

GE Transportation



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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.

General Electric Capital Corporation (GECC) has been merged into GE and our financial services business is now operated by GE Capital Global Holdings LLC (GECGH). In this document, we refer to GECC and GECGH as "GE Capital". We refer to the industrial businesses of the Company including GE Capital on an equity basis as "GE". "GE (ex-GE Capital)" and/or "Industrial" refer to GE excluding GE Capital. Our financial services segment previously referred to as GE Capital is now referred to as Capital. GE's Investor Relations website at www.ge.com/investor and our corporate blog at www.gereports.com, as well as GE's Facebook page and Twitter accounts, contain a significant amount of information about GE, including financial and other information for investors. GE encourages investors to visit these websites from time to time, as information is updated and new information is posted.

Imagination at work

GE Transportation

An aerial photograph of a freight train traveling through a dry, desert-like landscape. The train consists of a black locomotive at the front, followed by several flatcars and a long line of black boxcars. The tracks curve through the arid terrain, which is sparsely covered with low-lying shrubs and grass. The sky is clear and blue.

WHAT WE DO

Locomotives & Services

Driving high-tech change across rail industry

Mining & Digital Mining

Enabling safe mining practices & more efficient mining ecosystem

Marine Solutions

Applying technology expertise to marine, stationary, & drill motors

Digital Solutions

Combining decades of industrial leadership with data science

WHO WE ARE

Established over 100 years ago

Presence in 65 sites worldwide

Multi-national team 9,000+ strong

Chicago-based headquarters

Environment

Stronger dynamics

- + Restructuring and cost out discipline driving lower base cost run rates
- + International deals hard, but moving; financing solutions ... a valuable asset
- + Digital investments enabling benefits
- + Modernizations ... right play, right time

Still challenging

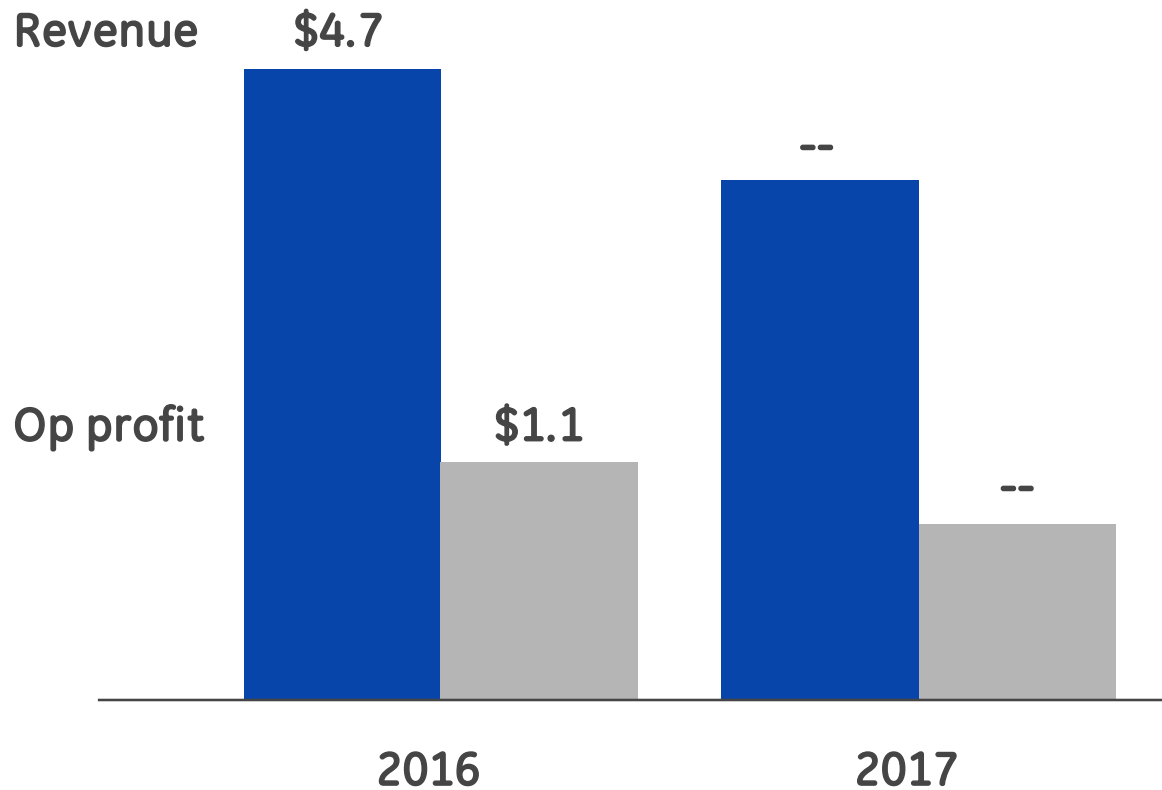
- Continued soft rail market ... NAM carload growth, but off low comp; 4,000+ parked locos
- Class 1 Rail CapEx + OpEx focus ... workforce ↓1%-6% across Class 1s
- Mining ... some “green shoots”
- Digital opportunities, but longer buying cycles

