

# GE 2008 third quarter performance

## October 10, 2008

- Financial results & company highlights
- 2008 fourth quarter outlook

**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."



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# Overview

- ✓ Environment volatile
  - Global financial system very tough
  - Falling consumer confidence
  - + Infrastructure/media strength
  
- ✓ Performance in line with 9/25 announcement
  - + Capital Finance earnings at \$2B
  - + Infrastructure/media segment earnings grew 12%
  - + Delivered \$4.5B of continuing earnings
  
- ✓ Proactive actions to improve Capital Finance position
  - + Implementing plans to reduce leverage
  - + Improved liquidity
  - + Raising new equity at parent

**Managing GE for the long term**

# Executing our strategy

## Improve GE portfolio

- ✓ GE Money: closed Japan, Europe/Santander progressing
  - Running PLCC to hold ... will continue evaluating options
- ✓ Capital Finance: closed Citi ... funding with U.S. deposits
- ✓ Announced Mubadala partnership
- ✓ NBCU: closed the Weather Channel investment
- ✓ C&I process ongoing

## Operating improvement

- ✓ Accelerated restructuring ... improving operations & cost structure
- ✓ Industrial CFOA +5% YTD ... driven by working capital improvements
- ✓ NBCU profit growth of 10%

## Growth as a process

- ✓ 3Q total orders +9% excluding C&I ... equipment backlog +19%
- ✓ Service revenues +6% ... service orders +16% ... CSA backlog +20%
- ✓ Organic growth +3% ... Industrial +10%
- ✓ Global revenue growth +14%, global Industrial +20%
- ✓ Beijing Olympics a huge success

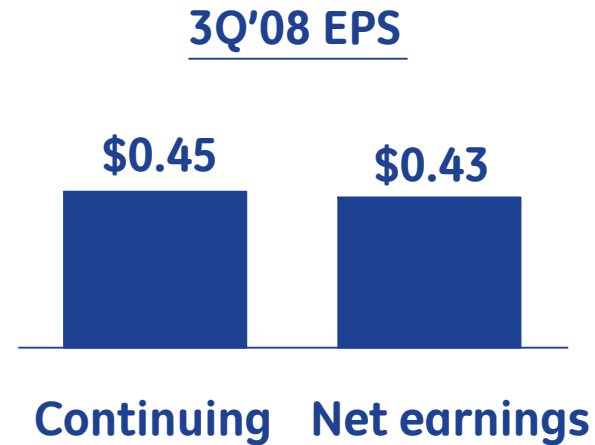
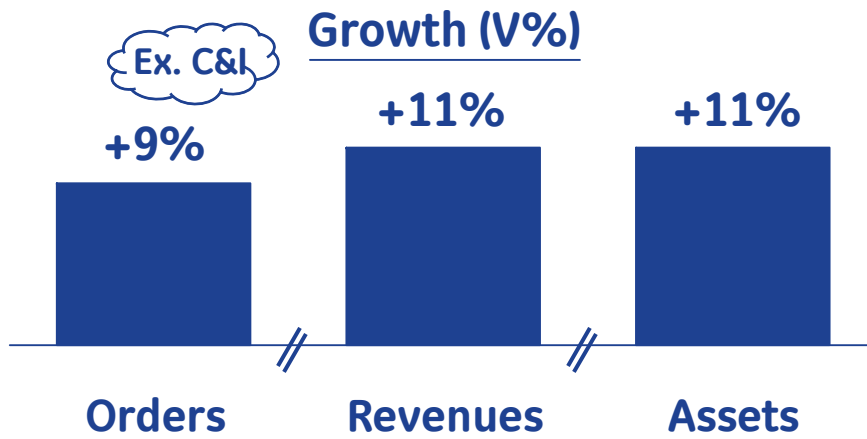
# Risk reduction

- 1 Execution of business/portfolio strategy
  - ✓ Invest ... infrastructure, media
  - ✓ Global revenues from 40% in '01 to 55% in '08
  - ✓ Divested mortgage services, FGIC, primary insurance, mortgage insurance, reinsurance, WMC & Japan
- 2 Proactive protection of "Triple A"
  - ✓ Reduce leverage to 6:1 by end '09
  - ✓ Target CP to 10-15% of debt by end '08
- 3 No long-term debt required in 4Q'08
  - ✓ Collections > originations
  - ✓ \$43B retail funding
- 4 Protection if CP remains under duress
  - ✓ \$15B equity offering
  - ✓ Back-up lines + cash > CP
- 5 Federal Reserve window available for A-1/P-1
  - ✓ Protection if market shuts down
- 6 Continue to increase reserves ... reflecting higher loss environment
  - ✓ \$0.8B increase in reserves in Capital Finance 3Q'08 vs. 3Q'07 ... planning for more in 4Q'08 & '09

