

# GE 2016 second quarter performance

Financial results & Company highlights  
July 22, 2016



## CAUTION CONCERNING FORWARD-LOOKING STATEMENTS:

This document contains "forward-looking statements" – that is, statements related to future events that by their nature address matters that are, to different degrees, uncertain. For details on the uncertainties that may cause our actual future results to be materially different than those expressed in our forward-looking statements, see <http://www.ge.com/investor-relations/disclaimer-caution-concerning-forward-looking-statements> as well as our annual reports on Form 10-K and quarterly reports on Form 10-Q. We do not undertake to update our forward-looking statements. This document also includes certain forward-looking projected financial information that is based on current estimates and forecasts. Actual results could differ materially.

## NON-GAAP FINANCIAL MEASURES:

In this document, we sometimes use information derived from consolidated financial data but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). Certain of these data are considered "non-GAAP financial measures" under the U.S. Securities and Exchange Commission rules. These non-GAAP financial measures supplement our GAAP disclosures and should not be considered an alternative to the GAAP measure. The reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable GAAP financial measures are posted to the investor relations section of our website at [www.ge.com](http://www.ge.com). We use non-GAAP financial measures including the following.

- Operating earnings and EPS, which is earnings from continuing operations excluding non-service-related pension costs of our principal pension plans.
- GE Industrial operating & Verticals earnings and EPS, which is operating earnings of our industrial businesses and the GE Capital businesses that we expect to retain.
- Industrial segment organic revenue, which is the sum of revenue from all of our industrial segments less the effects of acquisitions/dispositions and currency exchange.
- Industrial segment organic operating profit, which is the sum of segment profit from all of our industrial segments less the effects of acquisitions/dispositions and currency exchange.
- Industrial cash flows from operating activities (Industrial CFOA), which is GE's cash flow from operating activities excluding dividends received from GE Capital.
- Capital ending net investment (ENI), excluding liquidity, which is a measure we use to measure the size of our Capital segment.

General Electric Capital Corporation (GECC) has been merged into GE and our financial services business is now operated by GE Capital Global Holdings LLC (GECGH). In this document, we refer to GECC and GECGH as "GE Capital". We refer to the industrial businesses of the Company including GE Capital on an equity basis as "GE". "GE (ex-GE Capital)" and/or "Industrial" refer to GE excluding GE Capital.

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.**

# 2Q'16 overview

## Environment

- ✓ Slow growth and volatile environment
- ✓ GE Capital de-designated as a SIFI; Appliances & GEAM deals closed

### GE executing well:

- ✓ Industrial operating + Verticals<sup>-a)</sup> EPS \$.51, +65% with Industrial +77%, +35% excluding gains/restructuring
- ✓ Alstom \$.01 EPS in 2Q; segment FX impact of \$(.01)
- ✓ Industrial margins<sup>-b)</sup> ex. Alstom flat ... +10 bps YTD
- ✓ CFOA \$3.5B<sup>-c)</sup> due to Capital dividend

<u>Industrial</u>	<u>Reported</u>	<u>Organic</u>
Orders	(2)%	(16)%
Segment revenue	7%	(1)%
Segment op profit	(5)%	(6)%
Industrial op profit <sup>-b)</sup>	(2)%	(4)%

## Execution versus goals

### 2016 Goals

### 1H'16

Grow Industrial profit <sup>-b)</sup>	(3)%
Organic revenue growth (2-4%)	(1)%
Margin expansion ex. Alstom	+10 bps
Alstom EPS ~\$.05	\$-
Segment FX impact	\$(.03)

+40 bps.  
ex. FX

### Disciplined/balanced capital allocation

CFOA \$30-32B <sup>-c)</sup>	\$11.4B
Capital dividend ~\$18B <sup>-d)</sup>	\$11.0B
FCF + disp. \$28-31B <sup>-c)</sup>	\$14.1B
Cash to investors ~\$26B	\$18.0B

\$15B  
July YTD

Portfolio actions      \$181B GE Capital signings  
                                  GE Capital SIFI de-designation  
                                  Appliances closed  
                                  GE Asset Management closed in July



(a- Verticals include businesses expected to be retained including allocated corporate costs

(b- Excluding gains and restructuring & other items

(c- Deal taxes are excluded from CFOA and included in dispositions

(d- Subject to regulatory approval

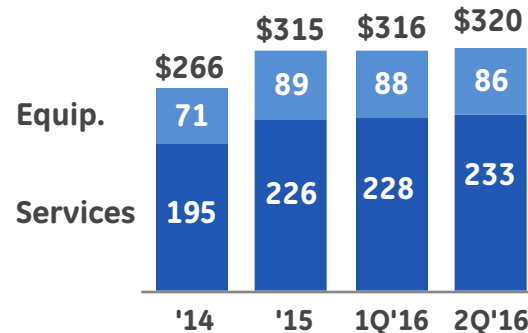
# 2Q'16 orders \$26.6B, (2)% ... (16)% organic

