

# GE 2006 third quarter performance

## October 13, 2006

- Financial results & company highlights
- 2006 fourth quarter outlook

**"Results are preliminary and unaudited.** 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 often contain words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties which could adversely or positively affect our future results include: the behavior of financial markets, including fluctuations in interest rates and commodity prices; strategic actions, including dispositions; future integration of acquired businesses; future financial performance of major industries which we serve, including, without limitation, the air and rail transportation, energy generation, media, real estate and healthcare industries; unanticipated loss development in our insurance businesses; and numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive and regulatory 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."



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# Environment

## Tailwinds

- + Economy remains solid
- + Global infrastructure spending
- + Emerging market growth
- + Global capital market liquidity
  - ✓ Strong risk environment

## Headwinds

- Inflation uncertainties
  - ✓ Interest rate impact
  - ✓ Commodities volatility
- Market dynamics
  - ✓ Plastics price/volume/inflation

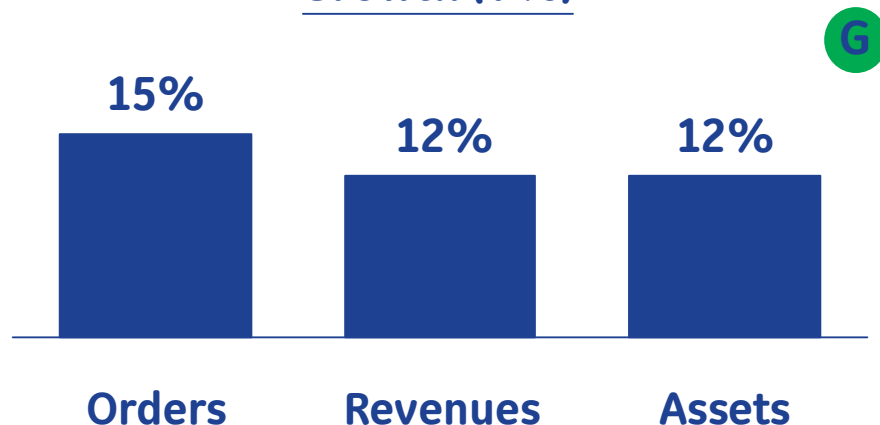
**GE performing in this environment**



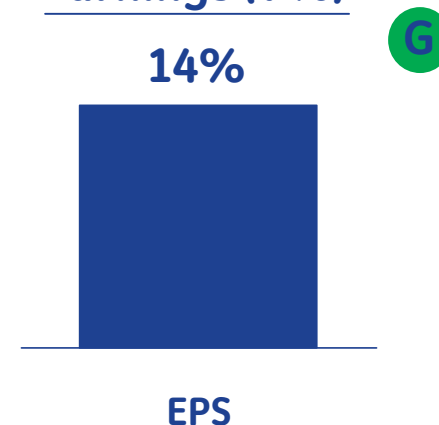
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# Key performance metrics: 3Q'06

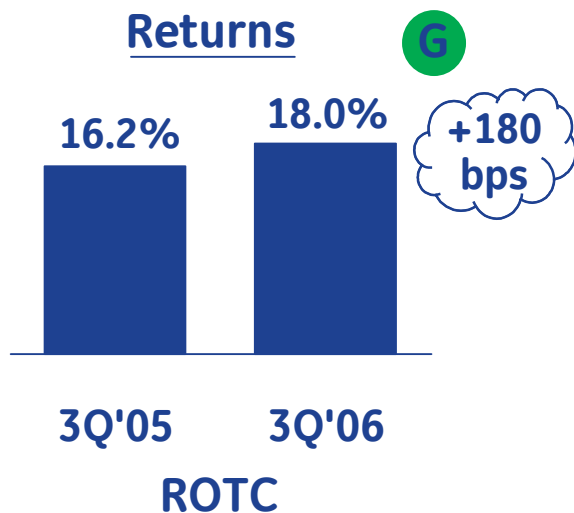
## Growth (V%)



