

# Electrical Products Group

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#### Caution Concerning 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 GECCI 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 scope, 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)."

"Effective January 1, 2011, we reorganized our segments. We have reclassified prior-period amounts to conform to the current-period's presentation."

"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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## GE & the world

### Global themes



- ✓ World remains volatile → \$82B in cash ... safe & secure ... robust service revenue & backlog
- ✓ Recovery is solidifying across global markets → 13% orders growth in 1Q'11 ... \$177B backlog
- ✓ Emerging economies setting the pace for growth → ~15% growth in emerging markets ... new organization
- ✓ Commodity prices increasing → Diversified global supply chain helps dampen volatility ... deflation in 2011
- ✓ Evolving financial regulatory environment → Transition in progress
- ✓ Liquidity remains high ... companies deploying more cash → Balanced allocation ... \$12B in acquisitions ... raised dividend in 1Q'11 ... continue buyback
- ✓ Increasing demand for new technology → Record-high investment in R&D ... new launches across all segments



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## 2011 operating framework

(\$ in billions)

	Market	GE dynamics	Op. profit		
			'10	'11 outlook	'11 now
<b>Energy</b>	Improving	+ Non-U.S. growth + Service strength + HDGT orders momentum + Acquisitions - Wind margins - R&D - Nuclear fuels	\$7.3	Flat/+	Flat
<b>Aviation</b>	Stronger	+ Product launches + Service strength - NPI/mix	3.3	Flat	Flat/+
<b>Healthcare</b>	Stronger	+ Product launches + Global growth + Adjacency strength - Europe markets	2.7	++	++
<b>Transportation</b>	Strong	+ Global growth + Market rebound + Service growth	0.3	++	++
<b>H&amp;BS</b>	Mixed	+ Lighting growth - Value gap - Housing ✓ NPI investment	0.5	Flat	Flat

**Industrial**



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+

+

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## 2011 operating framework

(\$ in billions)

	Market	GE dynamics	Op. profit		
			'10	'11 outlook	'11 now
<b>GE Capital</b>	Stronger	+ Higher margins + Lower losses + CRE improving	\$3.3	++	++
<b>Corporate</b>		+ Lower restructuring ✓ Pension - NBCU dilution	(5.0)	-	-
<b>Operating earnings</b>			<b>\$12.4</b>	<b>++</b>	<b>++</b>
<b>CFOA</b>		+ Working capital improvements - Lower progress, NBCU JV	14.7	12-13	12-13
<b>Total revenue</b>		+ Industrial ~5% organic + Acquisitions - Capital ~5% ... ENI ↓	-	0-5%	0-5%

**Framework trending positive ... investing to improve 2012 & beyond**



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# Long-term goal update

<u>Operating goals</u>	<u>2011 forecast</u>	<u>Comments</u>
1 Growing operating earnings $\geq$ S&P 500	✓	On track
2 Services & growth markets organically up 5-10%	✓	On track
3 Keep GE Capital at 30-40% of total operating earnings	✓	Trending to high end
4 Grow cash $\geq$ net income ... and restore GE Capital dividend	✓	Industrial: cash > net income
5 Increase ROTC ... Industrial ROTC of 15%+	✓	On track
6 Maintain attractive dividend payout ratio	✓	On track

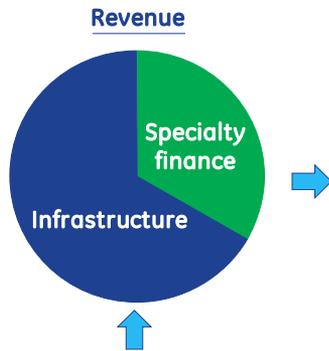


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# Strategic update



# GE of the future



Portfolio stable

GE is an innovative, high-tech infrastructure & financial services company that solves tough global problems for customers & society, while delivering world-class performance

