

# GE 2015 second quarter performance

## Financial results & Company highlights

July 17, 2015



### CAUTION CONCERNING FORWARD-LOOKING STATEMENTS:

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 financial condition, and often contain words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "see," "will," "would," or "target." Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as statements about our announced plan to reduce the size of our financial services businesses, including expected cash and non-cash charges associated with this plan; expected income; earnings per share; revenues; organic growth; margins; cost structure; restructuring charges; cash flows; return on capital; capital expenditures, capital allocation or capital structure; dividends; and the split between Industrial and GE Capital earnings. For us, particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include: obtaining (or the timing of obtaining) any required regulatory reviews or approvals or any other consents or approvals associated with our announced plan to reduce the size of our financial services businesses; our ability to complete incremental asset sales as part of that plan in a timely manner (or at all) and at the prices we have assumed; changes in law, economic and financial conditions, including interest and exchange rate volatility, commodity and equity prices and the value of financial assets, including the impact of these conditions on our ability to sell or the value of incremental assets to be sold as part of our announced plan to reduce the size of our financial services businesses as well as other aspects of that plan; the impact of conditions in the financial and credit markets on the availability and cost of GECC's funding, and GECC's exposure to counterparties; the impact of conditions in the housing market and unemployment rates on the level of commercial and consumer credit defaults; pending and future mortgage loan repurchase claims and other litigation claims in connection with WMC, which may affect our estimates of liability, including possible loss estimates; our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so; the adequacy of our cash flows and earnings and other conditions which may affect our ability to pay our quarterly dividend at the planned level or to repurchase shares at planned levels; GECC's ability to pay dividends to GE at the planned level, which may be affected by GECC's cash flows and earnings, financial services regulation and oversight, and other factors; our ability to convert pre-order commitments/wins into orders; the price we realize on orders since commitments/wins are stated at list prices; customer actions or developments such as early aircraft retirements or reduced energy demand and other factors that may affect the level of demand and financial performance of the major industries and customers we serve; the effectiveness of our risk management framework; the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks, including the impact of financial services regulation and litigation; adverse market conditions, timing of and ability to obtain required bank regulatory approvals, or other factors relating to us or Synchrony Financial that could prevent us from completing the Synchrony Financial split-off as planned; our capital allocation plans, as such plans may change including with respect to the timing and size of share repurchases, acquisitions, joint ventures, dispositions and other strategic actions; our success in completing, including obtaining regulatory approvals for, announced transactions, such as the proposed transactions and alliances with Alstom, Appliances and our announced plan to reduce the size of our financial services businesses, and our ability to realize anticipated earnings and savings; our success in integrating acquired businesses and operating joint ventures; the impact of potential information technology or data security breaches; and the other factors that are described in "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014. These or other 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 document includes certain forward-looking projected financial information that is based on current estimates and forecasts. Actual results could differ materially.

This document also contains non-GAAP financial information. Management uses this information in its internal analysis of results and believes that this information may be informative to investors in gauging the quality of our financial performance, identifying trends in our results and providing meaningful period-to-period comparisons. For a reconciliation of non-GAAP measures presented in this document, see the accompanying supplemental information posted to the investor relations section of our website at [www.ge.com](http://www.ge.com).

In this document, "GE" refers to the Industrial businesses of the Company including GECC on an equity basis. "GE (ex-GECC)" and/or "Industrial" refer to GE excluding Financial Services.

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.**

# 2Q'15 overview

## Environment

- ✓ Slow growth and volatile environment continues
- ✓ GE Capital exits ahead of plan ... \$68B dispositions signed YTD

## GE executing well:

- ✓ Industrial operating+Verticals<sup>-a)</sup> EPS \$.31, +19% ... Industrial EPS +18%
- ✓ Industrial segment OP margins +70 bps. with gross margins +60 bps.
- ✓ Industrial CFOA YTD \$3.5B, +79% ... GE CFOA \$3.9B, +17%

<u>Ind. segments</u>	<u>Reported</u>	<u>Organic</u>
Orders	8%	13%
Revenue	0%	5%
Op Profit	5%	11%

## Execution versus goals

### 2015 Goals

Grow Industrial segments  
Organic growth (2-5%)  
Margin expansion

### 1H'15

6%

4%

100 bps.

