# GE 2020 second quarter performance

## Financial results & company highlights

## July 29, 2020

**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 included in our quarterly report on Form 10-Q, and the appendix of this presentation, as applicable.

Our financial services business is operated by GE Capital Global Holdings LLC (GECGH). In this document, we refer to 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 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.

# 2Q'20 snapshot

## Results

| | |
|---|---|
| GE Industrial organic revenue decline* | (20)% |
| Adjusted GE Industrial organic margin contraction* | (1,030) bps |
| Adjusted EPS* | $(0.15) |
| GE Industrial free cash flow* | $(2.1)B |

## Dynamics

- Largest COVID-19 impact in shorter cycle, highest margin businesses … revenue down ~3x vs. rest of Industrial
  - Aviation & GECAS: steep decline in commercial demand with early signs of improvement
  - Healthcare: mixed as COVID-19 product[a)] demand remains elevated, but PDx remains pressured
  - Power & Renewable Energy: some outages shifting & field mobility constraints impacting projects
- Decremental margins ~44% ... expect improvement as cost actions take hold
- Impact of market conditions … impairment charges at Aviation & GECAS
- Industrial FCF* better than our May guide primarily due to working capital improvement

**Challenging quarter … met head on with better operational execution & actions to de-risk GE**

* Non-GAAP Financial Measure
(a - Ventilators, monitoring solutions, X-ray, Anesthesia, and Point of Care Ultrasound

# Taking action

## Operational update

- COVID-19 response: protect the safety of employees, continue to serve customers & communities, preserve strengths
- Operating model:
  - **Embrace reality**: optimize structure: $2B+ cost & $3B+ cash actions
  - **Redefine winning**: focus on decrementals & deliver on COVID-19 related demand
  - **Execute the plan**: increase operational intensity & lean culture
- New leaders: John Slattery as CEO of Aviation, Pat Byrne as VP of Lean Transformation, Nancy Anderson as CIO, Mike Barber as Chief Diversity Officer

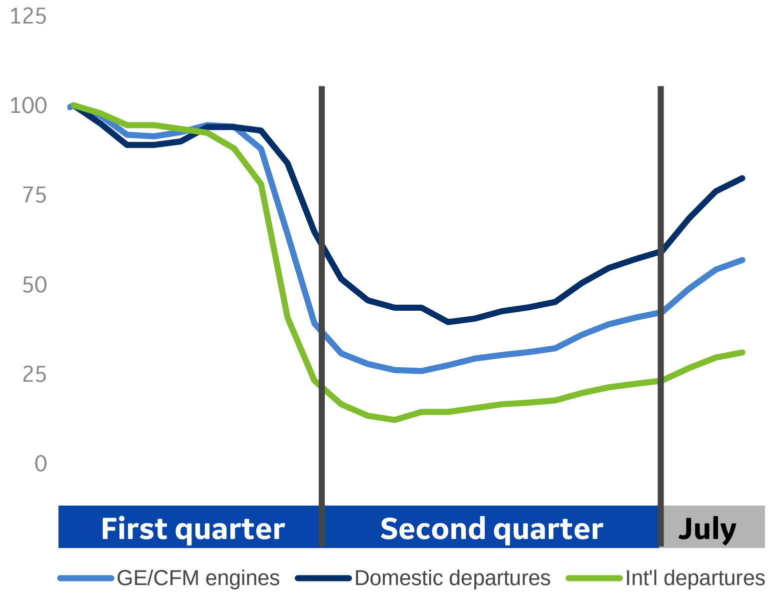
## De-risking the balance sheet

- Strong liquidity with ~$41B in cash … maintaining flexibility amid uncertainty
- Proactively reduced near-term liquidity needs through debt offerings & repayments
- Reduced debt by $22B since January 1, 2019
- Launching program to fully monetize BKR over ~3 years
- Focused portfolio by completing Lighting sale
- Committed to reducing leverage over time

Working through still-difficult COVID-19 environment … accelerating underlying transformation

# Aviation & GECAS update: what we're seeing & doing

## End market dynamics: departures[-a)]




- ~31% of GE/CFM fleet parked[-c)]
- Freight up ~21% vs. baseline[-d)]
- China now ~(9)%, Americas & Europe ~(45)% vs. baseline[-d)] … narrowbodies leading

