



# GE Investor Update

John Flannery

November 13, 2017

**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.

General Electric Capital Corporation (GECC) was merged into GE in 2015 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.

# Agenda

Running GE

John Flannery

Aviation & Additive

David Joyce

Power

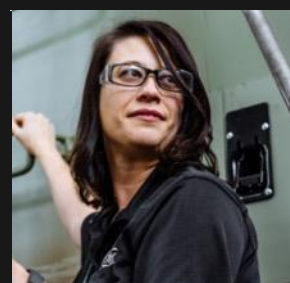
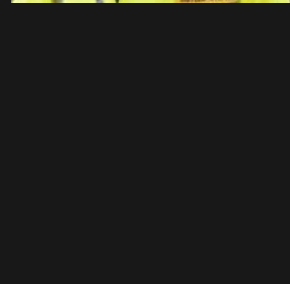
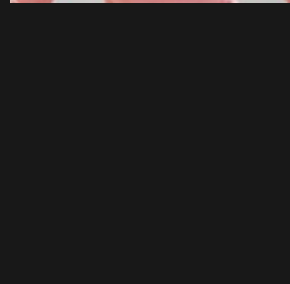
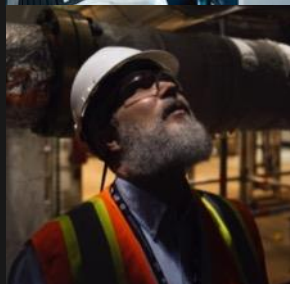
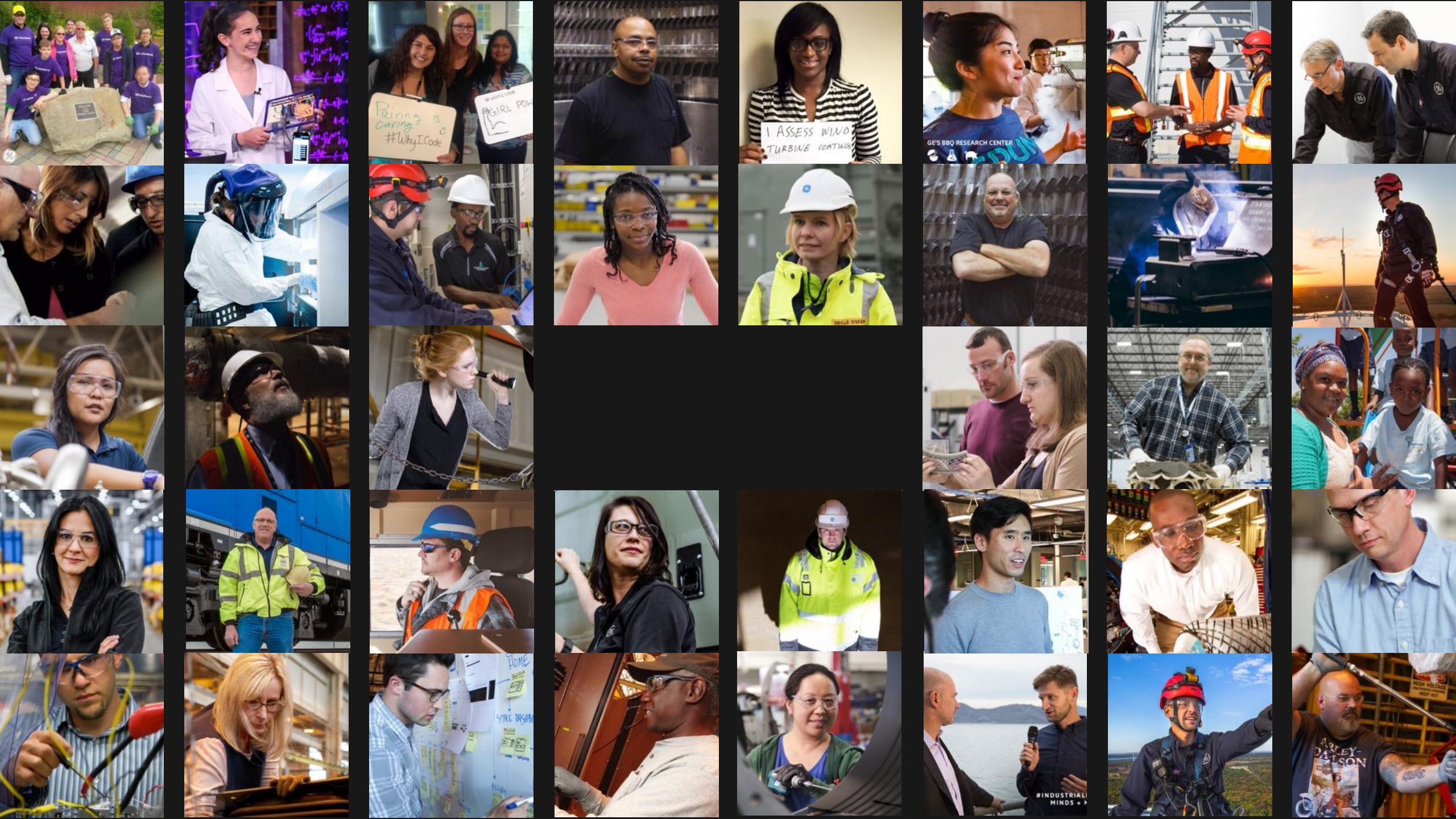
Russell Stokes

Financial outlook

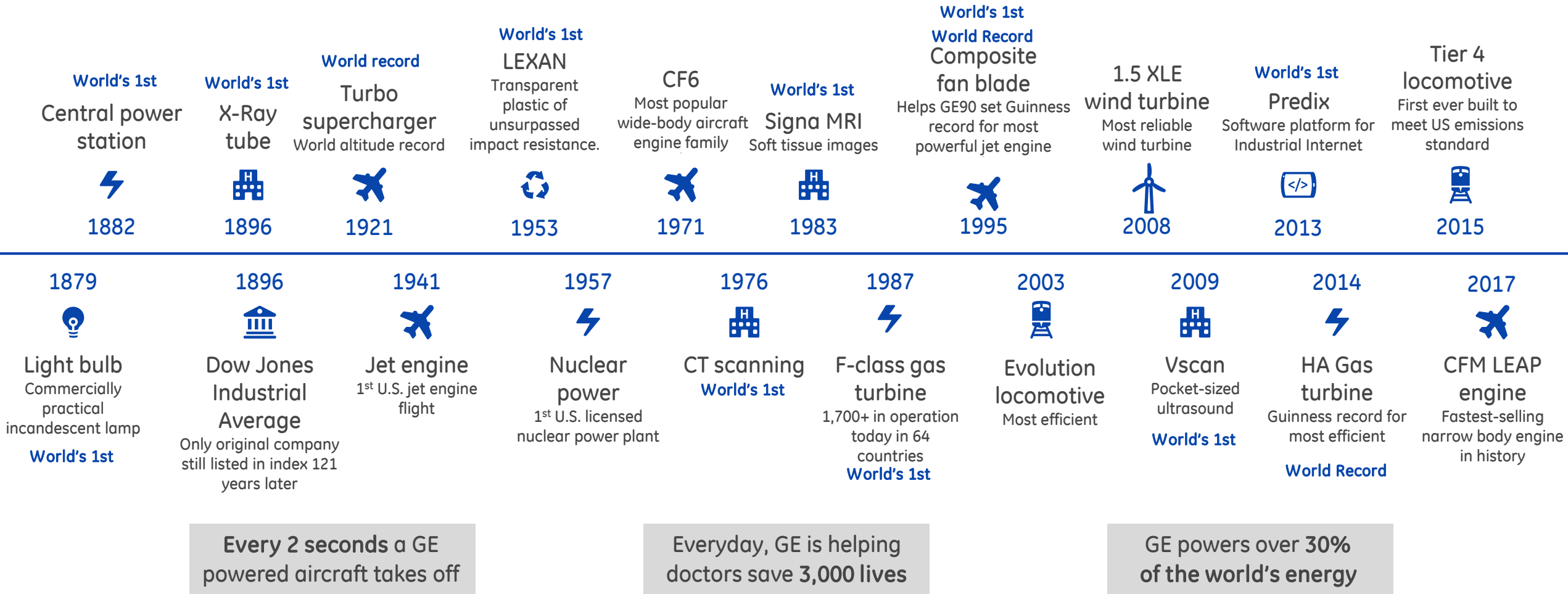
Jamie Miller

Wrap

John Flannery



# 125 years of innovation – making the world work better



GE has remade itself multiple times



# Today's messages

- **We have strong franchises**
  - Improve: cash, metrics, cost, capital allocation
  - Power is fixable ... 1-2 years
- **2018+ framework ... set for cash + earnings growth**
  - 2018: adjusted EPS \$1.00-1.07<sup>-a)</sup>, free cash flow \$6-7B<sup>-b)</sup>
- **Capital allocation focused on total shareholder return**
  - Reducing annual dividend to \$.48 per share
- **Simplify + concentrate on GE of the future**
  - End-market strength, GE competitive advantages, premium results/valuation
  - Exit \$20B+ of assets ... + optionality in BHGE

Strong franchises ... Focus ... Execute

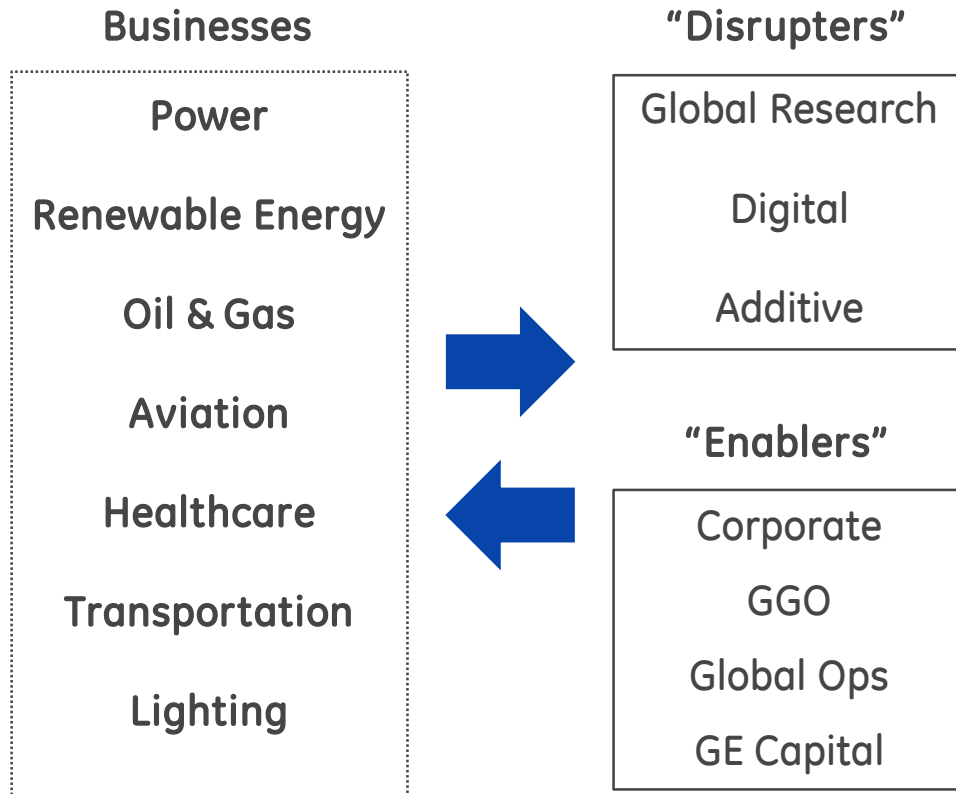


(a- Adjusted EPS represents continuing EPS ex. gains, restructuring, and non-operating pension

(b- Industrial FCF = Industrial CFOA ex. deal taxes less gross P&E additions & capitalized software; excludes GE principal pension plan funding

# Business review

## Deep business & Corporate reviews



## Key imperatives

- **Granular diagnostic of each GE business**
  - Sources of competitive advantage
  - Industry / end-market dynamics
  - Financial profile
  - Value creation opportunity
- **Engage employees at all levels ... "boots on the ground" insight**
- **Feedback from customers & investors**
- **Determine what makes a "GE" business**
  - Financial, operational, strategic characteristics
  - Pressure test GRC, GGO, Digital, Additive, Corporate
  - Businesses in the middle need to prove themselves
- **Develop a vision for GE of the future and deliver maximum value for shareholders**

Rigorous, in-depth review of all aspects of the company



# Conclusions from company review

“Hardware”

- 1 Fundamentally **strong set of businesses** ... execution is key
- 2 **Portfolio** ... focus on cash generation and returns
- 3 **Capital allocation discipline** ... managing for total shareholder return
- 4 **Refocus Digital on core capabilities**

“Software”

- 5 **Board changes** in process, aligned to GE going forward
- 6 **New leadership team** will position the company for the future
- 7 **Metrics & culture shift** ... candor, rigor, accountability, cash generation
- 8 **Compensation program** that aligns management with investors