+11%  
organic

GECC Verticals<sup>-a)</sup> EPS ~\$.15

\$.09

GECC cash to parent

\$0.5B dividend

Disciplined/balanced capital allocation

CFOA \$14-16B<sup>-b)</sup>

\$3.9B

FCF + disp. \$12-15B

\$2.4B

Cash to investors \$10-30B

\$4.8B

Portfolio actions

\$68B GECC signed YTD

Synchrony on track

Appliances/Alstom regulatory review



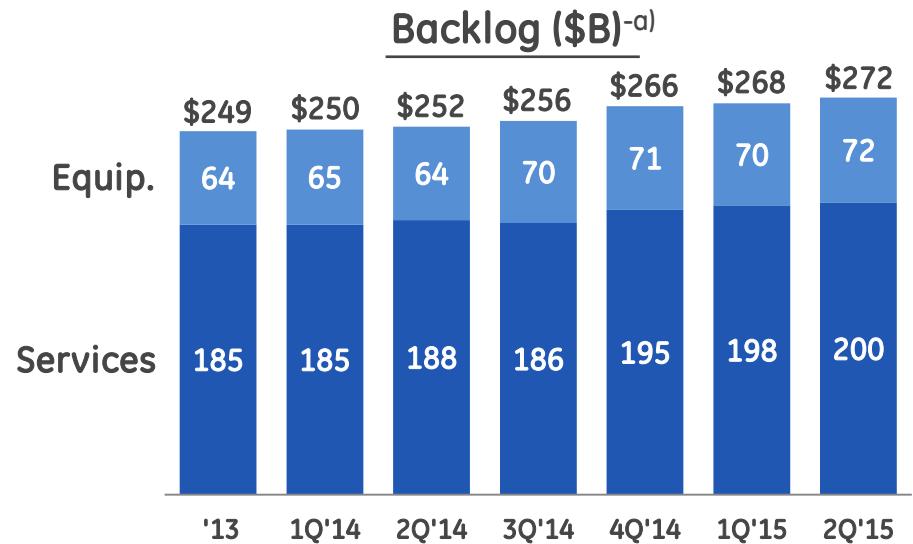
(a- Verticals include businesses expected to be retained including allocated corporate costs

(b- Taxes associated with dispositions included in net disposition proceeds

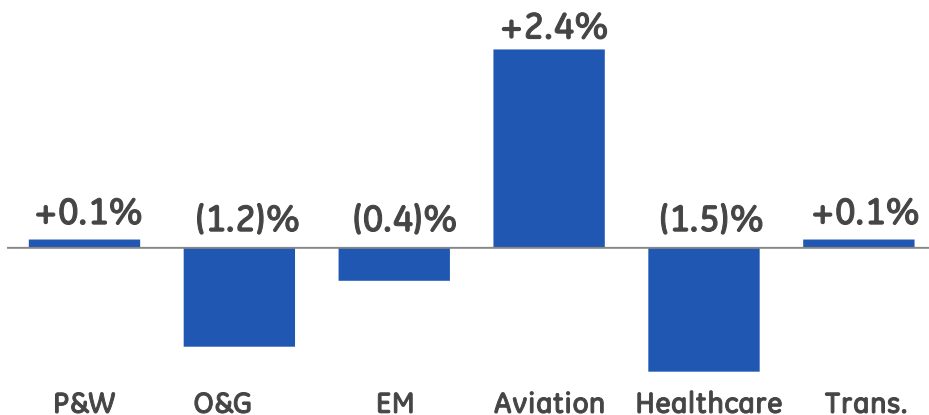
# 2Q'15 orders \$27.1B, +8%

(\$ in billions)

	Equipment		Services	
	\$	V%	\$	V%
Power & Water	\$3.9	29%	\$3.9	17%
Oil & Gas	2.2	(14)	2.0	(26)
Energy Mgmt.	1.5	6	0.5	3
Aviation	4.0	37	3.6	23
Healthcare	2.7	(3)	2.0	(3)
Transportation	0.5	(19)	0.9	6
<b>Total</b>	<b>\$14.5</b>	<b>11%</b>	<b>\$12.6</b>	<b>4%</b>
Ex-FX		18%		7%



