



GE 2019 second quarter performance

Financial results & Company highlights

July 31, 2019

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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 included in our quarterly report on Form 10-Q and the GE earnings supplemental information package posted to the investor relations section of our website at www.ge.com, as applicable.

Our financial services business is operated by GE Capital Global Holdings LLC (GECGH). In this document, we refer to 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.

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Summary

2Q'19 results

- Organic orders +4%; Industrial segment organic revenue* growth +7%; \$396B backlog, +11% vs. prior year
- Adjusted Industrial profit margins* contracted (300) bps. organically, driven by Renewable Energy, Power & Aviation ... 1H in-line with our full-year outlook
- Realigned Grid Solutions' equipment & services with Renewable Energy ... triggered non-cash goodwill charge of \$0.7B
- Adjusted EPS* \$0.17, \$0.06 benefit from tax audit resolution; GAAP continuing EPS \$(0.03), \$(0.09) impact from goodwill charge
- Adjusted Industrial free cash flows (FCF)* \$(1)B with signs of stabilization at Power ... better than our 1H outlook, but still negative

2H'19 actions underway / watch items

- Instilling rigor & lean mindset through operating reviews & daily management focus
- Power: Gas Power project execution, services & right-sizing for market realities; Power Portfolio cost structure
- Renewable Energy: Managing significant volume ramp, launching Cypress & Haliade-X; Grid Solutions: integrating & fixing
- Continuing to de-lever ... targeting <2.5x for Industrial net debt*/EBITDA & <4x GE Capital debt/equity
- Strategy reviews with businesses; starting Hoshin Kanri
- Watch list: trade/tariffs, 737 MAX, lower interest rates, annual insurance & goodwill testing in 3Q'19

Making progress; raising full-year Rev, EPS, FCF outlook^{-a)} ... more to do in this reset year



*Non-GAAP measure

(a- guidance based on Industrial segment org. revenue*, Adjusted EPS*, Adjusted Industrial FCF*.

Continued progress on our priorities

1 Improving our financial position

- Monetized part of **Wabtec** ownership stake in 2Q'19; \$1.8B in cash proceeds and reduced stake to ~12%
- **BioPharma** sale on track; \$20B+ cash proceeds
- **GE Capital** 2019 asset reduction of ~\$2B year-to-date, on track for \$10B in 2019, including ~\$4B of Aircraft lending receivables moved to held for sale
- Funded \$1.5B **WMC** settlement
- GE running with high cash balances ... **Industrial** cash balance of ~\$17B^a; **GE Capital** liquidity of \$12.5B
- Average intra-quarter short-term borrowings ~\$4B versus ~\$15B in 2Q'18 ... balances will fluctuate quarterly based on disposition timing

2 Strengthening our businesses

- Stabilizing **Power**: Gas Power organic orders +28%, Power Portfolio organic orders (32)%; Gas Power fixed costs* (10)%
- Managing **Renewables** cycle: Organic orders +38%; increased R&D investment; productivity & project execution
- Well-positioned at **Aviation**: Record wins announced at Paris Air Show; managing CFM/LEAP transition; working through GE9x testing & 737 MAX with Boeing
- Leading in precision **Healthcare**: Organic orders +3%; strong NPI innovation; segment margins* +80 bps organically
- Assembling the **right team**:
 - Hired Digital CEO, Power Portfolio CFO, Healthcare China CEO & Healthcare USCAN CEO
 - Appointed Operational Transformation champion, Renewables delayering, Power Conversion CEO
 - Engaged with candor, transparency, humility

Running GE differently ... cultural shift beginning to take hold



*Non-GAAP measure
(a- ex-BHGE)

Earnings performance

(\$ in billions – except EPS)