## Aviation[-b)]

- **Commercial Engines:** installs ~(50)% y/y and spares ~(55)% y/y; aligned to airframer production rates
- **Commercial Aftermarket:** shop visits trend ~(55)%, CSA billings ~(60)%
- **Military:** demand remains strong – expecting ~10% y/y unit growth
- **$1B+ cost / $2B+ cash actions on track, including ~25% workforce reduction**: ~5,400 headcount out in 2Q; working capital & capex actions
- **Expect improving decremental margins**
- **Tracking:** 1) travel restrictions, 2) carrier behavior, 3) passenger behavior, 4) disease countermeasures, 5) freight

## GECAS

- **Current trending: ~80% customers seeking short term deferrals, ~60% approved; 17 AOG**
- **Monitoring of industry developments**
  - Daily operational dashboard
  - Close customer coordination
- **Keep existing fleet on lease; preparing for elevated restructurings** … limited impact to-date
- **Actively managing skyline …** partial Boeing MAX cancellation
- **Addressing widebody exposure**
  - B777-300ER cargo conversion program supports growing demand
  - Out of production widebody ~3%

**Steep market decline in 2020 … likely slow recovery, taking action to navigate through industry volatility**

(a - Normalized rolling 7-day avg global departures vs. baseline global departures (baseline = avg of Jan 21-27)
(b - 3Q trending as of July
(c - as of July 23rd
(d - Normalized rolling 7-day avg through July 25th (baseline = avg of Jan 21-27)

# Earnings performance

($ in billions – except EPS)

| | 2Q'20 | y/y | y/y (org.) | YTD |
|---|---|---|---|---|
| Orders | $13.8 | (38)% | (35)% | $33.3 |
| Backlog | 380.5 | 1% | | 380.5 |
| Revenues | 17.7 | (24)% | | 38.3 |
| - GE Industrial | 16.1 | (25)% | (20)%* | 34.9 |
| Adj. GE Industrial profit*-a) | (0.5) | U | U | 0.6 |
| Adj. GE Industrial profit margin*-a) | (3.2)% | (1,170)bps | (1,030)bps | 1.6% |
| GAAP Continuing EPS | (0.27) | U | | 0.46 |
| Adjusted EPS* | (0.15) | U | | (0.10) |

| 2Q'20 EPS walk | |
|---|---|
| **GAAP Continuing EPS** | **$(0.27)** |
| Less: Gains/MTM primarily for BKR | 0.19 |
| Less: Restructuring & other-b) | (0.06) |
| Less: Non-op. pension & other benefits | (0.05) |
| Less: Goodwill impairment & related | (0.20) |
| **Adjusted EPS*** | **$(0.15)** |

**2Q'20 earnings performance challenged primarily by weak macro environment driven by COVID-19**

* Non-GAAP Financial Measure
(a - Excludes interest & other financial charges, non-operating benefit costs, gains (losses), restructuring & other, and goodwill impairment
(b - Includes Restructuring & other and debt extinguishment costs

# Industrial free cash flow

($ in billions)

| | 2Q'20 | y/y | YTD |
|---|---|---|---|
| **Net earnings (loss)-a)** | **$(0.9)** | **$(0.6)** | **$5.5** |
| Goodwill impairments | 0.9 | 0.1 | 0.9 |
| Depreciation & amortization | 0.8 | - | 1.5 |
| Working capital | (1.8) | (0.6) | (4.4) |
| Contract assets | 0.5 | 0.4 | 0.5 |
| Other CFOA-b) | (1.0) | (0.4) | (7.2) |
| Gross CAPEX-c) | (0.5) | 0.1 | (1.1) |
| **GE Industrial FCF*** | **$(2.1)** | **$(1.1)** | **$(4.3)** |

## 2Q'20 commentary

- **Net earnings** includes large non-cash items offset in contract assets & other CFOA-b) (BKR MTM, CSA charges)
- **Receivables $(0.1)B:** collections outpaced new billings on lower sales, offset by a significant reduction in monetization
- **Inventory $0.3B:** reduced material purchases partially offset by lower output … more work needed to drive lower
- **Payables $(2.0)B:** a significant usage of cash driven by Aviation with lower new material purchases relative to settlement of prior invoices
- **Progress ~flat:** Power & Renewable Energy PTC related outflows offset by Military collections in Aviation

FCF* usage & y/y decline driven by Aviation … expect to be better in 2H

* Non-GAAP Financial Measure
(a - Aggregates the following: Net earnings (loss), (earnings) loss from discontinued operations, (earnings) loss from GE Capital continuing operations
(b - Aggregates the following: (Gains) losses on sales of business interests, (Gains) losses on equity securities, principal pension plans (net), other post retirement benefit plans (net), income taxes (net), and all other operating activities; excludes deal taxes and GE Pension Plan contributions
(c - Includes additions to property, plant & equipment (PP&E) and internal use software

