segment.

**DISCONTINUED OPERATIONS.** Discontinued operations primarily include certain businesses in our GE Capital segment (our mortgage portfolio in Poland and trailing liabilities associated with the sale of our GE Capital businesses) and our Baker Hughes and Transportation segments. Results of operations, financial position and cash flows for these businesses are reported as discontinued operations for all periods presented.

In September 2019, we reduced our ownership interest in Baker Hughes from 50.2% to 36.8%. As a result, we deconsolidated our Baker Hughes segment and reclassified its results to discontinued operations for all periods presented and recognized a loss of \$8,715 million (\$8,238 million after-tax).

We have continuing involvement with Baker Hughes (BKR) primarily through our remaining interest, ongoing purchases and sales of products and services, transition services that we provide to BKR, as well as an aeroderivative joint venture (JV) we formed with BKR in the fourth quarter of 2019.

The JV is jointly controlled by GE and BKR and is consolidated by GE due to the significance of our investment in BKR. Our Aviation segment sells products and services to the JV. In turn, the JV sells products and services primarily to BKR and our Power segment.

Transactions between the JV and GE businesses are eliminated in consolidation. During 2020, we had sales of \$563 million to BKR for products and services from the JV, and we collected cash of \$603 million from Baker Hughes. If our investment in BKR is reduced to below 20%, we would no longer have significant influence in BKR and, as a result, we would not consolidate the JV. A potential deconsolidation of the JV is not expected to have a material impact on GE Industrial free cash flows.

For the year ended December 31, 2020, we had sales of \$839 million and purchases of \$216 million with BKR for products and services outside of the JV. We collected net cash of \$855 million from BKR related to sales, purchases and transition services. In addition, we received \$204 million of repayments on the promissory note receivable from BKR and dividends of \$267 million on our investment.

In February 2019, we completed the spin-off and subsequent merger of our Transportation business with Wabtec. As a result, we recorded a gain of \$3,471 million (\$2,508 million after-tax) in discontinued operations.

## RESULTS OF DISCONTINUED OPERATIONS

### For the year ended December 31, 2020

|                                                                   | Baker Hughes   | Transportation<br>and Other | GE Capital     | Total           |
|-------------------------------------------------------------------|----------------|-----------------------------|----------------|-----------------|
| Sales of goods and services                                       | \$ —           | \$ —                        | \$ —           | \$ —            |
| GE Capital revenues and other income (loss)                       | —              | —                           | 55             | 55              |
| Cost of goods and services sold                                   | —              | —                           | —              | —               |
| Other income, costs and expenses                                  | 2              | —                           | (252)          | (249)           |
| Earnings (loss) of discontinued operations before income taxes    | 2              | —                           | (197)          | (195)           |
| Benefit (provision) for income taxes                              | (13)           | 9                           | 105            | 101             |
| Earnings (loss) of discontinued operations, net of taxes(a)       | (10)           | 9                           | (92)           | (93)            |
| Gain (loss) on disposal before income taxes                       | (23)           | (12)                        | 3              | (31)            |
| Benefit (provision) for income taxes                              | —              | —                           | (1)            | (1)             |
| Gain (loss) on disposal, net of taxes                             | (23)           | (12)                        | 2              | (32)            |
| <b>Earnings (loss) from discontinued operations, net of taxes</b> | <b>\$ (33)</b> | <b>\$ (3)</b>               | <b>\$ (90)</b> | <b>\$ (125)</b> |

### For the year ended December 31, 2019

|                                                                   |                   |                 |               |                   |
|-------------------------------------------------------------------|-------------------|-----------------|---------------|-------------------|
| Sales of goods and services                                       | \$ 16,047         | \$ 550          | \$ —          | \$ 16,598         |
| GE Capital revenues and other income (loss)                       | —                 | —               | 33            | 33                |
| Cost of goods and services sold                                   | (13,317)          | (478)           | —             | (13,795)          |
| Other income, costs and expenses                                  | (2,390)           | (19)            | (240)         | (2,650)           |
| Earnings (loss) of discontinued operations before income taxes    | 340               | 53              | (207)         | 186               |
| Benefit (provision) for income taxes                              | (176)             | (15)            | 344           | 153               |
| Earnings (loss) of discontinued operations, net of taxes(a)       | 165               | 39              | 136           | 339               |
| Gain (loss) on disposal before income taxes                       | (8,715)           | 3,471           | 61            | (5,183)           |
| Benefit (provision) for income taxes                              | 477               | (963)           | (5)           | (491)             |
| Gain (loss) on disposal, net of taxes                             | (8,238)           | 2,508           | 56            | (5,675)           |
| <b>Earnings (loss) from discontinued operations, net of taxes</b> | <b>\$ (8,074)</b> | <b>\$ 2,547</b> | <b>\$ 192</b> | <b>\$ (5,335)</b> |

### For the year ended December 31, 2018

|                                                                   |                |               |                   |                   |
|-------------------------------------------------------------------|----------------|---------------|-------------------|-------------------|
| Sales of goods and services                                       | \$ 22,859      | \$ 3,898      | \$ —              | \$ 26,757         |
| GE Capital revenues and other income (loss)                       | —              | —             | (1,347)           | (1,347)           |
| Cost of goods and services sold                                   | (19,198)       | (2,809)       | —                 | (22,007)          |
| Other income, costs and expenses                                  | (3,346)        | (607)         | (407)             | (4,360)           |
| Earnings (loss) of discontinued operations before income taxes    | 315            | 482           | (1,755)           | (958)             |
| Benefit (provision) for income taxes                              | (347)          | (143)         | 82                | (408)             |
| Earnings (loss) of discontinued operations, net of taxes(a)       | (33)           | 339           | (1,673)           | (1,366)           |
| Gain (loss) on disposal before income taxes                       | —              | —             | 4                 | 4                 |
| Benefit (provision) for income taxes                              | —              | —             | (1)               | (1)               |
| Gain (loss) on disposal, net of taxes                             | —              | —             | 3                 | 3                 |
| <b>Earnings (loss) from discontinued operations, net of taxes</b> | <b>\$ (33)</b> | <b>\$ 339</b> | <b>\$ (1,670)</b> | <b>\$ (1,363)</b> |

(a) Earnings (loss) of discontinued operations attributable to the Company after income taxes was \$(94) million, \$279 million and \$(1,367) million for the years ended December 31, 2020, 2019 and 2018, respectively.

| December 31                                                     | 2020            | 2019            |
|-----------------------------------------------------------------|-----------------|-----------------|
| Cash, cash equivalents and restricted cash                      | \$ 524          | \$ 638          |
| Investment securities                                           | —               | 202             |
| Current receivables                                             | 61              | 81              |
| Financing receivables held for sale (Polish mortgage portfolio) | 2,437           | 2,485           |
| Property, plant and equipment - net                             | 109             | 123             |
| Deferred income taxes                                           | 199             | 264             |
| All other assets                                                | 202             | 317             |
| <b>Assets of discontinued operations(a)</b>                     | <b>\$ 3,532</b> | <b>\$ 4,109</b> |
| Accounts payable & Progress collections and deferred income     | \$ 20           | \$ 40           |
| All other liabilities                                           | 180             | 163             |
| <b>Liabilities of discontinued operations(a)(b)</b>             | <b>\$ 200</b>   | <b>\$ 203</b>   |

(a) Assets and liabilities of discontinued operations included \$3,388 million and \$61 million related to GE Capital as of December 31, 2020.

(b) Included within All other liabilities of discontinued operations at December 31, 2020 and December 31, 2019 are intercompany tax receivables in the amount of \$704 million and \$839 million, respectively, primarily related to the financial services businesses that were part of the GE Capital Exit Plan, which are eliminated upon consolidation.

### NOTE 3. INVESTMENT SECURITIES

All of our debt securities are classified as available-for-sale and substantially all are investment-grade supporting obligations to annuitants and policyholders in our run-off insurance operations. Changes in their fair value are recorded in Other comprehensive income. Equity securities with readily determinable fair values are also included within this caption and changes in their fair value are recorded in Other income within continuing operations. Where we adopt the fair value option for our investment in an associated company, our investment in and any advances to are recorded as Equity securities with readily determinable fair values. We classify investment securities as current or non-current based on our intent regarding the usage of proceeds from those investments. Investment securities held within insurance entities are classified as non-current as they support the long-duration insurance liabilities.

| December 31                              | 2020             |                        |                         |                      | 2019             |                        |                         |                      |
|------------------------------------------|------------------|------------------------|-------------------------|----------------------|------------------|------------------------|-------------------------|----------------------|
|                                          | Amortized cost   | Gross unrealized gains | Gross unrealized losses | Estimated fair value | Amortized cost   | Gross unrealized gains | Gross unrealized losses | Estimated fair value |
| Equity (Baker Hughes)                    | \$ 7,319         | \$ —                   | \$ —                    | \$ 7,319             | \$ 9,888         | \$ —                   | \$ —                    | \$ 9,888             |
| <b>Current investment securities</b>     | <b>\$ 7,319</b>  | <b>\$ —</b>            | <b>\$ —</b>             | <b>\$ 7,319</b>      | <b>\$ 9,888</b>  | <b>\$ —</b>            | <b>\$ —</b>             | <b>\$ 9,888</b>      |
| Debt                                     |                  |                        |                         |                      |                  |                        |                         |                      |
| U.S. corporate                           | \$ 23,604        | \$ 6,651               | \$ (26)                 | \$ 30,230            | \$ 23,037        | \$ 4,636               | \$ (11)                 | \$ 27,661            |
| Non-U.S. corporate                       | 2,283            | 458                    | (1)                     | 2,740                | 2,161            | 260                    | (1)                     | 2,420                |
| State and municipal                      | 3,387            | 878                    | (9)                     | 4,256                | 3,086            | 598                    | (15)                    | 3,669                |
| Mortgage and asset-backed                | 3,652            | 171                    | (71)                    | 3,752                | 3,117            | 116                    | (4)                     | 3,229                |
| Government and agencies                  | 1,169            | 184                    | —                       | 1,353                | 1,391            | 126                    | —                       | 1,516                |
| Other equity                             | 218              | —                      | —                       | 218                  | 136              | —                      | —                       | 136                  |
| <b>Non-current investment securities</b> | <b>\$ 34,313</b> | <b>\$ 8,342</b>        | <b>\$ (106)</b>         | <b>\$ 42,549</b>     | <b>\$ 32,928</b> | <b>\$ 5,736</b>        | <b>\$ (31)</b>          | <b>\$ 38,632</b>     |
| <b>Total</b>                             | <b>\$ 41,632</b> | <b>\$ 8,342</b>        | <b>\$ (106)</b>         | <b>\$ 49,868</b>     | <b>\$ 42,816</b> | <b>\$ 5,736</b>        | <b>\$ (31)</b>          | <b>\$ 48,521</b>     |

The amortized cost of debt securities as of December 31, 2020 excludes accrued interest of \$414 million, which is reported in Other GE Capital receivables.

The estimated fair values of investment securities increased since December 31, 2019, primarily due to a decrease in market yields and new investments in our insurance business, partially offset by the mark-to-market effects on our remaining interest in BKR.

Total estimated fair value of debt securities in an unrealized loss position were \$1,765 million and \$999 million, of which \$165 million and \$274 million had gross unrealized losses of \$(20) million and \$(20) million and had been in a loss position for 12 months or more at December 31, 2020 and 2019, respectively. Gross unrealized losses of \$(106) million at December 31, 2020 included \$(26) million related to U.S. corporate securities, primarily in the energy industry, and \$(70) million related to commercial mortgage-backed securities (CMBS). Substantially all of our CMBS in an unrealized loss position have received investment-grade credit ratings from the major rating agencies and are collateralized by pools of commercial mortgage loans on real estate.

Net unrealized gains (losses) for equity securities with readily determinable fair values were \$(1,670) million, \$800 million and an insignificant amount for the years ended December 31, 2020, 2019 and 2018, respectively.

Proceeds from debt and equity securities sales, early redemptions by issuers and principal payments on the BKR promissory note totaled \$5,060 million, \$7,967 million and \$3,222 million for the years ended December 31, 2020, 2019, and 2018, respectively. Gross realized gains on investment securities were \$177 million, \$115 million and \$249 million, and gross realized losses and impairments were \$(364) million, \$(203) million and \$(41) million for the years ended December 31, 2020, 2019 and 2018, respectively.



GE Capital cash flows associated with purchases, dispositions and maturities of investment securities are as follows:

| For the years ended December 31                                         | 2020              | 2019              |
|-------------------------------------------------------------------------|-------------------|-------------------|
| Purchases of investment securities                                      | \$ (6,031)        | \$ (6,205)        |
| Dispositions and maturities of investment securities                    | 4,679             | 4,589             |
| <b>Net (purchases) dispositions of GE Capital investment securities</b> | <b>\$ (1,352)</b> | <b>\$ (1,616)</b> |

Contractual maturities of our debt securities (excluding mortgage and asset-backed securities) at December 31, 2020 are as follows:

|                                    | Amortized cost | Estimated fair value |
|------------------------------------|----------------|----------------------|
| Due                                |                |                      |
| Within one year                    | \$ 494         | \$ 501               |
| After one year through five years  | 2,781          | 3,070                |
| After five years through ten years | 6,390          | 7,687                |
| After ten years                    | 20,778         | 27,321               |

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

In addition to the equity securities described above, we hold \$285 million and \$517 million of equity securities without readily determinable fair value at December 31, 2020 and December 31, 2019, respectively, that are classified within All other assets in our consolidated Statement of Financial Position. Fair value adjustments, including impairments, recorded in earnings were \$(161) million for the year ended December 31, 2020 and insignificant amounts for both years ended December 31, 2019 and 2018.

#### NOTE 4. CURRENT AND LONG-TERM RECEIVABLES

| December 31                      | Consolidated     |                  | GE Industrial    |                  |
|----------------------------------|------------------|------------------|------------------|------------------|
|                                  | 2020             | 2019             | 2020             | 2019             |
| Power                            | \$ 3,995         | \$ 4,689         | \$ 2,656         | \$ 3,289         |
| Renewable Energy                 | 2,401            | 2,306            | 1,903            | 1,749            |
| Aviation(a)                      | 4,417            | 3,249            | 3,490            | 2,867            |
| Healthcare                       | 2,336            | 2,105            | 1,498            | 1,379            |
| Corporate                        | 310              | 246              | 293              | 223              |
| <b>Customer receivables</b>      | <b>13,459</b>    | <b>12,594</b>    | <b>9,841</b>     | <b>9,507</b>     |
| Sundry receivables(b)(c)         | 4,395            | 4,848            | 4,763            | 5,047            |
| Allowance for losses(d)          | (1,164)          | (874)            | (1,161)          | (872)            |
| <b>Total current receivables</b> | <b>\$ 16,691</b> | <b>\$ 16,568</b> | <b>\$ 13,442</b> | <b>\$ 13,682</b> |

(a) Includes Aviation receivables from CFM due to 737 MAX temporary fleet grounding of \$448 million and \$1,397 million as of December 31, 2020 and 2019, respectively. During 2020, CFM and Boeing reached an agreement to secure payment terms for engines delivered in 2019 and 2020, net of progress collections. Based on the agreement, the receivable is expected to be collected from Boeing through the first quarter of 2021.

(b) Includes supplier advances, revenue sharing programs receivables in our Aviation business, other non-income based tax receivables, primarily value-added tax related to our operations in various countries outside of the U.S., receivables from disposed businesses, including receivables for transactional agreements and certain intercompany balances that eliminate upon consolidation. Revenue sharing programs receivables in Aviation are amounts due from third parties who participate in engine programs by developing and supplying certain engine components through the life of the program. The participants share in program revenues, receive a share of customer progress payments and share costs related to discounts and warranties.

(c) Consolidated current receivables include deferred purchase price which represents our retained risk with respect to current customer receivables sold to third parties through one of the receivable facilities. The balance of the deferred purchase price held by GE Capital at December 31, 2020 and 2019, was \$413 million and \$421 million, respectively.

(d) GE Industrial allowance for credit losses primarily increased due to net provisions of \$274 million, offset by write-offs and foreign currency impact.

**Sales of GE Industrial current customer receivables.** When GE Industrial sells customer receivables to GE Capital or third parties, it accelerates the receipt of cash that would have otherwise been collected from customers. In any given period, the amount of cash received from sales of customer receivables compared to the cash GE Industrial would have otherwise collected had those customer receivables not been sold represents the cash generated or used in the period relating to this activity. GE Industrial sales of customer receivables to GE Capital or third parties are made on arms-length terms and any discount related to time value of money is recognized by GE Industrial when the customer receivables are sold. In our Statement of Cash Flows, receivables purchased and retained by GE Capital are reflected as cash from operating activities at GE Industrial, primarily as cash used for investing activities at GE Capital and are eliminated in consolidation. Collections on receivables purchased by GE Capital are reflected primarily as cash from investing activities at GE Capital and are reclassified to cash from operating activities in consolidation. As of December 31, 2020 and 2019, GE Industrial sold approximately 40% and 51%, respectively, of its gross customer receivables to GE Capital or third parties. Any difference between the carrying value of receivables sold and total cash collected is recognized as financing costs by GE Industrial in Interest and other financial charges in our consolidated Statement of Earnings (Loss). Costs of \$264 million and \$515 million were recognized during the years ended December 31, 2020 and 2019, respectively. The decrease in costs from prior year was driven by lower sales of receivables as well as lower benchmark interest rates. Activity related to customer receivables sold by GE Industrial is as follows:

|                                                      | GE Capital          |                 | Third Parties       |                 |
|------------------------------------------------------|---------------------|-----------------|---------------------|-----------------|
|                                                      | 2020                |                 | 2019                |                 |
| Balance at January 1                                 | \$ 3,087            | \$ 6,757        | \$ 4,386            | \$ 7,880        |
| GE Industrial sales to GE Capital                    | 32,869              | —               | 40,988              | —               |
| GE Industrial sales to third parties                 | —                   | 863             | —                   | 5,286           |
| GE Capital sales to third parties                    | (18,654)            | 18,654          | (28,073)            | 28,073          |
| Collections and other                                | (14,004)            | (23,283)        | (14,621)            | (34,482)        |
| Reclassification from long-term customer receivables | 321                 | —               | 407                 | —               |
| <b>Balance at December 31</b>                        | <b>\$ 3,618 (a)</b> | <b>\$ 2,992</b> | <b>\$ 3,087 (a)</b> | <b>\$ 6,757</b> |

(a) At December 31, 2020 and 2019, \$505 million and \$539 million, respectively, of the current receivables purchased and retained by GE Capital, had been sold by GE Industrial to GE Capital with recourse (i.e., GE Industrial retains all or some risk of default). The effect on GE Industrial cash flows from operating activities (CFOA) of claims by GE Capital on receivables sold with recourse was insignificant for the years ended December 31, 2020 and 2019.

#### LONG-TERM RECEIVABLES

|                                    | Consolidated    |                 | GE Industrial   |                 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
| December 31                        | 2020            | 2019            | 2020            | 2019            |
| Long-term customer receivables(a)  | \$ 585          | \$ 906          | \$ 474          | \$ 506          |
| Long-term sundry receivables(b)    | 1,748           | 1,705           | 2,097           | 2,035           |
| Allowance for losses               | (142)           | (128)           | (142)           | (128)           |
| <b>Total long-term receivables</b> | <b>\$ 2,191</b> | <b>\$ 2,483</b> | <b>\$ 2,430</b> | <b>\$ 2,413</b> |

(a) As of December 31, 2020 and 2019, GE Capital held \$111 million and \$400 million, respectively, of GE Industrial long-term customer receivables, of which \$98 million and \$312 million had been purchased with recourse (i.e., GE Industrial retains all or some risk of default). GE Industrial sold an insignificant amount of long-term customer receivables during the years ended December 31, 2020 and 2019.

(b) Includes supplier advances, revenue sharing programs receivables, other non-income based tax receivables and certain intercompany balances that eliminate upon consolidation.

**UNCONSOLIDATED RECEIVABLES FACILITIES.** GE Capital has two revolving receivables facilities, under which customer receivables purchased from GE Industrial are sold to third parties. In the first facility, which has a program size of \$2,000 million, upon the sale of receivables, we receive proceeds of cash and deferred purchase price and the Company's remaining risk with respect to the sold receivables is limited to the balance of the deferred purchase price. The program size of the first facility at December 31, 2019 was \$3,100 million. Under the second facility, upon the sale of receivables, we receive the proceeds of cash only and therefore the Company has no remaining risk with respect to the sold receivables. In December 2020, GE Capital did not renew the second facility. The program size of the second facility at December 31, 2019 was \$1,200 million.

Activity related to these facilities is included in GE Capital sales to third parties line in the sales of GE Industrial current customer receivables table above and is as follows:

| For the years ended December 31                               | 2020      | 2019      |
|---------------------------------------------------------------|-----------|-----------|
| Customer receivables sold to receivables facilities           | \$ 13,591 | \$ 21,695 |
| Total cash purchase price for customer receivables            | 13,031    | 21,202    |
| Cash collections re-invested to purchase customer receivables | 11,567    | 18,012    |
| Non-cash increases to deferred purchase price                 | \$ 481    | \$ 257    |
| Cash payments received on deferred purchase price             | 489       | 303       |

Cash payments received on deferred purchase price are reflected as cash from investing activities in both the GE Capital and consolidated columns within our Statement of Cash Flows.

**CONSOLIDATED SECURITIZATION ENTITIES.** GE Capital consolidates three variable interest entities (VIEs) that purchased customer receivables and long-term customer receivables from GE Industrial. At December 31, 2020 and 2019, these VIEs held current customer receivables of \$1,489 million and \$2,080 million and long-term customer receivables of \$93 million and \$375 million, respectively. At December 31, 2020 and 2019, the outstanding debt under their respective debt facilities was \$892 million and \$1,655 million, respectively.

## NOTE 5. FINANCING RECEIVABLES AND ALLOWANCES

| December 31                                            | Consolidated    |                 | GE Capital      |                 |
|--------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                        | 2020            | 2019            | 2020            | 2019            |
| Loans, net of deferred income                          | \$ 1,300        | \$ 1,098        | \$ 5,124        | \$ 4,927        |
| Allowance for losses                                   | (36)            | (21)            | (13)            | (5)             |
| <b>Current financing receivables - net</b>             | <b>1,265</b>    | <b>1,077</b>    | <b>5,110</b>    | <b>4,922</b>    |
| Investment in financing leases, net of deferred income | 1,805           | 2,070           | 1,805           | 2,070           |
| Allowance for losses                                   | (34)            | (12)            | (34)            | (12)            |
| <b>Non-current financing receivables - net</b>         | <b>1,771</b>    | <b>2,057</b>    | <b>1,771</b>    | <b>2,057</b>    |
| <b>Total financing receivables - net</b>               | <b>\$ 3,036</b> | <b>\$ 3,134</b> | <b>\$ 6,882</b> | <b>\$ 6,979</b> |

Cash flows associated with GE Capital financing receivables are as follows:

| For the years ended December 31                                    | 2020          | 2019            |
|--------------------------------------------------------------------|---------------|-----------------|
| Increase in loans to customers                                     | \$ (15,155)   | \$ (15,022)     |
| Principal collections from customers - loans                       | 15,311        | 18,083          |
| Sales of financing receivables and other                           | 42            | 328             |
| <b>Net decrease (increase) in GE Capital financing receivables</b> | <b>\$ 199</b> | <b>\$ 3,389</b> |

Consolidated finance lease income was \$144 million, \$173 million and \$275 million for the years ended December 31, 2020, 2019 and 2018, respectively.

| December 31                                                                    | Total financing leases |                 | Direct financing and sales type leases(a) |                 | Leveraged leases |               |
|--------------------------------------------------------------------------------|------------------------|-----------------|-------------------------------------------|-----------------|------------------|---------------|
|                                                                                | 2020                   | 2019            | 2020                                      | 2019            | 2020             | 2019          |
| Total minimum lease payments receivable                                        | \$ 1,202               | \$ 1,628        | \$ 654                                    | 799             | \$ 548           | \$ 829        |
| Less principal and interest on third-party non-recourse debt                   | (83)                   | (216)           | —                                         | —               | (83)             | (216)         |
| Net minimum lease payments receivable                                          | 1,119                  | 1,412           | 654                                       | 799             | 465              | 613           |
| Less deferred income                                                           | (133)                  | (178)           | (99)                                      | (139)           | (34)             | (39)          |
| Discounted lease receivable                                                    | 986                    | 1,234           | 556                                       | 660             | 431              | 574           |
| Estimated unguaranteed residual value of leased assets, net of deferred income | 819                    | 835             | 472                                       | 412             | 347              | 423           |
| <b>Investment in financing leases, net of deferred income(b)</b>               | <b>\$ 1,805</b>        | <b>\$ 2,070</b> | <b>\$ 1,028</b>                           | <b>\$ 1,072</b> | <b>\$ 777</b>    | <b>\$ 997</b> |

(a) Included \$506 million of investment in sales type leases at both December 31, 2020 and 2019.

(b) See Note 15 for deferred tax amounts related to financing leases.

| CONTRACTUAL MATURITIES, DUE IN        | 2021     | 2022   | 2023   | 2024   | 2025   | Thereafter | Total    |
|---------------------------------------|----------|--------|--------|--------|--------|------------|----------|
| Total loans                           | \$ 4,199 | \$ 261 | \$ 142 | \$ 134 | \$ 318 | \$ 68      | \$ 5,124 |
| Net minimum lease payments receivable | 294      | 200    | 281    | 193    | 68     | 83         | 1,119    |

We expect actual maturities to differ from contractual maturities, primarily as a result of prepayments.

We manage our GE Capital financing receivables portfolio using delinquency and nonaccrual data as key performance indicators. At December 31, 2020, 5.7%, 5.0% and 5.3% of financing receivables were over 30 days past due, over 90 days past due and on nonaccrual, respectively, with the vast majority of nonaccrual financing receivables secured by collateral. At December 31, 2019, 4.2%, 2.9% and 6.1% of financing receivables were over 30 days past due, over 90 days past due and on nonaccrual, respectively.

GE Capital financing receivables that comprise receivables purchased from GE Industrial are reclassified to either Current receivables or All other assets in the consolidated Statement of Financial Position. To the extent these receivables are purchased with full or limited recourse, they are excluded from the delinquency and nonaccrual data above. See Note 4 for further information.

**NOTE 6. INVENTORIES, INCLUDING DEFERRED INVENTORY COSTS**

| December 31                                            |           | 2020          | 2019             |
|--------------------------------------------------------|-----------|---------------|------------------|
| Raw materials and work in process                      | \$        | 7,937         | \$ 8,771         |
| Finished goods                                         |           | 5,654         | 5,333            |
| Deferred inventory costs(a)                            |           | 2,299         | 3,111            |
| <b>Inventories, including deferred inventory costs</b> | <b>\$</b> | <b>15,890</b> | <b>\$ 17,215</b> |

(a) Represents cost deferral for shipped goods (such as components for wind turbine assemblies within our Renewable Energy segment) and labor and overhead costs on time and material service contracts (primarily originating in Power and Aviation) and other costs for which the criteria for revenue recognition has not yet been met. This was previously recorded in Contract and other deferred assets.

