GENERAL ELECTRIC CO
Form 10-Q
November 02, 2001

# Securities and Exchange Commission
**Washington, D.C. 20549**

## Form 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2001**

OR

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

For the transition period from ____ to ____

Commission file number 1-35

**GENERAL ELECTRIC COMPANY**

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **New York** | **14-0689340** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **3135 Easton Turnpike, Fairfield, CT** | **06431-0001** |
| (Address of principal executive offices) | (Zip Code) |

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

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

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

There were 9,927,381,000 shares with a par value of $0.06 per share outstanding at September 30, 2001.

General Electric Company



**Forward -Looking Statements**

This document includes certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to changes in global economic, political, business, competitive, market and regulatory factors.

# Part I. Financial Information

## Item 1. Financial Statements

**Condensed Statement of Earnings**
**General Electric Company and consolidated affiliates**

| *(Dollars, except per-share amounts, in millions)* | Third quarter ended September 30 (Unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | Consolidated | | GE | | GECS | |
| | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 |
| Sales of goods | $ 13,000 | $ 13,311 | $ 12,225 | $ 10,919 | $ 778 | $ 2,392 |
| Sales of services | 4,072 | 4,609 | 4,134 | 4,659 | – | – |
| Earnings of GECS | – | – | 1,301 | 1,478 | – | – |
| GECS revenues from services | 12,382 | 13,981 | – | – | 12,520 | 14,052 |
| Other income | 14 | 113 | 76 | 133 | – | – |
| Total revenues | 29,468 | 32,014 | 17,736 | 17,189 | 13,298 | 16,444 |
| Cost of goods sold | 9,096 | 9,663 | 8,407 | 7,456 | 692 | 2,207 |
| Cost of services sold | 2,645 | 3,396 | 2,707 | 3,447 | – | – |
| Interest and other financial charges | 2,640 | 2,859 | 244 | 148 | 2,503 | 2,765 |
| Insurance losses and policyholder and annuity benefits | 3,618 | 3,731 | – | – | 3,618 | 3,731 |
| Provision for losses on financing receivables | 567 | 463 | – | – | 567 | 463 |
| Other costs and expenses | 6,439 | 7,262 | 2,153 | 2,096 | 4,379 | 5,202 |
| Minority interest in net earnings of consolidated affiliates | 59 | 110 | 32 | 54 | 27 | 56 |
| Total costs and expenses | 25,064 | 27,484 | 13,543 | 13,201 | 11,786 | 14,424 |
| Earnings before income taxes | 4,404 | 4,530 | 4,193 | 3,988 | 1,512 | 2,020 |
| Provision for income taxes | (1,123) | (1,350) | (912) | (808) | (211) | (542) |
| Net earnings | $ 3,281 | $ 3,180 | $ 3,281 | $ 3,180 | $ 1,301 | $ 1,478 |
| Per share amounts (in dollars) | | | | | | |
| Diluted earnings per share | $ 0.33 | $ 0.32 | | | | |
| Basic earnings per share | $ 0.33 | $ 0.32 | | | | |
| Dividends declared per share | $ 0.16 | $ 0.13 2/3 | | | | |

See notes to condensed consolidated financial statements. Consolidating data are shown for "GE and "GECS". Transactions between GE and GECS have been eliminated from the "consolidated" columns.

**Condensed Statement of Earnings**
**General Electric Company and consolidated affiliates**

| *(Dollars, except per-share amounts,* | Nine months ended September 30 (Unaudited) | | |
|---|---|---|---|
| | Consolidated | GE | GECS |

| *in millions)* | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 |
|---|---|---|---|---|---|---|
| Sales of goods | $ 38,861 | $ 39,852 | $ 36,065 | $ 32,829 | $ 2,806 | $ 7,030 |
| Sales of services | 13,551 | 13,356 | 13,732 | 13,533 | – | – |
| Earnings of GECS | – | – | 4,179 | 3,965 | – | – |
| GECS revenues from services | 39,297 | 41,345 | – | – | 39,614 | 41,565 |
| Other income | 229 | 319 | 385 | 371 | – | – |
| Total revenues | 91,938 | 94,872 | 54,361 | 50,698 | 42,420 | 48,595 |
| Cost of goods sold | 26,880 | 28,800 | 24,371 | 22,292 | 2,519 | 6,515 |
| Cost of services sold | 9,363 | 9,326 | 9,544 | 9,503 | – | – |
| Interest and other financial charges | 8,423 | 8,655 | 614 | 660 | 8,072 | 8,146 |
| Insurance losses and policyholder and annuity benefits | 10,853 | 10,513 | – | – | 10,853 | 10,513 |
| Provision for losses on financing receivables | 1,546 | 1,405 | – | – | 1,546 | 1,405 |
| Other costs and expenses | 20,257 | 22,430 | 6,369 | 6,157 | 14,098 | 16,394 |
| Minority interest in net earnings of consolidated affiliates | 262 | 305 | 136 | 146 | 126 | 159 |
| Total costs and expenses | 77,584 | 81,434 | 41,034 | 38,758 | 37,214 | 43,132 |
| Earnings before income taxes and cumulative effect of changes in accounting principle | 14,354 | 13,438 | 13,327 | 11,940 | 5,206 | 5,463 |
| Provision for income taxes | (4,159) | (4,288) | (3,132) | (2,790) | (1,027) | (1,498) |
| Earnings before cumulative effect of changes in accounting principle | 10,195 | 9,150 | 10,195 | 9,150 | 4,179 | 3,965 |
| Cumulative effect of changes in accounting principle (notes 3 and 4) | (444) | – | (444) | – | (169) | – |
| Net earnings | $ 9,751 | $ 9,150 | $ 9,751 | $ 9,150 | $ 4,010 | $ 3,965 |
| Per-share amounts before cumulative effect of changes in accounting principle (in dollars) | | | | | | |
| Diluted earnings per share | $ 1.01 | $ 0.91 | | | | |
| Basic earnings per share | $ 1.03 | $ 0.93 | | | | |
| Per-share amounts after cumulative effect of changes in accounting principle (in dollars) | | | | | | |
| Diluted earnings per share | $ 0.97 | $ 0.91 | | | | |
| Basic earnings per share | $ 0.98 | $ 0.93 | | | | |
| Dividends declared per share | $ 0.48 | $ 0.27 1/3 | | | | |