# Liquidity & deleveraging update

($ in billions)

| | |
|---|---|
| **Industrial cash beginning balance 2Q'20** | **$33.8** |
| GE Industrial FCF* | (2.1) |
| Principal debt issuance | 7.5 |
| Debt tender | (4.2) |
| Intercompany debt repayment | (7.5) |
| Reduction in CP & other borrowings | (1.8) |
| All other | (0.3) |
| **Industrial cash ending balance 2Q'20** | **$25.4** |
| GE Capital cash ending balance 2Q'20[a)] | $16.0 |
| **Consolidated cash ending balance 2Q'20** | **$41.4** |

## Recent actions

- **Strong liquidity with $41B of cash** … maintaining higher cash & flexibility amid uncertainty
  - Maintained $20B credit facilities including refinancing $15B credit facility through April 2023
- **Reduced near term liquidity needs by $10.5B** in 2Q'20 through liability management actions & repayments … leverage neutral by the end of 2021 ($3B remaining)
- **Debt reduced by ~$9.1B year to date** (GE: $7.8B and GE Capital: $1.3B) and **~$22B since the beginning of 2019**
- Remain **committed to financial policy & deleveraging targets** over time
  - GE Industrial **Net Debt / EBITDA < 2.5X**
  - GE Capital **Debt / Equity <4X**

**Recent actions strengthen liquidity & reduce debt**

* Non-GAAP Financial Measure
(a - excludes $0.5B of discontinued operations cash

# 2Q'20 Industrial segments results
($ in billions)

| | Aviation | | | Healthcare | | | Power | | | Renewable Energy | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $ / % | y/y | y/y (org.)* | $ / % | y/y | y/y (org.)* | $ / % | y/y | y/y (org.)* | $ / % | y/y | y/y (org.)* |
| Orders | $3.7 | (56)% | (56)% | $4.2 | (18)% | (1)% | $2.9 | (42)% | (41)% | $3.0 | (19)% | (17)% |
| Revenue | $4.4 | (44)% | (44)% | $3.9 | (21)% | (4)% | $4.2 | (11)% | (9)% | $3.5 | (3)% | 1% |
| Segment profit | $(0.7) | U | U | $0.5 | (43)% | (4)% | $(0.0) | U | U | $(0.2) | (6)% | (15)% |
| Segment margin | (15.5)% | (3,310)bps | (3,330)bps | 14.1% | (530)bps | -bps | (1.0)% | (350)bps | (390)bps | (5.6)% | (50)bps | (70)bps |

Shorter cycle, highest margin businesses most negatively impacted ... Healthcare organic margins flat

* Non-GAAP Financial Measure: organic revenue, organic segment profit, and organic segment margin in columns labeled y/y (org.)

# 2Q'20 GE Capital & Corporate results

($ in billions)

## GE Capital

| | $ | y/y / sequential |
|---|---|---|
| Adj. continuing earnings*-a) | $(0.5) | U y/y |
| GE Capital cash-b) | $16.0 | $2.5 sequential |
| Assets (ex-liquidity)* | $101.4 | $0.7 sequential |

- Strong focus on liquidity & risk management with 12 month surplus above maturities of $9.5B
- Adj. continuing earnings* of $(0.5)B down y/y due to higher marks & impairments, lower gains & lower earnings from a smaller asset base
  - GECAS 2Q customer specific risk review resulting in ~$0.3B aircraft impairments … 3Q annual test underway

## Corporate

| | $ | y/y |
|---|---|---|
| Functions & Operations | $(0.2) | 51% |
| Eliminations | $(0.0) | 6% |
| EH&S-c) and other items | $0.0 | F |
| Adjusted Corporate costs* | **$(0.2)** | **66%** |

- Adjusted Corporate costs* better driven by functional cost-out, GE Digital continued progress & non-repeat of EH&S remedial reserves
- Progress on reducing corporate costs & moving center of gravity to the businesses … taking additional actions

**GE Capital pressured by end markets & rates ... continuing to streamline Corporate**

* Non-GAAP Financial Measure
(a - Excludes goodwill impairment of $0.8B and debt extinguishment cost of $0.1B in 2Q'20
(b - Excludes $0.5B of discontinued operations cash
(c - Environmental, Health & Safety