**NOTE 7. PROPERTY, PLANT AND EQUIPMENT AND OPERATING LEASES**

| December 31                                                        | Depreciable lives<br>(in years) | Original Cost    |                  | Net Carrying Value |                  |
|--------------------------------------------------------------------|---------------------------------|------------------|------------------|--------------------|------------------|
|                                                                    |                                 | 2020             | 2019             | 2020               | 2019             |
| Land and improvements                                              | 8                               | \$ 599           | \$ 608           | \$ 589             | \$ 596           |
| Buildings, structures and related equipment                        | 8 - 40                          | 8,210            | 7,824            | 3,828              | 3,875            |
| Machinery and equipment                                            | 4 - 20                          | 20,915           | 20,082           | 7,869              | 8,360            |
| Leasehold costs and manufacturing plant under construction         | 1 - 10                          | 2,028            | 2,165            | 1,350              | 1,539            |
| ROU operating lease assets                                         |                                 |                  |                  | 2,798              | 3,077            |
| <b>GE Industrial</b>                                               |                                 | <b>\$ 31,751</b> | <b>\$ 30,680</b> | <b>\$ 16,433</b>   | <b>\$ 17,447</b> |
| Land and improvements, buildings, structures and related equipment | 1 - 40                          | \$ 144           | \$ 149           | \$ 23              | \$ 29            |
| Equipment leased to others (ELTO)(a)                               |                                 |                  |                  |                    |                  |
| Aircraft                                                           | 15 - 20                         | 34,372           | 35,507           | 20,931             | 21,414           |
| Engines                                                            | 15 - 20                         | 4,957            | 4,113            | 3,540              | 3,283            |
| Helicopters                                                        | 15 - 20                         | 5,750            | 5,474            | 4,724              | 4,709            |
| All other                                                          | 15 - 35                         | 235              | 237              | 194                | 214              |
| ROU operating lease assets                                         |                                 |                  |                  | 189                | 237              |
| <b>GE Capital</b>                                                  |                                 | <b>\$ 45,458</b> | <b>\$ 45,480</b> | <b>\$ 29,600</b>   | <b>\$ 29,886</b> |
| Eliminations                                                       |                                 | (1,282)          | (1,279)          | (1,372)            | (1,453)          |
| <b>Property, plant and equipment - net</b>                         |                                 | <b>\$ 75,927</b> | <b>\$ 74,880</b> | <b>\$ 44,662</b>   | <b>\$ 45,879</b> |

(a) Included \$1,475 million and \$1,539 million of original cost of assets leased to GE Industrial with accumulated amortization of \$(306) million and \$(251) million at December 31, 2020 and 2019, respectively.

Consolidated depreciation and amortization related to property, plant and equipment was \$4,636 million, \$4,026 million and \$4,419 million for the years ended December 31, 2020, 2019 and 2018, respectively. Amortization of GE Capital ELTO was \$2,527 million, \$2,019 million and \$2,089 million for the years ended December 31, 2020, 2019 and 2018, respectively.

In the third quarter of 2020, we recognized a non-cash pre-tax impairment charge of \$316 million related to property, plant and equipment at our Steam business within our Power segment due to our recent announcement to exit the new build coal power market. We determined the fair value of these assets using an income approach. This charge was recorded by Corporate in Selling, general, and administrative expenses in our consolidated Statement of Earnings (Loss).

During 2020, our GE Capital Aviation Services (GECAS) business recognized pre-tax impairments of \$542 million, primarily on its fixed-wing aircraft operating lease portfolio. Pre-tax impairments were \$74 million for 2019. We determined the fair values of these assets using primarily the income approach. These charges are included in costs of services sold within the Statement of Earnings (Loss) and within our Capital segment.

Noncancellable future rentals due from customers for equipment on operating leases at December 31, 2020, are as follows:

|  | 2021     | 2022     | 2023     | 2024     | 2025     | Thereafter | Total     |
|--|----------|----------|----------|----------|----------|------------|-----------|
|  | \$ 2,833 | \$ 2,451 | \$ 2,072 | \$ 1,970 | \$ 1,658 | \$ 5,316   | \$ 16,300 |

Income on our operating lease portfolio, primarily from our GECAS business, was \$3,342 million, \$3,804 million, and \$4,075 million for the years ended December 31, 2020, 2019, and 2018, respectively, and comprises fixed lease income of \$2,834 million, \$3,045 million and \$3,243 million and variable lease income of \$508 million, \$759 million and \$832 million, respectively.

**Operating Lease Liabilities.** Our consolidated operating lease liabilities, included within All other liabilities in our Statement of Financial Position, were \$2,973 million and \$3,162 million as of December 31, 2020 and 2019, respectively, which included GE Industrial operating lease liabilities of \$3,133 million and \$3,369 million, respectively. Substantially all of our operating leases have remaining lease terms of 11 years or less, some of which may include options to extend.



| OPERATING LEASE EXPENSE              |    | 2020         | 2019            | 2018            |
|--------------------------------------|----|--------------|-----------------|-----------------|
| Long-term (fixed)                    | \$ | 745          | \$ 834          | \$ 966          |
| Long-term (variable)                 |    | 118          | 136             | 177             |
| Short-term                           |    | 209          | 206             | 133             |
| <b>Total operating lease expense</b> | \$ | <b>1,072</b> | \$ <b>1,176</b> | \$ <b>1,276</b> |

| MATURITY OF LEASE LIABILITIES                        | 2021   | 2022   | 2023   | 2024   | 2025   | Thereafter | Total           |
|------------------------------------------------------|--------|--------|--------|--------|--------|------------|-----------------|
| Undiscounted lease payments                          | \$ 727 | \$ 648 | \$ 549 | \$ 437 | \$ 267 | \$ 805     | \$ 3,433        |
| Less: imputed interest                               |        |        |        |        |        |            | (460)           |
| <b>Total lease liability as of December 31, 2020</b> |        |        |        |        |        |            | <b>\$ 2,973</b> |

| SUPPLEMENTAL INFORMATION RELATED TO OPERATING LEASES               |    | 2020      | 2019      |
|--------------------------------------------------------------------|----|-----------|-----------|
| Operating cash flows used for operating leases                     | \$ | 766       | \$ 888    |
| Right-of-use assets obtained in exchange for new lease liabilities | \$ | 600       | \$ 746    |
| Weighted-average remaining lease term                              |    | 6.6 years | 6.9 years |
| Weighted-average discount rate                                     |    | 4.5 %     | 4.9 %     |

## NOTE 8. GOODWILL AND OTHER INTANGIBLE ASSETS

### CHANGES IN GOODWILL BALANCES

|                  | 2019                         |                   |                   |                             | 2020                         |              |                   |                             |
|------------------|------------------------------|-------------------|-------------------|-----------------------------|------------------------------|--------------|-------------------|-----------------------------|
|                  | Balance at December 31, 2018 | Dispositions      | Impairments       | Currency exchange and other | Balance at December 31, 2019 | Acquisitions | Impairments       | Currency exchange and other |
| Power            | \$ 139                       | \$ —              | \$ —              | \$ 6                        | \$ 145                       | \$ —         | \$ —              | \$ —                        |
| Renewable Energy | 4,730                        | —                 | (1,486)           | 46                          | 3,290                        | —            | —                 | 111                         |
| Aviation         | 9,839                        | —                 | —                 | 20                          | 9,859                        | —            | (877)             | 266                         |
| Healthcare       | 17,226                       | (5,558)           | —                 | 60                          | 11,728                       | 89           | —                 | 37                          |
| Capital          | 904                          | (39)              | —                 | (26)                        | 839                          | —            | (839)             | —                           |
| Corporate(a)     | 1,136                        | —                 | —                 | (262)                       | 873                          | —            | —                 | 2                           |
| <b>Total</b>     | <b>\$ 33,974</b>             | <b>\$ (5,597)</b> | <b>\$ (1,486)</b> | <b>\$ (156)</b>             | <b>\$ 26,734</b>             | <b>\$ 90</b> | <b>\$ (1,717)</b> | <b>\$ 417</b>               |

(a) Corporate balance at December 31, 2020 and 2019 is our Digital business.

In the fourth quarter of 2020, we performed our annual impairment test. Based on the results of this test, the fair values of each of our reporting units exceeded their carrying values.

We continue to monitor the operating results and cash flow forecasts of our Additive reporting unit in our Aviation segment as the fair value of this reporting unit was not significantly in excess of its carrying value. At December 31, 2020, our Additive reporting unit had goodwill of \$243 million.

In the second quarter of 2020 we performed an interim impairment test at our Additive reporting unit within our Aviation segment and GECAS reporting unit within our Capital segment, both of which incorporated a combination of income and market valuation approaches. The results of the analysis indicated that carrying values of both reporting units were in excess of their respective fair values. Therefore, we recorded non-cash impairment losses of \$877 million and \$839 million for the Additive and GECAS reporting units, respectively, in the caption Goodwill impairments in our consolidated Statement of Earnings (Loss). All of the goodwill in Additive was the result of the Arcam AB and Concept Laser GmbH acquisitions in 2016. Of the \$839 million of goodwill for GECAS, \$729 million arose from the acquisition of Milestone Aviation, our helicopter leasing business, in 2015. After the impairment charges, there was no goodwill remaining in our GECAS reporting unit.

In 2019, goodwill decreased by \$7,240 million, primarily as a result of transferring goodwill in our BioPharma business within our Healthcare segment to held for sale in the amount of \$5,548 million, and recognizing a total non-cash goodwill impairment loss in our Grid Solutions equipment and services and Hydro reporting units in our Renewable Energy segment of \$744 million and \$742 million, respectively. After the impairment charges, the Grid Solutions equipment and services and Hydro reporting units have no remaining goodwill.

Determining the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including actual operating results. It is reasonably possible that the judgments and estimates described above could change in future periods.

| INTANGIBLE ASSETS SUBJECT TO AMORTIZATION December 31 | Useful lives (in years) | 2020                  |                          |                 | 2019                  |                          |                  |
|-------------------------------------------------------|-------------------------|-----------------------|--------------------------|-----------------|-----------------------|--------------------------|------------------|
|                                                       |                         | Gross carrying amount | Accumulated amortization | Net             | Gross carrying amount | Accumulated amortization | Net              |
| Customer-related(a)                                   | 3 - 30                  | \$ 6,862              | \$ (3,432)               | \$ 3,430        | \$ 6,770              | \$ (3,070)               | \$ 3,701         |
| Patents and technology                                | 2 - 25                  | 8,191                 | (4,135)                  | 4,056           | 8,180                 | (3,730)                  | 4,450            |
| Capitalized software                                  | 3 - 10                  | 5,826                 | (3,840)                  | 1,986           | 5,822                 | (3,651)                  | 2,171            |
| Trademarks & other                                    | 3 - 50                  | 778                   | (477)                    | 301             | 737                   | (406)                    | 332              |
| <b>Total</b>                                          |                         | <b>\$ 21,657</b>      | <b>\$ (11,883)</b>       | <b>\$ 9,774</b> | <b>\$ 21,510</b>      | <b>\$ (10,857)</b>       | <b>\$ 10,653</b> |

(a) Balance includes payments made to our customers, primarily within our Aviation business.

Intangible assets decreased in 2020, primarily as a result of amortization. Consolidated amortization expense was \$1,382 million, \$1,569 million and \$2,163 million for the years ended December 31, 2020, 2019 and 2018, respectively. Included within amortization expense for the years ended December 31, 2020, 2019 and 2018 were non-cash pre-tax impairment charges of \$113 million, \$103 million, and \$428 million respectively.

In the third quarter of 2020, we recognized a non-cash pre-tax impairment charge of \$113 million related to intangible assets at our Steam business within our Power segment due to our recent announcement to exit the new build coal power market. We determined the fair value of these intangible assets using an income approach. This charge was recorded by Corporate in Selling, general, and administrative expenses in our consolidated Statement of Earnings (Loss).

Estimated consolidated annual pre-tax amortization for intangible assets over the next five calendar years are as follows:

| ESTIMATED 5 YEAR CONSOLIDATED AMORTIZATION | 2021     | 2022     | 2023   | 2024   | 2025   |
|--------------------------------------------|----------|----------|--------|--------|--------|
| Estimated annual pre-tax amortization      | \$ 1,162 | \$ 1,085 | \$ 992 | \$ 889 | \$ 817 |

During 2020, we recorded additions to intangible assets subject to amortization of \$420 million with a weighted-average amortizable period of 5.9 years, including capitalized software of \$360 million, with a weighted-average amortizable period of 5.2 years.

## NOTE 9. CONTRACT AND OTHER DEFERRED ASSETS & PROGRESS COLLECTIONS AND DEFERRED INCOME

**Contract and other deferred assets** decreased \$1,474 million in 2020. Our long-term service agreements decreased primarily due to billings of \$9,571 million and a net unfavorable change in estimated profitability of \$229 million at Power and \$1,100 million at Aviation, offset by revenues recognized of \$8,971 million. The decrease in long-term service agreements included a \$587 million pre-tax charge, at Aviation, to reflect the cumulative COVID-19 pandemic-related impacts of changes to billing and cost assumptions for certain long-term service agreements, reflecting lower engine utilization, anticipated customer fleet restructuring and contract modifications. Additional adjustments could occur in future periods and could be material for certain long-term service agreements if actual customer operating behavior differs significantly from Aviation's current estimates.

| December 31, 2020                                     | Power           | Aviation          | Renewable Energy | Healthcare    | Other          | Total            |
|-------------------------------------------------------|-----------------|-------------------|------------------|---------------|----------------|------------------|
| Revenues in excess of billings                        | \$ 5,282        | \$ 3,072          | \$ —             | \$ —          | \$ —           | \$ 8,354         |
| Billings in excess of revenues                        | (1,640)         | (5,375)           | —                | —             | —              | (7,015)          |
| <b>Long-term service agreements</b>                   | <b>\$ 3,642</b> | <b>\$ (2,304)</b> | <b>\$ —</b>      | <b>\$ —</b>   | <b>\$ —</b>    | <b>\$ 1,338</b>  |
| Short-term and other service agreements               | 129             | 282               | 106              | 173           | 29             | 719              |
| Equipment contract revenues                           | 2,015           | 59                | 1,127            | 306           | 201            | 3,707            |
| <b>Current contract assets</b>                        | <b>\$ 5,786</b> | <b>\$ (1,963)</b> | <b>\$ 1,233</b>  | <b>\$ 479</b> | <b>\$ 229</b>  | <b>\$ 5,764</b>  |
| Nonrecurring engineering costs(a)                     | 16              | 2,409             | 34               | 31            | —              | 2,490            |
| Customer advances and other(b)                        | 822             | 2,481             | —                | 128           | (32)           | 3,398            |
| <b>Non-current contract and other deferred assets</b> | <b>\$ 838</b>   | <b>\$ 4,889</b>   | <b>\$ 34</b>     | <b>\$ 159</b> | <b>\$ (32)</b> | <b>\$ 5,888</b>  |
| <b>Total contract and other deferred assets</b>       | <b>\$ 6,623</b> | <b>\$ 2,927</b>   | <b>\$ 1,268</b>  | <b>\$ 638</b> | <b>\$ 197</b>  | <b>\$ 11,653</b> |

| December 31, 2019                                     | Power    | Aviation | Renewable Energy | Healthcare | Other   | Total     |
|-------------------------------------------------------|----------|----------|------------------|------------|---------|-----------|
| Revenues in excess of billings                        | \$ 5,342 | \$ 4,480 | \$ —             | \$ —       | \$ —    | \$ 9,822  |
| Billings in excess of revenues                        | (1,561)  | (4,914)  | —                | —          | —       | (6,476)   |
| <b>Long-term service agreements</b>                   | \$ 3,781 | \$ (435) | \$ —             | \$ —       | \$ —    | \$ 3,346  |
| Short-term and other service agreements               | 190      | 316      | 43               | 169        | —       | 717       |
| Equipment contract revenues                           | 1,599    | 82       | 1,217            | 324        | 106     | 3,327     |
| <b>Current contract assets</b>                        | \$ 5,569 | \$ (37)  | \$ 1,260         | \$ 492     | \$ 106  | \$ 7,390  |
| Nonrecurring engineering costs(a)                     | \$ 44    | \$ 2,257 | \$ 47            | \$ 35      | \$ 8    | \$ 2,391  |
| Customer advances and other(b)                        | 909      | 2,313    | —                | 156        | (32)    | 3,346     |
| <b>Non-current contract and other deferred assets</b> | \$ 953   | \$ 4,570 | \$ 47            | \$ 190     | \$ (24) | \$ 5,737  |
| <b>Total contract and other deferred assets</b>       | \$ 6,522 | \$ 4,533 | \$ 1,307         | \$ 683     | \$ 82   | \$ 13,127 |

(a) Included costs incurred prior to production (such as requisition engineering) for equipment production contracts, primarily within our Aviation segment, which are allocated ratably to each unit produced.

(b) Included amounts due from customers at Aviation for the sales of engines, spare parts and services, and at Power, for the sale of services upgrades, which we collect through incremental fixed or usage-based fees from servicing the equipment under long-term service agreements. We have reclassified certain prior-year amounts from the long-term service agreements and equipment contract revenues line items in the table above to conform with the current year's presentation.

**PROGRESS COLLECTIONS & DEFERRED INCOME.** Progress collections represent cash received from customers under ordinary commercial payment terms in advance of delivery. Progress collections on equipment contracts primarily comprise milestone payments received from customers prior to the manufacture and delivery of customized equipment orders. Other progress collections primarily comprise down payments from customers to reserve production slots for standardized inventory orders such as advance payments from customers when they place orders for wind turbines and blades within our Renewable Energy segment and payments from airframers and airlines for install and spare engines, respectively, within our Aviation segment.

Progress collections and deferred income increased \$72 million in 2020 primarily due to the timing of new collections received in excess of revenue recognition, primarily at Renewable Energy, Healthcare and Aviation. These increases were partially offset by revenue recognized in excess of new collections at Power. Our Aviation Military equipment business received new collections of \$708 million in the second quarter 2020 as part of the U.S. Department of Defense's efforts to support vendors in its supply chain during the pandemic.

Revenues recognized for contracts included in a liability position at the beginning of the year were \$12,314 million and \$11,020 million for the years ended December 31, 2020 and 2019, respectively.

| December 31, 2020                                     | Power    | Aviation | Renewable Energy | Healthcare | Other  | Total     |
|-------------------------------------------------------|----------|----------|------------------|------------|--------|-----------|
| Progress collections on equipment contracts           | \$ 4,918 | \$ 214   | \$ 1,229         | \$ —       | \$ —   | \$ 6,362  |
| Other progress collections                            | 458      | 4,623    | 4,604            | 414        | (4)    | 10,096    |
| <b>Total progress collections</b>                     | \$ 5,376 | \$ 4,837 | \$ 5,834         | \$ 414     | \$ (4) | \$ 16,458 |
| Current deferred income                               | 17       | 132      | 194              | 1,309      | 105    | 1,757     |
| <b>Progress collections and deferred income</b>       | \$ 5,393 | \$ 4,969 | \$ 6,028         | \$ 1,724   | \$ 102 | \$ 18,215 |
| Non-current deferred income                           | 116      | 898      | 214              | 564        | 10     | 1,801     |
| <b>Total progress collections and deferred income</b> | \$ 5,509 | \$ 5,867 | \$ 6,241         | \$ 2,288   | \$ 112 | \$ 20,016 |

| December 31, 2019                                     | Power    | Aviation | Renewable Energy | Healthcare | Other  | Total     |
|-------------------------------------------------------|----------|----------|------------------|------------|--------|-----------|
| Progress collections on equipment contracts           | \$ 5,857 | \$ 115   | \$ 1,268         | \$ —       | \$ —   | \$ 7,240  |
| Other progress collections                            | 413      | 4,748    | 4,193            | 305        | 2      | 9,662     |
| <b>Total progress collections</b>                     | \$ 6,270 | \$ 4,863 | \$ 5,461         | \$ 305     | \$ 2   | \$ 16,902 |
| Current deferred income                               | 18       | 90       | 140              | 1,180      | 59     | 1,487     |
| <b>Progress collections and deferred income</b>       | \$ 6,288 | \$ 4,953 | \$ 5,602         | \$ 1,485   | \$ 61  | \$ 18,389 |
| Non-current deferred income                           | 31       | 874      | 144              | 467        | 39     | 1,555     |
| <b>Total progress collections and deferred income</b> | \$ 6,319 | \$ 5,827 | \$ 5,745         | \$ 1,952   | \$ 100 | \$ 19,944 |

## NOTE 10. ALL OTHER ASSETS

| December 31                                       |           | 2020          | 2019             |
|---------------------------------------------------|-----------|---------------|------------------|
| Prepaid taxes and deferred charges                | \$        | 368           | \$ 610           |
| Derivative instruments (Note 21)                  |           | 440           | 211              |
| Other                                             |           | 27            | 31               |
| <b>GE Industrial All other current assets</b>     | <b>\$</b> | <b>835</b>    | <b>\$ 852</b>    |
| Assets held for sale                              | \$        | 871           | \$ 2,294         |
| Derivative instruments (Note 21)                  |           | 42            | 529              |
| Other                                             |           | 108           | 113              |
| <b>GE Capital All other current assets</b>        | <b>\$</b> | <b>1,021</b>  | <b>\$ 2,936</b>  |
| Eliminations                                      |           | (334)         | (426)            |
| <b>Consolidated All other current assets</b>      | <b>\$</b> | <b>1,522</b>  | <b>\$ 3,362</b>  |
| Equity method and other investments               | \$        | 3,827         | \$ 4,015         |
| Long-term receivables (Note 4)                    |           | 2,430         | 2,413            |
| Prepaid taxes and deferred charges                |           | 817           | 870              |
| Other                                             |           | 874           | 449              |
| <b>GE Industrial All other non-current assets</b> | <b>\$</b> | <b>7,948</b>  | <b>\$ 7,748</b>  |
| Equity method and other investments               | \$        | 3,199         | \$ 2,227         |
| GECAS pre-delivery payments (Note 23)             |           | 2,871         | 2,934            |
| Insurance cash and cash equivalents(a)            |           | 455           | 583              |
| Other                                             |           | 543           | 551              |
| <b>GE Capital All other non-current assets</b>    | <b>\$</b> | <b>7,068</b>  | <b>\$ 6,294</b>  |
| Eliminations                                      |           | (419)         | (160)            |
| <b>Consolidated All other non-current assets</b>  | <b>\$</b> | <b>14,597</b> | <b>\$ 13,882</b> |
| <b>Total All other assets</b>                     | <b>\$</b> | <b>16,119</b> | <b>\$ 17,244</b> |

(a) Cash and cash equivalents in GE Capital insurance entities is subject to regulatory restrictions and used for operations of those entities. Therefore, the balance is included in All other assets.

**Equity method investments.** Unconsolidated entities over which we have significant influence are accounted for as equity method investments and presented on a one-line basis in All other assets on our consolidated Statement of Financial Position. Equity method income includes our share of the results of unconsolidated entities, gains (loss) from sales and impairments of investments, which is included in Other income for GE Industrial and in Revenues from services for GE Capital in our consolidated Statement of Earnings (Loss). See Note 1 for further information.

| December 31                      | Equity method investment balance |                 | Equity method income (loss) |               |                 |
|----------------------------------|----------------------------------|-----------------|-----------------------------|---------------|-----------------|
|                                  | 2020                             | 2019            | 2020                        | 2019          | 2018            |
| Power                            | \$ 576                           | \$ 565          | \$ 43                       | \$ (4)        | \$ (20)         |
| Renewable Energy                 | 724                              | 630             | 13                          | (2)           | (1)             |
| Aviation                         | 2,032                            | 2,073           | (41)                        | 204           | 126             |
| Healthcare                       | 251                              | 245             | 7                           | 19            | 16              |
| Capital(a)                       | 3,110                            | 2,159           | 77                          | 217           | (254)           |
| Corporate items and eliminations | 31                               | 28              | 5                           | (11)          | (99)            |
| <b>Total consolidated</b>        | <b>\$ 6,724</b>                  | <b>\$ 5,700</b> | <b>\$ 104</b>               | <b>\$ 423</b> | <b>\$ (233)</b> |

(a) Equity method investments in GE Capital increased \$951 million driven primarily by an increase in renewable energy tax equity investments at Energy Financial Services (EFS) and an increase in investments in our run-off insurance operations.



## NOTE 11. BORROWINGS

| December 31                                                      | 2020             |              | 2019             |              |              |
|------------------------------------------------------------------|------------------|--------------|------------------|--------------|--------------|
|                                                                  | Amount           | Average Rate | Amount           | Average Rate |              |
| Commercial paper                                                 | \$ —             | — %          | \$ 3,008         | 1.62 %       |              |
| Current portion of long-term borrowings                          | 36               | 5.03         | 766              | 0.36         |              |
| Current portion of long-term borrowings assumed by GE Industrial | 2,432            | 3.49         | 5,473            | 3.71         |              |
| Other                                                            | 882              |              | 1,832            |              |              |
| <b>Total GE Industrial short-term borrowings</b>                 | <b>\$ 3,350</b>  |              | <b>\$ 11,079</b> |              |              |
| Current portion of long-term borrowings                          | \$ 853           | 1.72 %       | \$ 11,226        | 3.01 %       |              |
| Intercompany payable to GE Industrial                            | 2,432            |              | 2,104            |              |              |
| Non-recourse borrowings of consolidated securitization entities  | 892              | 0.81         | 1,569            | 1.26         |              |
| Other                                                            | 283              |              | 804              |              |              |
| <b>Total GE Capital short-term borrowings</b>                    | <b>\$ 4,461</b>  |              | <b>\$ 15,702</b> |              |              |
| Eliminations                                                     | (3,033)          |              | (3,140)          |              |              |
| <b>Total short-term borrowings</b>                               | <b>\$ 4,778</b>  |              | <b>\$ 23,641</b> |              |              |
|                                                                  | Maturities       | Amount       | Average Rate     | Amount       | Average Rate |
| Senior notes                                                     | 2022-2050        | \$ 18,994    | 2.90 %           | \$ 14,762    | 2.11 %       |
| Senior notes assumed by GE Industrial                            | 2022-2055        | 18,178       | 3.25             | 23,024       | 4.17         |
| Subordinated notes assumed by GE Industrial                      | 2035-2037        | 1,779        | 3.28             | 2,871        | 3.68         |
| Other                                                            |                  | 435          |                  | 324          |              |
| <b>Total GE Industrial long-term borrowings</b>                  | <b>\$ 39,386</b> |              | <b>\$ 40,980</b> |              |              |
| Senior notes                                                     | 2022-2042        | \$ 30,132    | 3.41 %           | \$ 25,371    | 3.66 %       |
| Subordinated notes                                               |                  | 189          |                  | 178          |              |
| Intercompany payable to GE Industrial                            |                  | 16,780       |                  | 17,038       |              |
| Non-recourse borrowings of consolidated securitization entities  |                  | —            |                  | 86           | 2.82         |
| Other                                                            |                  | 582          |                  | 626          |              |
| <b>Total GE Capital long-term borrowings</b>                     | <b>\$ 47,683</b> |              | <b>\$ 43,299</b> |              |              |
| Eliminations                                                     |                  | (16,780)     |                  | (17,038)     |              |
| <b>Total long-term borrowings</b>                                | <b>\$ 70,288</b> |              | <b>\$ 67,241</b> |              |              |
| <b>Total borrowings</b>                                          | <b>\$ 75,067</b> |              | <b>\$ 90,882</b> |              |              |

At December 31, 2020, the outstanding GE Capital borrowings that had been assumed by GE Industrial as part of the GE Capital Exit Plan was \$22,390 million (\$2,432 million short term and \$19,957 million long term), for which GE Industrial has an offsetting receivable from GE Capital of \$19,213 million. The difference of \$3,177 million (zero in short-term borrowings and \$3,177 million in long-term borrowings) represents the amount of borrowings GE Capital had funded with available cash to GE Industrial via intercompany loans in lieu of GE Industrial issuing borrowings externally. GE Industrial repaid a total of \$9,049 million of intercompany loans from GE Capital in 2020.

At December 31, 2020, total GE Industrial borrowings of \$23,523 million comprised GE Industrial-issued borrowings of \$20,346 million and intercompany loans from GE Capital to GE Industrial of \$3,177 million as described above.