## Orders (V%)

	<u>2Q</u>	<u>1H</u>
Equipment	(11)%	(10)%
Services	9	10
<b>Total</b>	<b>(2)%</b>	<b>-%</b>
<b>Organic</b>	<b>(16)%</b>	<b>(12)%</b>

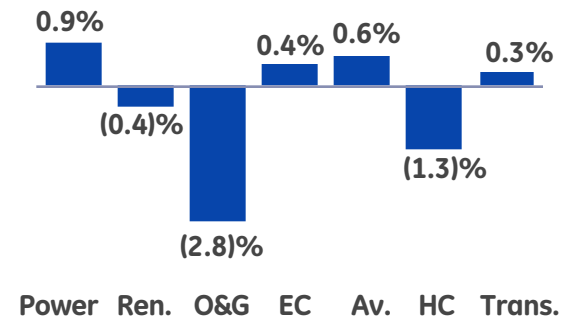
Alstom backlog +\$1.6B since acquisition

## Backlog



## Orders price

Total orders price (0.3)%



## Company highlights

- ✓ Equipment orders (30)% organically driven by market pressure in O&G and Transportation; Power (27)% & Aviation (37)% on tough comps
- ✓ Alstom orders \$4.5B: Power \$2.9B, Renewables \$0.2B, Grid \$1.4B
- ✓ Service orders +9%, organically (1)% and +1% YTD
- ✓ Core backlog +6% with service +11%
- ✓ International orders flat including Alstom



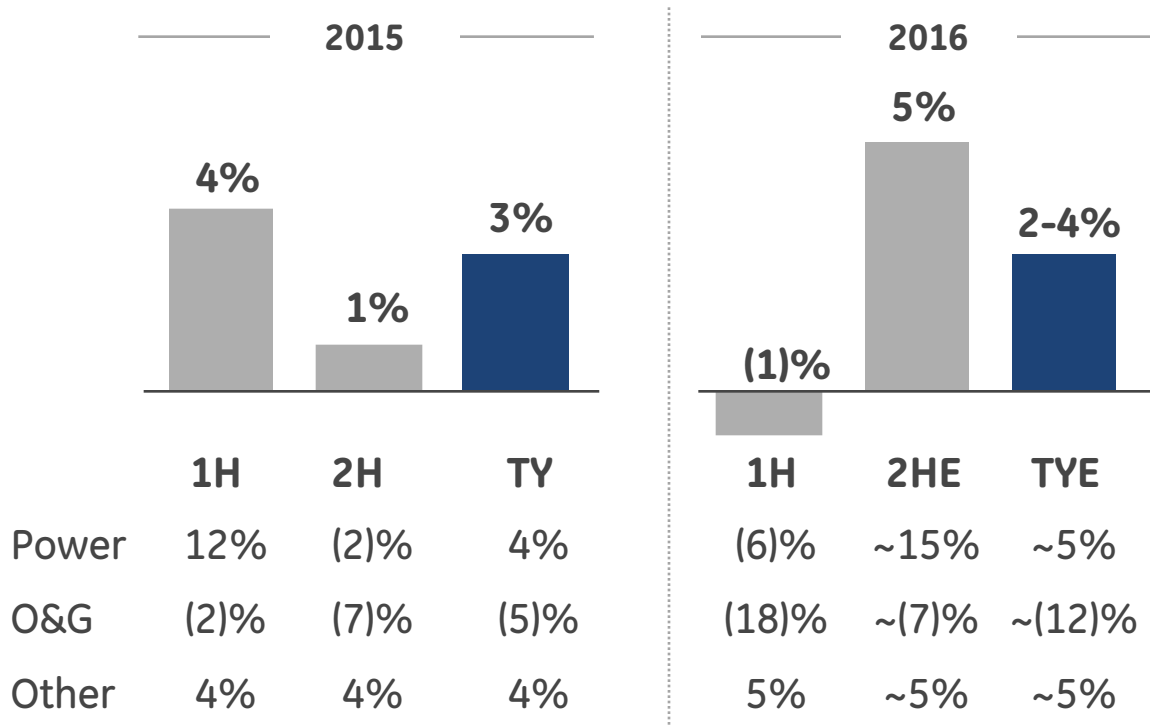
## Digital highlights

- ✓ Digital orders ex. AGP +15%, revenue +17%
- ✓ AGP revenues +2%, orders down due to timing
- ✓ Revenue of \$1.3B, +12%
- ✓ 54 partners on Predix ... ahead of plan
- ✓ 12K developers ... on track for 20K
- ✓ \$250M digital thread productivity through 1H'16
- ✓ Opened digital foundry in Paris and Shanghai

# Revenue dynamics

## Organic revenue growth

(Industrial segments)



+ 1H'16 organic growth +3% ex. O&G ... comparisons get easier  
 + Power backend loaded ... HDGT +65%, AGPs 50%+ in 2H