- ✓ **Risk reduction in volatile financial market**
- ✓ **Board approved management plan to maintain dividend through 2009**

# 3Q'08 key performance metrics

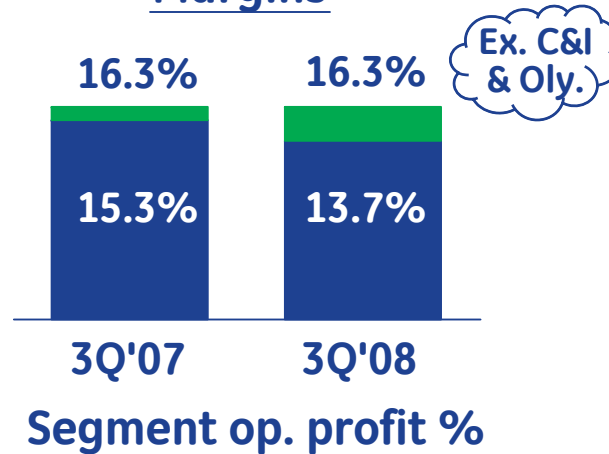
(Continuing operations)



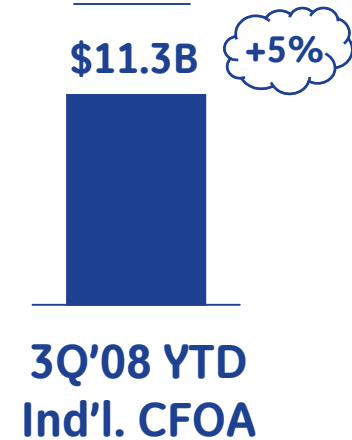
**Returns**



**Margins**



**Cash**



**Good performance in tough environment**

# Third quarter consolidated results

(\$ in billions – except EPS)

## Continuing operations

	<u>3Q'08</u>	<u>V%</u>
Revenues	\$47.2	11%
– Industrial sales	28.9	17
– Financial Svcs. rev.	18.4	2
Earnings	4.5	(12)
EPS – Continuing	.45	(10)
– Net earnings	.43	(20)
CFOA YTD	13.6	(18)
– Industrial CFOA	11.3	5
	<u>3Q'08</u>	<u>YTD</u>
Tax rate	11%	15%
– GE (ex. GECS)	29	28
– GECS	(29)	(4)

(\$ in millions)

	Results			
	Segment Revenues		Segment profit	
	<u>\$</u>	<u>V%</u>	<u>\$</u>	<u>V%</u>
Energy Infra.	\$9,769	32%	\$1,425	31%
Technology Infra.	11,450	9	1,900	2
NBC Universal	5,073	35	645	10
<b>Industrial</b> (ex. C&I)	<b>26,292</b>	<b>21</b>	<b>3,970</b>	<b>12</b>
Capital Finance	17,292	2	2,020	(33)
C&I	2,989	(6)	47	(82)
	<u><u>\$46,573</u></u>	<u><u>11%</u></u>	<u><u>\$6,037</u></u>	<u><u>(11)%</u></u>

In line with revised guidance

# 3Q'08 Infrastructure orders

## Equipment

(V%)	2Q'08	3Q'08
Energy	47%	21%
O&G	(8)	(12)
Aviation	11	(8)
Transportation	(78)	(39)
Healthcare	8	9
Ent. Solutions	5	8
<b>Total equipment</b>	<b>4%</b>	<b>5%</b>

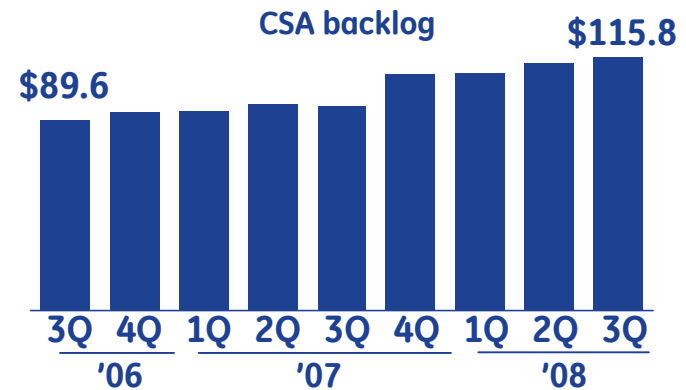
- ✓ Energy ... Wind +52%, Aero. +73%
  - ✓ O&G ... \$0.3B slippage to 4Q
  - ✓ Aviation ... military strength, tough comps
  - ✓ Transportation ... tough comps vs. 3Q'07 Brazil order
- (\$ in billions – orders 4 quarter rolling average)



## Services

(V%)	2Q'08	3Q'08
Energy	19%	14%
O&G	36	36
Aviation	14	15
Transportation	41	34
Healthcare	13	8
Water	24	8
<b>Total services</b>	<b>19%</b>	<b>16%</b>