GE Industrial has provided a full and unconditional guarantee on the payment of the principal and interest on all tradable senior and subordinated outstanding long-term debt securities issued or guaranteed by GE Capital. This Guarantee applied to \$28,503 million and \$34,683 million of GE Capital debt at December 31, 2020 and December 31, 2019, respectively.

In the second quarter of 2020, GE Industrial issued a total of \$7,500 million in aggregate principal amount of senior unsecured debt, comprising \$1,000 million of 3.450% Notes due 2027, \$1,250 million of 3.625% Notes due 2030, \$1,500 million of 4.250% Notes due 2040, and \$3,750 million of 4.350% Notes due 2050, and used these proceeds in addition to a portion of the proceeds from the BioPharma sale to repay a total of \$7,500 million of intercompany loans to GE Capital and to complete a tender offer to purchase \$4,237 million in aggregate principal amount of certain GE Industrial unsecured debt, comprising \$2,046 million of 2.700% Notes due 2022, €934 million (\$1,011 million equivalent) of 0.375% Notes due 2022, €425 million (\$460 million equivalent) of 1.250% Notes due 2023, €376 million (\$407 million equivalent) of floating-rate Notes due 2020, and \$312 million of 3.375% Notes due 2024. The total cash consideration paid for these purchases was \$4,282 million and the total carrying amount of the purchased notes was \$4,228 million, resulting in a loss of \$63 million (including \$9 million of fees and other costs associated with the tender) which was recorded in Interest and other financial charges in the GE Industrial Statement of Earnings (Loss). In addition to the purchase price, GE Industrial paid any accrued and unpaid interest on the purchased notes through the date of purchase.

In the second quarter of 2020, GE Capital issued a total of \$6,000 million in aggregate principal amount of senior unsecured debt with maturities ranging from 2025 to 2032, and used these proceeds in addition to the proceeds received from repayments of intercompany loans from GE Industrial to complete tender offers to purchase a total of \$9,787 million in aggregate principal amount of certain senior unsecured debt. The total cash consideration paid for these purchases was \$9,950 million and the total carrying amount of the purchased notes was \$9,827 million, resulting in a total loss of \$143 million (including \$20 million of fees and other costs associated with the tender) which was recorded in Interest and other financial charges in the GE Capital Statement of Earnings (Loss). In addition to the purchase price, GE Capital paid any accrued and unpaid interest on the purchased notes through the date of purchase.

In the fourth quarter of 2020, GE Capital completed a tender offer to purchase a total of \$2,157 million in aggregate principal amount of certain senior unsecured debt. The total cash consideration paid for these purchases was \$2,255 million and the carrying amount of the purchased notes was \$2,166 million, resulting in a total loss of \$95 million (including \$6 million of fees and other costs associated with the tender) which was recorded in Interest and other financial charges in the GE Capital Statement of Earnings (Loss). In addition to the purchase price, GE Capital paid any accrued and unpaid interest on the purchased notes through the date of purchase.

See Notes 4 and 22 for further information about non-recourse borrowings of consolidated securitization entities. See Note 21 for further information about borrowings and associated interest rate swaps.

Long-term debt maturities over the next five years follow.

|                                          | 2021    | 2022     | 2023   | 2024   | 2025     |
|------------------------------------------|---------|----------|--------|--------|----------|
| GE Industrial excluding assumed debt     | \$ 36   | \$ 2,016 | \$ 977 | \$ 477 | \$ 2,440 |
| GE Capital debt assumed by GE Industrial | 2,432   | 1,483    | 1,977  | 918    | 237      |
| GE Capital other debt                    | 853 (a) | 1,469    | 1,771  | 142    | 3,477    |

(a) Fixed and floating rate notes of \$340 million contain put options with exercise dates in 2021, which have final maturity beyond 2025.

The total interest payments on consolidated borrowings are estimated to be \$2,326 million, \$2,210 million, \$2,072 million, \$2,006 million and \$1,932 million for 2021, 2022, 2023, 2024 and 2025, respectively.

**NOTE 12. INSURANCE LIABILITIES AND ANNUITY BENEFITS.** Insurance liabilities and annuity benefits comprise substantially all obligations to annuitants and insureds in our run-off insurance operations.

| December 31, 2020              | Long-term care insurance contracts | Structured settlement annuities & life insurance contracts | Other contracts | Other adjustments(a) | Total            |
|--------------------------------|------------------------------------|------------------------------------------------------------|-----------------|----------------------|------------------|
| Future policy benefit reserves | \$ 16,934                          | \$ 9,207                                                   | \$ 181          | \$ 8,160             | \$ 34,482        |
| Claim reserves(b)              | 4,393                              | 275                                                        | 1,068           | —                    | 5,736            |
| Investment contracts           | —                                  | 1,034                                                      | 1,016           | —                    | 2,049            |
| Unearned premiums and other    | 19                                 | 189                                                        | 89              | —                    | 298              |
|                                | 21,346                             | 10,705                                                     | 2,354           | 8,160                | 42,565           |
| Eliminations                   | —                                  | —                                                          | (374)           | —                    | (374)            |
| <b>Total</b>                   | <b>\$ 21,346</b>                   | <b>\$ 10,705</b>                                           | <b>\$ 1,980</b> | <b>\$ 8,160</b>      | <b>\$ 42,191</b> |

| December 31, 2019              | Long-term care insurance contracts | Structured settlement annuities & life insurance contracts | Other contracts | Other adjustments(a) | Total            |
|--------------------------------|------------------------------------|------------------------------------------------------------|-----------------|----------------------|------------------|
| Future policy benefit reserves | \$ 16,755                          | \$ 9,511                                                   | \$ 183          | \$ 5,655             | \$ 32,104        |
| Claim reserves(b)              | 4,238                              | 252                                                        | 1,125           | —                    | 5,615            |
| Investment contracts           | —                                  | 1,136                                                      | 1,055           | —                    | 2,191            |
| Unearned premiums and other    | 30                                 | 196                                                        | 96              | —                    | 322              |
|                                | 21,023                             | 11,095                                                     | 2,459           | 5,655                | 40,232           |
| Eliminations                   | —                                  | —                                                          | (406)           | —                    | (406)            |
| <b>Total</b>                   | <b>\$ 21,023</b>                   | <b>\$ 11,095</b>                                           | <b>\$ 2,053</b> | <b>\$ 5,655</b>      | <b>\$ 39,826</b> |

(a) To the extent that unrealized gains on specific investment securities supporting our insurance contracts would result in a premium deficiency should those gains be realized, an increase in future policy benefit reserves is recorded, with an after-tax reduction of net unrealized gains recognized through Other comprehensive income in our consolidated Statement of Earnings (Loss).

(b) Other contracts included claim reserves of \$316 million and \$342 million related to short-duration contracts at Electric Insurance Company, net of eliminations, at December 31, 2020 and 2019, respectively.

The increase in insurance liabilities and annuity benefits of \$2,365 million from December 31, 2019 to December 31, 2020 is primarily due to an adjustment of \$2,505 million resulting from an increase in unrealized gains on investment securities that would result in a premium deficiency should those gains be realized.

Claim reserve activity included incurred claims of \$1,801 million, \$1,873 million and \$2,106 million, of which \$(1) million, \$(36) million and \$(46) million related to the recognition of adjustments to prior year claim reserves arising from our periodic reserve evaluation in the years ended December 31, 2020, 2019 and 2018, respectively. Paid claims were \$1,728 million, \$1,626 million and \$1,937 million in the years ended December 31, 2020, 2019 and 2018, respectively.

Reinsurance recoveries are recorded as a reduction of insurance losses and annuity benefits in our consolidated Statement of Earnings (Loss) and amounted to \$350 million, \$362 million and \$324 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Reinsurance recoverables, net of allowances of \$1,510 million and \$1,355 million, are included in non-current Other GE Capital receivables in our consolidated Statement of Financial Position, and amounted to \$2,552 million and \$2,416 million at December 31, 2020 and 2019, respectively. The vast majority of our remaining net reinsurance recoverables are secured by assets held in a trust for which we are the beneficiary.

**2020 Premium Deficiency Testing.** We completed our annual premium deficiency testing in the aggregate across our run-off insurance portfolio in the third quarter of 2020. The results of our testing indicated there was a positive margin of less than 2% of the recorded future policy benefit reserves, excluding Other adjustments, at September 30, 2020. As a result, the assumptions updated in connection with the premium deficiency recognized in 2019 remain locked-in and will remain so unless another premium deficiency occurs in the future.

We also noted our projections as of third quarter 2020 indicate the present value of projected earnings in each future year to be positive, and therefore, no further adjustments to our future policy benefit reserves were required at this time.

Considering the results of the 2020 premium deficiency test which resulted in a small margin, any future net adverse changes in our assumptions may reduce the margin or result in a premium deficiency requiring an increase to future policy benefit reserves. Any future net favorable changes to these assumptions could result in a lower projected present value of future cash flows and additional margin in our premium deficiency test and higher income over the remaining duration of the portfolio, including higher investment income.

Statutory accounting practices, not GAAP, determine the required statutory capital levels of our insurance legal entities and, therefore, may affect the amount or timing of capital contributions that may be required from GE Capital to its insurance legal entities. Statutory accounting practices are set forth by the National Association of Insurance Commissioners (NAIC) as well as state laws, regulation and general administrative rules and differ in certain respects from GAAP. The 2020 premium deficiency testing described above was performed on a GAAP basis. The adverse impact on our statutory additional actuarial reserves (AAR) arising from our revised assumptions in 2017, including the collectability of reinsurance recoverables, is expected to require GE Capital to contribute approximately \$14,500 million additional capital to its run-off insurance operations in 2018-2024. For statutory accounting purposes, the Kansas Insurance Department (KID) approved our request for a permitted accounting practice to recognize the 2017 AAR increase over a seven-year period. GE Capital provided capital contributions to its insurance subsidiaries of \$2,000 million, \$1,900 million and \$3,500 million in the first quarters of 2020, 2019 and 2018, respectively. GE Capital expects to provide further capital contributions of approximately \$7,000 million through 2024 (of which approximately \$2,000 million is expected to be contributed in the first quarter of 2021 pending completion of our December 31, 2020 statutory reporting process, which includes asset adequacy testing), subject to ongoing monitoring by KID. GE is a party to capital maintenance agreements with its run-off insurance subsidiaries under which GE is required to maintain their statutory capital levels at 300% of their year-end Authorized Control Level risk-based capital requirements as defined from time to time by the NAIC.

## NOTE 13. POSTRETIREMENT BENEFIT PLANS

**PENSION BENEFITS AND RETIREE HEALTH AND LIFE BENEFITS.** We sponsor a number of pension and retiree health and life insurance benefit plans that we present in three categories, principal pension plans, other pension plans and principal retiree benefit plans. Smaller pension plans with pension assets or obligations less than \$50 million and other retiree benefit plans are not presented. We use a December 31 measurement date for these plans.

### DESCRIPTION OF OUR PLANS

|                                 | Plan Category                                                                                   | Participants                                                                                                                 | Funding                                                                                                                                                                                            | Other                                                                                                                                                                                                                                                                                                                                                         |
|---------------------------------|-------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Principal Pension Plans         | GE Pension Plan                                                                                 | Covers U.S. participants. ~176,500 retirees and beneficiaries, ~93,000 vested former employees and ~26,500 active employees. | Our funding policy is to contribute amounts sufficient to meet minimum funding requirements under employee benefit and tax laws. We may decide to contribute additional amounts beyond this level. | This plan has been closed to new participants since 2012. Benefits for ~20,000 employees with salaried benefits were frozen effective January 1, 2021, and thereafter these employees will receive increased company contributions in the company sponsored defined contribution plan in lieu of participation in a defined benefit plan (announced 10/2019). |
|                                 | GE Supplementary Pension Plan                                                                   | Provides supplementary benefits to higher-level, longer-service U.S. employees                                               | This plan is unfunded. We pay benefits from company cash.                                                                                                                                          | The annuity benefit has been closed to new participants since 2011 and has been replaced by an installment benefit. Benefits for ~700 employees who became executives before 2011 were frozen effective January 1, 2021, and thereafter these employees will accrue the installment benefit offered to new executives since 2011.                             |
| Other Pension Plans             | 44 U.S. and non-U.S. pension plans with pension assets or obligations greater than \$50 million | Covers ~56,500 retirees and beneficiaries, ~49,500 vested former employees and ~20,000 active employees                      | Our funding policy is to contribute amounts sufficient to meet minimum funding requirements under employee benefit and tax laws in each country. We pay benefits for some plans from company cash. | In certain countries, benefit accruals have ceased and/or have been closed to new hires as of various dates.                                                                                                                                                                                                                                                  |
| Principal Retiree Benefit Plans | Provides health and life insurance benefits to certain eligible participants                    | Covers U.S participants. ~170,000 retirees and dependents                                                                    | We fund retiree health benefits on a pay-as-you-go basis and the retiree life insurance trust at our discretion.                                                                                   | Participants share in the cost of the healthcare benefits.                                                                                                                                                                                                                                                                                                    |

### FUNDING STATUS BY PLAN TYPE

|                                                                     | Benefit Obligation |                  | Fair Value of Assets |                 | Deficit/(Surplus) |                  |
|---------------------------------------------------------------------|--------------------|------------------|----------------------|-----------------|-------------------|------------------|
|                                                                     | 2020               | 2019             | 2020                 | 2019            | 2020              | 2019             |
| <b>Principal Pension Plans:</b>                                     |                    |                  |                      |                 |                   |                  |
| GE Pension Plan (subject to regulatory funding)                     | \$ 68,945          | \$ 65,065        | \$ 58,843            | \$ 52,633       | \$ 10,102         | \$ 12,432        |
| GE Supplementary Pension Plan (not subject to regulatory funding)   | 7,353              | 6,691            | —                    | —               | 7,353             | 6,691            |
|                                                                     | 76,298             | 71,756           | 58,843               | 52,633          | 17,455            | 19,123           |
| <b>Other Pension Plans:</b>                                         |                    |                  |                      |                 |                   |                  |
| Subject to regulatory funding                                       | 21,793             | 19,907           | 21,283               | 18,906          | 510               | 1,001            |
| Not subject to regulatory funding                                   | 2,865              | 3,014            | 223                  | 236             | 2,642             | 2,778            |
| Principal retiree benefit plans (not subject to regulatory funding) | 5,019              | 5,160            | 134                  | 289             | 4,885             | 4,871            |
| Total plans subject to regulatory funding                           | 90,738             | 84,972           | 80,126               | 71,539          | 10,612            | 13,433           |
| Total plans not subject to regulatory funding                       | 15,237             | 14,865           | 357                  | 525             | 14,880            | 14,340           |
| <b>Total plans</b>                                                  | <b>\$105,975</b>   | <b>\$ 99,837</b> | <b>\$ 80,483</b>     | <b>\$72,064</b> | <b>\$ 25,492</b>  | <b>\$ 27,773</b> |

**FUNDING.** The Employee Retirement Income Security Act (ERISA) determines minimum pension funding requirements in the U.S. In December 2020, we made a discretionary contribution of \$2,500 million to the GE Pension Plan and, based on our current assumptions, we do not anticipate additional required contributions to the plan through 2023. We made a contribution to the GE Pension Plan in 2018 which was sufficient to satisfy our minimum ERISA funding requirements for 2019 and 2020.



On an ERISA basis, our preliminary estimate is that the GE Pension Plan was approximately 94% and 93% funded at January 1, 2021 and 2020 respectively. The ERISA funded status is higher than the GAAP funded status (85% and 81% funded for 2020 and 2019 respectively) primarily because the ERISA prescribed interest rate for determining liabilities is calculated using a long-term average interest rate. As a result, the ERISA interest rate is higher than the year-end GAAP discount rate. The higher ERISA interest rate lowers pension liabilities for ERISA funding purposes.

We expect to pay approximately \$325 million for benefit payments under our GE Supplementary Pension Plan and administrative expenses of our principal pension plans and expect to contribute approximately \$460 million to other pension plans in 2021. We fund retiree health benefits on a pay-as-you-go basis and the retiree life insurance trust at our discretion. We expect to contribute approximately \$335 million in 2021 to fund such benefits.

**ACTIONS.** In December 2020, we transferred obligations of \$1,706 million from the GE Pension Plan, representing the benefits of approximately 70,000 of GE's retirees and beneficiaries, to a third-party insurance company by irrevocably committing to purchase group annuity contracts. The transaction was funded directly by the assets of the plan and is reflected as a settlement.

In 2019, we offered approximately 100,000 former U.S. employees with a vested benefit in the GE Pension Plan a limited-time option to take a lump sum distribution in lieu of future monthly payments. In December 2019, lump sum distributions of \$2,657 million were made from the assets of the plan and this event is reflected as a settlement.

| COST OF OUR BENEFITS PLANS<br>AND ASSUMPTIONS                             | 2020              |                 |                           | 2019              |                 |                           | 2018              |                 |                           |
|---------------------------------------------------------------------------|-------------------|-----------------|---------------------------|-------------------|-----------------|---------------------------|-------------------|-----------------|---------------------------|
|                                                                           | Principal pension | Other pension   | Principal retiree benefit | Principal pension | Other pension   | Principal retiree benefit | Principal pension | Other pension   | Principal retiree benefit |
| <b>Components of expense (income)</b>                                     |                   |                 |                           |                   |                 |                           |                   |                 |                           |
| Service cost - operating                                                  | \$ 657            | \$ 243          | \$ 59                     | \$ 654            | \$ 246          | \$ 58                     | \$ 888            | \$ 323          | \$ 63                     |
| Interest cost                                                             | 2,350             | 422             | 150                       | 2,780             | 542             | 202                       | 2,658             | 548             | 196                       |
| Expected return on plan assets                                            | (2,993)           | (1,082)         | (11)                      | (3,428)           | (1,144)         | (21)                      | (3,248)           | (1,285)         | (29)                      |
| Amortization of net actuarial loss (gain)                                 | 3,399             | 434             | (82)                      | 3,439             | 319             | (118)                     | 3,785             | 312             | (79)                      |
| Amortization of prior service cost (credit)                               | 146               | 1               | (234)                     | 135               | 3               | (232)                     | 143               | (9)             | (230)                     |
| Curtailment / settlement loss (gain)(a)                                   | —                 | 12              | —                         | 349               | 13              | (38)                      | 34                | 1               | —                         |
| <b>Non-operating</b>                                                      | <b>\$2,902</b>    | <b>\$ (213)</b> | <b>\$ (177)</b>           | <b>\$3,275</b>    | <b>\$ (267)</b> | <b>\$ (207)</b>           | <b>\$3,372</b>    | <b>\$ (433)</b> | <b>\$ (142)</b>           |
| <b>Net periodic expense (income)</b>                                      | <b>\$3,559</b>    | <b>\$ 30</b>    | <b>\$ (118)</b>           | <b>\$3,929</b>    | <b>\$ (21)</b>  | <b>\$ (149)</b>           | <b>\$4,260</b>    | <b>\$ (110)</b> | <b>\$ (79)</b>            |
| <b>Weighted-average assumptions used to determine benefit obligations</b> |                   |                 |                           |                   |                 |                           |                   |                 |                           |
| Discount rate                                                             | 2.61 %            | 1.44 %          | 2.15 %                    | 3.36 %            | 1.97 %          | 3.05 %                    | 4.34 %            | 2.75 %          | 4.12 %                    |
| Compensation increases                                                    | 2.95              | 3.06            | 2.82                      | 2.95              | 3.16            | 3.75                      | 3.60              | 3.16            | 3.60                      |
| Initial healthcare trend rate(b)                                          | N/A               | N/A             | 5.90                      | N/A               | N/A             | 5.90                      | N/A               | N/A             | 6.00                      |
| <b>Weighted-average assumptions used to determine benefit cost</b>        |                   |                 |                           |                   |                 |                           |                   |                 |                           |
| Discount rate(c)                                                          | 3.36              | 1.97            | 3.05                      | 4.07              | 2.75            | 4.12                      | 3.64              | 2.41            | 3.43                      |
| Expected rate of return on plan assets                                    | 6.25              | 5.69            | 7.00                      | 6.75              | 6.76            | 7.00                      | 6.75              | 6.75            | 7.00                      |

(a) For 2019, the principal pension amount is a curtailment loss driven by freezing the GE Pension Plan benefits for certain participants.

(b) For 2020, ultimately declining to 5% for 2030 and thereafter.

(c) Weighted average 2019 discount rate for principal pension was 4.07%. Discount rate was 4.34% for January 1, 2019 through September 30, 2019 and then changed to 3.24% for the remainder of 2019 due to the remeasurement of the plans for the U.S. pension changes announced in October 2019.

We expect 2021 net periodic benefit costs for principal pension, other pension and principal retiree benefit plans to be about \$2,400 million, which is a decrease of approximately \$1,100 million from 2020. The decrease is primarily due to the freezing of benefits for certain participants under the GE Pension Plan and lower interest costs driven by the lower discount rate. The 2020 year-end discount rate increases the amortization of net actuarial loss, but this increase is offset by less amortization of net actuarial loss related to past years.

The components of net periodic benefit costs, other than the service cost component, are included in Non-operating benefit costs in our consolidated Statement of Earnings (Loss).

**PLAN FUNDED STATUS AND AMOUNTS RECORDED IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

|                                                                             | 2020                 |                   |                           | 2019                 |                   |                           |
|-----------------------------------------------------------------------------|----------------------|-------------------|---------------------------|----------------------|-------------------|---------------------------|
|                                                                             | Principal pension    | Other pension     | Principal retiree benefit | Principal pension    | Other pension     | Principal retiree benefit |
| <b>Change in benefit obligations</b>                                        |                      |                   |                           |                      |                   |                           |
| Balance at January 1                                                        | \$ 71,756            | \$22,921          | \$ 5,160                  | \$ 68,500            | \$21,091          | \$ 5,153                  |
| Service cost                                                                | 657                  | 243               | 59                        | 654                  | 246               | 58                        |
| Interest cost                                                               | 2,350                | 422               | 150                       | 2,780                | 542               | 202                       |
| Participant contributions                                                   | 69                   | 28                | 63                        | 77                   | 29                | 61                        |
| Plan amendments                                                             | —                    | 27                | (7)                       | (42) (c)             | (17)              | (23)                      |
| Actuarial loss (gain) - net                                                 | 7,057 (a)            | 1,927 (a)         | 85 (a)                    | 7,073 (d)            | 2,422 (a)         | 275 (a)                   |
| Benefits paid                                                               | (3,885)              | (1,062)           | (491)                     | (3,788)              | (1,043)           | (533)                     |
| Curtailments                                                                | —                    | (69)              | —                         | (838)                | (32)              | (33)                      |
| Settlements                                                                 | (1,706) (b)          | —                 | —                         | (2,657) (e)          | —                 | —                         |
| Dispositions/ acquisitions / other - net                                    | —                    | (335)             | —                         | (3)                  | (1,030)           | —                         |
| Exchange rate adjustments                                                   | —                    | 556               | —                         | —                    | 713               | —                         |
| <b>Balance at December 31</b>                                               | <b>\$ 76,298 (f)</b> | <b>\$24,658</b>   | <b>\$ 5,019 (g)</b>       | <b>\$ 71,756 (f)</b> | <b>\$22,921</b>   | <b>\$ 5,160 (g)</b>       |
| <b>Change in plan assets</b>                                                |                      |                   |                           |                      |                   |                           |
| Balance at January 1                                                        | 52,633               | 19,142            | 289                       | 50,009               | 17,537            | 362                       |
| Actual gain (loss) on plan assets                                           | 8,926                | 2,542             | (22)                      | 8,694                | 2,229             | 57                        |
| Employer contributions                                                      | 2,806                | 509               | 295                       | 298                  | 716               | 342                       |
| Participant contributions                                                   | 69                   | 28                | 63                        | 77                   | 29                | 61                        |
| Benefits paid                                                               | (3,885)              | (1,062)           | (491)                     | (3,788)              | (1,043)           | (533)                     |
| Settlements                                                                 | (1,706) (b)          | —                 | —                         | (2,657) (e)          | —                 | —                         |
| Dispositions/ acquisitions / other - net                                    | —                    | (59)              | —                         | —                    | (1,030)           | —                         |
| Exchange rate adjustments                                                   | —                    | 406               | —                         | —                    | 704               | —                         |
| <b>Balance at December 31</b>                                               | <b>\$ 58,843</b>     | <b>\$21,506</b>   | <b>\$ 134</b>             | <b>\$ 52,633</b>     | <b>\$19,142</b>   | <b>\$ 289</b>             |
| <b>Funded status - deficit</b>                                              | <b>\$ 17,455</b>     | <b>\$ 3,152</b>   | <b>\$ 4,885</b>           | <b>\$ 19,123</b>     | <b>\$ 3,779</b>   | <b>\$ 4,871</b>           |
| <b>Amounts recorded in the consolidated Statement of Financial Position</b> |                      |                   |                           |                      |                   |                           |
| Non-current assets - other                                                  | —                    | 845               | —                         | —                    | 475               | —                         |
| Current liabilities - other                                                 | (315)                | (106)             | (330)                     | (296)                | (123)             | (355)                     |
| Non-current liabilities - compensation and benefits                         | (17,140)             | (3,891)           | (4,555)                   | (18,827)             | (4,131)           | (4,516)                   |
| <b>Net amount recorded</b>                                                  | <b>\$ (17,455)</b>   | <b>\$ (3,152)</b> | <b>\$ (4,885)</b>         | <b>\$ (19,123)</b>   | <b>\$ (3,779)</b> | <b>\$ (4,871)</b>         |
| <b>Amounts recorded in Accumulated other comprehensive income (loss)</b>    |                      |                   |                           |                      |                   |                           |
| Prior service cost (credit)                                                 | (80)                 | 19                | (2,148)                   | 67                   | (16)              | (2,376)                   |
| Actuarial loss (gain)                                                       | 5,687                | 4,582             | (633)                     | 7,961                | 4,665             | (833)                     |
| <b>Total recorded in Accumulated other comprehensive income (loss)</b>      | <b>\$ 5,607</b>      | <b>\$ 4,601</b>   | <b>\$ (2,781)</b>         | <b>\$ 8,028</b>      | <b>\$ 4,649</b>   | <b>\$ (3,209)</b>         |

(a) Principally associated with discount rate changes.

(b) Irrevocable commitment to purchase group annuity contracts from a third-party insurance company in December 2020.

(c) GE Supplementary Pension Plan amendment for the U.S. pension changes announced in October 2019 offset by other plan amendments adopted in 2019.

(d) Principally associated with discount rate changes offset by impact of the one-time lump sum payments under the GE Pension Plan.

(e) Payments made to former employees from the GE Pension Plan assets for the one-time lump sum payments.

(f) The benefit obligation for the GE Supplementary Pension Plan, which is an unfunded plan, was \$7,353 million and \$6,691 million at year-end 2020 and 2019, respectively.

(g) The benefit obligation for retiree health plans was \$3,094 million and \$3,306 million at December 31, 2020 and 2019, respectively.

**ASSUMPTIONS USED IN CALCULATIONS.** Our defined benefit pension plans are accounted for on an actuarial basis, which requires the selection of various assumptions, including a discount rate, an expected return on assets, mortality rates of participants and expectation of mortality improvement.

Projected benefit obligations are measured as the present value of expected benefit payments. We discount those cash payments using a discount rate. We determine the discount rate using the weighted-average yields on high-quality fixed-income securities with maturities that correspond to the payment of benefits. Lower discount rates increase present values and generally increase subsequent-year pension expense; higher discount rates decrease present values and generally reduce subsequent-year pension expense.

The compensation assumption is used to estimate the annual rate at which pay of plan participants will grow. If the rate of growth assumed increases, the size of the pension obligations will increase, as will the amount recorded in Accumulated other comprehensive income (loss) (AOCI) in our consolidated Statement of Financial Position and amortized into earnings in subsequent periods.