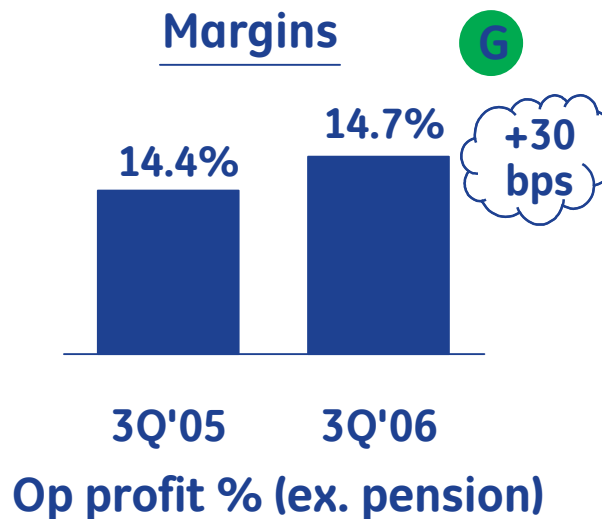
## Earnings (V%)



## Returns



## Margins



## Cash



# Executing long-term strategy

## **1 Build great businesses**

- + Infrastructure growing revenues 20% ... strong outlook
- + NBCU rebounding ... positive growth in 4Q'06
- + Exited Supply ... announced sale of Advanced Materials
- + Growth platforms revenues +13%

## **2 Reliable execution**

- + Total segment profit growth up double-digit
- + Operating profit leverage ... 3 of 4 positive leverage
- + NBCU primetime rating season to date +15%
- Plastics miss due to inflation
- + ROTC expands +180 bps

## **3 Common growth initiatives**

- + Total orders +15% ... YTD +22%
- + Organic revenue growth 3Q 10% ... YTD +9%
- + Services revenues growth +11%; CSAs at \$90B +7%

## **4 Simple structure & great team**

- + Seamless leadership transition

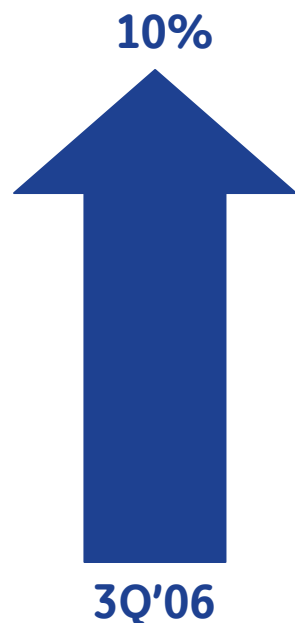


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# Executing “growth as a process”

## Highlights

### Organic revenue growth



- + **Great technology & services ... accelerating wins**
  - Aviation ... \$1.5B wins in 3Q ... equipment backlog up \$3.5B YTD
  - Transportation ... \$650MM order to supply EVOs to Kazakhstan
  - Healthcare ... electronic medical record certification
- + **Imagination Breakthroughs ... delivering growth**
  - 66 projects producing revenues in '06
  - Pipeline delivering \$2-3B/year incremental revenues
- + **Commercial excellence ... improving share**
  - Financial Services verticals asset growth 10%
  - NPS & Lean driving customer success
  - Olympics & NFL on track for \$1B+ of GE revenue
- + **Global growth ... strong global capability**
  - Developing country growth +22%
- + **Growth leaders**
  - Intense focus on simplification ... maximizing resources for growth

**7<sup>th</sup> straight quarter at 2-3X GDP**



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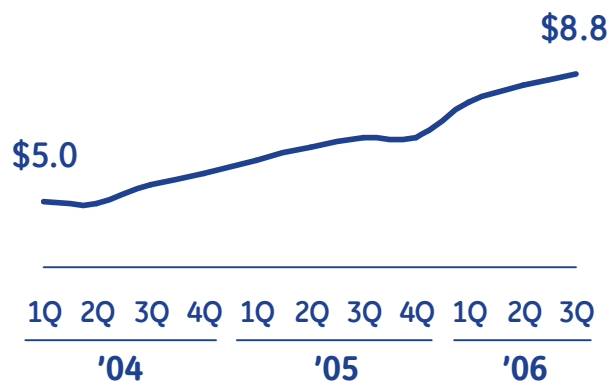
# Orders

## Major equipment

(V%)	2Q'06	3Q'06
Aviation	Fav.	37%
Energy	41	11
Healthcare	4	7
O&G	25	28
Transportation	(31)	9
<b>Total major eq.</b>	<b>33%</b>	<b>16%</b>

