

# GE Transportation

## Business Update for 2011 Credit Suisse Industrial Conference

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August 10, 2011

### 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 (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.

"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."



imagination at work

# Agenda

- Business overview
- Industry
- Our strategy
- Financials
- Q&A

# Business overview

# 100 years of manufacturing excellence



- ✓ Established 100+ years ago
- ✓ Headquartered in Erie, PA
- ✓ Operating in 40+ countries
- ✓ ~10,500+ employees worldwide
- ✓ ~\$3.4B revenues in '10 ... 63% domestic, 37% international
- ✓ Operating in 6 different industries



**Global Infrastructure business ...  
strong synergies with rest of GE**

# Key Products

## Loco & Services

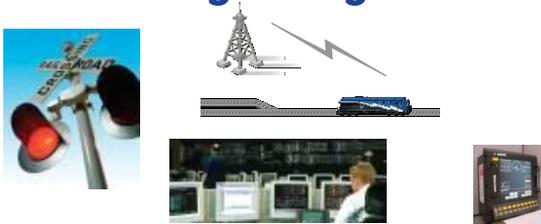


% Revenue/  
Growth

65%/++

- ✓ #1 diesel loco builder in the world
- ✓ Engine, propulsion & control tech.
- ✓ Parts & Service

## Signaling



15%/+

- ✓ Fuel & velocity efficiency
- ✓ Railroad safety & compliance
- ✓ Railway network planning solutions

## Mining, Marine, Drill



20%/++

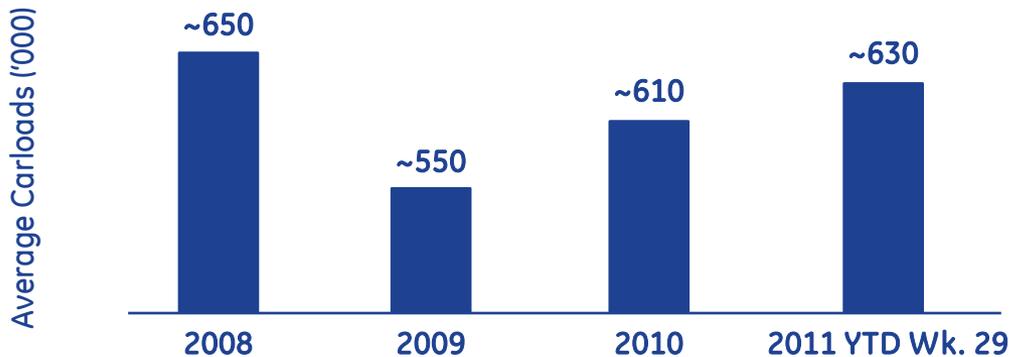
- ✓ Built on vital organs ... engine, gears
- ✓ Integrated electric propulsion system
- ✓ Advanced energy storage systems

**Full product offering ...  
beyond just locomotives**

# Industry

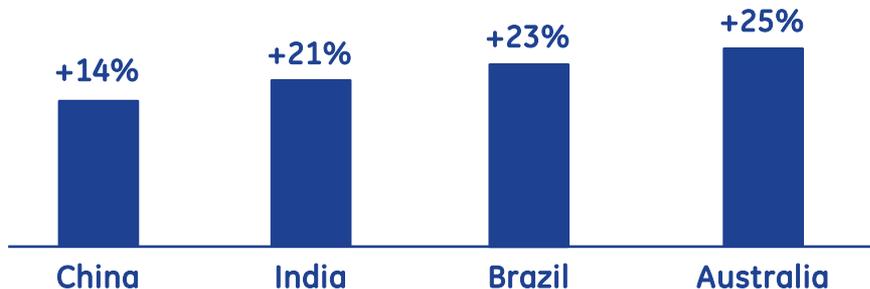
# Freight Rail ... a two-speed recovery

## North America Carloads <sup>-a)</sup>



(a- Source AAR)