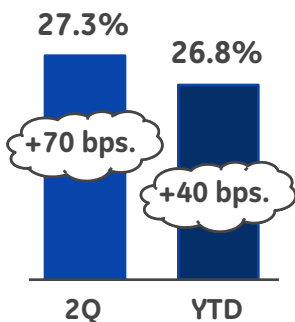
## 1H revenue highlights

- Core services revenue grew by 5% organically ... strength in Aviation (+17%) & Power (+7%) offset by O&G and Transportation
- Solid Healthcare organic growth +6% ... Life Sciences +12%, China +19%
- Renewables organic growth of 27% ... global expansion
- Excellent global project pipeline



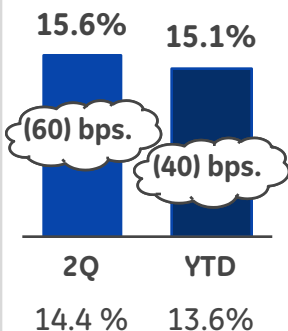
# Industrial execution

## Segment gross margins<sup>-a)</sup>

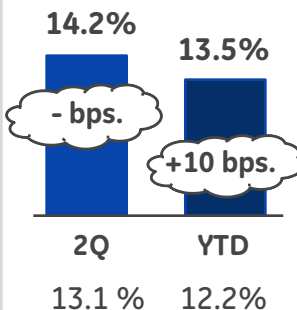


Total w/  
Alstom

## Segment OP margins<sup>-a)</sup>



## Industrial<sup>-b)</sup> OP margins<sup>-a)</sup>



## Segment OP margins

Mix (0.4) pts.

Value gap (price/inflation) 0.3

Cost productivity 0.8

**Gross Margins<sup>-a)</sup> 0.7 pts.**

Simplification (SG&A) (0.2)

Base inflation/other (1.1)

**Op Profit Margins<sup>-a)</sup> (0.6) pts.**

Alstom (1.2)

**Op Profit Margins (1.8) pts.**

Segment equipment (280) bps.<sup>-a)</sup>, Services flat<sup>-a)</sup>

## 1H

- pts.

0.2

0.2

**0.4 pts.** +0.5 pts. ex. FX

0.1

(0.9)

**(0.4) pts.** flat ex. FX

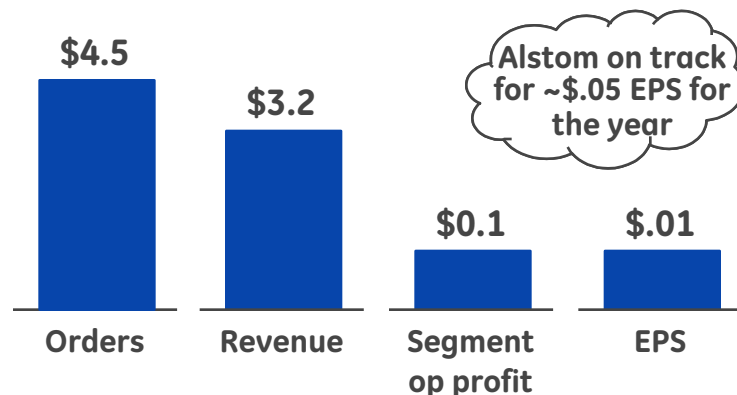
(1.5)

**(1.9) pts.**

## Alstom update

### 2Q performance

(\$ in billions except EPS)



- Won Hassyan clean coal plant: first ultra-supercritical power plant in the Middle East ... 4x ST, 4x boilers, 4x generators
- 10 HRSGs ordered through first half
- 2Q EPS \$.01 ... segment operating profit \$138MM, Corporate \$(341)MM, tax benefits
- Synergy benefits \$0.4B through the first half ... on track for ~\$1.1B for the year
- Goodwill +\$0.6B to \$14.8B in 2Q driven mainly by customer contracts