The expected return on plan assets is the estimated long-term rate of return that will be earned on the investments used to fund the benefit obligations. To determine the expected long-term rate of return on pension plan assets, we consider our asset allocation, as well as historical and expected returns on various categories of plan assets. In developing future long-term return expectations for our principal benefit plans' assets, we formulate views on the future economic environment, both in the U.S. and abroad. We evaluate general market trends and historical relationships among a number of key variables that impact asset class returns such as expected earnings growth, inflation, valuations, yields and spreads, using both internal and external sources. We also take into account expected volatility by asset class and diversification across classes to determine expected overall portfolio results given our asset allocation. Based on our analysis, we have assumed a 6.25% long-term expected return on our GE Pension Plan assets for cost recognition in 2020, as compared to 6.75% in 2019 and 2018.

The Society of Actuaries issued new mortality improvement tables in 2020 and new mortality base and improvement tables in 2019. We updated mortality assumptions in the U.S. accordingly. These changes in assumptions decreased the December 31, 2020 and 2019 U.S. pension and retiree benefit plans' obligations by \$180 million and \$529 million, respectively.

The healthcare trend assumptions apply to our pre-65 retiree medical plans. Our post-65 retiree plan has a fixed subsidy and therefore is not subject to healthcare inflation.

We evaluate these critical assumptions at least annually on a plan and country-specific basis. We periodically evaluate other assumptions involving demographics factors such as retirement age and turnover, and update them to reflect our actual experience and expectations for the future. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors. Differences between our actual results and what we assumed are recorded in Accumulated other comprehensive income each period. These differences are amortized into earnings over the remaining average future service of active participating employees or the expected life of inactive participants, as applicable.

**SENSITIVITIES TO KEY ASSUMPTIONS.** Fluctuations in discount rates can significantly impact pension cost and obligations. A 25 basis point decrease in discount rate would increase principal pension plan cost in the following year by about \$220 million and would increase the principal pension projected benefit obligation at year-end by about \$2,400 million. The deficit sensitivity to the discount rate is lower than the projected benefit obligation sensitivity as a result of the liability hedging program incorporated in the plan's asset allocation. A 50 basis point decrease in the expected return on assets would increase principal pension plan cost in the following year by about \$250 million.

**THE COMPOSITION OF OUR PLAN ASSETS.** The fair value of our pension plans' investments is presented below. The inputs and valuation techniques used to measure the fair value of these assets are described in Note 1 and have been applied consistently.

|                                                | 2020              |                  | 2019              |                  |
|------------------------------------------------|-------------------|------------------|-------------------|------------------|
|                                                | Principal pension | Other pension    | Principal pension | Other pension    |
| Global equities                                | \$ 5,552          | \$ 3,674         | \$ 6,826          | \$ 3,484         |
| Debt securities                                |                   |                  |                   |                  |
| Fixed income and cash investment funds         | 6,831             | 10,003           | 4,398             | 8,089            |
| U.S. corporate(a)                              | 8,512             | 410              | 8,025             | 365              |
| Other debt securities(b)                       | 5,505             | 440              | 6,076             | 424              |
| Real estate                                    | 2,274             | 81               | 2,309             | 140              |
| Private equities and other investments         | 490               | 499              | 23                | 452              |
| Total                                          | 29,164            | 15,107           | 27,657            | 12,954           |
| <b>Plan assets measured at net asset value</b> |                   |                  |                   |                  |
| Global equities                                | 16,259            | 1,415            | 14,616            | 1,450            |
| Debt securities                                | 5,445             | 1,268            | 3,744             | 914              |
| Real estate                                    | 1,324             | 1,978            | 1,167             | 1,930            |
| Private equities and other investments         | 6,651             | 1,738            | 5,449             | 1,894            |
| <b>Total plan assets at fair value</b>         | <b>\$ 58,843</b>  | <b>\$ 21,506</b> | <b>\$ 52,633</b>  | <b>\$ 19,142</b> |

(a) Primarily represented investment-grade bonds of U.S. issuers from diverse industries.

(b) Primarily represented investments in residential and commercial mortgage-backed securities, non-U.S. corporate and government bonds and U.S. government, federal agency, state and municipal debt.

GE Pension Plan investments with a fair value of \$2,721 million and \$2,838 million at December 31, 2020 and 2019, respectively, were classified within Level 3 and primarily relate to real estate. The remaining investments were substantially all considered Level 1 and 2. Other pension plans investments with a fair value of \$97 million and \$105 million at December 31, 2020 and 2019, respectively, were classified within Level 3. Principal retiree benefit plan investments with a fair value of \$134 million and \$289 million at December 31, 2020 and 2019, respectively, comprised equity and debt securities which are considered Level 1 and 2. There were no Level 3 principal retiree benefit plan investments held in 2020 and 2019. Plan assets that were measured at fair value using NAV as practical expedient were excluded from the fair value hierarchy.

**ASSET ALLOCATION OF PENSION PLANS**

|                                              | 2020 Target allocation |                                  | 2020 Actual allocation |                                  |
|----------------------------------------------|------------------------|----------------------------------|------------------------|----------------------------------|
|                                              | Principal Pension      | Other Pension (weighted average) | Principal Pension      | Other Pension (weighted average) |
| Global equities                              | 30.0 - 47.0 %          | 22 %                             | 37 %                   | 25 %                             |
| Debt securities (including cash equivalents) | 21.0 - 65.0            | 52                               | 45                     | 56                               |
| Real estate                                  | 3.5 - 13.5             | 9                                | 6                      | 10                               |
| Private equities & other investments         | 6.0 - 16.0             | 17                               | 12                     | 9                                |

Plan fiduciaries of the GE Pension Plan set investment policies and strategies for the GE Pension Trust and oversee its investment allocation, which includes selecting investment managers and setting long-term strategic targets. The plan fiduciaries' primary strategic investment objectives are balancing investment risk and return and monitoring the plan's liquidity position in order to meet the plan's near-term benefit payment and other cash needs. The plan has incorporated de-risking objectives and liability hedging programs as part of its long-term investment strategy. The plan utilizes a combination of long dated corporate bonds, treasuries, strips and derivatives to implement its investment strategies as well as for hedging asset and liability risks. Target allocation percentages are established at an asset class level by plan fiduciaries. Target allocation ranges are guidelines, not limitations, and occasionally plan fiduciaries will approve allocations above or below a target range.

GE securities represented 0.6% of the GE Pension Trust assets at December 31, 2020 and 2019. The GE Pension Plan has a broadly diversified portfolio of investments in equities, fixed income, private equities and real estate; these investments are both U.S. and non-U.S. in nature. As of December 31, 2020, no sector concentration of assets exceeded 15% of total GE Pension Plan assets.

**ANNUALIZED RETURNS**

|                 | 1 year | 5 years | 10 years | 25 years |
|-----------------|--------|---------|----------|----------|
| GE Pension Plan | 17.6 % | 9.7 %   | 8.0 %    | 8.0 %    |

**EXPECTED FUTURE BENEFIT PAYMENTS OF OUR BENEFIT PLANS**

|             | Principal pension | Other pension | Principal retiree benefit |
|-------------|-------------------|---------------|---------------------------|
| 2021        | \$ 3,725          | \$ 945        | \$ 460                    |
| 2022        | 3,785             | 945           | 440                       |
| 2023        | 3,820             | 955           | 420                       |
| 2024        | 3,845             | 970           | 395                       |
| 2025        | 3,865             | 995           | 380                       |
| 2026 - 2030 | 19,410            | 5,185         | 1,615                     |

**DEFINED CONTRIBUTION PLAN.** We have a defined contribution plan for eligible U.S. employees that provides employer contributions. Defined contribution costs were \$318 million, \$355 million and \$410 million for the years ended December 31, 2020, 2019, and 2018, respectively.

**COST OF POSTRETIREMENT BENEFIT PLANS AND CHANGES IN OTHER COMPREHENSIVE INCOME**

For the years ended December 31

|                                                                                       | 2020              |               |                           | 2019              |               |                           | 2018              |               |                           |
|---------------------------------------------------------------------------------------|-------------------|---------------|---------------------------|-------------------|---------------|---------------------------|-------------------|---------------|---------------------------|
|                                                                                       | Principal pension | Other pension | Principal retiree benefit | Principal pension | Other pension | Principal retiree benefit | Principal pension | Other pension | Principal retiree benefit |
| <i>(Pre-tax)</i>                                                                      |                   |               |                           |                   |               |                           |                   |               |                           |
| Cost (income) of postretirement benefit plans                                         | \$ 3,559          | \$ 30         | \$ (118)                  | \$ 3,929          | \$ (21)       | \$ (149)                  | \$ 4,260          | \$ (110)      | \$ (79)                   |
| <b>Changes in other comprehensive income</b>                                          |                   |               |                           |                   |               |                           |                   |               |                           |
| Prior service cost (credit) - current year                                            | —                 | 27            | (7)                       | (42)              | (17)          | (23)                      | —                 | 82            | —                         |
| Actuarial loss (gain) - current year                                                  | 1,124             | 529           | 119                       | 971               | 1,592         | 240                       | (111)             | 464           | (543)                     |
| <b>Reclassifications out of AOCI</b>                                                  |                   |               |                           |                   |               |                           |                   |               |                           |
| Curtailment / settlement gain (loss)                                                  | —                 | (3)           | —                         | (353)             | (12)          | 4                         | (45)              | (2)           | —                         |
| Dispositions                                                                          | —                 | (166)         | —                         | —                 | (340)         | —                         | —                 | —             | —                         |
| Amortization of net actuarial gain (loss)                                             | (3,399)           | (434)         | 82                        | (3,439)           | (319)         | 118                       | (3,785)           | (312)         | 79                        |
| Amortization of prior service credit (cost)                                           | (146)             | (1)           | 234                       | (135)             | (3)           | 232                       | (143)             | 9             | 230                       |
| <b>Total changes in other comprehensive income</b>                                    | (2,421)           | (48)          | 428                       | (2,998)           | 901           | 571                       | (4,084)           | 241           | (234)                     |
| <b>Cost of postretirement benefit plans and changes in other comprehensive income</b> | \$ 1,138          | \$ (18)       | \$ 310                    | \$ 931            | \$ 880        | \$ 422                    | \$ 176            | \$ 131        | \$ (313)                  |



## NOTE 14. CURRENT AND ALL OTHER LIABILITIES

| December 31                                                                   |           | 2020          | 2019             |
|-------------------------------------------------------------------------------|-----------|---------------|------------------|
| Sales allowances, equipment projects and other commercial liabilities         | \$        | 5,123         | \$ 4,277         |
| Product warranties (Note 23)                                                  |           | 1,197         | 1,371            |
| Employee compensation and benefit liabilities                                 |           | 4,763         | 5,114            |
| Taxes payable                                                                 |           | 413           | 429              |
| Environmental, health and safety liabilities (Note 23)                        |           | 359           | 330              |
| Due to GE Capital                                                             |           | 984           | 1,080            |
| Derivative instruments (Note 21)                                              |           | 250           | 171              |
| Other                                                                         |           | 1,044         | 2,479            |
| <b>GE Industrial All other current liabilities</b>                            |           | <b>14,131</b> | <b>15,251</b>    |
| Aircraft maintenance reserve, sales deposits and other commercial liabilities |           | 1,465         | 2,336            |
| Interest payable                                                              |           | 1,064         | 1,189            |
| Derivative instruments (Note 21)                                              |           | 117           | 31               |
| Other                                                                         |           | 1,244         | 495              |
| <b>GE Capital All other current liabilities</b>                               |           | <b>3,890</b>  | <b>4,052</b>     |
| Eliminations                                                                  |           | (1,422)       | (1,483)          |
| <b>Consolidated All other current liabilities</b>                             | <b>\$</b> | <b>16,600</b> | <b>\$ 17,821</b> |
| Sales allowances, equipment projects and other commercial liabilities         |           | 3,917         | 3,923            |
| Product warranties (Note 23)                                                  |           | 857           | 793              |
| Operating lease liabilities (Note 7)                                          |           | 3,133         | 3,369            |
| Uncertain and other income taxes and related liabilities                      |           | 3,652         | 3,410            |
| Alstom legacy legal matters (Note 23)                                         |           | 858           | 875              |
| Environmental, health and safety liabilities (Note 23)                        |           | 2,210         | 2,154            |
| Redeemable noncontrolling interests (Note 16)                                 |           | 487           | 439              |
| Other                                                                         |           | 1,326         | 1,342            |
| <b>GE Industrial All other non-current liabilities</b>                        |           | <b>16,440</b> | <b>16,306</b>    |
| Other commercial liabilities                                                  |           | 455           | 573              |
| Operating lease liabilities (Note 7)                                          |           | 221           | 238              |
| Uncertain and other income taxes and related liabilities                      |           | 475           | 415              |
| <b>GE Capital All other non-current liabilities</b>                           |           | <b>1,151</b>  | <b>1,226</b>     |
| Eliminations                                                                  |           | (1,514)       | (1,593)          |
| <b>Consolidated All other non-current liabilities</b>                         | <b>\$</b> | <b>16,077</b> | <b>\$ 15,938</b> |
| <b>Total</b>                                                                  | <b>\$</b> | <b>32,677</b> | <b>\$ 33,759</b> |

We have reclassified certain prior-year amounts, including equipment project costs accruals of \$1,432 million from GE Industrial All other current liabilities to Accounts payable and equipment project accruals to conform with the current year's presentation.

**NOTE 15. INCOME TAXES.** GE Industrial and GE Capital file a consolidated U.S. federal income tax return. This enables GE Industrial and GE Capital to use tax deductions and credits of one member of the group to reduce the tax that otherwise would have been payable by another member of the group. The effective tax rate reflects the benefit of these tax reductions in the consolidated return. GE Industrial makes cash payments to GE Capital for tax reductions and GE Capital pays for tax increases at the time GE Industrial's tax payments are due.

Our businesses are subject to regulation under a wide variety of U.S. federal, state and foreign tax laws, regulations and policies. Changes to these laws or regulations may affect our tax liability, return on investments and business operations.

| (BENEFIT) PROVISION FOR INCOME TAXES                      |           | 2020         | 2019          | 2018         |
|-----------------------------------------------------------|-----------|--------------|---------------|--------------|
| Current tax expense (benefit)                             | \$        | 2,123        | \$ 2,551      | \$ 1,743     |
| Deferred tax expense (benefit) from temporary differences |           | (1,735)      | (1,242)       | (1,276)      |
| <b>Total GE Industrial</b>                                |           | <b>388</b>   | <b>1,309</b>  | <b>467</b>   |
| Current tax expense (benefit)                             |           | 329          | (720)         | 596          |
| Deferred tax expense (benefit) from temporary differences |           | (1,191)      | 138           | (970)        |
| <b>Total GE Capital</b>                                   |           | <b>(862)</b> | <b>(582)</b>  | <b>(374)</b> |
| Current tax expense (benefit)                             |           | 2,452        | 1,831         | 2,339        |
| Deferred tax expense (benefit) from temporary differences |           | (2,926)      | (1,104)       | (2,245)      |
| <b>Total consolidated</b>                                 | <b>\$</b> | <b>(474)</b> | <b>\$ 726</b> | <b>\$ 93</b> |

**CONSOLIDATED EARNINGS (LOSS) FROM CONTINUING OPERATIONS  
BEFORE INCOME TAXES**

|                          | 2020            | 2019            | 2018               |
|--------------------------|-----------------|-----------------|--------------------|
| U.S. earnings (loss)     | \$ (5,325)      | \$ 506          | \$ (9,861)         |
| Non-U.S. earnings (loss) | 10,522          | 643             | (11,126)           |
| <b>Total</b>             | <b>\$ 5,197</b> | <b>\$ 1,149</b> | <b>\$ (20,987)</b> |

**CONSOLIDATED (BENEFIT) PROVISION FOR INCOME TAXES**

|                     | 2020            | 2019          | 2018         |
|---------------------|-----------------|---------------|--------------|
| <b>U.S. Federal</b> |                 |               |              |
| Current             | \$ 939          | \$ 146        | \$ 1,019     |
| Deferred            | (2,032)         | (1,266)       | (3,144)      |
| <b>Non - U.S.</b>   |                 |               |              |
| Current             | 1,331           | 2,008         | 1,132        |
| Deferred            | (793)           | 106           | 1,197        |
| <b>Other</b>        | 80              | (267)         | (111)        |
| <b>Total</b>        | <b>\$ (474)</b> | <b>\$ 726</b> | <b>\$ 93</b> |

**INCOME TAXES PAID (RECOVERED)**

|                 | 2020            | 2019            | 2018            |
|-----------------|-----------------|-----------------|-----------------|
| GE Industrial   | \$ 2,399        | \$ 2,183        | \$ 1,803        |
| GE Capital      | (1,108)         | 45              | 65              |
| <b>Total(a)</b> | <b>\$ 1,291</b> | <b>\$ 2,228</b> | <b>\$ 1,868</b> |

(a) Includes tax payments reported in discontinued operations.

**RECONCILIATION OF U.S. FEDERAL  
STATUTORY INCOME TAX RATE TO  
ACTUAL INCOME TAX RATE**

|                                               | Consolidated  |               |               | GE Industrial |               |               | GE Capital    |               |               |
|-----------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                               | 2020          | 2019          | 2018          | 2020          | 2019          | 2018          | 2020          | 2019          | 2018          |
| U.S. federal statutory income tax rate        | 21.0 %        | 21.0 %        | 21.0 %        | 21.0 %        | 21.0 %        | 21.0 %        | 21.0 %        | 21.0 %        | 21.0 %        |
| Tax on global activities including exports(a) | (28.5)        | 91.0          | (5.0)         | (16.3)        | 61.0          | (5.1)         | 13.8          | 8.1           | 3.2           |
| U.S. business credits(b)                      | (3.3)         | (22.5)        | 2.6           | (1.0)         | (6.4)         | 0.4           | 4.7           | 21.9          | 120.0         |
| Goodwill impairments                          | 6.9           | 26.0          | (21.5)        | 2.5           | 16.6          | (21.9)        | (8.3)         | —             | —             |
| Tax Cuts and Jobs Act enactment               | 0.9           | 0.2           | (0.2)         | 0.7           | 5.6           | 0.5           | 0.1           | 15.2          | (36.5)        |
| All other – net(c)(d)(e)                      | (6.1)         | (52.5)        | 2.7           | (1.6)         | (25.1)        | 2.8           | 9.8           | 23.1          | (8.0)         |
|                                               | (30.1)        | 42.2          | (21.4)        | (15.7)        | 51.7          | (23.3)        | 20.1          | 68.3          | 78.7          |
| <b>Actual income tax rate</b>                 | <b>(9.1)%</b> | <b>63.2 %</b> | <b>(0.4)%</b> | <b>5.3 %</b>  | <b>72.7 %</b> | <b>(2.3)%</b> | <b>41.1 %</b> | <b>89.3 %</b> | <b>99.7 %</b> |

(a) For the year ended December 31, 2020, included (27.8)%, (18.5)% and 4.6% in consolidated, GE Industrial and GE Capital, respectively, related to the sale of our Biopharma business. For the year ended December 31, 2019, included 55.1% and 35.1% in consolidated and GE Industrial, respectively related to the sale of our BioPharma business.

(b) U.S. general business credits, primarily the credit for energy produced from renewable sources and the credit for research performed in the U.S.

(c) For the year ended December 31, 2020, included (2.7)%, (0.9)% and 3.6% in consolidated, GE Industrial and GE Capital, respectively for the resolution of the IRS audit of our consolidated U.S. income tax returns for 2014-2015. For the year ended December 31, 2019, included (32.9)%, (19.7)% and 3.5% in consolidated, GE Industrial and GE Capital, respectively for the resolution of the IRS audit of our consolidated U.S. income tax returns for 2012-2013.

(d) For the year ended December 31, 2020, included (3.9)%, (2.1)% and 2.2% in consolidated, GE Industrial and GE Capital, respectively, related to deductible stock losses. For the year ended December 31, 2019, included (12.5)% and (8.0)% in consolidated and GE Industrial, respectively, related to the disposition of the Digital ServiceMax business. For the year ended December 31, 2018, included 2.8% and 2.8% in consolidated and GE Industrial, respectively, related to deductible stock losses.

(e) Included for each period, the expense or benefit for Other taxes reported above in the consolidated (benefit) provision for income taxes, net of 21.0% federal effect.

**U.S. TAX REFORM.** On December 22, 2017, the U.S. enacted legislation commonly known as the Tax Cuts and Jobs Act (U.S. tax reform) that lowered the statutory tax rate on U.S. earnings to 21%, taxes historic foreign earnings at a reduced rate of tax, establishes a territorial tax system and enacts new taxes associated with global operations.

The impact of enactment of U.S. tax reform was recorded in 2017 on a provisional basis as the legislation provided for additional guidance to be issued by the U.S. Department of the Treasury on several provisions including the computation of the transition tax. This amount was adjusted in both 2018 and 2019 based on guidance issued during each of these years. Additional guidance may be issued after 2020 and any resulting effects will be recorded in the quarter of issuance. Additionally, as part of U.S. tax reform, the U.S. has enacted a minimum tax on foreign earnings (global intangible low tax income). We have not made an accrual for the deferred tax aspects of this provision.

For the year ended December 31, 2018, we finalized our provisional estimate of the enactment of U.S. tax reform and recorded an additional tax expense of \$41 million. For the year ended December 31, 2019, we recorded an additional tax expense of \$2 million based on the issuance in January 2019 of final regulations on the transition tax on historic foreign earnings. The cash impact of the transition tax on historic foreign earnings was largely offset by accelerated use of deductions and tax credits and was substantially incurred with the filing of the 2017 tax return with no amount subject to the deferred payment provision provided under law. For the year ended December 31, 2020, we recorded an additional tax expense of \$49 million to reflect the impact of voluntary adjustments we provided the government reflecting finalization of amounts reported on the 2017 tax return. There could be further adjustment to the transition tax as a result of the current audit of the 2017 and 2018 tax years.

**UNRECOGNIZED TAX POSITIONS.** Annually, we file over 3,600 income tax returns in almost 300 global taxing jurisdictions. We are under examination or engaged in tax litigation in many of these jurisdictions. The IRS is currently auditing our consolidated U.S. income tax returns for 2016-2018. In December 2020, the IRS completed the audit of our consolidated U.S. income tax returns for 2014-2015. The Company recognized a continuing operations benefit of \$140 million plus an additional net interest benefit of \$96 million. In addition, GE Capital recorded a benefit in discontinued operations of \$130 million of tax benefits and \$25 million of net interest benefits. In June 2019, the IRS completed the audit of our consolidated U.S. income tax returns for 2012-2013. The Company recognized a continuing operations tax benefit of \$378 million plus an additional net interest benefit of \$107 million. GE Capital recorded an additional non-cash benefit in discontinued operations of \$332 million of tax benefits and \$46 million of net interest benefits. See Note 2 for further information. The United Kingdom tax authorities disallowed interest deductions claimed by GE Capital for the years 2004-2015 that could result in a potential impact of approximately \$1.1 billion, which includes a possible assessment of tax and reduction of deferred tax assets, not including interest and penalties. We are contesting the disallowance. We comply with all applicable tax laws and judicial doctrines of the United Kingdom and believe that the entire benefit is more likely than not to be sustained on its technical merits. We believe that there are no other jurisdictions in which the outcome of unresolved issues or claims is likely to be material to our results of operations, financial position or cash flows. We further believe that we have made adequate provision for all income tax uncertainties.

The balance of unrecognized tax benefits, the amount of related interest and penalties we have provided and what we believe to be the range of reasonably possible changes in the next 12 months were:

| <b>UNRECOGNIZED TAX BENEFITS</b> December 31                                                      | 2020     | 2019     | 2018     |
|---------------------------------------------------------------------------------------------------|----------|----------|----------|
| Unrecognized tax benefits                                                                         | \$ 4,191 | \$ 4,169 | \$ 5,563 |
| Portion that, if recognized, would reduce tax expense and effective tax rate(a)                   | 2,986    | 2,701    | 4,265    |
| Accrued interest on unrecognized tax benefits                                                     | 628      | 722      | 934      |
| Accrued penalties on unrecognized tax benefits                                                    | 179      | 195      | 182      |
| Reasonably possible reduction to the balance of unrecognized tax benefits in succeeding 12 months | 0-350    | 0-700    | 0-1,300  |
| Portion that, if recognized, would reduce tax expense and effective tax rate(a)                   | 0-250    | 0-650    | 0-1,200  |

(a) Some portion of such reduction may be reported as discontinued operations.

| <b>UNRECOGNIZED TAX BENEFITS RECONCILIATION</b> | 2020            | 2019            | 2018            |
|-------------------------------------------------|-----------------|-----------------|-----------------|
| Balance at January 1                            | \$ 4,169        | \$ 5,563        | \$ 5,449        |
| Additions for tax positions of the current year | 836             | 403             | 300             |
| Additions for tax positions of prior years      | 326             | 500             | 945             |
| Reductions for tax positions of prior years(a)  | (863)           | (1,927)         | (905)           |
| Settlements with tax authorities                | (127)           | (155)           | (64)            |
| Expiration of the statute of limitations        | (151)           | (214)           | (162)           |
| <b>Balance at December 31</b>                   | <b>\$ 4,191</b> | <b>\$ 4,169</b> | <b>\$ 5,563</b> |

(a) For 2019, reductions included \$710 million related to the completion of the 2012-2013 IRS audit and \$442 million related to the deconsolidation of Baker Hughes.

We classify interest on tax deficiencies as interest expense; we classify income tax penalties as provision for income taxes. For the years ended December 31, 2020, 2019 and 2018, \$(30) million, \$(93) million and \$127 million of interest expense (income), respectively, and \$(13) million, \$20 million and \$(7) million of tax expense (income) related to penalties, respectively, were recognized in our consolidated Statement of Earnings (Loss).

**DEFERRED INCOME TAXES.** We have not provided deferred taxes on cumulative net earnings of non-U.S. affiliates and associated companies of approximately \$42 billion that have been reinvested indefinitely. Given U.S. tax reform, substantially all of our prior unrepatriated net earnings were subject to U.S. tax and accordingly we expect to have the ability to repatriate available non-U.S. cash without additional federal tax cost, and any foreign withholding tax on a repatriation to the U.S. would potentially be partially offset by a U.S. foreign tax credit. However, because most of these earnings have been reinvested in active non-U.S. business operations, as of December 31, 2020, we have not decided to repatriate these earnings to the U.S. It is not practicable to determine the income tax liability that would be payable if such earnings were not reinvested indefinitely.