- ✓ Energy ... broad-based growth, led by Nuclear
- ✓ Aviation ... military & commercial strength
- ✓ Healthcare ... Imaging & Clinical Systems +8%
- ✓ Water ... growth driven by global demand



- ✓ Overall Infrastructure orders \$23B, +9%
- ✓ Services strength across the board, +16%
- ✓ Total backlog +\$28B, +20%

# Energy Infrastructure highlights

(\$ in millions)

<u>3Q'08</u>	<u>\$</u>	<u>V%</u>
Revenues	\$9,769	32%
Segment profit	\$1,425	31%

## Key 3Q business results

	<u>Revenues</u>		<u>Segment profit</u>	
	<u>\$</u>	<u>V%</u>	<u>\$</u>	<u>V%</u>
Energy	\$7,392	38%	\$1,109	36%
Oil & Gas	1,891	11	305	29

## 3Q dynamics

### Energy

- Orders +18% ... backlog up 36%, \$24.9B
- Revenue growth +38% ... Thermal +66%, Wind +73% ... Aero +41% ... Jenbacher +25%
- Segment profit +36% ... \$314MM positive value gap
- Equipment growth vs. service mix impacting op. profit by (160) bps.

### Oil & Gas

- Orders +4% ... backlog up 19%, \$8.4B
- Revenues +11% ... strong performance in services +27%
- Segment profit +29% ... price & productivity strong drivers

**Broad based global demand**

# Technology Infrastructure highlights

(\$ in millions)

<u>3Q'08</u>	<u>\$</u>	<u>V%</u>
Revenues	\$11,450	9%
Segment profit	\$1,900	2%

## Key 3Q business results

	<u>Revenues</u>		<u>Segment profit</u>	
	<u>\$</u>	<u>V%</u>	<u>\$</u>	<u>V%</u>
Aviation	\$4,841	14%	\$834	13%
Healthcare	4,191	3	634	(8) <sup>-a)</sup>
Transportation	1,256	13	255	1

(a- October 12, 2007 8-K adjustment added \$51MM op. profit to previously reported 3Q'07)

## 3Q dynamics

### Aviation

- Orders +1%, backlog +17%, \$25.8B
- Revenue growth +14% ... commercial/military engines +25%, spare parts sales +11%
- Segment profit growth +13% ... favorable price, volume & productivity
- Services impacted by retirements/utilization
- Equipment vs. service mix impact rate (190) bps.

### Healthcare

- Orders +9%... Global DI +5%, Clinical Systems +12%, Life Sciences +16%, maintaining share
- Revenue growth +3% ... services +8%, equipment +1%, U.S. DI market soft, down (5)%
- Segment profit growth (8)%<sup>-a)</sup>

### Transportation

- Orders +6%, 1,900+ units in backlog
- Revenue growth +13% ... global locomotive up 2X
- Segment profit growth impacted by increased engineering/mfg. investments for international growth

**Mixed environment**

# Segment highlights – NBCU

(\$ in millions)

<u>3Q'08</u>	<u>\$</u>	<u>V%</u>
Revenues	\$5,073	35%
Segment profit	\$645	10%

## 3<sup>rd</sup> quarter dynamics

- 1 Network**
  - + TV studio continues to perform ... key profit driver with very strong margins
  - + News remains #1
  - Market softness in Local Media
- 2 Entertainment & Info. Cable**
  - + Cable strong everywhere, USA #1
  - + Bravo & USA profit +20%
  - + MSNBC +38% – fastest growing news channel in prime ... "the place for politics"
  - + CNBC +15% – the leader in business news
- 3 Film & Parks**
  - + Strong summer in a crowded market ... *Mamma Mia, Wanted, Burn After Reading*,
  - +/- Parks per caps remain favorable +5% ... offsetting attendance softness
- 4 Strong Olympics performance**
  - + Ratings exceeded both estimate and '04 and '06 Games
  - + Reaffirmed value of network model

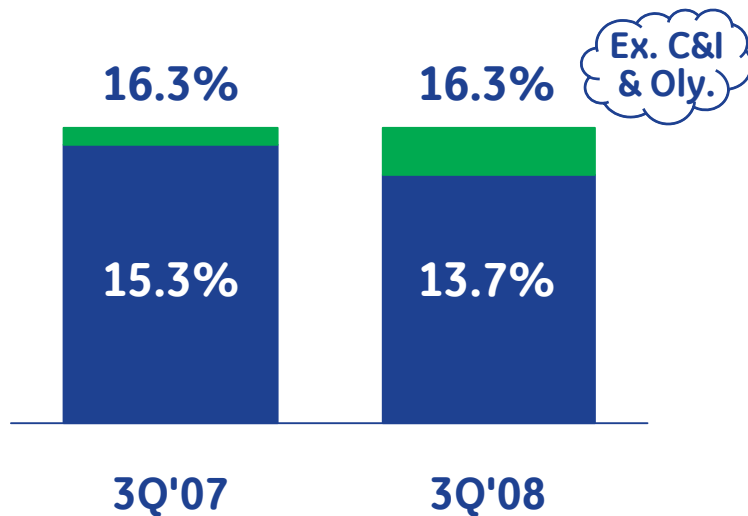
**+10% VPY; 8<sup>th</sup> consecutive quarter of growth**