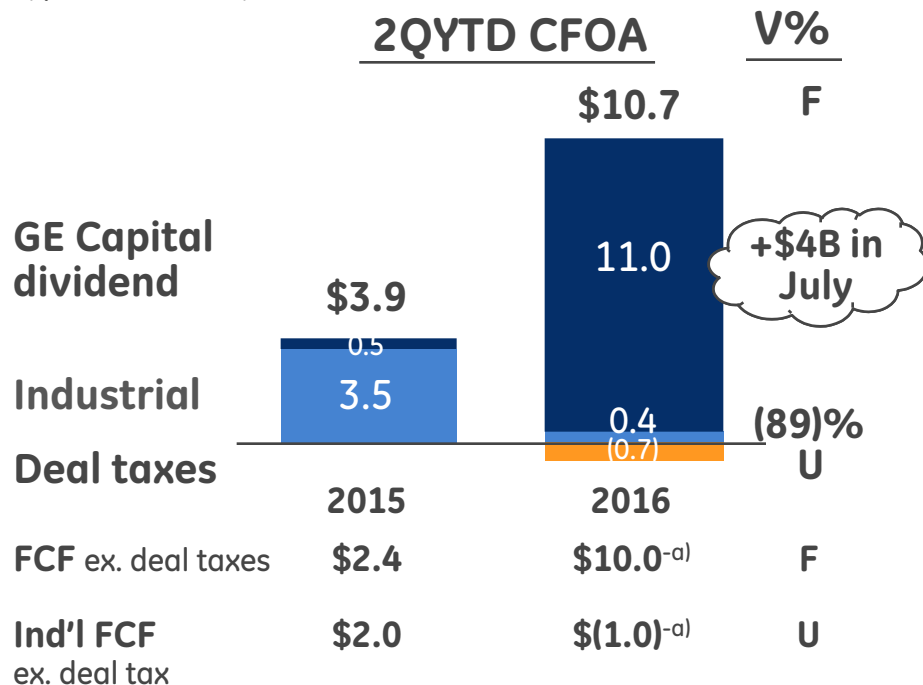


(a- Excluding Alstom

(b- Industrial includes Corporate with the exception of non-operating pension, gains and restructuring & other

# Generating cash

(\$ in billions)



## 2H Industrial CFOA dynamics

2H income + depreciation & amortization	~\$8B
Working capital reduction from 2H shipments	~\$3-4B
Other timing differences	~\$1-2B

## GE cash balance walk

	Total
Beginning balance 1/1/16	\$10.4
CFOA ex. deal taxes	11.4
Dividends	(4.3)
Net P&E	(1.4)
Acquisitions	(0.2)
Dispositions incl. deal taxes	4.1
Buyback	(13.7)
Change in debt/FX/other	3.7
<b>June 2016</b>	<b>\$9.9</b>

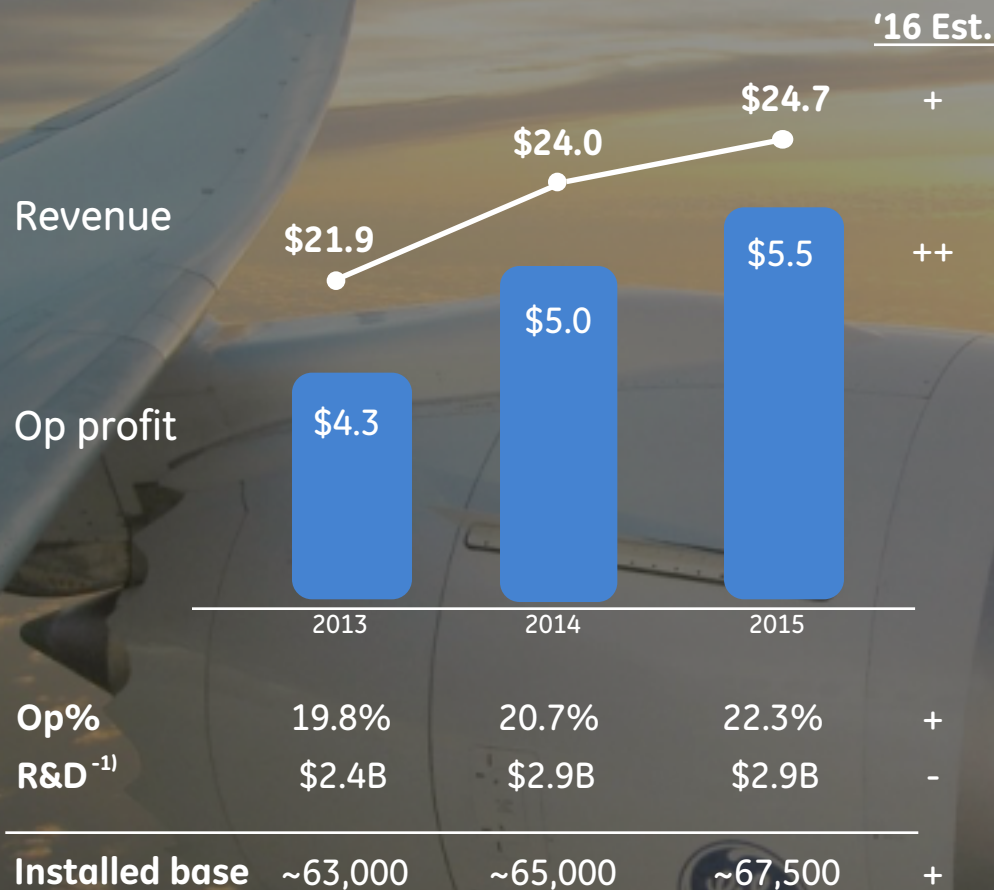
**\$18B returned to investors ... \$14B in buyback and \$4B in dividends**



(a-Including deal taxes: FCF \$9.3B, Industrial FCF \$(1.7)B

# GE Aviation investing and delivering

(\$ in billions)



## Strategic imperatives

- Grow installed base and services
- Lead in next-generation products
- Position supply chain for new product volume growth
- Build out digital services for customer productivity

(1- Represents company engineering effort; customer, company and deferred engineering Deliveries and installed base includes GE and JV partners volume.