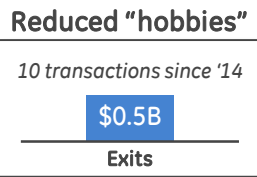
# GE Healthcare journey

## Operating rigor

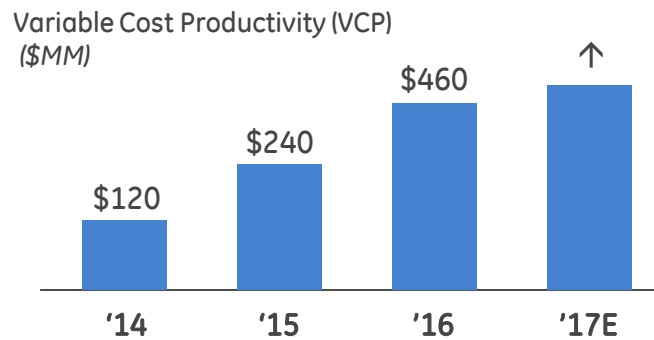
"Measuring the X's to get the Y"

### Key actions:

- ✓ Full view of portfolio profitability
- ✓ Funded VCP / cost-out program
- ✓ Digitized real-time metrics
- ✓ Heavy focus on working capital
- ✓ ↓ G&A, exited non-core assets



### Example output:



## Disciplined capital allocation

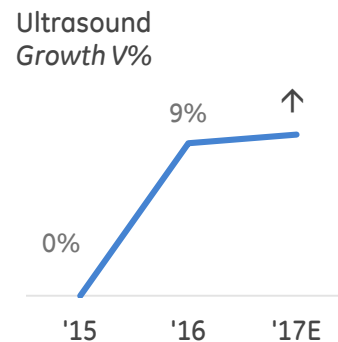
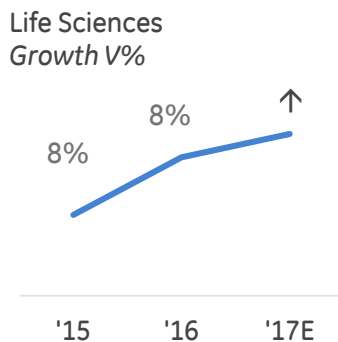
"Investment in highest ROICs"

### Key actions:

- ✓ Doubled down on Life Sciences
- ✓ Invested more in Ultrasound
- ✓ Repositioned portfolio: Digital, Solutions & Affordable Care
- ✓ Rationalized organic investment in lower ROIC businesses



### Example outputs:

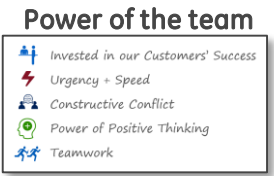


## Culture

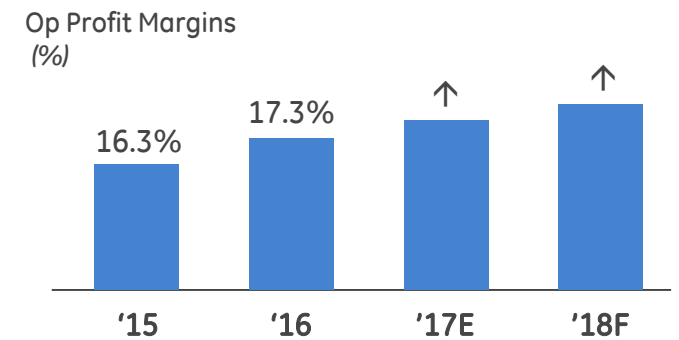
"Customer first ... one team"

### Key actions:

- ✓ Customer as "north star"
- ✓ Reset leadership team with clear roles & responsibilities
- ✓ Culture of candor & accountability
- ✓ Realigned incentives



### Example output:



Healthcare delivering for investors ... strong operating leverage with ~100% FCF conversion

# 1 Strong set of businesses

## Strong portfolio

~\$125B



2017E revenue

~70% of revenue & ~85% of segment profit from businesses that lead in their markets

- ✓ A leading player in aviation, power, healthcare, transportation
- ✓ Full-stream oil & gas business with Baker Hughes
- ✓ GE Capital supports Industrial growth



## Portfolio value creation

### Leading franchises

Solve tough problems & high technology barriers to entry

### Lead with technology

DNA of company ... LEAP, HA, Healthcare are proof points

### Valuable installed base

Track record of increasing asset productivity & improving margins

### Global reach

Operate in 180+ countries; well-positioned in growth markets

### Strong team

Passionate, capable team; driving culture of accountability

### Investing for the future

Digital & Additive - enabling productivity for GE & customers

- ✓ Investments in place to drive growth
- ✓ Strong backbone ... technology, services, global
- ✓ Valuable, market-leading franchises

# Strategic review: Power & Aviation



## Power

### Key takeaways

- ✓ Global capabilities, extended scope efficiencies, digital breadth, IB
- ✓ Leading technology & services capabilities
- ✗ Poor planning & operational execution
- ✗ Market more competitive, overcapacity ... opportunities exist

### Go-forward priorities

- **Cost** ... right-sizing structure, NPI, footprint
- **Analytical rigor** ... revamp supply & demand
- **Volume** ... aligning with market realities
- **Underwriting discipline** ... narrower project focus, higher hurdles
- **Culture** ... accountability, transparency, cash
- **Simplify** ... portfolio, organization

### Measuring success

Improved FCF  
 \$1B+ structural cost out  
 Transactional services improvement  
 Address overcapacity  
 Simplified portfolio



## Aviation

- ✓ Robust growth ... strong industry dynamics, IB and services backlog
- ✓ Successful launch of LEAP engine has solidified GE's competitive position
- ✓ Technology leadership ... strongest stack in our history
- ✓ Digital and Additive opportunities

- **Investing** across broad product portfolio
- **Op profit margin** ... execute on LEAP learning curve, services operational rigor
- **Capitalize on Military** demand and win next-gen
- **Additive** ... machines, materials, services, software ... external + across the company

Maintain margin rate through LEAP launch  
 Working capital efficiency  
 FCF conversion improves post-LEAP investment cycle  
 Additive



# Strategic review: Healthcare & Renewables



## Healthcare

### Key takeaways

- ✓ Industry strength & share growth ... emerging/ developed markets, innovation, NPI
- ✓ Life Sciences ... high-value segment
- ✓ Strong cash flow generator
- ✗ Profitable digital analytics model yet to emerge

### Go-forward priorities

- **Accelerate** profitable services/digital growth
- **Invest** to lead in Precision Health...“smart scanners,” biopharma tools and digitization
- **Costs** ... engineering efficiency, VCP, smart NPI
- **Inventory** ... lean manufacturing footprint

### Measuring success

Product cost & quality  
Op profit margin expansion  
FCF conversion ~100%  
Emerging market growth  
Life Sciences & Cell Therapy



## Renewables

- ✓ Highly competitive position in U.S. onshore wind market; global growth
- ✓ LM integration ... going smoothly, blueprint for vertical integration
- ✗ Price impacted by competitive environment; U.S. PTC dynamics
- ✗ Scale ... Offshore and Hydro

- **Product cost focus** ... offsetting price headwinds
- **Driving outperformance at LM** ... key contributor to enhanced margin and cash flow story
- **Investing for the future** ... product platforms, digital, blades technology
- **Inventory & working capital** ... target 100%+ cash conversion in onshore wind

Robust topline and profit growth in 2018  
Improve FCF & margins  
Ensure LM performing above investment case  
Hydro & Offshore execution



# Strategic review: Baker Hughes, GE & Transportation



**BHGE**

## Key takeaways

- ✓ Combination thesis intact ... cost synergies and full-stream potential
- ✓ Positioned for growth ... poised to take share in upswing
- ✗ Market fundamentals challenging
- ✗ Commodity-based volatility

## Go-forward priorities

- **Market share** ... target underpenetrated areas
- **Synergy capture** ... targeting \$1.6B by 2020, structural cost out
- **FCF focus** ... working capital and capex optimization
- **Optimize capital structure** ... \$3B buyback
- **Fit with GE** ... evaluate alternatives

## Measuring success

Strong revenue growth and margin expansion

FCF conversion

Synergy execution

Capital structure optimization



**Transportation**

- ✓ Global market leader
- ✓ Premier offering ... services and digital, close to key customers
- ✗ Demand ... NAM downturn partly offset by international growth

- **Adapting to realities** ... international markets partly offset NAM decline, strong services backlog
- **Costs** ... base cost reductions, rigorous supply chain management
- **Measured approach to NPI** ... investing for returns, right-sized for demand
- **Cash flow focus** ... working capital, capex

Int'l growth partly offsets NAM pressure in '18-'19

Margin accretive, pressure from international mix

FCF conversion



## 2 Focusing the portfolio

### What makes a GE business

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- **Sources of competitive advantage**
  - Customer depth/intimacy
  - Technology
  - Global scale & brand
  - Domain expertise
  - Software/outcome opportunity
  - Critical assets/risk
- **Strong end markets**
  - High margin/cash generation
  - Secular growth
  - Risk-adjusted ROIC
  - Predictability

### Initial output

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- 1 **Focusing on the core**
  - Exiting \$20B+ of assets ... 1-2 years
  - Transportation, Industrial Solutions, Current & Lighting and 10+ other transactions
- 2 **Reduce volatility + commodity exposure**
  - BHGE optionality
- 3 **Simplifying the portfolio**
  - Ongoing evaluation

Simpler, more focused GE



### 3 Capital allocation principles

- Critical at all levels of the company
- Last several years have not generated the returns that we expect for our business
- We will be highly disciplined in how we allocate capital, backed by rigorous analytics
- Key priorities:
  - Substantially improve cash flow generation across all of our businesses
  - Organic investments that deliver strong returns using a realistic assessment of the market
  - Set dividend at appropriate level with a path to grow going forward
  - Opportunistic use of buybacks when we have excess capital and our stock is undervalued
  - Highly disciplined approach to M&A
  - Appropriately funding other obligations including pension

Unique vantage point to see opportunities and allocate capital to highest returns



# 2018 capital allocation priorities

## 2018 focus

- 1 Strengthen cash position
- 2 **Balanced capital allocation**
  - Organic investment: R&D ~4% of revenue, capex <1x reinvestment rate
  - Annual dividend payout at \$.48 per share
- 3 **Fund principal pension plan through 2020**
  - \$6B voluntary debt-funded contribution in 2018
- 4 **Disciplined financial policy**
  - Target ~2.5x Net Debt/EBITDA, A1/P1 short-term rating

## Process improvements

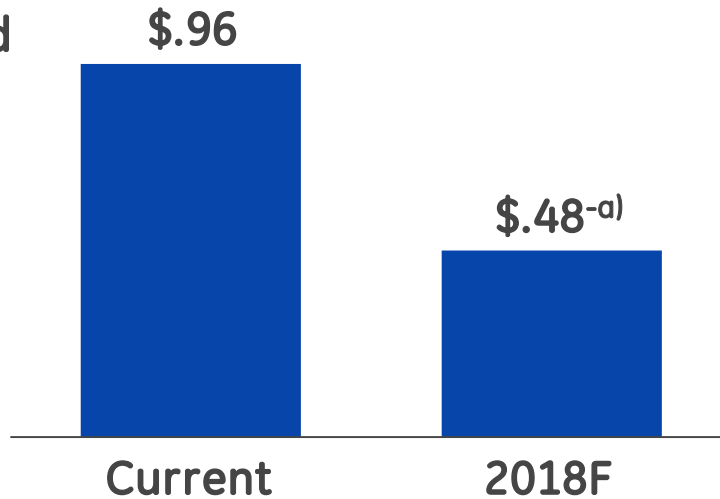
- Oversight by new Finance & Capital Allocation committee of the Board
- Allocation linked to segment strategy & opportunity ... growth options, margin enhancement
- Investment committee at company level with delegation of authority at each business ... more accountability
- Disciplined returns-based approach for evaluating investments ... M&A, R&D, capex, other investing, restructuring
- Weekly, monthly, quarterly rhythms

Balanced capital allocation



# GE dividend

Annual dividend  
per share



Dividend \$	\$8.4B	\$4.2B
Dividend/FCF	>100%	60-70%
Dividend yield	~4.7%	~2.3%

## Dividend decision

- Current dividend payout > free cash flow
- Need to align dividend payment with cash flow generation
- Positioning company to grow dividend as part of balanced capital allocation process

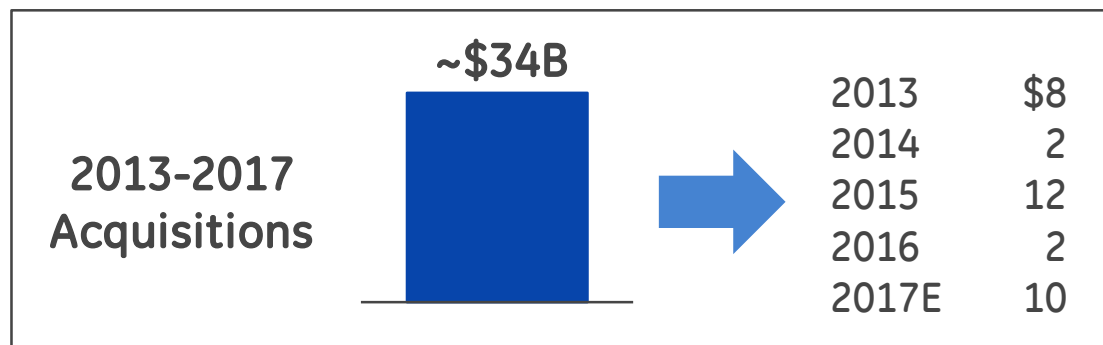
Total shareholder return focused



(a- Represents targeted dividends per share for total-year 2018. The Board considers and declares dividends on a quarterly basis.

