

# GE Industrial Prudential Analyst Meeting September 23, 2005

## John Rice

"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 arise from the behavior of financial markets, including fluctuations in interest rates and commodity prices; from future integration of acquired businesses; from future financial performance of major industries which we serve including, without limitation, the air and rail transportation, energy generation and healthcare industries; from unanticipated loss development in our insurance businesses; and from numerous other matters of national, regional and global scale, including those of political, economic, business, competitive or 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."

This presentation includes certain non-GAAP measures as defined by SEC rules. As required by SEC rules, we have provided a reconciliation of those measures to the most directly comparable GAAP measures, which is available in our Supplemental Information file on our investor relations website at [www.ge.com/investor](http://www.ge.com/investor).



# The New GE Industrial

## Industrial

Infrastructure

NBC  
Universal

Healthcare

Commercial  
Financial  
Services

Consumer  
Finance



**Consumer / Industrial** ... lighting / appliances / industrial products



**Plastics** ... engineered thermoplastics



**Silicones / Quartz** ... sealants / rubber / oils / coatings



**Security** ... commercial / industrial protection technology



**Equipment Services** ... full service transportation equipment  
leasing & rental



**Sensing / Inspection Technologies** ... sensors / non-destructive  
testing / inspection technology



**GE Fanuc** ... automation systems / devices

# Key messages for today

- On track to deliver in 2005
- Our mission is clear:
  - Achieve “Peak” op profit margin in each business
  - Integrate and rationalize cost structure
  - Optimize cash generation and ROTC

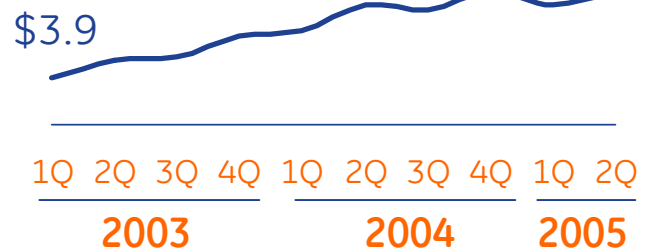


# Orders Look Good

## Flow Orders (ex. acq./disp.)

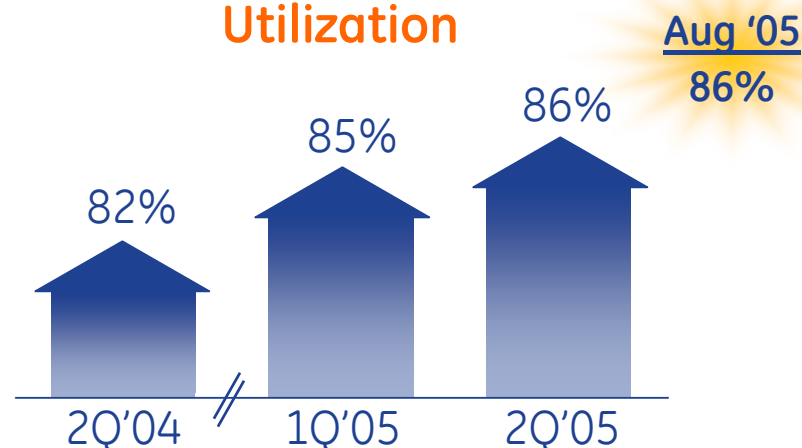
(V%)	1H'05	Aug '05 +9%
Ad. Materials	7%	
Appliances	8	
Lighting	7	
Ind. Systems	8	
<b>Total Flow</b>	<b>8%</b>	

(\$ in billions – current quarter)



- Pricing momentum in Plastics, C&I
- Asia continues strong double-digit
- Security; strength in Homeland

## Equipment Services Utilization

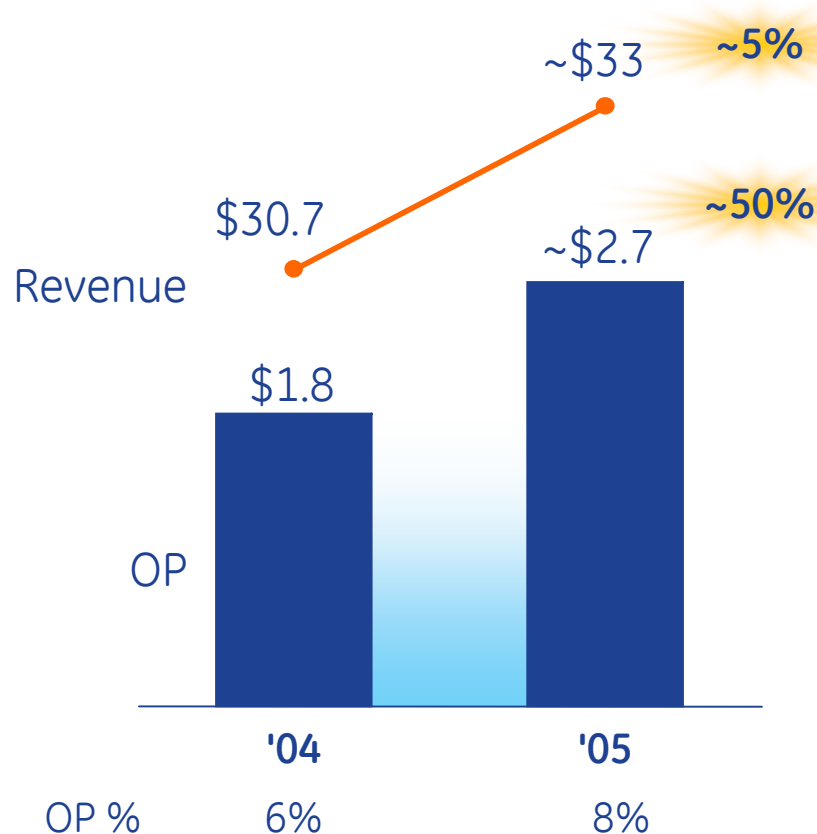


	2Q'05 utilization	V 2Q'04
Penske	95%	(1) pt.
Rail	84	+5
Trailers	84	+11

**Business fundamentals remain positive**

# Total GE Industrial

(\$ in billions)