## Orders price profile 0.2%



## Highlights

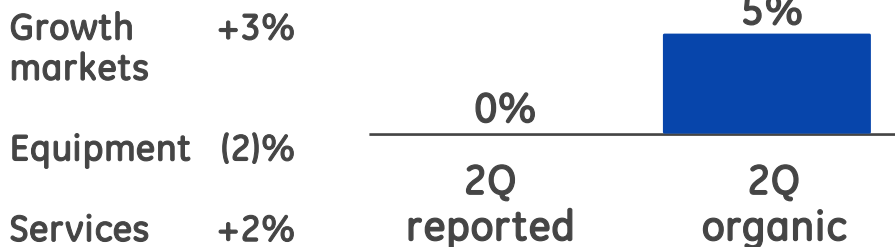
- ✓ Equipment orders +11%, +19% organically
- ✓ Services +4%, +7% organically ... Aviation spares rate +33%, PGS +17%
- ✓ P&W orders +22% with strength across the board ... 17 H GTs in backlog, 44 additional tech. selections
- ✓ Oil & Gas total orders (20%), (11)% organically with equipment flat & services (20)%
- ✓ U.S. 10%, Europe 4%, growth markets 2%
- ✓ 1H Industrial Internet orders of \$1.9B; Total software and solutions \$2.4B ... targeting ~\$6B for year, +30%

(a- Updated Oil & Gas services backlog reflected in all periods

# Industrial segment execution

## Revenue growth

1H'15



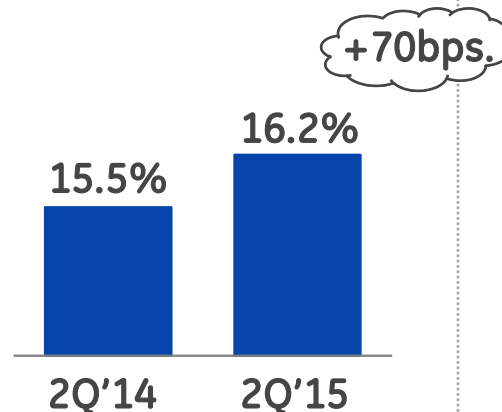
## Growth highlights

- + Industrial segment organic growth +5% with 6/7 segments up ... 8<sup>th</sup> quarter of organic growth
- + U.S. revenue +4%, growth markets +1%
- + 19B+<sup>(a)</sup> orders/commitments at 2015 Paris Air Show
- + Healthcare Kenya multi-modality agreement signed ~\$200MM over 7 years
- + Launched GE's Digital Wind Farm, providing up to 20% higher annual energy output
- + Transportation Movement Planner with Class 1 RR
- + BP deal to link 4,000+ oil wells to Industrial Internet
- + Power Conversion: \$300MM+ orders with wind customers for converters & components



(a- GE & JV partner orders/commitments at list price

## OP Margins

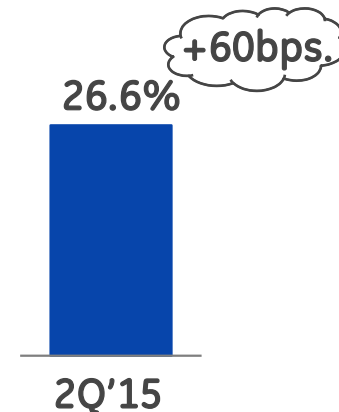


## Margin drivers

Mix	(0.7) pts
Value gap (price/inflation)	0.6
Cost productivity	0.7
Gross Margins	+0.6 pts.
Simplification (SG&A)	0.8
Base inflation/other	(0.7)
Op Profit Margins	+0.7 pts.

- ✓ Equipment margins +30 bps, service margins +130 bps. through the half

## Gross Margins



## 2Q

Mix	(0.7) pts
Value gap (price/inflation)	0.6
Cost productivity	0.7
Gross Margins	+0.6 pts.
Simplification (SG&A)	0.8
Base inflation/other	(0.7)
Op Profit Margins	+0.7 pts.