# M&A

(\$ in billions)



## Go-forward principles

- More analytical assessment process
- Risk-adjusted returns > buyback
- Focused on spaces we know well ... deep domain
- Bolt-on deals, supply chain
- Learnings from Alstom

<u>Transaction</u>	<u>Business</u>	<u>Cash invested</u> <sup>(a)</sup>	<u>Performance vs. expectations</u>
Alstom	Power/Renew.	\$10.1	-
BHI	O&G	7.4	=
Avio	Aviation	4.4	+
Lufkin	O&G	3.3	-
LM Wind	Renewables	1.7	+
Additive (2)	Aviation	1.1	+
Hyclone	Healthcare	1.1	+
ServiceMax	Digital	0.9	+

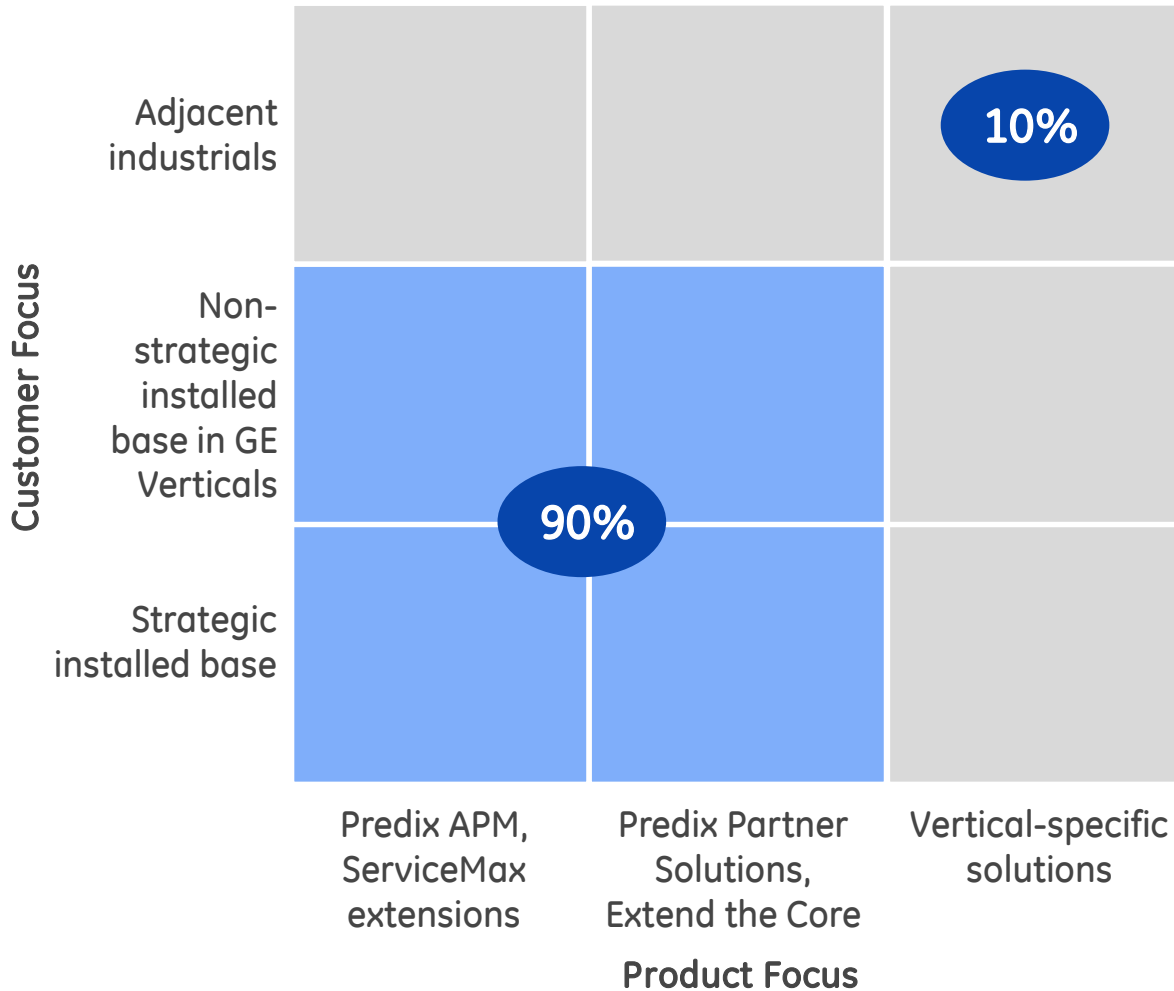
Historical performance mixed ... M&A must have clear path to value creation



(a- Represents initial cash consideration at deal closing)

# 4 Digital

## Focusing on the core



## Approach

- 1 Lead with Predix applications that drive customer outcomes: APM, OPM, and ServiceMax
- 2 Focus spend on Predix platform differentiation: asset model, Edge to Cloud, Digital Twin
- 3 Partner for technology that is not differentiated (i.e. Cloud)
- 4 Prioritize go to market around GE business verticals where win rate is ~2x higher

## Customer examples



- APM used at 1.3 GW power plant
- 1% efficiency gain on mixed fleet
- ~\$18MM annual customer value

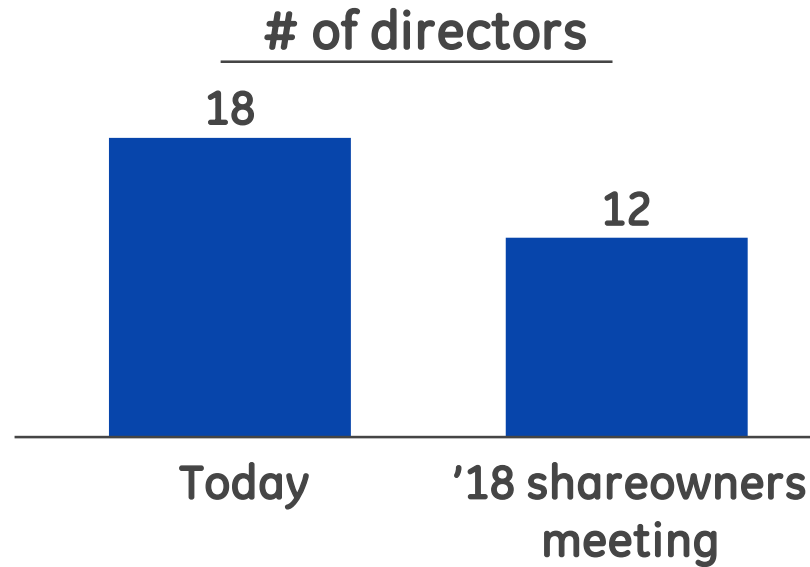


- APM used to improve asset availability
- \$1.4MM saved in production losses
- ~\$1.3MM revenue increase



Targeting \$1B+ Predix-powered revenue and \$0.4B of cost out in 2018

## 5 GE Board



### Accountability - Today

- Annual director elections
- Proxy access at 3%, 3 years
- Annual Board governance review
- Director meetings with investors
- 15-year term limit

### Board review

- Directors highly supportive and aligned to driving change ... Board self-assessment process in July-September '17
- 12 directors on slate at April '18 Shareowners meeting, including 3 new directors with relevant industry experience for GE going forward
- Establishing new Finance & Capital Allocation committee ... increased oversight of M&A and buyback
- Strong debate + accountability



# 6 Leadership team



John Flannery  
Chairman & CEO



R. Stokes  
Power



J. Pecresse  
Renewable Energy



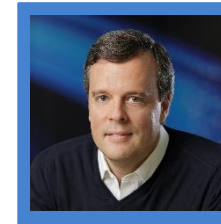
L. Simonelli  
BHGE



D. Joyce  
Aviation & Additive



K. Murphy  
Healthcare



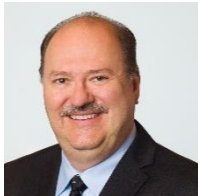
R. Santana  
Transportation



M. Sylvester  
Current



R. Laxer  
Capital



B. Ruh  
Digital



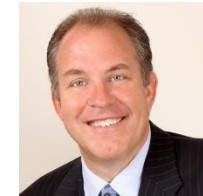
J. Miller  
Finance



V. Abate  
Technology



S. Peters  
HR



A. Dimitrief  
Law & Policy



A. Kekedjian  
BD



D. Latour  
Communications



S. Siegel  
Innovation

~40% of team new since June

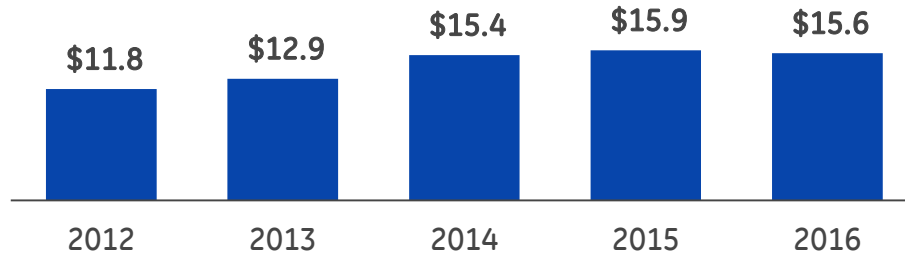


New to role since June

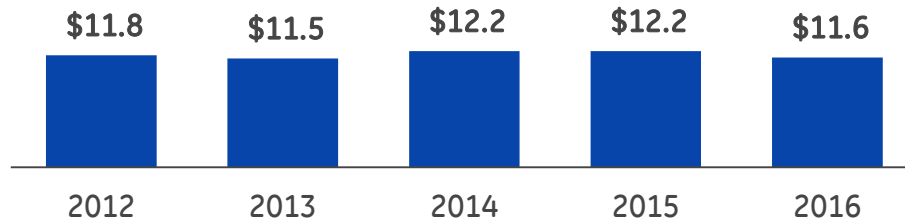
# 7 Metrics

(\$ in billions)

## Industrial op profit



## Industrial CFOA<sup>(a)</sup>



## Going forward

- Manage company with focus on cash & profitability, in addition to growth
- Free cash flow versus CFOA ... more discipline on P&E, software
- Aggressive focus on costs + critical long-term investments
- Focused on returns at all levels of capital allocation ... NPI spend, P&E, working capital, restructuring

Focused on improving cash flow & margins ... aligning compensation



(a- CFOA excludes deal taxes & GE principal pension plan funding)

# 8 Compensation program

## Current program

### Annual bonuses

- 75% financial/25% strategic
- 4-5 metrics at company & business levels
- Company performance funds pool
- 100% cash payout

### 3-year LTPA

- 5 company metrics
- 3-year, end-to-end program
- 100% cash payout

### Equity

- CEO combination of PSUs and options
- Direct reports combination of PSUs, RSUs, and options
- Option/RSU choice for other leaders

## New plan

- Higher equity mix targeted for top 5,000 employees
- Annual equity grant
  - RSUs/options vest over 3 years
  - PSUs based on 3-year performance
- 100% of CEO equity issued in performance share units
- Annual bonus program tied to segment performance & simplified to 2-3 metrics
- Eliminating 3-year cash long-term performance award
- Conforming other benefits to market norms

Management aligned to investors



# Driving culture

## Accountability

- Improve say/do ratio
- Tie compensation and investments to outcomes
- Hold leaders accountable

## Transparency

- Culture of candor, focus, challenging each other
- Simplify reporting metrics

## Rigor

- Robust business planning, target-setting and review processes
- Centralized capital allocation process

## Consistency

- Align compensation with long-term goals
- Managing for long-term health & performance of the business



# Aviation & Additive

# GE Aviation ... \$26B revenue ... 35% of GE earnings

## Commercial Engines



## Commercial Engine Services



## Military Engines and Services



## BGA and Integrated Systems



## Avionics and Digital Systems



## Avio Aero



... and GE Additive,  
introduced in '16



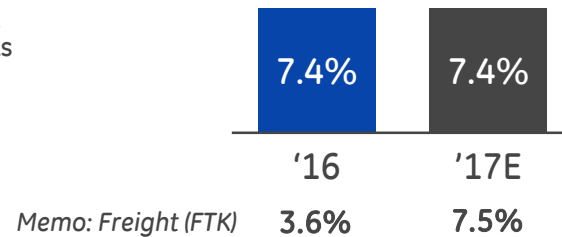
(a- Includes CFM and EA revenue, 50-50 JV  
(b- 2016 external revenue  
CFM is a 50/50 JV between GE and Safran Aircraft Engines.  
EA is a 50/50 JV between GE and Pratt & Whitney

