

# GE 2014 second quarter performance

## Financial results & Company highlights

July 18, 2014



### 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,” or “would.” Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include: current economic and financial conditions, including volatility in interest and exchange rates, commodity and equity prices and the value of financial assets; potential market disruptions or other impacts arising in the United States or Europe from developments in sovereign debt situations; the impact of conditions in the financial and credit markets on the availability and cost of General Electric Capital Corporation’s (GECC) funding and on our ability to reduce GECC’s asset levels as planned; the impact of conditions in the housing market and unemployment rates on the level of commercial and consumer credit defaults; pending and future mortgage securitization claims and litigation 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; the level of demand and financial performance of the major industries we serve, including, without limitation, air and rail transportation, power generation, oil and gas production, real estate and healthcare; the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks, including the impact of financial services regulation; 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 announced transactions and integrating acquired businesses; adverse market conditions, timing of and ability to obtain required bank regulatory approvals, or other factors relating to us or Synchrony Financial could prevent us from completing the Synchrony IPO and split-off as planned; our ability to complete the proposed transactions and alliances with Alstom and realize anticipated earnings and savings; the impact of potential information technology or data security breaches; and numerous other matters of national, regional and global scale, including those of a political, economic, business and competitive nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

This document includes certain forward-looking projected financial information that is based on current estimates and forecasts. Actual results could differ materially.

“This document may also contain 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'14 overview

## Environment

- ✓ Environment positive ... strong revenue growth in Power & Water, Oil & Gas, Aviation & N.A. Rail; GECC commercial credit demand better
- ✓ Winning with technology ... \$36B wins<sup>a)</sup> at Farnborough Airshow, 9HA gas turbine, Tier 4 locomotive and O&G 20k-psi orders
- ✓ U.S. Healthcare market and Mining continue to be challenging
- ✓ Orders +4%, OPI +0.2%
- ✓ Regional dynamics in line with expectations ... growth markets revenue +6%, orders +14%

## Execution versus goals

<u>Goals</u>	<u>1H'14</u>
Grow Industrial segments 10%+	10%
Organic growth (4-7%)	6%
Margin expansion	+30 bps.
GECC earnings ~\$7B <sup>b)</sup>	On track
Cash to parent	\$1.4B dividend
Disciplined/balanced capital allocation	
Buyback + dividend	\$5.9B
M&A	\$2.1B + Alstom
Dispositions	\$1.3B announced
70/30 Industrial	Targeting RF IPO end of July