The following table presents our net deferred tax assets and net deferred tax liabilities attributable to different tax jurisdictions or different tax paying components.

| <b>DEFERRED INCOME TAXES</b> December 31         |    | 2020           | 2019            |
|--------------------------------------------------|----|----------------|-----------------|
| GE Industrial                                    | \$ | 10,069         | \$ 8,888        |
| GE Capital                                       |    | 3,610          | 2,500           |
| <b>Total assets</b>                              |    | <b>13,679</b>  | <b>11,388</b>   |
| GE Industrial                                    |    | (719)          | (699)           |
| GE Capital                                       |    | (879)          | (800)           |
| <b>Total liabilities</b>                         |    | <b>(1,598)</b> | <b>(1,499)</b>  |
| <b>Net deferred income tax asset (liability)</b> | \$ | <b>12,081</b>  | <b>\$ 9,889</b> |

| <b>COMPONENTS OF THE NET DEFERRED INCOME TAX ASSET (LIABILITY)</b> December 31 |    | 2020          | 2019            |
|--------------------------------------------------------------------------------|----|---------------|-----------------|
| Principal pension plans                                                        | \$ | 3,666         | \$ 4,016        |
| Provision for expenses                                                         |    | 2,258         | 1,990           |
| Other compensation and benefits                                                |    | 1,968         | 2,206           |
| Principal retiree benefit plans                                                |    | 1,026         | 1,023           |
| Capitalized expenditures                                                       |    | 993           | 860             |
| Non-U.S. loss carryforwards(a)                                                 |    | 814           | 602             |
| Intangible assets                                                              |    | 486           | 1,315           |
| Baker Hughes investment                                                        |    | (973)         | (1,256)         |
| Depreciation                                                                   |    | (676)         | (823)           |
| Contract assets                                                                |    | (460)         | (1,232)         |
| Other – net(b)                                                                 |    | 248           | (512)           |
| <b>GE Industrial</b>                                                           |    | <b>9,350</b>  | <b>8,189</b>    |
| Insurance company loss reserves                                                |    | 1,684         | 1,715           |
| Non-U.S. loss carryforwards(a)                                                 |    | 1,194         | 1,274           |
| Capitalized expenditures                                                       |    | 799           | 742             |
| Operating leases                                                               |    | (1,900)       | (2,218)         |
| Financing leases                                                               |    | (393)         | (477)           |
| Other – net(b)                                                                 |    | 1,347         | 664             |
| <b>GE Capital</b>                                                              |    | <b>2,731</b>  | <b>1,700</b>    |
| <b>Net deferred income tax asset (liability)</b>                               | \$ | <b>12,081</b> | <b>\$ 9,889</b> |

(a) Net of valuation allowances of \$5,934 million and \$4,801 million for GE Industrial and \$265 million and \$201 million for GE Capital as of December 31, 2020 and 2019, respectively. Of the net deferred tax asset as of December 31, 2020 of \$2,008 million, \$19 million relates to net operating loss carryforwards that expire in various years ending from December 31, 2021 through December 31, 2023; \$112 million relates to net operating losses that expire in various years ending from December 31, 2024 through December 31, 2040 and \$1,957 million relates to net operating loss carryforwards that may be carried forward indefinitely.

(b) Included valuation allowances related to assets other than non-U.S. loss carryforwards of \$898 million and \$1,897 million for GE Industrial and \$221 million and \$248 million for GE Capital as of December 31, 2020 and 2019, respectively.

## NOTE 16. SHAREHOLDERS' EQUITY

| ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)                                                                      | 2020              | 2019               | 2018               |
|--------------------------------------------------------------------------------------------------------------------|-------------------|--------------------|--------------------|
| Beginning balance                                                                                                  | \$ 61             | \$ (39)            | \$ (102)           |
| Other comprehensive income (loss) (OCI) before reclassifications – net of deferred taxes of \$10, \$32 and \$41(a) | 55                | 141                | 87                 |
| Reclassifications from OCI – net of deferred taxes of \$(14), \$(11) and \$(6)                                     | (56)              | (42)               | (23)               |
| Other comprehensive income (loss)                                                                                  | (1)               | 100                | 64                 |
| Less OCI attributable to noncontrolling interests                                                                  | —                 | —                  | —                  |
| <b>Investment securities ending balance</b>                                                                        | <b>\$ 60</b>      | <b>\$ 61</b>       | <b>\$ (39)</b>     |
| Beginning balance                                                                                                  | \$ (4,818)        | \$ (6,134)         | \$ (4,661)         |
| OCI before reclassifications – net of deferred taxes of \$(25), \$(98) and \$29                                    | (255)             | 41                 | (2,076)            |
| Reclassifications from OCI – net of deferred taxes of \$0, \$(9) and \$89(b)(c)                                    | 691               | 1,234              | 412                |
| Other comprehensive income (loss)                                                                                  | 435               | 1,275              | (1,664)            |
| Less OCI attributable to noncontrolling interests                                                                  | 2                 | (40)               | (192)              |
| <b>Currency translation adjustments ending balance</b>                                                             | <b>\$ (4,386)</b> | <b>\$ (4,818)</b>  | <b>\$ (6,134)</b>  |
| Beginning balance                                                                                                  | \$ 49             | \$ 13              | \$ 62              |
| OCI before reclassifications – net of deferred taxes of \$11, \$6 and \$(26)                                       | (94)              | (21)               | (149)              |
| Reclassifications from OCI – net of deferred taxes of \$(11), \$2 and \$4(b)                                       | 17                | 58                 | 98                 |
| Other comprehensive income (loss)                                                                                  | (77)              | 37                 | (51)               |
| Less OCI attributable to noncontrolling interests                                                                  | —                 | 2                  | (2)                |
| <b>Cash flow hedges ending balance</b>                                                                             | <b>\$ (28)</b>    | <b>\$ 49</b>       | <b>\$ 13</b>       |
| Beginning balance                                                                                                  | \$ (7,024)        | \$ (8,254)         | \$ (9,702)         |
| OCI before reclassifications – net of deferred taxes of \$(283), \$(418) and \$115                                 | (1,256)           | (2,097)            | 71                 |
| Reclassifications from OCI – net of deferred taxes of \$805, \$915 and \$2,610 (b)(c)                              | 2,888             | 3,325              | 1,345              |
| Other comprehensive income (loss)                                                                                  | 1,632             | 1,228              | 1,416              |
| Less OCI attributable to noncontrolling interests                                                                  | 4                 | (2)                | (32)               |
| <b>Benefit plans ending balance</b>                                                                                | <b>\$ (5,395)</b> | <b>\$ (7,024)</b>  | <b>\$ (8,254)</b>  |
| <b>Accumulated other comprehensive income (loss) at December 31</b>                                                | <b>\$ (9,749)</b> | <b>\$ (11,732)</b> | <b>\$ (14,414)</b> |

- (a) Included adjustments of \$(1,979) million, \$(2,693) million and \$1,825 million in 2020, 2019 and 2018, respectively, related to insurance liabilities and annuity benefits in our run-off insurance operations to reflect the effects that would have been recognized had the related unrealized investment security gains been realized. See Note 12 for further information.
- (b) The total reclassification from AOCI included \$836 million, including currency translation of \$688 million, net of taxes, in 2020, related to the sale of our BioPharma business within our Healthcare segment.
- (c) Currency translation and benefit plan gains and losses included \$1,343 million, including currency translation of \$1,066 million, net of taxes, in 2019 earnings (loss) from discontinued operations related to deconsolidation of Baker Hughes.

In 2016, we issued \$5,694 million of GE Series D preferred stock, in addition to \$245 million of existing GE Series A, B and C preferred stock, which are also outstanding. The total carrying value of GE Industrial preferred stock at December 31, 2020 was \$5,918 million and will increase to \$5,940 million by the respective call dates through periodic accretion. Dividends on GE Industrial preferred stock are payable semi-annually in June and December and accretion is recorded on a quarterly basis. Dividends on GE Industrial preferred stock totaled \$474 million, including cash dividends of \$295 million, \$460 million, including cash dividends of \$295 million, and \$447 million, including cash dividends of \$295 million, for the years ended December 31, 2020, 2019 and 2018, respectively. On January 21, 2021, the GE Series D preferred stock became callable and its dividends converted from 5% fixed rate to 3-month LIBOR plus 3.33%. As of the filing date of this Form 10-K for the year ended December 31, 2020, the GE Series D preferred stock has not been called.

In conjunction with the 2016 exchange of GE Capital preferred stock into GE preferred stock, GE Capital issued preferred stock to GE Industrial for which the amount and terms mirrored the GE Industrial external preferred stock. In 2018, GE Capital and GE Industrial exchanged the existing Series D preferred stock issued to GE Industrial for new Series D preferred stock, which is mandatorily convertible into GE Capital common stock on January 21, 2021. In the first quarter of 2021, GE Capital and GE Industrial also agreed to retire the Series A, B and C GE Capital preferred stock effective on the Series D conversion date of January 21, 2021. As a result of these actions, effective January 21, 2021, there is no remaining preferred stock between GE Industrial and GE Capital, and accordingly GE Capital will no longer pay preferred dividends to GE Industrial and all preferred stock dividend costs have become a GE Industrial obligation effective January 21, 2021. The exchange of GE Capital Series D preferred stock has no impact on the GE Series D preferred stock, which remains callable for \$5,694 million effective on January 21, 2021 or thereafter on dividend payment dates. Similarly, there were no changes to the GE Series A, B or C preferred stock, which become callable at various dates in 2022 and 2023.

GE has 50 million authorized shares of preferred stock (\$1.00 par value), of which 5,939,875 shares are outstanding as of December 31, 2020, 2019 and 2018. GE's authorized common stock consists of 13,200 million shares having a par value of \$0.06 each, with 11,694 million shares issued. To facilitate settlement of employee compensation programs, we repurchased shares of 0.5 million and 1.1 million, for a total of \$15.3 million and \$9.6 million for the years ended December 31, 2020 and 2019, respectively.



Noncontrolling interests in equity of consolidated affiliates amounted to \$1,522 million and \$1,545 million at December 31, 2020 and 2019, respectively. Net earnings (loss) attributable to noncontrolling interests were \$(33) million, \$33 million and \$203 million in 2020, 2019 and 2018, respectively. Dividends attributable to noncontrolling interests were \$(16) million, \$(331) million and \$(362) million in 2020, 2019 and 2018, respectively.

Redeemable noncontrolling interests presented in All other liabilities in our consolidated Statement of Financial Position include common shares issued by our affiliates that are redeemable at the option of the holder of those interests and amounted to \$487 million and \$439 million as of December 31, 2020 and 2019, respectively. Net earnings (loss) attributable to redeemable noncontrolling interests was \$(125) million, \$33 million and \$(291) million for the years ended December 31, 2020, 2019 and 2018, respectively.

**NOTE 17. SHARE-BASED COMPENSATION.** We grant stock options, restricted stock units and performance share units to employees under the 2007 Long-Term Incentive Plan. Grants made under all plans must be approved by the Management Development and Compensation Committee of GE's Board of Directors, which is composed entirely of independent directors. We record compensation expense for awards expected to vest over the vesting period. We estimate forfeitures based on experience and adjust expense to reflect actual forfeitures. When options are exercised and restricted stock units vest, we issue shares from treasury stock.

Stock options provide employees the opportunity to purchase GE shares in the future at the market price of our stock on the date the award is granted (the strike price). The options become exercisable over the vesting period (typically three or five years) and expire 10 years from the grant date if not exercised. Restricted stock units (RSU) provide an employee with the right to receive shares of GE stock when the restrictions lapse over the vesting period. Upon vesting, each RSU is converted into GE common stock on a one-for-one basis. Performance share units (PSU) and performance shares provide an employee with the right to receive shares of GE stock based upon achievement of certain performance or market metrics. Upon vesting (if applicable), each PSU is converted into GE common stock on a one-for-one basis. We value stock options using a Black-Scholes option pricing model, RSUs using market price on grant date, and PSUs and performance shares using both market price on grant date and a Monte Carlo simulation as needed based on performance metrics.

| <b>WEIGHTED AVERAGE GRANT DATE FAIR VALUE</b> |    | 2020 | 2019    | 2018    |
|-----------------------------------------------|----|------|---------|---------|
| Stock options                                 | \$ | 3.58 | \$ 3.48 | \$ 3.00 |
| RSUs                                          |    | 7.91 | 10.12   | 13.96   |
| PSUs/Performance shares                       |    | 7.91 | 10.73   | 4.80    |

Key assumptions used in the Black-Scholes valuation for stock options include: risk free rates of 1.0%, 2.5%, and 2.8%, dividend yields of 0.4%, 0.4%, and 2.3%, expected volatility of 36%, 33%, and 32%, expected lives of 6.1 years, 6.0 years, and 5.9 years, and strike prices of \$10.56, \$10.00, and \$12.13 for 2020, 2019, and 2018, respectively.

| <b>STOCK-BASED COMPENSATION ACTIVITY</b> | <b>Stock options</b> |                                 |                                              |                               | <b>RSUs</b>          |                                        |                                              |                               |
|------------------------------------------|----------------------|---------------------------------|----------------------------------------------|-------------------------------|----------------------|----------------------------------------|----------------------------------------------|-------------------------------|
|                                          | Shares (in millions) | Weighted average exercise price | Weighted average contractual term (in years) | Intrinsic value (in millions) | Shares (in millions) | Weighted average grant date fair value | Weighted average contractual term (in years) | Intrinsic value (in millions) |
| Outstanding at January 1, 2020           | 458                  | \$ 18.66                        |                                              |                               | 28                   | \$ 13.29                               |                                              |                               |
| Granted                                  | 36                   | 10.56                           |                                              |                               | 46                   | 7.91                                   |                                              |                               |
| Exercised                                | (1)                  | 7.48                            |                                              |                               | (10)                 | 14.44                                  |                                              |                               |
| Forfeited                                | (15)                 | 11.12                           |                                              |                               | (4)                  | 11.80                                  |                                              |                               |
| Expired                                  | (78)                 | 19.14                           |                                              |                               | N/A                  | N/A                                    |                                              |                               |
| <b>Outstanding at December 31, 2020</b>  | <b>400</b>           | <b>\$ 18.16</b>                 | <b>4.5</b>                                   | <b>\$ 156</b>                 | <b>60</b>            | <b>\$ 9.04</b>                         | <b>2.1</b>                                   | <b>\$ 653</b>                 |
| <b>Exercisable at December 31, 2020</b>  | <b>305</b>           | <b>\$ 20.28</b>                 | <b>3.3</b>                                   | <b>\$ 62</b>                  | <b>N/A</b>           | <b>N/A</b>                             | <b>N/A</b>                                   | <b>N/A</b>                    |
| <b>Expected to vest</b>                  | <b>90</b>            | <b>\$ 11.50</b>                 | <b>8.2</b>                                   | <b>\$ 87</b>                  | <b>49</b>            | <b>\$ 9.41</b>                         | <b>1.9</b>                                   | <b>\$ 533</b>                 |

Total outstanding PSUs and performance shares at December 31, 2020 were 21 million shares with a weighted average fair value of \$8.62. The intrinsic value and weighted average contractual term of PSUs and performance shares outstanding were \$232 million and 3.0 years, respectively.

|                                                            | 2020   | 2019   | 2018   |
|------------------------------------------------------------|--------|--------|--------|
| Compensation expense (after-tax)(a)(b)                     | \$ 353 | \$ 400 | \$ 336 |
| Cash received from stock options exercised                 | 6      | 69     | 24     |
| Intrinsic value of stock options exercised and RSUs vested | 81     | 154    | 83     |

(a) Unrecognized compensation cost related to unvested equity awards as of December 31, 2020 was \$543 million, which will be amortized over a weighted average period of 1.3 years.

(b) Income tax benefit recognized in earnings was \$10 million, \$20 million and \$40 million in 2020, 2019, and 2018, respectively.

## NOTE 18. EARNINGS PER SHARE INFORMATION

| (Earnings for per-share calculation;<br>per-share amounts in dollars)             | 2020         |              | 2019         |              | 2018         |              |
|-----------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                                                                   | Diluted      | Basic        | Diluted      | Basic        | Diluted      | Basic        |
| Earnings (loss) from continuing operations                                        | \$ 5,817     | \$ 5,817     | \$ 416       | \$ 416       | \$ (20,997)  | \$ (20,997)  |
| Preferred stock dividends                                                         | (474)        | (474)        | (460)        | (460)        | (447)        | (447)        |
| Accretion of redeemable noncontrolling interests,<br>net of tax(a)                | (151)        | (151)        | —            | —            | —            | —            |
| Earnings (loss) from continuing operations attributable to<br>common shareholders | \$ 5,191     | \$ 5,191     | \$ (45)      | \$ (45)      | \$ (21,445)  | \$ (21,445)  |
| Earnings (loss) from discontinued operations                                      | (125)        | (125)        | (5,396)      | (5,396)      | (1,372)      | (1,372)      |
| Net earnings (loss) attributable to GE common<br>shareholders                     | 5,066        | 5,066        | (5,440)      | (5,440)      | (22,809)     | (22,809)     |
| Shares of GE common stock outstanding                                             | 8,753        | 8,753        | 8,724        | 8,724        | 8,691        | 8,691        |
| Employee compensation-related shares (including<br>stock options) and warrants(a) | 9            | —            | —            | —            | —            | —            |
| <b>Total average equivalent shares</b>                                            | <b>8,761</b> | <b>8,753</b> | <b>8,724</b> | <b>8,724</b> | <b>8,691</b> | <b>8,691</b> |
| Earnings (loss) per share from continuing operations                              | \$ 0.59      | \$ 0.59      | \$ (0.01)    | \$ (0.01)    | \$ (2.47)    | \$ (2.47)    |
| Earnings (loss) per share from discontinued operations                            | (0.01)       | (0.01)       | (0.62)       | (0.62)       | (0.16)       | (0.16)       |
| Net earnings (loss) per share                                                     | 0.58         | 0.58         | (0.62)       | (0.62)       | (2.62)       | (2.62)       |
| <b>Potentially dilutive securities(b)</b>                                         | <b>444</b>   |              | <b>450</b>   |              | <b>420</b>   |              |

(a) Represents accretion adjustment of redeemable noncontrolling interests in our Additive business within our Aviation segment.

(b) Outstanding stock awards not included in the computation of diluted earnings per share because their effect was antidilutive.

Our unvested restricted stock unit awards that contain non-forfeitable rights to dividends or dividend equivalents are considered participating securities and, therefore, are included in the computation of earnings per share pursuant to the two-class method. For the year ended December 31, 2020, application of this treatment had an insignificant effect. For the years ended December 31, 2019 and 2018, as a result of excess dividends in respect to the current period earnings, losses were not allocated to the participating securities.

## NOTE 19. OTHER INCOME

|                                              | 2020             | 2019            | 2018            |
|----------------------------------------------|------------------|-----------------|-----------------|
| Purchases and sales of business interests(a) | \$ 12,468        | \$ 3            | \$ 1,234        |
| Licensing and royalty income                 | 161              | 256             | 218             |
| Equity method income                         | 27               | 206             | 21              |
| Net interest and investment income(b)        | (1,546)          | 1,220           | 562             |
| Other items                                  | 334              | 515             | 282             |
| <b>GE Industrial</b>                         | <b>11,444</b>    | <b>2,200</b>    | <b>2,317</b>    |
| Eliminations                                 | (57)             | 22              | 4               |
| <b>Total</b>                                 | <b>\$ 11,387</b> | <b>\$ 2,222</b> | <b>\$ 2,321</b> |

(a) Included a pre-tax gain of \$12,362 million on the sale of BioPharma in 2020. Included a pre-tax gain of \$224 million on the sale of ServiceMax partially offset by charges to the valuation allowance on businesses classified as held for sale of \$245 million in 2019. Included pre-tax gains of \$737 million on the sale of Distributed Power, \$681 million on the sale of Value-Based Care and \$267 million on the sale of Industrial Solutions, partially offset by charges to the valuation allowance on businesses classified as held for sale of \$554 million in 2018. See Note 2 for further information.

(b) Included a realized and unrealized pre-tax loss of \$2,037 million and unrealized pre-tax gain of \$793 million related to our interest in Baker Hughes in 2020 and 2019, respectively. Included interest income associated with customer advances of \$146 million, \$143 million and \$136 million in 2020, 2019 and 2018, respectively. See Notes 3, 9 and 26.

## NOTE 20. FAIR VALUE MEASUREMENTS

Our assets and liabilities measured at fair value on a recurring basis include debt securities mainly supporting obligations to annuitants and policyholders in our run-off insurance operations, our remaining equity interest in Baker Hughes and derivatives.

### ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

| December 31              | Level 1         |                 | Level 2          |                  | Level 3(a)      |                 | Netting adjustment(d) |                   | Net balance(b)   |                  |
|--------------------------|-----------------|-----------------|------------------|------------------|-----------------|-----------------|-----------------------|-------------------|------------------|------------------|
|                          | 2020            | 2019            | 2020             | 2019             | 2020            | 2019            | 2020                  | 2019              | 2020             | 2019             |
| Investment securities    | \$ 7,319        | \$ 9,704        | \$ 36,684        | \$ 33,606        | \$ 5,866        | \$ 5,210        | \$ —                  | \$ —              | \$ 49,868        | \$ 48,521        |
| Derivatives              | —               | —               | 3,057            | 2,561            | 8               | 11              | (2,582)               | (1,832)           | 483              | 740              |
| <b>Total assets</b>      | <b>\$ 7,319</b> | <b>\$ 9,704</b> | <b>\$ 39,741</b> | <b>\$ 36,167</b> | <b>\$ 5,874</b> | <b>\$ 5,221</b> | <b>\$ (2,582)</b>     | <b>\$ (1,832)</b> | <b>\$ 50,352</b> | <b>\$ 49,261</b> |
| Derivatives              | \$ —            | \$ —            | \$ 1,112         | \$ 834           | \$ 7            | \$ 19           | \$ (752)              | \$ (651)          | \$ 367           | \$ 202           |
| Other(c)                 | —               | —               | 780              | 807              | —               | —               | —                     | —                 | 780              | 807              |
| <b>Total liabilities</b> | <b>\$ —</b>     | <b>\$ —</b>     | <b>\$ 1,892</b>  | <b>\$ 1,641</b>  | <b>\$ 7</b>     | <b>\$ 19</b>    | <b>\$ (752)</b>       | <b>\$ (651)</b>   | <b>\$ 1,147</b>  | <b>\$ 1,009</b>  |

(a) Included debt securities classified within Level 3 of \$4,185 million of U.S. corporate and \$976 million of Mortgage and asset-backed securities at December 31, 2020, and \$3,977 million of U.S. corporate and \$330 million of Government and agencies securities at December 31, 2019.

(b) See Notes 3 and 21 for further information on the composition of our investment securities and derivative portfolios.

(c) Primarily represents the liabilities associated with certain of our deferred incentive compensation plans.

(d) The netting of derivative receivables and payables is permitted when a legally enforceable master netting agreement exists. Amounts include fair value adjustments related to our own and counterparty non-performance risk.

**LEVEL 3 INSTRUMENTS.** The majority of our Level 3 balances comprised debt securities classified as available-for-sale with changes in fair value recorded in Other comprehensive income.

|                       | Balance at January 1 | Net realized/unrealized gains(losses)(a) | Purchases(b) | Sales & Settlements | Transfers into Level 3 | Transfers out of Level 3 | Balance at December 31 |
|-----------------------|----------------------|------------------------------------------|--------------|---------------------|------------------------|--------------------------|------------------------|
| <b>2020</b>           |                      |                                          |              |                     |                        |                          |                        |
| Investment securities | \$ 5,210             | \$ 357                                   | \$ 1,301     | \$ (958)            | \$ 2                   | \$ (45)                  | \$ 5,866               |
| <b>2019</b>           |                      |                                          |              |                     |                        |                          |                        |
| Investment securities | \$ 4,013             | \$ 399                                   | \$ 2,159     | \$ (1,308)          | \$ —                   | \$ (53)                  | \$ 5,210               |

(a) Primarily included net unrealized gains (losses) of \$323 million and \$404 million in Other comprehensive income for the years ended December 31, 2020 and 2019, respectively.

(b) Included \$745 million of Mortgage and asset-backed securities for the year ended December 31, 2020, and \$975 million of U.S. corporate debt securities for the year ended December 31, 2019.

Substantially all of these Level 3 securities are fair valued using non-binding broker quotes or other third-party sources that utilize a number of different unobservable inputs not subject to meaningful aggregation.

## NOTE 21. FINANCIAL INSTRUMENTS

The following table provides information about assets and liabilities not carried at fair value and excludes finance leases, equity securities without readily determinable fair value and non-financial assets and liabilities. Substantially all of these assets are considered to be Level 3 and the vast majority of our liabilities' fair value are considered Level 2.

|                                | December 31, 2020     |                      | December 31, 2019     |                      |
|--------------------------------|-----------------------|----------------------|-----------------------|----------------------|
|                                | Carrying amount (net) | Estimated fair value | Carrying amount (net) | Estimated fair value |
| <b>Assets</b>                  |                       |                      |                       |                      |
| Loans and other receivables    | \$ 3,842              | \$ 3,970             | \$ 4,113              | \$ 4,208             |
| <b>Liabilities</b>             |                       |                      |                       |                      |
| Borrowings (Note 11)           | \$ 75,067             | \$ 86,171            | \$ 90,882             | \$ 97,754            |
| Investment contracts (Note 12) | 2,049                 | 2,547                | 2,191                 | 2,588                |

The higher fair value in relation to carrying value for borrowings at December 31, 2020 compared to December 31, 2019 was driven primarily by a decline in market interest rates. Unlike the carrying amount, the estimated fair value of borrowings included \$898 million and \$1,106 million of accrued interest at December 31, 2020 and 2019, respectively.

Assets and liabilities that are reflected in the accompanying financial statements at fair value are not included in the above disclosures; such items include cash and equivalents, investment securities and derivative financial instruments.

**DERIVATIVES AND HEDGING.** Our policy requires that derivatives are used solely for managing risks and not for speculative purposes. Total gross notional was \$95,874 million (\$45,672 million in GE Capital and \$50,202 million in GE Industrial) and \$98,018 million (\$55,704 million in GE Capital and \$42,314 million in GE Industrial) at December 31, 2020 and 2019, respectively. GE Capital notional relates primarily to managing interest rate and currency risk between financial assets and liabilities, and GE Industrial notional relates primarily to managing currency risks related to foreign exchange, certain equity investments and commodity prices.

GE Industrial and GE Capital use cash flow hedges primarily to reduce or eliminate the effects of foreign exchange rate changes. In addition, GE Capital uses fair value hedges to hedge the effects of interest rate and currency changes on debt it has issued as well as net investment hedges to hedge investments in foreign operations. Both GE Industrial and GE Capital also use derivatives not designated as hedges from an accounting standpoint (and therefore we do not apply hedge accounting to the relationship) but otherwise serve the same economic purpose as other hedging arrangements. We use economic hedges when we have exposures to currency exchange risk for which we are unable to meet the requirements for hedge accounting or when changes in the carrying amount of the hedged item are already recorded in earnings in the same period as the derivative making hedge accounting unnecessary. Even though the derivative is an effective economic hedge, there may be a net effect on earnings in each period due to differences in the timing of earnings recognition between the derivative and the hedged item.

#### FAIR VALUE OF DERIVATIVES

|                                                                      | December 31, 2020 |                  |                       | December 31, 2019 |                  |                       |
|----------------------------------------------------------------------|-------------------|------------------|-----------------------|-------------------|------------------|-----------------------|
|                                                                      | Gross Notional    | All other assets | All other liabilities | Gross Notional    | All other assets | All other liabilities |
| Interest rate contracts                                              | \$ 20,500         | \$ 1,912         | \$ 7                  | \$ 23,918         | \$ 1,636         | \$ 11                 |
| Currency exchange contracts                                          | 7,512             | 165              | 128                   | 7,044             | 99               | 46                    |
| <b>Derivatives accounted for as hedges</b>                           | <b>\$ 28,011</b>  | <b>\$ 2,077</b>  | <b>\$ 135</b>         | <b>\$ 30,961</b>  | <b>\$ 1,734</b>  | <b>\$ 57</b>          |
| Interest rate contracts                                              | \$ 448            | \$ 6             | \$ 1                  | \$ 3,185          | \$ 18            | \$ 12                 |
| Currency exchange contracts                                          | 65,379            | 764              | 913                   | 62,165            | 697              | 744                   |
| Other contracts                                                      | 2,036             | 218              | 71                    | 1,706             | 123              | 40                    |
| <b>Derivatives not accounted for as hedges</b>                       | <b>\$ 67,863</b>  | <b>\$ 988</b>    | <b>\$ 983</b>         | <b>\$ 67,056</b>  | <b>\$ 838</b>    | <b>\$ 796</b>         |
| <b>Gross derivatives</b>                                             | <b>\$ 95,874</b>  | <b>\$ 3,065</b>  | <b>\$ 1,118</b>       | <b>\$ 98,018</b>  | <b>\$ 2,572</b>  | <b>\$ 853</b>         |
| Netting and credit adjustments                                       |                   | \$ (647)         | \$ (647)              |                   | \$ (546)         | \$ (546)              |
| Cash collateral adjustments                                          |                   | (1,935)          | (104)                 |                   | (1,286)          | (105)                 |
| <b>Net derivatives recognized in Statement of Financial Position</b> |                   | <b>\$ 483</b>    | <b>\$ 367</b>         |                   | <b>\$ 740</b>    | <b>\$ 202</b>         |
| Net accrued interest                                                 |                   | \$ —             | \$ —                  |                   | \$ 182           | \$ 1                  |
| Securities held as collateral                                        |                   | (2)              | —                     |                   | (469)            | —                     |
| <b>Net amount</b>                                                    |                   | <b>\$ 480</b>    | <b>\$ 367</b>         |                   | <b>\$ 452</b>    | <b>\$ 203</b>         |

It is standard market practice to post or receive cash collateral with our derivative counterparties in order to minimize counterparty exposure. Included in GE Capital cash, cash equivalents and restricted cash was total net cash collateral received on derivatives of \$3,289 million (comprising \$4,203 million received and \$914 million posted) at December 31, 2020, and \$1,584 million (comprising \$2,294 million received and \$710 million posted) at December 31, 2019. Of these amounts, \$1,968 million and \$695 million at December 31, 2020 and December 31, 2019, respectively, were received on interest rate derivatives traded through clearing houses, which are recorded as a reduction of derivative assets.