See notes to condensed consolidated financial statements. Consolidating data are shown for "GE and "GECS". Transactions between GE and GECS have been eliminated from the "consolidated" columns.

**Condensed Statement of Financial Position**
**General Electric Company and consolidated affiliates**

| | Consolidated | GE | GECS |
|---|---|---|---|

| *(Dollars in millions)* | **9/30/01** | **12/31/00** | **9/30/01** | **12/31/00** | **9/30/01** | **12/31/00** |
|---|---|---|---|---|---|---|
| Cash and equivalents | $ 8,834 | $ 8,195 | $ 10,411 | $ 7,210 | $ 6,925 | $ 6,052 |
| Investment securities | 97,601 | 91,339 | 684 | 1,009 | 96,917 | 90,330 |
| Current receivables | 9,977 | 9,502 | 10,155 | 9,727 | – | – |
| Inventories | 8,440 | 7,812 | 8,148 | 7,146 | 292 | 666 |
| Financing receivables – net | 149,704 | 143,299 | – | – | 149,704 | 143,299 |
| Other GECS receivables | 38,494 | 35,516 | – | – | 40,432 | 37,090 |
| Property, plant and equipment (including equipment leased to others) – net | 42,135 | 40,015 | 12,643 | 12,199 | 29,492 | 27,816 |
| Investment in GECS | – | – | 25,187 | 23,022 | – | – |
| Intangible assets – net | 28,106 | 27,441 | 12,822 | 12,424 | 15,284 | 15,017 |
| All other assets | 76,806 | 73,887 | 25,771 | 24,028 | 51,548 | 50,366 |
| Total assets | $ 460,097 | $ 437,006 | $ 105,821 | $ 96,765 | $ 390,594 | $ 370,636 |
| Short-term borrowings | $ 125,473 | $ 119,180 | $ 932 | $ 940 | $ 133,595 | $ 123,992 |
| Accounts payable, principally trade accounts | 16,192 | 14,853 | 6,303 | 6,153 | 12,062 | 10,436 |
| Other GE current liabilities | 27,123 | 22,079 | 27,123 | 22,079 | – | – |
| Long-term borrowings | 81,035 | 82,132 | 808 | 841 | 80,322 | 81,379 |
| Insurance liabilities, reserves and annuity benefits | 111,446 | 106,150 | – | – | 111,446 | 106,150 |
| All other liabilities | 31,420 | 28,494 | 15,409 | 14,840 | 15,820 | 13,451 |
| Deferred income taxes | 8,949 | 8,690 | 711 | 452 | 8,238 | 8,238 |
| Total liabilities | 401,638 | 381,578 | 51,286 | 45,305 | 361,483 | 343,646 |
| Minority interest in equity of consolidated affiliates | 4,862 | 4,936 | 938 | 968 | 3,924 | 3,968 |
| Accumulated gains/(losses) – net (a) | | | | | | |
| Currency translation adjustments | (2,460) | (2,574) | (2,460) | (2,574) | (883) | (957) |
| Investment securities | 413 | 74 | 413 | 74 | 370 | 4 |
| Derivatives qualifying as hedges | (1,502) | – | (1,502) | – | (1,414) | – |
| Common stock (9,927,381,000 and 9,932,006,000 shares outstanding at September 30, 2001 and December 31, 2000, respectively) | 669 | 669 | 669 | 669 | 1 | 1 |
| Other capital | 16,290 | 15,195 | 16,290 | 15,195 | 3,341 | 2,752 |
| Retained earnings | 66,553 | 61,572 | 66,553 | 61,572 | 23,772 | 21,222 |
| Less common stock held in treasury | (26,366) | (24,444) | (26,366) | (24,444) | – | – |
| Total share owners' equity | 53,597 | 50,492 | 53,597 | 50,492 | 25,187 | 23,022 |
| Total liabilities and equity | $ 460,097 | $ 437,006 | $ 105,821 | $ 96,765 | $ 390,594 | $ 370,636 |

(a) The sum of accumulated gains/(losses) on currency translation adjustments, investment securities and derivatives qualifying as hedges constitutes "Accumulated nonowner changes other than earnings," and was $(3,549) million and $(2,500) million at September 30, 2001 and December 31, 2000, respectively.