- ✓ YTD +38%
- ✓ YTD backlog strong \$30B, +26%

(\$ in billions – 4 quarter rolling average)

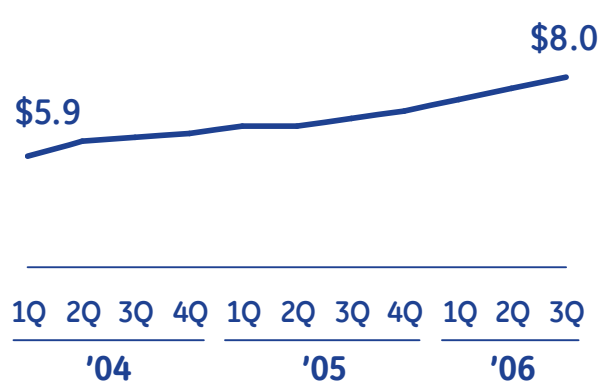


## Services

(V%)	2Q'06	3Q'06
Aviation	5%	17%
Energy	16	24
Healthcare	15	9
O&G	41	22
Transportation	10	32
<b>Total services</b>	<b>13%</b>	<b>18%</b>

- ✓ YTD +17%
- ✓ CSA backlog \$90B, +7%

(\$ in billions – 4 quarter rolling average)

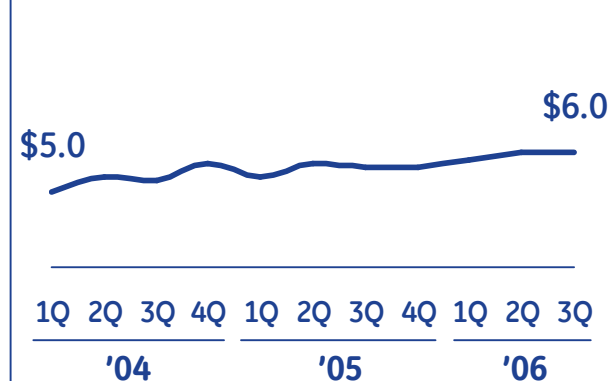


## Flow ADOR (organic)

(V%)	2Q'06	3Q'06
C&I	10%	11%
Plastics	8	(1)
Security	5	7
<b>Total flow</b>	<b>8%</b>	<b>7%</b>

- ✓ YTD +7%
- ✓ Plastics volume +4%, price (6)%

(\$ in billions – current quarter)



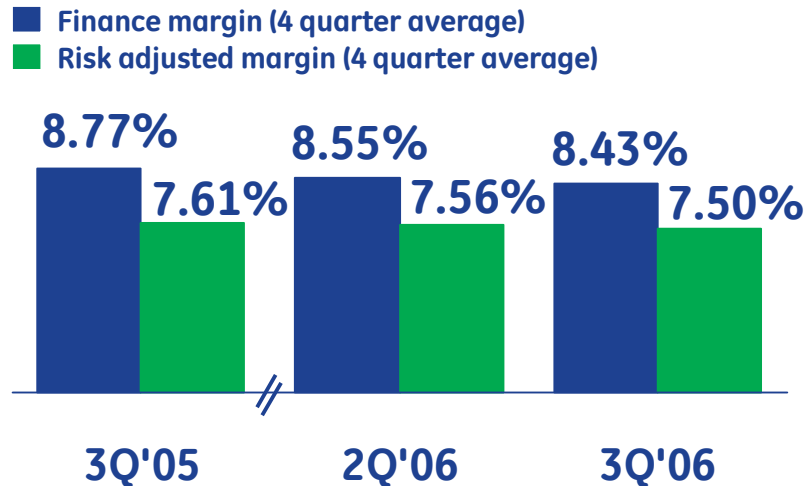
**Solid orders ... 3Q orders +15% ... YTD backlog +21%**