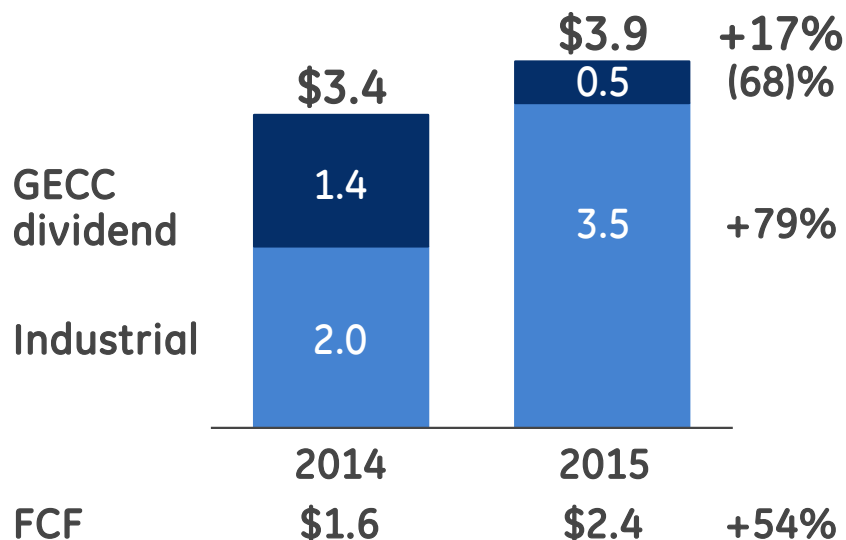
1H +70bps.

1H +100bps.

# Generating cash

(\$ in billions)

## 2Q YTD CFOA



- ✓ 1H Industrial cash flow \$3.5B, +79% ... 2Q Industrial cash flow \$2.6B, +3.7x
- ✓ No GE Capital dividend in 2Q ... will review potential for additional dividend in 2H
- ✓ GE share of Synchrony's current market cap ~\$24B<sup>(a)</sup>

## GE cash balance walk

	<u>Total</u>
Beginning balance 1/1/15	\$15.9
CFOA	3.9
Dividends	(4.6)
Net P&E	(1.5)
Acquisitions	(0.0)
Buyback	(0.2)
Debt Issuance	3.4
Other	<u>0.1</u>
<b>June 2015</b>	<b>\$17.0</b>

Strong 1H cash performance ... on track for total-year framework



(a- Gross value prior to a split-off exchange discount

# 2Q'15 consolidated results

(\$ in billions – except EPS)

	<u>2Q'15</u>	<u>V%</u>
Revenues	\$32.8	2%
– Industrial revenue	26.9	1
– Verticals <sup>(a)</sup> revenue	2.8	3
– Other GECC <sup>(b)</sup> revenue	3.4	(4)
Industrial + Verticals EPS	.31	19
Operating EPS	.28	(13)
Continuing EPS	.24	(14)
Net EPS	(.13)	U
CFOA YTD	3.9	17
– Industrial	3.5	79
	<u>2Q'15</u>	<u>2Q'14</u>
Consolidated tax rate	27%	6%
– GE (ex-GECC)	21	19
– GECC	45	(23)

(\$ in millions)

	<u>Revenues</u>		<u>Segment profit</u>	
	<u>\$</u>	<u>V%</u>	<u>\$</u>	<u>V%</u>
Power & Water	\$6,801	8%	\$1,221	8%
Oil & Gas	4,062	(15)	583	(12)
Energy Mgmt.	1,768	(5)	82	19
Aviation	6,252	3	1,269	6
Healthcare	4,337	(3)	705	(3)
Transportation	1,420	9	331	23
Appliances & Lighting	<u>2,235</u>	<u>5</u>	<u>165</u>	<u>62</u>
Industrial Segments	26,875	0/5	4,356	5/11
GE Capital Verticals <sup>(a)</sup>	<u>2,788</u>	<u>3</u>	<u>531</u>	<u>19</u>
Ind. Seg. + Verticals	<u>\$29,663</u>	<u>-%</u>	<u>\$4,887</u>	<u>6%</u>