See notes to condensed consolidated financial statements. Consolidating data are shown for "GE" and"GECS." September data are unaudited. Transactions between GE and GECS have been eliminated from the "consolidated" columns.

**Condensed Statement of Cash Flows**
**General Electric Company and consolidated affiliates**

| | Nine months ended September 30 (Unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | Consolidated | | GE | | GECS | |
| *(Dollars in millions)* | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 |
| **Cash flows – operating activities** | | | | | | |
| Net earnings | $ 9,751 | $ 9,150 | $ 9,751 | $ 9,150 | $ 4,010 | $ 3,965 |
| Adjustments to reconcile net earnings to cash provided from operating activities | | | | | | |
| Cumulative effect of changes in accounting principle | 444 | – | 444 | – | 169 | – |
| Depreciation and amortization of property, plant and equipment | 3,966 | 3,771 | 1,452 | 1,365 | 2,514 | 2,406 |
| Amortization of goodwill and other intangibles | 1,305 | 1,913 | 429 | 366 | 876 | 1,547 |
| Earnings retained by GECS | – | – | (2,719) | (2,573) | – | – |
| Deferred income taxes | 674 | 493 | 267 | 469 | 407 | 24 |
| Increase in GE current receivables | (292) | (698) | (245) | (656) | – | – |
| Decrease (increase) in inventories | (454) | (962) | (828) | (529) | 374 | (433) |
| Increase (decrease) in accounts payable | 2,161 | 2,242 | 25 | (38) | 2,573 | 2,581 |
| Increase (decrease) in insurance liabilities, reserves and annuity benefits | 8,563 | (1,892) | – | – | 8,563 | (1,892) |
| Provision for losses on financing receivables | 1,546 | 1,405 | – | – | 1,546 | 1,405 |
| All other operating activities | (3,994) | (4,161) | 3,154 | 2,389 | (6,867) | (6,598) |
| Cash from operating activities | 23,670 | 11,261 | 11,730 | 9,943 | 14,165 | 3,005 |
| **Cash flows – investing activities** | | | | | | |
| Additions to property, plant and equipment (including equipment leased to others) | (11,612) | (9,539) | (2,107) | (1,865) | (9,505) | (7,674) |
| Net increase in GECS financing receivables | (3,979) | (8,427) | – | – | (3,979) | (8,427) |
| Payments for principal businesses purchased | (6,829) | (1,085) | (729) | (682) | (6,100) | (403) |
| All other investing activities | 991 | (4,754) | 908 | 56 | (760) | (4,935) |
| Cash used for investing activities | (21,429) | (23,805) | (1,928) | (2,491) | (20,344) | (21,439) |
| **Cash flows – financing activities** | | | | | | |
| Net change in borrowings (maturities 90 days or less) | (3,299) | 3,650 | (74) | (941) | (119) | 6,819 |
| Newly issued debt (maturities longer than 90 days) | 19,057 | 27,655 | 679 | 546 | 18,385 | 27,061 |
| Repayments and other reductions (maturities longer than 90 days) | (11,022) | (27,426) | (643) | (727) | (10,379) | (26,699) |
| Net dispositions (purchases) of GE shares | (1,795) | 93 | (1,795) | 93 | – | – |
| Dividends paid to share owners | (4,768) | (4,046) | (4,768) | (4,046) | (1,460) | (1,392) |
| Cash received upon assumption of Toho Mutual Life Insurance Company insurance liabilities | – | 13,177 | – | – | – | 13,177 |
| All other financing activities | 225 | (331) | – | – | 625 | (331) |
| Cash from (used for) financing activities | (1,602) | 12,772 | (6,601) | (5,075) | 7,052 | 18,635 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Increase in cash and equivalents | 639 | 228 | 3,201 | 2,377 | 873 | 201 |
| Cash and equivalents at beginning of year | 8,195 | 8,554 | 7,210 | 2,000 | 6,052 | 6,931 |
| Cash and equivalents at September 30 | $ 8,834 | $ 8,782 | $ 10,411 | $ 4,377 | $ 6,925 | $ 7,132 |

See notes to condensed consolidated financial statements. Consolidating data are shown for "GE" and "GECS." Transactions between GE and GECS have been eliminated from the "consolidated" columns.