Also included in total net cash collateral received are amounts presented as cash collateral adjustments in the table above, amounts related to accrued interest on interest rate derivatives presented as a reduction of Net accrued interest of \$292 million and \$207 million at December 31, 2020 and December 31, 2019, respectively, and excess net cash collateral posted of \$802 million (comprising \$3 million received and \$805 million posted) at December 31, 2020, and \$499 million (comprising \$104 million received and \$603 million posted) at December 31, 2019, which are excluded from cash collateral adjustments in the table above.

Securities held as collateral excluded excess collateral received of zero and \$27 million at December 31, 2020 and December 31, 2019, respectively. In the third quarter of 2020, one of our counterparties converted its collateral from securities to cash, which is in line with our other derivative counterparties.

Fair value of derivatives in our consolidated Statement of Financial Position excludes accrued interest.

**FAIR VALUE HEDGES.** We use derivatives to hedge the effects of interest rate and currency exchange rate changes on our borrowings. At December 31, 2020, the cumulative amount of hedging adjustments of \$5,687 million (including \$2,248 million on discontinued hedging relationships) was included in the carrying amount of the hedged liability of \$29,374 million. At December 31, 2019, the cumulative amount of hedging adjustments of \$4,234 million (including \$2,458 million on discontinued hedging relationships) was included in the carrying amount of the hedged liability of \$42,759 million. The cumulative amount of hedging adjustments was primarily recorded in long-term borrowings.

**CASH FLOW HEDGES.** We use cash flow hedging primarily to reduce or eliminate the effects of foreign exchange rate changes on purchase and sale contracts in our industrial businesses and to convert foreign currency debt that we have issued in our financial services business back to our functional currency. Changes in the fair value of cash flow hedges are recorded in AOCI and recorded in earnings in the period in which the hedged transaction occurs. The gain (loss) recognized in AOCI was \$(61) million, \$25 million and \$(154) million for the years ended December 31, 2020, 2019 and 2018, respectively. The gain (loss) reclassified from AOCI to earnings was \$(7) million, \$(60) million and \$(102) million for the years ended December 31, 2020, 2019 and 2018, respectively. These amounts were primarily related to currency exchange and interest rate contracts.

The total amount in AOCI related to cash flow hedges of forecasted transactions was a \$16 million gain at December 31, 2020. We expect to reclassify \$32 million of loss to earnings in the next 12 months contemporaneously with the earnings effects of the related forecasted transactions. For all periods presented we recognized an immaterial amount related to hedged forecasted transactions and firm commitments that did not occur by the end of the originally specified period. At December 31, 2020, 2019 and 2018, the maximum term of derivative instruments that hedge forecasted transactions was 14 years, 13 years and 14 years, respectively.

**NET INVESTMENT HEDGES.** We invest in foreign operations that conduct their financial services activities in currencies other than the U.S. dollar. We hedge the currency risk associated with those investments primarily using non-derivative instruments such as debt denominated in a foreign currency and short-term currency exchange contracts under which we receive U.S. dollars and pay foreign currency. For these hedges, the portion of the fair value changes of the derivatives or debt instruments that relates to changes in spot currency exchange rates is recorded in a separate component of AOCI. The portion of the fair value changes of the derivatives related to differences between spot and forward rates is recorded in earnings each period. The amounts recorded in AOCI affect earnings if the hedged investment is sold, substantially liquidated, or control is lost.

The total gain (loss) recognized in AOCI on hedging instruments for the years ended December 31, 2020, 2019 and 2018 was \$(675) million, \$120 million and \$646 million, respectively, comprising \$(41) million, \$(36) million and \$162 million on currency exchange contracts and \$(633) million, \$156 million and \$484 million on foreign currency debt, respectively. For all periods presented we recognized an immaterial amount excluded from assessment and recognized in earnings.

The carrying value of foreign currency debt designated as net investment hedges was \$8,348 million, \$9,190 million and \$12,458 million at December 31, 2020, 2019 and 2018 respectively. The total reclassified from AOCI into earnings was zero, \$7 million and \$(1) million for the years ended December 31, 2020, 2019 and 2018, respectively.

**EFFECTS OF DERIVATIVES ON EARNINGS.** All derivatives are marked to fair value on our Statement of Financial Position, whether they are designated in a hedging relationship for accounting purposes or are used as economic hedges. For derivatives not designated as hedging instruments, substantially all of the gain or loss recognized in earnings is offset by either the current period change in value of underlying exposures which is recorded in earnings in the current period or a future period when the recording of the exposures occurs.

The table below presents the effect of our derivative financial instruments in the consolidated Statement of Earnings (Loss):

|                                                                                 | 2020      |               |                  |           |              | 2019      |               |                  |           |              |
|---------------------------------------------------------------------------------|-----------|---------------|------------------|-----------|--------------|-----------|---------------|------------------|-----------|--------------|
|                                                                                 | Revenues  | Cost of sales | Interest Expense | SG&A      | Other Income | Revenues  | Cost of sales | Interest Expense | SG&A      | Other Income |
| <b>Total amounts presented in the consolidated Statement of Earnings (Loss)</b> | \$ 79,619 | \$ 60,421     | \$ 3,273         | \$ 12,621 | \$ 11,387    | \$ 95,214 | \$ 66,911     | \$ 4,227         | \$ 13,949 | \$ 2,222     |
| <b>Total effect of cash flow hedges</b>                                         | \$ 88     | \$ (56)       | \$ (40)          | \$ 1      | \$ —         | \$ 5      | \$ (24)       | \$ (37)          | \$ (3)    | \$ —         |
| Hedged items                                                                    |           |               | \$ (1,775)       |           |              |           |               | \$ (1,276)       |           |              |
| Derivatives designated as hedging instruments                                   |           |               | 1,743            |           |              |           |               | 1,229            |           |              |
| <b>Total effect of fair value hedges</b>                                        |           |               | \$ (31)          |           |              |           |               | \$ (48)          |           |              |
| Interest rate contracts                                                         | \$ (35)   | \$ —          | \$ (11)          | \$ —      | \$ 8         | \$ (24)   | \$ —          | \$ (50)          | \$ —      | \$ (6)       |
| Currency exchange contracts                                                     | (328)     | 16            | —                | 129       | 19           | 180       | (35)          | —                | (6)       | (59)         |
| Other                                                                           | —         | —             | —                | 86        | (46)         | (2)       | —             | 195              | —         | 7            |
| <b>Total effect of derivatives not designated as hedges</b>                     | \$ (362)  | \$ 16         | \$ (11)          | \$ 215    | \$ (19)      | \$ 154    | \$ (35)       | \$ 145           | \$ (6)    | \$ (58)      |

The gain (loss) excluded for cash flow hedges was \$25 million and \$(1) million for the years ended December 31, 2020 and 2019, respectively. This amount is recognized primarily in Revenues in our consolidated Statement of Earnings (Loss).



**COUNTERPARTY CREDIT RISK.** We manage the risk that counterparties will default and not make payments to us according to the terms of our agreements on an individual counterparty basis. Where we have agreed to netting of derivative exposures with a counterparty, we net our exposures with that counterparty and apply the value of collateral posted to us to determine the exposure. We actively monitor these net exposures against defined limits and take appropriate actions in response, including requiring additional collateral. Our exposures to counterparties (including accrued interest), net of collateral we held, was \$388 million and \$368 million at December 31, 2020 and 2019, respectively. Counterparties' exposures to our derivative liability (including accrued interest), net of collateral posted by us, was \$304 million and \$159 million at December 31, 2020 and 2019, respectively.

**NOTE 22. VARIABLE INTEREST ENTITIES.** In addition to the three VIEs detailed in Note 4, in our consolidated Statement of Financial Position, we have additional consolidated VIEs with assets of \$1,888 million and \$1,740 million, and liabilities of \$812 million and \$943 million, inclusive of intercompany eliminations, at December 31, 2020 and 2019, respectively. These entities have no features that could expose us to losses that would significantly exceed the difference between the consolidated assets and liabilities. Substantially all the assets of our consolidated VIEs at December 31, 2020 can only be used to settle the liabilities of those VIEs.

Our investments in unconsolidated VIEs were \$3,378 million and \$1,937 million, at December 31, 2020 and 2019, respectively. These investments are primarily owned by GE Capital businesses of which \$1,141 million and \$621 million were owned by EFS and comprised of equity method investments, primarily renewable energy tax equity investments, at December 31, 2020 and 2019, respectively. In addition, \$1,833 million and \$896 million were owned by our run-off insurance operations, primarily comprising investment securities, at December 31, 2020 and 2019, respectively. The increase in investments in unconsolidated VIEs in our run-off insurance operations reflects implementation of our revised reinvestment plan which incorporates the introduction of strategic initiatives to invest in higher-yielding asset classes. Our maximum exposure to loss in respect of unconsolidated VIEs is increased by our commitments to make additional investments in these entities described in Note 23.

### **NOTE 23. COMMITMENTS, GUARANTEES, PRODUCT WARRANTIES AND OTHER LOSS CONTINGENCIES**

**COMMITMENTS.** The GECAS business within our Capital segment has placed multiple-year orders with various Boeing, Airbus and other aircraft manufacturers with list prices approximating \$26,760 million, excluding pre-delivery payments made in advance (including 279 new aircraft with delivery dates of 25% in 2021, 14% in 2022 and 61% in 2023 through 2026) and secondary orders with airlines for used aircraft of approximately \$1,985 million (including 43 used aircraft with delivery dates of 72% in 2021, 21% in 2022 and 7% in 2023) at December 31, 2020. When we purchase aircraft, it is at a contractual price, which is usually less than the aircraft manufacturer's list price. As of December 31, 2020, we have made \$2,871 million of pre-delivery payments to aircraft manufacturers.

During 2020, GECAS agreed with Boeing to restructure its 737 MAX orderbook including previously canceled positions, resulting in 77 orders now remaining.

GE Capital had total investment commitments of \$1,957 million at December 31, 2020. The commitments primarily comprise project financing investments in thermal and wind energy projects of \$684 million and investments by our run-off insurance operations in investment securities and other assets of \$1,249 million, and included within these commitments are obligations to make additional investments in unconsolidated VIEs of \$549 million and \$1,047 million, respectively. See Note 22 for further information.

As of December 31, 2020, in our Aviation segment, we have committed to provide financing assistance of \$1,935 million of future customer acquisitions of aircraft equipped with our engines.

**GUARANTEES.** At December 31, 2020, we were committed under the following guarantee arrangements:

**Credit Support.** At December 31, 2020, we have provided \$1,525 million of credit support on behalf of certain customers or associated companies, predominantly joint ventures and partnerships, using arrangements such as standby letters of credit and performance guarantees. The liability for such credit support was \$46 million.

**Indemnification Agreements – Continuing Operations.** At December 31, 2020, we have \$1,455 million of other indemnification commitments, including representations and warranties in sales of businesses or assets, for which we recorded a liability of \$142 million.

**Indemnification Agreements – Discontinued Operations.** At December 31, 2020, we have provided specific indemnities to buyers of GE Capital's assets that, in the aggregate, represent a maximum potential claim of \$630 million with the related reserves of \$104 million.

**PRODUCT WARRANTIES.** We provide for estimated product warranty expenses when we sell the related products. Because warranty estimates are forecasts that are based on the best available information, mostly historical claims experience, claims costs may differ from amounts provided. An analysis of changes in the liability for product warranties follows.

|                               |           | 2020         |           | 2019         |           | 2018         |
|-------------------------------|-----------|--------------|-----------|--------------|-----------|--------------|
| Balance at January 1          | \$        | 2,165        | \$        | 2,192        | \$        | 2,103        |
| Current-year provisions       |           | 788          |           | 713          |           | 945          |
| Expenditures                  |           | (913)        |           | (715)        |           | (788)        |
| Other changes                 |           | 14           |           | (26)         |           | (69)         |
| <b>Balance at December 31</b> | <b>\$</b> | <b>2,054</b> | <b>\$</b> | <b>2,165</b> | <b>\$</b> | <b>2,192</b> |

**LEGAL MATTERS.** In the normal course of our business, we are involved from time to time in various arbitrations, class actions, commercial litigation, investigations and other legal, regulatory or governmental actions, including the significant matters described below that could have a material impact on our results of operations. In many proceedings, including the specific matters described below, it is inherently difficult to determine whether any loss is probable or even reasonably possible or to estimate the size or range of the possible loss, and accruals for legal matters are not recorded until a loss for a particular matter is considered probable and reasonably estimable. Given the nature of legal matters and the complexities involved, it is often difficult to predict and determine a meaningful estimate of loss or range of loss until we know, among other factors, the particular claims involved, the likelihood of success of our defenses to those claims, the damages or other relief sought, how discovery or other procedural considerations will affect the outcome, the settlement posture of other parties and other factors that may have a material effect on the outcome. For these matters, unless otherwise specified, we do not believe it is possible to provide a meaningful estimate of loss at this time. Moreover, it is not uncommon for legal matters to be resolved over many years, during which time relevant developments and new information must be continuously evaluated.

**Alstom legacy legal matters.** On November 2, 2015, we acquired the Thermal, Renewables and Grid businesses from Alstom. Prior to the acquisition, the seller was the subject of two significant cases involving anti-competitive activities and improper payments: (1) in January 2007, Alstom was fined €65 million by the European Commission for participating in a gas insulated switchgear cartel that operated from 1988 to 2004 (that fine was later reduced to €59 million), and (2) in December 2014, Alstom pled guilty in the United States to multiple violations of the Foreign Corrupt Practices Act and paid a criminal penalty of \$772 million. As part of GE's accounting for the acquisition, we established a reserve amounting to \$858 million for legal and compliance matters related to the legacy business practices that were the subject of these and related cases in various jurisdictions, including the previously reported legal proceedings in Slovenia that are described below. The reserve balance was \$858 million and \$875 million at December 31, 2020 and December 31, 2019, respectively.

Regardless of jurisdiction, the allegations relate to claimed anti-competitive conduct or improper payments in the pre-acquisition period as the source of legal violations and/or damages. Given the significant litigation and compliance activity related to these matters and our ongoing efforts to resolve them, it is difficult to assess whether the disbursements will ultimately be consistent with the reserve established. The estimation of this reserve involved significant judgment and may not reflect the full range of uncertainties and unpredictable outcomes inherent in litigation and investigations of this nature, and at this time we are unable to develop a meaningful estimate of the range of reasonably possible additional losses beyond the amount of this reserve. Damages sought may include disgorgement of profits on the underlying business transactions, fines and/or penalties, interest, or other forms of resolution. Factors that can affect the ultimate amount of losses associated with these and related matters include the way cooperation is assessed and valued, prosecutorial discretion in the determination of damages, formulas for determining fines and penalties, the duration and amount of legal and investigative resources applied, political and social influences within each jurisdiction, and tax consequences of any settlements or previous deductions, among other considerations. Actual losses arising from claims in these and related matters could exceed the amount provided.

In connection with alleged improper payments by Alstom relating to contracts won in 2006 and 2008 for work on a state-owned power plant in Šoštanj, Slovenia, the power plant owner in January 2017 filed an arbitration claim for damages of approximately \$430 million before the International Chamber of Commerce Court of Arbitration in Vienna, Austria. In February 2017, a government investigation in Slovenia of the same underlying conduct proceeded to an investigative phase overseen by a judge of the Celje District Court. In September 2020, the relevant Alstom legacy entity was served with an indictment, which we had anticipated as we are working with the parties to resolve these matters.

**Shareholder and related lawsuits.** Since November 2017, several putative shareholder class actions under the federal securities laws have been filed against GE and certain affiliated individuals and consolidated into a single action currently pending in the U.S. District Court for the Southern District of New York (the Hachem case). In October 2019, the lead plaintiff filed a fifth amended consolidated class action complaint naming as defendants GE and current and former GE executive officers. It alleges violations of Sections 10(b) and 20(a) and Rule 10b-5 of the Securities Exchange Act of 1934 related to insurance reserves and accounting for long-term service agreements and seeks damages on behalf of shareholders who acquired GE stock between February 27, 2013 and January 23, 2018. GE filed a motion to dismiss in December 2019. In January 2021, the court granted defendants' motion to dismiss as to the majority of the claims. Specifically, the court dismissed all claims related to insurance reserves, as well as all claims related to accounting for long-term service agreements, with the exception of certain claims about historic disclosures related to factoring in the Power business that survive as to GE and its former CFO Jeffrey S. Bornstein. All other individual defendants have been dismissed from the case. In addition, the court denied the plaintiffs' request to amend their complaint again.

Since February 2018, multiple shareholder derivative lawsuits have also been filed against current and former GE executive officers and members of GE's Board of Directors and GE (as nominal defendant). Six shareholder derivative lawsuits are currently pending: the Bennett case, which was filed in Massachusetts state court; the Cuker, Lindsey, Priest and Tola cases, which were filed in New York state court; and the Burden case, which was filed in the U.S. District Court for the Southern District of New York. These lawsuits have alleged violations of securities laws, breaches of fiduciary duties, unjust enrichment, waste of corporate assets, abuse of control and gross mismanagement, although the specific matters underlying the allegations in the lawsuits have varied. The allegations in the Bennett, Lindsey, Priest, Tola and Burden cases relate to substantially the same facts as those underlying the securities class action described above, and the allegations in the Cuker case relate to alleged corruption in China. The plaintiffs seek unspecified damages and improvements in GE's corporate governance and internal procedures. The Bennett case has been stayed pending final resolution of another shareholder derivative lawsuit (the Gammel case) that was previously dismissed. In August 2019, the Cuker plaintiffs filed an amended complaint, and GE in September 2019 filed a motion to dismiss the amended complaint. The Lindsey case has been stayed by agreement of the parties.

In June 2018, a lawsuit (the Bezio case) was filed in New York state court derivatively on behalf of participants in GE's 401(k) plan (the GE Retirement Savings Plan (RSP)), and alternatively as a class action on behalf of shareholders who acquired GE stock between February 26, 2013 and January 24, 2018, alleging violations of Section 11 of the Securities Act of 1933 based on alleged misstatements and omissions related to insurance reserves and performance of GE's business segments in a GE RSP registration statement and documents incorporated therein by reference. In November 2018, the plaintiffs filed an amended derivative complaint naming as defendants GE, former GE executive officers and Fidelity Management Trust Company, as trustee for the GE RSP. In January 2019, GE filed a motion to dismiss, and in November 2019, the court dismissed the remaining claims and the plaintiffs filed a notice of appeal. In December 2019, the plaintiffs filed a second amended derivative complaint, and in January 2020, GE filed a motion to dismiss. In December 2020, the court granted GE's motion to dismiss and dismissed the second amended complaint with prejudice.

In July 2018, a putative class action (the Mahar case) was filed in New York state court naming as defendants GE, former GE executive officers, a former member of GE's Board of Directors and KPMG. It alleged violations of Sections 11, 12 and 15 of the Securities Act of 1933 based on alleged misstatements related to insurance reserves and performance of GE's business segments in GE Stock Direct Plan registration statements and documents incorporated therein by reference and seeks damages on behalf of shareholders who acquired GE stock between July 20, 2015 and July 19, 2018 through the GE Stock Direct Plan. In February 2019, this case was dismissed. In March 2019, plaintiffs filed an amended derivative complaint naming the same defendants. In April 2019, GE filed a motion to dismiss the amended complaint. In October 2019, the court denied GE's motion to dismiss and stayed the case pending the outcome of the Hachem case. In November 2019, the plaintiffs moved to re-argue to challenge the stay, and GE cross-moved to re-argue the denial of the motion to dismiss and filed a notice of appeal. The court denied both motions for re-argument, and in November 2020, the Appellate Division First Department affirmed the court's denial of GE's motion to dismiss. In January 2021, GE filed a motion for leave to appeal to the New York Court of Appeals.

In October 2018, a putative class action (the Houston case) was filed in New York state court naming as defendants GE, certain GE subsidiaries and current and former GE executive officers and employees. It alleges violations of Sections 11, 12 and 15 of the Securities Act of 1933 and seeks damages on behalf of purchasers of senior notes issued in 2016 and rescission of transactions involving those notes. This case has been stayed pending resolution of the motion to dismiss the Hachem case.

In December 2018, a putative class action (the Varga case) was filed in the U.S. District Court for the Northern District of New York naming GE and a former GE executive officer as defendants in connection with the oversight of the GE RSP. It alleges that the defendants breached fiduciary duties under the Employee Retirement Income Security Act of 1974 (ERISA) by failing to advise GE RSP participants that GE Capital insurance subsidiaries were allegedly under-reserved and continued to retain a GE stock fund as an investment option in the GE RSP. The plaintiffs seek unspecified damages on behalf of a class of GE RSP participants and beneficiaries from January 1, 2010 through January 19, 2018 or later. In April 2019, GE filed a motion to dismiss. In March 2020, the court granted GE's motion to dismiss the case, and in February 2021, the Second Circuit in the plaintiffs' appeal affirmed the lower court's dismissal.

In February 2019, two putative class actions (the Birnbaum case and the Sheet Metal Workers Local 17 Trust Funds case) were filed in the U.S. District Court for the Southern District of New York naming as defendants GE and current and former GE executive officers. In April 2019, the court issued an order consolidating these two actions. In June 2019, the lead plaintiff filed an amended consolidated complaint. It alleges violations of Section 10(b) and 20(a) of the Securities Exchange Act of 1934 based on alleged misstatements regarding GE's H-class turbines and goodwill related to GE's Power business. The lawsuit seeks damages on behalf of shareholders who acquired GE stock between December 4, 2017 and December 6, 2018. In August 2019, the lead plaintiff filed a second amended complaint. In September 2019, GE filed a motion to dismiss the second amended complaint. In May 2020, the court granted GE's motion to dismiss the case, and in February 2021, the Second Circuit in the plaintiffs' appeal affirmed the lower court's dismissal.

In February 2019, a securities action (the Touchstone case) was filed in the U.S. District Court for the Southern District of New York naming as defendants GE and current and former GE executive officers. It alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Section 1707.43 of the Ohio Securities Act and common law fraud based on alleged misstatements regarding insurance reserves, GE Power's revenue recognition practices related to long term service agreements, GE's acquisition of Alstom, and the goodwill recognized in connection with that transaction. The lawsuit seeks damages on behalf of six institutional investors who purchased GE common stock between August 1, 2014 and October 30, 2018 and rescission of those purchases. This case has been stayed pending resolution of the motion to dismiss the Hachem case.

As previously reported by Baker Hughes, in March 2019, two derivative lawsuits were filed in the Delaware Court of Chancery naming as defendants GE, directors of Baker Hughes (including former members of GE's Board of Directors and current and former GE executive officers) and Baker Hughes (as nominal defendant), and the court issued an order consolidating these two actions (the Schippnick case). The complaint as amended in May 2019 alleges, among other things, that GE and the Baker Hughes directors breached their fiduciary duties and that GE was unjustly enriched by entering into transactions and agreements related to GE's sales of approximately 12% of its ownership interest in Baker Hughes in November 2018. The complaint seeks declaratory relief, disgorgement of profits, an award of damages, pre- and post-judgment interest and attorneys' fees and costs. In May 2019, the plaintiffs voluntarily dismissed their claims against the directors who were members of the Baker Hughes Conflicts Committee and a former Baker Hughes director. In October 2019, the Court denied the remaining defendants' motions to dismiss, except with respect to the unjust enrichment claim against GE, which has been dismissed. In November 2019, the defendants filed their answer to the complaint, and a special litigation committee of the Baker Hughes Board of Directors moved for an order staying all proceedings in this action pending completion of the committee's investigation of the allegations and claims asserted in the complaint. In October 2020, the special litigation committee filed a report with the Court recommending that the derivative action be terminated.

In August 2019, a putative class action (the Tri-State case) was filed in the Delaware Court of Chancery naming as defendants GE and the former Board of Directors of Baker Hughes Incorporated (BHI). It alleges fraud, aiding and abetting breaches of fiduciary duty, and aiding and abetting breaches of duty of disclosure by GE based on allegations regarding financial statements that GE provided the former BHI board, management and shareholders in connection with BHI's merger with GE's Oil and Gas Business in July 2017. The plaintiff seeks damages on behalf of BHI shareholders during the period between October 7, 2016 and July 5, 2017. In October 2019, the City of Providence filed a complaint containing allegations substantially similar to those in the Tri-State complaint. The cases were consolidated in November 2019, and in December 2019, the plaintiffs filed an amended consolidated complaint which is similar to the prior complaints but does not include fraud claims against GE. In February 2020, GE and the other defendants filed a motion to dismiss the amended consolidated complaint. In October 2020, the court dismissed all claims asserted against GE, allowing only the claim against the former BHI CEO to move forward.

**SEC investigation.** As previously reported in a Form 8-K filing on December 9, 2020, GE reached a settlement with the SEC in connection with the SEC investigation that we had previously disclosed. Consistent with common SEC practice, GE neither admits nor denies the findings in the administrative order that the SEC issued in connection with the settlement. Under the terms of the settlement, GE in December 2020 paid a civil penalty of \$200 million and consented to an order requiring it to cease and desist from violations of specified provisions of the federal securities laws and rules promulgated thereunder. In addition, GE agreed to cooperation obligations and to report during a one-year period to the SEC about compliance related to its Power business and GE Capital's run-off insurance operations.

The SEC's order contains findings related to disclosures with respect to GE's Power business during the 2015–2017 time period and disclosures and internal controls with respect to GE Capital's run-off insurance operations during the third quarter of 2015 through the first quarter of 2017. The settlement concluded and resolved the SEC investigation of GE in its entirety.

The SEC's order makes no allegation that prior period financial statements were misstated. This settlement did not require corrections or restatements of GE's previously reported financial statements, and GE stands behind its financial reporting.

GE cooperated with the SEC over the course of its investigation. As noted in the order, GE has taken a number of steps since the time periods covered by the investigation to enhance its investor disclosures regarding power and insurance trends and risks, as well as enhancing internal controls on its insurance premium deficiency testing (also known as loss recognition testing) process and adding disclosure controls and procedures concerning its insurance liabilities.

