GENERAL ELECTRIC CO
Form 10-Q
May 06, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2011

OR

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

For the transition period from ____ to ____

Commission file number 001-00035

GENERAL ELECTRIC COMPANY
(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	14-0689340 (I.R.S. Employer Identification No.)
3135 Easton Turnpike, Fairfield, CT (Address of principal executive offices)	06828-0001 (Zip Code)

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

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

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

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

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

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

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

There were 10,605,447,000 shares of common stock with a par value of $0.06 per share outstanding at April 3, 2011.

(1)

General Electric Company

Forward-Looking Statements

This document contains "forward-looking statements" – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and financial condition, and often contain words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "see," or "will. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include: current economic and financial conditions, including volatility in interest and exchange rates, commodity and equity prices and the value of financial assets; the impact of conditions in the financial and credit markets on the availability and cost of General Electric Capital Corporation's (GECC) funding and on our ability to reduce GECC's asset levels as planned; the impact of conditions in the housing market and unemployment rates on the level of commercial and consumer credit defaults; changes in Japanese consumer behavior that may affect our estimates of liability for excess interest refund claims (Grey Zone); potential financial implications from the Japanese natural disaster; our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so; the adequacy of our cash flow and earnings and other conditions which may affect our ability to pay our quarterly dividend at the planned level; the level of demand and financial performance of the major industries we serve, including, without limitation, air and rail transportation, energy generation, real estate and healthcare; the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks, including the impact of financial services regulation; strategic actions, including acquisitions, joint ventures and dispositions and our success in completing announced transactions and integrating acquired businesses; and numerous other matters of national, regional and global scale, including those of a political, economic, business and competitive nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

(2)

Part I. Financial Information

Item 1. Financial Statements.

General Electric Company and consolidated affiliates

Condensed Statement of Earnings

	Three months ended March 31 (Unaudited)					
	Consolidated		GE(a)		Financial Services (GECS)	
(In millions, except share amounts)	2011	2010	2011	2010	2011	2010
Revenues						
Sales of goods	$ 14,489	$ 13,765	$ 14,489	$ 13,489	$ 42	$ 281
Sales of services	7,502	9,908	7,613	10,020	–	–
Other income	3,626	350	3,665	376	–	–
GECS earnings from continuing operations	–	–	1,806	515	–	–
GECS revenues from services	12,831	12,181	–	–	13,112	12,489
Total revenues	38,448	36,204	27,573	24,400	13,154	12,770
Costs and expenses						
Cost of goods sold	11,816	10,572	11,818	10,311	40	265
Cost of services sold	4,883	6,940	4,994	7,052	–	–
Interest and other financial charges	3,879	4,023	355	343	3,667	3,800
Investment contracts, insurance losses and insurance annuity benefits	736	747	–	–	769	787
Provision for losses on financing receivables	1,163	2,187	–	–	1,163	2,187
Other costs and expenses	8,536	8,928	3,416	3,537	5,264	5,566
Total costs and expenses	31,013	33,397	20,583	21,243	10,903	12,605
Earnings from continuing operations before income taxes	7,435	2,807	6,990	3,157	2,251	165
Benefit (provision) for income taxes	(3,927)	(443)	(3,513)	(788)	(414)	345
Earnings from continuing operations	3,508	2,364	3,477	2,369	1,837	510
Earnings (loss) from discontinued operations, net of taxes	19	(366)	19	(366)	19	(363)
Net earnings	3,527	1,998	3,496	2,003	1,856	147

Less net earnings (loss) attributable to noncontrolling interests	94	53	63	58	31	(5)
Net earnings attributable to the Company	3,433	1,945	3,433	1,945	1,825	152
Preferred stock dividends declared	(75)	(75)	(75)	(75)	–	–
Net earnings attributable to GE common shareowners	$ 3,358	$ 1,870	$ 3,358	$ 1,870	$ 1,825	$ 152
Amounts attributable to the Company						
Earnings from continuing operations	$ 3,414	$ 2,311	$ 3,414	$ 2,311	$ 1,806	$ 515
Earnings (loss) from discontinued operations, net of taxes	19	(366)	19	(366)	19	(363)
Net earnings attributable to the Company	$ 3,433	$ 1,945	$ 3,433	$ 1,945	$ 1,825	$ 152
Per-share amounts						
Earnings from continuing operations						
Diluted earnings per share	$ 0.31	$ 0.21				
Basic earnings per share	$ 0.31	$ 0.21				
Net earnings						
Diluted earnings per share	$ 0.31	$ 0.17				
Basic earnings per share	$ 0.32	$ 0.17				
Dividends declared per common share	$ 0.14	$ 0.10				