# Aviation commercial environment



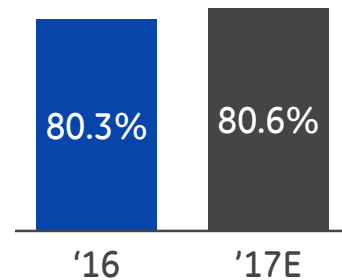
## Demand

% change, (IATA), RPKs



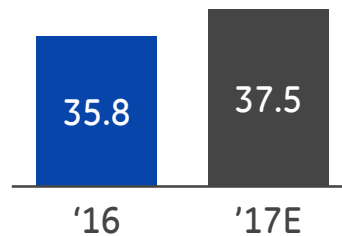
## Load factors

% PLF (IATA)



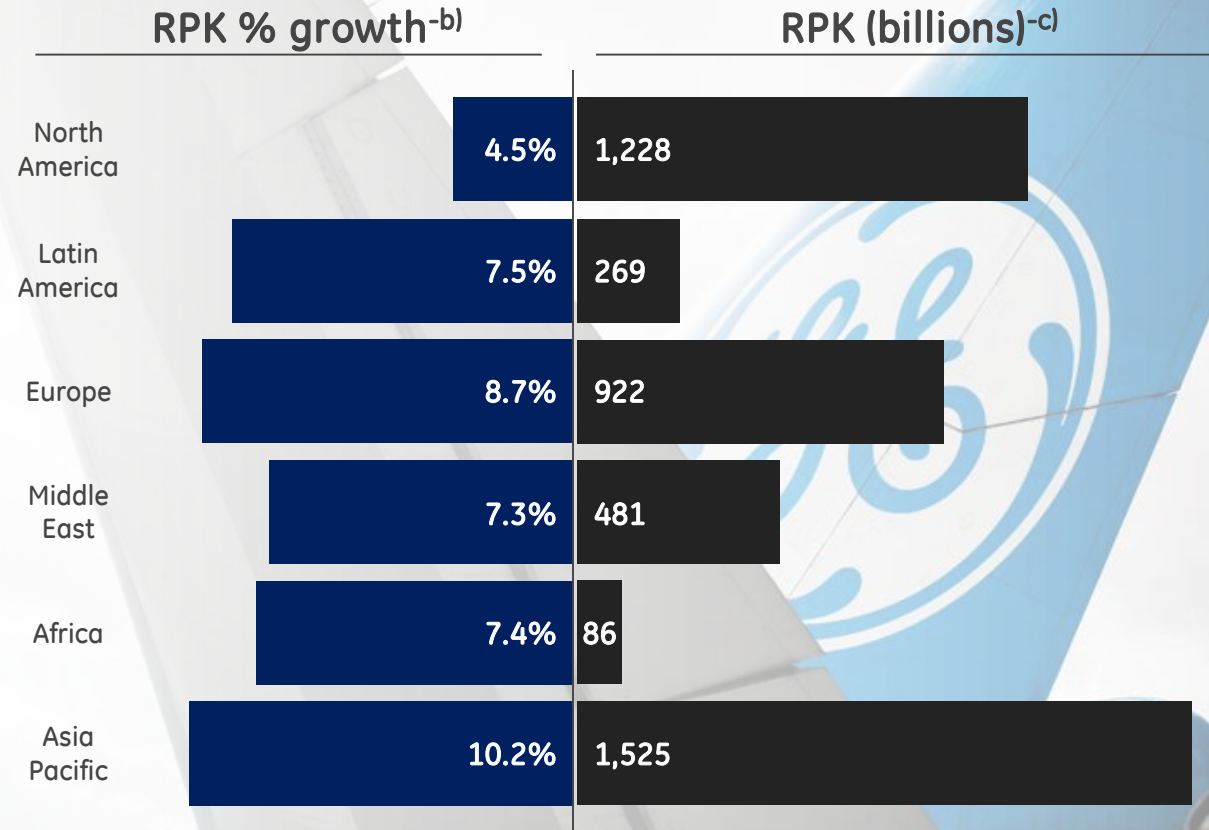
## Departures<sup>-a)</sup>

Millions of (IATA)



RPK: revenue passenger kilometers  
 FTK: freight tonne kilometers  
 PLF: passenger load factor  
 IATA: International Air Transport Association  
 EIA: U.S. Energy Information Administration

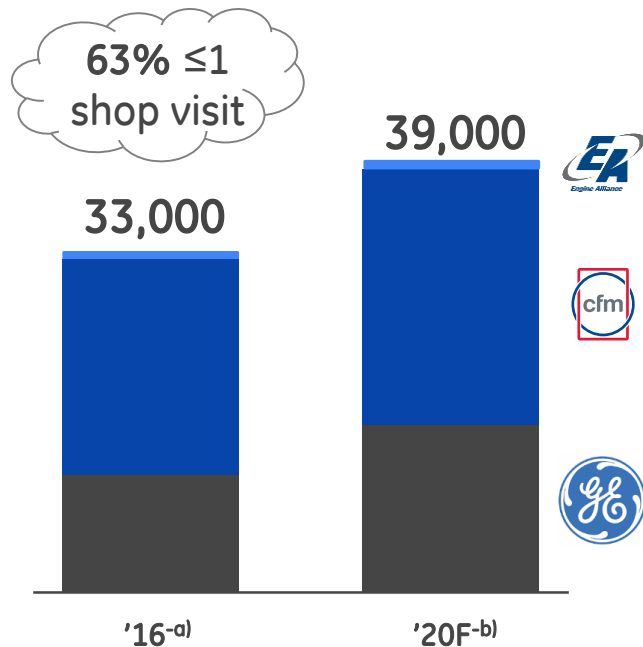
## Strong development YTD in '17



Source: IATA, EIA, GE Analysis  
 (a- Aircraft Departures - IATA mid-year economic report on performance of the Airline Industry  
 (b- RPK August YTD% change - IATA  
 (c- August YTD data from GE internal traffic report

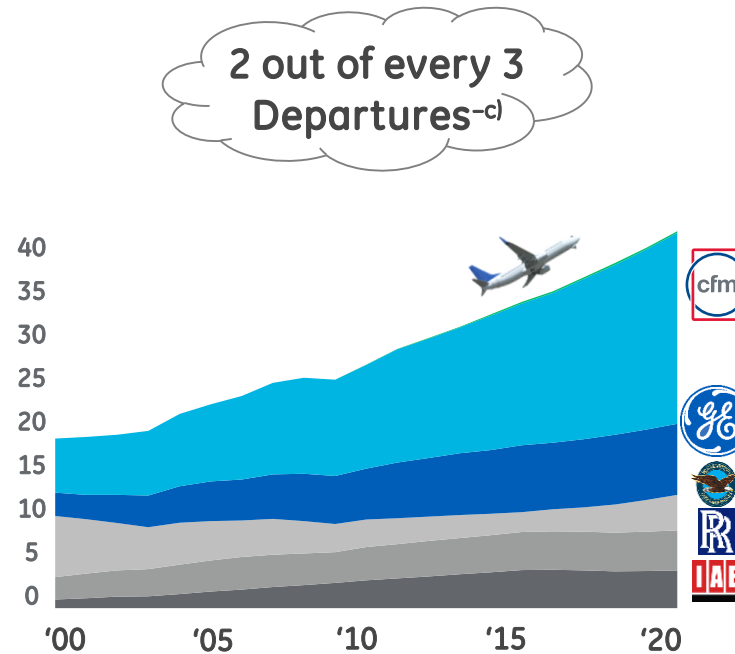
# Sustainable leadership in Commercial Engines ... \$151B backlog

## Installed base (GE and JV engines)



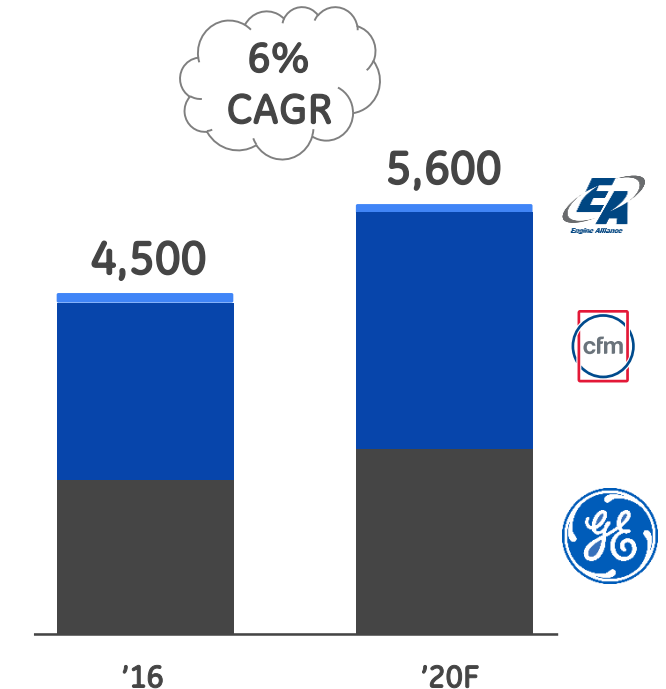
Young, growing fleet

## Commercial departures



High utilization

## Worldwide shop visits



Strong Services forecast



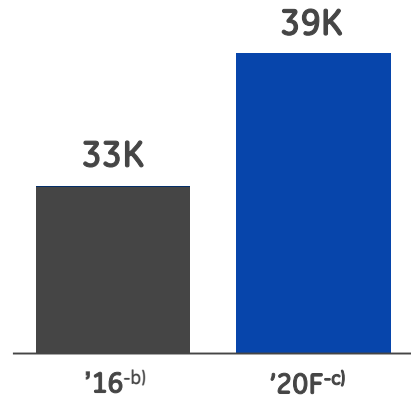
(a- GE commercial installed base 11,133; JV commercial installed base 21,716  
 (b- GE commercial installed base 11,749; JV commercial installed base 27,394  
 (c- GE and JV engines

CFM is a 50/50 JV between GE and Safran Aircraft Engines  
 Engine Alliance is a 50/50 JV between GE and Pratt & Whitney

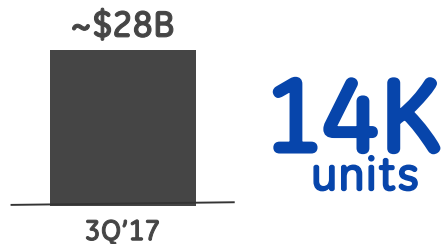
# Delivering today ... investing in our future

## Installed fleet

GE and JV engines<sup>-a)</sup>



## Commercial Engine equipment backlog



## New entrants

### LEAP



- ~14,000 on order
- **Fastest-selling** narrowbody engine in history



A320neo



737MAX



C919

### GENx



- 1,900+ on order
- **Best-in-class** dispatch reliability ... 99.95%



787



747-8

### GE9X



- 700+ on order
- **Best-in-class** fuel efficiency ... 5% better



777X



(a- CFM is a 50/50 JV between GE and Snecma; EA is a 50/50 JV between GE and Pratt & Whitney  
 (b- GE commercial installed base 11,133; JV commercial installed base 21,716  
 (c- GE commercial installed base 11,749; JV commercial installed base 27,394



# LEAP

## The narrowbody engine for the next generation

# 1<sup>st</sup>

- In win rate on A320neo family
- In acoustics ... best-in-class noise levels
- In daily utilization
- In emissions ... lowest in NOx for A320neo
- With lease customers

CFM is a 50/50 JV between GE and Snecma  
LEAP is a trademark of CFM International



