

# GE 2017 first quarter performance

Financial results & Company highlights  
April 21, 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.

**Imagination at work.**

# 1Q'17 overview

## Environment

- ✓ Steady global expansion with volatility
- ✓ Challenges continue in resource sector

### GE performance:

- ✓ Industrial operating + Verticals<sup>-a)</sup> EPS \$.21
- ✓ Industrial op. EPS +15%<sup>-b)</sup>, Verticals +20%
- ✓ Industrial segment organic revenue growth +7%
- ✓ Industrial margins +130 bps. ... segment margins +110 bps.
- ✓ CFOA \$0.4B ... \$(1.6)B Industrial CFOA + \$2.0B GE Capital dividend ... another \$2B dividend received from GE Capital in April
- ✓ Confirm framework for the year

<u>Industrial</u>	<u>Reported</u>	<u>Organic</u>
Orders	10%	7%
Segment revenue	1%	7%
Segment op profit	9%	15%
Industrial op profit <sup>-b)</sup>	11%	20%

## Execution versus goals

<u>2017 Goals</u>	<u>1Q</u>
Grow Industrial op profit <sup>-b)</sup>	11%
Industrial op profit \$17.2B	\$3.2B
Organic revenue growth 3-5%	7%
Margin expansion ~100 bps.	130 bps.
Structural cost out \$1B	\$0.1B

### Disciplined/balanced capital allocation

Industrial CFOA <sup>-c)</sup> \$12-14B	\$(1.6)B
Capital dividends \$6-7B	\$2.0B
FCF + dispositions <sup>-c)</sup> \$16-20B	\$(0.2)B
Cash to investors \$19-21B	\$4.4B

### Portfolio actions

- ✓ Water deal<sup>-d)</sup> announced ... \$3.4B sale to Suez
- ✓ GE Capital exit largely complete ... U.K. PRA exit
- ✓ Baker Hughes transaction<sup>-d)</sup> on track for mid-year close



(a- Verticals include businesses expected to be retained including allocated corporate costs

(b- Excludes non-operating pension, gains and restructuring & other

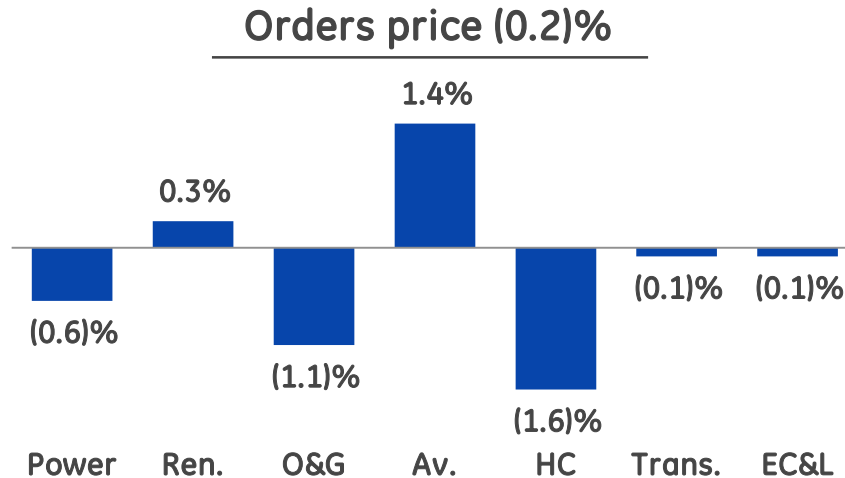
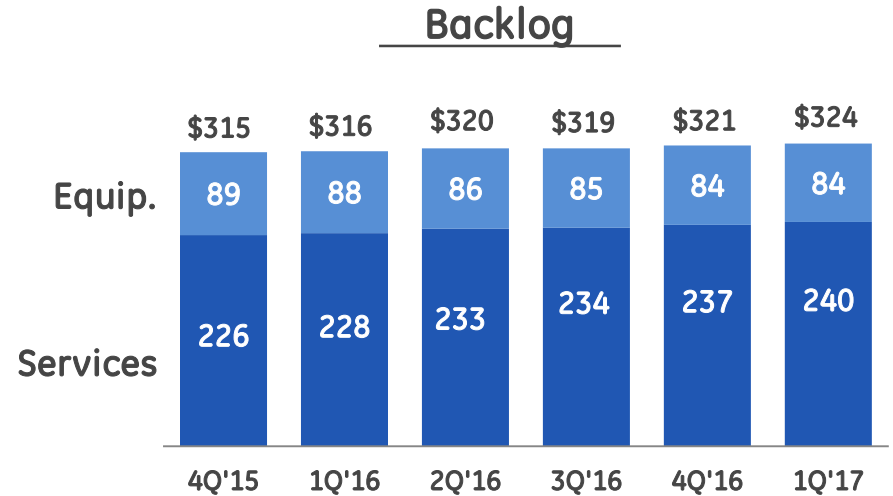
(c- Deal taxes are excluded from CFOA and included in dispositions; pension funding excluded from CFOA but included in FCF + dispositions