# Aviation commercial environment



## Traffic

TY% change,  
(IATA), RPKs

7.4%

2015

6.2%

2016E



## Load factors

% PLF (IATA)

80%

2015

80%

2016E



## Freight traffic

TY% change,  
(IATA), FTKs

2.3%

2015

2.1%

2016E



## Fuel cost

\$/bbl

\$67

\$55

Jet Fuel

WTI

\$49

2015

~\$44

2016E



## Departures

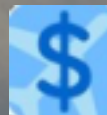
Millions (IATA)

34.8

2015

36.8

2016E



## Airline profits

\$Billions (IATA)

\$35

2015

\$39

2016E



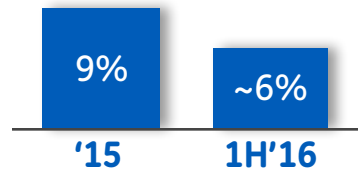


# Aviation military environment

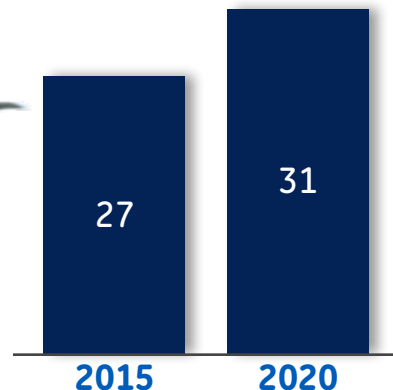


## Environment

- US Defense budget flat thru '17 ... \$580B
- International defense spending up 4%
- Spares growth



## In-service fleet # of engines in '000s



## Recent wins/milestones

- USAF Adaptive Technology ... **\$1B**
- F414 Korea indigenous fighter ... **\$2B**
- T700 UK Apache re-engine ... **\$200M**
- USAF F110 service agreement ... **\$100M/year**
- T408 Heavy lift helo production and F414 for Saab Gripen rollout ... **\$7.5B**

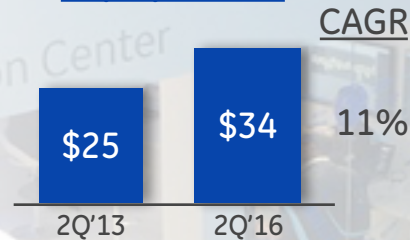


# Unprecedented backlog

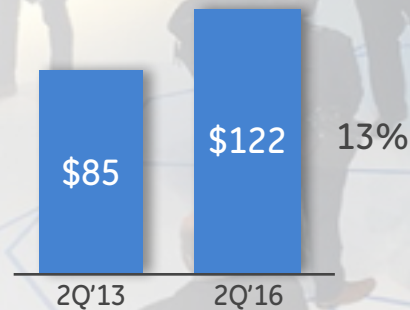
Successful new product launches ... strong services growth

**\$156B<sup>(a)</sup>**  
GE AVIATION BACKLOG

## Equipment



## Services



**+\$46B**  
OVER 3 YEAR PERIOD

## Farnborough '16

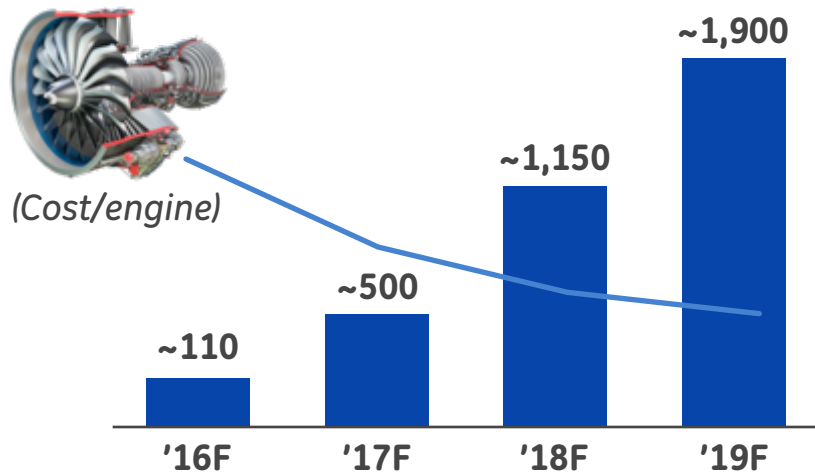
- **Over 800** GE and CFM engines
- **Surpassed 11,000** LEAP engines in total
- **Introduced first** Digital Industrial co-creation lab at airshow



(a) – Includes JV backlog  
CFM is a 50/50 JV between GE and Safran  
EA is a 50/50 JV between GE and Pratt & Whitney