Items for today

- 1 Navigating a challenging market ... slow, but opportunities to capture
- 2 Winning with technology and global solutions ... Tier 4, services, global and digital
- 3 Running the play well ... executing with cost and cash discipline



Financial outlook



Strategic imperatives

- + Grow in strategic regions & adjacent markets ... partner in finding optimal financing solutions
- + Deliver productivity to rail customers through services, fleet extensions and digital
- + Invest for the future ... next gen technology, Digital offerings
- + Strong operational execution ... cost + cash

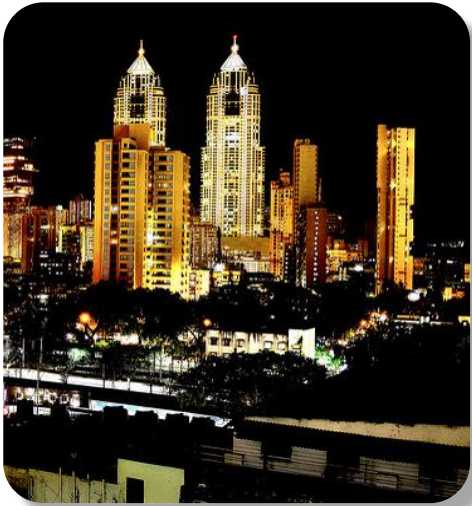
Running the play

- + Build backlog ... international, modernizations, digital
- + Smart investment ... investing for lower cost & growth
- + Cost focus ... global footprint, leverage GE Store horizontals



Unlocking opportunities globally

India



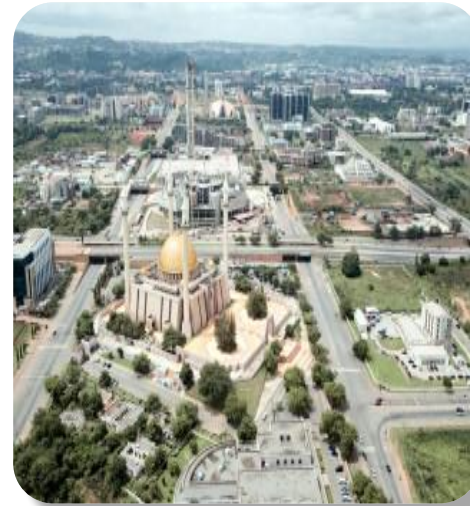
- ✓ 1,000 Locos
- ✓ \$2.5B backlog
- ✓ 10 year equipment & service

South Africa



- ✓ 233 locomotives
- ✓ \$300MM remaining backlog
- ✓ Partnership for local assembly

Nigeria



- ✓ GE-led consortium
- ✓ Named preferred bidder
- ✓ Localization up to 30 years

Kazakhstan



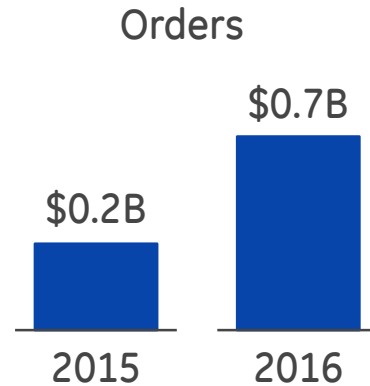
- ✓ Extended commercial framework ... 9 more years
- ✓ Deep partnership
- ✓ Entered 50/50 JV for local assembly