# Wrap-up

**Challenging quarter that we met head-on with better operational execution & actions to de-risk GE**

**Working through still-difficult COVID-19 environment**

- Operating model … embrace reality, redefine winning, execute the plan

**Accelerating transformation of GE for the long-term**

- Building on fundamental strengths … team, technology, global reach & capabilities; installed base & services mix
- Unlocking potential & upside across GE
  - Driving profitable growth & FCF* generation … mitigating financial impact with cost & cash actions
  - Culture change & governance … focusing on lean transformation & customers; humility, transparency, focus

**Rising to the challenge … confident we will emerge stronger**

* Non-GAAP Financial Measure

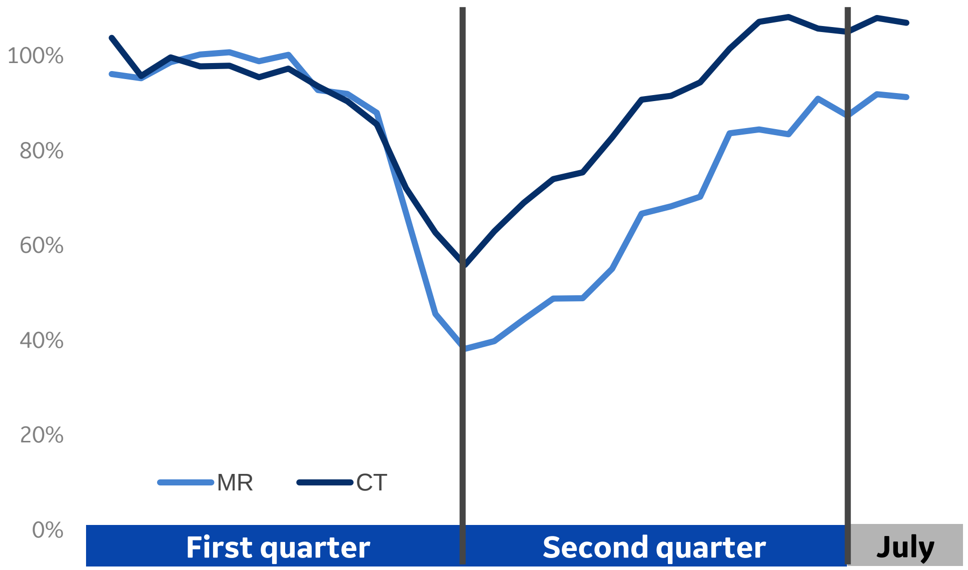
# Q&A

# Appendix

- Healthcare: what we’re seeing & doing
- Power & Renewable Energy: what we’re seeing & doing
- 2Q’20 liability management actions
- Improved liquidity profile
- Debt walk – 4Q’19 to 2Q’20
- GE Capital assets excluding liquidity
- GECAS supplemental information

# Healthcare: what we're seeing & doing

## Scans / system / week vs. 4Q baseline[a)]




(a – Global

- Scans recovered to near 4Q baseline in July … positive indicator but one of many variables (e.g. hospital capex)

## Current trending[b)]

- **Healthcare systems (HCS):** orders down LDD in 3Q; COVID-19 product[c)] demand remains elevated
- **PDx:** exited 2Q at 90% of '19 levels; expecting 3Q down HSD
- **Cost & cash actions:** reduced headcount ~600 in 2Q; continuing discretionary spend, capex & working capital actions
- **Supply Chain:** managing mix shift including fulfillment constraints with record 2Q for monitors & ventilators … further ramp in 3Q
- **HCS regions:** Europe up DD on strong COVID-19 response, US mixed, China recovering, weakness in LATAM/India/Japan
- **Tracking:** 1) admission/occupancy rates, 2) non COVID-19 procedures, 3) hospital capex, 4) government spending, 5) tests, treatment, vaccines

HCS positioning for post-COVID-19 & PDx recovering … delivering capacity, productivity & outcomes for customers

(a - Global scans, through 7/19/20
(b - 3Q trending as of July
(c - Ventilators, monitoring solutions, X-ray, Anesthesia, and Point of Care Ultrasound

# Power & Renewable Energy: what we're seeing & doing

## Power: current trending[a)]

- **Orders:** continue to see HDGT new unit orders pushing, 2H pipeline encouraging; expect FY'20 service orders down
- **Shipments:** remain on track to deliver 45-50 HDGT new units for FY'20
- **1H outage shifts:** ~20% of Gas & ~25% of Steam shifted out of 1H; all but 5% rescheduled in 2H for both businesses
- **GT fleet utilization:** negative for 2Q, up in June… US up, EUR down
- **Cost & cash actions:** reduced headcount ~800 in 2Q: $1B Gas Power fixed-cost* out to $2.5B by '21[b)]
- **Tracking:** 1) timing of HDGT new order closure, 2) services outages & volume, 3) Gas Power fleet utilization, 4) impact on key suppliers, 5) project execution