(d- Subject to customary closing conditions, including approval by regulators and, for Baker Hughes, Baker Hughes shareholders

# 1Q'17 orders \$25.7B, 10% ... 7% organic

(\$ in billion)

	Equipment		Services	
	\$	V%	\$	V%
Power	\$2.3	25%	\$3.8	0%
Ren. Energy	1.7	(4)%	0.4	F
Oil & Gas	0.9	30%	1.7	(2)%
Aviation	2.7	5%	4.7	17%
Healthcare	2.6	10%	1.9	3%
Transportation	0.5	F	0.6	3%
EC & Lighting	1.9	(6)%	0.7	8%
<b>Total</b>	<b>\$12.3</b>	<b>11%</b>	<b>\$13.4</b>	<b>8%</b>
<b>Organic</b>		<b>5%</b>		<b>9%</b>



## Highlights

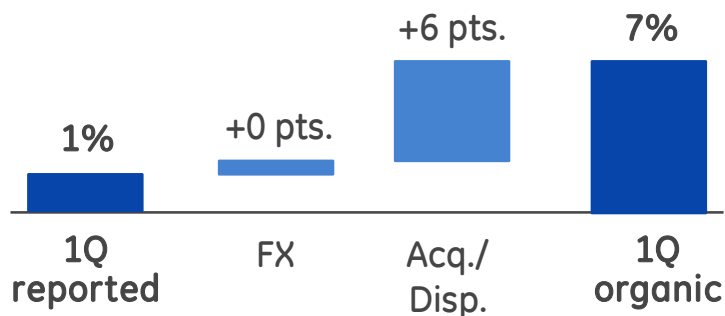
- ✓ Equipment +11% driven by Power steam & aero performance, Healthcare emerging markets +22%
- ✓ Services +8% with Aviation comm. spares +25%, Renewables +141% on repower, Power flat
- ✓ O&G bottoming ... orders +9% organic off of low base
- ✓ International orders +20% ... double-digit growth in 6/7 businesses
- ✓ Digital orders \$0.9B, +7%
- + Alliance with China Telecom to bring Predix to China; commercial deals with South32, DB Cargo
- + 2 new enterprise value customers ... NEC, Bridgestone



# Industrial execution

## Revenue growth

(Industrial segments)