- ✓ Developing offerings for global solutions
- ✓ GE Industrial Finance adding competitive advantage

Services ... adapting product offerings

Efficiency ... modernizations



Value proposition

- ✓ Fuel efficiency ... 5%-15% ↑
- ✓ Operational efficiency ... 20%-30% ↑
- ✓ Haul ability ... 33% ↑
- ✓ ~1/2 the cost of new locomotive

Reduce cost ... smart shopping

Yesterday

30+
hours

In service



Download,
diagnose,
prescribe



Out of service

Execute

Today

~13
hours

In service



Self
diagnosing
locomotive



Out of service

Execute

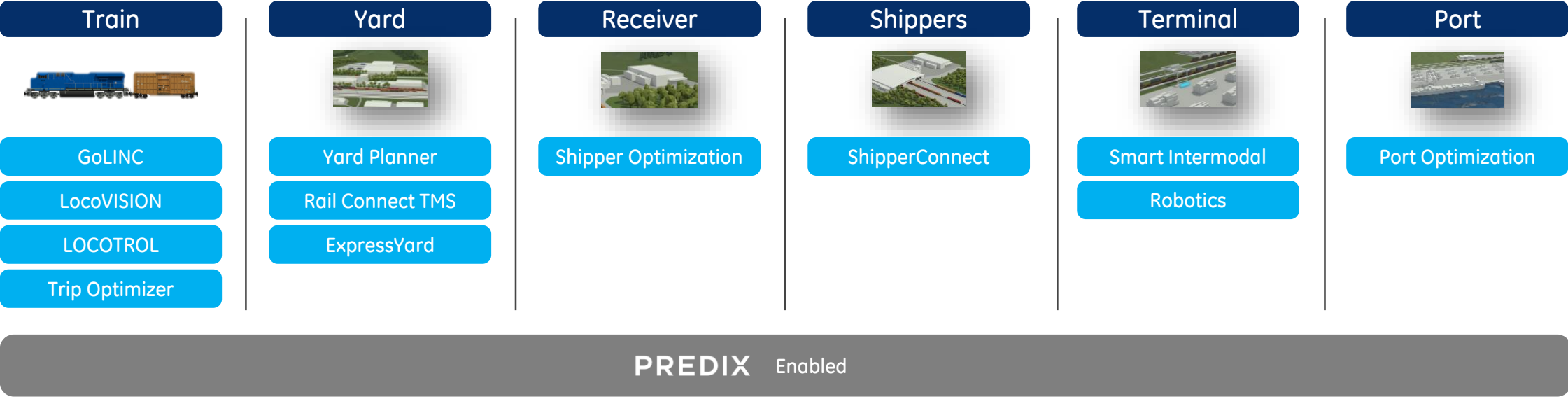
PREDIX

Lower fuel, lower labor, higher output

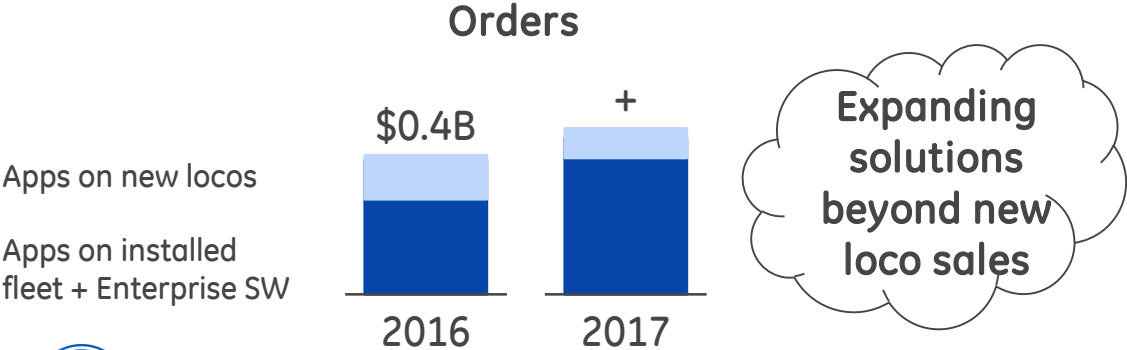


Digital ... solutions focused on outcomes

Smart Ecosystem



Diversifying orders growth



Pursuing international opportunities



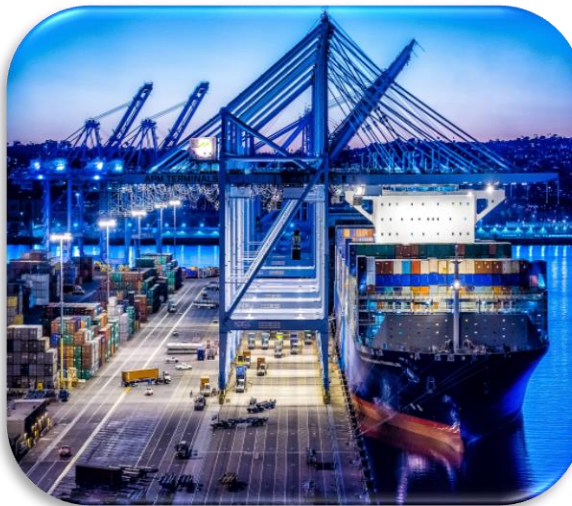
Driving digital adjacencies

Deutsche Bahn Cargo



- ✓ Improving fleet reliability on non-GE locos
- ✓ 25% ↓ in service failures
- ✓ 1st European digital contract ... performance based contract

Port of Los Angeles



- ✓ Largest U.S. container port
- ✓ Information available in advance ... 2 weeks vs 2 days
- ✓ ↑ supply chain performance, planning, reliability, throughput

ShipXpress



- ✓ Strategic acquisition in 2H16
- ✓ Modern platform capabilities
- ✓ Expansion into 6,000+ industrial rail shipper segment
- ✓ Partner channels driving growth



- ✓ Purposeful investment in customer value and GE position
- ✓ Cycle time slower ... market dynamics

