

# GE 2014 first quarter performance

## Financial results & Company highlights

April 17, 2014



### 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; potential market disruptions or other impacts arising in the United States or Europe from developments in sovereign debt situations; 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; pending and future mortgage securitization claims and litigation in connection with WMC, which may affect our estimates of liability, including possible loss estimates; 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 flows and earnings and other conditions which may affect our ability to pay our quarterly dividend at the planned level or to repurchase shares at planned levels; GECC’s ability to pay dividends to GE at the planned level; our ability to convert pre-order commitments/wins into orders; the price we realize on orders since commitments/wins are stated at list prices; 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; our capital allocation plans, as such plans may change including with respect to the timing and size of share repurchases, acquisitions, joint ventures, dispositions and other strategic actions; our success in completing announced transactions and integrating acquired businesses; our ability to complete the staged exit from our North American Retail Finance business as planned; the impact of potential information technology or data security breaches; 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 GECC on an equity basis. “GE (ex-GECC)” and/or “Industrial” refer to GE excluding Financial Services.” GE’s Investor Relations website at [www.ge.com/investor](http://www.ge.com/investor) and our corporate blog at [www.gereports.com](http://www.gereports.com), as well as GE’s Facebook page and Twitter accounts, contain a significant amount of information about GE, including financial and other information for investors. GE encourages investors to visit these websites from time to time, as information is updated and new information is posted.

**Imagination at work.**

# 1Q'14 overview

## Environment

- ✓ Environment was generally positive ... strong performance in most of the company
- ✓ U.S. short-cycle markets strengthened in March ... appears that weather impact a "one-time" event
- ✓ A few rough spots in Healthcare (U.S.) and Transportation (Mining)
- ✓ Growth markets expanded by 7% ... on balance positive ... and in line with our expectations
- ✓ Europe better than expected

## Execution versus goals

<u>Goals</u>	<u>1Q'14</u>
Grow Industrial segments 10%+	12%
Organic growth (4-7%)	8%
Margin expansion	+50 bps.
GE Capital earnings ~\$7B	On track
Cash to parent	\$0.5B dividend
Disciplined/balanced capital allocation	
Buyback + dividend	\$3.4B
Announced M&A	\$2.0B
70/30 Industrial	Retail Finance on track

EPS dynamics:	<u>1Q'13</u>	<u>NBCU</u>	<u>Restr.</u>	<u>Ops.</u>	<u>1Q'14</u>	<u>Adjusted EPS</u>
	\$ .39	\$ (.10)	\$ .01	\$ .03	\$ .33	+9%