## Competitive advantage

- |                      |                          |
|----------------------|--------------------------|
| Size & scale         | Leadership franchises    |
| Technical leadership | Entrenched relationships |
| Execute "big themes" | Performance culture      |

## Strategic position

- ✓ Emerging-market leader
- ✓ Large installed base
- ✓ Financial flexibility
- ✓ High margin, high return



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# Enterprise value

Capital allocation

## Growth imperatives

Enterprise Risk Management

- ✓ 1) **Launch** great new products
- ✓ 2) **Grow** services and software
- ✓ 3) **Lead** in growth markets
- 4) **Expand** from the core
- 5) **Create** value in specialty finance
- 6) **Solve** problems for customers and society

✓ Competitiveness (GE Advantage)

Leadership development

✓ Brief update

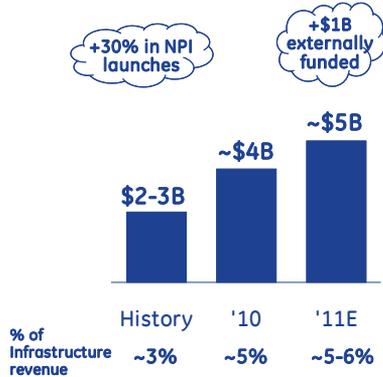
Consistent focus ... organic growth + operating excellence



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# Launch great new products

## 2X R&D investment



- ✓ Strengthen competitive position
- ✓ Higher margin rates
- ✓ Market expansion



## Technical investment = growth

### Key launches

<b>Energy</b>	✓ HD gas turbines ✓ Solar ✓ Controls	✓ Smart Grid ✓ Distributed energy
<b>O&amp;G</b>	✓ Subsea	✓ Shale gas
<b>Healthcare</b>	✓ DI share ✓ HCIT ✓ New tests/tools	✓ Localized NPI ✓ Pathology
<b>Aviation</b>	✓ GENx ✓ Business jets	✓ LEAP-X ✓ Avionics
<b>Transportation</b>	✓ Mining ✓ Battery	✓ Tier 4 ✓ Global locos
<b>H&amp;BS</b>	✓ New appliances line	✓ "Green" lighting

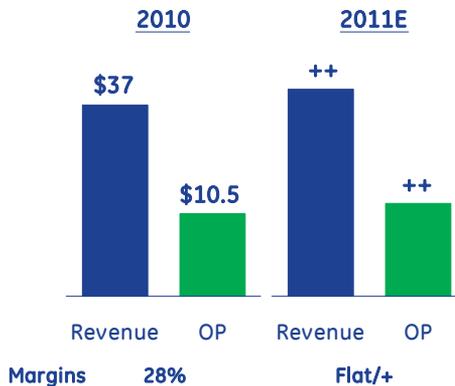
**~5-10% organic orders growth in '11**

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# Grow services

(\$ in billions)

## Services



**Continued growth in services**



## Value creation

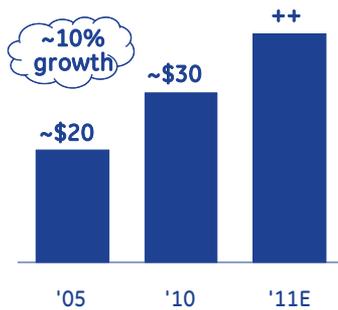
- + Installed base organic growth of ~5% in '11
- + CSA backlog expands to \$130B
- + 48% of total backlog in emerging markets ... comparable margins
- + Spare parts growing 10%+ ... Transportation, Aviation & Energy
- + Margin rate expanding
  - ✓ Escalation protects against inflation
  - ✓ Productivity in CSAs
- + Software growing 15%

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# Build leadership in growth markets

(\$ in billions)