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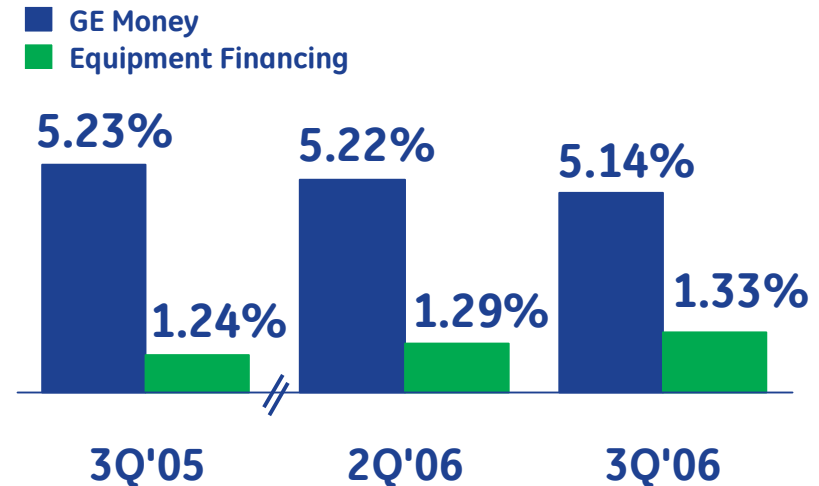
# Portfolio quality

## Margins

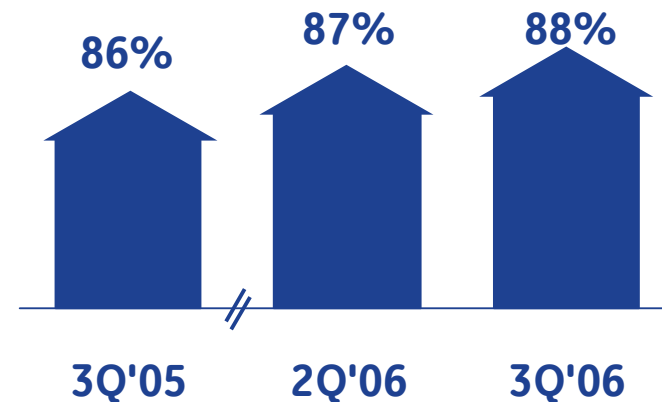


- ✓ Market liquidity continues to drive margin pressure
- ✓ Losses remain near historic lows ... portfolio in great shape
- ✓ Drive earnings with asset growth & productivity