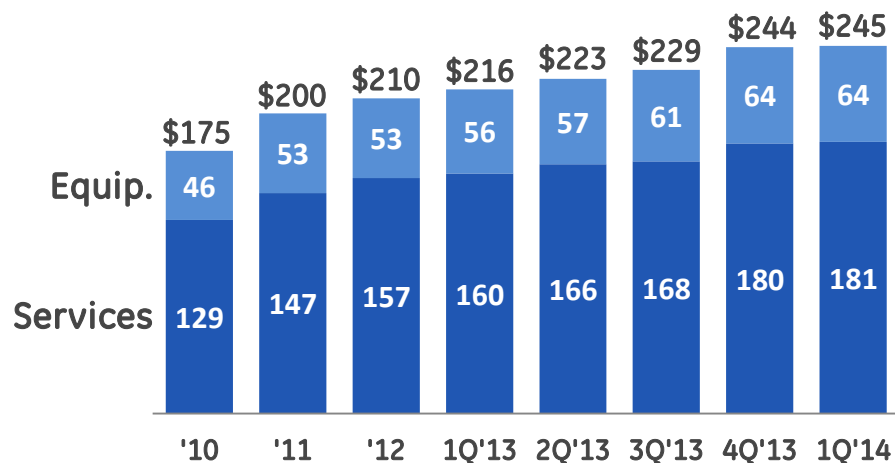


# 1Q'14 orders \$23.7B, flat

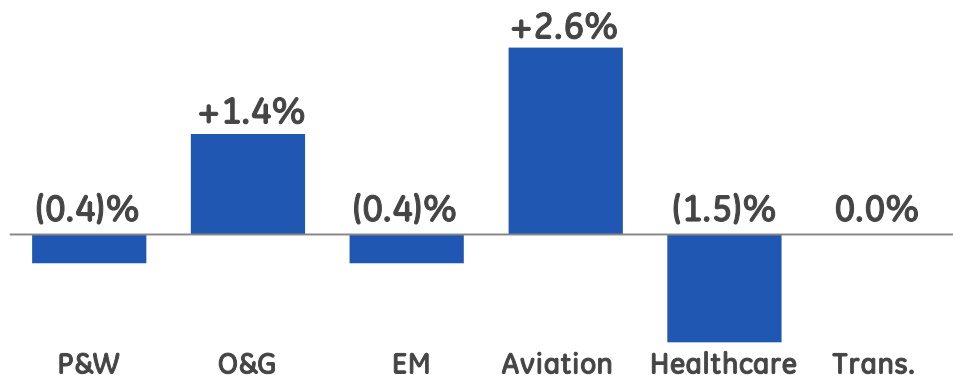
(\$ in billions)

	Equipment		Services	
	\$	V%	\$	V%
Power & Water	\$2.6	(3)%	\$3.1	23%
Oil & Gas	2.4	(17)	2.2	11
Energy Mgmt.	1.6	(6)	0.6	15
Aviation	2.4	(38)	3.1	10
Healthcare	2.3	0	1.9	(2)
Transportation	1.8	F	0.6	(18)
<b>Total</b>	<b>\$12.6</b>	<b>(8)%</b>	<b>\$11.1</b>	<b>9%</b>

## Backlog (\$B)



## Orders price profile 0.4%



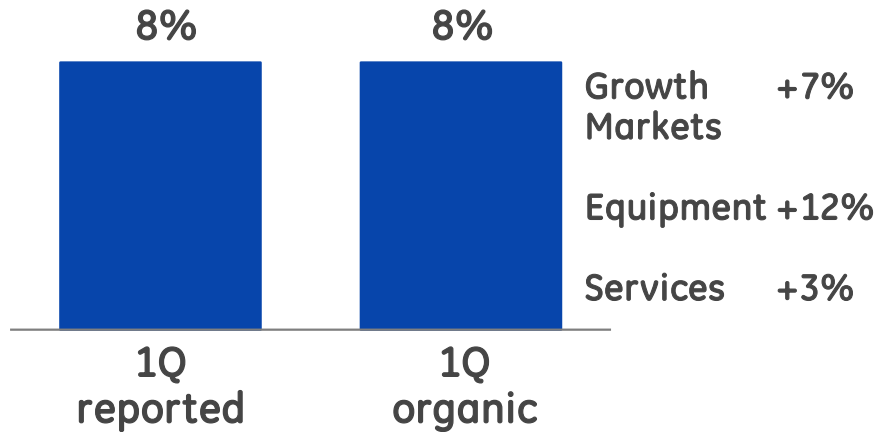
## Highlights

- ✓ Backlog +\$29B vs. PY ... every segment up; favorable OPI
- ✓ Broad services growth ... 4/6 ↑ double-digits
- ✓ Equipment orders impacted by Aviation comps from 1Q'13; O&G timing
- ✓ Global orders flat; growth markets (1)% ... 6/9 growth regions up 10%+
- ✓ Transportation strengthening ... South Africa & North America locomotives



# Industrial segment operating execution

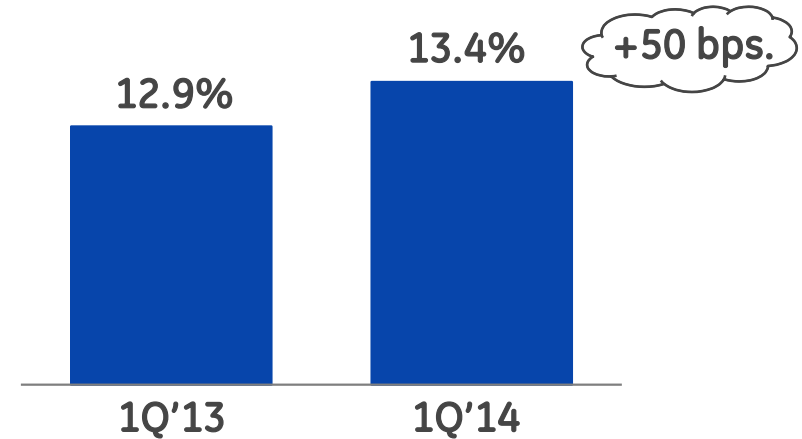
## Revenue growth



## Growth highlights

- + Growth markets ... 5/9 up double-digits
- + Accelerating large block HDGT - 7HA, 9HA
- + Revolution CT receives FDA clearance
- + Aviation spares +22%
- + 17 advanced gas paths ... +9X
- + Very strong equipment growth in P&W, O&G, Aviation ... will continue