	<u>2Q'19</u>	<u>y/y</u>	<u>y/y (org.)</u>	<u>Adjusted EPS* walk</u>	
Orders	\$28.7	(4)%	4%		
Backlog	396.5	11%			
Revenues	28.8	(1)%			
- GE Industrial Segments	27.1	0%	7%*		
- GE Capital	2.3	(4)%			
Adj. GE Industrial profit ^{*-a)}	2.0	(26)%	(24)%		
Adj. GE Industrial profit margin ^{*-a)}	7.6%	(2.6)pts	(3.0)pts		
GAAP Net EPS ^{-b)}	(0.01)	U			
GAAP Continuing EPS	(0.03)	U			
Adjusted EPS ^{*-c)}	0.17	(6)%			
					<u>2Q'19</u>
				GAAP Continuing EPS	\$(0.03)
				Less: Gains/unrealized mark-to-market	(0.03)
				Less: Restructuring & other	(0.03)
				Less: Non-op. benefit costs	(0.05)
				Less: Goodwill impairment	(0.09)
				Adjusted EPS ^{*-c)}	<u>\$0.17</u>

1H earnings performance supports revisions to FY outlook



*Non-GAAP measure

(a - Excludes interest & other financial charges, non-operating benefit costs, gains (losses), restructuring & other and goodwill impairment

(b - Includes discontinued operations

(c - Excludes non-operating benefit costs, gains (losses), restructuring & other, and goodwill impairment

Industrial free cash flows

(\$ in billions)

	<u>2Q'19</u>	<u>y/y</u>	<u>YTD</u>	<u>y/y</u>
Net earnings (loss)^{-a)}	\$(0.2)	\$(1.0)	\$0.7	\$(0.6)
Goodwill impairment	0.7	0.7	0.7	0.7
Depreciation & amort.	1.2	(0.2)	2.4	(0.3)
Working capital	(0.8)	(0.0)	(2.8)	(0.5)
Contract assets	0.1	0.5	(0.5)	0.1
Other CFOA ^{-b)}	(0.8)	(0.8)	(1.2)	(0.3)
Gross capex	(0.9)	(0.1)	(1.8)	(0.1)
Less: BHGE FCF ^{-c)}	0.3	0.4	(0.2)	(0.2)
Plus: BHGE dividend	0.1	(0.0)	0.2	(0.1)
Adj. GE Industrial FCF^{*-d)}	\$(1.0)	\$(1.3)	\$(2.2)	\$(0.8)

2Q Commentary

- Negative accounts receivable cash flow largely due to MAX grounding
- Higher Aviation & Renewable Energy inventory ahead of 2H'19 shipments
- Other CFOA primarily driven by cash taxes

2Q YTD Commentary

- Working capital: similar dynamics to 2Q with higher A/R & inventory partially offset by AP & progress
- Contract asset usage driven by services in Gas Power & deferred inventory in Renewable Energy

1H Industrial FCF results ahead of our prior FY outlook



*Non-GAAP measure

(a - Aggregates the following: Net earnings (loss), (earnings) loss from discontinued operations, (earnings) loss from GE Capital continuing operations
(b - Aggregates the following: Losses (gains) on sales of business interests, principal pension plans (net), other post retirement benefit plans (net), income taxes (net), and all other operating activities; excludes deal taxes and GE Pension Plan contributions

(c - BHGE FCF on a gross capex basis
(d - Excludes deal taxes; BHGE on a dividend basis

Liquidity & leverage

(\$ in billions)

GE Industrial cash balance walk

(ex. BHGE)

Beginning balance 1Q'19	\$17.0
Adjusted GE Industrial FCF ^{*-a)}	(1.0)
GE common dividends	(0.1)
Wabtec proceeds (net) ^{-b)}	1.7
Other business dispositions (net) ^{-b)}	0.4
GE Capital contribution	(1.5)
Change in debt / other	0.4
Ending balance 2Q'19	\$16.9

2Q'19 liquidity metrics

Avg. intra-quarter CP & revolver usage: (will fluctuate by quarter based on disposition timing)	\$4.3 (\$15.0 2Q'18)
Available bank lines	\$35
Credit rating	BBB+/Baa1