## Industrial revenue



- + Reposition leadership
  - ✓ Rice in place
  - ✓ ~40 senior executives placed
- + "One India" P&L showing results
  - ✓ SVP with full country authority
  - ✓ Orders growth 55% last 5 quarters
- + Investment in customers & innovation
  - ✓ Brazil GRC
  - ✓ 5-10 customer innovation centers
  - ✓ Local innovation driving better solutions
- + Successful partnerships ... JV pipeline ↑

## Competitive advantages

- ✓ Scale
- ✓ Brand
- ✓ Breadth
- ✓ Risk

**Transformative shift to accelerate growth**



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# Partnering to create customer solutions

## Develop distributed energy – Huadian Power



- Develop efficient natural gas solutions
- Forming JV for 50 GT installments in China generating \$500MM in revenue

## Localizing in Russia – RT/Inter RAO



- Forming JVs in Energy and Healthcare
- Manufacture, sell and service GTs
- Production of diagnostic equipment

## Next generation of Avionics – AVIC



- Forming JV to develop avionics systems
- \$300MM annual increase in U.S. exports

## Advanced tech steam turbines – Triveni



- Production of 30-100MW steam turbines for domestic and export to global markets



**Partnerships key ... opens new markets**

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# Growth markets update

(\$ in billions – Industrial)

## Resource rich (~\$20B)

'11E V%

### MENA/Turkey

++



- ✓ Strong relationships SEC, Mubadala
- ✓ Company to Country
- ✓ Saudi localization

### Sub-Saharan Africa

+



- ✓ O&G strength
- ✓ Infrastructure
- ✓ Mining capabilities

### Canada

=



- ✓ Oil sands & mining
- ✓ Hi-tech partnerships
- ✓ Energy growth

### Russia/CIS

++



- ✓ Building new partnerships
- ✓ Infrastructure wins ↑

### Latin America

++



- ✓ GRC in Brazil
- ✓ Win with customers ...



### ANZ

++



- ✓ Mining, transport, LNG ↑
- ✓ Local innovation

## Rising Asia (~\$10B)

'11E V%

### China

++



- ✓ Targeted strategy
- ✓ Innovation centers
- ✓ ecomagination/healthymagination

### India

++



- ✓ Grow manufacturing
- ✓ Healthcare dynamics
- ✓ Energy wins

### ASEAN

++



- ✓ Strong demographics
- ✓ Infrastructure
- ✓ Grow supply chain

**Broad strength: +15% growth in 1Q ... growth rate accelerating**



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# GE Advantage

## Overview

- ✓ Applied to 40 high-impact, core processes
- ✓ Led by best GE talent
- ✓ Leveraging proven tools & GE culture
  - Lean
  - Six sigma
  - Workout
  - Kaizan
- ✓ Senior leaders own

## Driving improved results

- 1 Increase **competitiveness** ... orders ↑
- 2 **Better value & productivity** ... margins ↑
- 3 **Faster deliveries** ... CFOA ↑
- 4 **Drive speed & quality** ... simplification ↑

## Critical projects

### New product introduction: efficiency

Aviation	"World-class engineering"
Energy	Smart Grid cycle
Lighting	LED cycle time
Healthcare	Prioritization/margins

### Order to remittance: cycle reduction

O&G turbomachinery  
Transportation

### Service + CSA excellence: margins

Aviation	Predictable performance
Energy	Sustain/quality

### Acquisition integration: returns

Energy

### Commercial excellence: value/price/quality

Aviation product launch  
Healthcare enterprise accounts  
Capital deal conversion  
Transportation customer value

**Process delivering operational results: margins & working capital**



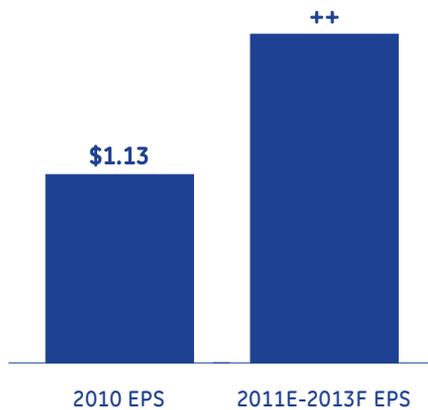
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# Areas of investor interest