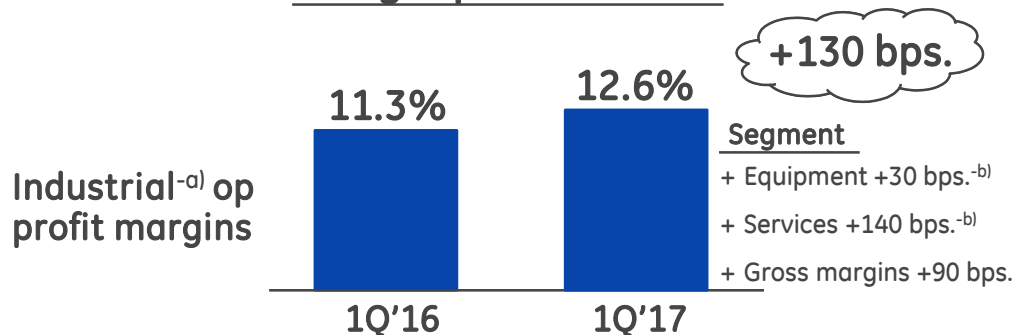
## Growth highlights

- ✓ Organic growth +7% ... above TY range
  - + Global revenue +7% ... growth markets +10%
  - + Services revenue +8% organic ... growth in 6/7 segments
  - + NPI strength ... LEAP, HA turbine, Healthcare, Wind
  - + Digital revenue growth +16% ... strength in Power, O&G, Renewables, and non-GE verticals



(a- Excludes non-operating pension, gains and restructuring & other  
 (b- Industrial segment margin expansion excluding Appliances impact

## Margin performance



### Segment OP margins

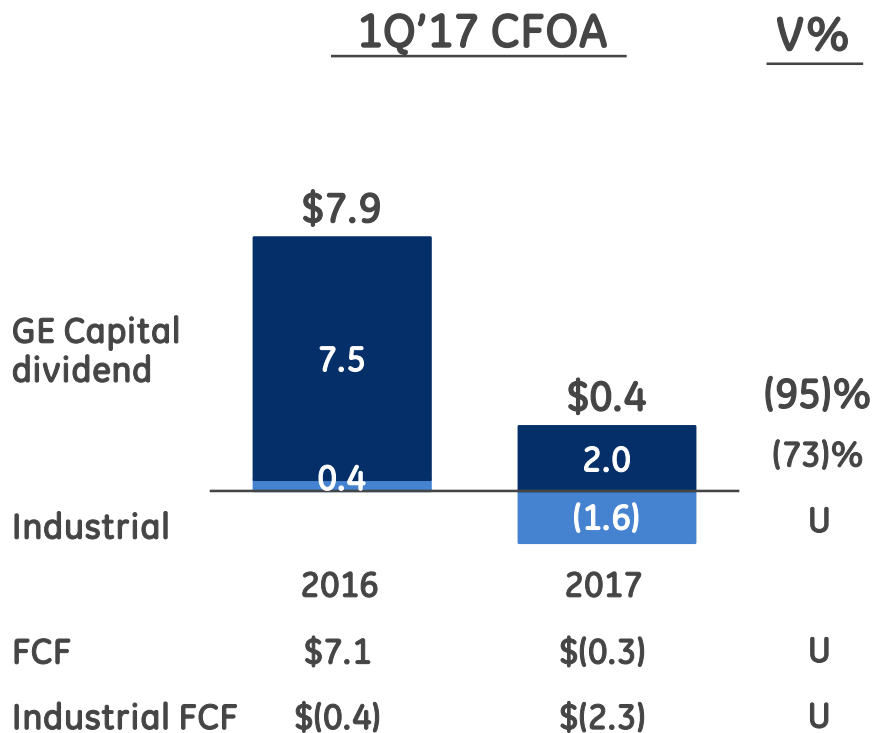
Segment OP margins	1Q
Mix	(0.6) pts.
Value gap (price/inflation)	0.1
Cost productivity	1.9
Base inflation/other	<u>(0.3)</u>
<b>Segment OP margins</b>	<b>1.1 pts.</b>

## Structural cost dynamics

- ✓ Making progress with \$76MM cost out in 1Q ... \$58MM segments, \$17MM Corporate
- ✓ 1Q performance ~\$200MM better than initial cost out plan
- ✓ Targeting \$1B cost out in 2017 and \$1B in 2018
- ✓ Expect cost out to ramp up as we move throughout the year

# Generating cash

(\$ in billions)



- ✓ Built \$1.3B of working capital in the quarter
- ✓ Additional \$2B GE Capital dividend received in April
- ✓ Returned \$4.4B cash to investors ... \$2.3B buyback, \$2.1B dividends