## Margins



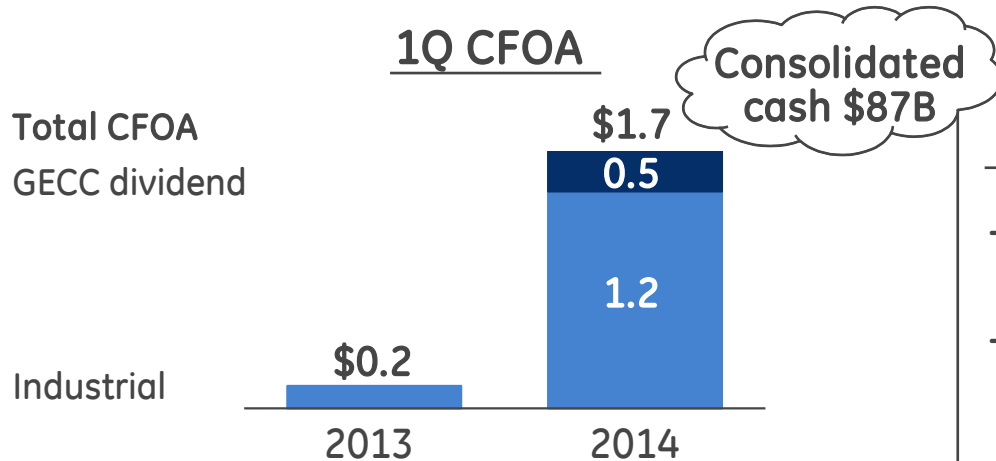
## Margin drivers

	<u>1Q</u>	<u>TY</u>
Mix	(1.2)	-
Value gap	0.5	+
R&D	0.2	=/+
Simplification	1.6	++
Other	(0.6)	-

Industrial segment operating profit growth of 12%



# Cash & capital allocation



<u>GE cash balance walk</u>	<u>Total</u>
Beginning balance 1/1/14	\$13.7
CFOA	1.7
Dividends	(2.2)
Buyback	(1.2)
P&E	(1.1)
Acquisitions	(1.5)
Debt issuance	3.0
Change in debt/FX/other	(0.7)
<b>March 2014</b>	<b>\$11.7</b>

## Executing on capital allocation priorities

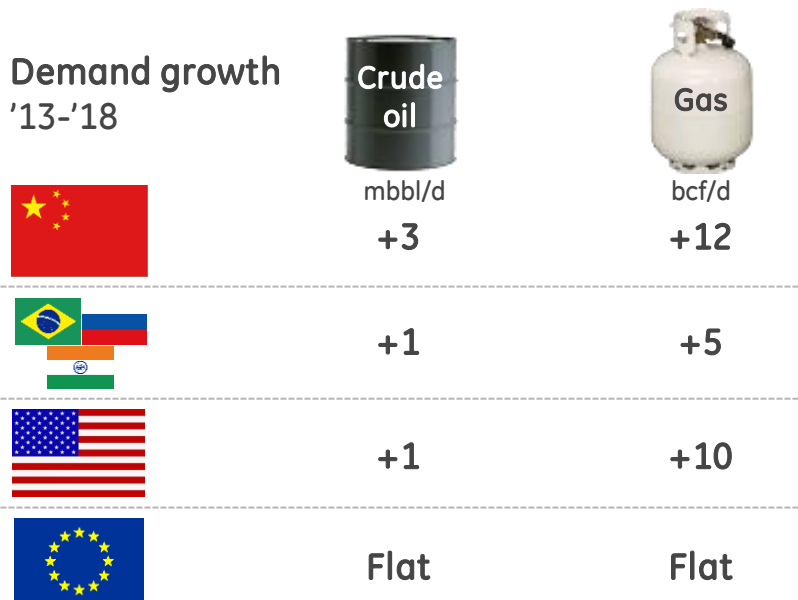
- + Invest in organic growth
- + Continue to grow dividends in line with earnings ... raised dividend 16% for 2014
- + On track to reduce share count in 2014 and planning for 9-9.5B by 2015 ... buyback & Retail Finance
- + M&A focused on building out core
  - ✓ Focus on bolt-on acquisitions
  - ✓ Active on divestiture front (\$4B+)
  - ✓ Go above \$1-4B range only for exceptional value and immediate accretion