Winning with technology and global solutions

Tier 4



850+

T4 technology locos
delivered

18

Major locomotive +
marine customers

1,000+

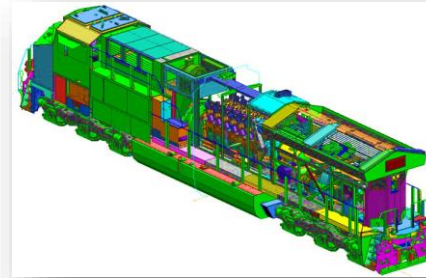
Locomotive years
of experience

~1.5 F/LY

Below launch
expectations



Additive opportunities



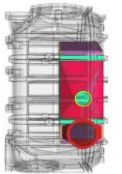
Heat exchange example

~2,000 parts → 1

~60% size reduction

~25% cost reduction

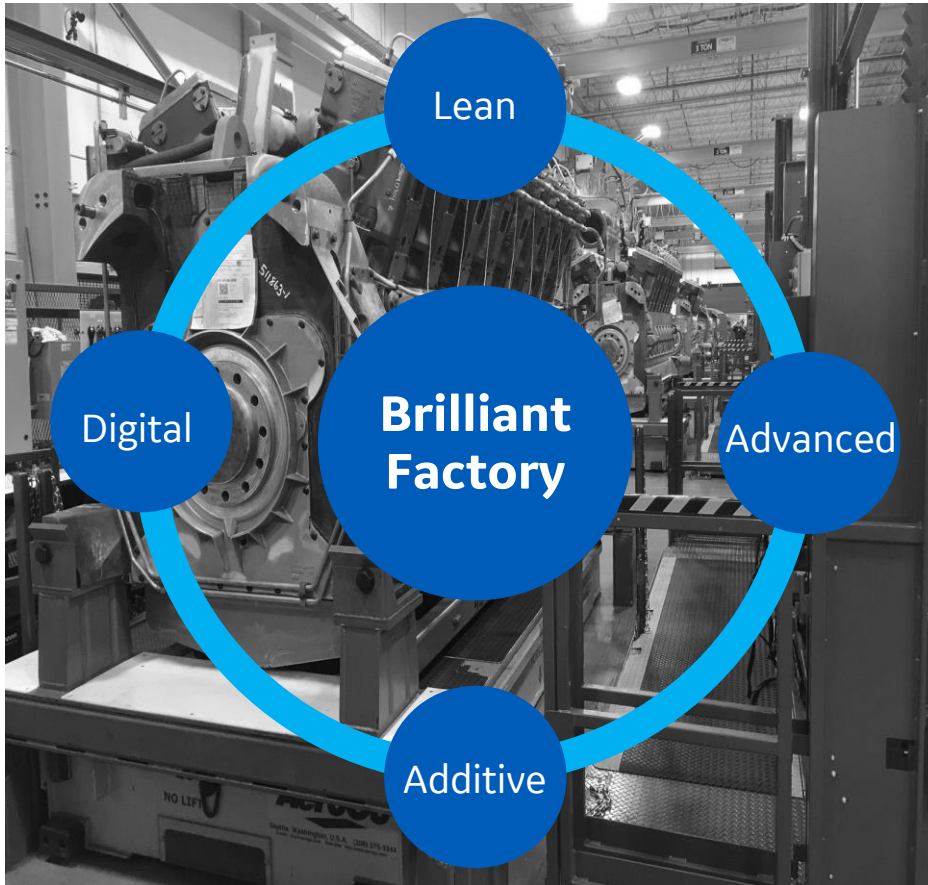
Improved quality



- ✓ Optimized designs ... >10% cost reduction in ACO + drive competitive advantage
- ✓ Improve reliability ... reductions in non-scheduled removals + reduce number of parts
- ✓ Improve efficiencies ... fuel consumption and NOx emissions

GE brilliant factory ... Grove City Reman

Brilliant factory solution



Delivering results

- ↓ Unplanned downtime by up to 20%
 - ↑ VCP by ~3 pts, while increasing plant complexity
 - ↑ Inventory turns by more than ~10%
-