<u>Industrial + Verticals EPS</u>	<u>2Q'15</u>	<u>V%</u>
Industrial operating	\$ .26	18%
GE Capital Verticals <sup>(a)</sup>	<u>\$ .05</u>	25%
	<u>\$ .31</u>	19%



(a- Verticals include businesses expected to be retained including allocated corporate costs  
(b- Other GE Capital includes the Consumer segment, GE Capital HQ run-off, & exit-related items)

# Earnings dynamics

(after tax, \$ in millions – except EPS)

<u>Earnings walk</u>	<u>2Q'15 Net income</u>	<u>2Q'15 EPS</u>	<u>EPS V%</u>
Industrial operating	\$2,620	\$0.26	18%
Verticals <sup>-a)</sup>	531	0.05	25%
<b>Industrial + Verticals earnings</b>	<b>\$3,151</b>	<b>\$0.31</b>	<b>19%</b>
Consumer	459	0.05	(3)%
Other GE Capital <sup>-b)</sup>	(772)	(0.08)	U
<b>Operating earnings</b>	<b>\$2,838</b>	<b>\$0.28</b>	<b>(13)%</b>
Non-op pension	(448)	(0.04)	(33)%
<b>Continuing earnings</b>	<b>\$2,390</b>	<b>\$0.24</b>	<b>(14)%</b>
Less CLL disc. ops. charge	(4,329)	(0.43)	U
CRE/CLL earnings/other disc. ops.	579	0.06	(14)%
<b>Net earnings</b>	<b>\$(1,360)</b>	<b>\$(0.13)</b>	<b>U</b>

- ✓ Industrial + Verticals EPS \$0.31, +19% ... strong Industrial growth, +18%
- ✓ CLL held-for-sale charge of \$4.3B included in expected \$23B total GE Capital exit impact disclosed in April ... CLL timing accelerated versus original plan



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

(b- Other GE Capital includes costs associated with preferred dividends, tax and restructuring charges, and HQ operating expenses

# 2Q'15 Industrial other items

	<u>EPS</u>	
Restructuring & other items	\$(.03)	<ul style="list-style-type: none"> <li>✓ \$(399)MM pre-tax, ~\$(280)MM<sup>-a)</sup> after-tax</li> <li>✓ Structural cost actions, acquisition-related &amp; other costs; includes pension mortality impact</li> </ul>
Gains & settlements	\$.03	<ul style="list-style-type: none"> <li>✓ \$499MM pre-tax, \$295MM<sup>-a)</sup> after-tax</li> <li>✓ NBCU settlement</li> </ul>

## 2015 summary

	<u>1Q</u>	<u>2Q</u>	<u>2HE</u>	<u>TYE</u>
Restructuring & other items <sup>-a)</sup>	\$(.03)	\$(.03)	~\$(.06)	~\$(.12)
Gains & settlements <sup>-a)</sup>	<u>\$-</u>	<u>\$.03</u>	<u>~\$.09</u>	<u>~\$.12</u>
<b>Total</b>	<b>\$(.03)</b>	<b>\$-</b>	<b>~\$.03</b>	<b>~\$-</b>

Gains = restructuring for the year but variability in quarterly timing





# Industrial segments

(\$ in millions)

## Power & Water

<u>2Q'15</u>	<u>\$</u>	<u>V%</u>
Revenues	\$6,801	8%
Segment profit	\$1,221	8%
Op profit %	18.0%	- pts.

### 2Q dynamics

- \$7.8B orders, +22% ... equipment +29% with DP +68%, PGP +25%, & Renewables +24%; services +17% with PGS +17%
- Revenue ... equipment +10% with Renewables +53% offset by PGP (3)% on 3 more GTs and lower BOP, DP (20)%; services +6%
- Margins flat with higher value gap and base cost productivity offsetting negative mix

## Oil & Gas

<u>2Q'15</u>	<u>\$</u>	<u>V%</u>
Revenues	\$4,062	(15)%
Segment profit	\$583	(12)%
Op profit %	14.4%	0.4 pts.