- ✓ CFOA on track for the year
- ✓ Capital strong ... 11.4% T1C ratio, \$25B CP



# Oil and gas industry fundamentals remain strong

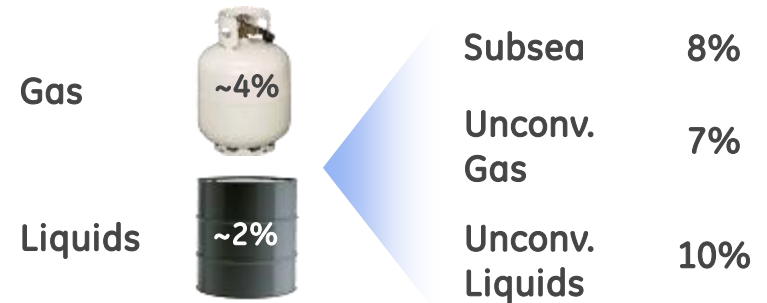
## Demand from emerging economies



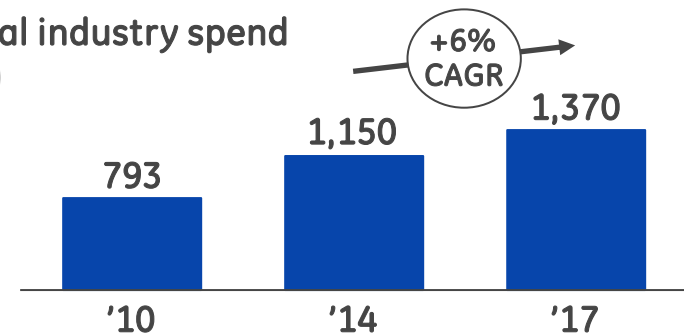
- Oil demand driven by rising living standards in emerging economies
- Gas demand growing in developed and developing economies

## Increasing supply-side complexity

Oil and gas production growth  
CAGR '13-'18



Total industry spend  
(\$B)