EIS August 2016



EIS May 2017



Flight Testing May 2017

## Airfinance Journal

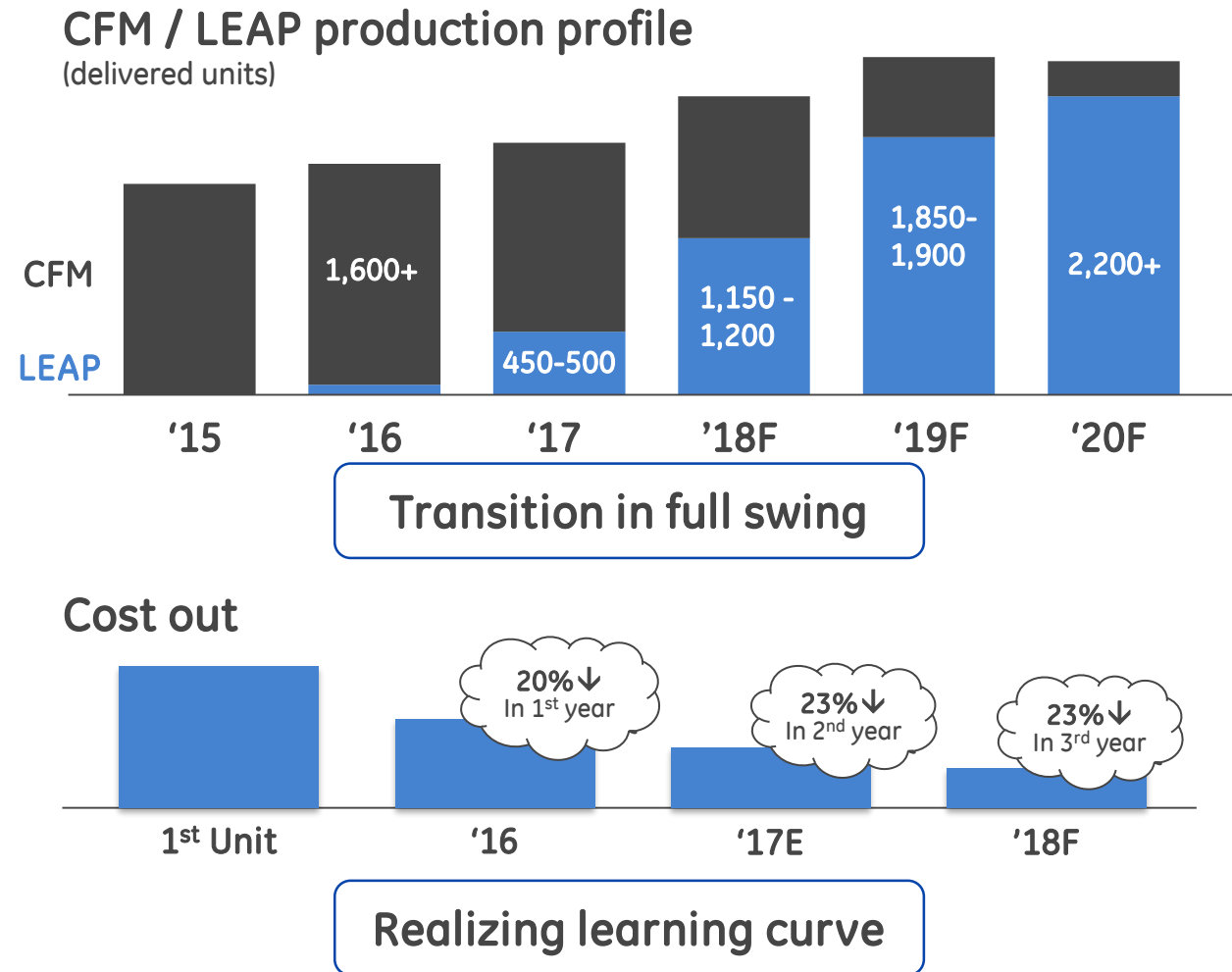
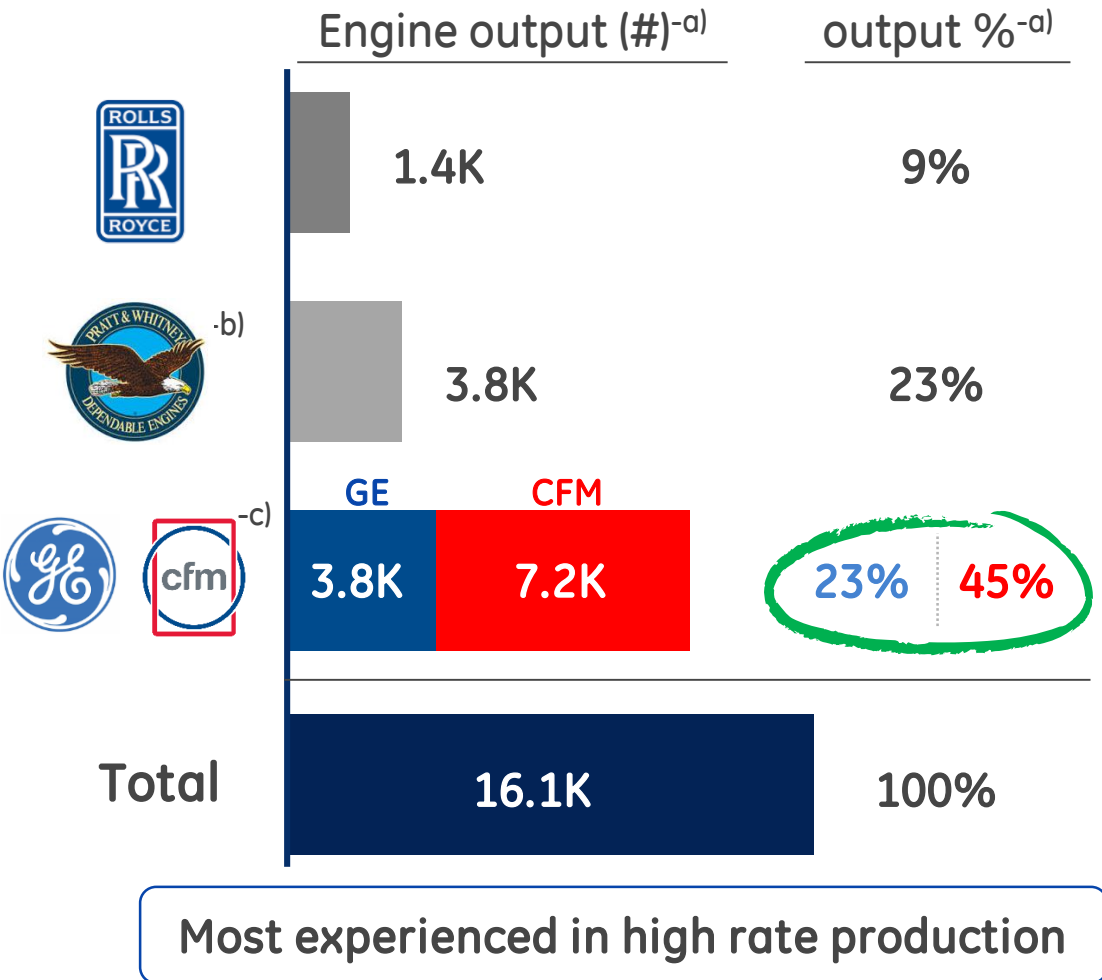
2017 Engine poll

#1 Residual Value

#1 Remarketing Potential

#1 Investor Appeal

# LEAP production and cost



(a) 5-year commercial engine output 2012-2016  
 (b) includes Engine Alliance JV and IAE JV  
 (c) includes CFM International and Engine Alliance JVs. CFM is a 50/50 JV between GE and Safran Aircraft Engines. Engine Alliance is a 50/50 JV between GE and Pratt & Whitney.

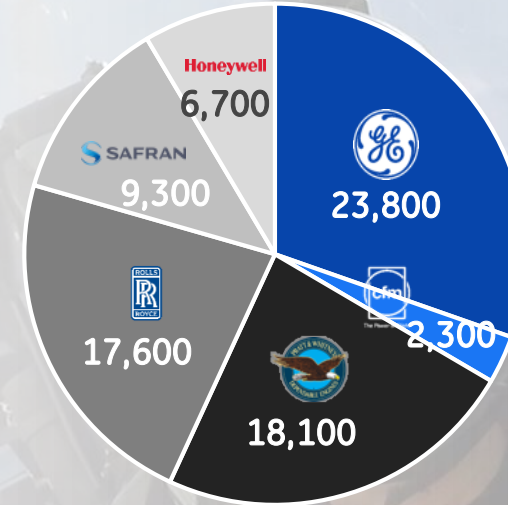
# Military engines ... strong portfolio with growth

(\$ in billions)

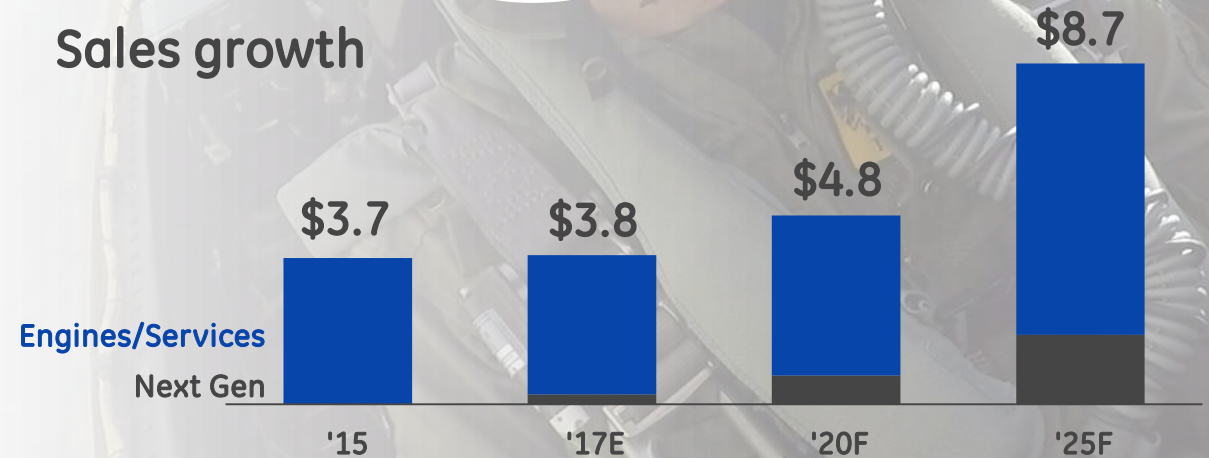


- Strong market for international modernization
- U.S. budget favorable to readiness and equipment growth
- Terrific leverage on tech investments enabling affordable upgrades
- Transitioning 700+ engineers to military programs

## Global installed fleet



## Sales growth



### Notes:

1. Includes only aircraft engines (combat, rotorcraft, tankers)
2. CFM is a 50/50 Joint Venture between GE and Safran
3. Includes only primary Western aircraft engine manufacturers of fleets >5,000
4. Excludes marine gas turbines (1400 GE units)
5. Excludes commercial helicopter engines (1200 GE units)



# A great future in military engines

(Total program value)

## Expanding the Core globally

### USAF Trainer

F404 ... **\$5B**



### India

F404/414/F110 ... **\$10B**



### Korea & Sweden

F414 ... **\$5B**



### Turkey

F414/F110... **\$3B**



## Leveraging technology for upgrades

### Black Hawk/Apache

**9,100** engines

### KC-135

**1,515** engines

### B-1B Lancer

**294** engines

### Super Hornet/Growler

**1,730** engines

## Defining next-gen propulsion

### Rotorcraft

**\$20B**

*\$102M under design contract*



### Advanced combat

**\$100B**

*\$1B under contract*



### Heavy lift

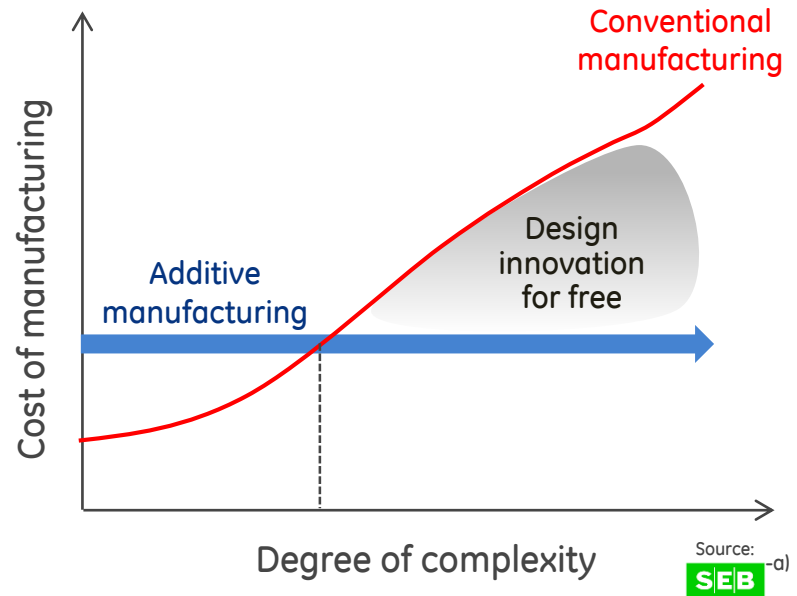
**\$15B**

*In production on CH53K*



# Additive productivity

## Value proposition



- **Resets supply chain** cost entitlement
- **Unleashes performance** and productivity in design

## Status

**CONCEPTLASER**  
a GE Additive company

**Arcam**  
a GE Additive company

- ✓ Establishing GE's position in the market
- ✓ Ahead of plan on internal adoption
- ✓ Doubled production using same footprint
- ✓ Launched industry's largest powder bed fusion machine
- ✓ More bullish than ever

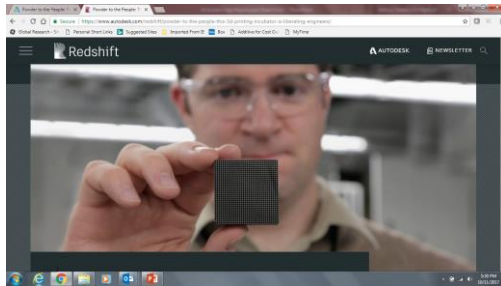
Targeting \$1B in annual revenues and installed base of ~3,000 machines by 2020



# Additive ... changing the game

## Part Level

GE Healthcare



### Collimators

- 83% less parts
- 30% reduction in cost
- Better image quality

## System Level

GE Transportation



### Radiator Cab

- 2,000 parts → 1
- 80 inches of cab eliminated
- Enables hybrid locomotive kit  
... 23% fuel savings