- Achieving price > inflation
- Growth, scale, new markets, differentiated products
- Building out product lines; execute in new platforms
- Rationalizing cost structure/assets ... executing on \$350MM cost synergies
- Continuous assessment of low return assets
- Earnings growth > revenue growth... Operating cash flow ~2.0x net earnings

**Businesses on track to deliver on '05 commitment**

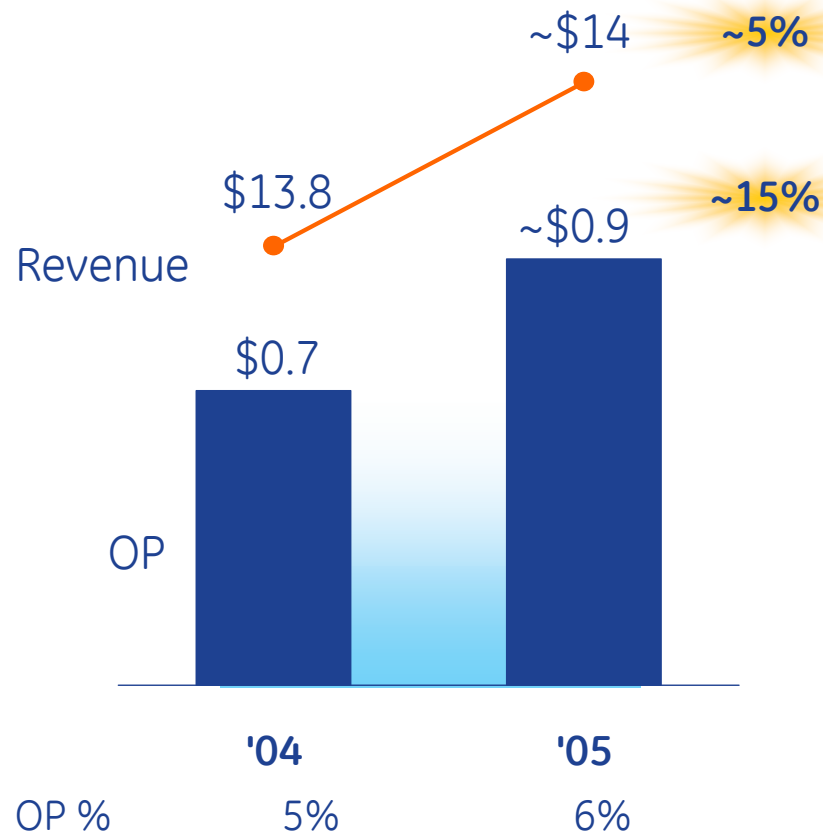
# Segment Updates



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# Consumer & Industrial

(\$ in billions)

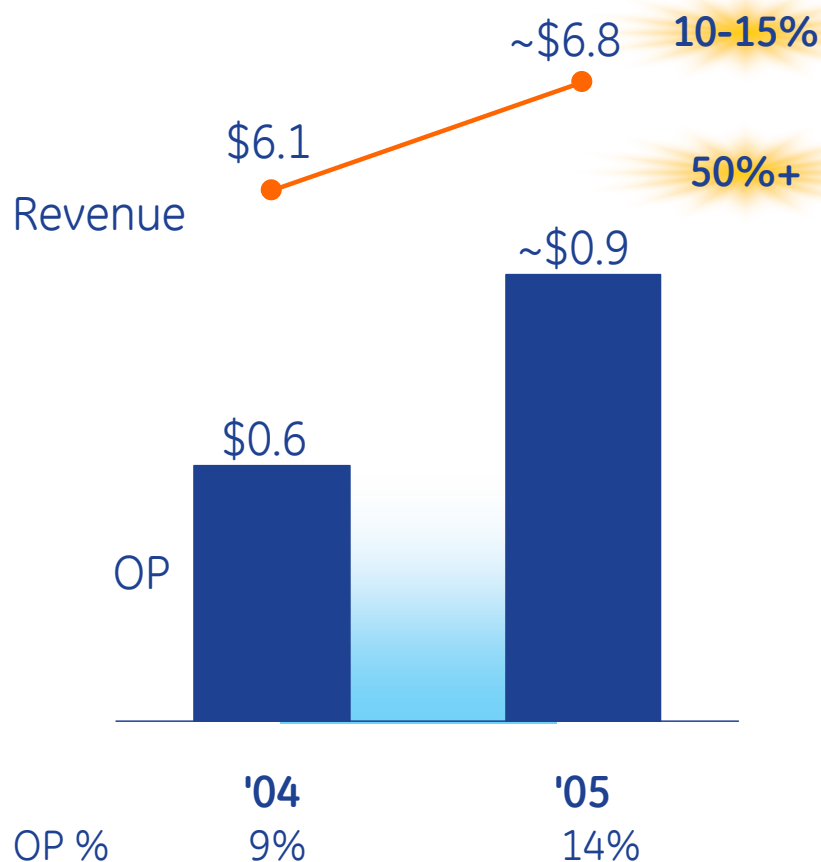


- Continue product/brand leadership
- Revenue +7%, OP +35% ex '04 Motors dispositions
- > 15% increase in NPI spend
- Base cost ↓ 3% ... integration/simplification
- Operating cash flow ~2x net earnings

**Invest in high end NPIs & focus on cost**

# Plastics

(\$ in billions)