## Renewable Energy: current trending[a)]

- **ONW execution:** tracking to deliver >1,250 global new unit/repower kits in 3Q … peak delivery quarter
- **Factory lines:** at >95% capacity exiting 2Q
- **OFW:** Haliade-X certification on track; deal timing / closure stable
- **Grid / Hydro:** signs of improved execution … making progress on restructuring & cost out efforts, sequential improvement in profit & FCF*
- **Tracking:** 1) Onshore demand & potential permit/site delays; Offshore deals, 2) Grid/Hydro project site delays & Grid backlog, 3) EPC/suppliers, 4) Green stimulus

**Accelerating cost out countermeasures to offset forecasted demand changes**

* Non-GAAP Financial Measure
(a - 3Q trending as of July
(b - vs. '18 baseline of $3.5B

# 2Q'20 liability management actions

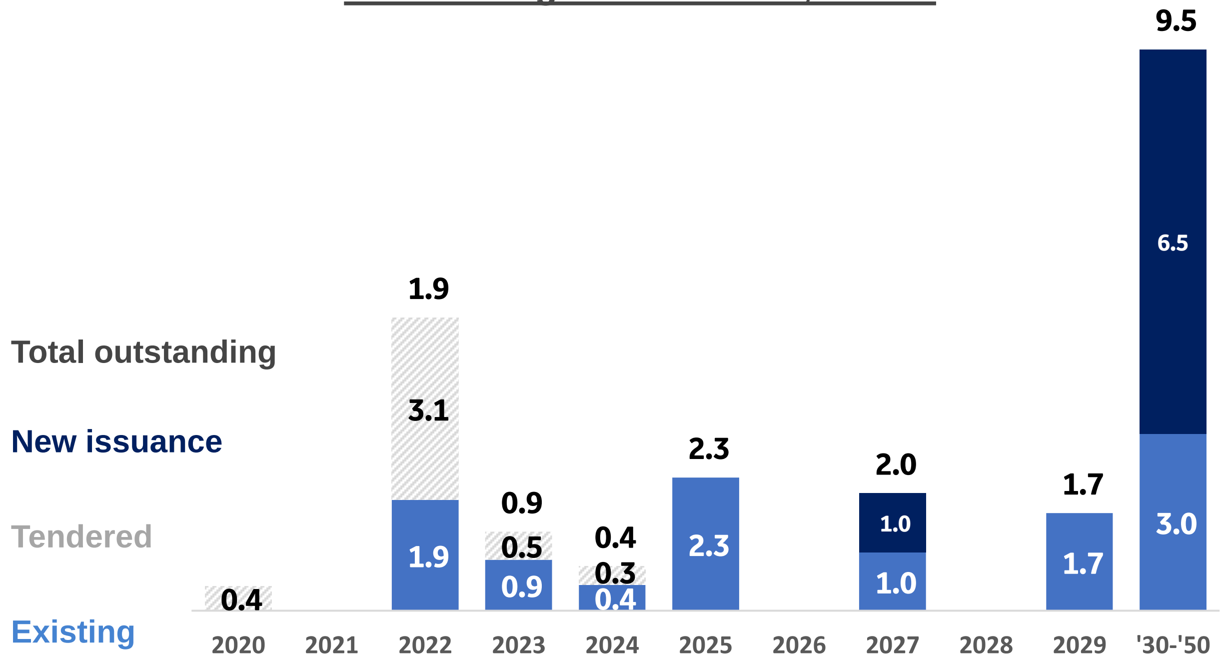
($ in billions)

| | Cash management actions | | Cash impact – sources / (uses): GE Co | GE Capital | |
|---|---|---|---|---|---|
| April | - Used BioPharma proceeds to pay down $6B of interco debt | | (6.0) | 6.0 | |
| | - Tendered for '20 maturities at GE Capital | | | (5.4) | |
| | **Liquidity enhancing actions … leverage neutral by end of '21** | | | | |
| | - Issued $6B of GE Industrial debt | *Leverage neutral* | 6.0 | | |
| | - Used proceeds to pay down: | | | | |
| | ○ '20 – '24 maturities through debt tender | | (4.2) | | |
| | ○ Commercial paper | | (1.4) | | |
| | ○ Business debt | | (0.4) | | |
| May | - Issued $4.5B of GE Capital debt | | | 4.5 | *Leverage neutral* |
| | - Used proceeds to tender for '21 – '23 debt | | | (4.4) | |
| June | - Proceeds from reopened April/May debt issuance | *Leverage neutral* | 1.5 | 1.5 | *$3B to be used for near-term maturities* |
| | - Used proceeds at GE Industrial to paydown additional interco | | (1.5) | 1.5 | |
| | | | - | **3.1** | |