## Product Level

GE Aviation



### Advanced Turboprop

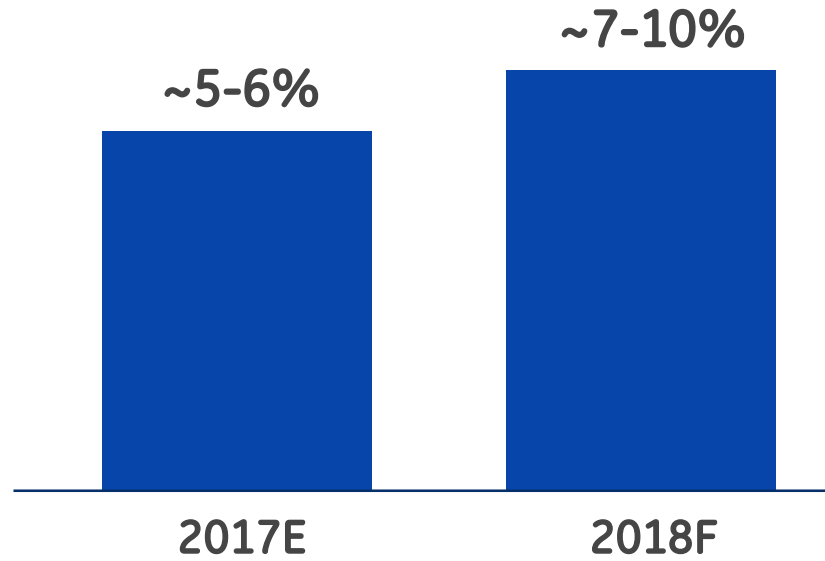
- 35% additive content
- 855 parts → 12
- ~20% cost savings
- 50% reduction in time to test



Proof points for new levels of entitlement ...  
Parts → Systems → Products

# Aviation summary

Op Profit<sup>-a)</sup>



Organic revenue

~2-4%

~7-10%

FCF conv.

~90%

~80%

## Operating imperatives

- 1 Hold operating profit rate with LEAP & Passport ramp
- 2 Continue focus on reduction of structural cost
- 3 Capitalize on Military demand and win next gen applications
- 4 Build out Additive and Digital businesses

Strongest technology stack in our history ... products, upgrades & adjacencies



Power

# The NEW GE Power

2016 revenue, \$ in billions<sup>a)</sup>



- Powering more than 30% of the world's power
- ~1,600 GW installed capacity
- Expansive global reach ... >140 countries
- Equipping 90% of transmission utilities worldwide

Being divested  
Target close date 2018<sup>b)</sup>

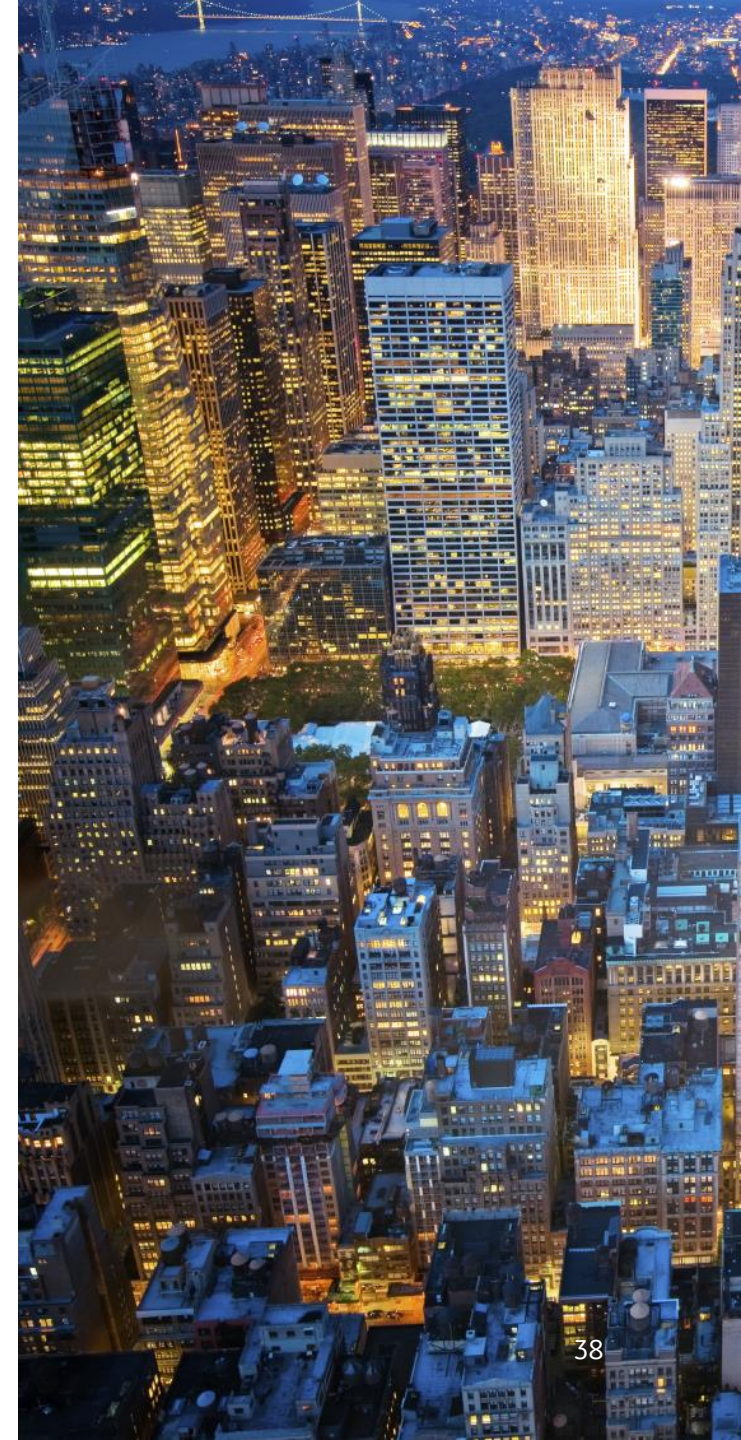


(a)- Segments do not include eliminations

(b)- Subject to customary closing conditions, including approval by regulators

# Power summary

- **Gas power generation remains an important market**
  - Challenging near-term equipment & services dynamics
- **GE has a leadership position ... broad technologies + world's best HA**
- **Significant opportunity to run the business better**
  - Fix operational misses, profit versus cash focus, leadership
  - Holistic services entitlement vs. upgrades & LTSA gains
  - Forecast dislocated from market ... outages, utilization, capacity payments, pricing
- **Resetting 2018 ... market expectation and ~\$1B structural cost out**
  - Market challenges to continue ... planning additional cost actions
- **Valuable franchise: 30% of the world's electricity from GE**
  - Installed base + gaining share in gas market

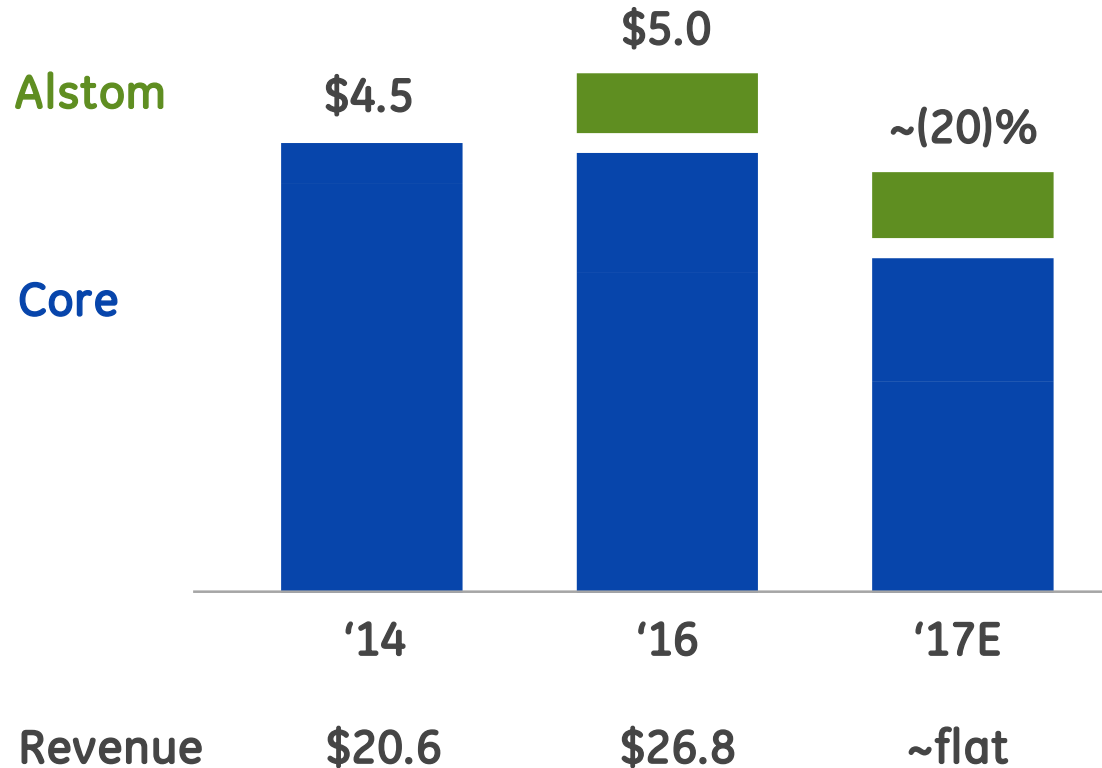


# 2014–2017 Power dynamics

(\$ in billions)

## Op profit

(Power excluding Energy Connections)



## 2014-2016 dynamics

- Gas equipment declines driven by HA (launch pricing and cost curves), and O&G demand
- Lower services transactional volume
- Growth in AGP upgrades and CSA productivity

## 2017 dynamics

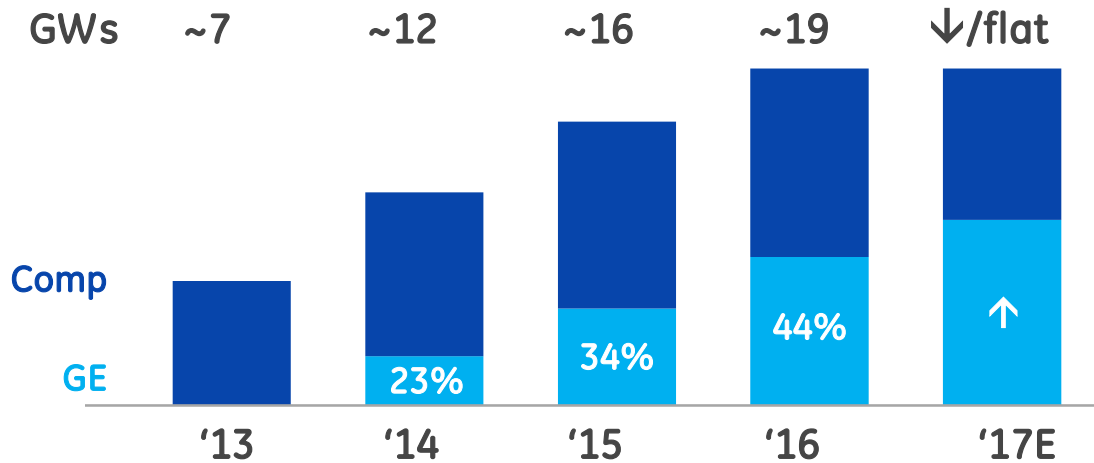
- Lower convertible Aero units than planned ... market & financing challenges
- Lower capacity payments reduced AGP value proposition (80-90 AGPs vs. 160 plan)
- Transactional service margin compression ... price, cost, mix, & field execution
- Structural cost out (10)%, not enough



# HA technology

## Global HA orders

% of GW capacity<sup>(a)</sup>



## HA commercial launch on track

- ✓ 60%+ HA penetration through 3Q'17
- ✓ 38 shipments program to date ... +34 units in backlog
- ✓ World record in efficiency ... 62.2% at EDF Bouchain
- ✓ 50,000+ hours in operation & 900+ starts
- ✓ Profitable on 10<sup>th</sup> unit