Attracting attention

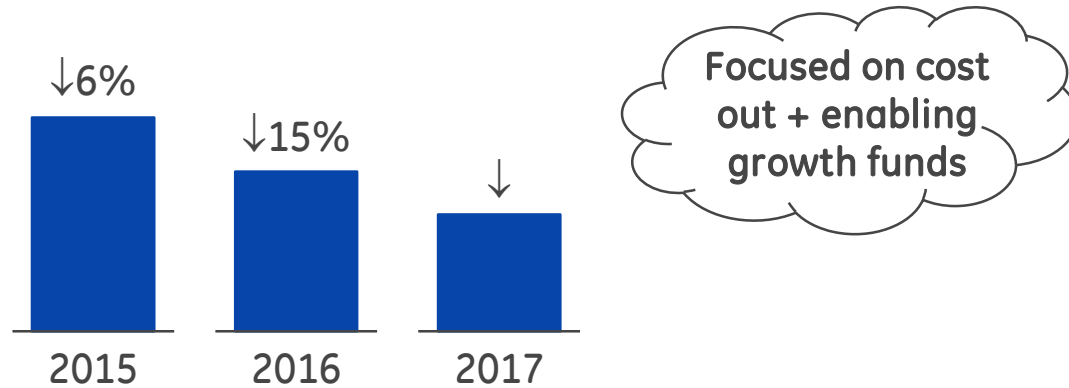
Pittsburgh Post-Gazette

GoERIE.com



Running the play ... cost management

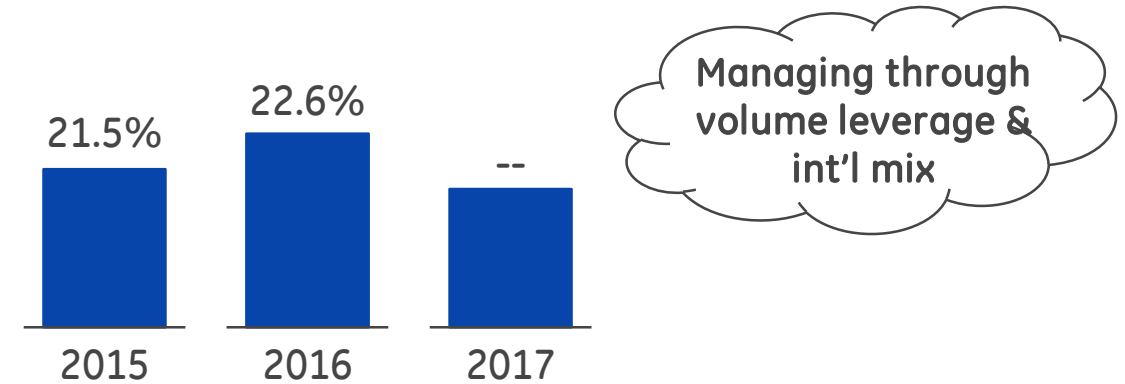
Structural costs



Cost actions

- 1 Restructuring impact ... portfolio rationalization, warehouse consolidation, fewer layers, leaner HQ
- 2 Leverage horizontals ... IT, HR, Finance, Sourcing
- 3 Discretionary spend controls ... travel, purchased services
- 4 NPI prioritization/timing

Operating margins



Drivers

- 1 Driving Supply chain & sourcing productivity through targeted commodity based projects
- 2 Invested in Brilliant Factory & digital thread ... enabling cost out and capacity management
- 3 Product management transformation focused on should-cost goals



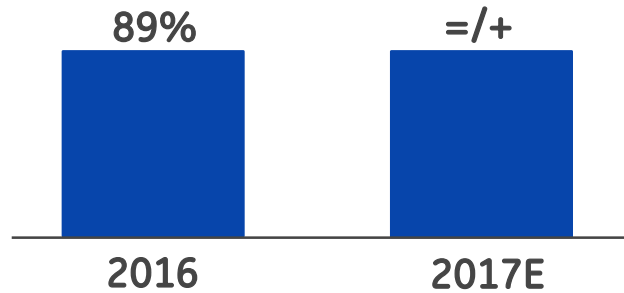
Foundation for achieving cost goals

- + Maintain run rates from prior period restructuring benefits
- + "Programmatic" execution on simplification ... embedded in culture
- + Engineering focus on material cost out

Running the play ... cash

Cash from operating activities

CFOA
conversion %

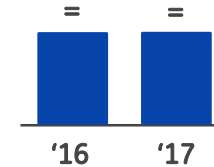


Drivers

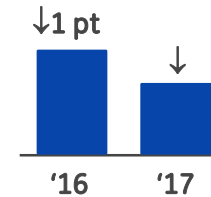