Strong performance in 2Q and first half ... total year on track

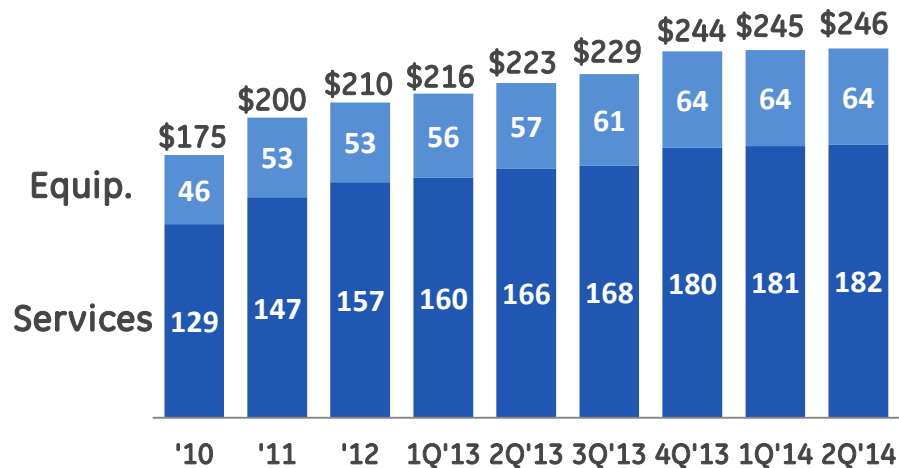


# 2Q'14 orders \$25.1B, 4%

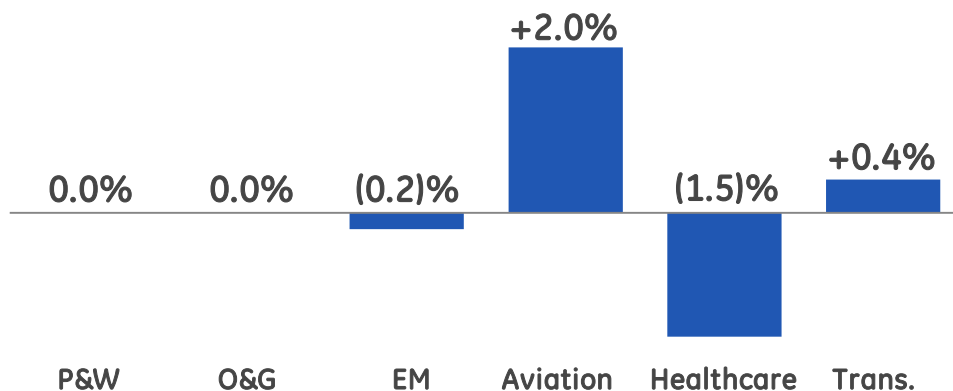
(\$ in billions)

	Equipment		Services	
	\$	V%	\$	V%
Power & Water	\$3.0	(1)%	\$3.3	12%
Oil & Gas	2.5	(9)	2.8	23
Energy Mgmt.	1.4	(18)	0.5	(1)
Aviation	2.9	(8)	2.9	13
Healthcare	2.8	-	2.0	1
Transportation	0.6	40	0.8	32
<b>Total</b>	<b>\$13.0</b>	<b>(3)%</b>	<b>\$12.1</b>	<b>14%</b>

## Backlog (\$B)



## Orders price profile 0.2%



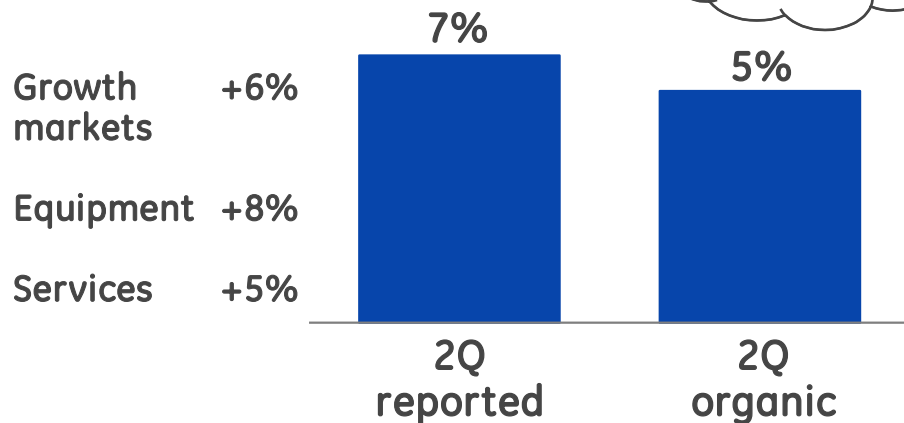
## Highlights

- ✓ Strongest services growth since 2Q'11 ... positive growth in 5/6 segments; Aviation spares rate +16%, PGS +13%
- ✓ Equipment (3)% driven by timing in long cycle businesses ... rolling 4-qtr. average +7%
- ✓ Backlog +\$23B vs. 2Q'13 ... every segment ↑
- ✓ Growth markets +14% ... 6/9 regions up