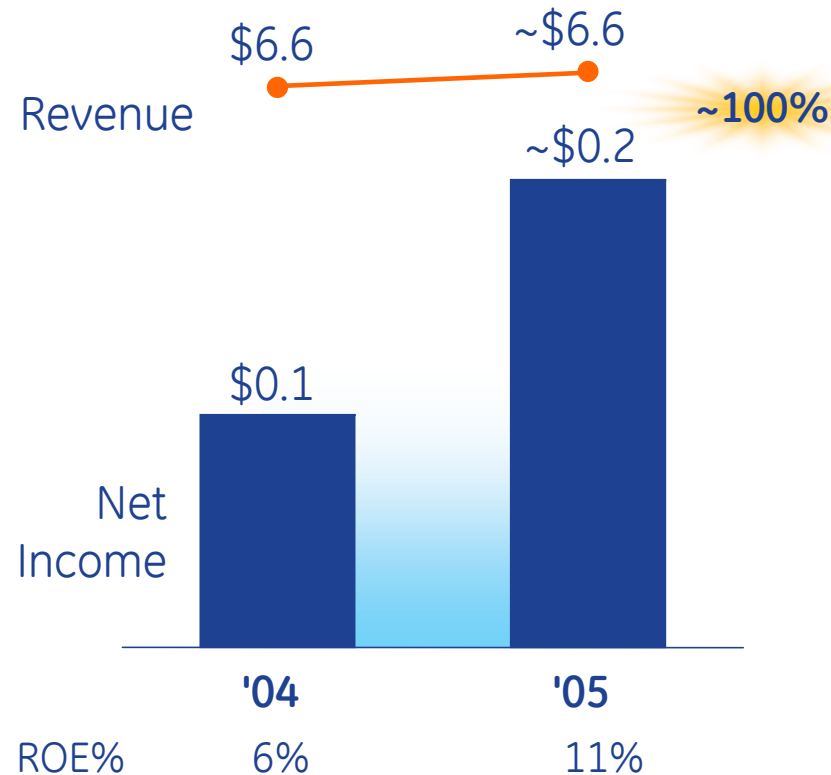


- Raw material volatility continues... Benzene down vs. 1H '05
- Executing on pipeline of high-tech products ... NPI spend +19%
- Winning in emerging markets ... China, Southeast Asia, India
- Operating cash flow ~2x net earnings

**Repositioning to win in high end ...  
strong cash contributor**

# Equipment Services

(\$ in billions)

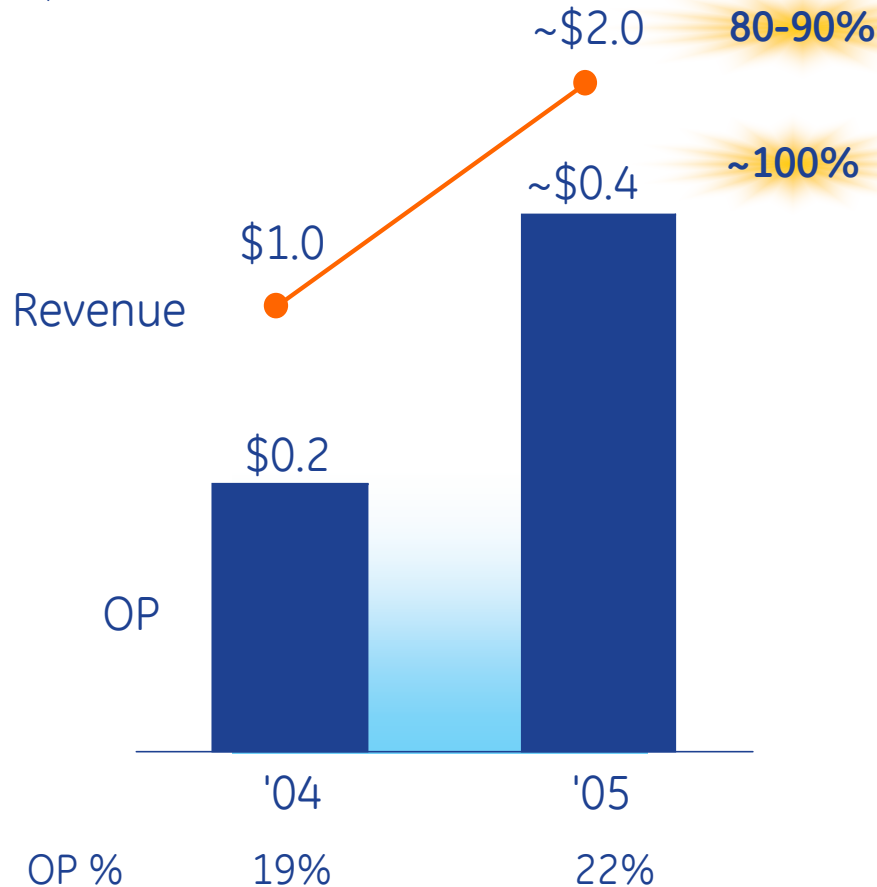


- Aggressive asset management
- Improving utilization rates
- Driving productivity
- Focused on growth:
  - Complementary services
  - Asset tracking & intelligence
  - Ownership conversion
  - Geographic expansion

**Positioned for growth ... Expanding capabilities beyond asset leasing**

# Security

(\$ in billions)



- ~15% organic growth rate
- Good progress on Invision & Edwards integrations
- Expanding channel partner & end user focus...growing global presence
- NPIs focus; Homeland protection
- Simplifying supply chain & go to market strategy

**Significant progress ... breadth  
of portfolio key to sustained growth**

# Integration



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# Integration ... \$350MM+ Synergy Target

## Opportunity

- 96,000 employees globally
- ~\$10B material buy
- ~\$3.5B total costs...~\$1B of G&A
- \$0.8B+ NPI spend
- ~3,000 rooftops... \$0.5B spend
- ~900 IT systems & platforms
- 870 legal entities