**Summary of Operating Segments**
**General Electric Company and consolidated affiliates**

| | Third quarter ended September 30 (Unaudited) | | Nine months ended September 30 (Unaudited) | |
|---|---|---|---|---|
| *(Dollars in millions)* | **2001** | **2000** | **2001** | **2000** |
| **Revenues** | | | | |
| GE | | | | |
| Aircraft Engines | $ 2,851 | $ 2,580 | $ 8,644 | $ 7,770 |
| Appliances | 1,535 | 1,495 | 4,252 | 4,451 |
| Industrial Products and Systems | 2,776 | 2,716 | 8,605 | 8,443 |
| Materials | 1,681 | 2,038 | 5,471 | 6,021 |
| NBC | 1,050 | 1,895 | 4,232 | 5,244 |
| Power Systems | 5,038 | 3,521 | 14,440 | 10,469 |
| Technical Products and Services | 2,106 | 1,902 | 6,252 | 5,556 |
| Eliminations | (856) | (529) | (2,072) | (1,567) |
| Total GE segment revenues | 16,181 | 15,618 | 49,824 | 46,387 |
| Corporate items | 254 | 93 | 358 | 346 |
| GECS net earnings (a) | 1,301 | 1,478 | 4,179 | 3,965 |
| Total GE revenues | 17,736 | 17,189 | 54,361 | 50,698 |
| GECS segment revenues | 13,298 | 16,444 | 42,420 | 48,595 |
| Eliminations (b) | (1,566) | (1,619) | (4,843) | (4,421) |
| **Consolidated revenues** | $ 29,468 | $ 32,014 | $ 91,938 | $ 94,872 |
| **Segment profit** | | | | |
| GE | | | | |
| Aircraft Engines | $ 674 | $ 614 | $ 1,939 | $ 1,781 |
| Appliances | 158 | 159 | 455 | 503 |
| Industrial Products and Systems | 437 | 472 | 1,362 | 1,548 |
| Materials | 374 | 512 | 1,311 | 1,509 |
| NBC | 255 | 292 | 1,142 | 1,321 |
| Power Systems | 1,301 | 670 | 3,479 | 1,875 |
| Technical Products and Services | 427 | 439 | 1,350 | 1,192 |
| Total GE operating profit | 3,626 | 3,158 | 11,038 | 9,729 |
| GECS net earnings (a) | 1,301 | 1,478 | 4,179 | 3,965 |
| Total segment profit | 4,927 | 4,636 | 15,217 | 13,694 |
| GE interest and other financial charges | (244) | (147) | (614) | (659) |
| GE provision for income taxes | (912) | (808) | (3,132) | (2,790) |

| | | | | |
|---|---|---|---|---|
| Corporate items and eliminations | (490) | (501) | (1,276) | (1,095) |
| **Consolidated earnings before cumulative effect of changes in accounting principle** | 3,281 | 3,180 | 10,195 | 9,150 |
| Cumulative effect of changes in accounting principle | – | – | (444) | – |
| **Net earnings** | $ 3,281 | $ 3,180 | $ 9,751 | $ 9,150 |

(a) Before cumulative effect of changes in accounting principle.
(b) Principally the elimination of GECS net earnings.

See notes to condensed consolidated financial statements.

## Notes to Condensed Consolidated Financial Statements (Unaudited)

1. The accompanying condensed quarterly financial statements represent the consolidation of General Electric Company and all companies which it directly or indirectly controls, either through majority ownership or otherwise. Reference is made to note 1 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000. That note discusses consolidation and financial statement presentation. As used in this Report and in the Report on Form 10-K, "GE" represents the adding together of all affiliated companies except General Electric Capital Services, Inc. ("GECS"), which is presented on a one-line basis; GECS consists of General Electric Capital Services, Inc. and all of its affiliates; and "consolidated" represents the adding together of GE and GECS with the effects of transactions between the two eliminated.

2. The condensed consolidated quarterly financial statements are unaudited. These statements include all adjustments (consisting of normal recurring accruals) considered necessary by management to present a fair statement of the results of operations, financial position and cash flows. The results reported in these condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. Certain prior year amounts have been reclassified to conform to the current year's presentation.

3. The Financial Accounting Standards Board ("FASB") issued, then subsequently amended, Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which became effective for GE and GECS on January 1, 2001. Under SFAS No. 133, as amended, all derivative instruments (including certain derivative instruments embedded in other contracts) are recognized in the balance sheet at their fair values and changes in fair value are recognized immediately in earnings, unless the derivatives qualify as hedges of future cash flows. For derivatives qualifying as hedges of future cash flows, the effective portion of changes in fair value is recorded temporarily in equity, then recognized in earnings along with the related effects of the hedged items. Any ineffective portion of hedges is reported in earnings as it occurs.

The nature of GE's business activities necessarily involves the management of various financial and market risks, including those related to changes in interest rates, equity prices, currency exchange rates, and commodity prices. As discussed more fully in notes 1, 19 and 30 of the 2000 Annual Report on Form 10-K, GE uses derivative financial instruments to mitigate or eliminate certain of those risks. The January 1, 2001, accounting change affected only the pattern and timing of non-cash accounting recognition.

At January 1, 2001, GE's financial statements were adjusted to record a cumulative effect of adopting this accounting change, as follows:

| *(Dollars in millions)* | **Earnings** | **Share Owners' Equity** |
|---|---|---|
| Adjustment to fair value of derivatives (a) | $ (502) | $ (1,340) |
| Income tax effects | 178 | 513 |
| Total | $ (324) | $ (827) |

(a) For earnings effect, amount shown is net of adjustment to hedged items.

The cumulative effect on earnings comprised two significant elements. One element was associated with conversion option positions that were embedded in financing agreements, and the other was a portion of the effect of marking to market options and currency contracts used for hedging. This accounting change did not involve cash, and management expects that it will have no more than a modest effect on future results.

The cumulative effect on share owners' equity was primarily attributable to marking to market forward and swap contracts used to hedge variable-rate borrowings. Decreases in the fair values of these instruments were attributable to declines in interest rates since inception of the hedging arrangements. As a matter of policy, GECS ensures that funding, including the effect of derivatives, of its lending and other financing asset positions are substantially matched in character (e.g., fixed vs. floating) and duration. As a result, declines in the fair values of these effective derivatives are offset by unrecognized gains on the related financing assets and hedged items, and future earnings will not be subject to volatility arising from interest rate changes.