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

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

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

(3)

General Electric Company and consolidated affiliates
Condensed Statement of Financial Position

	Consolidated		GE(a)		Financial Services (GECS)	
	March 31,	December 31,	March 31,	December 31,	March 31,	December 31,
(In millions, except share amounts)	2011	2010	2011	2010	2011	2010
	(Unaudited)		(Unaudited)		(Unaudited)	
Assets						
Cash and equivalents	$ 82,173	$ 78,949	$ 15,491	$ 19,241	$ 67,256	$ 60,263
Investment securities	44,889	43,938	19	19	44,872	43,921
Current receivables	17,867	18,621	11,555	10,383	–	–
Inventories	13,327	11,526	13,264	11,460	63	66
Financing receivables – net	301,102	308,512	–	–	308,352	317,734
Other GECS receivables	8,788	8,962	–	–	14,004	14,310
Property, plant and equipment – net	67,504	66,212	13,198	12,444	54,306	53,768
Investment in GECS	–	–	72,104	68,984	–	–
Goodwill	67,920	64,388	40,161	36,880	27,759	27,508
Other intangible assets – net	11,292	9,972	9,409	8,088	1,883	1,884
All other assets	106,234	96,342	34,819	17,454	72,470	79,240
Assets of businesses held for sale	1,587	36,887	–	33,760	1,587	3,127
Assets of discontinued operations	5,154	6,912	50	50	5,104	6,862
Total assets(b)	$ 727,837	$ 751,221	$ 210,070	$ 218,763	$ 597,656	$ 608,683
Liabilities and equity						
Short-term borrowings	$ 110,347	$ 117,959	$ 686	$ 456	$ 110,603	$ 118,797
Accounts payable, principally trade accounts	15,747	14,656	12,101	11,620	8,372	7,035
Progress collections and price adjustments accrued	10,488	11,142	11,093	11,841	–	–
Other GE current liabilities	16,531	12,959	16,531	12,959	–	–
Non-recourse borrowings of consolidated						
securitization entities	29,300	30,060	–	–	29,300	30,060
Bank deposits	39,397	37,298	–	–	39,397	37,298
Long-term borrowings	287,642	293,323	9,695	9,656	278,792	284,407
Investment contracts, insurance liabilities						
and insurance annuity benefits	29,768	29,582	–	–	30,363	29,993
All other liabilities	58,876	58,839	38,880	37,815	20,068	21,122
Deferred income taxes	1,297	2,845	(3,689)	(4,237)	4,986	7,082
Liabilities of businesses held for sale	550	16,047	–	15,455	550	592
Liabilities of discontinued operations	2,105	2,313	162	164	1,943	2,149

Total liabilities(b)	602,048	627,023	85,459	95,729	524,374	538,535
Preferred stock (30,000 shares outstanding at both March 31, 2011 and December 31, 2010)	–	–	–	–	–	–
Common stock (10,605,447,000 and 10,615,376,000 shares outstanding at March 31, 2011 and December 31, 2010, respectively)	702	702	702	702	1	1
Accumulated other comprehensive income – net(c)						
Investment securities	(826)	(636)	(826)	(636)	(827)	(639)
Currency translation adjustments	2,430	(86)	2,430	(86)	142	(1,411)
Cash flow hedges	(1,352)	(1,280)	(1,352)	(1,280)	(1,351)	(1,281)
Benefit plans	(15,253)	(15,853)	(15,253)	(15,853)	(381)	(380)
Other capital	36,783	36,890	36,783	36,890	27,627	27,626
Retained earnings	133,003	131,137	133,003	131,137	46,893	45,068
Less common stock held in treasury	(31,952)	(31,938)	(31,952)	(31,938)	–	–
Total GE shareowners' equity	123,535	118,936	123,535	118,936	72,104	68,984
Noncontrolling interests(d)	2,254	5,262	1,076	4,098	1,178	1,164
Total equity	125,789	124,198	124,611	123,034	73,282	70,148
Total liabilities and equity	$ 727,837	$ 751,221	$ 210,070	$ 218,763	$ 597,656	$ 608,683

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

(b) Our consolidated assets at March 31, 2011 include total assets of $45,479 million of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs. These assets include net financing receivables of $35,860 million and investment securities of $6,351 million. Our consolidated liabilities at March 31, 2011 include liabilities of certain VIEs for which the VIE creditors do not have recourse to GE. These liabilities include non-recourse borrowings of consolidated securitization entities (CSEs) of $28,752 million. See Note 17.