## Operating earnings growth outlook



### Areas of interest

- 1 Industrial margins
- 2 Value of acquisitions
- 3 Energy earnings cycle
- 4 Aviation product cycle
- 5 GE Capital strength
- 6 Capital allocation choices

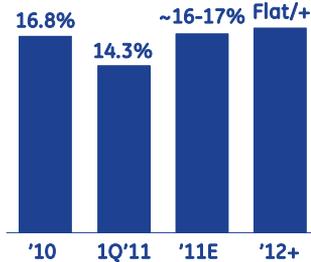


**GE positioned to execute for investors**

# 1 Margin dynamics

## Drivers

### Margin trends



#### 1 Value gap/productivity

- Wind drives value gap negative in '11
- Overall material deflation in '11 ... strong supply chain
- Volume driving productivity

#### 2 R&D & NPI

- Robust product pipeline for '11-13
- Learning curve economics on engines
- Expect '12 investment to be  $\leq$  '11 (as % of revenue)

#### 3 Services

- Sustainable high-margin revenue
- Productivity improvements in long-term contracts
- Installed base growth

#### 4 Acquisitions

- Energy acquisitions dilutive in '11
- Working integration & synergy plans

- ✓ Expect margins down in 1H but should improve sequentially in 2H
- ✓ 2012 improvement ... volume, productivity, services

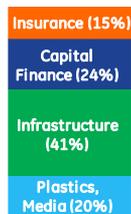


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# 2 Value of acquisitions

## Portfolio transformation

2000



- ✓ Focus on Infrastructure
- ✓ Balance/strengthen businesses
- ✓ Reduce risks

Going forward



- ✓ Higher Industrial growth segments
- ✓ Simpler, less volatile portfolio

## Reallocation to Energy

(\$ in billions)

Cash generation

\$11



Energy acquisitions

\$11



\$6B revenue in higher growth segments

### GE synergies

- ✓ Global distribution
- ✓ R&D ... leverage GRC
- ✓ Service disciplines
- ✓ Supply chain scale

- ✓ Strengthen & diversify Energy Infrastructure
- ✓ Building out O&G & scaling up new energy platforms



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# GE Oil & Gas

(\$ in billions)

## Oilfield services (Schlumberger, Halliburton, etc.)



- ✓ Exploration drilling technologies
- ✓ Well intervention services

## Technical solutions



- ✓ Flow equipment products & services provider
- ✓ Pressure & flow optimization
- ✓ Asset management & productivity

AAGR  
~10%

## IOC/NOC (Exxon, Chevron, QP, etc.)

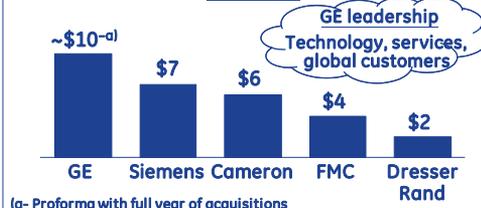


- ✓ Find, develop & produce crude oil & natural gas
- ✓ Refining & distribution of crude oil derived products



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## Revenue



## Business lines

Business line	\$	Growth drivers
Turbomachinery	~\$4	<ul style="list-style-type: none"> <li>✓ Global exploration</li> <li>✓ LNG growth</li> <li>✓ Subsea exploration</li> <li>✓ Unconventional gas</li> </ul>
Subsea (Wellstream)	~2	
Drilling & surface (Wood)	~2	
Services	~2	

Building leading franchise

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# Acquisitions strengthen growth platforms

## Power management/electrification



~\$6B

~15% growth

- ✓ Power conversion (Converteam)
- ✓ Energy systems (Lineage)
- ✓ Digital energy
- ✓ Industrial