# Industrial segment operating execution

## Revenue growth



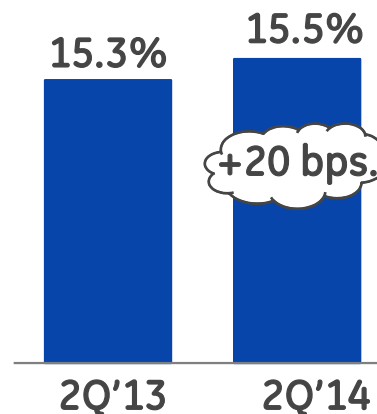
## Growth highlights

- + \$36B<sup>(a)</sup> of wins at the Farnborough Airshow ... ~1,140 engines
- + Tier 4 locomotive order
- + HA gas turbine order ... 9 units to date
- + Launch order of O&G 20k-psi drilling system
- + Launched Revolution CT; \$55MM backlog
- + Acceleration in adjacencies ... Life Sciences orders +10% and Water +11%



(a) - GE & CFM wins at list price. CFM is a 50/50 joint venture between GE & Snecma.

## Margins



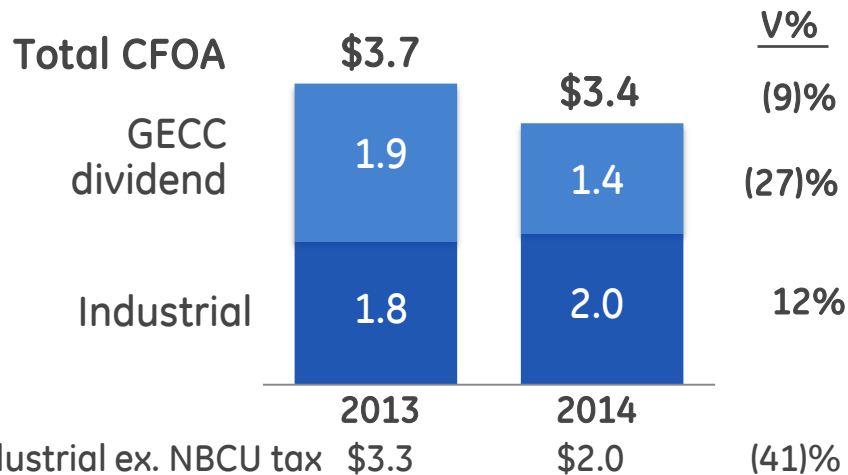
	1H'14	V bps.
P&W	17.1%	-
O&G	12.3%	60
EM	2.1%	90
Aviation	19.5%	20
Healthcare	15.0%	-
Trans.	18.6%	(60)
A&L	3.9%	(10)
<b>Total</b>	<b>14.5%</b>	<b>+30</b>

## Margin drivers

	2Q	TY
Mix	(1.0)	-
Value gap	0.4	+
R&D	0.1	=/+
Simplification	1.0	++
Other	(0.3)	-

# Cash & capital allocation

## 2Q YTD CFOA



## GE cash balance walk

	Total
Beginning balance 1/1/14	\$13.7
CFOA	3.4
Dividends	(4.4)
Acquisitions	(2.1)
P&E	(2.0)
Buyback	(1.5)
Debt issuance	3.0
Change in debt/FX/other	0.1
<b>June 2014</b>	<b>\$10.2</b>

## Executing on cash & capital allocation priorities

- + Working capital impacted by timing in long-cycle businesses ... on track for \$14-17B CFOA for 2014
- + Continue to grow dividends in line with earnings ... raised dividend 16% for 2014
- + Retail Finance ... filing "red herring" today, targeting IPO end of July, raising ~\$3.1B at mid-point price for ~15%
- + \$2.1B of acquisitions closed YTD
- + \$1.3B of dispositions announced ... targeting \$4B+
- + Alstom deal announced ... targeting 2015 close



# Alstom deal overview

## Summary

- GE agreed to revise its acquisition of Alstom Power & Grid
- Deal economics remain the same ... \$13.5B enterprise value; 7.9x pro forma EBITDA
- Alstom will retain its Transport business and acquire GE Signaling
- Alstom to invest ~\$3.5B in three joint ventures with GE operational control

