

# GE Outlook

## September 25, 2008

**"Results are preliminary and unaudited.** 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 often contain words such as "expect," "anticipate," "intend," "plan," "believe," "seek," or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties that could adversely or positively affect our future results include: the behavior of financial markets, including fluctuations in interest and exchange rates, commodity and equity prices and the value of financial assets; continued volatility and further deterioration of the capital markets; the commercial and consumer credit environment; the impact of regulation and regulatory, investigative and legal actions; strategic actions, including acquisitions and dispositions; future integration of acquired businesses; future financial performance of major industries which we serve, including, without limitation, the air and rail transportation, energy generation, media, real estate and healthcare industries; 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.

"This document may also contain non-GAAP financial information. Management uses this information in its internal analysis of results and believes that this information may be informative to investors in gauging the quality of our financial performance, identifying trends in our results and providing meaningful period-to-period comparisons. For a reconciliation of non-GAAP measures presented in this document, see the accompanying supplemental information posted to the investor relations section of our website at [www.ge.com](http://www.ge.com)."

"In this document, GE refers to the Industrial businesses of the Company including GECS on an equity basis. GE (ex. GECS) and/or Industrial refer to GE excluding Financial Services. The Industrial Products segment was formerly known as Industrial."



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# Running GE ... four key messages

- 1** GE performing well in a tough environment
  - ✓ Industrial segment earnings +10-15% (ex. C&I)
  - ✓ Financial Services will earn in excess of \$9B in '08
  - ✓ GE total earnings will be approximately \$20B in '08
- 2** GE taking prudent steps to be even safer in this environment
  - ✓ Strengthening liquidity profile
  - ✓ Reducing leverage
  - ✓ Proactive steps expected of a Triple A company
- 3** GE's Financial Services business model is strong
  - ✓ Senior, secured & diversified lender
  - ✓ Match funded ... not a trader or market maker
  - ✓ Expect to see higher loss provisions & lower gains
- 4** GE dividend is secure for investors
  - ✓ Board approved management's plan to maintain current dividend through '09

**Running GE for the long term**

# Environment

## Energy

- + Strong demand
- + Energy efficiency
- + Supply chain
- Inflation

## Technical Infrastructure

- + Global growth
- + Services
- + Customer productivity
- Airlines, lower fuel helps

## Media

- + Olympics
- + Cable ratings
- Local ad market
- Economy (auto ↓)

## Financial Services

- + Pricing
- + Triple A
- Credit cycle/ consumer losses
- Asset sales

**Environment remains tough**

# What investors expect from a Triple A

## Financial Services environment

- ✓ Unprecedented financial market volatility driven by uncertainty
  
- ✓ GE performing well
  - + Industrial still strong
  - + Financial Services relative outperformance
  
- ✓ Smaller & more focused is better for investors

## Priorities

- 1 Maintain strong liquidity position
  - ✓ Reduce reliance on CP balance
    - 3Q CP <\$90B, 61 day average maturity
    - Target 10-15% GE Capital debt in CP
    - Growing bank deposits, CDs & other (3Q >\$43B)
  - ✓ No need to issue long-term debt in 4Q
  
- 2 Strengthen balance sheet
  - ✓ Reduce leverage in GE Capital to 6:1 by end '09
  - ✓ Suspend stock buyback
  
- 3 More focused Financial Services
  - ✓ Smaller commercial Real Estate, more debt/less equity
  - ✓ Further reduce high leverage products
  - ✓ Shrinking overall portfolio & changing asset mix

**Proactive approach makes GE even safer ...  
3Q fully funded ... no long-term debt issuance required in 4Q**



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# GE in this environment

## Industrial outlook

- ✓ Strong global activity continues
- ✓ 3Q orders remain robust
  - + Long cycle \$13.3B, ~+10%
  - + Services \$9.2B, ~+14%
  - + Continuing to build backlog
  - Flow \$4.1B ~(-3)% ... appliances driven
- ✓ 3Q performance should be excellent ... +10-15% (ex. C&I)