### 2Q dynamics

- \$4.2B orders, (20)% (11)% organic ... equipment (14)% flat organic; services (26)% (20)% organic
- Revenue ... (4)% organic with equipment (20)% (8)% organic and services (9)% +1% organic
- Operating profit +5% organic; margins +40 bps. driven by cost productivity

- ✓ Power & Water ... strong orders & revenue growth
- ✓ Oil & Gas ... good execution in a challenging environment



# Industrial segments

(\$ in millions)

## Aviation

<u>2Q'15</u>	<u>\$</u>	<u>V%</u>
Revenues	\$6,252	3%
Segment profit	\$1,269	6%
Op profit %	20.3%	0.6 pts.

### 2Q dynamics

- \$7.6B orders, +30% ... equipment +37% on GE9X strength; services +23% with spares rate +33% ... \$142 backlog, +12% VPY
- Revenue ... equip. flat with comm'l. units up 5% & Military units down 33%; services +6%
- Segment profit +6% ... strong productivity & price partially offset by inflation ... +60 bps.

## Healthcare

<u>2Q'15</u>	<u>\$</u>	<u>V%</u>
Revenues	\$4,337	(3)%
Segment profit	\$705	(3)%
Op profit %	16.3%	- pts.

### 2Q dynamics

- \$4.7B orders, (3)%, +4% organic ... emerging markets (3)%, +2% organic; U.S. +3%; Europe (13)%, +7% organic
- Revenue (3)%, +3% organic with HCS +3% & Life Sciences +8% organic ... emerging markets (5)% organic; developed +7% organic
- Segment profit (3)%, +2% ex-FX ... margins flat

- ✓ Aviation ... strong orders quarter; delivering operationally
- ✓ Healthcare ... U.S. continues to improve, emerging markets slower



# Industrial segments

(\$ in millions)

## Transportation

<u>2Q'15</u>	<u>\$</u>	<u>V%</u>	<u>2Q dynamics</u>
Revenues	\$1,420	9%	• \$1.4B orders, (5)% ... equipment (19)%; services +6%
Segment profit	\$331	23%	• Revenues ... equipment +13% on higher locomotive shipments; services +6%
Op profit %	23.3%	2.6 pts.	• Margins +260 bps. driven by cost productivity

## Energy Management

<u>2Q'15</u>	<u>\$</u>	<u>V%</u>	<u>2Q dynamics</u>
Revenues	\$1,768	(5)%	• \$2.0B orders, +5%, +13% ex-FX ... equipment +6% driven by Power Conversion; services +3%
Segment profit	\$82	19%	• Revenues ... Power Conversion (6)%, Industrial Sol. (5)%, Digital Energy (3)%; organic revenue +4%
Op profit %	4.6%	0.9 pts.	• Margins +90 bps. driven by continued simplification

## Appliances & Lighting

<u>2Q'15</u>	<u>\$</u>	<u>V%</u>	<u>2Q dynamics</u>
Revenues	\$2,235	5%	• Revenue ... Appliances +7%; Lighting +2% ... trad'l. channels (17)%, LED +77% ... now 36% of business
Segment profit	\$165	62%	• Op profit +62% with 260 bps. of margin improvement driven by cost productivity
Op profit %	7.4%	2.6 pts.	