## Approach

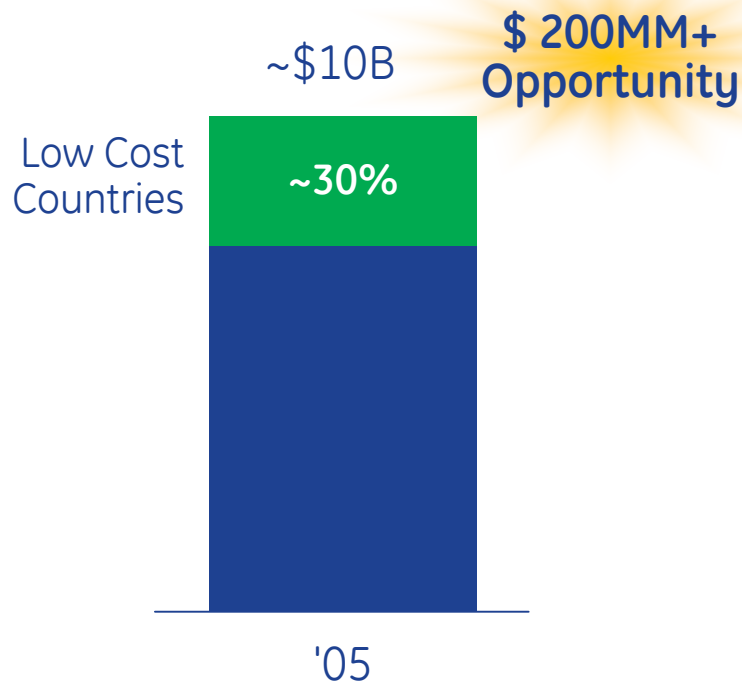
- Appointed staff level initiative leaders
  - “Realize synergies/no bureaucracy”
- Focus areas:
  - Sales & Marketing
  - G&A (Legal, Finance, HR)
  - IT
  - Europe, Asia
  - Supply Chain / Logistics
  - Technology
  - Rooftops
- Integration WO's! held in September
- Utilizing C&I model ... Six Sigma rigor

**New “P&L” model ... process vs structure**

# Sourcing

(\$ in billions)

## Material buy

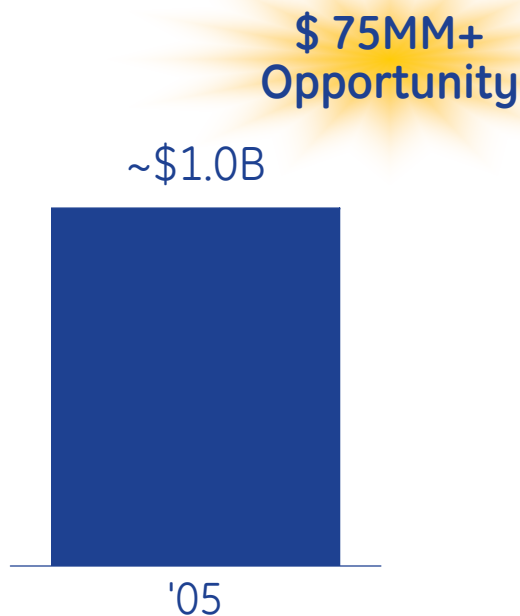


- Leverage low cost country sourcing... going to >40%
- Buy consolidation... direct & indirect material ... \$125MM opportunity
- Energy usage & rate ... \$20MM
- Organizational structure & shared resources ... \$10-30MM

**>\$200MM opportunity in material buy**

# G&A

## G&A Spend

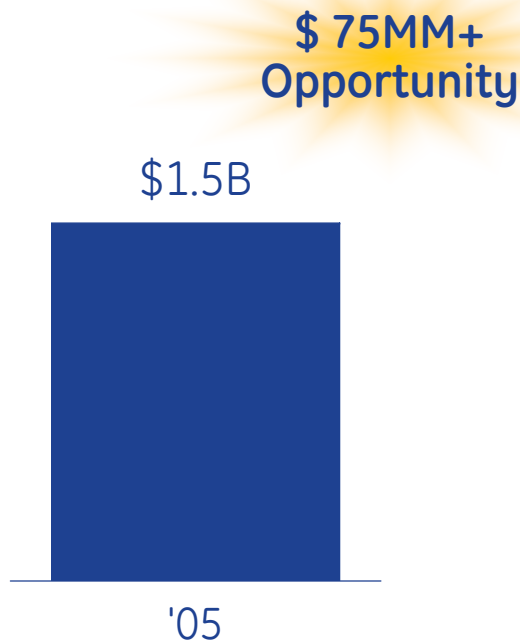


- Shared service for staff functions to “best in class”
- Finance; \$20-30MM ... transaction processing, collections, legal entity reduction
- IT; \$20-30MM ... common backrooms and 20% reduction in IT platforms
- 25% rooftop reduction... \$20MM

**>\$75MM opportunity in G&A cost**

# Logistics

## Logistics Spend



- Consolidate overlapping warehouses, carriers, lanes ... \$20-30MM
- Inbound logistics w/ Penske ... \$15-25MM
- Carrier partnership w/ Equipment Services
- Simplify common processes & shared organizations ... \$10-20MM