## Strategic rationale

- ✓ Attractive long-term strategic businesses; being acquired at opportune moment in cycle
- ✓ Execution is in our sweet spot ... experienced team, global assets, installed base
- ✓ Cost synergy opportunity ... ~\$1.2B by year 5
- ✓ Accretive to GE earnings in year 1
- ✓ Very attractive return on investment ... high-teens IRR

- ✓ Core business ... expands competitive capabilities
- ✓ Accretive in year 1, attractive IRR



# GE + Alstom structure

## Deal structure

	<u>FY'14<sup>(a)</sup> revenue</u>
<b>1</b> Core Thermal assets	<b>\$10.1B</b>
<u>Alliances/JVs:</u>	
<b>2</b> Alstom Renewables	<b>\$1.8B</b>
✓ Hydro + Offshore Wind	
<b>3</b> Grid	<b>\$6.6B</b>
✓ Alstom + GE Digital Energy assets	
<b>4</b> Global Nuclear + French steam	<b>\$1.9B</b>
<ul style="list-style-type: none"> <li>✓ Alstom Nuclear steam</li> <li>✓ Alstom Steam assets + installed base in France</li> </ul>	} GE to hold 80% of economics

- ✓ 50/50 JVs - GE control, expect to consolidate
- ✓ Deal synergies remain intact
- ✓ Alstom put options with minimum floor

## Signaling

- ✓ Sale of GE Transportation's Signaling business to Alstom
- ✓ Sale price ~\$825MM, 9.7x EBITDA
- ✓ Collaboration agreement with Alstom's Transport business

## France + Europe

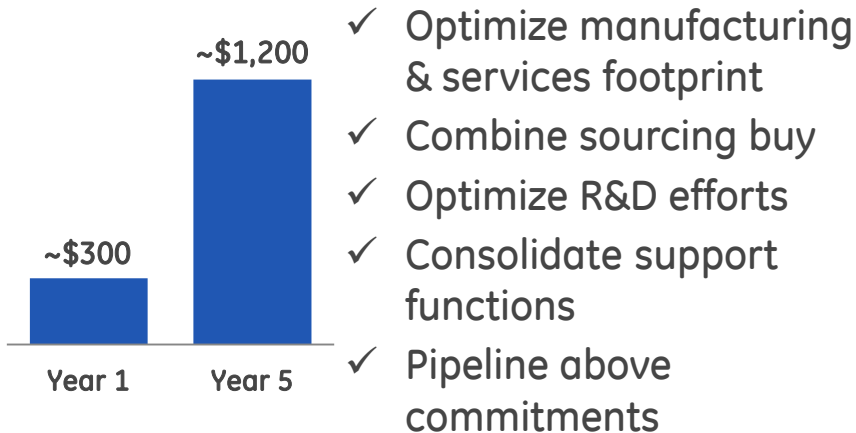
- ✓ Combined company has 100,000+ employees in Europe
- ✓ Will add 1,000 in France and still hit synergy plan
- ✓ Headquarters for Grid, Hydro, Offshore Wind and Steam in France

- ✓ Deal returns remain unchanged
- ✓ \$3.5B less cash upfront ... '16F EPS reduced by \$.01-.02

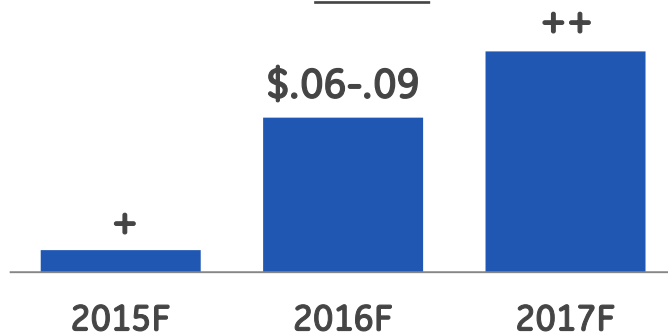


# Execution

## Synergy targets



## EPS



## Integration planning

- Broad GE effort ... includes Power & Water, Energy Management, Transportation, and Global Research
- Appointed full team of senior GE executives led by Mark Hutchinson
- Joint GE-Alstom Steering Committee of senior executives
- Integration planning teams in place from both sides
- Leveraging prior integration experience