## Delinquencies

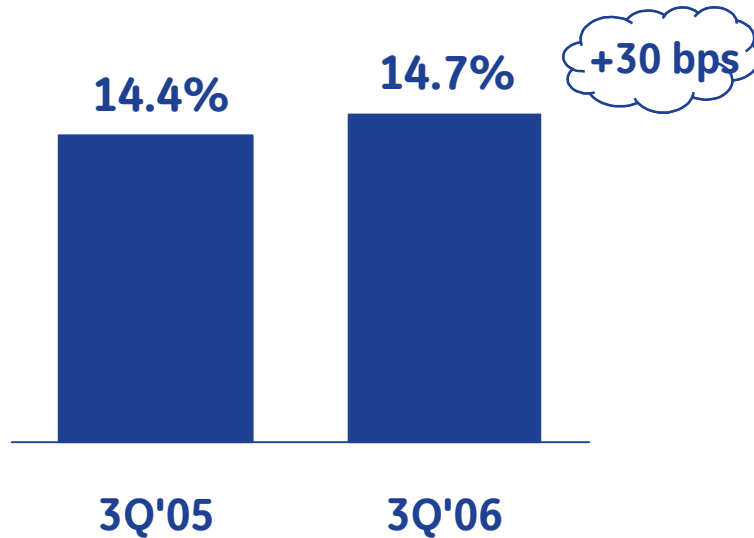


## Utilization



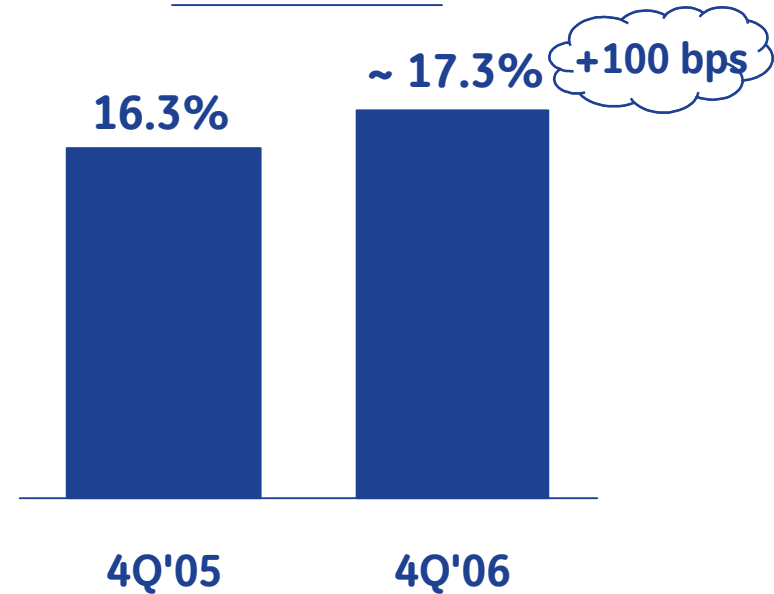
# Op profit dynamics – ex. pension

## 3Q results



- NBCU ... as expected
- Plastics ... raw material inflation
- + Infrastructure ... services
- + Healthcare ... NPI & productivity

## 4Q outlook



- + Productivity
- + Infrastructure continues
- + NBCU ... 4Q comparison
- Plastics ... price/inflation

✓ **2H & TY on track**  
– 2H 16.2%, +80 bps despite Plastics



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# Third quarter consolidated results

(\$ in billions – except EPS)

## Continuing operations

	<u>3Q'06</u>	<u>V%</u>
Revenues	\$40.9	12%
– Industrial sales	24.5	13
– Financial Svcs. rev.	16.3	9
Earnings	5.1	10
EPS	.49	14
CFOA YTD	18.5	26
– Industrial CFOA	9.8	7
Tax rate		
– GE (ex. GECS) – 3Q	21%	
– YTD	23%	
– GECS – 3Q	11%	
– YTD	12%	

(\$ in millions)

	<u>Revenues</u>		<u>Segment profit<sup>(a)</sup></u>	
	<u>\$</u>	<u>V%</u>	<u>\$</u>	<u>V%</u>
Infrastructure	\$12,104	20%	\$2,336	24%
Industrial	8,526	3	692	10
Commercial Fin.	6,006	11	1,290	6
GE Money	5,590	14	916	13
Healthcare	3,897	9	700	19
NBC Universal	3,631	20	542	(10)
			<u>\$6,476</u>	<u>13%</u>

(a- Financial Services on an after-tax basis)

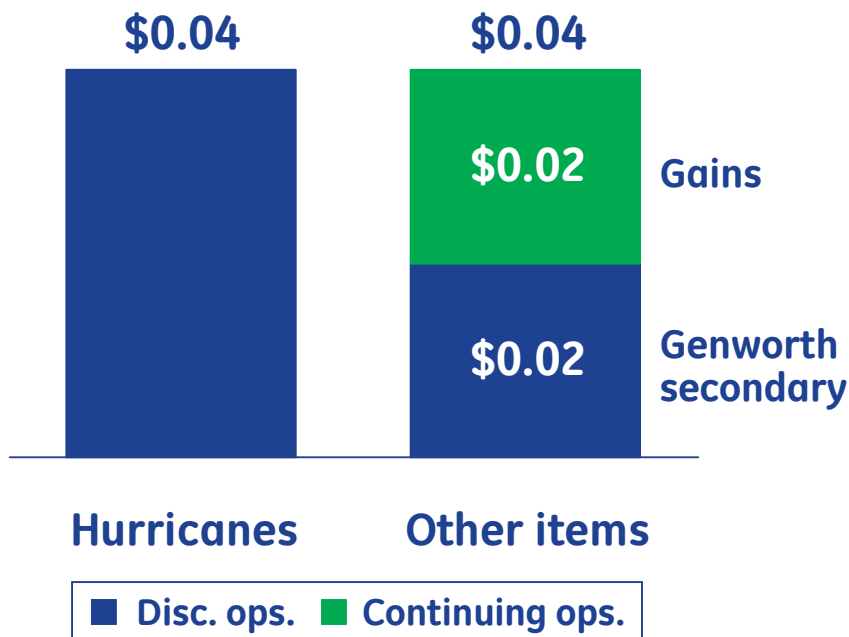


**Strong quarter**

# Legacy Insurance impact

EPS impact (\$/share)

## 3Q'05 events



## 3Q'06 continuing operations dynamics

- ✓ Total GECS V% impacted by 9 pts.
- ✓ Commercial Finance V% impacted by 10 pts.
- ✓ Unfavorable variance in GECS Corporate