(c) The sum of accumulated other comprehensive income - net was $(15,001) million and $(17,855) million at March 31, 2011 and December 31, 2010, respectively.

(d) Included accumulated other comprehensive income - net attributable to noncontrolling interests of $(168) million and $(153) million at March 31, 2011 and December 31, 2010, respectively.

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

(4)

General Electric Company and consolidated affiliates
Condensed Statement of Cash Flows

	Three months ended March 31 (Unaudited)					
	Consolidated		GE(a)		Financial Services (GECS)	
(In millions)	2011	2010	2011	2010	2011	2010
Cash flows – operating activities						
Net earnings	$ 3,527	$ 1,998	$ 3,496	$ 2,003	$ 1,856	$ 147
Less net earnings attributable to noncontrolling interests	94	53	63	58	31	(5)
Net earnings attributable to the Company	3,433	1,945	3,433	1,945	1,825	152
(Earnings) loss from discontinued operations	(19)	366	(19)	366	(19)	363
Adjustments to reconcile net earnings attributable to the Company to cash provided from operating activities						
Depreciation and amortization of property, plant and equipment	2,292	2,465	516	550	1,776	1,915
Earnings from continuing operations retained by GECS	–	–	(1,806)	(515)	–	–
Deferred income taxes	(1,400)	329	50	40	(1,450)	289
Decrease (increase) in GE current receivables	985	514	(106)	319	–	–
Decrease (increase) in inventories	(1,288)	186	(1,276)	213	3	(6)
Increase (decrease) in accounts payable	1,269	666	668	188	1,329	309
Increase (decrease) in GE progress collections	(1,002)	(743)	(1,096)	(994)	–	–
Provision for losses on GECS financing receivables	1,163	2,187	–	–	1,163	2,187
All other operating activities	2,144	(941)	1,320	439	276	(1,243)
Cash from (used for) operating activities – continuing operations	7,577	6,974	1,684	2,551	4,903	3,966
Cash from (used for) operating activities – discontinued operations	119	120	–	–	119	120
Cash from (used for) operating activities	7,696	7,094	1,684	2,551	5,022	4,086

Cash flows – investing activities						
Additions to property, plant and equipment	(3,169)	(1,276)	(927)	(522)	(2,292)	(831)
Dispositions of property, plant and equipment	1,773	1,588	–	–	1,773	1,588
Net decrease (increase) in GECS financing receivables	11,118	10,675	–	–	12,306	11,135
Proceeds from sale of discontinued operations	1,775	–	–	–	1,775	–
Proceeds from principal business dispositions	7,133	1,842	5,755	1,672	1,378	–
Payments for principal businesses purchased	(4,547)	(18)	(4,462)	(18)	(85)	–
Capital contribution from GE to GECS	–	–	–	–	–	–
All other investing activities	3,307	6,400	(266)	(20)	3,691	6,580
Cash from (used for) investing activities – continuing operations	17,390	19,211	100	1,112	18,546	18,472
Cash from (used for) investing activities – discontinued operations	(105)	(202)	–	–	(105)	(202)
Cash from (used for) investing activities	17,285	19,009	100	1,112	18,441	18,270
Cash flows – financing activities						
Net increase (decrease) in borrowings (maturities of 90 days or less)	(979)	(1,760)	731	(151)	(2,062)	(1,573)
Net increase (decrease) in bank deposits	1,233	(613)	–	–	1,233	(613)
Newly issued debt (maturities longer than 90 days)	15,513	16,011	110	120	15,508	15,838
Repayments and other reductions (maturities longer than 90 days)	(31,652)	(39,982)	(19)	(523)	(31,633)	(39,459)
Net dispositions (purchases) of GE shares for treasury	(394)	80	(394)	80	–	–
Dividends paid to shareowners	(1,564)	(1,143)	(1,564)	(1,143)	–	–
Capital contribution from GE to GECS	–	–	–	–	–	–
Purchase of subsidiary shares from noncontrolling interest	(4,303)	–	(4,303)	–	–	–
All other financing activities	(425)	(594)	(119)	(203)	(306)	(391)