Leverage targets

Industrial net debt* / EBITDA	<2.5x
GE Capital debt / equity	<4x

Improving our financial position ... de-risking the balance sheet



*Non-GAAP measure

(a - Excludes deal taxes; BHGE on a dividend basis

(b - Includes deal taxes and fees

Segments

(\$ in billions)

	<u>Power</u>			<u>Renewable Energy^{a)}</u>			
<u>2Q'19</u>	<u>\$</u>	<u>y/y</u>	<u>Org. y/y</u>	<u>2Q'19</u>	<u>\$</u>	<u>y/y</u>	<u>Org. y/y</u>
Orders	\$4.9	(22)%	2%	Orders	\$3.7	35%	38%
Revenues	\$4.7	(25)%	(5)%*	Revenues	\$3.6	26%	33%*
Segment profit	\$0.1	(71)%	(69)%*	Segment profit	\$(0.2)	U	U*
Segment margin	2.5%	(4.0) pts.	(4.3) pts.*	Segment margin	(5.1)%	(8.0) pts.	(8.4) pts.*

	<u>Aviation</u>			<u>Healthcare</u>			
<u>2Q'19</u>	<u>\$</u>	<u>y/y</u>	<u>Org. y/y</u>	<u>2Q'19</u>	<u>\$</u>	<u>y/y</u>	<u>Org. y/y</u>
Orders	\$8.6	(10)%	(9)%	Orders	\$5.2	(2)%	3%
Revenues	\$7.9	5%	6%*	Revenues	\$4.9	(1)%	4%*
Segment profit	\$1.4	(6)%	(6)%*	Segment profit	\$1.0	3%	9%*
Segment margin	17.6%	(2.0) pts.	(2.2) pts.*	Segment margin	19.4%	0.8 pts.	0.8 pts.*



*Non-GAAP measure

(a - includes Grid Solutions equipment & services for all periods presented)

Segments

(\$ in billions)

	Oil & Gas			Capital		
<u>2Q'19</u>	<u>\$</u>	<u>y/y</u>	<u>Org. y/y</u>	<u>2Q'19</u>	<u>\$</u>	<u>y/y</u>
Orders	\$6.5	8%	11%	Revenues	\$2.3	(4)%
Revenues	\$6.0	7%	11%*	Continuing earnings	\$(0.1)	57%
Adj. Segment profit ^{*-a)}	\$0.2	(2)%	5%	Liquidity	\$12.5	\$(3) <small>sequential variance</small>
Adj. Segment margin ^{*-a)}	3.6%	(0.4) pts.	(0.2) pts.	Assets (ex liquidity)	\$109	\$2 <small>sequential variance</small>

Corporate

<u>2Q'19</u>	<u>\$</u>	<u>y/y</u>
Corporate costs	\$(1.7)	U
Adj. Corporate costs ^{*-b)}	\$(0.5)	30%



*Non-GAAP measure

(a - Oil & Gas segment profit \$82MM & segment margins 1.4% in 2019 including restructuring & other charges; for 2018, segment profit \$73MM & segment margins 1.3% including restructuring & other charges

(b - Excludes non-operating pension, gains/losses, restructuring & other, and goodwill impairment

Renewable Energy: focusing on profitable growth

(\$ in millions)

Renewables (\$14.3B '18 revenue)

Onshore (\$8.3B): Growing globally, #1 in US

- Launched 5MW Cypress platform
- ~1,500 units & repower kits delivered YTD; targeting ~2x in 2H

Offshore (\$0.4B): Fast-growing market

- Market growing ~10GW per year beyond '20
- Launching 12MW+ Haliade-X ... world's largest Offshore turbine

Grid Solutions (\$4.6B): Broad portfolio player

- Market growth driven by renewables, energy efficiency and power quality

Hydro/hybrids (\$1.0B): Niche renewable play

- New CEO working through complex projects & legacy deals
- Fixing pump storage ... an opportunity