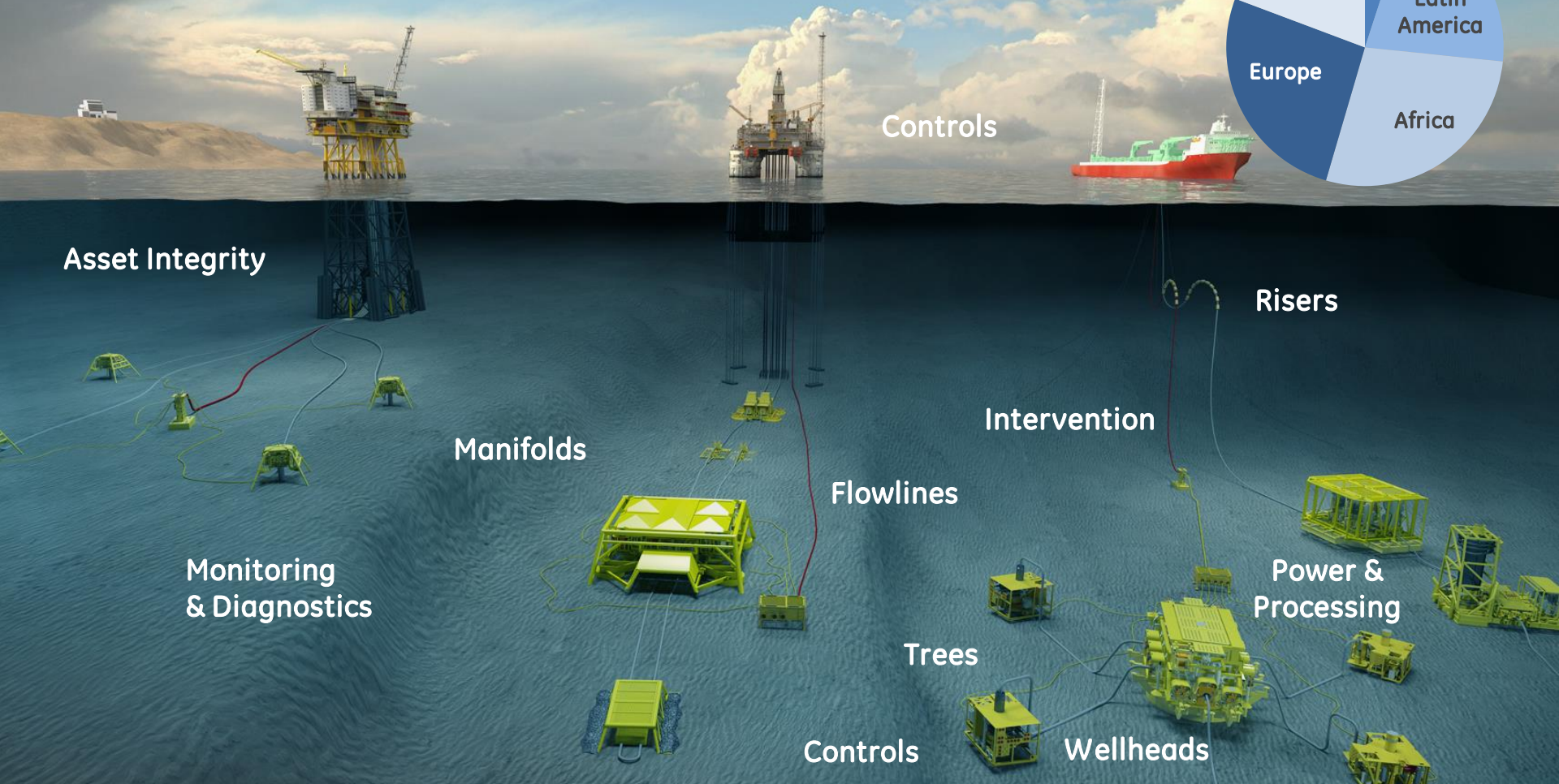
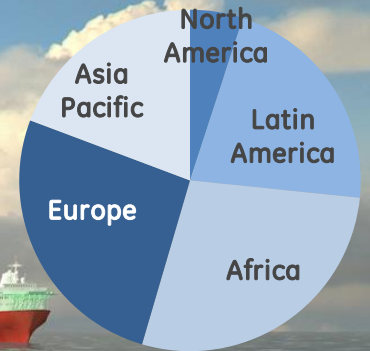
Demand driven by long-term economic development ...  
new resources driving technology intensity