Cash from (used for) financing activities – continuing operations	(22,571)	(28,001)	(5,558)	(1,820)	(17,260)	(26,198)
Cash from (used for) financing activities – discontinued operations	–	(38)	–	–	–	(38)
Cash from (used for) financing activities	(22,571)	(28,039)	(5,558)	(1,820)	(17,260)	(26,236)
Effect of currency exchange rate changes on cash and equivalents	828	(756)	24	(259)	804	(497)
Increase (decrease) in cash and equivalents	3,238	(2,692)	(3,750)	1,584	7,007	(4,377)
Cash and equivalents at beginning of year	79,084	72,443	19,241	8,654	60,398	64,539
Cash and equivalents at March 31	82,322	69,751	15,491	10,238	67,405	60,162
Less cash and equivalents of discontinued operations at March 31	149	1,843	–	–	149	1,843
Cash and equivalents of continuing operations at March 31	$ 82,173	$ 67,908	$ 15,491	$ 10,238	$ 67,256	$ 58,319

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

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

(5)

Summary of Operating Segments
General Electric Company and consolidated affiliates

	Three months ended March 31 (Unaudited)	
(In millions)	2011	2010
Revenues		
Energy Infrastructure	$ 9,449	$ 8,655
Aviation(a)	4,368	4,165
Healthcare(a)	4,090	3,733
Transportation(a)	903	766
Home & Business Solutions	1,989	1,940
GE Capital	12,324	11,931
Total segment revenues	33,123	31,190
Corporate items and eliminations(a)	5,325	5,014
Consolidated revenues	$ 38,448	$ 36,204
Segment profit(a)		
Energy Infrastructure	$ 1,381	$ 1,481
Aviation(a)	841	799
Healthcare(a)	531	497
Transportation(a)	157	115
Home & Business Solutions	74	71
GE Capital	1,842	583
Total segment profit	4,826	3,546
Corporate items and eliminations(a)	2,456	(104)
GE interest and other financial charges	(355)	(343)
GE provision for income taxes	(3,513)	(788)
Earnings from continuing operations attributable to the Company	3,414	2,311
Earnings (loss) from discontinued operations, net of taxes, attributable to the Company	19	(366)
Consolidated net earnings attributable to the Company	$ 3,433	$ 1,945

(a) Effective January 1, 2011, we reorganized our segments. We have reclassified prior-period amounts to conform to the current-period presentation. See Note 1 for a description of the reorganization. Segment profit excludes results reported as discontinued operations, earnings attributable to noncontrolling interests of consolidated subsidiaries and accounting changes. Segment profit excludes or includes interest and other financial charges and income taxes according to how a particular segment's management is measured – excluded in determining segment profit, which we sometimes refer to as "operating profit," for Energy Infrastructure, Aviation, Healthcare, Transportation and Home & Business Solutions; included in determining segment profit, which we sometimes refer to as "net earnings," for GE Capital. Results of our formerly consolidated subsidiary, NBC Universal, are reported in the Corporate items and eliminations line. See Note 2. Prior to January 1, 2011, segment profit excluded the effects of principal pension plans. Beginning January 1, 2011, we allocate service costs related to our principal pension plans and we no longer allocate the retiree costs of our postretirement healthcare benefits to our segments. This revised allocation methodology better aligns segment operating costs to the active employee costs, which are managed by the segments.

See accompanying notes.

(6)

Notes to Condensed, Consolidated Financial Statements (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Accounting Changes

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

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

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

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

Sales of Goods and Services

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

(7)

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

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

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

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

(8)

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

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

Interim Period Presentation

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

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

Assets and Liabilities of Businesses Held for Sale

NBC Universal

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

On March 19, 2010, NBCU entered into a three-year credit agreement and a 364-day bridge loan agreement. On April 30, 2010, NBCU issued $4,000 million of senior, unsecured notes with maturities ranging from 2015 to 2040 (interest rates ranging from 3.65% to 6.40%). On October 4, 2010, NBCU issued $5,100 million of senior, unsecured notes with maturities ranging from 2014 to 2041 (interest rates ranging from 2.10% to 5.95%). Subsequent to these issuances, the credit agreement and bridge loan agreements were terminated, with a $750 million revolving credit agreement remaining in effect. Proceeds from these issuances were used to repay $1,678 million of existing debt and pay a dividend of $7,394 million to GE.