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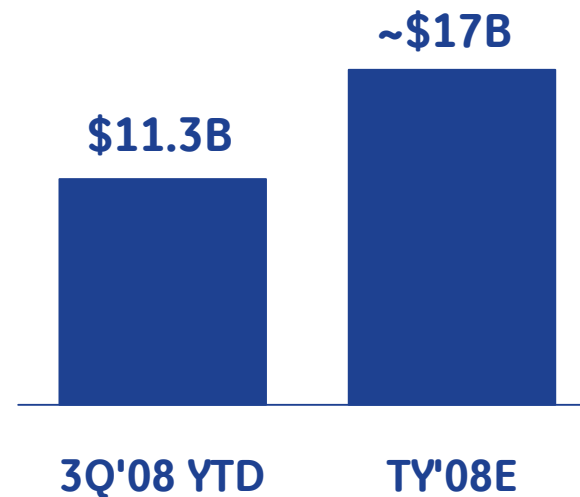
# Operations update

## 3Q Industrial op. profit



- ✓ Driven by:
  - Equip./services mix (80) bps.
  - Productivity 30
  - Price/inflation 50

## Industrial CFOA



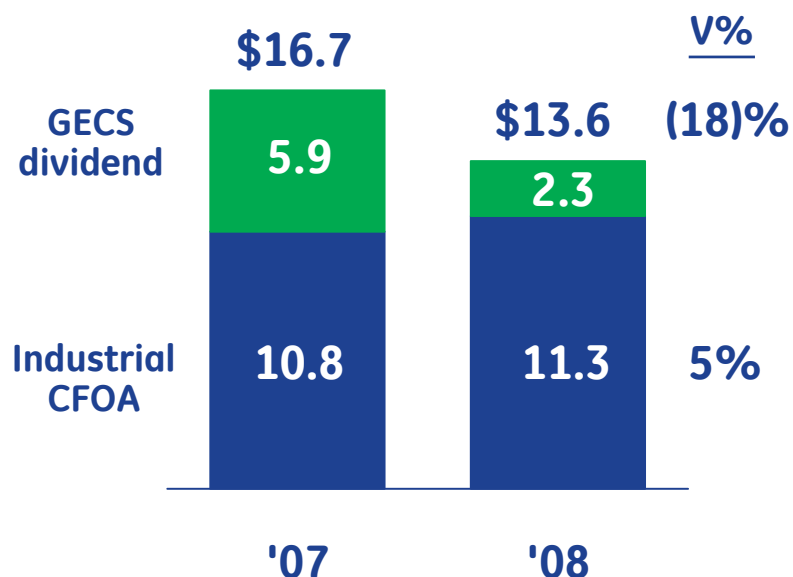
- ✓ Progress collections & receivables factoring more than offsetting inventory build to deliver equipment growth
- ✓ Lean driving improved cycle times

**Strong focus to price ahead of inflation & cash generation**

# Third quarter YTD cash flow

(\$ in billions)

## GE CFOA



- GECS dividend down \$3.6B
  - Non-repeat of Swiss Re & GE Life proceeds in 2Q'07
  - Regular GECS dividend at 10% from start of 3Q'08

## Cash balance walk

	<u>Total</u>
Beginning balance	\$6.7
CFOA	13.6
Dividends	(9.3)
Stock repurchase	(3.2)
P&E	(2.3)
Acquisitions/dispositions	(2.1)
Change in debt/other	0.1
<b>3Q'08</b>	<b><u><u>\$3.5</u></u></b>

- ✓ **Solid Industrial CFOA performance**
- ✓ **\$3.5B cash balance 9/30 plus raising additional \$15B capital**



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# Capital Finance highlights

(\$ in millions)

<u>3Q'08</u>	<u>\$</u>	<u>V%</u>
Revenues	\$17,292	2%
Segment profit	\$2,020	(33)%
Assets	\$622B	12%

## Key 3Q business results

	<u>Assets (\$B)</u>		<u>Segment profit (\$MM)</u>	
	<u>\$</u>	<u>V%</u>	<u>\$</u>	<u>V%</u>
GE Money	\$209	6%	\$791	(16)%
Real Estate	89	23	244	(62)
CLL	252	15	394	(56)
<i>Capital Solutions</i>	130	10	317	(29)
GECAS	50	6	285	4
EFS	22	25	306	20