# Improved liquidity profile
($ in billions)

## GE Industrial

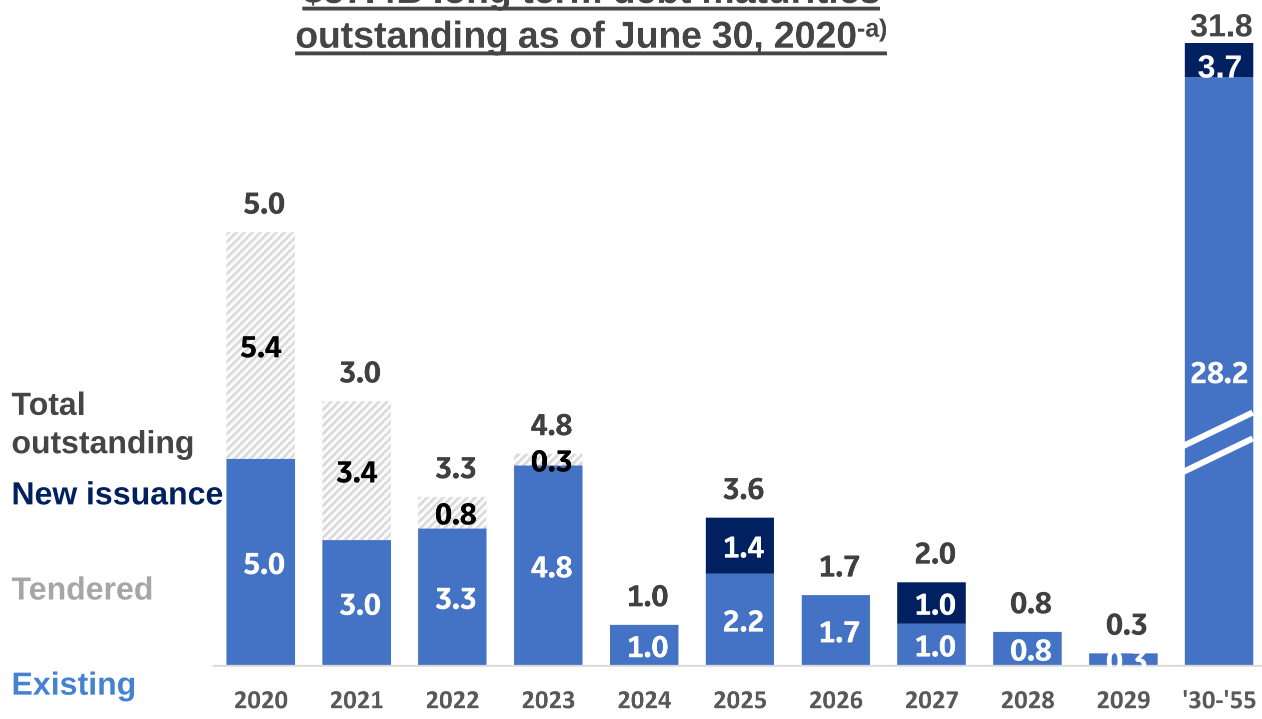
**$18.6B long term debt maturities outstanding as of June 30, 2020-a)**




YTD maturities $0.3

## GE Capital

**$57.4B long term debt maturities outstanding as of June 30, 2020-a)**




YTD maturities $5.5-b)

(a - Principal amount outstanding on publicly traded long term debt
(b - 1Q'20 maturities $4.7B; 2Q'20 maturities $0.8B

# Debt walk - 4Q'19 to 2Q'20

($ in billions)

## GE Industrial

| | | |
|---|---|---|
| **Beginning balance YE'19** | **$32.9** | |
| Debt issuance | 7.5 | $6 in April, $1.5 in June |
| Intercompany debt repayment | (7.5) | $6 in April (w/ BP proceeds), $1.5 June |
| Debt tender | (4.2) | '20 - '24 maturities |
| Reduction in CP & other borrowings[-a)] | (3.5) | $(1.7)B 1Q, $(1.9)B 2Q |
| **Ending balance 2Q'20** | **$25.1** | |
| **Variance** | **$(7.8)** | |