### Growth drivers

- ✓ Broad offerings to vertical industry segments
- ✓ More fully integrated technologies
- ✓ Broad energy solutions for data centers & telecomm sector

## Measurement & controls



~\$4B

~10% growth

- ✓ Measurement
- ✓ Controls
- ✓ Flow technology (Dresser)



### Growth drivers

- ✓ Customized high-tech applications across energy verticals
- ✓ Increased solutions capabilities
- ✓ Capture margin in GE

## Distributed power



~\$1.5B

10% growth

- ✓ Waukesha (Dresser)
- ✓ Jenbacher



### Growth drivers

- ✓ Global distribution
- ✓ Complementary products
- ✓ Stronger service offerings

Continue to diversify Energy business; broaden into Industrial segments



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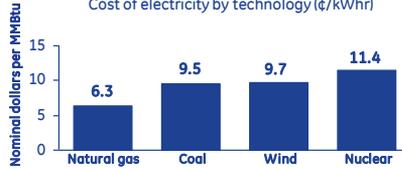
### 3 Energy earnings cycle ... "gas cycle" improving

#### Natural gas market drivers

- + Low natural gas price
- + Emerging market growth
- + EPA regulation
- + Japan market needs/requirements
- + Nuclear market delays
- + Alternative/unconventional sources
- Demand for electricity (U.S., Europe)

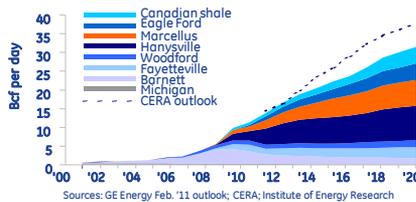
#### Full-cycle costs of power plant options

Cost of electricity by technology (¢/kWhr)



#### NA shale gas production

Bcf per day



Market dynamics favorable for GE



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## Broad-based gas capabilities

#### Gas power generation

##### Heavy-duty gas turbines

- Widest range of turbines available
- Cutting-edge technology



##### Jenbacher

- Gas fueled reciprocating engines
- Small scale applications



##### Aeroderivatives

- Revolutionary gas turbine technology
- Operational flexibility



#### Gas exploration

##### Drilling & production

- Surface & subsea
- Unconventional



##### LNG

- Customized equipment for LNG value chain



##### Dresser

- Flow technology leader

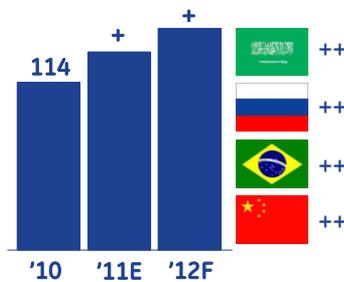


##### Controls

- Sensor based management
- Asset condition monitoring



#### Gas turbine production



- + Unit volumes up
- + World class technology/NPI
- + Emerging market strength
- Value gap
- Demand cycle in U.S. & Europe yet to come

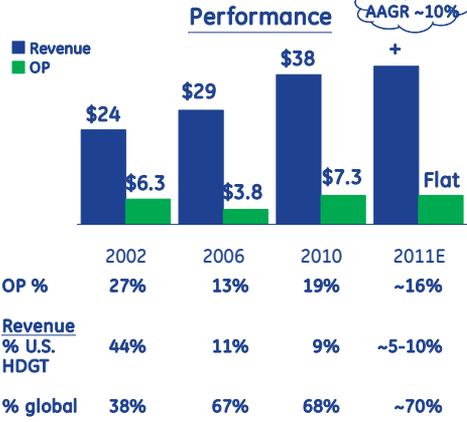
GE positioned to capitalize



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# Energy earnings diversity

(\$ in billions)