# LEAP ... positioned for a successful transition

## Portfolio and volume ramp



### Product position

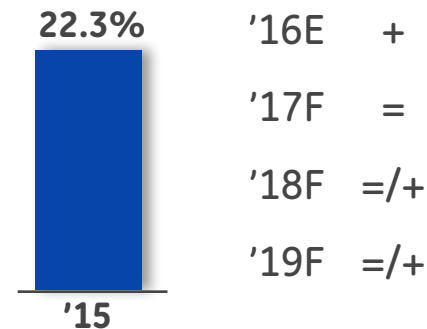
- ✓ Sole source on Boeing 737 MAX
- ✓ Sole source on COMAC C919
- ✓ 50%+ win rate on A320 NEO

RECORD DELIVERY OF CFM ENGINES IN 2016



## Offsetting transition investment

### Segment margins



### Tailwinds

- **Services growth** ... 44,000 installed commercial engines by 2020
- **Lower company funded R&D** ... Passport, GE Honda, LEAP → certified
- **Digital productivity** ... services & operations

# A Digital Industrial – GE Aviation

## For our Customer

### DIAGNOSTICS BASED PREDICTIVE INTERVENTION

- **35k** engines monitored via PREDIX
- **100M** flight records per year
- **25%** improvement in unscheduled disruptions ... network wide<sup>a)</sup>

#### At Emirates

- ✓ **43%** Decrease in disruptions<sup>b)</sup>
- ✓ **12** additional days of utilization<sup>c)</sup>

### CUSTOMER COLLABORATION CENTERS

- ✓ Dubai
- ✓ Paris
- ✓ Shanghai
- ✓ Austin, TX



(a)- Based upon the monitored 35,000 engines

(b)- Unscheduled engine removals 1H2016

(c)- Analytics based inspection 1H2016

## For our Business

### ENGINEERING SIMPLIFICATION

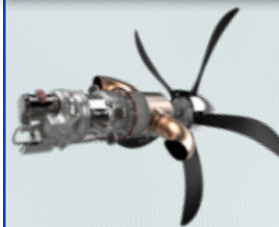


### OPERATIONS SIMPLIFICATION



- ✓ 13 Brilliant Factories launched
- ✓ 1 connected Data Lake
- ✓ Driving 0.5 % Variable Cost Productivity

### ENTERPRISE SIMPLIFICATION



**845 fewer parts**

Less:

Engineering hours, drawings,  
purchasing, shipping, receiving, quality,  
etc.

# 2Q'16 consolidated results

(\$ in billions – except EPS)

(\$ in millions)

	<u>2Q'16</u>	<u>V%</u>
Revenues	\$33.5	15%
– Industrial <sup>(a)</sup>	30.7	16
– Verticals <sup>(b)</sup>	2.6	(8)
– Other Capital <sup>(c)</sup>	0.2	F
Industrial + Verticals EPS	.51	65
Operating EPS	.39	86
Continuing EPS	.36	F
Net EPS	.30	F
CFOA YTD	\$10.7	F
- Industrial CFOA <small>ex. deal taxes</small>	0.4	(89)
	<u>2Q'16</u>	<u>2Q'15</u>
Consolidated tax rate	13%	31%
– GE (ex. Capital)	15	21
– Capital	27	U

	<u>Revenues</u>		<u>Op profit</u>		
	<u>\$</u>	<u>V%</u>	<u>\$</u>	<u>V%</u>	<u>ex. Alstom</u>
Power	\$6,639	31%	\$1,140	9%	- %
Renewable Energy	2,094	28	128	(11)	(12)%
Oil & Gas	3,219	(22)	320	(48)	
Energy Connections	2,734	55	35	(57)	U
Aviation	6,511	4	1,348	6	
Healthcare	4,525	4	782	11	
Transportation	1,240	(13)	273	(18)	
Appliances & Lighting	1,667	(25)	96	(42)	
Industrial Segments	28,630	7/(1) <small>Organic</small>	4,122	(5)/(6) <small>Organic</small>	(9)%
Corporate <sup>(d)</sup>	(1,036)	(31)	(456)	23	
Industrial <sup>(d)</sup>	<u>\$27,595</u>	<u>6%</u>	<u>\$3,667</u>	<u>(2)/(4)%</u> <small>Organic</small>	

<u>Industrial + Verticals EPS</u>	<u>2Q'16</u>	<u>V%</u>	<u>Adj.<sup>(d)</sup></u>	<u>V%</u>
Industrial operating	\$ .46	77%	\$ .35	35%
Capital Verticals <sup>(b)</sup>	.05	-	.05	-
	<u>\$ .51</u>	<u>65%</u>	<u>\$ .40</u>	<u>29%</u>



(a)- Includes GE-GE Capital eliminations

(b)- Verticals include businesses expected to be retained including allocated corporate costs

(c)- Other Capital includes HQ run-off & exit-related items

(d)- Excludes gains and restructuring & other

# 2Q'16 Industrial other items

	<u>EPS</u>	
Restructuring & other items	\$(.09)	✓ \$(1.2)B pre-tax, \$(0.8)B after-tax at Corporate including Alstom cost synergy investments
Gains	\$.20	✓ \$3.1B pre-tax, \$1.8B after-tax Appliances gain at Corporate