## GE Capital

| | | |
|---|---|---|
| **Beginning balance YE'19** | **$59.0** | |
| Intercompany debt repayment | 6.0 | With Biopharma proceeds |
| Debt tender ('20 maturities) | (5.4) | With Biopharma proceeds |
| Issuance | 6.0 | $4.5 in May, $1.5 in June |
| Intercompany debt repayment | 1.5 | With June issuance |
| May debt tender | (4.4) | '21 - '23 maturities |
| Contractual debt maturities | (5.5) | |
| Other | 0.5 | MTM $1.8B / alt. funding $(1.3)B |
| **Ending balance 2Q'20** | **$57.7** | |
| **Variance** | **$(1.3)** | |

(a - Includes changes in FX rates & other non-cash items

# GE Capital assets excluding liquidity*

($ in billions)

| Segment assets | 2Q'20 | 1Q'20 | Seq. |
|---|---|---|---|
| GECAS | $36.0 | $ 37.3 | (3)% |
| EFS | 1.8 | 1.8 | (2)% |
| WCS[-a)] | 6.8 | 7.8 | (12)% |
| Insurance | 49.6 | 46.8 | 6% |
| Other continuing[-a)] | 20.2 | 17.5 | 15% |
| **Total segment assets** | **$114.5** | **$111.1** | **3%** |
| Plus: assets of discontinued operations | 3.5 | 3.5 | (1)% |
| Less: discontinued operations cash | 0.5 | 0.4 | 9% |
| Less: GE Capital cash | 16.0 | 13.5 | 19% |
| **Assets ex-liquidity*** | **$101.4** | **$100.7** | **1%** |

* Non-GAAP Financial Measure

(a - In the first quarter of 2020, the remaining Industrial Finance assets of $0.3 billion were transferred to Other continuing operations.

# GECAS supplemental information

($ in billions)

| | Loans and leases | | |
|---|---|---|---|
| **Collateral type** | **2Q'20** | **1Q'20** | **2Q'19** |
| Narrow-body aircraft | $14.1 | $14.3 | $14.2 |
| Wide-body aircraft | 6.5 | 6.4 | 7.4 |
| Cargo | 1.5 | 1.3 | 1.5 |
| Regional jets | 1.6 | 1.6 | 1.8 |
| Helicopters | 5.0 | 5.0 | 4.9 |
| Engines | 3.6 | 3.6 | 2.8 |
| **Total by collateral type**[-a)] | **$32.2** | **$32.2** | **$32.8** |
| **Airline region** | | | |
| U.S. | $7.3 | $7.2 | $7.3 |
| Europe | 6.1 | 6.1 | 5.6 |
| Pacific Basin | 6.5 | 6.3 | 7.0 |
| Americas | 2.8 | 2.9 | 2.9 |
| Other | 4.6 | 4.7 | 5.0 |
| **Total by airline region**[-b)] | **$27.3** | **$27.2** | **$27.8** |
| **Aircraft vintage profile** | | | |
| 0 - 5 years | $11.4 | $11.4 | $11.8 |
| 6 - 10 years | 3.3 | 3.2 | 3.6 |
| 11 - 15 years | 4.6 | 4.9 | 5.4 |
| 15+ years | 4.0 | 3.8 | 3.7 |
| **Total by aircraft vintage profile**[-c)] | **$23.3** | **$23.3** | **$24.6** |

(a - Includes loans and financing leases of $2.8 billion, $2.6 billion and $2.9 billion (less non-aircraft loans and financing leases of $0.0 billion, $0.0 billion and $0.0 billion) and ELTO of $29.5 billion, $29.6 billion and $29.9 billion at June 30, 2020, March 31, 2020, and June 30, 2019 respectively, related to commercial aircraft at GECAS

(b - Excludes helicopters

(c - Includes aircraft owned by GECAS and leased to others; excludes engines, loans and helicopters

# Non-GAAP reconciliations

- Gas Power equipment & service organic revenues
- Gas Power fixed costs
- Aviation Commercial Services organic revenues
- Adjusted Aviation profit margin

# Non-GAAP reconciliation: Gas Power equipment & service organic revenues

**GAS POWER ORGANIC EQUIPMENT REVENUES (NON-GAAP)**

| (Dollars in millions) | 2Q'20 | 2Q'19 | V% | 2Q'20YTD | 2Q'19YTD | V% |
|---|---|---|---|---|---|---|
| Gas Power equipment revenues (GAAP) | $ 1,106 | $ 872 | 27% | $ 2,200 | $ 1,942 | 13% |
| Adjustments: | | | | | | |
| Less: acquisitions | - | - | | - | - | |
| Less: business dispositions | - | 1 | | - | 3 | |
| Less: foreign currency effect | (9) | - | | (21) | - | |
| **Gas Power organic equipment revenues (Non-GAAP)** | **$ 1,114** | **$ 871** | **28%** | **$ 2,221** | **$ 1,939** | **15%** |