<u>GE cash balance walk</u>	<u>Total</u>
Beginning balance 1/1/17	\$10.5
CFOA	0.4
Dividends	(2.1)
P&E	(0.6)
Acquisitions	(1.0)
Dispositions	0.1
Buyback	(2.3)
Debt	4.1
Other	(1.1)
<b>March 2017</b>	<b>\$7.9</b>

Industrial cash performance below expectations ... expect sequential improvement



# Industrial cash plan

## 1Q'17 Industrial cash walk

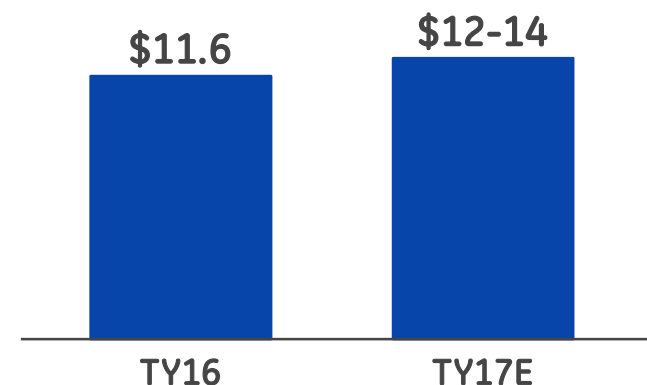
		Versus expectations
Net income + dep. <sup>-a)</sup>	\$1.5	
Working capital	(1.3)	~\$(0.7)
- Receivables	0.2	-
- Inventory	(0.8)	=/-
- Payables	(0.4)	=
- Progress	(0.3)	-
Contract assets	(1.9)	~(0.3)
- Services	(1.4)	-
- Equip./other	(0.5)	-
Other	<u>0.1</u>	=
CFOA	<b>\$(1.6)</b>	<b>~\$(1.0)</b>

- ✓ Working capital ~\$(0.7)B ... AR collections timing; progress milestone billings; inventory driven by U.S. healthcare market
- ✓ Contract assets ~\$(0.3)B ... CSA billing timing & higher contract adjustments; equipment projects

Sequential improvement throughout year



## TY outlook



	<u>TY16</u>	<u>TY17E</u>
Net income + dep. <sup>-a)</sup>	\$13.0	+
Working capital	3.2	=/+
Contract assets	(3.9)	=/-
Other <sup>-b)</sup>	(0.7)	=/+
CFOA	<b>\$11.6</b>	<b>\$12-14</b>

No change to TY framework

(a)- Industrial continuing net income + depreciation  
 (b)- Excludes deal taxes and principal pension plan funding

# 1Q'17 consolidated results

(\$ in billions – except EPS)

(\$ in millions)

	<u>1Q'17</u>	<u>V%</u>
Revenues	\$27.7	(1)%
– Industrial <sup>(a)</sup>	25.0	-
– Verticals <sup>(b)</sup>	2.6	-
– Other Capital <sup>(c)</sup>	-	(84)%
Industrial + Verticals EPS	.21	-
Operating EPS	.14	F
Continuing EPS	.10	F
Net EPS	.07	F
CFOA YTD	\$0.4	(95)%
- Industrial CFOA	\$(1.6)	U
	<u>1Q'17</u>	<u>1Q'16</u>
Consolidated tax rate	2%	(74)%
– GE (ex. Capital)	15	14
– Capital	92	36

	<u>Revenues</u>		<u>Op profit</u>	
	<u>\$</u>	<u>V%</u>	<u>\$</u>	<u>V%</u>
Power	\$6,089	17%	\$797	39%
Renewable Energy	2,044	22	107	29
Oil & Gas	3,001	(9)	207	(33)
Aviation	6,804	9	1,684	10
Healthcare	4,291	3	643	2
Transportation	1,039	6	156	(5)
EC & Lighting	<u>2,747</u>	<u>(35)</u>	<u>28</u>	<u>(10)</u>
Industrial Segments	26,016	1	3,622	9
Corporate <sup>(d)</sup>	<u>(1,039)</u>	<u>(7)</u>	<u>(414)</u>	<u>4</u>
Industrial <sup>(d)</sup>	<u>\$24,977</u>	<u>-%</u>	<u>\$3,208</u>	<u>11%</u>