**Other GE Retirement Savings Plan class actions.** Four putative class action lawsuits have been filed regarding the oversight of the GE RSP, and those class actions have been consolidated into a single action in the U.S. District Court for the District of Massachusetts. The consolidated complaint names as defendants GE, GE Asset Management, current and former GE and GE Asset Management executive officers and employees who served on fiduciary bodies responsible for aspects of the GE RSP during the class period. Like similar lawsuits that have been brought against other companies in recent years, this action alleges that the defendants breached their fiduciary duties under ERISA in their oversight of the GE RSP, principally by retaining five proprietary funds that plaintiffs allege were underperforming as investment options for plan participants and by charging higher management fees than some alternative funds. The plaintiffs seek unspecified damages on behalf of a class of GE RSP participants and beneficiaries from September 26, 2011 through the date of any judgment. In August and December 2018, the court issued orders dismissing one count of the complaint and denying GE's motion to dismiss the remaining counts. We believe we have defenses to the claims and are responding accordingly.

**Bank BPH.** As previously reported, GE Capital's subsidiary Bank BPH, along with other Polish banks, has been subject to ongoing litigation in Poland related to its portfolio of floating rate residential mortgage loans, with cases brought by individual borrowers seeking relief related to their foreign currency-denominated mortgage loans in various courts throughout Poland. At December 31, 2020, approximately 87% of the Bank BPH portfolio is indexed to or denominated in foreign currencies (primarily Swiss francs), and the total portfolio had a carrying value of \$2,437 million. We continue to observe an increase in the number of lawsuits being brought against Bank BPH and other banks in Poland, and this is likely to continue in future reporting periods.



We estimate potential losses for Bank BPH in connection with borrower litigation cases that are pending by recording legal reserves, as well as in connection with potential future cases or other adverse developments as part of our ongoing valuation of the Bank BPH portfolio, which we record at the lower of cost or fair value, less cost to sell. At December 31, 2020, the total amount of such estimated losses was \$315 million. We have updated our assumptions underlying this amount over time in response to the trends we have previously reported of there being an increase in the number of lawsuits filed, more findings of liability and more severe remedies being ordered against Polish banks, including Bank BPH. We also expect these trends to continue in future reporting periods, although Bank BPH is unable at this time to develop a meaningful estimate of reasonably possible losses associated with active and inactive Bank BPH mortgage loans beyond the amounts currently recorded. These estimates involve significant judgment, including assumptions about the number of borrowers that will file lawsuits, whether liability will be established in lawsuits and the nature of the remedy that a court will order if liability is established, as well as the following factors: uncertainty related to how Polish courts will interpret and apply prior judicial decisions; the pendency of potentially significant judicial decisions that we anticipate will be issued in the first half of 2021, including a decision by the European Court of Justice (ECJ) on the case involving a Bank BPH mortgage loan that was referred to the ECJ in January 2020 and one or more binding resolutions from the Polish Supreme Court; uncertainty related to a proposal by the Chairman of the Polish Financial Supervisory Authority in December 2020 that banks voluntarily offer borrowers an opportunity to convert their foreign currency-denominated mortgage loans to Polish zlotys using an exchange rate applicable at the date of loan origination, and about the approaches that other Polish banks will adopt in response to this proposal; and uncertainty arising from a decision of the Polish Office of Competition and Consumer Protection (UOKiK) in December 2020 which found that certain foreign exchange clauses that appear in certain of Bank BPH's mortgage loan agreements are unfair contractual terms under Polish law. Future adverse developments related to any of these factors, or other factors such as potential regulatory or legislative relief across the Polish banking industry, could have a material adverse effect on Bank BPH and the carrying value of its mortgage loan portfolio and could result in significant losses beyond the amount that we currently estimate.

**ENVIRONMENTAL, HEALTH AND SAFETY MATTERS.** Our operations, like operations of other companies engaged in similar businesses, involve the use, disposal and cleanup of substances regulated under environmental protection laws and nuclear decommissioning regulations. Additionally, like many other industrial companies, we and our subsidiaries are defendants in various lawsuits related to alleged worker exposure to asbestos or other hazardous materials. Liabilities for environmental remediation, nuclear decommissioning and worker exposure claims exclude possible insurance recoveries. It is reasonably possible that our exposure will exceed amounts accrued. However, due to uncertainties about the status of laws, regulations, technology and information related to individual sites and lawsuits, such amounts are not reasonably estimable. Total reserves related to environmental remediation, nuclear decommissioning and worker exposure claims were \$2,569 million and \$2,484 million at December 31, 2020 and 2019, respectively.

As previously reported, in 2000, GE and the Environmental Protection Agency (EPA) entered into a consent decree relating to PCB cleanup of the Housatonic River in Massachusetts. Following the EPA's release in September 2015 of an intended final remediation decision, GE and the EPA engaged in mediation and the first step of the dispute resolution process contemplated by the consent decree. In October 2016, the EPA issued its final decision pursuant to the consent decree, which GE and several other interested parties appealed to the EPA's Environmental Appeals Board (EAB). The EAB issued its decision in January 2018, affirming parts of the EPA's decision and granting relief to GE on certain significant elements of its challenge. The EAB remanded the decision back to the EPA to address those elements and reissue a revised final remedy, and the EPA convened a mediation process with GE and interested stakeholders. In February 2020, the EPA announced an agreement between the EPA and many of the mediation stakeholders, including GE, concerning a revised Housatonic River remedy. Based on the mediated resolution, the EPA solicited public comment on a draft permit in July 2020 and issued the final revised permit effective January 4, 2021. As of December 31, 2020, and based on its assessment of current facts and circumstances and its defenses, GE believes that it has recorded adequate reserves to cover future obligations associated with the proposed final remedy.

Expenditures for site remediation, nuclear decommissioning and worker exposure claims amounted to approximately \$247 million, \$236 million and \$214 million for the years ended December 31, 2020, 2019 and 2018, respectively. We presently expect that such expenditures will be approximately \$350 million and \$240 million in 2021 and 2022, respectively.



## NOTE 24. INTERCOMPANY TRANSACTIONS

Presented below is a walk of intercompany eliminations from the combined GE Industrial and GE Capital totals to the consolidated cash flows for continuing operations.

|                                                                                 | 2020               | 2019               | 2018               |
|---------------------------------------------------------------------------------|--------------------|--------------------|--------------------|
| Combined GE Industrial and GE Capital cash from (used for) operating activities | \$ 2,240           | \$ 6,495           | \$ 2,282           |
| GE Industrial current receivables sold to GE Capital(a)                         | (597)              | 1,081              | 5                  |
| GE Industrial long-term receivables sold to GE Capital(b)                       | 312                | 468                | 1,079              |
| Supply chain finance programs(c)                                                | 2,002              | 2,289              | (18)               |
| Other reclassifications and eliminations                                        | (360)              | 86                 | (138)              |
| <b>Consolidated cash from (used for) operating activities</b>                   | <b>\$ 3,597</b>    | <b>\$ 10,419</b>   | <b>\$ 3,210</b>    |
| Combined GE Industrial and GE Capital cash from (used for) investing activities | \$ 25,960          | \$ 13,509          | \$ 14,915          |
| GE Industrial current receivables sold to GE Capital                            | 496                | (1,677)            | (839)              |
| GE Industrial long-term receivables sold to GE Capital(b)                       | (312)              | (468)              | (1,079)            |
| Supply chain finance programs(c)                                                | (2,002)            | (2,289)            | 18                 |
| GE Capital loans to GE Industrial                                               | —                  | —                  | 6,479              |
| Repayment of GE Capital loans by GE Industrial                                  | (9,049)            | (1,523)            | —                  |
| Capital contribution from GE Industrial to GE Capital                           | 2,000              | 4,000              | —                  |
| Other reclassifications and eliminations                                        | (315)              | (868)              | (570)              |
| <b>Consolidated cash from (used for) investing activities</b>                   | <b>\$ 16,778</b>   | <b>\$ 10,684</b>   | <b>\$ 18,925</b>   |
| Combined GE Industrial and GE Capital cash from (used for) financing activities | \$ (27,678)        | \$ (14,665)        | \$ (22,408)        |
| GE Industrial current receivables sold to GE Capital                            | 102                | 596                | 835                |
| GE Capital loans to GE Industrial                                               | —                  | —                  | (6,479)            |
| Repayment of GE Capital loans by GE Industrial                                  | 9,049              | 1,523              | —                  |
| Capital contribution from GE Industrial to GE Capital                           | (2,000)            | (4,000)            | —                  |
| Other reclassifications and eliminations                                        | 675                | 782                | 706                |
| <b>Consolidated cash from (used for) financing activities</b>                   | <b>\$ (19,853)</b> | <b>\$ (15,764)</b> | <b>\$ (27,345)</b> |

(a) Included the elimination of \$14,677 million, \$14,716 million and \$20,675 million payments to GE Industrial for current receivables purchased and retained by GE Capital and the related reclassification to CFOA of \$14,079 million, \$15,797 million and \$20,680 million due to GE Capital collections and other activity in our consolidated Statement of Cash Flows for the years ended December 31, 2020, 2019 and 2018, respectively.

(b) Primarily included the reclassification of long-term receivables purchased and retained by GE Capital to current receivables.

(c) Represents the elimination of net payments from GE Industrial to GE Capital related to the funded participation in a supply chain finance program with GE Capital. The reduction of the GE Industrial liability associated with this program is primarily as a result of GE Capital's sale of the program platform to MUFG Union Bank, N.A. (MUFG) in 2019.

## NOTE 25. OPERATING SEGMENTS

**BASIS FOR PRESENTATION.** Our operating businesses are organized based on the nature of markets and customers. Segment accounting policies are the same as described and referenced in Note 1. Segment results for our financial services businesses reflect the discrete tax effect of transactions.

A description of our operating segments as of December 31, 2020 can be found in the Segment Operation section within MD&A.

| REVENUES<br>Years ended December 31 | Total revenues(a) |                  |                  | Intersegment revenues(b)(c) |             |             | External revenues |                  |                  |
|-------------------------------------|-------------------|------------------|------------------|-----------------------------|-------------|-------------|-------------------|------------------|------------------|
|                                     | 2020              | 2019             | 2018             | 2020                        | 2019        | 2018        | 2020              | 2019             | 2018             |
| Power                               | \$ 17,589         | \$ 18,625        | \$ 22,150        | \$ 352                      | \$ 357      | \$ 152      | \$ 17,237         | \$ 18,267        | \$ 21,997        |
| Renewable Energy                    | 15,666            | 15,337           | 14,288           | 142                         | 139         | 186         | 15,523            | 15,198           | 14,102           |
| Aviation                            | 22,042            | 32,875           | 30,566           | 1,445                       | 758         | 375         | 20,597            | 32,117           | 30,191           |
| Healthcare                          | 18,009            | 19,942           | 19,784           | 1                           | —           | —           | 18,008            | 19,942           | 19,784           |
| Capital                             | 7,245             | 8,741            | 9,551            | 566                         | 971         | 1,384       | 6,679             | 7,770            | 8,167            |
| Corporate items and eliminations    | (932)             | (305)            | 673              | (2,507)                     | (2,225)     | (2,097)     | 1,575             | 1,920            | 2,770            |
| <b>Total</b>                        | <b>\$ 79,619</b>  | <b>\$ 95,214</b> | <b>\$ 97,012</b> | <b>\$ —</b>                 | <b>\$ —</b> | <b>\$ —</b> | <b>\$ 79,619</b>  | <b>\$ 95,214</b> | <b>\$ 97,012</b> |

(a) Revenues of GE Industrial businesses include income from sales of goods and services to customers.

(b) Sales from one component to another generally are priced at equivalent commercial selling prices.

(c) The increase in intersegment revenues in 2020 at Aviation is primarily driven by higher sales to the Aeroderivative joint venture between our Power segment and Baker Hughes, partially offset by lower spare sales to our GECAS business.

The equipment and services revenues classification in the table below is consistent with our segment MD&A presentation.

Years ended December 31

|                                             | 2020             |                  |                  | 2019             |                  |                  | 2018             |                  |                  |
|---------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                             | Equipment        | Services         | Total            | Equipment        | Services         | Total            | Equipment        | Services         | Total            |
| Power                                       | \$ 6,707         | \$ 10,883        | \$ 17,589        | \$ 6,247         | \$ 12,378        | \$ 18,625        | \$ 8,077         | \$ 14,073        | \$ 22,150        |
| Renewable Energy                            | 12,859           | 2,807            | 15,666           | 12,267           | 3,069            | 15,337           | 11,419           | 2,870            | 14,288           |
| Aviation                                    | 8,582            | 13,460           | 22,042           | 12,737           | 20,138           | 32,875           | 11,499           | 19,067           | 30,566           |
| Healthcare                                  | 9,992            | 8,017            | 18,009           | 11,585           | 8,357            | 19,942           | 11,422           | 8,363            | 19,784           |
| Corporate items and industrial eliminations | (520)            | 314              | (206)            | 243              | 697              | 940              | 1,263            | 987              | 2,250            |
| <b>Total GE Industrial revenues</b>         | <b>\$ 37,620</b> | <b>\$ 35,480</b> | <b>\$ 73,100</b> | <b>\$ 43,080</b> | <b>\$ 44,639</b> | <b>\$ 87,719</b> | <b>\$ 43,679</b> | <b>\$ 45,359</b> | <b>\$ 89,038</b> |

SEGMENT REVENUES

|                                                    | Years ended December 31 |                  |                  |
|----------------------------------------------------|-------------------------|------------------|------------------|
|                                                    | 2020                    | 2019             | 2018             |
| Gas Power                                          | \$ 12,655               | \$ 13,122        | \$ 13,296        |
| Power Portfolio                                    | 4,935                   | 5,503            | 8,853            |
| <b>Power</b>                                       | <b>\$ 17,589</b>        | <b>\$ 18,625</b> | <b>\$ 22,150</b> |
| Onshore Wind                                       | \$ 10,881               | \$ 10,421        | \$ 8,220         |
| Grid Solutions equipment and services              | 3,585                   | 4,016            | 4,579            |
| Hydro, Offshore Wind and Hybrid Solutions          | 1,200                   | 900              | 1,489            |
| <b>Renewable Energy</b>                            | <b>\$ 15,666</b>        | <b>\$ 15,337</b> | <b>\$ 14,288</b> |
| Commercial Engines & Services                      | \$ 13,017               | \$ 24,217        | \$ 22,724        |
| Military                                           | 4,572                   | 4,389            | 4,103            |
| Systems & Other                                    | 4,453                   | 4,269            | 3,740            |
| <b>Aviation</b>                                    | <b>\$ 22,042</b>        | <b>\$ 32,875</b> | <b>\$ 30,566</b> |
| Healthcare Systems                                 | \$ 15,387               | \$ 14,648        | \$ 14,886        |
| Pharmaceutical Diagnostics                         | 1,792                   | 2,005            | 1,888            |
| BioPharma                                          | 830                     | 3,289            | 3,010            |
| <b>Healthcare</b>                                  | <b>\$ 18,009</b>        | <b>\$ 19,942</b> | <b>\$ 19,784</b> |
| <b>Corporate items and industrial eliminations</b> | <b>\$ (206)</b>         | <b>\$ 940</b>    | <b>\$ 2,250</b>  |
| Total GE Industrial revenues                       | 73,100                  | 87,719           | 89,038           |
| <b>Capital(a)</b>                                  | <b>\$ 7,245</b>         | <b>\$ 8,741</b>  | <b>\$ 9,551</b>  |
| GE Capital-GE Industrial eliminations              | (726)                   | (1,245)          | (1,577)          |
| <b>Consolidated revenues</b>                       | <b>\$ 79,619</b>        | <b>\$ 95,214</b> | <b>\$ 97,012</b> |

(a) Substantially all of our revenues at GE Capital are outside of the scope of ASC 606.

Revenues are classified according to the region to which products and services are sold. For purposes of this analysis, the U.S. is presented separately from the remainder of the Americas.

| Year ended December 31, 2020                      | Power            | Renewable Energy | Aviation         | Healthcare       | Capital         | Corporate items and eliminations | Total            |
|---------------------------------------------------|------------------|------------------|------------------|------------------|-----------------|----------------------------------|------------------|
| <b>U.S.</b>                                       | \$ 6,186         | \$ 7,846         | \$ 11,239        | \$ 7,611         | \$ 3,550        | \$ (1,117)                       | \$ 35,314        |
| <b>Non-U.S.</b>                                   |                  |                  |                  |                  |                 |                                  |                  |
| Europe                                            | 2,895            | 3,047            | 4,288            | 3,952            | 1,395           | 155                              | 15,733           |
| Asia                                              | 3,961            | 2,640            | 3,920            | 4,719            | 997             | (20)                             | 16,216           |
| Americas                                          | 1,483            | 819              | 882              | 879              | 639             | (2)                              | 4,701            |
| Middle East and Africa                            | 3,064            | 1,314            | 1,713            | 848              | 664             | 52                               | 7,655            |
| Total Non-U.S.                                    | \$ 11,403        | \$ 7,820         | \$ 10,803        | \$ 10,398        | \$ 3,695        | \$ 185                           | \$ 44,305        |
| <b>Total geographic revenues</b>                  | <b>\$ 17,589</b> | <b>\$ 15,666</b> | <b>\$ 22,042</b> | <b>\$ 18,009</b> | <b>\$ 7,245</b> | <b>\$ (932)</b>                  | <b>\$ 79,619</b> |
| Non-U.S. revenues as a % of consolidated revenues | 65 %             | 50 %             | 49 %             | 58 %             | 51 %            |                                  | 56 %             |

| Year ended December 31, 2019                      | Power     | Renewable Energy | Aviation  | Healthcare | Capital  | Corporate items and eliminations | Total     |
|---------------------------------------------------|-----------|------------------|-----------|------------|----------|----------------------------------|-----------|
| <b>U.S.</b>                                       | \$ 5,992  | \$ 7,413         | \$ 13,384 | \$ 8,526   | \$ 4,149 | \$ (93)                          | \$ 39,372 |
| <b>Non-U.S.</b>                                   |           |                  |           |            |          |                                  |           |
| Europe                                            | 3,140     | 2,925            | 7,452     | 4,132      | 1,577    | (135)                            | 19,092    |
| Asia                                              | 4,018     | 2,737            | 6,641     | 5,436      | 1,454    | (130)                            | 20,156    |
| Americas                                          | 1,915     | 1,064            | 1,593     | 1,056      | 742      | (33)                             | 6,336     |
| Middle East and Africa                            | 3,560     | 1,198            | 3,805     | 792        | 819      | 86                               | 10,259    |
| Total Non-U.S.                                    | \$ 12,633 | \$ 7,924         | \$ 19,491 | \$ 11,416  | \$ 4,592 | \$ (212)                         | \$ 55,843 |
| <b>Total geographic revenues</b>                  | \$ 18,625 | \$ 15,337        | \$ 32,875 | \$ 19,942  | \$ 8,741 | \$ (305)                         | \$ 95,214 |
| Non-U.S. revenues as a % of consolidated revenues | 68 %      | 52 %             | 59 %      | 57 %       | 53 %     |                                  | 59 %      |

Year ended December 31, 2018

|                                                   |           |           |           |           |          |          |           |
|---------------------------------------------------|-----------|-----------|-----------|-----------|----------|----------|-----------|
| <b>U.S.</b>                                       | \$ 7,456  | \$ 4,912  | \$ 12,529 | \$ 8,574  | \$ 5,282 | \$ 1,124 | \$ 39,876 |
| <b>Non-U.S.</b>                                   |           |           |           |           |          |          |           |
| Europe                                            | 4,538     | 3,212     | 7,027     | 4,164     | 1,383    | (496)    | 19,828    |
| Asia                                              | 4,072     | 2,933     | 5,787     | 5,219     | 1,368    | (79)     | 19,300    |
| Americas                                          | 2,546     | 2,179     | 1,459     | 988       | 632      | 87       | 7,892     |
| Middle East and Africa                            | 3,538     | 1,052     | 3,764     | 839       | 886      | 37       | 10,117    |
| Total Non-U.S.                                    | \$ 14,694 | \$ 9,376  | \$ 18,037 | \$ 11,210 | \$ 4,269 | \$ (451) | \$ 57,136 |
| <b>Total geographic revenues</b>                  | \$ 22,150 | \$ 14,288 | \$ 30,566 | \$ 19,784 | \$ 9,551 | \$ 673   | \$ 97,012 |
| Non-U.S. revenues as a % of consolidated revenues | 66 %      | 66 %      | 59 %      | 57 %      | 45 %     |          | 59 %      |

**REMAINING PERFORMANCE OBLIGATION.** As of December 31, 2020, the aggregate amount of the contracted revenues allocated to our unsatisfied (or partially unsatisfied) performance obligations was \$230,600 million. We expect to recognize revenue as we satisfy our remaining performance obligations as follows: 1) equipment-related remaining performance obligation of \$45,991 million of which 58%, 80% and 98% is expected to be recognized within 1, 2 and 5 years, respectively, and the remaining thereafter; and 2) services-related remaining performance obligations of \$184,608 million of which 14%, 45%, 65% and 81% is expected to be recognized within 1, 5, 10 and 15 years, respectively, and the remaining thereafter. Contract modifications could affect both the timing to complete as well as the amount to be received as we fulfill the related remaining performance obligations.

Total sales of goods and services to agencies of the U.S. Government were 7%, 5% and 5% of GE Industrial revenues for the years ended December 31, 2020, 2019 and 2018, respectively. Within our Aviation segment, defense-related sales were 6%, 5% and 4% of GE Industrial revenues for the years ended December 31, 2020, 2019 and 2018, respectively.

| <b>PROFIT AND EARNINGS</b> For the years ended December 31                                 | 2020     | 2019       | 2018        |
|--------------------------------------------------------------------------------------------|----------|------------|-------------|
| Power                                                                                      | \$ 274   | \$ 291     | \$ (1,105)  |
| Renewable Energy                                                                           | (715)    | (791)      | 140         |
| Aviation                                                                                   | 1,229    | 6,812      | 6,454       |
| Healthcare                                                                                 | 3,060    | 3,737      | 3,522       |
| Capital                                                                                    | (1,710)  | (530)      | (489)       |
| <b>Total segment profit</b>                                                                | 2,138    | 9,519      | 8,521       |
| Corporate items and eliminations                                                           | 8,239    | (1,825)    | (2,201)     |
| GE Industrial goodwill impairments                                                         | (877)    | (1,486)    | (22,136)    |
| GE Industrial interest and other financial charges                                         | (1,333)  | (2,115)    | (2,415)     |
| GE Industrial non-operating benefit costs                                                  | (2,424)  | (2,828)    | (2,740)     |
| GE Industrial provision for income taxes                                                   | (388)    | (1,309)    | (467)       |
| <b>Earnings (loss) from continuing operations attributable to GE common shareholders</b>   | 5,355    | (44)       | (21,438)    |
| Earnings (loss) from discontinued operations, net of taxes                                 | (125)    | (5,335)    | (1,363)     |
| Less net earnings (loss) attributable to noncontrolling interests, discontinued operations | —        | 60         | 1           |
| Earnings (loss) from discontinued operations, net of taxes and noncontrolling interests    | (125)    | (5,395)    | (1,364)     |
| <b>Consolidated net earnings (loss) attributable to GE common shareholders</b>             | \$ 5,230 | \$ (5,439) | \$ (22,802) |

| For the years ended December 31     | Interest and other financial charges |                 |                 | Benefit (provision) for income taxes |                 |                |
|-------------------------------------|--------------------------------------|-----------------|-----------------|--------------------------------------|-----------------|----------------|
|                                     | 2020                                 | 2019            | 2018            | 2020                                 | 2019            | 2018           |
| Capital                             | \$ 2,186                             | \$ 2,532        | \$ 2,982        | \$ 862                               | \$ 582          | \$ 374         |
| Corporate items and eliminations(a) | 1,087                                | 1,695           | 1,784           | (388)                                | (1,309)         | (467)          |
| <b>Total</b>                        | <b>\$ 3,273</b>                      | <b>\$ 4,227</b> | <b>\$ 4,766</b> | <b>\$ 474</b>                        | <b>\$ (726)</b> | <b>\$ (93)</b> |

(a) Included amounts for Power, Renewable Energy, Aviation and Healthcare, for which our measure of segment profit excludes interest and other financial charges and income taxes.

|                                     | Assets            |                   |                   | Property, plant and equipment additions(a) |                 |                 | Depreciation and amortization(b) |                 |                 |
|-------------------------------------|-------------------|-------------------|-------------------|--------------------------------------------|-----------------|-----------------|----------------------------------|-----------------|-----------------|
|                                     | At December 31    |                   |                   | For the years ended December 31            |                 |                 | For the years ended December 31  |                 |                 |
|                                     | 2020              | 2019              | 2018              | 2020                                       | 2019            | 2018            | 2020                             | 2019            | 2018            |
| Power                               | \$ 24,453         | \$ 26,731         | \$ 27,389         | \$ 245                                     | \$ 277          | \$ 358          | \$ 749                           | \$ 880          | \$ 1,307        |
| Renewable Energy                    | 15,927            | 15,935            | 16,400            | 302                                        | 455             | 303             | 413                              | 425             | 474             |
| Aviation                            | 38,634            | 41,083            | 37,488            | 737                                        | 1,031           | 1,070           | 1,142                            | 1,150           | 1,042           |
| Healthcare                          | 22,229            | 30,503            | 28,037            | 256                                        | 395             | 378             | 628                              | 702             | 832             |
| Capital(c)                          | 113,526           | 117,546           | 119,329           | 1,765                                      | 3,830           | 4,569           | 2,590                            | 2,083           | 2,163           |
| Corporate items and eliminations(d) | 35,151            | 29,269            | 18,043            | (51)                                       | (175)           | (46)            | 494                              | 355             | 763             |
| <b>Total continuing</b>             | <b>\$ 249,920</b> | <b>\$ 261,068</b> | <b>\$ 246,686</b> | <b>\$ 3,252</b>                            | <b>\$ 5,813</b> | <b>\$ 6,632</b> | <b>\$ 6,018</b>                  | <b>\$ 5,595</b> | <b>\$ 6,582</b> |

(a) Additions to property, plant and equipment include amounts relating to principal businesses purchased.

(b) Included amortization expense related to intangible assets.

(c) Included Capital deferred income taxes that are presented as assets for purposes of our balance sheet presentation.

(d) Included GE Industrial deferred income taxes that are presented as assets for purposes of our balance sheet presentation.

We classify certain assets that cannot meaningfully be associated with specific geographic areas as "Other Global" for this purpose.

| December 31                                 | 2020              | 2019              |
|---------------------------------------------|-------------------|-------------------|
| <b>U.S.</b>                                 | <b>\$ 148,963</b> | <b>\$ 143,534</b> |
| <b>Non-U.S.</b>                             |                   |                   |
| Europe                                      | 58,301            | 70,565            |
| Asia                                        | 20,630            | 22,089            |
| Americas                                    | 10,795            | 13,435            |
| Other Global                                | 11,230            | 11,445            |
| Total Non-U.S.                              | \$ 100,956        | \$ 117,534        |
| <b>Total assets (Continuing Operations)</b> | <b>\$ 249,920</b> | <b>\$ 261,068</b> |

The decrease in continuing assets in 2020 was primarily driven by lower volume and the impact of COVID-19, higher net repayment of borrowings, and funding of the GE Pension Plan. The sale of our BioPharma business caused a decrease in assets in different regions, but was more than offset by the proceeds from the sale in the U.S.

Property, plant and equipment – net associated with operations based in the United States were \$13,010 million and \$13,447 million at December 31, 2020 and 2019, respectively. Property, plant and equipment – net associated with operations based outside the United States were \$31,651 million and \$32,432 million at December 31, 2020 and 2019, respectively.