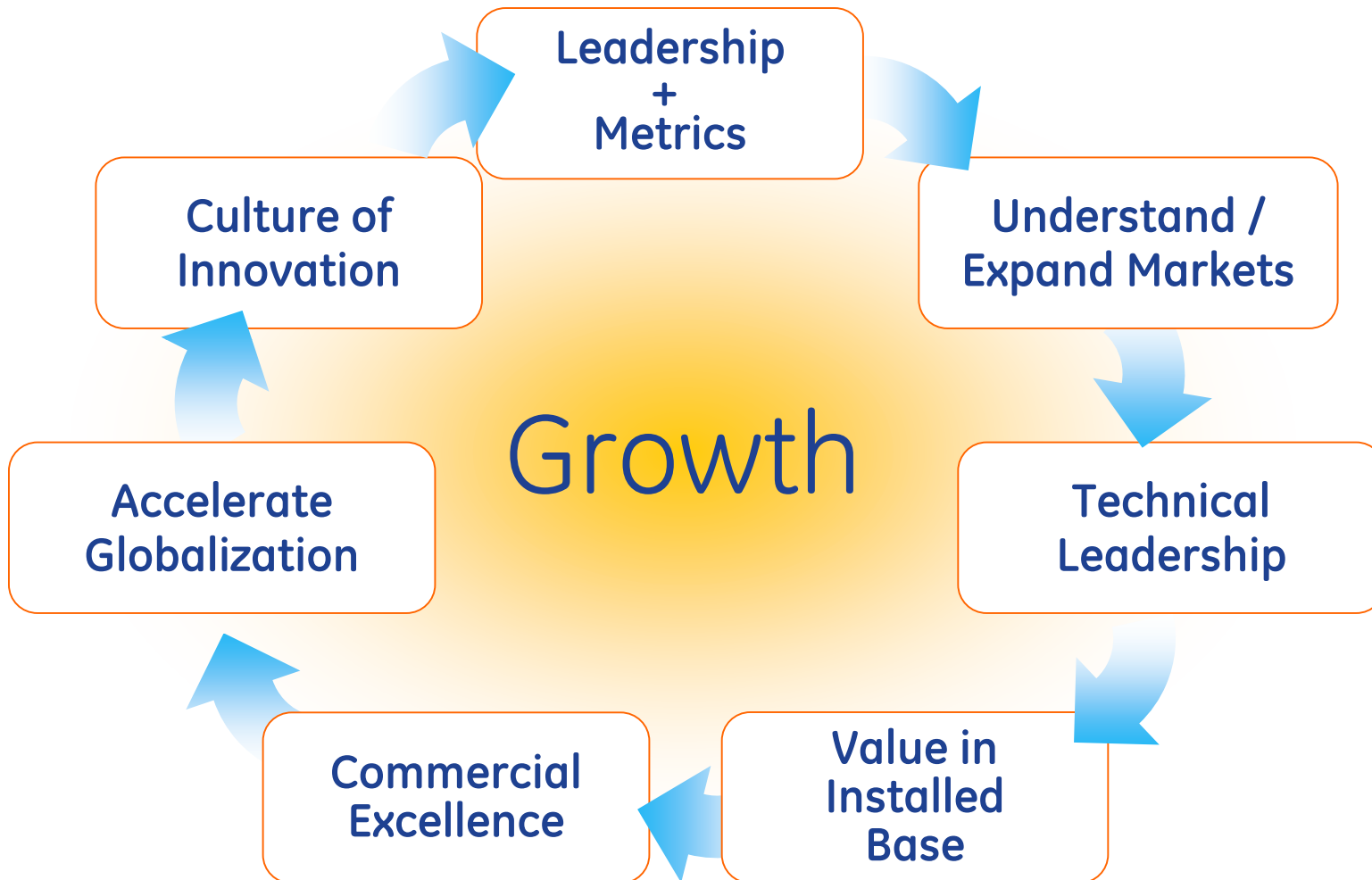
**>\$75MM opportunity in logistics cost**

# Growth



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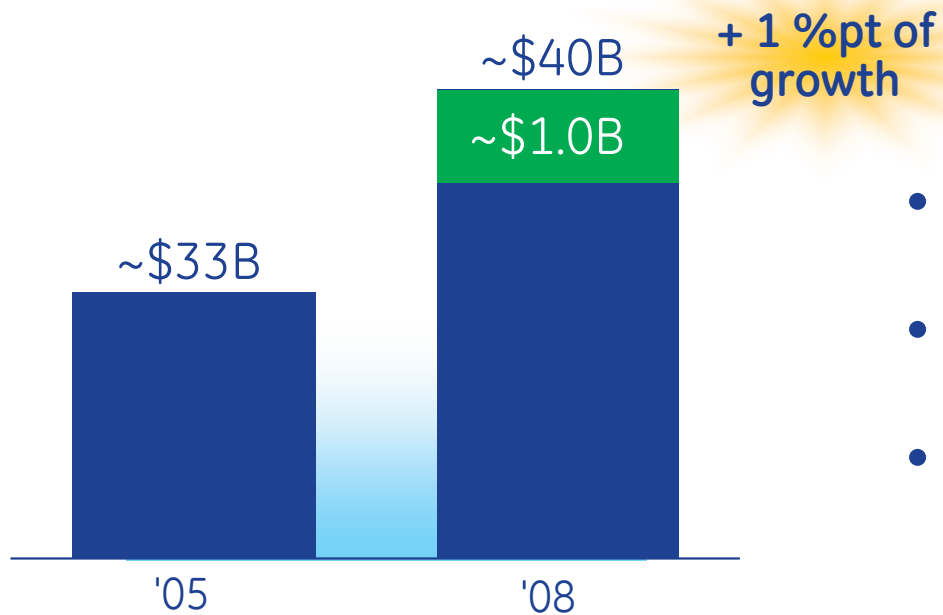
# Developing a Culture & Process for Growth



# Growth Synergies

(\$ in billions)

## Incremental Revenue Growth



- Packaged solutions
- Joint marketing efforts
- Target customer base across all businesses

Targeting increased topline growth by  
1%pt ... \$1.0B by '08

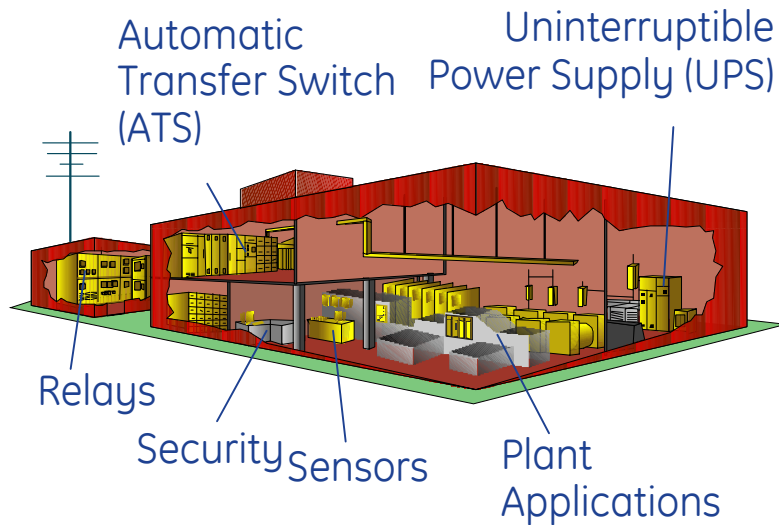
# Go-to-Market Strategy

Products

Packages

Channels

New products since '00



Entitlement increases 50%



	Direct	Electrical	OEMs	Agents
C&I	✓	✓	✓	✓
Fanuc	✓	✓	✓	
Security		✓		✓
Sensing	✓	✓	✓	✓
Equip.	✓			
Wins				