4. In November 2000, the Emerging Issues Task Force of the FASB reached a consensus on impairment accounting for retained beneficial interests ("EITF 99-20"). Under this consensus, impairment on certain beneficial interests in securitized assets must be recognized when (1) the asset's fair value is below its carrying value, and (2) there has been an adverse change in estimated cash flows. Previously, impairment on such assets was recognized when the asset's carrying value exceeded estimated cash flows discounted at a risk free rate of return. The effect of adopting EITF 99-20 at January 1, 2001, was a one-time reduction of net earnings of $120 million, net of income taxes of $64 million. This accounting change did not involve cash, and management expects that it will have no more than a modest effect on future results.

5. A summary of increases/(decreases) in share owners' equity that do not result directly from transactions with share owners, net of income taxes, is provided below.

| | **Third quarter ended** | |
|---|---|---|
| *(Dollars in millions)* | **9/30/01** | **9/30/00** |
| Net earnings | $3,281 | $3,180 |
| Currency translation adjustments – net | 141 | (509) |
| Investment securities | 268 | 434 |
| Derivatives qualifying as hedges | (462) | – |
| Total | $3,228 | $3,105 |

| | **Nine months ended** | |
|---|---|---|
| | **9/30/01** | **9/30/00** |
| Net earnings | $9,751 | $9,150 |
| Currency translation adjustments – net | 114 | (1,058) |
| Investment securities | 339 | (482) |
| Derivatives qualifying as hedges | (675) | – |
| Cumulative effect on equity of adopting FAS 133 | (827) | – |
| Total | $8,702 | $7,610 |

6. Inventories consisted of the following:

| | **At** | |
|---|---|---|
| *(Dollars in millions)* | **9/30/01** | **12/31/00** |

**GE** Raw materials and work in process $4,776 $4,134 Finished goods 3,937 3,614 Unbilled shipments 226 243 Revaluation to LIFO (791) (845)

8,148 7,146

**GECS** Finished goods 292 666

Total $8,440 $7,812

7. Property, plant and equipment (including equipment leased to others) consisted of the following:

**At**

*(Dollars in millions)* **9/30/01 12/31/00**

**Original cost** GE $31,638 $30,189 GECS 41,003 37,801

Total 72,641 67,990

**Accumulated depreciation and amortization** GE 18,995 17,990 GECS 11,511 9,985

Total 30,506 27,975

**Property, plant and equipment – net** GE 12,643 12,199 GECS 29,492 27,816

Total $42,135 $40,015

8. GE's authorized common stock consisted of 13,200,000,000 shares, having a par value of $0.06 each. Information related to the calculation of earnings per share follows.

| *(Dollar amounts and shares in millions; per-share amounts in dollars)* | **Third quarter ended** | | | |
|---|---|---|---|---|
| | **9/30/01** | | **9/30/00** | |
| | **Diluted** | **Basic** | **Diluted** | **Basic** |
| **Consolidated operations** | | | | |

| | | | | |
|---|---|---|---|---|
| Net earnings available to common share owners | $ 3,281 | $ 3,281 | $ 3,180 | $ 3,180 |
| Dividend equivalents – net of tax | 3 | – | 3 | – |
| Net earnings available for per-share calculation | $ 3,284 | $ 3,281 | $ 3,183 | $ 3,180 |
| **Average equivalent shares** | | | | |
| Shares of GE common stock | 9,933 | 9,933 | 9,906 | 9,906 |
| Employee compensation-related shares, including stock options | 112 | – | 162 | – |
| Total average equivalent shares | 10,045 | 9,933 | 10,068 | 9,906 |
| Net earnings per share | $ 0.33 | $ 0.33 | $ 0.32 | $ 0.32 |

| | Nine months ended | | | |
|---|---|---|---|---|
| | 9/30/01 | | 9/30/00 | |
| | Diluted | Basic | Diluted | Basic |
| **Consolidated operations** | | | | |
| Earnings before cumulative effect of changes in accounting principle | $ 10,195 | $ 10,195 | $ 9,150 | $ 9,150 |
| Dividend equivalents – net of tax | 9 | – | 8 | – |
| Earnings before accounting changes for per-share calculation | $ 10,204 | $ 10,195 | $ 9,158 | $ 9,150 |
| Cumulative effect of changes in accounting principle | $ (444) | $ (444) | $ - | $ - |
| Net earnings | $ 9,751 | $ 9,751 | $ 9,150 | $ 9,150 |
| Dividend equivalents – net of tax | 9 | – | 8 | – |
| Net earnings for per-share calculation | $ 9,760 | $ 9,751 | $ 9,158 | $ 9,150 |
| **Average equivalent shares** | | | | |
| Shares of GE common stock | 9,935 | 9,935 | 9,888 | 9,888 |
| Employee compensation-related shares, including stock options | 125 | – | 162 | – |
| Total average equivalent shares | 10,060 | 9,935 | 10,050 | 9,888 |
| **Per share amounts** | | | | |
| Earnings before cumulative effect of changes in accounting principle | $ 1.01 | $ 1.03 | $ 0.91 | $ 0.93 |
| Cumulative effect of changes in accounting principle | (0.04) | (0.05) | – | – |
| Net earnings | $ 0.97 | $ 0.98 | $ 0.91 | $ 0.93 |

**Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition**

**A. Results of Operations – Third Quarter of 2001 Compared with Third Quarter of 2000**

General Electric Company earnings per share grew 3% over third quarter 2000 despite previously announced September 11-related insurance losses of $400 million, or 4 cents per share. Without those insurance losses, GE earnings per share would have grown 16 percent. Earnings increased 3% to $3.281 billion from $3.180 billion. Excluding the insurance losses, earnings increased 16% to $3.681 billion.