## International forecasted Rail growth '11 vs. '08 <sup>-b)</sup>



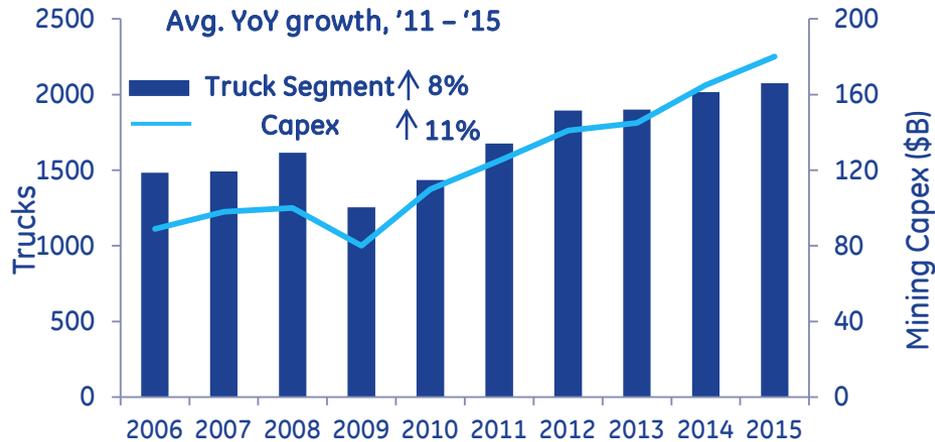
(b- Source: Morgan Stanley, IR budgets m-T, World Bank & ANTF Jan'11, Australasian Railway Assoc Mar'11)

- N.A. ... volumes improving ... pre-crisis volumes expected in '12
- Parked locomotives down ~55% from '09 peak
  - ~8% of North America's fleet (~2,300 locomotives parked)
- EU freight volumes lagging, but improving YoY
- Strong rest of the world growth

High growth in global markets  
... West recovering slowly

# Mining Industry

Forecast to grow 8% YoY in '11-'15



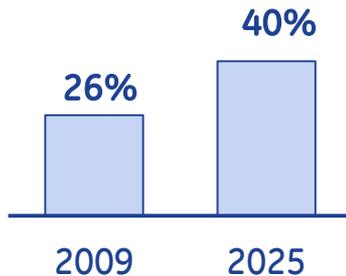
Sources: JP Morgan, Parker Bay

## Key dynamics

- Mining “super cycle” in progress
  - Capex growth +11% YOY in '11-'15
- 35% current fleet 10 years old ... replacement opportunity
- Mining for commodities more challenging ... deeper & lower grade drive use of mining equipment
- Ramping up production in new regions ... W Africa, Australia, Brazil
- More powerful & sophisticated equipment required ... technology wins

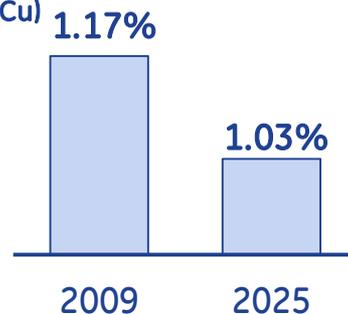
### Increasing depth ...

Underground copper production  
(% of global production)



### ... decreasing grade

Copper industry average grade  
(% Cu)



**GE Transportation well positioned to grow in mining market**



# Our strategy

# GE Transportation Strategy



- ## 1 Strengthen our core business

  - Fuel economy ... emissions
  - Hybrid technology
  - Mining expansion
  - Passenger & Transit platforms

- ## 2 Globalize ... Localize

  - Expand our global product portfolio
  - Have a global, flexible footprint

- ## 3 Grow our adjacencies

  - Enter in new propulsion segments
  - Develop Energy Storage

**Be a global manufacturing leader in rail & mining industry**

# Creating Global Product Families

2000



- ✓ GE introduces Dash-9 & AC 4400 for North America market
  - Higher efficiency

2005



- ✓ New Evo Locomotive launched ... 4,200+ sold through 2010, ~\$8B
  - Environmental friendly
  - Fuel efficient ... 3%-6% fuel advantage