## 3Q discussion points

- 1 Financial Services missed by 7¢ vs. our original 3Q guidance but was in line with our 9/25 announcement
- 2 We continue to originate at higher returns & expect pricing to remain robust
- 3 We have taken proactive actions & dramatically improved our liquidity position
- 4 Our portfolio remains stable, however, higher delinquencies are resulting in higher losses & reserves, which we have factored into our '08 guidance & current framework for '09

**\$2B net income in line with revised guidance**

# Financial Services 3Q vs. original guidance

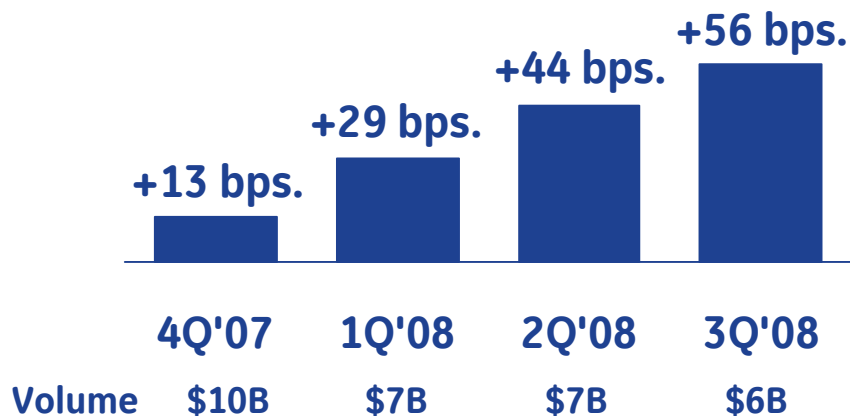
	<u>Earnings per share</u>		<u>3Q'08 impact</u>
		(\$ in millions)	
Impact of market volatility on mark-to-market/ impairments	(5)¢	Investment impairments - FGIC \$(97), WaMu \$(52), media debt \$(47), RMBS \$(40)	\$(389)
Higher losses in GE Money	(1)	Mark-to-market - Genpact \$(154) - \$3B marked quarterly	(173)
Lower assets sales, primarily Real Estate	(1)	Leased equipment annual review - Primarily commercial aircraft	(61)
		SFAS 133 marks	90
<b>Total</b>	<u><u>(7)¢</u></u>		<u><u>\$(533)</u></u>