# GE Oil & Gas Subsea Systems

2013 revenue by region



FEED\*

Systems Engineering

Life of Field Services

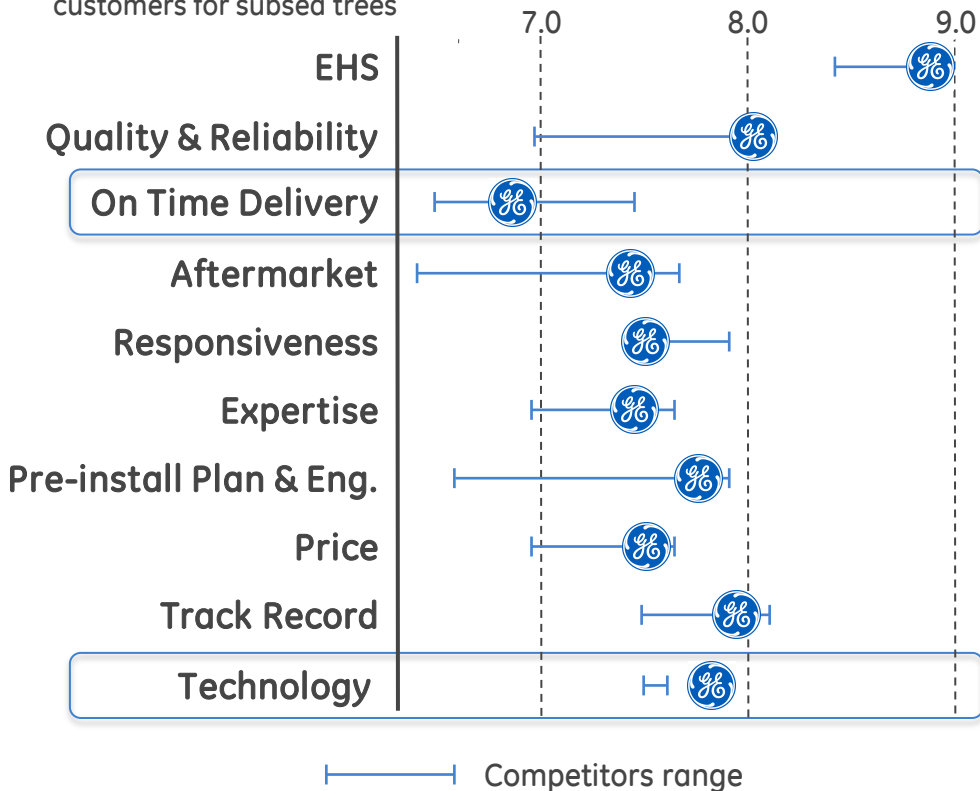


\*Front End Engineering Design

# Subsea industry performance

## On Time Delivery critical

Ranked by importance to customers for subsea trees



Source: 2012 Welling & Company Report



## GE Oil & Gas Subsea imperatives

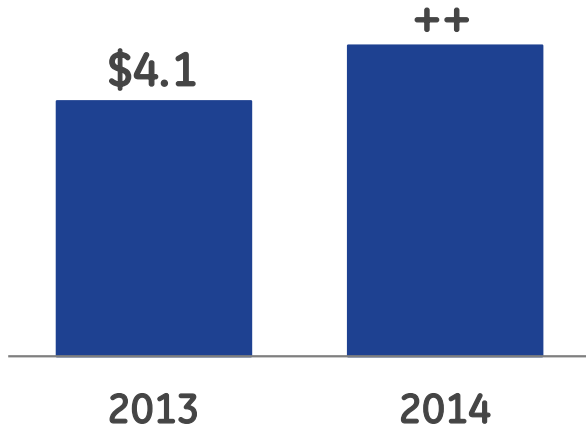
- 1 Standardization
  - Cycle, cost, modular customization
- 2 Supplier ecosystem
  - Standard QA/QC, reliability, cost
- 3 Project management capability
  - #1 differentiator OTD
- 4 Execution excellence
  - Digitization, risk mitigation



# GE Oil & Gas Subsea Systems

(\$ in billions)

## Orders



### 2014 orders dynamics

- Increasing project complexity ... fewer projects, more trees
- Lower Brazil investment offset by higher global growth

- ✓ Global, broad-based orders growth
- ✓ Equipment & services ++
- ✓ Backlog & margins ↑
  - \$5B backlog ... up 2.5x from 2011
- ✓ Increased global capacity & capability
  - Indonesia, Angola

Fundamentals remain strong



# 1Q'14 consolidated results

(\$ in billions – except EPS)

	<u>1Q'14</u>	<u>V%</u>
Revenues	\$34.2	(2)%
– Industrial sales	24.0	8
– Capital revenue	10.5	(8)
Operating earnings	3.3	(18)
Operating EPS	.33	(15)
Continuing EPS	.29	(17)
Net EPS	.30	(12)
CFOA YTD	1.7	F
– Industrial	1.2	F
	<u>1Q'14</u>	<u>1Q'13</u>
Tax rate	15%	12%
– GE (ex-GECC)	24	20
– GECC	9	4

(\$ in millions)

	<u>Revenues</u>		<u>Segment profit</u>	
	<u>\$</u>	<u>V%</u>	<u>\$</u>	<u>V%</u>
Power & Water	\$5,509	14%	\$888	24%
Oil & Gas	4,308	27	446	37
Energy Mgmt.	1,672	(4)	5	(67)
Aviation	5,778	14	1,115	19
Healthcare	4,198	(2)	570	(4)
Transportation	1,227	(14)	202	(24)
Appliances & Lighting	1,857	(3)	53	(33)
Industrial	24,549	8	3,279	12
GE Capital	10,515	(8)	1,933	-
<b>Total segments</b>	<b>\$35,064</b>	<b>3%</b>	<b>\$5,212</b>	<b>7%</b>