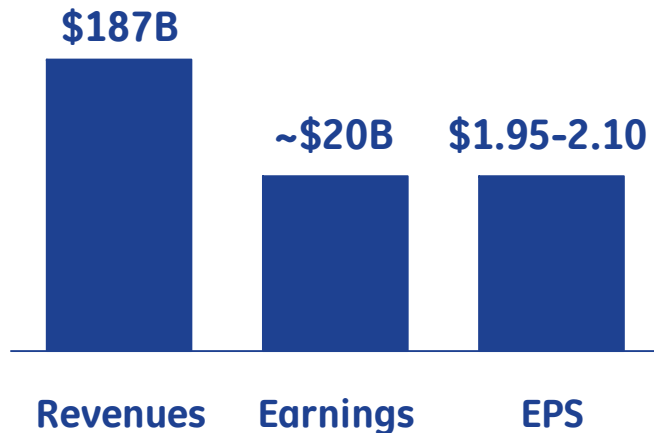
## Financial Services outlook

- ✓ Pressure vs. expectations based on market volatility
- ✓ Putting capital to work at higher margins
- ✓ Portfolio quality remains strong
- ✓ Will continue relative outperformance in 3Q
- ✓ Dispositions providing flexibility
  - GE Money Japan (Lake) closed 9/22 ... \$5.4B proceeds
  - Expect GE Money European asset sale to close shortly ... ~\$4B net assets

**Outperforming in tough environment**

# 2008 financial framework

## Total company outlook



## Financial framework

Segment earnings	3Q'08E	4Q'08E	TY'08E
Industrial (ex. C&I)	+10-15%	+10-15%	+10-15%
Capital Finance	~(25)	~(25)	~(25)-(20)
C&I	(85)	(70)	(60)
<b>Total Company - earnings</b>	<b>\$4.3-4.8B</b>	<b>\$5.4-6.4B</b>	<b>~\$20B</b>
<b>- EPS</b>	<b>\$.43-.48</b>	<b>\$.54-.64</b>	<b>\$1.95-2.10</b>
<b>V%</b>	<b>(14)-(4)%</b>	<b>(21)-(6)%</b>	<b>(11)-(5)%</b>

- ✓ Industrial businesses model remains robust
  - + Infrastructure + global growth + equipment backlog + service revenue
- ✓ Financial Services impacted by markets & volatility
  - Lower gains ... CRE gains ↓, transactions tougher across board
  - Higher delinquencies drive GE Money loss provision ↑ ~30% (ex. dispositions)
  - Mark-to-market pressure ~\$0.3-0.5B
  - Smaller & more focused
- ✓ C&I driven by challenged U.S. consumer
  - Appliance market ↓ ~(10)% vs. '07

**Reframed 2008 to reflect current environment**

# Financial framework

	<u>TY'08E</u>	<u>TY'09F</u>	<u>Factors impacting '08 run rate in '09</u>
Industrial segments (ex. C&I)	+10-15%	10%+	+ Global growth + Infrastructure build + Equipment backlog + Services
Capital Finance	~(25)-(20)%	~(30)-(10)%	- Lower assets, more focused - Credit cycle/higher losses + Pricing + Restructuring/cost out
EPS	<u>\$1.95-2.10</u>		
V%	<u>(11)-(5)%</u>		

**Planning for a continued tough environment ... best view based on what we know today**

- ✓ Industrial businesses remain solid ... driven by Infrastructure
- ✓ Financial Services in transition
  - + Smaller & lower risk financing model
  - + Still originating ~\$150B at higher returns

# Disciplined capital allocation

(\$ in billions)