2010 & Beyond



- ✓ Launched Evo platforms globally
  - Brazil, China, Kazakhstan
  - New Texas facility adding 500+ jobs



- ✓ Introduced PowerHaul family
  - Penetrated European market with win in U.K.
  - Targeting mainland EU, Eastern Europe, Korea & Australia

**Expanding portfolio ... 13 new launches in 5 years**

# Locomotive technology in Brazil

## Cooperating with key customers

- ✓ Signing cooperation agreement with key locomotive customers
- ✓ Tackling energy and environmental challenges through tech. agreement
- ✓ Leverage scale & scope as global mining leader
- ✓ GE product breadth & expertise

## Developing new Eco Locomotives



### Biodiesel

- ✓ 5% blend approved globally
- ✓ 2 year field test @ 25% on going



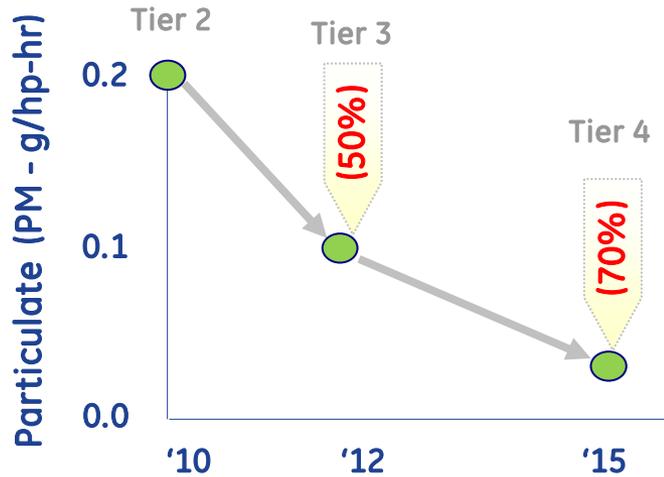
### LNG / Dual Fuel

- ✓ Explore retrofit opportunity
- ✓ GE Locally develop & test
- ✓ New Brazilian NG reserves found
- ✓ Brazilian Government support

**Positively impacting environment  
while driving customer value**

# The emission challenge

## Regulation Requirements

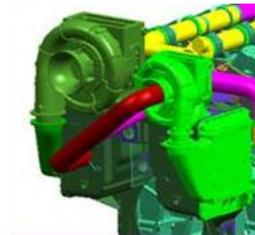


- T4 > 75% reduction in emissions by '15
- EU regulation by 2012 ... different technology
- Fuel efficiency ... Evo 7.5% fuel advantage

## GE: Deliver emissions & save fuel



- ✓ Engine technology
  - Control NOx
  - New fuel savings design



- ✓ Air handling
  - GE design Turbo technology generating higher power

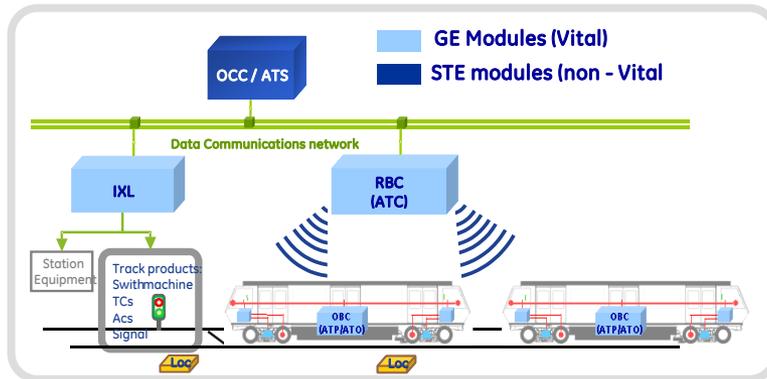


- ✓ Catalyst aftertreatment

Investing to sustain leadership in fuel efficiency

# Signaling – Delta & Movement Planner

## Delta – Train “Traffic Control”



- ✓ Address Passenger/Urban growth ... Signaling served available segment ~\$4B → ~\$11B in '15
  - Sector growth constraint without major upgrade
- ✓ Developed new features
  - Remote Diagnostics & Control
  - Energy efficiency
  - Cyber security
- ✓ Targeting Metro pilot in 1Q'12