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

(9)

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

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

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

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

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

At March 31, 2011, we recorded a preliminary valuation of our equity investment in NBCU LLC of $17,020 million and reported this amount in the “All other assets” caption in our Statement of Financial Position. Deferred taxes related to our NBCU LLC investment were $4,744 million at March 31, 2011 and were reported in the “Deferred income taxes” caption in our Statement of Financial Position.

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

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

Other

In 2010, we committed to sell GE Capital Consumer businesses in Argentina, Brazil, and Canada, a CLL business in South Korea, and our Interpark business in Real Estate. The GE Capital Consumer Canada disposition was completed during the first quarter of 2011.

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

(In millions)	March 31, 2011	December 31, 2010
Assets		
Cash and equivalents	$ 45	$ 63
Current receivables	–	2,572
Financing receivables – net	551	1,917
Property, plant and equipment – net	99	2,185
Goodwill	–	19,606
Other intangible assets – net	40	2,844
All other assets	827	7,560
Other	25	140
Assets of businesses held for sale	$ 1,587	$ 36,887

Liabilities		
Accounts payable	$ 48	$ 538
Other GE current liabilities	9	3,994
Long-term borrowings	119	10,134
All other liabilities	112	1,378
Other	262	3
Liabilities of businesses held for sale	$ 550	$ 16,047

(11)

Discontinued Operations

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

Summarized financial information for discontinued operations is shown below.

	Three months ended March 31	
(In millions)	2011	2010
Operations		
Total revenues	$ 89	$ 400
Earnings (loss) from discontinued operations before income taxes	$ –	$ (2)
Benefit (provision) for income taxes	(20)	17
Earnings (loss) from discontinued operations, net of taxes	$ (20)	$ 15
Disposal		
Gain (loss) on disposal before income taxes	$ 11	$ (381)
Benefit for income taxes	28	–
Gain (loss) on disposal, net of taxes	$ 39	$ (381)
Earnings (loss) from discontinued operations, net of taxes(a)	$ 19	$ (366)

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

(In millions)	March 31, 2011	December 31, 2010
Assets		
Cash and equivalents	$ 149	$ 135
Financing receivables – net	3,401	5,089
All other assets	30	168
Other	1,574	1,520

Assets of discontinued operations	$ 5,154	$ 6,912

(In millions)	March 31, 2011	December 31, 2010
Liabilities		
Accounts payable, principally trade accounts	$ 37	$ 110
Deferred income taxes	110	139
All other liabilities	1,951	2,057
Other	7	7
Liabilities of discontinued operations	$ 2,105	$ 2,313

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

(12)

BAC Credomatic GECF Inc. (BAC)

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

BAC revenues from discontinued operations were $260 million in the three months ended March 31, 2010. In total, BAC earnings from discontinued operations, net of taxes, were $17 million in the three months ended March 31, 2010.

GE Money Japan

During the third quarter of 2007, we committed to a plan to sell our Japanese personal loan business, Lake, upon determining that, despite restructuring, Japanese regulatory limits for interest charges on unsecured personal loans did not permit us to earn an acceptable return. During the third quarter of 2008, we completed the sale of GE Money Japan, which included Lake, along with our Japanese mortgage and card businesses, excluding our investment in GE Nissen Credit Co., Ltd. In connection with the sale, we reduced the proceeds on the sale for estimated interest refund claims in excess of the statutory interest rate. Proceeds from the sale were to be increased or decreased based on the actual claims experienced in accordance with loss-sharing terms specified in the sale agreement, with all claims in excess of 258 billion Japanese Yen (approximately $3,000 million) remaining our responsibility. The underlying portfolio to which this obligation relates is in runoff and interest rates were capped for all designated accounts by mid-2009. In the third quarter of 2010, we began making reimbursements under this arrangement.

Our overall claims experience developed unfavorably through 2010. We believe that the level of excess interest refund claims has been impacted by the challenging global economic conditions, in addition to Japanese legislative and regulatory changes. In September 2010, a large independent personal loan company in Japan filed for bankruptcy, which precipitated a significant amount of publicity surrounding excess interest refund claims in the Japanese marketplace, along with substantial legal advertising. We observed an increase in claims during September 2010 and higher average daily claims in the fourth quarter of 2010 and the first two months of 2011. While we have experienced a decline in claims in March 2011 following the claims filing deadline related to the bankruptcy filing of the personal loan company, it is currently unclear whether excess interest refund claims activity will be also affected by the recent March 11, 2011 earthquake and subsequent tsunami in Japan. As of March 31, 2011, our reserve for reimbursement of claims in excess of the statutory interest rate was $1,268 million.