Revenues were $29.5 billion, increasing 7% on a comparable basis over third quarter 2000. Reported revenues were down 8%, reflecting the effects of previously reported strategic repositioning activities at GE Capital Services (GECS), the Olympics in third quarter 2000, and a September 11-related reinsurance premium. Ongoing Industrial revenues increased 10% to $16.4 billion, led by GE's long-cycle businesses, which grew 28% to $10.1 billion. Ongoing GECS revenues were up 4%. GE's short-cycle businesses are maintaining order rates comparable to pre-September 11 levels.

Operating margin was 18.9% of sales, up from last year's comparable 18.4%, as GE businesses continued to execute the Six Sigma quality and digitization initiatives and continued to increase sales of product services. This year's digitization savings totaled $1.2 billion at the end of September, ahead of 2001 plans. Revenues from sales of high-margin product services grew 23% over third quarter 2000 to $4.7 billion, with double-digit growth at all long-cycle businesses.

Cash generated from GE's operating activities in the first nine months of the year totaled $11.7 billion, up 18% from last year's record $9.9 billion. Following the reopening of the New York Stock Exchange on September 17, GE accelerated its stock repurchase program, and ended the quarter having purchased $832 million of its stock. GE has purchased shares totaling $19.9 billion since its $22 billion repurchase program began in December 1994.

**Segment Analysis:**

The comments that follow compare revenues and operating profit by operating segment for the third quarters of 2001 and 2000.

- ***Aircraft Engines*** revenues increased 11% over the third quarter of 2000, reflecting higher volume in services (including spare parts), military engines and aeroderivative products. Operating profit was 10% higher as a result of volume growth and productivity. Following the events of September 11, Aircraft Engines' commercial customers slowed their demand for spare parts, and GE management does not expect spare parts volume to return to pre-September 11 levels in the fourth quarter.

- ***Appliances*** revenues were 3% higher than last year as volume growth and market share gains more than offset lower selling prices. Operating profit decreased 1% as a result of lower selling prices and increased program spending on new products.

- ***GE Capital Services*** third-quarter earnings were $1.301 billion, 12% lower than last year's $1.478 billion due to the September 11-related insurance losses. Eleven of GECS 24 businesses contributed double-digit earnings growth, and without the insurance losses, GECS earnings would have increased 15% to $1.701 billion. The overall improvement in earnings was largely attributable to the effects of continued asset growth, as GECS grew its assets $25 billion to $391 billion, up 7% from $366 billion one year earlier, and benefits from cost reduction actions.

- ***Industrial Products and Systems*** revenues were 2% higher than a year ago as a result of volume growth at Transportation Systems which more than offset lower selling prices across the segment. Operating profit decreased by 7%, primarily reflecting the effects of lower selling prices.

- ***Materials*** revenues were 18% lower than a year ago, reflecting continued softness in the U.S. automotive, optical media and business equipment markets. Also, lower selling prices offset the revenue contribution of acquisitions. Operating profit was 27% lower as a result of lower volume and selling price decreases which more than offset cost reduction actions and favorable raw material costs.

- ***NBC*** reported a 45% decrease in revenues compared with the third quarter of 2000 because of absence of a current-year counterpart to NBC's broadcast of the 2000 Summer Olympic Games, lost revenue related to coverage of the events of September 11 and softness in the advertising market. Operating profit decreased 13% primarily as a result of the events of September 11 and softness in the advertising market, which more than offset savings from cost reduction actions.

- ***Power Systems*** revenues increased 43%, as a result of sharply higher volume in gas turbines, growth in product services and higher market selling prices. Operating profit rose 94%, reflecting the combined effects of pricing, volume and productivity.

- ***Technical Products & Services*** revenues increased 11% from the third quarter of 2000, as a result of growth at Medical Systems, which reported higher equipment volume, including acquisitions, and continued growth in product services. Operating profit decreased 3% in the third quarter, reflecting the absence of a current-year counterpart to a gain on disposition at Global eXchange Services which more than offset productivity and volume growth at Medical Systems.

**B. Results of Operations – First Nine Months of 2001 Compared With First Nine Months of 2000**

Ongoing net earnings were $10.195 billion in the first nine months of 2001, up 11% from $9.150 billion in the first nine months of 2000, and ongoing earnings per share increased 11% to $1.01 from $0.91. Ongoing earnings exclude the one-time, noncash impact of adopting new accounting rules (discussed in notes 3 and 4 of this 10-Q report). Management indicated that it is comfortable with the First Call analysts' consensus estimate of $1.41 per share for the full year 2001.

Consolidated revenues for the first nine months of 2001 were $91.9 billion, 3% lower than $94.9 billion reported in the first nine months of 2000. GE's sales of goods and services were 7% higher, led by Power Systems, Medical Systems and Aircraft Engines. The improvement in sales was largely attributable to increases in the volume of goods and services sold, partially offset by the effects of lower selling prices overall.