~\$11B market opportunity



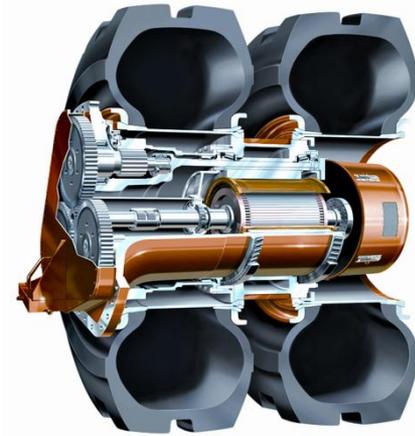
## Movement Planner



- ✓ Norfolk Southern announced use of Movement Planner in June'10
  - Increases rail network capacity & train velocity by 2-4 MPH ... \$200MM value/year
  - Improved on-time performance
- ✓ Enables railroad to move freight faster across rail network
- ✓ Next generation of “air traffic control” for railways

~\$1B market opportunity

# Mining resurgence



**GE 240T Drive System**

- Vital organ expertise
- Integrated propulsion systems

## Global Truck OEM Partners



- ✓ Higher productivity ... faster speed
- ✓ Superior reliability ... 24,000 hrs MTBO
- ✓ Fewer components ... lower maintenance
- ✓ Lower operating costs

**Leader in mining propulsion systems**

# From Energy Storage to Hybrid

## Energy Storage - Battery



- ✓ Durathon™ technology validated
- ✓ Target launch segments ... UPS, Telecom, Utility ... flexible for multiple application
- ✓ Pilots ongoing ... commercialization in 1H'12 ... 2 customers commissioned
- ✓ Demonstrating 30-45% fuel savings

~\$2B market opportunity



## The next generation ... Hybrid



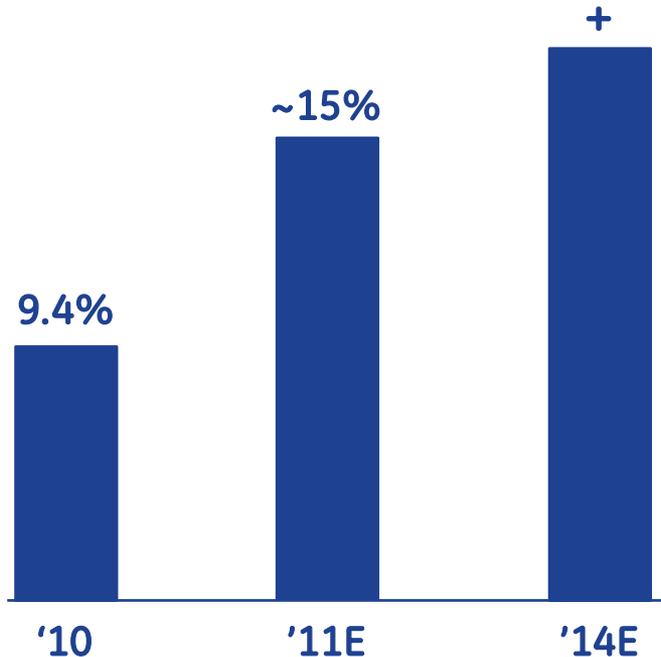
- ✓ Best in class fuel efficiency / emission standards worldwide
- ✓ Battery provides 2,000HP boost to loco's on top of regular engine output
- ✓ Hybrid locomotive saves ~640,000 gallons of fuel over the locomotive life