**Financial Services variance vs. original guidance driven by recent market conditions ... in line with 9/25 guidance**

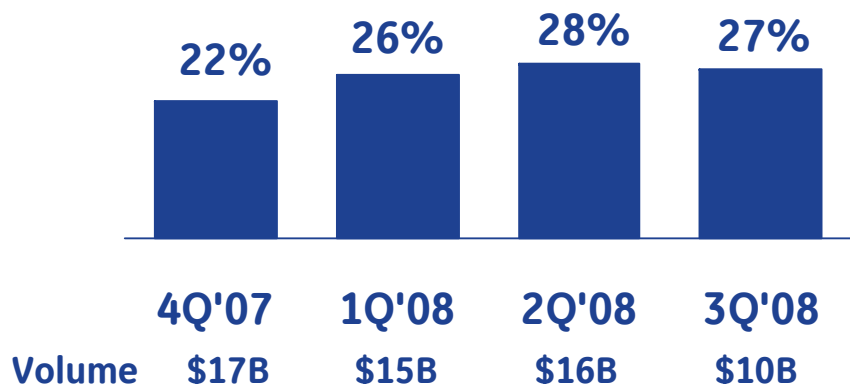
# Commercial margins

## Expanding new business margins

### Capital Solutions leasing/financing spreads



### Corporate & Real Estate debt ROEs



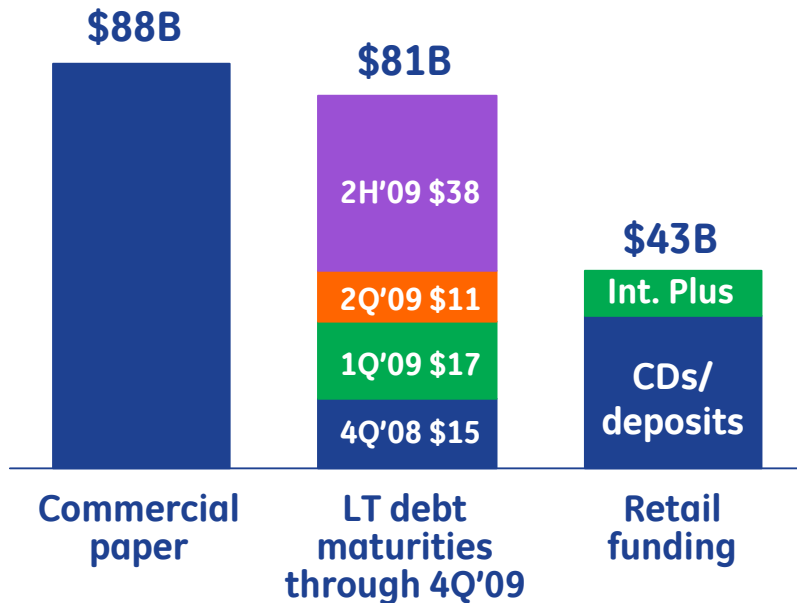
## 3Q dynamics

- ✓ Lower commercial originations \$21B ... (37)% vs. last year
- ✓ Trading volume for price across all businesses
  - RE debt originations \$4.0B at 25% ROE ... equity originations only \$0.4B
  - Capital Solutions (25)%, offsetting volume with price & fees
  - Corporate Finance ... 34% + ROE for asset backed & cash flow loans in September
- ✓ Maintain opportunistic outlook for originations ... attractive pricing through 2009
- ✓ Still funding highest return originations in 4Q & beyond

# Financial Services liquidity

(\$ in billions)

## Liquidity position



- ✓ CP down to \$80B by year end
- ✓ Back-up lines + cash > CP today
  - GE parent cash \$18.5B, GECS cash \$13B
  - \$62B unused back-up lines
- ✓ CP investor demand remains strong
- ✓ Deposits growing ... +\$20B since 12/07

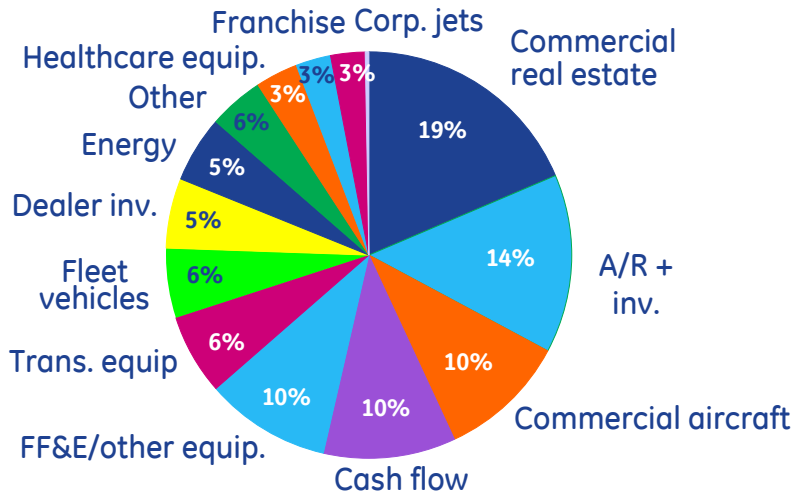
## Liquidity considerations

- 1 Triple A is an advantage ... confirmed by rating agencies
- 2 Debt markets, while volatile, have still worked for us ... cost of CP down
  - 4Q'07 average cost 5%
  - 3Q'08 average cost 2.5%
- 3 We have more protection today if CP market remains under duress
  - Back-up lines + cash > CP
- 4 We have retail sources to grow funding ... CDs/deposits
- 5 We can proactively manage long-term debt maturities through origination & collections (~\$120B) management ... will be opportunistic
- 6 Federal Reserve acted to stabilize \$1.6T overall CP market

**Strong position ... weathering volatility**

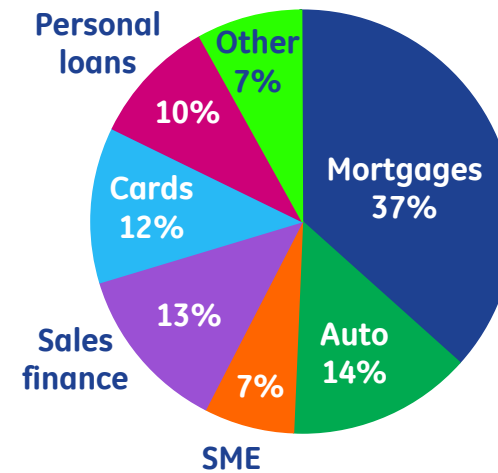
# Capital Finance portfolio

## Commercial - \$413B assets



- ✓ Broad spread of risk, managed exposure limits
  - 69% of commercial exposures under \$100MM
  - 57% under \$50MM
- ✓ Senior, secured financings
  - 10-year avg. losses at 0.3%, highest at 0.9%
- ✓ Conservative, hold to maturity model
  - No SIVs or CDOs, and we do not sell CDS