Experienced and proven integration team in place to ensure success





# 2Q'14 consolidated results

(\$ in billions – except EPS)

	<u>2Q'14</u>	<u>V%</u>
Revenues	\$36.2	3%
– Industrial sales	26.2	7
– Capital revenue	10.2	(6)
Operating earnings	3.9	7
Operating EPS	.39	8
Continuing EPS	.35	13
Net EPS	.35	17
CFOA YTD	3.4	(9)
– Industrial	2.0	12 <sup>-a)</sup>
	<u>2Q'14</u>	<u>2Q'13</u>
Tax rate	5%	8%
– GE (ex-GECC)	19	17
– GECC	(13)	1

(\$ in millions)

	<u>Revenues</u>		<u>Segment profit</u>	
	<u>\$</u>	<u>V%</u>	<u>\$</u>	<u>V%</u>
Power & Water	\$6,292	10%	\$1,133	4%
Oil & Gas	4,761	20	665	25
Energy Mgmt.	1,856	(6)	69	F
Aviation	6,090	15	1,197	12
Healthcare	4,483	-	730	1
Transportation	1,306	(18)	270	(14)
Appliances & Lighting	<u>2,120</u>	<u>-</u>	<u>102</u>	<u>23</u>
Industrial	26,908	7	4,166	9
GE Capital	<u>10,247</u>	<u>(6)</u>	<u>1,703</u>	<u>(5)</u>
<b>Total segments</b>	<b><u><u>\$37,155</u></u></b>	<b><u><u>3%</u></u></b>	<b><u><u>\$5,869</u></u></b>	<b><u><u>4%</u></u></b>



# 2Q'14 other items

	<u>EPS</u>	
Industrial restructuring & other items	\$(.03)	<ul style="list-style-type: none"><li>✓ Structural cost actions, acquisition-related &amp; other costs \$(308)MM pre-tax</li><li>✓ Nuclear asset write-off, \$(99)MM pre-tax ... booked in Corporate</li></ul>
Industrial gains	\$.01	<ul style="list-style-type: none"><li>✓ Disposition gain in Corporate \$90MM pre-tax for Oil &amp; Gas fuel dispensers (Wayne)</li></ul>

Restructuring costs, net of gains higher than plan



# Industrial segments

(\$ in millions)

## Power & Water

<u>2Q'14</u>	<u>\$</u>	<u>V%</u>
Revenues	\$6,292	10%
Segment profit	\$1,133	4%
Op profit %	18.0%	(1.0) pts.

### 2Q dynamics

- \$6.3B orders, +6% ... equipment (1)% driven by Thermal (9)% & Distributed Power (32)%, partially offset by Renewables; services +12%
- Revenue ... equipment +20% with Thermal +38% & Renewables +30%; services +2%
- Segment profit ... margins (100) bps. driven by negative mix partially offset by base cost productivity

## Oil & Gas

<u>2Q'14</u>	<u>\$</u>	<u>V%</u>
Revenues	\$4,761	20%
Segment profit	\$665	25%
Op profit %	14.0%	0.5 pts.

### 2Q dynamics

- \$5.3B orders, +5% ... equipment (9)% driven by TMS & Subsea, partially offset by Drilling & Surface; services +23% with TMS +49%
- Revenue ... equipment +29%, services +11% with growth in 4/5 businesses
- Segment profit ... margins +50 bps. driven by positive value gap

- ✓ Solid top line performance in P&W, margins impacted by mix
- ✓ Strong execution in Oil & Gas



# Industrial segments

(\$ in millions)

## Aviation

<u>2Q'14</u>	<u>\$</u>	<u>V%</u>
Revenues	\$6,090	15%
Segment profit	\$1,197	12%
Op profit %	19.7%	(0.4) pts.