- Uniquely packaged solutions through multiple channels
- Translate The Home Depot success across new businesses

# NPI Synergies Example ... \$50MM Opportunity

## Aircraft Engines



Flight Qualified  
Pressure Sensors  
for GeNX Engine

## Appliances



Temperature Probes  
for Cooking Center

## Healthcare



Anesthesia Flow  
Monitoring

## Sensing

## Security



CO<sub>2</sub> Sensors for  
Buildings & Cargo

## Equipment Services



VeriWise™ Temp &  
Humidity Sensors

## Energy



Gas Monitoring for  
Environmental Services

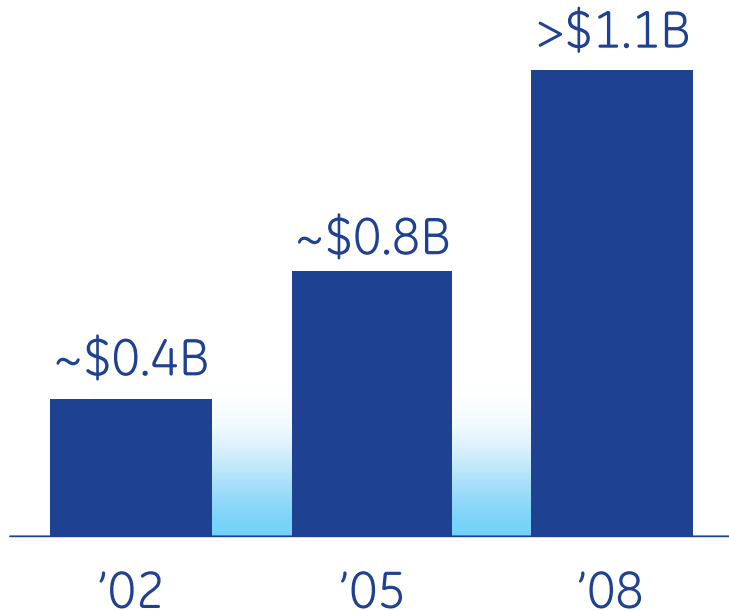
# Organic growth through NPI



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# Technology Investment

(\$ in billions)



- 30+% growth in NPI spend
- Across all product lines
- ~40% **eco**focused
- \$4B+ revenue by '08

**Massive commitment to product leadership and expanded offerings across portfolio**

# NPI Pipeline ... What's Next

Today



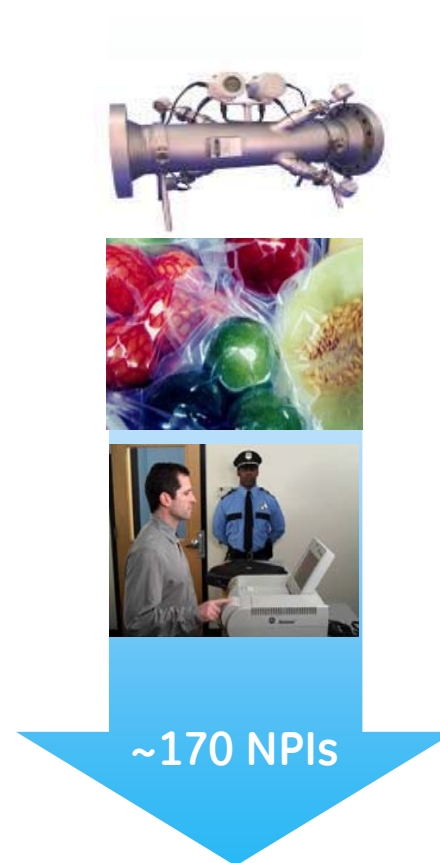
'08 Rev  
~\$2B

Tomorrow



'08 Rev  
~\$1.5B

Future



'08 Rev  
~\$0.5B

**\$4B+ 2008 Portfolio**

# Winning globally - China

(\$ in billions)

## Plastics ... Technology



Revenue



- 100% Self sufficient
- High tech strategy
- Local customer service
- 500+ growth resources

## C&I ... Enterprise selling



Vertical Markets



Auto/Transp	\$0.1
Power	0.2
Oil & Gas	0.2
Commercial	0.2
Olympics	0.2
C&I Target	<u>~\$0.8B</u>