### Positive impact of selling Insurance

- + Last quarter of tough comps driven by legacy Insurance
- + Less volatility
- + Swiss Re stock ... embedded gain of ~\$0.3B

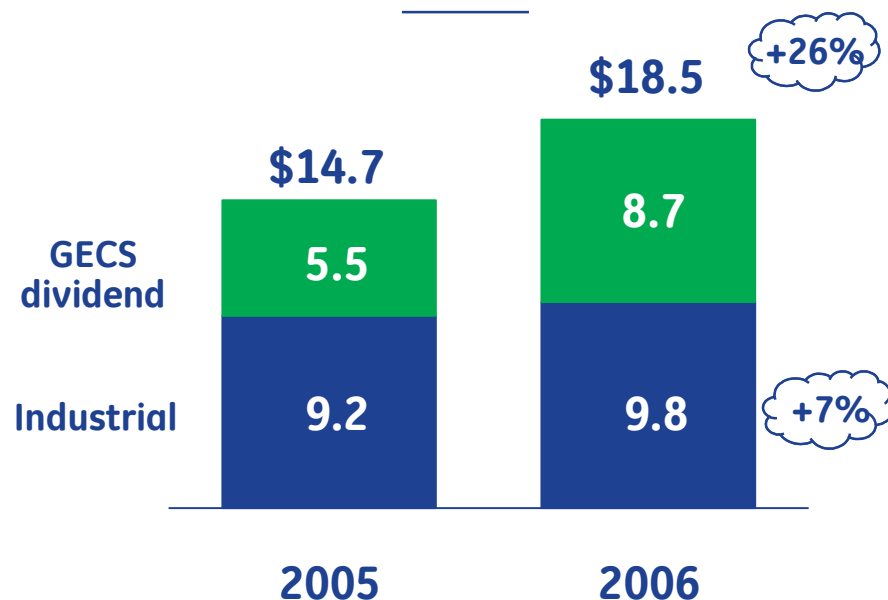


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# Third quarter year-to-date cash flow

(\$ in billions)

## CFOA



- 3Q YTD stock repurchase \$7.1B, 209MM shares
- GECS dividend \$8.7B, +\$3.2B
  - Regular GECS dividend at 40%
  - Higher special due to GEIS \$3.2B 2Q proceeds

## Cash balance walk

	<u>Total</u>
Beginning balance	\$2.0
CFOA	18.5
Dividends	(7.8)
Stock repurchase	(7.1)
P&E	(2.5)
Acquisitions/dispositions	(3.0)
Change in debt/other	<u>1.6</u>
<b>September</b>	<b><u>\$1.7</u></b>

**On track for total year ~\$25B CFOA, +15%**



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# 2006 fourth quarter operations outlook

## Continuing operations

	<u>4Q'06 outlook</u>	
	<u>Revenues V%</u>	<u>Segment profit V%-a)</u>
Infrastructure	~10%	15-20%
Industrial	0-5	5-10
Commercial Finance	15-20	20+
GE Money	15-20	~15
Healthcare	~10	15-20
NBC Universal	0-5	~10

### Total company 4Q'06 outlook

(\$ in billions - except EPS)

	<u>\$</u>	<u>V%</u>
Revenues	~\$44	~10%
Earnings	\$6.4-6.6	11-14%
EPS	\$.62-.64	13-16%

(a- Financial Services on an after-tax basis)

**4Q EPS guidance of \$.62-.64, +13-16%**



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# Segment highlights – Infrastructure

(\$ in millions)

## Infrastructure – 3Q'06

	<u>\$</u>	<u>V%</u>
Revenues	\$12,104	20%
Segment profit	\$2,336	24%

## Key 3Q business results

	<u>Revenues</u>		<u>Segment profit<sup>(a)</sup></u>	
	<u>\$</u>	<u>V%</u>	<u>\$</u>	<u>V%</u>
Aviation	\$3,157	5%	\$706	17%
Aviation Finc'l. Svcs.	1,075	12	261	34
Energy	5,055	37	747	28
Energy Finc'l. Svcs.	524	38	234	32
Oil & Gas	1,029	14	161	50
Transportation	1,016	12	196	22

(a- Industrial operating profit; Financial Services on an after-tax basis)

## 3<sup>rd</sup> quarter dynamics

- Orders +20% ... services +21% ... equipment +21%
- Strong double-digit segment revenue growth
  - Aviation +5% ... commercial +9%, military (8)%
  - Energy +37% ... Wind +280%, +379 units
  - Oil & Gas +14% ... winning in key regions
  - Transportation +12% ... equipment +22% ... services +5%
- Solid operating leverage
  - Price > inflation ... strong productivity
  - Services margins +3 pts.