## Going forward

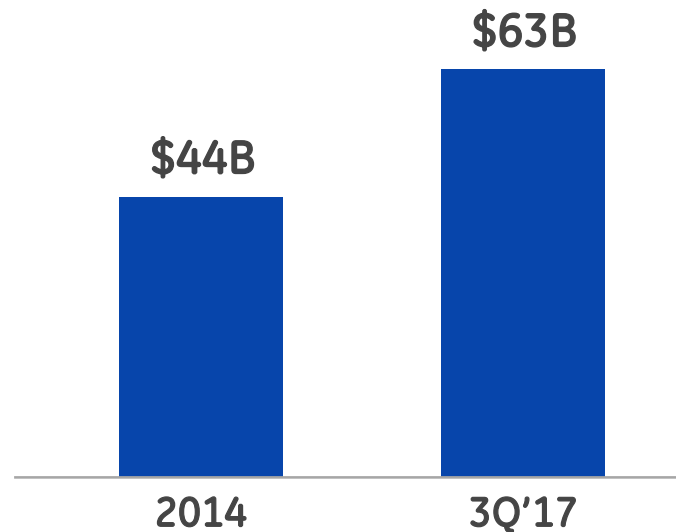
- 1 #1 net efficiency in industry ... scalable platform
  - Line of sight to 65% net before 2025
  - Exceeding customer output & efficiency guarantees
- 2 Resolving initial launch issues ... improving profile
  - Early scheduling risks behind us ... coming ↓ cost curve
  - Fuel delivery issues resolved by YE ... fixed in new units
- 3 HA technology delivering for customers & shareholders
  - Driving economic advantages for customers & industry
  - Units running more baseload than F class ... ↑ services
- 4 Expecting ↓ pricing due to industry over-capacity



Clear leader in fastest growing gas turbine segment

# Services landscape

## Services backlog



Retention rate    96%                      99%

CSA utilization flat... long-term service assets in field running as planned

F/H class outages flat to down through '19 ... interval extensions & delayed maintenance

## Market dynamics

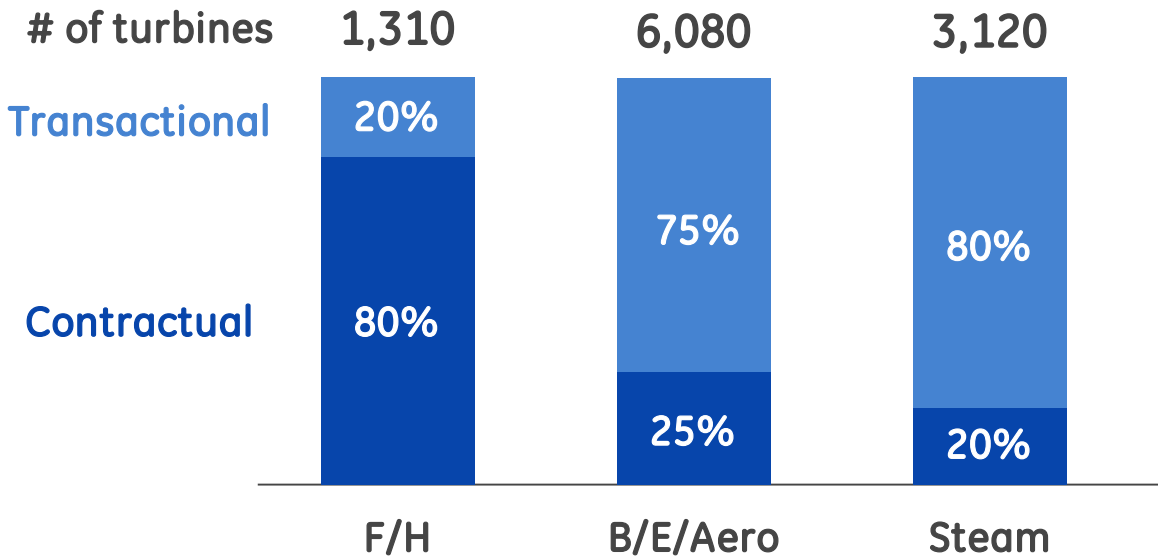
- + AGP-upgraded assets demonstrating higher operating hours & output ... +6 pts. capacity factor improvement
- + 100% MYA penetration on HA units ... outages on the horizon
- + Opportunities for growth in global markets & Digital
- U.S. market softness ... capacity payments declines, lower upgrade demand
- Competitive outage market ... tough pricing, overcapacity
- Steam utilization lower ... lower outages & plant retirements



Demonstrating services value prop ... market pressures in short term

# Power Services opportunities


## Turbines installed base



## Services opportunities

- 1 Contractual ... continued focus on outage execution, quality and productivity
- 2 Transactional ... increase focus on aero and mature fleet outages, customized life cycle products
- 3 New services model designed to deliver the highest standard of field services excellence
- 4 New business models to create customer value ... outcomes, predictive intervals, supported by Digital

**FieldCore**  
a GE company

 Asset Performance Management

 Operations Optimization

 **servicemax**  
From GE Digital

FieldVision



SmartShop

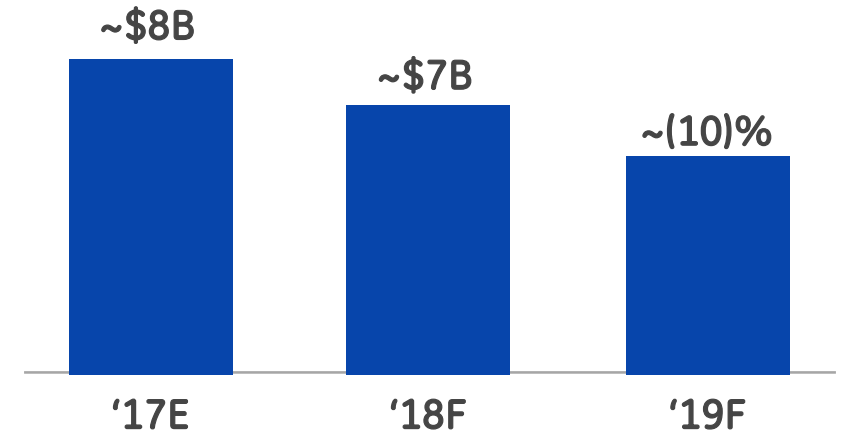


# Taking action

## Operational excellence – back to basics

- Cost**
  - ✓ Right-sizing for market ... structure, NPI, footprint
- Capital allocation**
  - ✓ Simplifying portfolio ... tier 2 & tier 3
  - ✓ NPI & capex returns-based framework
- Working capital & operations**
  - ✓ Revamping supply chain, aligned direct to CEO
  - ✓ Supply base reset, proposed footprint (30)% by '20
- Commercial & governance**
  - ✓ New underwriting & pricing strike zone in place
  - ✓ Power marketing COE ... anchored to global market reality, TwH consumption to GW supply dynamics
- Culture**
  - ✓ Cash outcomes > earnings
  - ✓ Operational > commercial ... X → Y, red/green

## Structural cost



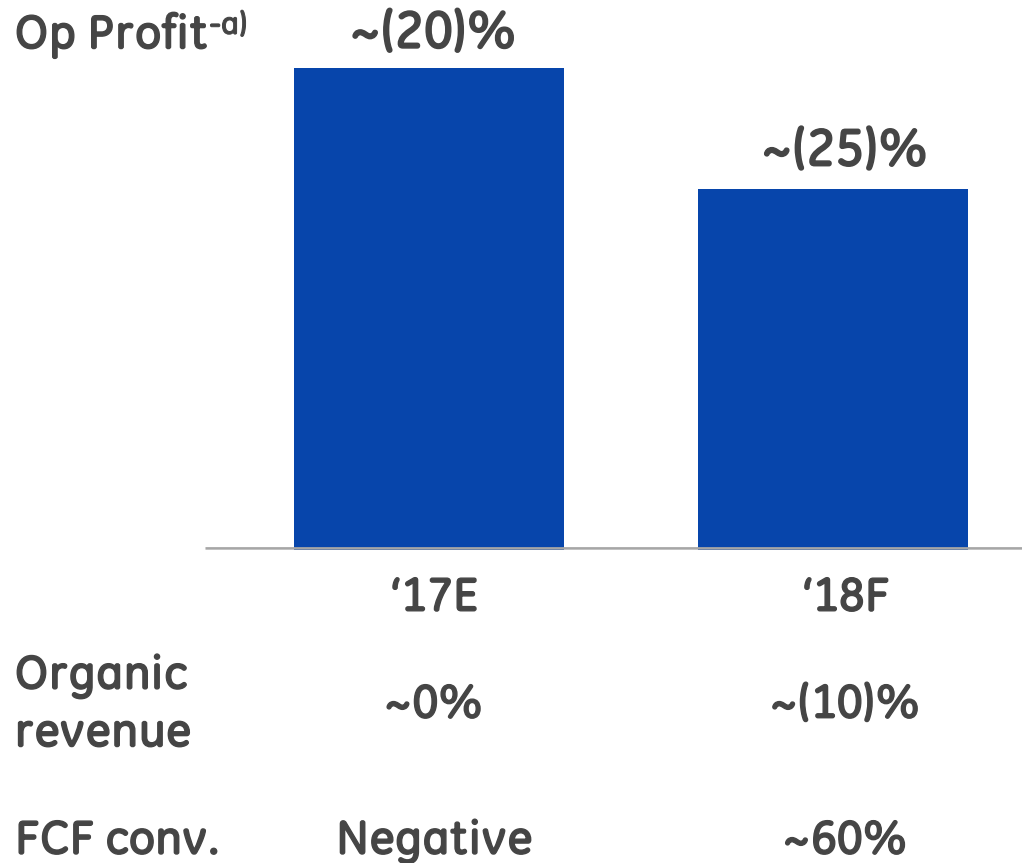
- Organization simplification ... product management, engineering, Digital, regions
- Power + EC integration ... HQ layer elimination
- NPI rationalization ... returns based
- Supply chain & footprint consolidation
- Enabling function simplification with shared services



Simpler business, more predictable earnings & cash generation

# 2018 financial profile

(Power including Energy Connections)



## Dynamics

- **Volume assumptions driven by market**
  - 65–75 HDGTs (↓ 30–40 units), ~40 AGP's (↓ 40–50 sets)
  - Lower transactional services ... flat outages, lower margins & pricing
- **Lower CSA contract assets ... focus on near-term cash returns**
- **Footprint rationalization to address overcapacity**
- **\$1B+ structural cost out program**
- **Significantly improved free cash flow**
  - Working capital release
  - Contract asset growth moderates
  - Non-repeat of tax restructuring
- **Expect challenging market into 2019 ... driving additional cost out**



# Power going forward

**Gas remains key contributor to long-term energy mix ...**  
planning for near-term market declines

- 1 Right-size the business for realities ...** manufacturing footprint capacity, structural cost, NPI investments
- 2 Drive a more holistic services focus ...** \$/IB beyond CSA, outage and cost execution
- 3 Execute better ...** improved working capital, higher say/do ratio and operational excellence
- 4 Improve our culture ...** cash & returns focus, system transparency & accountability



# Financial outlook

# 2017 summary

## 2017 EPS estimate

**\$1.05-1.10**



**Industrial operating  
+ Verticals EPS**

EPS range excludes:

- Potential 4Q insurance reserve adjustment
- Held-for-sale charges<sup>(a)</sup> on potential dispositions

## 2017 CFOA estimate

**~\$7B**



**Industrial  
CFOA**

- Includes BHGE on a distribution basis for 2H
- Excludes GE Capital dividends \$4B year-to-date ... 2H dividend decision deferred

## 4Q outlook

### Operations

- Power: ongoing business challenges
- Aviation: 450-500 LEAP shipments for year
- Oil & Gas/Transportation: continued market challenges
- Healthcare: growth in line with 3Q YTD
- Renewables: continued operational improvement
- GE Capital: insurance reserves + tax benefits (other continuing)
- GE tax rate: TY ETR low single-digits

### Restructuring & other charges

- Restructuring & other charges ~\$(.10)
- Held-for-sale charges based on portfolio review

**Gains:** Industrial Solutions disposition<sup>(b)</sup> in 2018

**Industrial cash:** '17 CFOA ~\$7B with BHGE on distribution basis for 2H



(a- Subject to final valuation and Board approval

(b- Subject to customary closing conditions, including approval by regulators

# Financial metrics & reporting

## 2018 reporting changes

- **EPS reporting** ... transition from Industrial operating + Verticals EPS to Continuing EPS ex. gains, restructuring, and non-operating pension (Adjusted EPS)
- **Industrial cash reporting** ... move from cash flow from operating activity (CFOA) to free cash flow (FCF)
  - Industrial FCF = Industrial CFOA ex. deal taxes less gross P&E additions & capitalized software
  - GE principal pension plan funding excluded due to 2018 pre-funding
  - BHGE on a distribution basis
- **Industrial tax rate** ... will align with EPS metric (Industrial ex. gains, restructuring & non-operating pension)
- Implementing **new revenue recognition standard**



(a- Excludes deal taxes and GE principal pension plan funding; BHGE on a distribution basis)

## Earnings per share (EPS)

2017E Industrial operating + Verticals EPS	\$1.05-1.10
GE Capital Other Continuing	~(.06)-(.09)
Net gains/restructuring	~.24
Revenue recognition change	~(.16)
<b>2017E Adjusted EPS</b>	<b>\$1.04-1.12</b>

## Cash

2017E Industrial CFOA <sup>(a)</sup>	~\$7B
Gross P&E and capitalized software	~(4.6)
2H BHGE P&E and capitalized software	~0.5
<b>2017E Industrial FCF<sup>(a)</sup></b>	<b>~\$3B</b>

# 2018 financial outlook

**\$1.00-1.07**



**Adjusted EPS<sup>-a)</sup>**

- Industrial profit 2-7%
- Capital income (70)-(80)%
- Higher interest expense
- Higher taxes