# GE Capital

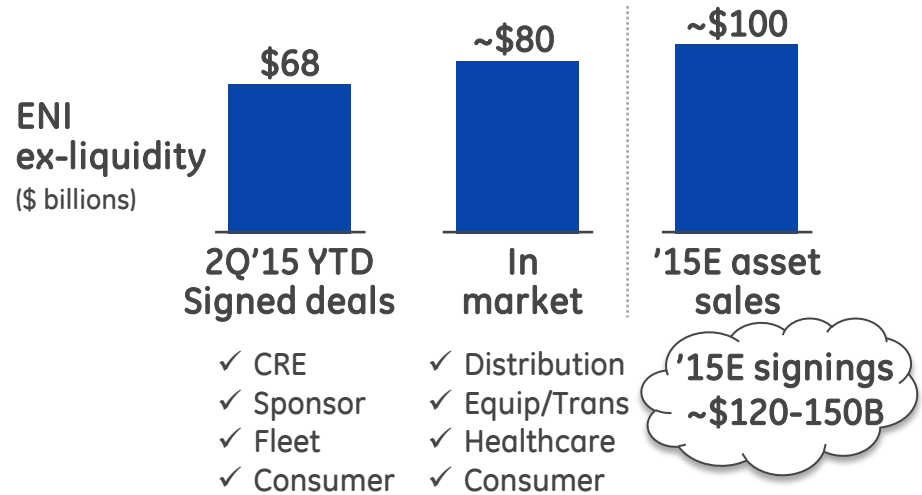
(\$ in millions)

## 2Q'15 performance

	<u>Earnings</u>
Verticals <sup>-a)</sup>	\$531
Consumer	459
Run-off/HQ	(772)
<b>Continuing Operations</b>	<b>\$218</b>
CLL held-for-sale mark	(4,329)
CRE/CLL earnings/other	582
<b>Total GECC</b>	<b><u><u>\$(3,529)</u></u></b>

- \$179B of ENI ex-liq. ... CLL & CRE in disc. ops.
- Basel 3 T1C<sup>-b)</sup> at 11.4%; \$85B of liquidity<sup>-c)</sup>

## Portfolio sales



- ✓ Exits ahead of plan ... pricing above original assumptions offset by forgone income
- ✓ \$4.3B charge for CLL in line with exit plan announced in April

<u>T1C%</u>	<u>'15 Dividend<sup>-d)</sup></u>
12.5%	~\$7.0
14.0%	~\$1.0
17.0%	~\$0.5

**Reviewing potential for 2H dividend**



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

(b- Basel 3 Tier 1 Common ratio estimated based on U.S. standardized transitional basis

(c- Includes cash & equivalents in continuing & discontinued operations & businesses held for sale & certain debt obligations of the U.S. treasury; \$71B ex Synchrony

(d- Subject to regulatory approval

# 2015 operating framework

## Operating EPS

- |   |                                       |  |
|---|---------------------------------------|--|
| <b>1</b> Industrial                                 | <del>\$1.10-1.20</del><br>\$1.13-1.20 | <ul style="list-style-type: none"> <li>+ Industrial operating EPS up double digits</li> <li>+ Segment organic growth of 2-5% &amp; margin expansion</li> <li>+ Corporate ~\$2.3-2.5B</li> <li>+ BD ... still expect deals to close in 2H15<sup>-a)</sup></li> </ul>  |
| <b>2</b> GE Capital retained businesses (Verticals) | ~\$.15                                | <ul style="list-style-type: none"> <li>+ Verticals on track</li> <li>+ Synchrony split-off 1/1/16<sup>-a)</sup></li> </ul>   |
| <b>3</b> Capital asset sales                        | <del>~\$90B</del><br>~\$100B          | <ul style="list-style-type: none"> <li>+ Impact from GE Capital exit ... targeting ~\$100B closed in 2015</li> </ul>   |
| <b>4</b> Free Cash Flow + Dispositions              | \$12-15B                              | <ul style="list-style-type: none"> <li>+ CFOA of \$14-16B<sup>-b)</sup>; will update based on GECC progress ... \$0.5B 1H GE Capital dividend, will review potential for additional dividend in 2H<sup>-a)</sup></li> <li>+ P&amp;E of ~\$4-4.5B</li> <li>+ Dispositions of \$2-4B ... Appliances<sup>-a)</sup> ~\$2B</li> </ul> |
| <b>5</b> Cash Returned to Investors                 | \$10-30B                              | <ul style="list-style-type: none"> <li>+ Dividend of ~\$9B; buyback based on GE Capital progress</li> <li>+ Synchrony split-off<sup>-a)</sup> estimate ~\$18-20B</li> </ul>  |



(a- Subject to regulatory approval

(b- Taxes associated with dispositions included in net disposition proceeds