## 4Q'06 segment profit dynamics

- Infrastructure businesses 15-20%
  - Continued broad-based strength

✓ **4Q'06 outlook ... segment profit 15-20%**



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# Segment highlights – Commercial Finance

## Commercial Finance – 3Q'06

	<u>\$</u>	<u>V%</u>
Revenues	\$6,006MM	11%
Segment profit	\$1,290MM	6%
Assets	\$215B	18%

## Key 3Q business results

	<u>Assets (\$B)</u>		<u>Segment profit (\$MM)</u>	
	<u>\$</u>	<u>V%</u>	<u>\$</u>	<u>V%</u>
Capital Solutions	\$93	11%	\$525	18%
Real Estate	49	39	440	28

## 3<sup>rd</sup> quarter dynamics

- Assets +18% driven by broad-based volume growth +23%  
– Capital Solutions +10%; Real Estate +59%; CFS +16%; Healthcare +5%
- Segment profit YTD +17% ... 3Q +16% excluding 2005 SES gain
- Write-offs & losses ↓ ... portfolio stable

## 4Q'06 segment profit dynamics

- Continued strong volume & asset growth
- Asset quality remains stable

✓ **4Q'06 outlook ... segment profit 20%+**



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# Segment highlights – Industrial

(\$ in millions)

## Industrial – 3Q'06

	\$	V%
Revenues	\$8,526	3%
Segment profit	\$692	10%

## Key 3Q business results

	Revenues		Segment profit <sup>-a)</sup>	
	\$	V%	\$	V%
C&I	\$3,533	0/11% <sup>-b)</sup>	\$283	44%
Plastics	1,677	1	152	(23)
Equip. Svcs.	1,848	8	91	38

(a- Industrial operating profit; Financial Services on an after-tax basis

(b- Excluding impact of dispositions; Supply gain was recorded in Corporate items

## 3<sup>rd</sup> quarter dynamics

### C&I

- Revenue +11% ex. dispositions
- Winning in high-end appliances ... Monogram +11%, Profile +13%

### Plastics

- Revenue +1% (volume +5%, price (5)%, FX +1%) ... auto down 11%
- Key raw material pressure ... benzene \$3.71, +31%

## 4Q'06 segment profit dynamics

- Industrial 5-10%
  - Plastics price/volume/inflation challenging

✓ 4Q'06 outlook ... segment profit 5-10%



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# Segment highlights – NBCU

(\$ in millions)

## NBCU – 3Q'06

	\$	V%
Revenues	\$3,631	20%
Segment profit	\$542	(10)%

## NBCU – 4Q'06 outlook

	4Q	TY
Revenues	0-5%	~10%
Segment profit	~10%	~0%

## Turnaround underway

- 1 Promising start to primetime
  - + Ratings up 15% season to date
  - + NFL ratings ahead of '05 MNF
  - + Scatter pricing up
- 2 Entertainment Cable revenues ↑ 17%
  - + USA #1 in basic cable ... best quarter ever
  - + Bravo prime ratings +26% ... most-watched quarter ever
- 3 Excellent News performance
  - + Today #1, Nightly #1
  - + MSNBC/CNBC op profit +30% YTD
- 4 Progress in digital
  - + Significant progress on digital distribution
  - + Launching iVillage live
  - + Successful launch of NBBC ... 50 distribution partners
- 5 Positive film dynamics
  - + 3Q'06 op profit +80%
- 6 Olympics + NFL + financing
  - + Revenue on track for \$1B+ "pull through"
  - + Entertainment vertical revenue +18% YTD



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# Segment highlights

## Healthcare

3Q'06

	<u>\$</u>	<u>V%</u>
Revenues	\$3,897MM	9%
Segment profit	\$700MM	19%

### 3<sup>rd</sup> quarter dynamics

- Orders +8% ... equipment +7%, services +9%
- Revenues + 9% ... Life Sciences +8% & global Ultrasound +14%
- Op profit margin expanded +1.5 pts ... good cost controls & positive mix

