GE 2Q earnings drop 16 pct; reaffirms outlook

CHRIS KAHN - AP Energy Writer - Associated Press

General Electric Co. said Friday that net income fell 16 percent in the second quarter because of losses in businesses it has divested and an increase in pension costs.

Still the company's profit from operations was slightly better than Wall Street expected, driven by double-digit growth in its large energy infrastructure business.

GE is wading through "a still volatile global economy," CEO Jeff Immelt said. Its core businesses are growing profits, though, and "we ended the quarter with a record backlog."

The conglomerate, with businesses ranging from appliances to financial services to wind and gas turbines, posted net income of $3.11 billion, or 29 cents per share, compared with $3.69 billion, or 35 cents per share, a year earlier.

Excluding pension costs and losses from discontinued businesses, GE earned 38 cents, compared with analysts' expectation of 37 cents. .

Revenue rose 2 percent to $36.5 billion, led by strong results in GE's industrial business. Analysts expected slightly higher revenue of $36.77 billion, according to FactSet.

GE said net income was weighed down in the quarter by a number of charges that had little to do with its core businesses. GE booked a $553 million charge related to the 2008 sale of its WMC Mortgage Corp. and its consumer finance business in Japan. GE also adjusted its pension costs higher .

Meanwhile, its energy infrastructure and GE Capital businesses reported higher profits in the period.

GE Capital, the company's lending arm, increased profits 31 percent thanks to stronger results from its real estate financing business.

Energy infrastructure, which includes wind and natural gas turbines, solar panels and a variety of other products and services, increased profits 13 percent to $1.76 billion. However, the company reported that infrastructure orders were down 1 percent, primarily due to a decline in orders for wind turbines.

In a separate announcement, GE said that it plans to split its energy business into three separate operations: GE Power and Water in Schenectady, NY, GE Oil and Gas in Florence, Italy, and GE Energy Management in Atlanta. Immelt said that the move will streamline its various energy operations and cut costs. GE said the head of the division, John Krenicki, has decided to leave the company at the end of the year.

GE reaffirmed its outlook for double-digit growth in earnings per share, excluding any special items.

Shares rose 10 cents to $19.90 in premarket trading.

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