## Consumer - \$209B assets



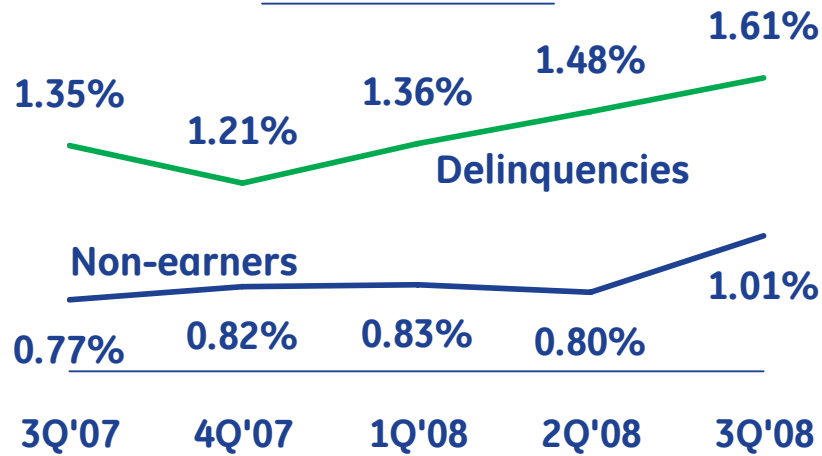
- ✓ 79% portfolio outside U.S
- ✓ Tightened U/W & collections early in cycle
- ✓ Mortgage reserves ↑ 23% since 4Q'07 ... minimal write-offs to date
- ✓ Exited Japan ... \$5.4B sale proceeds

- ✓ **Strong risk management ... ~4,000 senior risk managers**
- ✓ **Governed for over 15 years by Policies 5.0 & 6.0**
- ✓ **Consistently outperformed competitive benchmark loss ratios**

# Capital Finance portfolio quality

(\$ in millions)

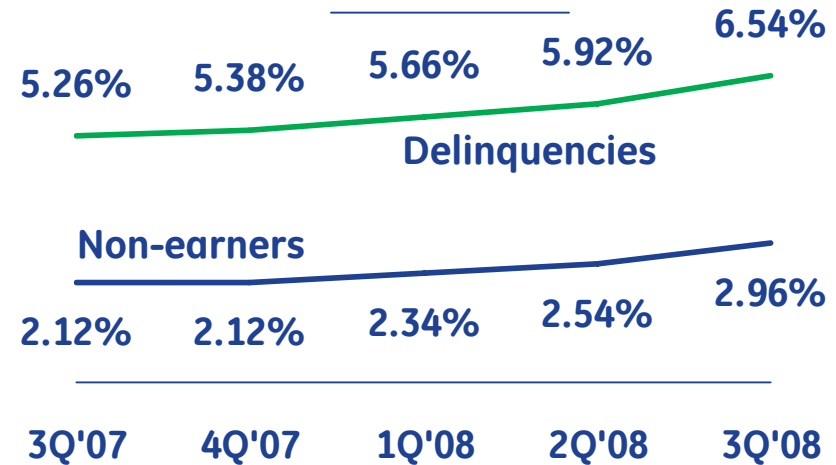
## Commercial



### Drivers

- ✓ Starting to see more softness in commercial delinquencies +26 bps. vs. 3Q'07
  - Sanyo +10 bps.; Europe Cap. Solutions +6 bps.; business properties +6 bps.
- ✓ Non-earners +21 bps./\$602 vs. 2Q'08
  - GECAS & EFS specific transactions +\$309
  - Cap. Solutions +\$174
  - CRE performing well @ .19%

## Consumer



### Drivers

- ✓ Consumer delinquencies +128 bps. vs. 3Q'07
  - U.K. mortgage +71 bps.; North America +34 bps.
- ✓ Loss provisions +34%/\$352
  - North America +\$249, \$561 YTD ... TYE \$0.8-1.0B
  - Loss provisions growing faster than write-offs for the 4<sup>th</sup> successive quarter