## Expect growth to resume in 2H'11 & '12

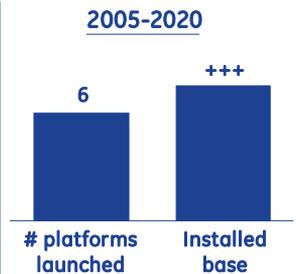
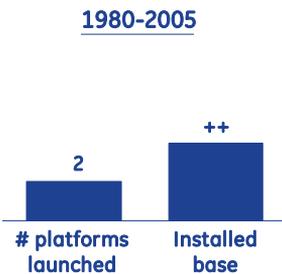
- 1 More positive HDGT equipment cycle
- 2 Acquisitions generating \$6B of revenue in high growth segments
- 3 Energy Services margin expansion ... technical upgrades, software & analytics
- 4 Wind margin declines less in '12 than in '11
- 5 Well positioned for continued international growth in emerging markets

- ✓ Business is more diverse & better able to manage cycles
- ✓ Next global cycle is beginning ... emerging market & technology driven
- ✓ U.S. & Europe investments will come in a few years



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# 4 Commercial Aviation product cycle



	Impact	'11E	'12F	
Earnings dynamics	Service growth	~\$9B revenue	++	++
	R&D spend	\$1.5B	-	~Flat
	Systems growth	Avionics growth	+	+
	Launch mix	GEnx	-	Flat

- ✓ Long-term leadership
- ✓ Solid growth in '12 & beyond



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## 5 GE Capital strength

(\$ in billions)

### Earnings growth accelerating

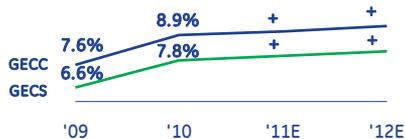


### ENI<sup>(a)</sup> reductions on plan



- ✓ Significant origination advantage
- ✓ CRE improving steadily
- ✓ Continue to remix portfolio ... grow "green"
- ✓ Limited European sovereign debt exposure

### Capital Tier 1 common ratios strong



- ✓ Requires Fed approval
- ✓ Excess capital should be available for special distribution to parent

### Plan to reinstate dividend by 2012

(a- Ex. cash & equivalents; '11 & '12 using 1Q'10 FX rates)



**Stronger franchise that is executing well**

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## 6 Capital allocation choices

(\$ in billions)

### Actions 2010-2011



### Balanced

- + Positioned for growth
- + Improve yield
- + Accretive for '12 EPS

### Financial flexibility

#### Cash above "actions"

#### Planned actions

- ✓ Parent cash ~\$8
- ✓ Closed/announced M&A
- ✓ Pension funding
- ✓ Retire preferred shares

#### Key assumptions

- ✓ Capital dividends resume
- ✓ Special Capital dividend
- ✓ NBCU first monetization in '14
- ✓ CFOA growth



### Priorities

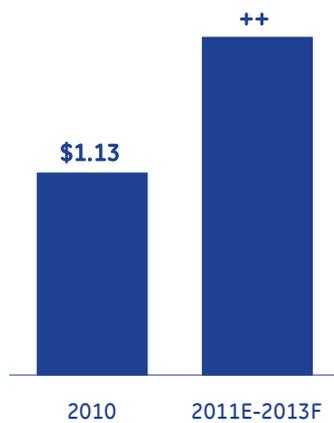
- 1) Attractive dividend payout
- 2) Continue buyback to reduce float ... excess GE Capital dividends support incremental buyback
- 3) Opportunistic M&A ... big deals done in '11



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# Value creation

## Operating EPS



- ✓ Industrial earnings growth is in position, a primary focus, & strategically important to all; improvement driven by organic growth, margins & acquisitions
- ✓ GE Capital is a strong business whose earnings are trending better than expectations ... will work through regulatory changes
- ✓ Big focus on successful acquisition integration
- ✓ NPI investment has improved competitiveness ... will drive organic growth
- ✓ Company has significant financial flexibility ... capital allocation is a top board priority
- ✓ The world is volatile ... we are safer & will hold more cash