# 1Q'14 other items

## Adjusted EPS walk

	<u>1Q'13</u>	<u>1Q'14</u>
Operating EPS	\$ .39	\$ .33
<u>Less cost/(income):</u>		
NBCU gain/income	(.10)	
Industrial rest. & other	.04	.03
GECC 30 Rock gain	(.05)	
GECC other charges	<u>.05</u>	<u>          </u>
<b>Adjusted Operating EPS</b>	<b>\$ .33</b>	<b>\$ .36</b>

## Restructuring & other charges

	<u>EPS</u>
Industrial restructuring & other items	\$(.03)
✓ 1Q restructuring spend:	
– ~150 projects underway	
– ~70% developed markets	
– ~1.5 year payback	
– Working European works council approvals	
– Project costs below original plan	

Strong operational performance ...  
adjusted operating EPS +9%

<u>TY profile</u>	<u>1H'14E</u>	<u>2H'14E</u>	<u>TY'14E</u>
Restructuring & other charges	~60%	~40%	\$1-1.5B



# Industrial segments

(\$ in millions)

## Power & Water

<u>1Q'14</u>	<u>\$</u>	<u>V%</u>
Revenues	\$5,509	14%
Segment profit	\$888	24%
Op profit %	16.1%	1.2 pts.

### 1Q dynamics

- \$5.7B orders, +9% ... equipment (3)% driven by Renewables (13)%; services +23% with PGS +32%
- Revenue ... equipment +41% with Renewables up 2x, Thermal +10% on higher unit volume; services (5)%
- Segment profit ... margins +120 bps. driven by favorable cost productivity & simplification

## Oil & Gas

<u>1Q'14</u>	<u>\$</u>	<u>V%</u>
Revenues	\$4,308	27%
Segment profit	\$446	37%
Op profit %	10.4%	0.8 pts.

### 1Q dynamics

- \$4.6B orders, (5)% ... equipment (17)% driven by Subsea (62)%; services +11%
- Revenue ... equipment +41% with Turbomachinery +49%, Subsea +42%; services +13% with growth in 4/5 businesses
- Segment profit ... margins +80 bps. driven by positive value gap

Strong first quarter performance



# Industrial segments

(\$ in millions)

## Aviation

<u>1Q'14</u>	<u>\$</u>	<u>V%</u>
Revenues	\$5,778	14%
Segment profit	\$1,115	19%
Op profit %	19.3%	0.9 pts.

### 1Q dynamics

- \$5.5B orders, (17)% ... equipment (38)% with commercial engines (56)% on tough comps; services +10% with commercial spares +17% ... \$126B backlog, +21% VPY
- Revenue ... equipment +14% driven by higher engine shipments; services +14%
- Segment profit ... margins +90 bps. driven by strong value gap

## Healthcare

<u>1Q'14</u>	<u>\$</u>	<u>V%</u>
Revenues	\$4,198	(2)%
Segment profit	\$570	(4)%
Op profit %	13.6%	(0.3) pts.

### 1Q dynamics

- \$4.2B orders, (1)% ... emerging markets +10%; U.S. (4)%, Europe +4%
- Revenue ... equipment (2)%, services (3)% ... U.S. softer than expected, (6)%
- Segment profit ... margins (30) bps. driven by negative value gap partially offset by continued cost out ... SG&A (9)%

- ✓ Aviation ... another strong quarter
- ✓ Healthcare ... U.S. challenges impacting results



# Industrial segments

(\$ in millions)

## Transportation

<u>1Q'14</u>	<u>\$</u>	<u>V%</u>
Revenues	\$1,227	(14)%
Segment profit	\$202	(24)%
Op profit %	16.5%	(2.3) pts.

## 1Q dynamics

- \$2.4B orders, +2x with equipment +4x driven by locomotive orders, partially offset by services (18)%
- Revenues ... equipment (20)% with Mining off-highway vehicles (76)%; services (7)%
- Margins (230) bps. due to negative volume leverage

## Energy Management

<u>1Q'14</u>	<u>\$</u>	<u>V%</u>
Revenues	\$1,672	(4)%
Segment profit	\$5	(67)%
Op profit %	0.3%	(0.6) pts.