2Q'19 dynamics

2Q'18 Op Profit / OP %	\$85	2.9%
Legacy <i>Alstom JV & legacy projects</i>	\$(285)	(9.9)pts
Volume	\$217	7.4pts
Price/cost <i>Price moderating + deflation</i>	\$17	0.5pts
Mix <i>Grid negative</i>	\$(54)	(1.5)pts
Project execution <i>Non-legacy</i>	\$(66)	(1.8)pts
Higher R&D	\$(49)	(1.4)pts
Other <i>Depreciation, FX, tariffs</i>	\$(49)	(1.4)pts
2Q'19 Op Profit / OP %	\$(184)	(5.1)%

Improvement actions

Onshore: Focused on execution & delivery

- Maximize US PTC cycle
- Focus on project execution, quality & price/cost optimization

Offshore: NPI launch & commercialization

- Haliade-X planned prototype in Rotterdam
- Strong underwriting processes

Grid Solutions & Hydro: Turnaround legacy portfolios

- Right-sizing Grid Solutions footprint to remain competitive ... cost out
- Legacy Alstom Hydro projects run off by 2020

Total Renewables: Grow services penetration & better productivity

Grid Solutions realignment drives segment margins negative in 2019 ... better execution as legacy items run-off



2019 outlook ... better, but still a reset year

Revenues

Prior: LSD-MSD
(Industrial segment organic*)

Updated: MSD

Margins

Prior: Expansion
(Adjusted GE Industrial margin*
range ~flat to up ~100bp)

No change

Free cash flows*

Prior: \$(2) - \$0B
(Adjusted Industrial*)

Updated: \$(1) - \$1B

EPS

Prior: \$0.50 - \$0.60
(Adjusted EPS*)

Updated: \$0.55 - \$0.65

Restructuring (Industrial)

Prior: \$2.4B - \$2.7B
(expense)

Updated: \$1.7B - \$2.0B

Prior: \$2.0B+
(cash)

Updated: \$1.5B+

2019F+ drivers largely unchanged

- Power execution & return to profitability
- Aviation & Healthcare continued strength
- Renewables progress cycle, Alstom JVs & tariffs
- Lost disposition earnings & cash flows
- Non-operational cash headwinds

Key items driving guidance revisions

- Power performance – early signs positive, long way to go
- Lower restructuring a combination of timing, attrition, executing projects at lower cost than projected
- Healthcare performance
- Lower interest

Continue to monitor

- Trade/tariffs, 737 MAX, lower interest rates, annual insurance & goodwill testing in 3Q'19

Expect Industrial FCF* to be in positive territory in 2020 & accelerate thereafter in 2021



*Non-GAAP measure

Q&A



Appendix



2019-2021 adjusted GE Industrial free cash flows* summary

	2018		2019F	2020F	2021F
		Grid & Lighting realign. /Trans. discops.		(no change)	(no change)
GE Industrial <i>(ex. dispositions)</i>	Prior \$4.5B \$4.3B	\$4.3B	\$(2)B - \$0 Updated: \$(1) - \$1B	Significant improvement, positive	Acceleration
Power	\$(2.7)B	\$(2.3)B	Down flat to down	Significantly better but negative	Positive
Aviation	\$4.2B	\$4.2B	~Flat depends on MAX	Flat to growing	Up/accelerates
Renewables	\$0.5B	\$0.1B	Down & negative No change	Better but still negative	Positive
Healthcare	\$3.0B	\$3.0B	Down No change	Up (ex. BioPharma)	Up
BHGE dividend	\$0.5B	\$0.5B	decline in line with ownership No change	→	
Transportation / Lighting	\$0.1B	-	M&A exits No change	M&A exits	M&A exits
Corporate	\$(1.2)B	\$(1.2)B	Down No change	Better	Better

Continue to expect significant improvement in 2020 as we execute on our plan and headwinds diminish



*Non-GAAP measure