<u>Industrial + Verticals EPS</u>	<u>1Q'17</u>	<u>V%</u>	<u>Ex. gains &amp; rest.</u>
Industrial operating	\$0.14	(13)%	15%
Capital Verticals <sup>(b)</sup>	.06	20%	20%
	\$0.21	-%	12%



(a- Includes GE-GE Capital eliminations

(b- Verticals include businesses expected to be retained including allocated corporate costs

(c- Other Capital includes HQ run-off & exit-related items

(d- Excludes non-operating pension, gains and restructuring & other

# 1Q'17 Industrial other items

	<u>EPS</u>	
Restructuring & other items	\$ (.08)	<ul style="list-style-type: none"> <li>✓ \$(1.0)B pre-tax, \$(0.7)B after-tax at Corporate</li> <li>✓ Significant restructuring investments in Power, Corporate, Oil &amp; Gas, EC&amp;L, and Healthcare</li> <li>✓ Restructuring charges \$(0.8)B and BD costs \$(0.2)B</li> </ul>

<u>Summary</u>	<u>1Q</u>	<u>2QE</u>	<u>2HE</u>	<u>2017E</u>
Restructuring & other items	\$ (.08)	~\$ (.07)	~\$ (.10)	~\$ (.25)
Gains <sup>-a)</sup>	<u>\$-</u>	<u>\$-</u>	<u>~\$ .25</u>	<u>~\$ .25</u>
Total	\$ (.08)	~\$ (.07)	~\$ .15	~\$-

Water deal announced ... planning for 3Q close



(a- Gains after-tax impacts are based on estimated transactional tax rates



# Industrial segments

(\$ in millions)

## Power

<u>1Q'17</u>	<u>\$</u>	<u>V%</u>
Revenues	\$6,089	17%
Segment profit	\$797	39%
Op profit %	13.1%	2.1 pts.

### 1Q dynamics

- \$6.1B orders, +8% ... equipment +25% with Gas Power Systems +12% and Steam +99%; services flat
- Revenues ... equipment +59% driven by Gas +84% partly offset by Steam (15)%; services flat driven by Power Services
- Segment profit +39% on higher volume and cost productivity ... margins +210 bps.

**Strong earnings quarter**



## Renewable Energy

<u>1Q'17</u>	<u>\$</u>	<u>V%</u>
Revenues	\$2,044	22%
Segment profit	\$107	29%
Op profit %	5.2%	0.2 pts.

### 1Q dynamics

- \$2.1B orders, +8% ... services orders +141% on higher repower; equipment (4)% with U.S. down partially offset by international growth
- Revenues ... equipment +16% on Hydro growth and Onshore Wind +4%; services +90% driven by repower
- Segment profit +29% driven by repower volume and value gap ... margins +20 bps.

**Solid international & services growth**

# Industrial segments

(\$ in millions)

## Aviation

<u>1Q'17</u>	<u>\$</u>	<u>V%</u>
Revenues	\$6,804	9%
Segment profit	\$1,684	10%
Op profit %	24.8%	0.5 pts.

### 1Q dynamics

- \$7.4B orders, +12% driven by services +17% on strong Comm. & Military performance; equipment +5% ... \$158B backlog
- Revenues ... services +17% driven by strength in both Comm. & Military; equipment (2)% with CEO +12% offset by Military (47)%
- Segment profit +10% on higher services volume ... margins +50 bps.

**Strong quarter**



## Oil & Gas

<u>1Q'17</u>	<u>\$</u>	<u>V%</u>
Revenues	\$3,001	(9)%
Segment profit	\$207	(33)%
Op profit %	6.9%	(2.4) pts.