- 1 Net Income + Depreciation ... declining driven by soft rail market
- 2 Working capital ... strong management driving positive cash flows
- 3 Contract assets ... core activity ~flat year over year

Working capital management

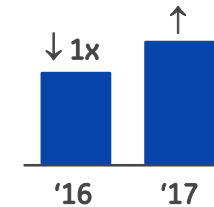
Days sales
outstanding



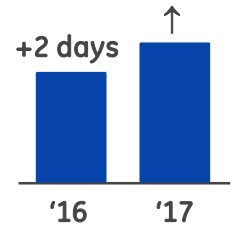
Past
dues



Inventory
turns



Days to
pay



Drivers

- 1 Cycle time reduction ... digital thread + lean principles
- 2 Management accountability ... incentive plans, cash goals
- 3 Dedicated cash projects with top talent + investing in systems for increased visibility
- 4 Setting standards for progress collections



Strong WC
management
programs in place

- + Deliver on operational reductions in inventory through cycle-time reduction
- + Manage cash cycle ... maximize supplier days ... diligence w/ customer payments
- + Execute on international growth ... mitigate challenges in financing

Summary

- ✓ Challenging macro environment
- ✓ Pockets of opportunity in adjacent & global markets
- ✓ Investing in Services & Digital offerings
- ✓ Intense focus on structural cost & working capital management

	<u>'16A</u>	<u>'17E</u>
Revenue	\$4.7B	--
Op Profit	\$1.1B	--
OP%	22.6%	--