## Company generates substantial cash

\$23B+



**'09F cash generation**

- ✓ Net income
- ✓  $\Delta$  working capital
- ✓ Dispositions

## Capital allocation

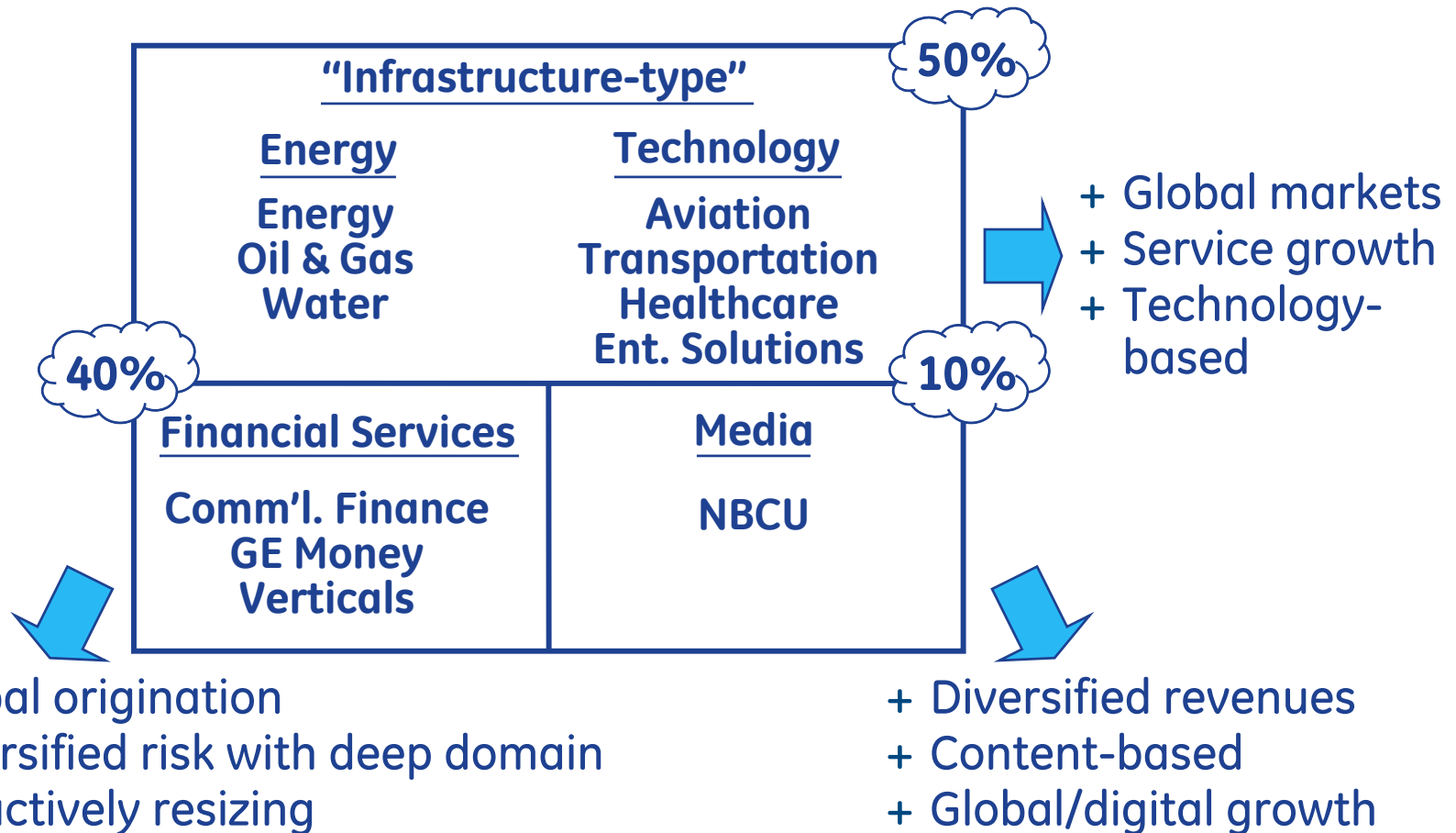
- ✓ Sustain dividend in '09 at '08 levels
- ✓ Suspend stock buyback to fund Financial Services & build cash cushion in Industrial
- ✓ Leave more capital in Financial Services by reducing Financial Services dividend to 10%
- ✓ Growth remains funded ... CAPEX & Industrial M&A

**2008 annual dividend remains at \$1.24 ... BOD approved management's plan to maintain \$1.24 annual dividend through '09**



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# Company going forward



- ✓ **GE has great businesses**
- + **Industrial portfolio solid: only on offense**
- + **Financial Services: resizing to ~40%**

# Summary

- 1 Revising 3Q & TY guidance ... to reflect current financial services market conditions
  - ✓ 3QE \$.43-.48 ... (14)-(4)% ... \$4.3-4.8B
  - ✓ TYE \$1.95-2.10 ... (11)-(5)% ... ~\$20B
- 2 Industrial business fundamentals remain strong
  - + Triple A                      + Infrastructure                      + Cash flow
  - + Global growth              + Equipment backlog              + Services revenue
- 3 Triple A is a key priority for GE ... confirmed by rating agencies
  - + Lowers borrowing costs
  - + External validation for both equity & debt investor
  - + Provides operating disciplines on how we run the company
- 4 We are doing what investors expect from a Triple A company ... maintaining strong liquidity position by reducing reliance on CP, strengthening balance sheet by reducing leverage & resizing Financial Services to ~40%

**Managing GE for the long term**