The amount of these reserves is based on analyses of recent and historical claims experience, pending and estimated future excess interest refund requests, the estimated percentage of customers who present valid requests, and our estimated payments related to those requests. Our estimated liability for excess interest refund claims at March 31, 2011 assumes the pace of incoming claims will decelerate, average exposure per claim remains consistent with recent experience, and we continue to see the impact of our loss mitigation efforts. Estimating the pace of decline in incoming claims can have a significant effect on the total amount of our liability. For example, the estimate resulting from our most recent detailed review in the third quarter 2010 assumes incoming average daily claims will decline at a long-term average rate of 4% monthly. Average daily claims since our review have been higher than expected, which we believe is primarily attributable to the bankruptcy filing of the large independent personal loan company described above and we expect claims activity to decline substantially following that period. We believe that the evaluation of claims activity over the balance of the year will be important in order to fully assess the potential impact of this bankruptcy or other events on our overall claim reserve estimate. Holding all other assumptions constant, if claims declined at a rate of one percent higher or lower than assumed, our liability estimate would change by approximately

$250 million.

(13)

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

GE Money Japan losses from discontinued operations, net of taxes, were $1 million and $383 million in the three months ended March 31, 2011 and 2010, respectively.

WMC

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

Pending claims for unmet representations and warranties have declined from $783 million at December 31, 2009 to $371 million at March 31, 2011. Reserves related to these contractual representations and warranties were $101 million at both March 31, 2011 and December 31, 2010. The amount of these reserves is based upon pending and estimated future loan repurchase requests, the estimated percentage of loans validly tendered for repurchase, and our estimated losses on loans repurchased. Based on our historical experience, we estimate that a small percentage of the total loans WMC originated and sold will be tendered for repurchase, and of those tendered, only a limited amount will qualify as "validly tendered," meaning the loans sold did not satisfy specified contractual obligations. WMC's current reserve represents our best estimate of losses with respect to WMC's repurchase obligations. Actual losses could exceed the reserve amount if actual claim rates, valid tenders or losses WMC incurs on repurchased loans are higher than historically observed.

WMC revenues (loss) from discontinued operations were $0 million and $(1) million in the three months ended March 31, 2011 and 2010, respectively. In total, WMC's losses from discontinued operations, net of taxes, were $2 million and $4 million in the three months ended March 31, 2011 and 2010, respectively.

Other Financial Services

In the first quarter of 2011, we entered into an agreement to sell our Consumer Singapore business for approximately $700 million. The sale was completed in the second quarter of 2011. Consumer Singapore revenues from discontinued operations were $29 million and $26 million in the three months ended March 31, 2011 and 2010, respectively. Consumer Singapore earnings from discontinued operations, net of taxes, were $7 million and $8 million in the three months ended March 31, 2011 and 2010, respectively.

In the fourth quarter of 2010, we entered into agreements to sell our Consumer RV Marine portfolio and Consumer Mexico business. The Consumer RV Marine and Consumer Mexico dispositions were completed during the first quarter and the second quarter of 2011, respectively. Consumer RV Marine revenues from discontinued operations were $5 million and $54 million in the three months ended March 31, 2011 and 2010, respectively. Consumer RV Marine losses from discontinued operations, net of taxes, were $0 million and $19 million in the three months ended March 31, 2011 and 2010, respectively. Consumer Mexico revenues from discontinued operations were $55 million and $61 million in the three months ended March 31, 2011 and 2010, respectively. Consumer Mexico earnings from discontinued operations, net of taxes, were $16 million and $18 million in the three months ended March 31, 2011 and 2010, respectively.

(14)

GE Industrial

GE industrial losses from discontinued operations, net of taxes, were $0 million and $3 million in the three months ended March 31, 2011 and 2010, respectively. The sum of GE industrial earnings (loss) from discontinued operations, net of taxes, and GECS earnings (loss) from discontinued operations, net of taxes, is reported as GE industrial earnings (loss) from discontinued operations, net of taxes, on the Condensed Statement of Earnings.

Assets of GE industrial discontinued operations were $50 million at both March 31, 2011 and December 31, 2010. Liabilities of GE industrial discontinued operations were $162 million and $164 million at March 31, 2011, and December 31, 2010, respectively, and primarily represent taxes payable and pension liabilities related to the sale of our Plastics business in 2007.