<u>Summary</u>	<u>1H</u>	<u>3QE</u>	<u>4QE</u>	<u>2016E</u>
Restructuring & other items	\$(.14)	~\$(.05)	~\$(.06)	~\$(.25)
Gains	<u>\$.20</u>	<u>~\$.03</u>	<u>~\$.02</u>	<u>~\$.25</u>
<b>Total</b>	<b>\$.06</b>	<b>~\$(.02)</b>	<b>~\$(.04)</b>	<b>~\$-</b>

Gains = restructuring for the year but quarterly variability in timing





# Industrial segments

(\$ in millions)

## Power

<u>2Q'16</u>	<u>\$</u>	<u>V%</u>	<u>V%</u> ex. Alstom
Revenues	\$6,639	31%	2%
Segment profit	\$1,140	9%	0%
Op profit %	17.2%	(3.5) pts.	(0.4) pts.

## 2Q dynamics

- \$7.7B orders, +41% reported ... core (11)% with equipment (26)% and services (4)%; Alstom orders \$2.9B
- Revenue ... core equipment (5)% driven by GPS (7)%; core services +7% driven by Power Services +12%
- Core segment profit flat ... positive value gap and cost out partially offset by H mix

## Renewable Energy

<u>2Q'16</u>	<u>\$</u>	<u>V%</u>	<u>V%</u> ex. Alstom
Revenues	\$2,094	28%	14%
Segment profit	\$128	(11)%	(12)%
Op profit %	6.1%	(2.7) pts.	(2.0) pts.

## 2Q dynamics

- \$2.0B orders, (6)% ... core (16)% on lower wind units, ↓ 251 versus prior year; 1H core orders +15%
- Revenue ... core +14% driven by higher wind turbine shipments and mix shift to larger MW units
- Core segment profit (12)% primarily driven by NPI launch costs and mix

**Strong services quarter in Power; Renewables NPI traction**



# Industrial segments

(\$ in millions)

## Aviation

<u>2Q'16</u>	<u>\$</u>	<u>V%</u>
Revenues	\$6,511	4%
Segment profit	\$1,348	6%
Op profit %	20.7%	0.4 pts.

## 2Q dynamics

- \$6.4B orders, (15)% ... equipment (37)% on fewer commercial engines; services +8% with spares +5% ... \$156B backlog, +10% VPY
- Revenue ... equipment (7)% driven by lower Military units (13)% partially offset by commercial units +6%; services +16%
- Segment profit +6% on higher service volume and cost productivity ... margins +40 bps.

Continued solid execution



## Oil & Gas

<u>2Q'16</u>	<u>\$</u>	<u>V%</u>
Revenues	\$3,219	(22)%
Segment profit	\$320	(48)%
Op profit %	9.9%	(5.0) pts.

## 2Q dynamics

- \$2.8B orders, (34)% with pressure across all segments ... SS&D (54)%, Surface (39)%, DTS (35)%, TMS (31)%, Digital Solutions (6)%
- Revenue (22)% ... Surface (45)%, Subsea & Drilling (32)%, TMS (13)%, DTS (11)%, DS (9)%
- Segment profit margin (500) bps. as cost-out actions were more than offset by volume decline

Market pressure continues

# Industrial segments

(\$ in millions)

## Healthcare

<u>2Q'16</u>	<u>\$</u>	<u>V%</u>
Revenues	\$4,525	4%
Segment profit	\$782	11%
Op profit %	17.3%	1.1 pts.

### 2Q dynamics

- \$4.9B orders, +3%, +4% organically with U.S. +2%, Europe +11%, China +9%
- Revenue +4%, +6% organically with HCS +4% and Life Sciences +11%
- Segment profit +11% driven by strong volume growth and cost productivity ... margins expanded 110 bps.

## Transportation

<u>2Q'16</u>	<u>\$</u>	<u>V%</u>
Revenues	\$1,240	(13)%
Segment profit	\$273	(18)%
Op profit %	22.0%	(1.3) pts.

### 2Q dynamics

- \$0.7B orders, (51)% with equipment (77)% driven by locomotives; services (36)%, (31)% organically
- Revenue (13)%, (6)% organically with equipment +3% on higher locomotive shipments and services (14)%
- Segment profit (18)% driven by lower volume and negative mix

- ✓ Healthcare ... strong volume & cost productivity
- ✓ Transportation ... challenging market



# Industrial segments

(\$ in millions)

## Energy Connections

<u>2Q'16</u>	<u>\$</u>	<u>V%</u>	<u>V%</u> Organic
Revenues	\$2,734	55%	(4)%
Segment profit	\$35	(57)%	U
Op profit %	1.3%	(3.3) pts.	(3.7) pts.