- Organic revenue 0-3%
- Margins<sup>-a)</sup> 0-40 bps.
- Industrial profit 2-7%
- Adjusted tax rate<sup>-a)</sup> mid to high teens

**\$6-7B**



**Industrial FCF<sup>-b)</sup>**

- Higher continuing net income
- Working capital improvements
- Contract assets growth less than 2017
- All other operating headwind
- Lower capex spend, reinvestment <1x

A “reset and stabilize year” ... position company for a better future



(a- Industrial continuing earnings excluding non-operating pension, gains and restructuring & other

(b- Industrial FCF = Industrial CFOA ex. deal taxes less gross P&E additions & capitalized software; excludes GE principal pension plan funding; BHGE on a distribution basis

# 2018 segment outlook

	<u>Organic revenue</u>	<u>Operating profit</u>	<u>Business dynamics</u>
Power	~(10)%	~(25)%	<ul style="list-style-type: none"> <li>• Power aligning to market &amp; business realities</li> <li>• O&amp;G volatility persists, BHGE deal fundamentals strong</li> <li>• Strong Aviation demand, LEAP +2x</li> <li>• Healthcare and Renewables growth</li> <li>• Transportation soft market</li> <li>• Corporate cost actions continue</li> <li>• GE Capital earnings lower on non-repeat of 2017 tax benefit</li> </ul>
Renewable Energy	7-10%	7-10%	
Oil & Gas <sup>-a)</sup>	2-5%	50%+	
Aviation	7-10%	7-10%	
Healthcare	~3%	4-6%	
Transportation	~(15)%	~(25)%	
Lighting	~5%	~15%	
Adjusted Corporate <sup>-b)</sup>	N/A	15-20%	
<b>Adjusted Industrial<sup>-b)</sup></b>	<b>0-3%</b>	<b>2-7%</b>	
GE Capital net income	N/A	(70)-(80)%	

Businesses executing through varying cycles ... focused on delivering cost out and cash



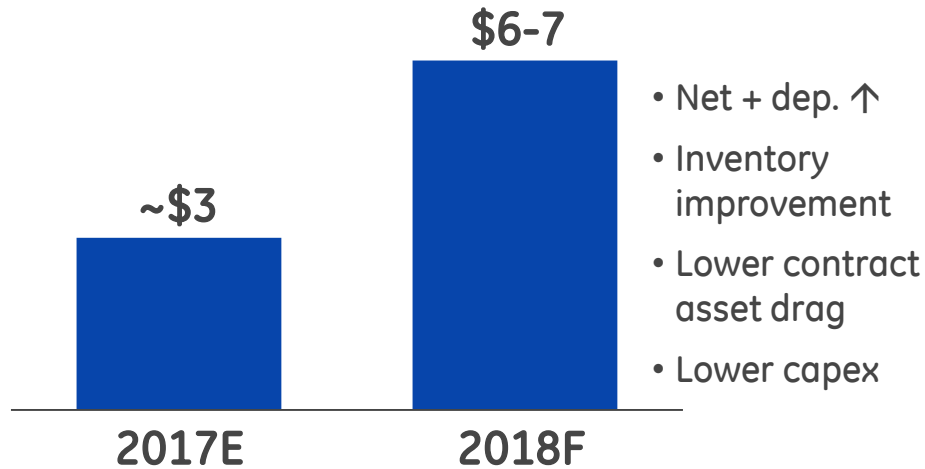
(a- Oil & Gas segment represents BHGE operating income adjusted for GE reporting basis differences and restructuring & other charges

(b- Adjusted to exclude gains, restructuring & other and non-operating pension expense

# 2018 cash summary

(\$ in billions)

## Free cash flow<sup>-a)</sup>



## 2018F FCF conversion

>100% conversion	80-100% conversion	<80% conversion
Healthcare	Aviation	Power
Transportation	Renewables	
Lighting		

- Conversion for all segments flat/better than 2017
- Significant improvement in Power & Renewables vs. 2017 ... Power inventory, Renewables progress
- Aviation conversion impacted by LEAP investment
- BHGE reported on a cash distribution basis
- Not planning for dividend from GE Capital in 2018

**FCF Conversion<sup>-b)</sup>**

Year	FCF Conversion
2017E	~50%/~65%
2018F	~90%

Pre/post rev rec change      Post rev rec change

- Excludes 2017 GE principal pension plan funding of \$1.7B and 2018 pre-funding of \$6B
- Excludes BHGE buyback ... includes common dividend



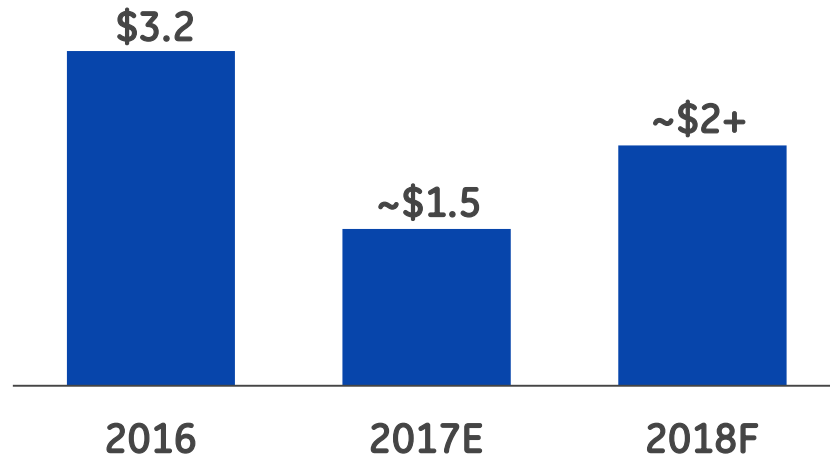
(a- Industrial FCF = Industrial CFOA ex. deal taxes less gross P&E additions & capitalized software; excludes GE principal pension plan funding; BHGE on a distribution basis  
 (b- FCF conversion = Industrial FCF divided by continuing earnings excluding non-operating pension expense & gains

# Cash elements: Working capital & capex

(\$ in billions)

## Working capital flows

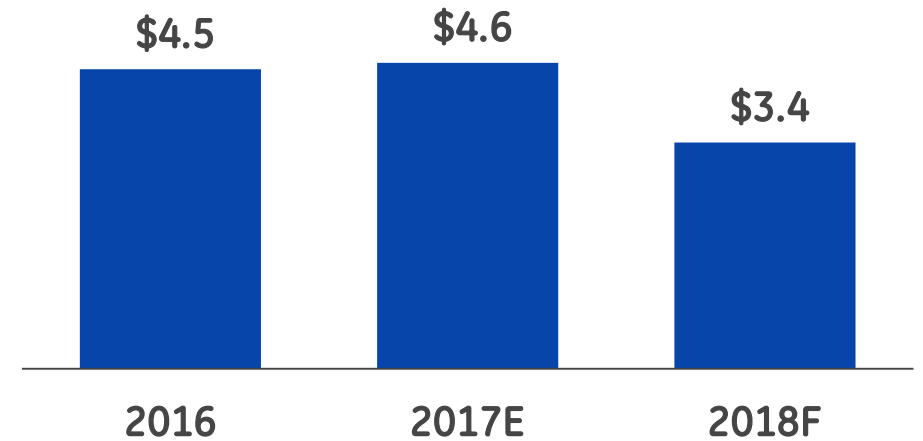
(as originally reported<sup>(a)</sup>)



- Driving inventory reduction and payables improvement
  - Turns +0.5x ... Power excess inventory & Aviation LEAP
- Adjusting to a different global footprint
  - Receivables (past dues ↓) ... ~2 days DSO improvement in 2018 ... Power & Healthcare
  - Tough cycle on progress collections driven by 2016 wind PTC & market softness

## Capex

(Gross P&E + capitalized software spend)



Reinvestment 1.5x 2016, 1.4x 2017E, <1x 2018F

- Baker Hughes & Additive added to portfolio in 2017
- Investments in place for major NPI launches ... LEAP, HA gas turbines
- Reducing reinvestment rate <1x in 2018
- Prioritizing discretionary P&E & capitalized software spend on returns (zero-based budget approach)



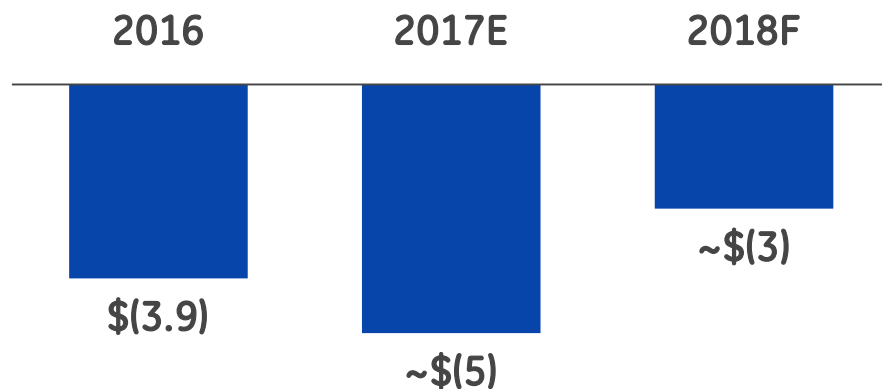
(a- 2016-2017 not adjusted for revenue recognition accounting change)

# Cash elements: Contract assets

(\$ in billions)

## Contract assets flows

(as originally reported<sup>(a)</sup>)



## Contract assets balance

	<u>2013</u>	<u>Today</u>
Long-term services	\$8	\$15
Equipment	6	11
Other	2	3
<b>Contract assets</b>	<b>\$15</b>	<b>\$30</b>

## Contractual service agreements

<u>Units under contract</u>	<u>2013</u>	<u>Today</u>
Aviation (commercial)	7,400	9,800
Power	1,450	1,950

- Significant increase in units under contract
- Customers: Predictable maintenance cost + performance guarantees
- GE: Deep integration in customers operations, high margins + returns
- Contract spend heavier in early contract life as technology launches and stabilizes + ensure we meet performance guarantees
- Shop, work scope + materials productivity drives lower cost over time

## Equipment assets

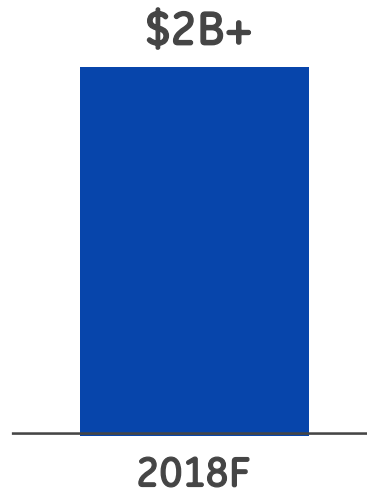
- 1-2 year turn; Power, Oil & Gas, Aviation, Renewables
- Grown by \$5B over time over last 4 years (\$2B Alstom)
- Equipment progress collections \$14B at 3Q17 (+\$5B from 2013)



(a- 2016-2017 not adjusted for revenue recognition accounting change

# 2018 structural cost out

## Structural cost out



- \$3B+ of gross cost out actions yielding \$2B+ net cost out in 2018 ... partly offset by Power/Transportation volume & mix headwinds
- \$1B ahead of previous cost targets

## Key actions

- Corporate actions across functions, GE store, and COEs
- Simplifying Power business structure and aligning to market reality
- Focusing Digital investment in key service + Predix-related applications
- Realizing synergies from BHGE integration ... savings tracking to business expectations
- Additional savings across other segments ... maintaining disciplined product investment



Note: Structural cost out excludes non-operating pension, gains and restructuring & other; excludes impact from acquisitions & dispositions; BHGE on a proforma basis

# Path to value creation

## 2019F dynamics

---

- 1 Organic revenue growth**
  - Power stabilizes ... services flow, equipment flat
  - Aviation trends continue ... LEAP ramp
  - Healthcare growth continues
  - Transportation starts to rebound
  - Renewables growth (PTC)
- 2 Industrial margin expansion**
  - Structural cost out \$500MM+
  - Volume growth
  - Product cost productivity
  - LEAP continues down cost curve
- 3 Industrial free cash flow conversion**
  - Higher earnings
  - Less restructuring outflows
  - Working capital improvements
  - Lower drag from contract assets
  - P&E spend <1x reinvestment ratio

## Long-term value creation

---

- ✓ Target 2-4% organic growth, 50+ bps. margin expansion, FCF conversion 90-100%
- ✓ Disciplined capital allocation ... grow dividend as part of balanced capital allocation process
- ✓ Consistent execution + simpler portfolio



# GE of the Future

**Focused Portfolio of Industrial Businesses:**  
Smaller, Simpler, Best-in-Class, Essential for Modern Life



**Power the World**



**Transport People Safely**



**Save Lives**

## Built-for-the-Future Capabilities

Additive

Digital

R&D

Culture

Industrial domain experience  
+ digital expertise

Global Scale

Reinvigorate culture built on  
125 years of reinvention

**Focused end markets + Competitive strengths = Investor performance**