Targeting launch in 2016

# Financials

# Expanding margins

## Operating profit %

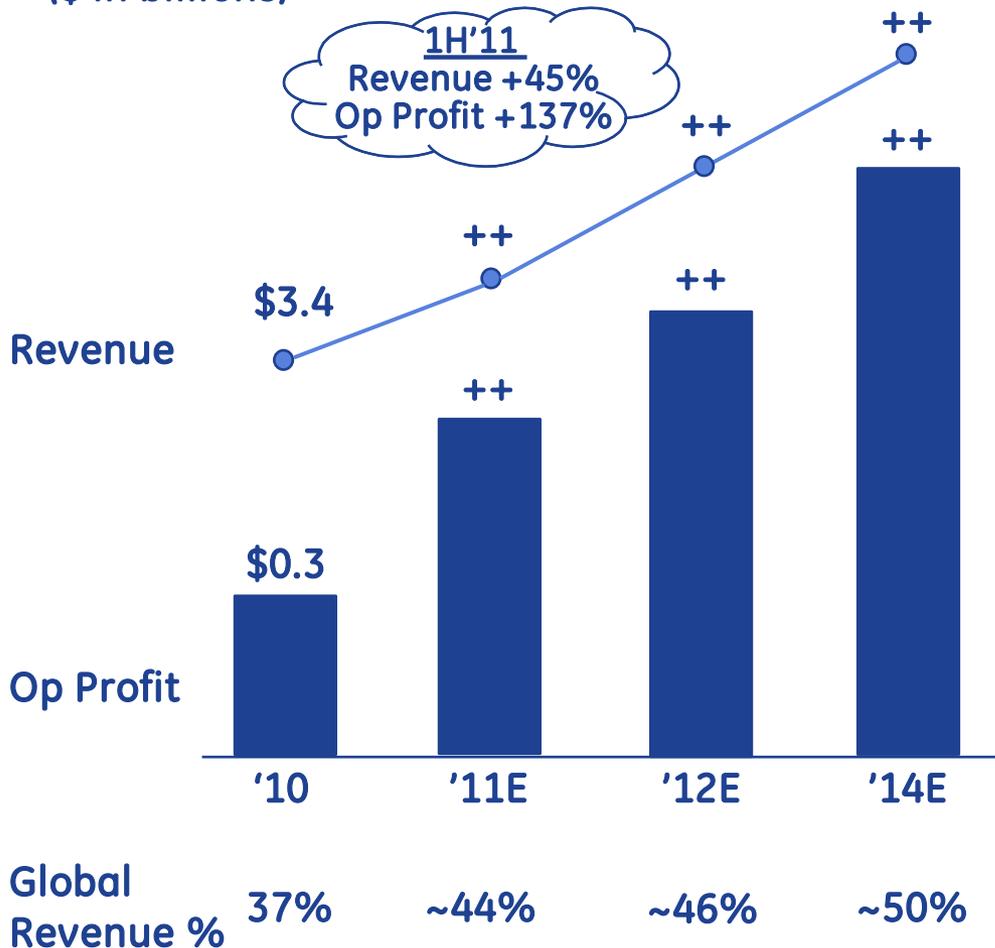


- ✓ Improving service profitability
- ✓ Mitigating commodity inflation through contractual price escalation
- ✓ Driving sourcing rigor ... supplier cost reduction projects
- ✓ Continued program investments

Growing margins while re-investing in new products

# Financial performance

(\$ in billions)



## 2011 dynamics

- ✓ Rail volume rebounding
- ✓ Shipping ~1.7X loco's vs. 2010 ... domestic & international growth
- ✓ Mining industry continues to be strong ... Mining shipments ~+20% in 2011
- ✓ Improving service margins
- ✓ Preparing for emission regulation ... Tier 3 effective Jan 1, 2012
- ✓ Continue to invest in new programs ... Global platforms, Delta, Energy Storage

Attractive financial outlook

# Summary

- ✓ Loco market rebounding ... high growth in resource rich & emerging markets
- ✓ Well positioned to play in mining “super cycle”
- ✓ Leverage emissions to maintain competitive edge
- ✓ Continue to invest in new technology

**Global infrastructure business**

# Q&A