**GAS POWER ORGANIC SERVICE REVENUES (NON-GAAP)**

| (Dollars in millions) | 2Q'20 | 2Q'19 | V% | 2Q'20YTD | 2Q'19YTD | V% |
|---|---|---|---|---|---|---|
| Gas Power service revenues (GAAP) | $ 1,972 | $ 2,374 | (17%) | $ 3,736 | $ 4,568 | (18%) |
| Adjustments: | | | | | | |
| Less: acquisitions | - | - | | - | - | |
| Less: business dispositions | - | - | | - | - | |
| Less: foreign currency effect | (6) | - | | (10) | - | |
| **Gas Power organic service revenues (Non-GAAP)** | **$ 1,977** | **$ 2,374** | **(17%)** | **$ 3,745** | **$ 4,568** | **(18%)** |

We believe that these measures provides management and investors with a more complete understanding of underlying operating results and trends of established, ongoing operations by excluding the effect of acquisitions, dispositions and foreign currency, as these activities can obscure underlying trends. We also believe that presenting organic revenues* and organic profit* separately for our industrial businesses provides management and investors with useful information about the trends of our industrial businesses and enables a more direct comparison to other non-financial companies.

# Non-GAAP reconciliation: Gas Power fixed costs

**GAS POWER FIXED COSTS (NON-GAAP)**

| **(Dollars in millions)** | **2021F** | **2018** |
|---|---|---|
| Gas Power total costs and expenses (GAAP) | 11,000 - 12,000 | $ 14,205 |
| Less: Gas Power variable costs (Non-GAAP) | 8,500 - 9,500 | 10,745 |
| **Gas Power fixed costs (Non-GAAP)** | **$ 2,500** | **$ 3,460** |

We believe that fixed costs* is a meaningful measure as it is broader than selling, general and administrative costs and represents the costs in the segments that generally do not vary with volume. Segment variable costs* are those costs within our industrial segments that vary with volume. The most significant variable costs would be material and direct labor costs incurred to produce our products and deliver our services that are recorded in the Statement of Earnings line items of cost of goods and cost of services sold.

# Non-GAAP reconciliation: Aviation Commercial Services organic revenues

| AVIATION COMMERCIAL SERVICES ORGANIC REVENUES (NON-GAAP) | | | | | | |
|---|---|---|---|---|---|---|
| **(Dollars in millions)** | **2Q'20** | **2Q'19** | **V%** | **2Q'20YTD** | **2Q'19YTD** | **V%** |
| Aviation commercial services revenues (GAAP) | $ 1,170 | $ 3,654 | (68%) | $ 4,464 | $ 7,354 | (39%) |
| Adjustments: | | | | | | |
| Less: acquisitions | - | - | | - | - | |
| Less: business dispositions | - | - | | - | - | |
| Less: foreign currency effect | - | - | | - | - | |
| **Aviation commercial services organic revenues (Non-GAAP)** | **$ 1,170** | **$ 3,654** | **(68%)** | **$ 4,464** | **$ 7,354** | **(39%)** |

We believe that these measures provides management and investors with a more complete understanding of underlying operating results and trends of established, ongoing operations by excluding the effect of acquisitions, dispositions and foreign currency, as these activities can obscure underlying trends. We also believe that presenting organic revenues* and organic profit* separately for our industrial businesses provides management and investors with useful information about the trends of our industrial businesses and enables a more direct comparison to other non-financial companies.

# Non-GAAP reconciliation: Adjusted Aviation profit margin

| ADJUSTED AVIATION PROFIT MARGIN (NON-GAAP) | Revenues | Segment Profit (loss) | Profit margin |
|---|---|---|---|
| **(Dollars in millions)** | **2Q'20** | **2Q'20** | **2Q'20** |
| Aviation (GAAP) | $ 4,384 | $ (680) | (15.5%) |
| Adjustments: | | | |
| Less: Charges related to customer credit risk and cumulative long-term service agreement adjustments | (436) | (608) | |
| **Adjusted Aviation (Non-GAAP)** | **$ 4,820** | **$ (72)** | **(1.5%)** |

We believe that the Aviation profit margin adjusted for the items in the above reconciliation is a meaningful measure because it increases the comparability of period-to-period results.

# Upcoming calendar

| | |
|---|---|
| 3Q'20 earnings | October 28, 2020 |