## 1Q dynamics

- \$2.2B orders, (1)% ... Power Conversion (16)% ... large 1Q13 marine deals, Digital +20%, I.S. +1%
- Profit below expectations ... continued investment in marine capability & Digital softness
- Expect improved results as year progresses

## Appliances & Lighting

<u>1Q'14</u>	<u>\$</u>	<u>V%</u>
Revenues	\$1,857	(3)%
Segment profit	\$53	(33)%
Op profit %	2.9%	(1.2) pts.

## 1Q dynamics

- Revenue ... Appliances (3)% with weather-related pressure; Lighting (4)% with traditional channels (9)%, LED +33%
- Margins (120) bps. on lower volume & productivity



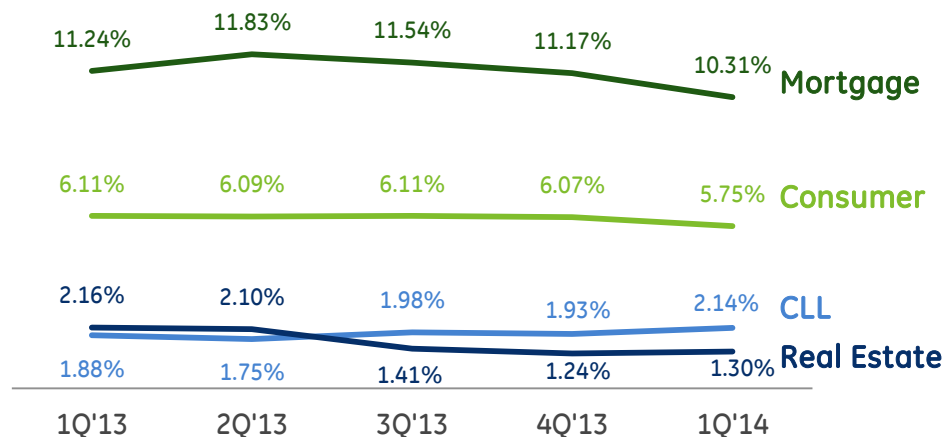


# GE Capital

(\$ in millions)

<u>1Q'14</u>	<u>\$</u>	<u>V%</u>
Revenue	\$10,515	(8)%
Pretax earnings	2,142	5
Net income	1,933	-
ENI (ex. cash)	374B	(7)
Net Interest margin	4.9%	(11) bps.
Tier 1 common % (B1)	11.4%	32 bps.

## 30+ delinquencies



	<u>Assets (\$B)</u>		<u>Segment profit (\$MM)</u>	
	<u>\$</u>	<u>V%</u>	<u>\$</u>	<u>V%</u>
CLL	\$175	-%	\$564	42%
Consumer	132	(3)	786	47
Real Estate	38	(11)	239	(65)
GECAS	45	(8)	352	1
EFS	16	(14)	153	84

## 1Q segment dynamics

- Lower impairments, asset sales; disciplined origination
- Non-repeat of reserve adjustments & U.S. growth
- Lower gains (30 Rock non-repeat); strong debt volume
- Solid operating performance offset by lower assets
- Strong operating income



# 2014 operating framework

<u>Operating earnings</u>	<u>2014F</u>	<u>2014 drivers</u>
Industrial	++	<ul style="list-style-type: none"> <li>✓ Strong Industrial segment growth</li> <li>✓ Margin expansion</li> </ul>
GE Capital	~\$7B	<ul style="list-style-type: none"> <li>✓ Phase 1 of Retail Finance transaction &amp; lower CRE gains</li> <li>✓ Position core portfolio for growth</li> </ul>
Corporate	—	<ul style="list-style-type: none"> <li>✓ On track for ~\$500MM ↓ in Corporate expense</li> <li>✓ Offset by loss of NBCU JV income/gain (1Q'13)</li> <li>✓ Restructuring &gt; gains</li> </ul>
<b>Total operating earnings</b>	<b>+</b>	<ul style="list-style-type: none"> <li>✓ Positive impact of share reduction</li> </ul>
CFOA	\$14-17B	<ul style="list-style-type: none"> <li>✓ Planning strong Industrial CFOA; GE Capital dividends below 2013 levels</li> </ul>
Total revenues	0-5%	<ul style="list-style-type: none"> <li>✓ Industrial segment organic 4-7%; GE Capital 0-(5)%</li> </ul>

**Total year framework on track**