### 2Q dynamics

- \$5.8B orders, +1% ... equipment (8)% on tough comps; services +13% with commercial spares +16% ... \$127B backlog, +16% VPY
- Revenue ... equipment +15% driven by higher commercial engine shipments; services +15%
- Segment profit ... margins (40) bps. driven by strong price offset by GENx mix & higher R&D

## Healthcare

<u>2Q'14</u>	<u>\$</u>	<u>V%</u>
Revenues	\$4,483	-%
Segment profit	\$730	1%
Op profit %	16.3%	0.1 pts.

### 2Q dynamics

- \$4.8B orders, flat ... emerging markets +7%, Europe +2%, U.S. (2)%
- Revenue ... equipment (1)%, services flat ... U.S. remains soft, down 2%
- Segment profit ... margins +10 bps. driven by cost productivity more than offsetting negative value gap

- ✓ Aviation ... strong execution continues
- ✓ Healthcare ... U.S. challenges persist



# Industrial segments

(\$ in millions)

## Transportation

<u>2Q'14</u>	<u>\$</u>	<u>V%</u>
Revenues	\$1,306	(18)%
Segment profit	\$270	(14)%
Op profit %	20.7%	1.1 pts.

## 2Q dynamics

- \$1.5B orders, up 35% ... equipment +40% driven by locomotive orders; services +32%
- Revenues ... equipment (32)% with Mining (43)%; services (2)%
- Margins +110 bps. despite lower volume

## Energy Management

<u>2Q'14</u>	<u>\$</u>	<u>V%</u>
Revenues	\$1,856	(6)%
Segment profit	\$69	F
Op profit %	3.7%	2.1 pts.

## 2Q dynamics

- \$1.9B orders, (14)% ... Digital Energy (32)% driven by non-repeat of large utility order
- Revenues ... equipment (4)%, services (13)%
- Segment profit ... yielding benefits from restructuring investments

## Appliances & Lighting

<u>2Q'14</u>	<u>\$</u>	<u>V%</u>
Revenues	\$2,120	-%
Segment profit	\$102	23%
Op profit %	4.8%	0.9 pts.

## 2Q dynamics

- Revenue ... Appliances flat with volume trend improving; Lighting (1)% with traditional channels (9)%, LED +50%
- Margins +90 bps. on value gap & productivity

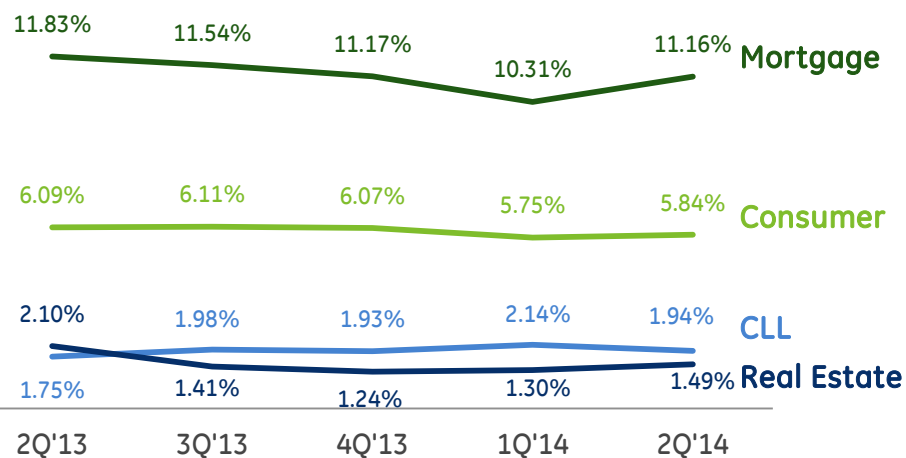


# GE Capital

(\$ in millions)

2Q'14	\$	V%
Revenue	\$10,247	(6)%
Pretax earnings	1,658	(15)
Net income	1,703	(5)
ENI (ex. cash)	371B	(5)
Net Interest margin	5.0%	(1) bps.
Tier 1 common % (B1)	11.7%	51 bps.