Operating margin in the first nine months of 2001 was 19.1% of sales, an improvement over last year's comparable 18.8%. The growth reflects increasing benefits from GE's focus on product services, Six Sigma quality and e-Business initiatives. GE's reported operating margin for the first nine months of 2000 was 18.1%.

**Segment Analysis:**

The following comments compare revenues and operating profit by industry segment for the first nine months of 2001 with the same period of 2000.

- ***Aircraft Engines*** revenues increased 11% over the first nine months of 2000, reflecting higher volume in services, commercial engines and aeroderivative products. Operating profit was 9% higher as a result of volume growth and productivity which more than offset higher costs.

- ***Appliances*** revenues were 4% lower than last year as the combination of continued price erosion and lower industry volume more than offset market share gains. Operating profit decreased 10% as a result of lower selling prices and increased program spending on new products.

- ***GE Capital Services*** ongoing earnings for the first nine months of 2001 rose to $4.179 billion, up 5% from last year's $3.965 billion, reflecting double-digit increases in Consumer Services and Equipment Management activities, which more than offset September 11-related insurance losses. The overall improvement in earnings was largely attributable to the effects of continued asset growth, as GECS grew its assets $25 billion to $391 billion, up 7% from $366 billion one year earlier, and benefits from cost reduction actions.

- ***Industrial Products and Systems*** revenues were 2% higher than a year ago, as volume increases at Transportation Systems and Industrial Systems offset lower selling prices across the segment. Operating profit decreased 12% as a result of the decline in selling prices and cost inflation which more than offset productivity.

- ***Materials*** revenues were 9% below the first nine months of 2000, reflecting continued softness in the U.S. automotive, optical media and business equipment markets which offset the revenue contribution of acquired companies. Operating profit was 13% lower, primarily as a result of lower volume.

- ***NBC*** reported a 19% decrease in revenues compared with the first nine months of 2000, primarily reflecting the absence of a current-year counterpart to NBC's broadcast of the 2000 Summer Olympic Games as well as lost revenue related to coverage of the events of September 11 and a one-time charge related to the shut-down of the XFL. Operating profit decreased 14% reflecting advertising market conditions, the September 11-related effects, and the XFL charge, which more than offset savings from cost reduction actions.

- ***Power Systems*** revenues increased 38%, reflecting sharply higher volume in gas turbines, continued growth in product services and higher market selling prices. Operating profit increased 86%, reflecting the combined effects of pricing, volume and productivity.

- ***Technical Products & Services*** revenues increased 13% over the first nine months of 2000, principally as a result of higher volume at Medical Systems, including the revenue contribution of acquisitions. Operating profit grew 13% reflecting the growth at Medical Systems as well as a gain on disposition of a joint venture at Global eXchange Services.

**C. Financial Condition**

With respect to the Condensed Statement of Financial Position, consolidated assets of $460.1 billion at September 30, 2001, were $23.1 billion higher than at December 31, 2000.

GE assets were $105.8 billion at September 30, 2001, an increase of $9.1 billion from December 31, 2000. The increase was primarily attributable to increases in cash ($3.2 billion), earnings retained by GECS ($2.6 billion) and all other assets ($1.7 billion). The change in all other assets resulted primarily from an increase in the prepaid pension asset.

GECS assets increased by $20.0 billion from the end of 2000. Investment securities increased $6.6 billion to $96.9 billion at the end of the third quarter, primarily reflecting investment of premiums received. Financing receivables, net of the allowance for losses, aggregated $149.7 billion at September 30, 2001, an increase of $6.4 billion. The increase resulted principally from increased originations and acquisition growth, partially offset by the effects of securitizations and the continued run-off of the liquidating Auto Financial Services portfolio. GECS' allowance for losses of $4.1 billion at September 30, 2001, reflects management's best estimate of probable losses inherent in the portfolio. In addition, insurance receivables increased $2.9 billion to $26.7 billion at September 29, 2001. The increase primarily reflects increased reinsurance receivables of $3.3 billion related to the events of September 11th.

Consolidated liabilities of $401.6 billion at September 30, 2001, were $20.0 billion higher than the year-end 2000 balance of $381.6 billion.

GE liabilities increased $6.0 billion to $51.3 billion. Total borrowings were $1.7 billion ($0.9 billion short term and $0.8 billion long term) at September 30, 2001, about the same as at December 31, 2000. The ratio of debt to total capital for GE at the end of the third quarter was 3.1% compared with 3.3% at the end of last year and 3.9% at September 30, 2000.

GECS liabilities increased by $17.8 billion reflecting an increase in short-term borrowings of $9.6 billion and a decrease in long-term borrowings of $1.1 billion from year-end 2000. Insurance reserves increased $5.3 billion to $111.4 billion, at the end of September 2001, primarily reflecting increased reserves of $3.3 billion related to the events of September 11th and growth in guaranteed investment contracts and deferred annuities. In addition, other liabilities increased $2.4 billion primarily reflecting the recognition of all derivatives at fair value. Other changes in GECS liabilities comprised numerous, relatively small items.

With respect to cash flows, consolidated cash and equivalents were $8.8 billion at September 30, 2001, an increase of $0.6 billion during the first nine months of 2001. Cash and equivalents were $8.8 billion at September 30, 2000, an increase of $0.2 billion since the beginning of the year.