**NOTE 26. BAKER HUGHES SUMMARIZED FINANCIAL INFORMATION.** We account for our remaining interest in Baker Hughes (comprising 349.4 million shares with 33.8% ownership and a promissory note receivable as of December 31, 2020) at fair value. The fair value of our interest in Baker Hughes at December 31, 2020 and 2019, was \$7,319 million and \$9,888 million, respectively. We recognized a realized and unrealized pre-tax loss of \$2,037 million (\$1,562 million after-tax) based on a share price of \$20.85 and a pre-tax unrealized gain of \$793 million (\$626 million after-tax) based on a share price of \$25.63 for the years ended December 31, 2020 and 2019, respectively. The 2020 loss included a \$54 million pre-tax derivative loss associated with the forward sale of Baker Hughes shares pursuant to our previously announced program to monetize our Baker Hughes position. In October 2020, we completed a forward sale of 28 million shares and received proceeds of \$417 million. In January 2021, we completed a forward sale of 38 million shares and received proceeds of \$735 million. See Notes 2 and 3 for further information.

Summarized financial information of Baker Hughes is as follows.

| For the years ended December 31              |    | 2020     | 2019(a)  |
|----------------------------------------------|----|----------|----------|
| Revenues                                     | \$ | 20,705   | \$ 7,751 |
| Gross Profit                                 |    | 3,199    | 1,558    |
| Net income (loss)                            |    | (15,761) | 120      |
| Net income (loss) attributable to the entity |    | (9,940)  | 60       |

(a) Financial information is from September 16, 2019 (date of deconsolidation) to December 31, 2019.

| As of December 31               |    | 2020   | 2019      |
|---------------------------------|----|--------|-----------|
| Current                         | \$ | 16,455 | \$ 15,222 |
| Noncurrent                      |    | 21,552 | 38,147    |
| <b>Total assets</b>             | \$ | 38,007 | \$ 53,369 |
| Current                         | \$ | 10,227 | \$ 10,014 |
| Noncurrent                      |    | 9,538  | 8,857     |
| <b>Total liabilities</b>        | \$ | 19,765 | \$ 18,871 |
| <b>Noncontrolling interests</b> | \$ | 5,349  | \$ 12,570 |

Baker Hughes is a SEC registrant with separate filing requirements, and its financial information can be obtained from [www.sec.gov](http://www.sec.gov) or [www.bakerhughes.com](http://www.bakerhughes.com).



## DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information about our Executive Officers (As of February 1, 2021)

| Name                  | Position                                                                                                                      | Age | Date assumed Executive Officer Position |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------|-----|-----------------------------------------|
| H. Lawrence Culp, Jr. | Chairman of the Board & Chief Executive Officer                                                                               | 57  | October 2018                            |
| Carolina Dybeck Happe | Senior Vice President & Chief Financial Officer                                                                               | 48  | March 2020                              |
| Michael J. Holston    | Senior Vice President, General Counsel & Secretary                                                                            | 58  | April 2018                              |
| David L. Joyce        | Vice Chairman of General Electric Company                                                                                     | 64  | September 2016                          |
| L. Kevin Cox          | Senior Vice President, Chief Human Resources Officer                                                                          | 57  | February 2019                           |
| Kieran P. Murphy      | Senior Vice President of General Electric Company;<br>President & CEO, GE Healthcare                                          | 57  | September 2018                          |
| Jérôme X. Péresse     | Senior Vice President of General Electric Company;<br>President & CEO, GE Renewable Energy                                    | 53  | September 2018                          |
| John Slattery         | Senior Vice President of General Electric Company;<br>President & CEO, GE Aviation                                            | 52  | September 2020                          |
| Russell Stokes        | Senior Vice President of General Electric Company;<br>President & CEO, GE Aviation Services, and Chairman, GE Power Portfolio | 49  | September 2018                          |
| Scott L. Strazik      | Senior Vice President of General Electric Company;<br>CEO, GE Gas Power                                                       | 42  | January 2019                            |
| Thomas S. Timko       | Vice President, Controller & Chief Accounting Officer                                                                         | 52  | September 2018                          |

All Executive Officers are elected by the Board of Directors for an initial term that continues until the Board meeting immediately preceding the next annual statutory meeting of shareholders, and thereafter are elected for one-year terms or until their successors have been elected. All Executive Officers have been executives of General Electric Company for the last five years except for Messrs. Culp, Cox, Holston, Slattery and Timko, and Ms. Dybeck Happe.

Prior to joining GE in April 2018 as an independent director and being elected to the position of Chairman and CEO in October 2018, Mr. Culp served as CEO at Danaher Corp. (2001-2014); as a senior advisor at Danaher Corp. (2014-2016); as a senior lecturer at Harvard Business School (2015-2018); and as a senior adviser at Bain Capital Private Equity, LP (2017-2018).

Prior to joining GE in February 2019, Mr. Cox had been Chief Human Resources Officer at American Express since 2005.

Prior to joining GE in March 2020, Ms. Dybeck Happe had been Chief Financial Officer of A.P. Moller - Maersk A/S since 2019 after serving as Chief Financial Officer of Assa Abloy AB since 2012 until 2018.

Prior to joining GE in April 2018, Mr. Holston had been general counsel at Merck since 2015, after joining the drugmaker as chief ethics and compliance officer in 2012.

Prior to joining GE in July 2020, Mr. Slattery had been President and Chief Executive Officer of Commercial Aviation for Embraer, S.A. since 2016 after serving as the Chief Commercial Officer for Embraer Commercial Aviation since 2012.

Prior to joining GE in September 2018, Mr. Timko was Vice President, Controller and Chief Accounting Officer at General Motors since 2013.

The remaining information called for by this item is incorporated by reference to "Election of Directors," "Other Governance Policies & Practices" and "Board Operations" in our definitive proxy statement for our 2021 Annual Meeting of Shareholders to be held May 4, 2021, which will be filed within 120 days of the end of our fiscal year ended December 31, 2020 (the 2021 Proxy Statement).

## EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

### (a)1. Financial Statements

Included in the "Financial Statements and Supplementary Data" section of this report:

Management's Annual Report on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm

Statement of Earnings (Loss) for the years ended December 31, 2020, 2019 and 2018

Statement of Financial Position at December 31, 2020 and 2019

Statement of Cash Flows for the years ended December 31, 2020, 2019 and 2018

Statement of Comprehensive Income (Loss) for the years ended December 31, 2020, 2019 and 2018

Statement of Changes in Shareholders' Equity for the years ended December 31, 2020, 2019 and 2018

Notes to consolidated financial statements

Management's Discussion and Analysis of Financial Condition and Results of Operations - Summary of Operating Segments

### (a)2. Financial Statement Schedules

The schedules listed in Reg. 210.5-04 have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

### (a)3. Exhibit Index

| Exhibit Number | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2(a)           | Transaction Agreement and Plan of Merger dated as of October 30, 2016 among General Electric, Baker Hughes Incorporated, Bear Mergersub, Inc. and Bear Newco, Inc. (Incorporated by reference to Exhibit 2.1 to GE's Current Report on Form 8-K, dated November 3, 2016 (Commission file number 001-00035)).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 2(b)           | Amendment to Transaction Agreement and Plan of Merger dated March 27, 2017 between General Electric Company, Baker Hughes Incorporated, Bear Newco, Inc., Bear MergerSub, Inc., BHI Newco, Inc., and Bear MergerSub 2, Inc. (Incorporated by reference to Bear Newco, Inc.'s Registration Statement on Form S-4, pages A-II-I through G-16, filed pursuant to Rule 424(b)(3) on May 30, 2017 (Commission file number 333-216991)).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 3(i)           | The Restated Certificate of Incorporation of General Electric Company (Incorporated by reference to Exhibit 3(i) to GE's Annual Report on Form 10-K for the fiscal year ended December 31, 2013), as amended by the Certificate of Amendment, dated December 2, 2015 (Incorporated by reference to Exhibit 3.1 to GE's Current Report on Form 8-K, dated December 3, 2015), as further amended by the Certificate of Amendment, dated January 19, 2016 (Incorporated by reference to Exhibit 3.1 to GE's Current Report on Form 8-K, dated January 20, 2016), as further amended by the Certificate of Change of General Electric Company (Incorporated by reference to Exhibit 3(1) to GE's Current Report on Form 8-K, dated September 1, 2016, as further amended by the Certificate of Amendment, dated May 13, 2019 (Incorporated by reference to Exhibit 3.1 to GE's Current Report on Form 8-K, dated May 13, 2019), and as further amended by the Certificate of Change of General Electric Company (Incorporated by reference to Exhibit 3.1 to GE's Current Report on Form 8-K, dated December 9, 2019) (in each case, under Commission file number 001-00035)). |
| 3(ii)          | The By-Laws of General Electric Company, as amended on May 13, 2019 (Incorporated by reference to Exhibit 3.2 to GE's Current Report on Form 8-K dated May 13, 2019) (Commission file number 001-00035)).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 4(a)           | Amended and Restated General Electric Capital Corporation Standard Global Multiple Series Indenture Provisions dated as of February 27, 1997 (Incorporated by reference to Exhibit 4(a) to General Electric Capital Corporation's Registration Statement on Form S-3, File No. 333-59707 (Commission file number 001-06461)).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 4(b)           | Third Amended and Restated Indenture dated as of February 27, 1997, between General Electric Capital Corporation and The Bank of New York Mellon, as successor trustee (Incorporated by reference to Exhibit 4(c) to General Electric Capital Corporation's Registration Statement on Form S-3, File No. 333-59707 (Commission file number 001-06461)).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 4(c)           | First Supplemental Indenture dated as of May 3, 1999, supplemental to Third Amended and Restated Indenture dated as of February 27, 1997 (Incorporated by reference to Exhibit 4(dd) to General Electric Capital Corporation's Post-Effective Amendment No. 1 to Registration Statement on Form S-3, File No. 333-76479 (Commission file number 001-06461)).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 4(d)           | Second Supplemental Indenture dated as of July 2, 2001, supplemental to Third Amended and Restated Indenture dated as of February 27, 1997 (Incorporated by reference to Exhibit 4(f) to General Electric Capital Corporation's Post-Effective Amendment No.1 to Registration Statement on Form S-3, File No. 333-40880 (Commission file number 001-06461)).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 4(e)           | Third Supplemental Indenture dated as of November 22, 2002, supplemental to Third Amended and Restated Indenture dated as of February 27, 1997 (Incorporated by reference to Exhibit 4(cc) to General Electric Capital Corporation's Post-Effective Amendment No. 1 to the Registration Statement on Form S-3, File No. 333-100527 (Commission file number 001-06461)).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 4(f)           | Fourth Supplemental Indenture dated as of August 24, 2007, supplemental to Third Amended and Restated Indenture dated as of February 27, 1997 (Incorporated by reference to Exhibit 4(g) to General Electric Capital Corporation's Registration Statement on Form S-3, File number 333-156929 (Commission file number 001-06461)).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 4(g)           | Senior Note Indenture, dated October 9, 2012, by and between the Company and The Bank of New York Mellon, as trustee (Incorporated by reference to Exhibit 4.1 of GE's Current Report on Form 8-K dated October 9, 2012 (Commission file number 001-00035)).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 4(h)           | Indenture dated as of October 26, 2015, among GE Capital International Funding Company, as issuer, General Electric Company and General Electric Capital Corporation, as guarantors and The Bank of New York Mellon, as trustee (Incorporated by reference to Exhibit 99 to General Electric's Current Report on Form 8-K filed on October 26, 2015 (Commission file number 001-00035)).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

- 4(i) Global Supplemental Indenture dated as of April 10, 2015, among General Electric Capital Corporation, General Electric Company and The Bank of New York Mellon, as trustee. (Incorporated by reference to Exhibit 4(i) to GE's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (Commission file number 001-00035)).
- 4(j) Second Global Supplemental Indenture dated as of December 2, 2015, among General Electric Capital Corporation, General Electric Company and The Bank of New York Mellon, as successor trustee (Incorporated by reference to Exhibit 4.2 to General Electric's Current Report on Form 8-K filed on December 3, 2015 (Commission file number 001-00035)).
- 4(k) Agreement to furnish to the Securities and Exchange Commission upon request a copy of instruments defining the rights of holders of certain long-term debt of the registrant and consolidated subsidiaries.\*
- 4(l) Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.\*
- (10) Except for 10(gg) and (hh) below, all of the following exhibits consist of Executive Compensation Plans or Arrangements:
- (a) General Electric Incentive Compensation Plan, as amended effective July 1, 1991 (Incorporated by reference to Exhibit 10(a) to GE's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 (Commission file number 001-00035)).
  - (b) General Electric Financial Planning Program, as amended through September 1993 (Incorporated by reference to Exhibit 10(h) to GE's Annual Report on Form 10-K for the fiscal year ended December 31, 1993 (Commission file number 001-00035)).
  - (c) General Electric Executive Life Insurance Plan, as amended and restated January 1, 2020.\*
  - (d) General Electric Directors' Charitable Gift Plan, as amended through December 2002 (Incorporated by reference to Exhibit 10(i) to GE's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (Commission file number 001-00035)).
  - (e) General Electric Leadership Life Insurance Program, effective January 1, 1994 (Incorporated by reference to Exhibit 10(r) to GE's Annual Report on Form 10-K for the fiscal year ended December 31, 1993 (Commission file number 001-00035)).
  - (f) General Electric Supplementary Pension Plan, as amended effective January 1, 2020.\*
  - (g) General Electric Restoration Plan, effective January 1, 2021.\*
  - (h) General Electric 2003 Non-Employee Director Compensation Plan, Amended and Restated as of December 7, 2018 (Incorporated by reference to Exhibit 10(g) to GE's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (Commission file number 001-00035)).
  - (i) Form of Director Indemnification Agreement (Incorporated by reference to Exhibit 10(cc) to GE's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (Commission file number 001-00035)).
  - (j) Amendment to Nonqualified Deferred Compensation Plans, dated as of December 14, 2004 (Incorporated by reference to Exhibit 10(w) to the GE's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (Commission file number 001-00035)).
  - (k) GE Retirement for the Good of the Company Program, as amended effective January 1, 2018.\*
  - (l) GE US Executive Severance Plan, effective January 1, 2021.\*
  - (m) GE Excess Benefits Plan, effective January 1, 2009 (Incorporated by reference to Exhibit 10(k) to GE's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (Commission file number 001-00035)).
  - (n) Amendment to GE Excess Benefits Plan, effective December 31, 2020.\*
  - (o) General Electric 2006 Executive Deferred Salary Plan, as amended January 1, 2009 (Incorporated by reference to Exhibit 10(l) to GE's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (Commission file number 001-00035)).
  - (p) GE 2007 Long-Term Incentive Plan as amended and restated April 26, 2017, and as further amended and restated February 15, 2019 (Incorporated by reference to Exhibit 10(l) to GE's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (Commission file number 001-00035)).
  - (q) Amendment, dated August 18, 2020, to the GE 2007 Long-Term Incentive Plan (as amended and restated April 26, 2017, and as further amended and restated February 15, 2019) (Incorporated by reference to Exhibit 10(c) to GE's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 (Commission file number 001-00035)).
  - (r) Form of Agreement for Stock Option Grants to Executive Officers under the General Electric Company 2007 Long-Term Incentive Plan, as of March 2020.\*
  - (s) Form of Agreement for Restricted Stock Unit Grants to Executive Officers under the General Electric Company 2007 Long-Term Incentive Plan, as of March 2020.\*
  - (t) Form of Agreement for Leadership Restricted Stock Unit Grants to Executive Officers under the General Electric Company 2007 Long-Term Incentive Plan, as of September 2020.\*
  - (u) Form of Agreement for Performance Stock Unit Grants to Executive Officers in 2019 under the General Electric Company 2007 Long-Term Incentive Plan (Incorporated by reference to Exhibit 10(r) to GE's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (Commission file number 001-00035)).
  - (v) Form of Agreement for Performance Stock Unit Grants to Executive Officers in 2020 under the General Electric Company 2007 Long-Term Incentive Plan.\*
  - (w) General Electric International Employee Stock Purchase Plan, as amended and restated on April 25, 2018 (Incorporated by reference to Exhibit 99.1 to GE's Registration Statement on Form S-8, dated May 1, 2018, File No. 333-224587 (Commission file number 001-00035)).
  - (x) General Electric Company Annual Executive Incentive Plan, effective January 1, 2020 (Incorporated by reference to Exhibit 10(a) to GE's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 (Commission file number 001-00035)).

- (y) Employment Agreement between H. Lawrence Culp, Jr. and General Electric Company, effective October 1, 2018 (Incorporated by reference to Exhibit 10(z) to GE's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (Commission file number 001-00035)).
- (z) Amendment No.1, effective August 18, 2020, to the Employment Agreement between H. Lawrence Culp, Jr. and General Electric Company, effective October 1, 2018 (Incorporated by reference to Exhibit 10.1 to General Electric Company's Current Report on Form 8-K, dated August 20, 2020 (Commission file number 001-00035)).
- (aa) Performance Share Grant Agreement for H. Lawrence Culp, Jr., dated August 18, 2020 (Incorporated by reference to Exhibit 10.2 to General Electric Company's Current Report on Form 8-K, dated August 20, 2020 (Commission file number 001-00035)).
- (bb) Employment Agreement between Carolina Dybeck Happe and General Electric Company, effective November 24, 2019 (Incorporated by reference to Exhibit 10(z) to GE's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (Commission file number 001-00035)).
- (cc) Memorandum of Understanding between General Electric Company and Carolina Dybeck Happe, effective March 1, 2020 (Incorporated by reference to Exhibit 10(c) to GE's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 (Commission file number 001-00035)).
- (dd) Amendment No. 1, effective September 2, 2020, to the Employment Agreement between Carolina Dybeck Happe and General Electric Company, effective November 24, 2019 (Incorporated by reference to Exhibit 10(d) to GE's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 (Commission file number 001-00035)).
- (ee) Performance Stock Unit Grant Agreement for Carolina Dybeck Happe, dated September 3, 2020 (Incorporated by reference to Exhibit 10(e) to GE's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 (Commission file number 001-00035)).
- (ff) Separation Agreement & Release between General Electric Company and Jamie Miller, dated February 17, 2020 (Incorporated by reference to Exhibit 1.01 to GE's Current Report on Form 8-K, dated February 20, 2020 (Commission file number 001-00035)).
- (gg) Amended and Restated Agreement, dated April 10, 2015, between General Electric Company and General Electric Capital Corporation (Incorporated by reference to Exhibit 10 to GE's Current Report on Form 8-K, dated April 10, 2015 (Commission file number 001-00035)).
- (hh) Three-Year Credit Agreement, dated as of April 17, 2020, among General Electric Company, as the Borrower, JPMorgan Chase, N.A., as Administrative Agent, and the lenders party thereto (Incorporated by reference to Exhibit 10.1 to GE's Current Report on Form 8-K, dated April 20, 2020 (Commission file number 001-00035)).
- (11) Statement re Computation of Per Share Earnings.\*\*
- (21) Subsidiaries of Registrant.\*
- (22) List of Subsidiary Guarantors and Issuers of Guaranteed Securities.\*
- (23) Consent of Independent Registered Public Accounting Firm.\*
- (24) Power of Attorney.\*
- 31(a) Certification Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended.\*
- 31(b) Certification Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended.\*
- (32) Certification Pursuant to 18 U.S.C. Section 1350.\*
- 99(a) Undertaking for Inclusion in Registration Statements on Form S-8 of General Electric Company (Incorporated by reference to Exhibit 99(b) to General Electric Annual Report on Form 10-K (Commission file number 001-00035) for the fiscal year ended December 31, 1992).
- 99(b) Computation of Ratio of Earnings to Fixed Charges (Incorporated by reference to Exhibit 12(a) to GE Capital's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (Commission file number 001-06461)).
- 99(c) Supplement to Present Required Information in Searchable Format.\*
- (101) The following materials from General Electric Company's Annual Report on Form 10-K for the year ended December 31, 2020, formatted as Inline XBRL (eXtensible Business Reporting Language); (i) Statement of Earnings (Loss) for the years ended December 31, 2020, 2019 and 2018, (ii) Statement of Financial Position at December 31, 2020 and 2019, (iii) Statement of Cash Flows for the years ended December 31, 2020, 2019 and 2018, (iv) Statement of Comprehensive Income (Loss) for the years ended December 31, 2020, 2019 and 2018, (v) Statement of Changes in Shareholders' Equity for the years ended December 31, 2020, 2019 and 2018, and (vi) the Notes to Consolidated Financial Statements.\*
- (104) Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).
- \* Filed electronically herewith.
- \*\* Information required to be presented in Exhibit 11 is provided in Note 18 to the consolidated financial statements in this Form 10-K Report in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification 260, *Earnings Per Share*.

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(a) Incorporated by reference to "Compensation" in the 2021 Proxy Statement.

(b) Incorporated by reference to "Stock Ownership Information" in the 2021 Proxy Statement.

(c) Incorporated by reference to "Related Person Transactions" and "How We Assess Director Independence" in the 2021 Proxy Statement.

(d) Incorporated by reference to "Independent Auditor Information" in the 2021 Proxy Statement.



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this annual report on Form 10-K for the fiscal year ended December 31, 2020, to be signed on its behalf by the undersigned, and in the capacities indicated, thereunto duly authorized in the City of Boston and Commonwealth of Massachusetts on the 12<sup>th</sup> day of February 2021.

General Electric Company  
(Registrant)

By /s/ Thomas S. Timko  
Thomas S. Timko  
Vice President, Chief Accounting Officer and  
Controller  
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signer                                                                                                            | Title                        | Date              |
|-------------------------------------------------------------------------------------------------------------------|------------------------------|-------------------|
| <u>/s/ Carolina Dybeck Happe</u><br>Carolina Dybeck Happe<br>Senior Vice President and<br>Chief Financial Officer | Principal Financial Officer  | February 12, 2021 |
| <u>/s/ Thomas S. Timko</u><br>Thomas S. Timko<br>Vice President, Chief Accounting Officer and<br>Controller       | Principal Accounting Officer | February 12, 2021 |
| <u>/s/ H. Lawrence Culp, Jr.</u><br>H. Lawrence Culp, Jr.*<br>Chairman of the Board of Directors                  | Principal Executive Officer  | February 12, 2021 |
| Sébastien M. Bazin*                                                                                               | Director                     |                   |
| Ashton B. Carter                                                                                                  | Director                     |                   |
| Francisco D'Souza*                                                                                                | Director                     |                   |
| Edward P. Garden*                                                                                                 | Director                     |                   |
| Thomas W. Horton*                                                                                                 | Director                     |                   |
| Risa Lavizzo-Mourey*                                                                                              | Director                     |                   |
| Catherine A. Lesjak*                                                                                              | Director                     |                   |
| Paula Rosput Reynolds*                                                                                            | Director                     |                   |
| Leslie F. Seidman*                                                                                                | Director                     |                   |
| James S. Tisch*                                                                                                   | Director                     |                   |

A majority of the Board of Directors

\*By /s/ Christoph A. Pereira  
Christoph A. Pereira  
Attorney-in-fact  
February 12, 2021

**Certification Pursuant to  
Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as Amended**

I, H. Lawrence Culp, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of General Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 12, 2021

/s/ H. Lawrence Culp, Jr.

H. Lawrence Culp, Jr.

Chief Executive Officer

**Certification Pursuant to  
Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as Amended**

I, Carolina Dybeck Happe, certify that:

1. I have reviewed this annual report on Form 10-K of General Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 12, 2021

/s/ Carolina Dybeck Happe

Carolina Dybeck Happe  
Chief Financial Officer

**Certification Pursuant to  
18 U.S.C. Section 1350**

In connection with the Annual Report of General Electric Company (the "registrant") on Form 10-K for the period ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "report"), we, H. Lawrence Culp, Jr. and Carolina Dybeck Happe, Chief Executive Officer and Chief Financial Officer, respectively, of the registrant, certify, pursuant to 18 U.S.C. § 1350, that to our knowledge:

- (1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

February 12, 2021

/s/ H. Lawrence Culp, Jr.

H. Lawrence Culp, Jr.  
Chief Executive Officer

/s/ Carolina Dybeck Happe

Carolina Dybeck Happe  
Chief Financial Officer

## EXECUTIVE OFFICES

General Electric Company  
5 Necco Street, Boston, MA 02210  
+1 (617) 443-3000

## REGISTERED OFFICE

General Electric Company  
1 River Road, Schenectady, NY 12345

## ANNUAL MEETING

GE's 2021 Annual Meeting of Shareholders will be held on Tuesday, May 4, 2021.

## SHAREHOLDER INFORMATION

For shareholder inquiries, including enrollment information and a prospectus for the Direct Purchase and Reinvestment Plan, "GE Stock Direct," write to GE Share Owner Services, P.O. Box 64874, St. Paul, MN 55164-0874; or call (800) 786-2543 (800-STOCK-GE) or +1 (651) 450-4064.

For internet access to general shareholder information and certain forms, including transfer instructions, visit the website at [www.shareowneronline.com](http://www.shareowneronline.com). You may also submit shareholder inquiries using the email link in the "Contact Us" section of the website.

## STOCK EXCHANGE INFORMATION

In the United States, GE common stock is listed on the New York Stock Exchange (NYSE), its principal market. It also is listed on certain non-U.S. exchanges, including the London Stock Exchange, Euronext Paris, SIX Swiss Exchange, and the Frankfurt Stock Exchange.

## CORPORATE OMBUDSPERSON

To report concerns related to compliance with the law, GE policies, or government contracting requirements, write to GE Corporate Ombudsperson, P.O. Box 52560, Boston, MA 02205; or call +1 (617) 443-3077; or send an email to [ombudsperson@corporate.ge.com](mailto:ombudsperson@corporate.ge.com).

## FORM 10-K AND OTHER REPORTS; CERTIFICATIONS

This 2020 GE Annual Report includes the GE Annual Report on Form 10-K. The Form 10-K Report filed with the U.S. Securities and Exchange Commission (SEC) in February 2021 also contains additional information including exhibits. GE's Chief Executive Officer has also submitted to the NYSE a certification certifying that he is not aware of any violations by GE of the NYSE corporate governance listing standards. The GE Form 10-K can be viewed at <https://www.ge.com/investor-relations/annual-report> and is also available, without charge, from GE Corporate Investor Communications, 5 Necco Street, Boston, MA 02210.

## PRODUCT INFORMATION

For information about GE's consumer products and services, visit us at [www.ge.com](http://www.ge.com).

## CONTACT THE GE BOARD OF DIRECTORS

The Audit Committee and the non-management directors have established procedures to enable anyone who has a concern about GE's conduct, or any employee who has a concern about the Company's accounting, internal accounting controls, or auditing matters, to communicate that concern directly to the lead director or to the Audit Committee. Such communications may be confidential or anonymous and may be submitted in writing to: GE Board of Directors, General Electric Company, 5 Necco Street, Boston, MA 02210; or call (800) 417-0575 or +1 (617) 443-3078; or send an email to [directors@corporate.ge.com](mailto:directors@corporate.ge.com).

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## GE is a world-leading corporation:



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World's Best  
Employers



**Interbrand**  
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Brands



**Universum**  
World's Most  
Attractive  
Employers



**Boston Business  
Journal**  
Top Charitable  
Contributor



**NYSE  
LISTED**

## WHERE YOU CAN FIND MORE INFORMATION



### 2020 Annual Report

<https://www.ge.com/investor-relations/annual-report>

### 2020 Diversity Annual Report

<https://www.ge.com/about-us/diversity>

### 2021 Proxy Statement

To be published later this year  
<https://www.ge.com/proxy>

### 2021 Sustainability Report

To be published later this year  
<https://www.ge.com/sustainability>

## BACK COVER

The back cover of this report features GE employees, including:

Logan Toynbee, Renewable Energy  
Ashley Meaux, GE Digital  
Lauren Duncan, Aviation  
Donovan Buckley, GE Research  
Tammy Franklin, Power  
Jon Ohman, Aviation  
Yanmang Zhang, Healthcare  
Charles McKinney, Power



The manufacturing facility that produced this report is an EPA GreenPower Partner that is powered by renewable energy generated by GE wind turbines.





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