### 2Q dynamics

- \$3.0B orders, +45% ... Alstom \$1.4B; core (2)% organically with Power Conversion (17)% on softer oil & gas and Industrial Solutions +1%
- Revenue +55%, (4)% organically with Power Conversion +1%, Industrial Solutions (6)%
- Segment profit of \$35MM with core \$(9)MM driven by lower volume, digital investment, and disposition impacts; Alstom Grid \$45MM

## Appliances & Lighting

<u>2Q'16</u>	<u>\$</u>	<u>V%</u>
Revenues	\$1,667	(25)%
Segment profit	\$96	(42)%
Op profit %	5.8%	(1.6) pts.

### 2Q dynamics

- Appliances revenue (31)% driven by partial quarter ... deal closed June 6<sup>th</sup>
- Lighting revenue (11)% with LED +4% and traditional (23)% ... LED 42% of total revenues
- Segment profit (42)% driven by partial Appliances quarter and continued traditional lighting pressure; margins (160) bps.

- ✓ EC ... strong Grid performance; PC impacted by oil & gas market
- ✓ Appliances transaction closed June 6<sup>th</sup>



# GE Capital

(\$ in millions)

## 2Q'16 performance

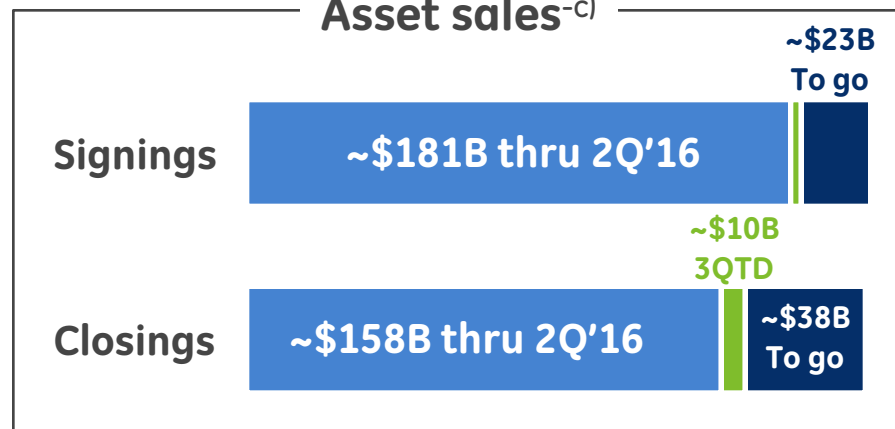
### Earnings

<b>Verticals<sup>-a)</sup></b>	<b>\$452</b>
Other Continuing	(1,051)
<b>Capital</b>	<b>\$(600)</b>
Disc. Ops.	(544)
<b>GE Capital</b>	<b>\$(1,143)</b>

- Other Continuing includes excess interest expense, preferred cost, restructuring, opex
- \$79B of ENI ex. liq. ... \$116B incl. Disc. Ops.
- \$56B of liquidity<sup>-b)</sup> ... CP constant at \$5B

## GE Capital update

### Asset sales<sup>-c)</sup>



- ✓ SIFI de-designation effective 6/28 ... first institution to complete this process
- ✓ \$15B dividend YTD ... on track for \$18B<sup>-d)</sup> in '16
  - \$3.5B paid in 2Q, \$11B as of 1H'16
  - \$4.0B paid in July

## GE Capital continuing to perform ahead of plan



(a- Verticals include businesses expected to be retained including allocated corporate costs

(b- Liquidity includes cash & equivalents (including discontinued operations and held for sale balances) and high quality investments

(c- ENI ex. liquidity as of 4Q'14

(d- Subject to regulatory approval

Note: Individual amounts are rounded. As a result, the sum of the parts presented may not add to the total

# 2016 operating framework

- |  |                                 |   |
|--|---------------------------------|---|
| <b>1</b> Operating EPS <sup>-a)</sup>  | \$1.45-1.55                     | <ul style="list-style-type: none"> <li>• Organic growth of 2-4%</li> <li>• Core margin expansion</li> <li>• O&amp;G ↓ ~30% offset by Aviation, Healthcare, Renewables, Power</li> <li>• Corporate @ \$2.0-2.2B</li> <li>• Alstom ~\$.05; Appliances gain \$.20</li> <li>• Restructuring = gains</li> <li>• Total FX impact <del>~\$(-.02)</del> at today's rates<br/>\$(-.02)-(-.04)</li> </ul> |
| <b>2</b> Free cash flow + dispositions | <del>\$28-31B</del><br>\$29-32B | <ul style="list-style-type: none"> <li>• CFOA of \$30-32B<sup>-b)</sup>; ~\$18B Capital dividend<sup>-c)</sup> <del>\$3-4B<sup>-b)</sup></del></li> <li>• Dispositions of <del>\$2-3B<sup>-b)</sup></del></li> <li>• Net P&amp;E of ~\$4B</li> </ul>  |
| <b>3</b> Cash returned to investors    | ~\$26B                          | <ul style="list-style-type: none"> <li>• Dividend of ~\$8B</li> <li>• Buyback of ~\$18B</li> </ul>  |



(a- Industrial + Verticals

(b- Deal taxes are excluded from CFOA and included in dispositions

(c- Subject to regulatory approval