## 30+ delinquencies



	Assets (\$B)		Segment profit (\$MM)	
	\$	V%	\$	V%
CLL	\$174	-%	\$541	(34)%
Consumer	135	-	472	(43)
Real Estate	37	(11)	289	(34)
GECAS	44	(9)	343	13
EFS	16	(14)	76	27

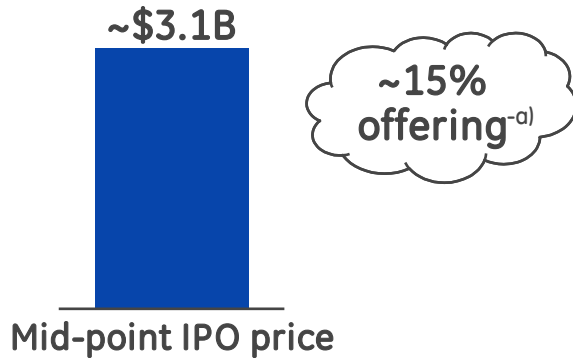
## 2Q segment dynamics

- CLL: Lower gains and tax benefits, offset by lower impairments
- Consumer: Executing on portfolio strategy; Hungary law change ~\$(85)
- Real Estate: Strong debt origination; lower gains and tax benefits
- GECAS: Continued solid performance on smaller asset base
- EFS: Strong core income



# Synchrony Financial – impact on GE

## IPO raise



- ✓ Capital to remain in Synchrony
- ✓ \$1.5B new GECC transitional financing
- ✓ Strengthening stand-alone capabilities to facilitate exit:
  - Capital, liquidity, and governance
  - S&P and Fitch investment grade ratings published

- Filing “red herring” and starting roadshow 7/18
- Targeting IPO end of July
- Targeting split-off late 2015, subject to regulatory approvals
- ~\$3.1B IPO for 15%, GE retains ~\$17B position in Synchrony
- Expected gain at split-off, likely in discontinued operations

Process on track ... executing portfolio transformation



# 2014 operating framework

<u>Operating earnings</u>	<u>2014F</u>	<u>2014 drivers</u>
Industrial	++	<ul style="list-style-type: none"> <li>✓ Strong Industrial segment growth</li> <li>✓ Margin expansion</li> </ul>
GE Capital	~\$7/6.7B <sup>(a)</sup>	<ul style="list-style-type: none"> <li>✓ Phase 1 of Retail Finance transaction &amp; lower CRE gains</li> <li>✓ Preferred dividend impact ~\$(0.3)B, offset in Corporate</li> </ul>
Corporate	—	<ul style="list-style-type: none"> <li>✓ On track for ~\$500MM ↓ in Corporate expense</li> <li>✓ Offset by loss of NBCU JV income/gain (1Q'13)</li> <li>✓ Restructuring &gt; gains</li> </ul>
<b>Total operating earnings</b>	<b>+</b>	<ul style="list-style-type: none"> <li>✓ Positive impact of share reduction</li> </ul>
CFOA	\$14-17B	<ul style="list-style-type: none"> <li>✓ Planning strong Industrial CFOA; ~\$3B GE Capital dividends</li> </ul>
Total revenues	0-5%	<ul style="list-style-type: none"> <li>✓ Industrial segment organic 4-7%; GE Capital 0-(5)%</li> </ul>

**Total year framework on track**



(a) - ~\$6.7B including the impact from GECC preferred stock dividends