## 2008 Olympics



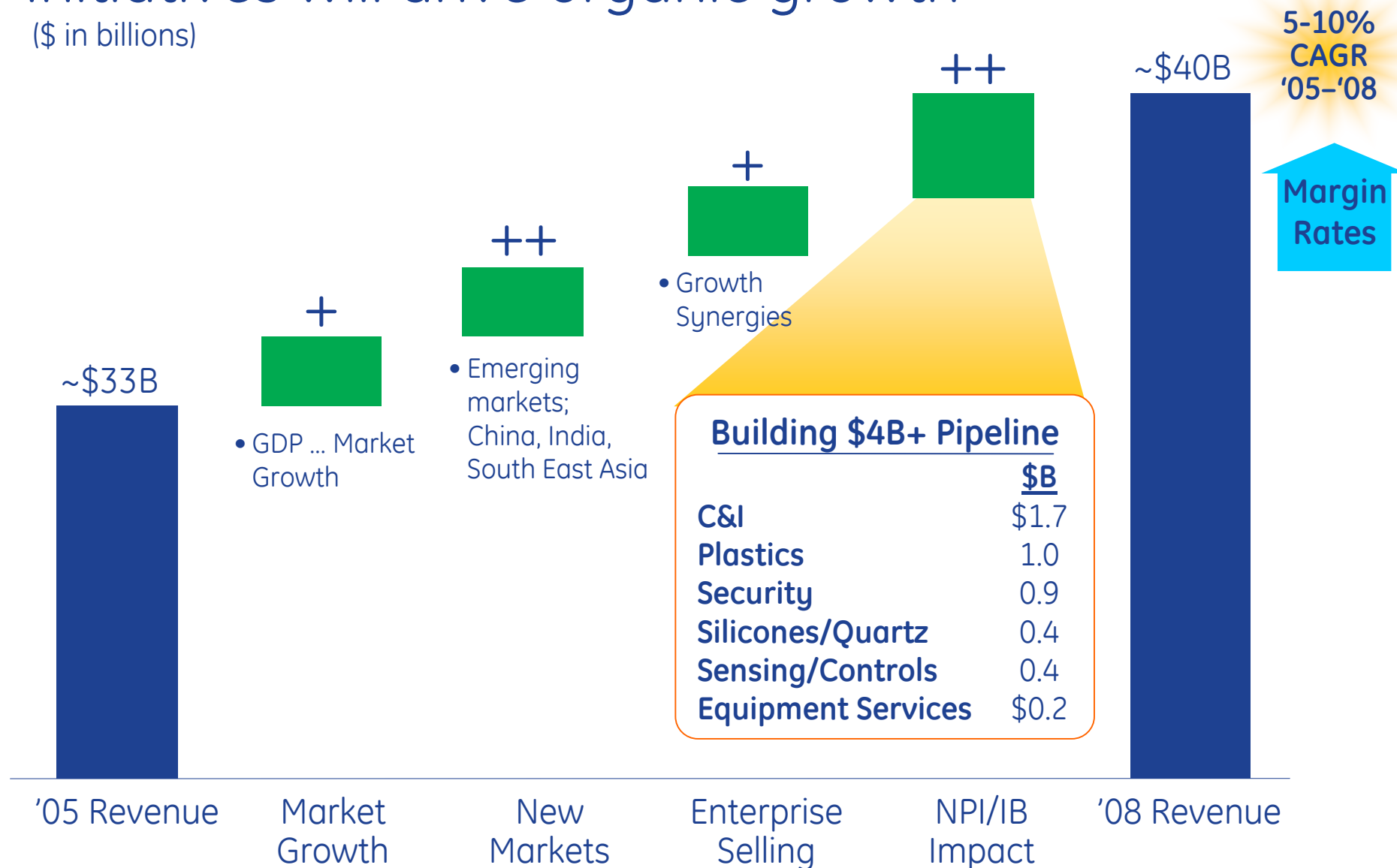
Opportunity



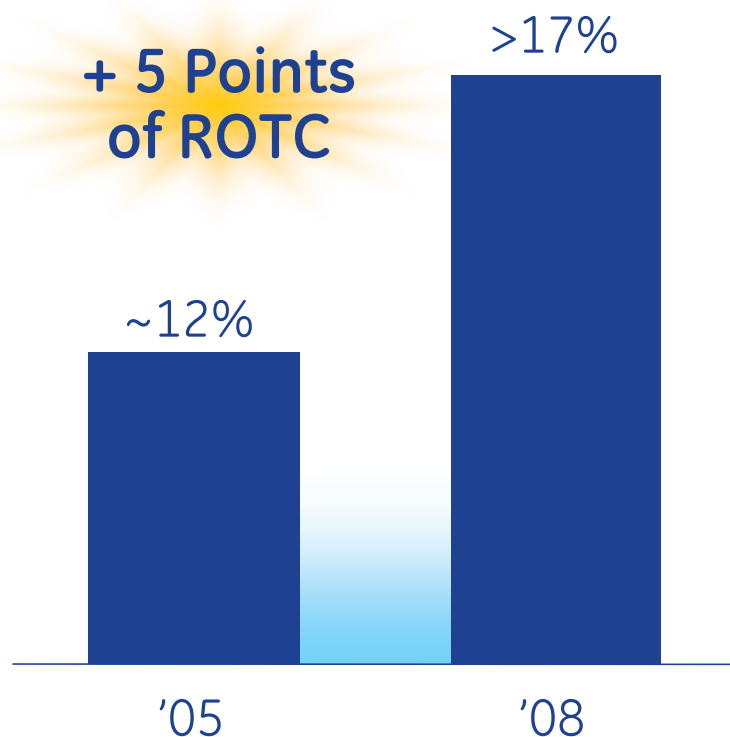
- Security ...\$0.25
- Stadium / Infrastructure...\$0.2B
- Transportation...\$0.1B

# Initiatives will drive organic growth

(\$ in billions)



# Expanding Return on Total Capital

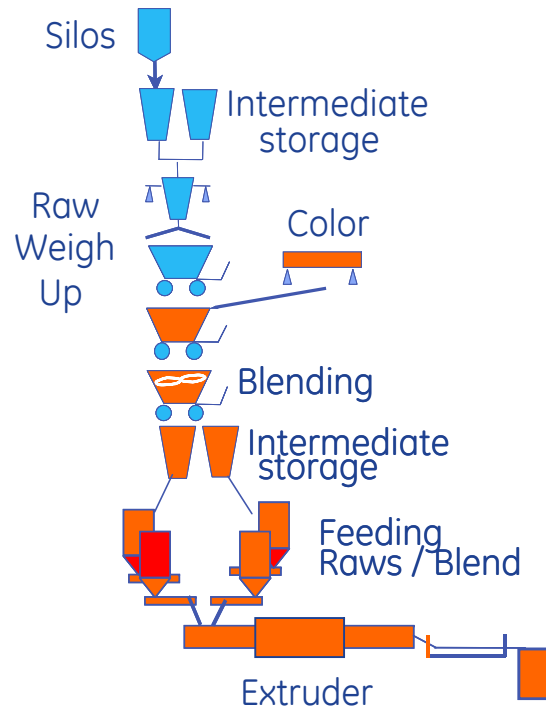


- 10-15% earnings growth
- 50%+ working capital reduction
- Disciplined investment strategy ...  
<1.0 reinvestment ratio
- Pruning of low return assets
- Lean Six Sigma