3. INVESTMENT SECURITIES

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

	At							
	March 31, 2011				December 31, 2010			
(In millions)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
GE								
Debt – U.S. corporate	$ 1	$ –	$ –	$ 1	$ 1	$ –	$ –	$ 1
Equity – available-for-sale	18	–	–	18	18	–	–	18
	19	–	–	19	19	–	–	19
GECS								
Debt								
U.S. corporate	21,093	1,538	(156)	22,475	21,233	1,576	(237)	22,572
State and municipal	3,053	52	(262)	2,843	2,961	45	(282)	2,724
Residential mortgage-backed(a)	2,976	104	(333)	2,747	3,092	95	(378)	2,809
Commercial mortgage-backed	2,941	143	(177)	2,907	3,009	145	(230)	2,924
Asset-backed	3,560	47	(143)	3,464	3,407	16	(193)	3,230
Corporate – non-U.S.	2,817	124	(109)	2,832	2,883	116	(132)	2,867
Government – non-U.S.	2,823	75	(62)	2,836	2,242	82	(58)	2,266
U.S. government and federal agency	3,250	53	(59)	3,244	3,358	57	(47)	3,368

Retained interests	34	21	(3)	52	55	10	(26)	39
Equity								
Available-for-sale	860	222	(28)	1,054	500	213	(8)	705
Trading	418	–	–	418	417	–	–	417
	43,825	2,379	(1,332)	44,872	43,157	2,355	(1,591)	43,921
Eliminations	(2)	–	–	(2)	(2)	–	–	(2)
Total	$ 43,842	$ 2,379	$ (1,332)	$ 44,889	$ 43,174	$ 2,355	$ (1,591)	$ 43,938

(a) Substantially collateralized by U.S. mortgages. Of our total residential mortgage-backed securities (RMBS) portfolio at March 31, 2011, $1,620 million relates to securities issued by government sponsored entities and $1,127 million relates to securities of private label issuers. Securities issued by private label issuers are collateralized primarily by pools of individual direct mortgage loans of individual financial institutions.

The fair value of investment securities increased to $44,889 million at March 31, 2011, from $43,938 million at December 31, 2010, primarily driven by improved market conditions and purchases in our run-off insurance operations.

(15)

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

	In loss position for			
	Less than 12 months		12 months or more	
(In millions)	Estimated fair value	Gross unrealized losses(a)	Estimated fair value	Gross unrealized losses(a)
March 31, 2011				
Debt				
U.S. corporate	$ 1,968	$ (49)	$ 1,327	$ (107)
State and municipal	941	(40)	544	(222)
Residential mortgage-backed	319	(5)	996	(328)
Commercial mortgage-backed	859	(92)	778	(85)
Asset-backed	62	(2)	899	(141)
Corporate – non-U.S.	439	(9)	847	(100)
Government – non-U.S.	1,052	(5)	148	(57)
U.S. government and federal agency	1,878	(19)	162	(40)
Retained interests	–	–	6	(3)
Equity	75	(25)	10	(3)
Total	$ 7,593	$ (246)	$ 5,717	$ (1,086)
December 31, 2010				
Debt				
U.S. corporate	$ 2,375	$ (81)	$ 1,519	$ (156)
State and municipal	949	(43)	570	(239)
Residential mortgage-backed	188	(4)	1,024	(374)
Commercial mortgage-backed	831	(104)	817	(126)
Asset-backed	113	(5)	910	(188)
Corporate – non-U.S.	448	(12)	804	(120)
Government – non-U.S.	661	(6)	107	(52)
U.S. government and federal agency	1,822	(47)	–	–
Retained interests	–	–	34	(26)
Equity	49	(8)	–	–
Total	$ 7,436	$ (310)	$ 5,785	$ (1,281)

(a) At March 31, 2011, other-than-temporary impairments previously recognized through other comprehensive income (OCI) on securities still held amounted to $(484) million, of which $(371) million related to RMBS. Gross unrealized losses related to those securities at March 31, 2011 amounted to $(493) million, of which $(435) million related to RMBS.

We regularly review investment securities for impairment using both qualitative and quantitative criteria. We presently do not intend to sell our debt securities and believe that it is not more likely than not that we will be required to sell these securities that are in an unrealized loss position before recovery of our amortized cost. We believe that the unrealized loss associated with our equity securities will be recovered within the foreseeable future. The methodologies and significant inputs used to measure the amount of credit loss for our investment securities during the three months ended March 31, 2011 have not changed from those described in our 2010 consolidated financial statements. See Note 3 in our 2010 consolidated financial statements for additional information regarding these methodologies and inputs.