✓ 4Q'06 outlook ... segment profit 15-20%  
 – Strong equipment & services  
 – Biosciences, Healthcare IT continue strength

## GE Money

3Q'06

	<u>\$</u>	<u>V%</u>
Revenues	\$5,590MM	14%
Segment profit	\$916MM	13%
Assets	\$176B	15%

### 3<sup>rd</sup> quarter dynamics

- Global net income strong
  - Americas +33% ... Europe +17% ... Asia (7)%
- Broad-based asset growth +15% ... portfolio quality stable

✓ 4Q'06 outlook ... segment profit ~15%  
 – Strong global growth  
 – Stable asset quality



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# Corporate transactions – total year

EPS impact (\$/share)

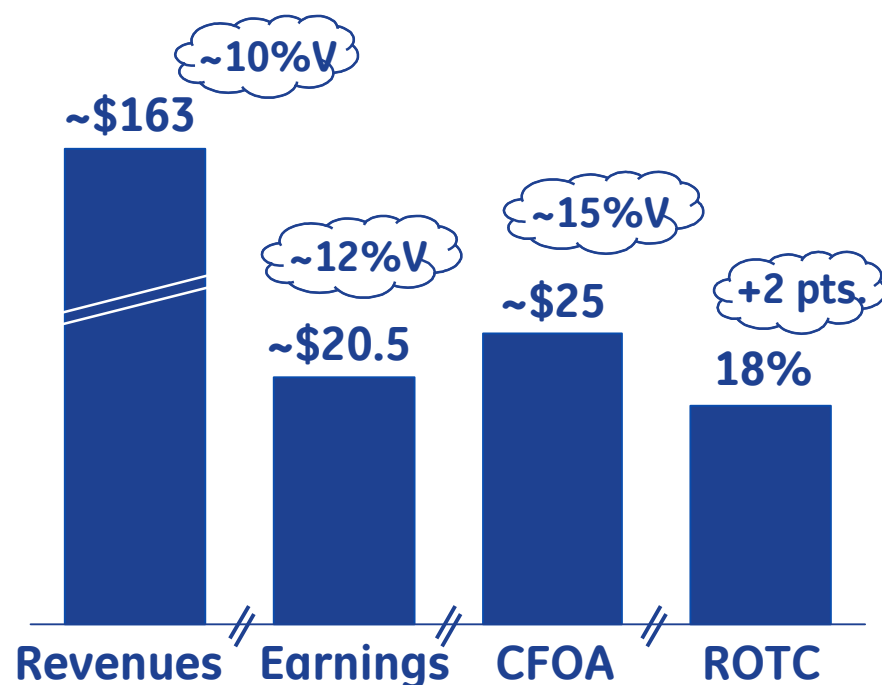
<u>Transactions</u>		<u>Uses</u>	
Gains	~\$.04	Restructuring & other charges	~\$(.02)
<ul style="list-style-type: none"><li>– 2Q Penske</li><li>– 3Q GE Supply</li><li>– 4Q Advanced Materials</li></ul>		Pension/early retirement	~(.04)

Gains → future profitability

# 2006 total year outlook

(\$ in billions – except EPS)

## Continuing operations



## Segment outlook

	<u>Profit</u>	<u>V%</u>
Infrastructure	~\$9.0	15+%
Comm'l. Finance	~5.1	15+
GE Money	~3.5	~15
Healthcare	~3.2	15+
Industrial	~2.9	10+
NBCU	~3.0	~0
<b>Total segment</b>	<b>~\$26.7</b>	<b>~15%</b>

**Total year at \$1.97-\$1.99 ... 15-16%**

# Executing long-term strategy

- ✓ GE is well positioned for this environment ... 4Q'06 & beyond
  - Infrastructure is excelling ... big backlog for 2007
  - Growth initiatives are working
  - NBCU turnaround is working
  - Attractive position for financial services
- ✓ Operating leverage is accelerating
  - Op profit rate best days are ahead
  - Strong cash flow
  - ROTC is expanding
- ✓ Executing strategy
  - Exit slow-growth businesses
  - Redeploying into faster growth

**Continued discipline around executing strategy**



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