**Massive commitment to product leadership and expanded offerings across portfolio**

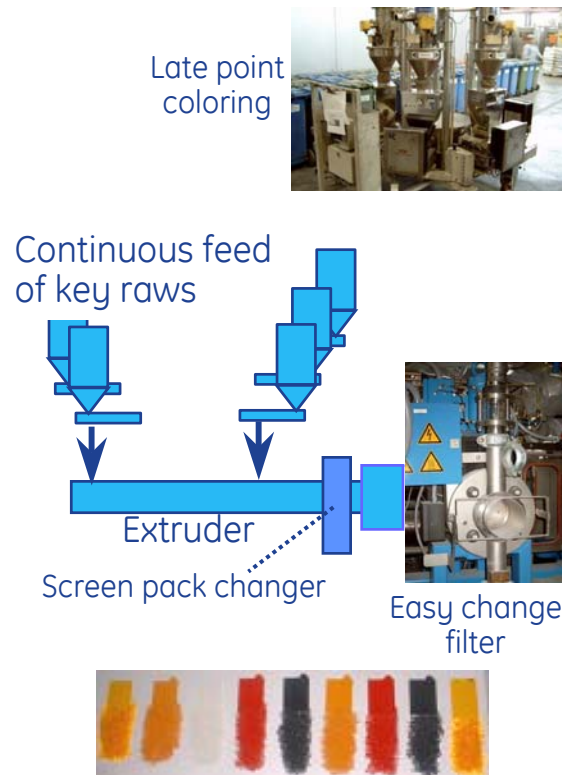
# Lean Six Sigma ... GE Plastics Example

## Old Coloring Process



**Color changes  
take ~5 hours**

## With Lean Six Sigma



**From black to red  
in ~10 Minutes**

## Growth

# NOKIA

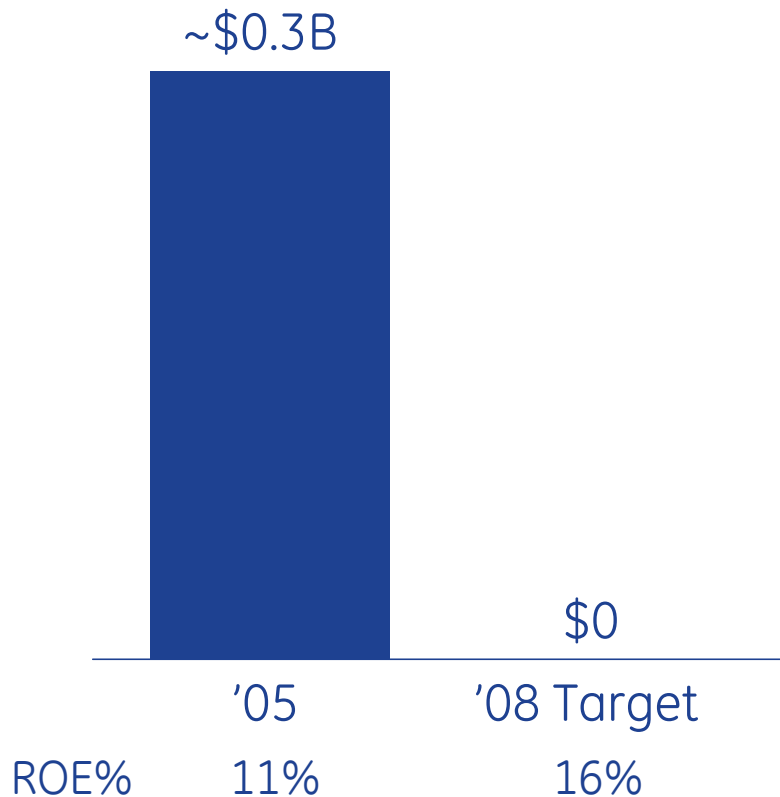


- 12% Price Increase
- 2 year commitment
- GE Global Supplier

**Huge growth  
opportunity**

# Equipment Services – Asset Management

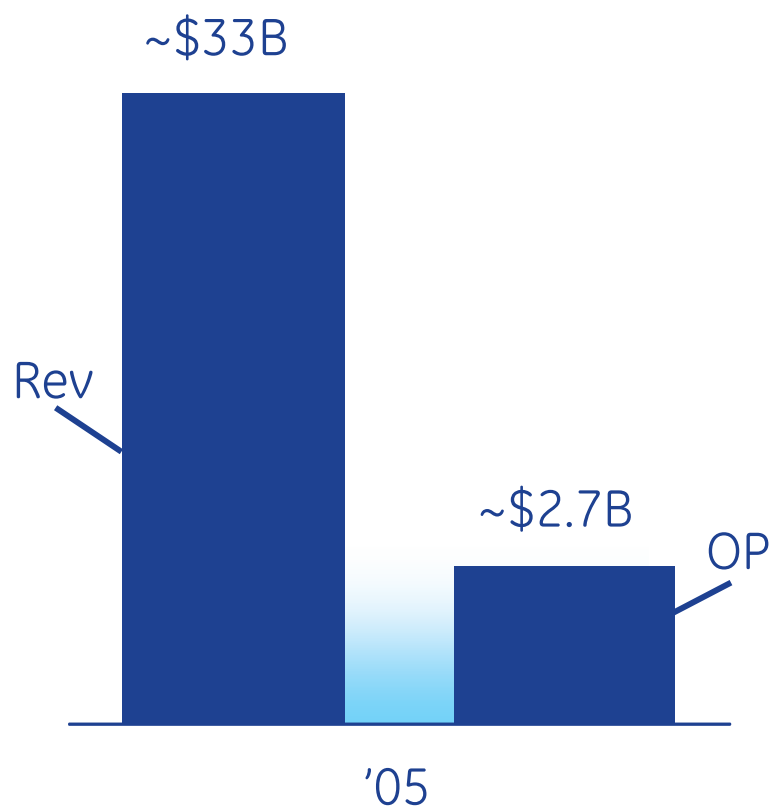
## “Excess” Assets



- Remarketing teams focused on volume and price
- Better use of asset intelligence / tracking
- Optimizing holding periods for re-sale
- Adding new assets with >20% ROE

**Continuous pruning of low returning assets**

# Positioned for sustainable growth



- Growth, scale, new markets, differentiated products
- Build out product lines; execute in new platforms
- Rationalize cost structure/assets ... execute on \$350MM cost synergies
- Continuous assessment of low return assets
- Earnings growth 2x revenue growth ... CFOA 1.5-2.0x earnings

GE Industrial

# Prudential Conference

John Rice