GE cash and equivalents increased $3.2 billion during the first nine months of 2001 to $10.4 billion at September 30, 2001. Cash provided from 2001 operating activities was $11.7 billion, an increase of 18% over the last year's record $9.9 billion reported for the first nine months of 2000, reflecting continuing improvements in earnings and higher progress collections during the period. Cash used for investing activities ($1.9 billion) principally represented investments in new plant and equipment for a wide variety of projects to lower costs and improve efficiencies. Cash used for financing activities ($6.6 billion) included $2.3 billion for repurchases of common stock under the share repurchase program and $4.8 billion for dividends paid to share owners, a 17% increase in the per-share dividend rate compared with the first nine months of last year.

GE cash and equivalents increased $2.4 billion during the first nine months of 2000 to $4.4 billion at September 30, 2000. Cash provided from 2000 operating activities was $9.9 billion, an increase of 34% over the $7.4 billion reported for the first nine months of 1999, reflecting continuing improvements in earnings and higher progress collections during the period. Cash used for investing activities ($2.5 billion) principally represented investments in new plant and equipment for a wide variety of projects to lower costs and improve efficiencies. Cash used for financing activities ($5.1 billion) included $1.6 billion for repurchases of common stock under the share repurchase program and $4.0 billion for dividends paid to share owners, a 17% increase in the per-share dividend rate compared with the first nine months of last year.

GECS cash and equivalents increased by $0.9 billion during the first nine months of 2001 to $6.9 billion. Cash provided from operating activities was $14.2 billion during the first nine months of 2001, compared with $3.0 billion during the first nine months of 2000. The increase in cash from operating activities compared with last year was largely attributable to insurance policyholder redemptions in 2000 associated with the Toho acquisition. Cash from financing activities totaled $7.1 billion, reflecting net additions of debt. The principal use of GECS cash during the period was for investing activities ($20.3 billion), a majority of which was attributable to increases in investments in securities, business acquisitions and financing receivables.

GECS cash and equivalents increased $0.2 billion during the first nine months of 2000. Cash provided from operating activities totaled $3.0 billion, compared with $10.5 billion for the first nine months of 1999. The decrease in cash from operating activities compared with last year was largely attributable to insurance policyholder redemptions associated with the Toho acquisition and a smaller decrease in mortgages held for resale. Cash from financing activities totaled $18.6 billion, primarily as a result of insurance policyholder liabilities assumed in the Toho acquisition. The principal use of GECS cash during the period was for investing activities ($21.4 billion), a majority of which was attributable to growth in financing receivables, property, plant and equipment and higher net purchases of investment securities, which are included in "all other" investing activities.

Noncash Earnings Considerations in 2002

Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets, modify the accounting for business combinations, goodwill and identifiable intangible assets. All business combinations initiated after June 30, 2001, must be accounted for by the purchase method. Goodwill in acquisitions completed after that date will not be amortized, but will be charged to operations when specified tests indicate that the goodwill is impaired, that is, when the goodwill's fair value is lower than its carrying value. Certain intangible assets will be recognized separately from goodwill, and will be amortized over their useful lives. As of January 1, 2002, all goodwill must be tested for impairment and a transition adjustment recognized at that time. Goodwill amortization will also cease at that date, and, thereafter, all goodwill will be tested at least annually for impairment. If these rules had applied to goodwill for 2001, management believes that full year 2001 net earnings would have increased by approximately $1.1 billion ($0.11 per share). Management has not yet determined the extent of impaired goodwill, if any, that will be recognized as of January 1, 2002.

Management believes that there will be a lower noncash employee benefit cost reduction related to pensions in 2002. In order to determine annual pension costs, management must evaluate a number of economic and demographic factors, including expected annual return on assets, discount rate and actuarial experience. Management presently estimates that, compared with 2001, next year's noncash employee benefit cost reduction related to pensions will decrease in the range of $850 to $1,200 million (reducing GE's net earnings by $.05 to $.07 per share after tax). These estimates will not affect the funding status of the GE Pension Plan; management does not anticipate GE's making contributions to that Plan.

Other New Accounting Standards

SFAS No. 143, Accounting for Asset Retirement Obligations, requires recognition of the fair value of liabilities associated with the retirement of long-lived assets when a legal obligation to incur such costs arises as a result of the acquisition, construction, development and/or the normal operation of a long-lived asset. Upon recognition of the liability, a corresponding asset is recorded and depreciated over the remaining life of the long-lived asset. The Statement defines a legal obligation as one that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel. SFAS 143 is effective for fiscal years beginning after December 15, 2002. Management has not yet determined the total likely effects of adopting this Statement on the financial position or results of operations of GE and GECS.

**Part II. Other Information**

**Item 6. Exhibits and Reports on Form 8-K**

a. Exhibits

Exhibit 11. Computation of Per Share Earnings*
Exhibit 12. Computation of Ratio of Earnings to Fixed Charges.

* Data required by Statement of Financial Accounting Standards No. 128, *Earnings per Share*, is provided in note 8 to the condensed consolidated financial statements in this report.

b. Reports on Form 8-K during the quarter ended September 30, 2001.

No reports on Form 8-K were filed during the quarter ended September 30, 2001.

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## Signatures

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

General Electric Company
(Registrant)

November 2 , 2001 /s/ Philip D. Ameen

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| Date | Philip D. Ameen<br>Vice President and Comptroller<br>Duly Authorized Officer and Principal Accounting Officer |