### Financial Services: 3Q'08 vs. 3Q'07

- ✓ Higher pretax losses \$451MM
- ✓ Higher reserves \$762MM

# Capital Finance portfolio & credit losses

## 20-year peak - '90-'91 recession

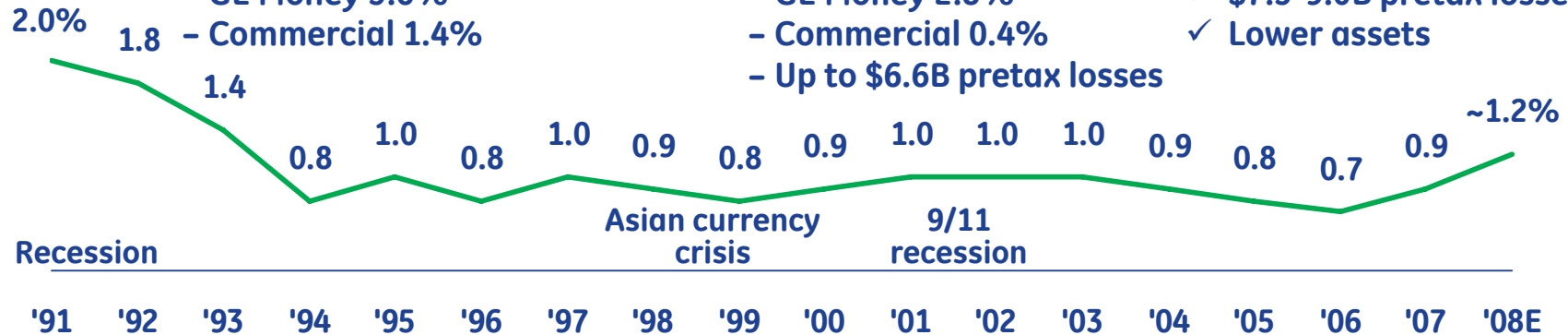
- ✓ Credit losses at 2%
- GE Money 3.6%
- Commercial 1.4%

## 2008

- ✓ Credit losses at ~1.2%
- GE Money 2.8%
- Commercial 0.4%
- Up to \$6.6B pretax losses

## 2009 framework

- ✓ Credit losses at 1.4-1.7%
- ✓ \$7.5-9.0B pretax losses
- ✓ Lower assets



## What is different?

### Portfolio in '90-'91

- ✓ Limited geographic diversity, 90%+ U.S.
- ✓ \$8B LBOs with \$200MM average exposure
- ✓ 28% consumer exposures secured
- ✓ Large mortgage & bond insurer
- ✓ Concentrated Real Estate exposure
  - 25% in NYC
  - High LTVs with average loan of \$100MM
  - Single family residential construction & development lending

### Today

- ✓ 59% international, 79% consumer international
- ✓ 69% of exposures under \$100MM, 57% <\$50MM
- ✓ 58% of consumer secured
- ✓ Exited insurance
- ✓ Diversified Real Estate portfolio
  - 52% global
  - 70% average LTV, \$12MM average loan size
  - Underwrite to hold

**Loss pressure, but more diversified & secure than last cycle**



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# 2008 operations outlook

## Continuing operations

	4Q'08 outlook	
	Revenues V%	Segment profit V% <sup>-a)</sup>
Energy Infrastructure	~30+%	~15%
Technology Infrastructure	~5	~5-10
NBC Universal	~5-10	~0-5
Capital Finance	~(5)-5	~(30)-(20)
C&I	~(10)-(5)	~(70)

(a- Capital Finance on an after-tax basis)

### Total company 2008 outlook

(\$ in billions - except EPS)

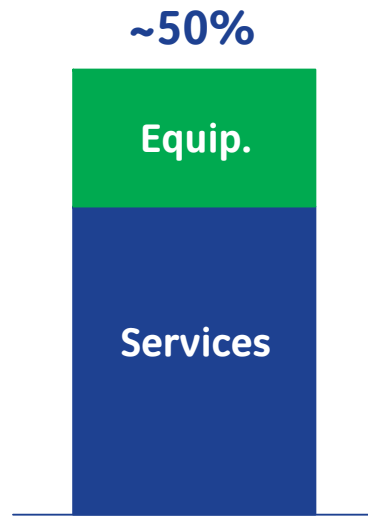
	<u>Year</u>
Earnings	\$19.5-21.0
EPS ex. equity offerings	1.95-2.10
EPS post equity offerings	1.92-2.07

**On track for revised 9/25 guidance adjusted for dilution**

# Infrastructure considerations

(\$ in billions)

## % company earnings



## Backlog

\$54

\$116  
CSAs

## Risk

- ✓ Financing
- ✓ Demand

- ✓ Usage
- ✓ Retirements

## Potential offsets

- ✓ Global diversity
- ✓ Terminations
- ✓ Deflation
- ✓ Environmental momentum

- ✓ Customer benefits
- ✓ Deflation

### Important factors

- ✓ Big backlogs ... contract protections & some products in oversold positions
- ✓ Services margin ... more "recession-proof"
- ✓ 60%+ of shipments are global ... significant "sovereign support"
- ✓ Margins will benefit from demand-driven easing of commodity prices

# Summary

- ✓ The environment is volatile
- ✓ GE execution:
  - + Delivered 3Q'08 continuing earnings of \$4.5B
  - + Confirming total year outlook of \$1.92-2.07
  - + Protecting our Financial Services franchise which is on track to earn in excess of \$9B in 2008
  - + Returning \$13.5B to investors in 2009 through dividends
  - + Built strong infrastructure & media franchises which will outperform through this cycle

**Managing GE for the long term**