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# Summary



# The GE mosaic

2012-2013

	Headwinds	Tailwinds
<b>Financial Services</b>	<ul style="list-style-type: none"> <li>- Higher tax rate</li> <li>- Lower ENI</li> </ul>	<ul style="list-style-type: none"> <li>+ Losses continue declining</li> <li>+ "Core" growth, higher margins</li> <li>+ CRE recovery</li> </ul>
<b>Energy</b>	<ul style="list-style-type: none"> <li>- Wind margins</li> <li>- Inflation</li> </ul>	<ul style="list-style-type: none"> <li>+ Services &amp; global growth</li> <li>+ Acquisitions, NPI</li> <li>+ Natural gas dynamics</li> <li>+ Strong supply chain</li> </ul>
<b>O&amp;G</b>	<ul style="list-style-type: none"> <li>- Oil volatility</li> </ul>	<ul style="list-style-type: none"> <li>+ Services &amp; global growth</li> <li>+ Acquisitions, NPI</li> <li>+ O&amp;G safeguards</li> </ul>
<b>Aviation</b>	<ul style="list-style-type: none"> <li>- Defense budgets</li> </ul>	<ul style="list-style-type: none"> <li>+ Services platforms</li> <li>+ Global position &amp; technology leadership</li> <li>+ Global airline strength</li> </ul>
<b>Healthcare</b>	<ul style="list-style-type: none"> <li>- Government budgets</li> </ul>	<ul style="list-style-type: none"> <li>+ Global growth/local NPI</li> <li>+ Older installed base = service + replacement</li> <li>+ Procedure growth</li> </ul>
<b>Transportation</b>	<ul style="list-style-type: none"> <li>- Execute Tier IV</li> </ul>	<ul style="list-style-type: none"> <li>+ Adjacencies &amp; emerging markets</li> <li>+ NPI strength</li> <li>+ Fewer parked locos, services opportunity</li> </ul>
<b>Consumer</b>	<ul style="list-style-type: none"> <li>- Housing starts</li> <li>- Inflation</li> </ul>	<ul style="list-style-type: none"> <li>+ Restructuring benefits</li> <li>+ NPI</li> <li>+ Eco trends</li> </ul>
<b>Corporate</b>	<ul style="list-style-type: none"> <li>- Global investments</li> </ul>	<ul style="list-style-type: none"> <li>+ Retire preferred stock</li> <li>+ NBCU growth</li> <li>+ Social costs</li> </ul>

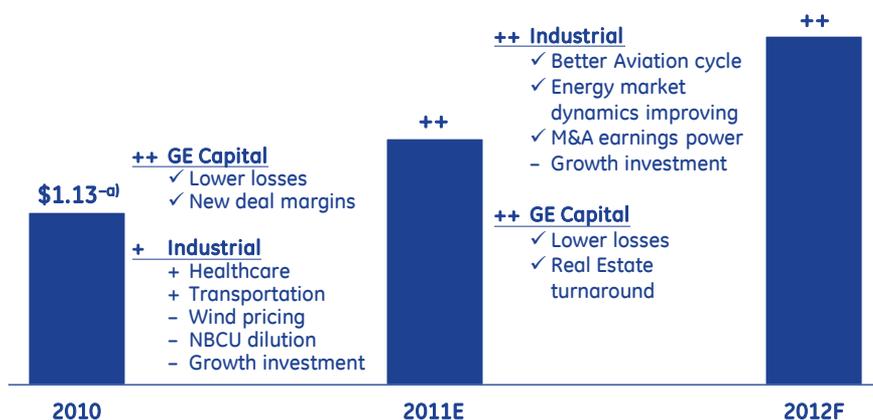


**Positioned for attractive earnings growth**

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# Earnings growth outlook is very strong

(Earnings per share)



(a- 2010 operating EPS; 2010 continuing EPS \$1.15)



**Best portfolio & best outlook in 10 years**

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