During the first quarter of 2011, we recorded other-than-temporary impairments of $71 million, of which $64 million was recorded through earnings ($5 million relates to equity securities) and $7 million was recorded in accumulated other comprehensive income (AOCI). At January 1, 2011, cumulative impairments recognized in earnings associated with debt securities still held were $500 million. During the first quarter, we recognized first time impairments of $1 million and incremental charges on previously impaired securities of $58 million. These amounts included $23 million related to securities that were subsequently sold.

(16)

During the first quarter of 2010, we recorded other-than-temporary impairments of $158 million, of which $79 million was recorded through earnings ($1 million relates to equity securities) and $79 million was recorded in AOCI. At January 1, 2010, cumulative impairments recognized in earnings associated with debt securities still held were $338 million. During the first quarter of 2010, we recognized first time impairments of $55 million and incremental charges on previously impaired securities of $18 million. These amounts included $31 million related to securities that were subsequently sold.

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

(In millions)		Amortized cost		Estimated fair value
Due in				
2011	$	2,974	$	2,990
2012-2015		7,099		7,375
2016-2020		4,525		4,761
2021 and later		18,438		19,104

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

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

	Three months ended March 31			
(In millions)		2011		2010
GE				
Gains	$	–	$	–
Losses, including impairments		–		–
Net		–		–
GECS				
Gains		116		89
Losses, including impairments		(71)		(82)
Net		45		7
Total	$	45	$	7

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

Proceeds from investment securities sales and early redemptions by the issuer totaled $5,139 million and $3,791 million in the first quarters of 2011 and 2010, respectively, principally from the sales of short-term securities in our bank subsidiaries and treasury operations.

We recognized net pre-tax gains on trading securities of $3 million and $15 million in the first quarters of 2011 and 2010, respectively.

4. INVENTORIES

Inventories consisted of the following.

(In millions)	At March 31, 2011	At December 31, 2010
Raw materials and work in process	$ 8,111	$ 6,973
Finished goods	5,077	4,501
Unbilled shipments	536	456
	13,724	11,930
Less revaluation to LIFO	(397)	(404)
Total	$ 13,327	$ 11,526

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

GECS financing receivables – net, consisted of the following.

(In millions)	At March 31, 2011	At December 31, 2010
Loans, net of deferred income(a)	$273,789	$281,402
Investment in financing leases, net of deferred income	42,200	44,390
	315,989	325,792
Less allowance for losses	(7,637)	(8,058)
Financing receivables – net(b)	$308,352	$317,734

(a) Deferred income was $2,270 million and $2,326 million at March 31, 2011 and December 31, 2010, respectively.

(b) Financing receivables at March 31, 2011 and December 31, 2010 included $1,356 million and $1,503 million, respectively, relating to loans that had been acquired in a transfer but have been subject to credit deterioration since origination per Accounting Standards Codification (ASC) 310, Receivables.

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

Financing Receivables – net

The following table displays our financing receivables balances.

(In millions)	March 31, 2011	December 31, 2010
Commercial		
CLL		
Americas	$ 82,876	$ 86,596
Europe	37,093	37,498
Asia	11,545	11,943
Other	2,568	2,626
Total CLL	134,082	138,663
Energy Financial Services	6,662	7,011
GECAS	12,104	12,615
Other	1,640	1,788
Total Commercial financing receivables	154,488	160,077
Real Estate		
Debt	29,474	30,249
Business Properties	9,548	9,962
Total Real Estate financing receivables	39,022	40,211
Consumer		
Non-U.S. residential mortgages	45,436	45,536
Non-U.S. installment and revolving credit	20,235	20,132
U.S. installment and revolving credit	41,282	43,974
Non-U.S. auto	7,295	7,558
Other	8,231	8,304
Total Consumer financing receivables	122,479	125,504
Total financing receivables	315,989	325,792
Less allowance for losses	(7,637)	(8,058)
Total financing receivables – net	$ 308,352	$ 317,734

Allowance for Losses on Financing Receivables

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

(In millions)	Balance at January 1, 2011	Provision charged to operations	Other(a)	Gross write-offs(b)	Recoveries(b)	Balance at March 31, 2011
Commercial						
CLL						
Americas	$ 1,287	$ 139	$ –	$ (194)	$ 22	$ 1,254
Europe	429	30	19	(51)	16	443
Asia	222	60	4	(69)	11	228
Other	7	–	(1)	–		