### 1Q dynamics

- \$2.6B orders, +7% driven by Subsea & Drilling +13%, Turbomachinery & Downstream +7%, Surface +2%, Digital Solutions (3)%
- Revenues ... Subsea & Drilling (31)%, Surface (6)%, TMS/DTS (2)%, Digital Solutions +1%
- Segment profit (33)% on lower volume and negative price ... margins (240) bps.

**Market challenges continue**

# Industrial segments

(\$ in millions)

## Healthcare

<u>1Q'17</u>	<u>\$</u>	<u>V%</u>
Revenues	\$4,291	3%
Segment profit	\$643	2%
Op profit %	15.0%	(0.1) pts.

### 1Q dynamics

- \$4.5B orders, +8% organic with China +28%, Middle East +16%, Latin America +14%, Europe +5%, and U.S. +2%
- Revenues +3% with Healthcare Systems +3% and Life Sciences +5%
- Segment profit +6% organic driven by volume and cost productivity partially offset by price ... margins (10) bps., ex. FX +50 bps.

**Strong orders growth**

## Transportation

<u>1Q'17</u>	<u>\$</u>	<u>V%</u>
Revenues	\$1,039	6%
Segment profit	\$156	(5)%
Op profit %	15.0%	(1.7) pts.

### 1Q dynamics

- \$1.1B orders, +70% driven by international locomotive and kit orders ... equipment +500%, services +3%
- Revenues +6% with equipment +15% on higher international locomotive volume; services revenue (1)%
- Segment profit (5)% with higher volume & cost out offset by mix & digital investment

**Market challenges continue**



# Segments

(\$ in millions)

## Energy Connections & Lighting

<u>1Q'17</u>	<u>\$</u>	<u>V%</u>	<u>V%</u> ex. Appliances
Revenues	\$2,747	(35)%	(2)%
Segment profit	\$28	(10)%	F
Op profit %	1.0%	0.3 pts.	4.9 pts.
<u>Op profit</u>	<u>1Q'17</u>	<u>1Q'16</u>	<u>V%</u>
Energy Conn.	\$20	\$(85)	F
Current & Lighting	\$8	\$(24)	F
Appliances	\$-	\$139	U

- Revenues: EC +1%, +4% organic; Lighting (11)% with Current +3% & legacy (22)%
- Segment profit ... cost productivity in both businesses driving improvement

## GE Capital

<u>1Q'17 Earnings</u>	
<b>Verticals</b>	<b>\$535</b>
Other Continuing	(582)
<b>Capital</b>	<b>\$(47)</b>
Disc. Ops.	(242)
<b>GE Capital</b>	<b>\$(290)</b>

- GE Store: enabled \$2.2B of industrial orders<sup>a)</sup>
- Other Continuing incl. excess interest expense, preferred costs, taxes, restructuring, opex
- Exited from U.K. PRA consolidated supervision in March; last key step in GE Capital exit plan
- \$2B dividends in 1Q'17 ... \$6-7B target for TY'17

- ✓ Energy Connections & Lighting ... improvement versus prior year
- ✓ GE Capital ... exit plan largely complete ... strong Verticals performance



# 2017 operating framework

- 1** Operating EPS<sup>-a)</sup> \$1.60-1.70
  - Industrial op profit \$17.2B (ex. gains/restructuring)
  - Organic growth of 3-5%
  - Margin expansion ~100 bps.
  - Structural cost out \$1B
  - Corporate \$1.8-2.0B
  - Alstom EPS ~\$.09-.10
  - Restructuring = gains
  - Tax rate headwind (mid-teens)
- 2** FCF + dispositions \$16-20B
  - CFOA \$18-21B<sup>-b)</sup>; Capital dividend \$6-7B
  - Pension funding ~\$1.8B<sup>-b)</sup>
  - Dispositions<sup>-b)</sup> of ~\$4B; Net P&E of \$3-4B
- 3** Cash returned to investors \$19-21B
  - Dividend of ~\$8B
  - Buyback of ~\$11-13B



(a)- Industrial operating and Vertical EPS

(b)- Deal taxes are excluded from CFOA and included in dispositions; pension funding excluded from CFOA but included in FCF + dispositions

