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EDITED TRANSCRIPT

GE - General Electric Co Alstom Power & Grid Investor Meeting

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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; 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 Appliances disposition and our announced plan and transactions to reduce the size of our financial services businesses; our success in integrating acquired businesses and operating joint ventures; our ability to realize anticipated earnings and savings from announced transactions, acquired businesses and 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.

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 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.

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Alstom Power & Grid investor meeting. (Operator Instructions). As a reminder, this conference is being recorded.

I would now like to turn the program over to your host for today's conference, Matt Cribbins, Vice President of Investor Communications. Please proceed.

Matt Cribbins ***- General Electric Company - VP Corporate Investor Communications***

Great, thank you. Good morning and thank you for joining our webcast on the Alstom acquisition. We have a big team here in the room that Jeff will introduce in a minute. I just want to let you know, earlier this morning we posted the presentation for this event on our investor website at www.GE.com/investor.

Now with that, I'd like to turn it over to our CFO, Jeff Bornstein.

Jeff Bornstein ***- General Electric Company - SVP and CFO***

Thanks, Matt. Good morning, everyone. This morning we're going to take you through an update on Alstom. The team has been working very hard over the last year and a half to get the Company positioned to deliver the value we see in Alstom. I don't think the Company has ever been better positioned for an integration than we are with Alstom.

Mark Hutchinson, who led the Alstom integration planning and I are going to start with an overview of the deal. Steve Bolze, who as you know, runs the Power business, along with Joe Mastrangelo, who runs Gas, and Paul McElhinney who runs Service, are going to walk through the Power business. Jerome Pecresse, who

joined us from Alstom, will give you an update on the combined Renewables business. And then next, Russell Stokes, who recently moved from Transportation to lead Energy Management, will give an update on the combined Grid business.

And finally, Lynn Calpeter, the CFO for GE Power, and I will wrap up with a financial update.

So let me start with an overview of the Company going forward. With Alstom, we are about $130 billion of revenue. We are well-positioned in leadership businesses, built on technology and scale. We have a backlog that is now over $300 billion. You've heard us talk about being a Company that is built on the GE Store, meaning leveraging our unique assets, capabilities and scale, whether it's technology innovation at the GRC, growth led by our GGO organization, next gen services and software at GE digital, processes at scale at our global operations or our leadership in brand franchises.

Every business contributes value to the store, every business utilizes the capabilities from the store to drive growth and value.

Alstom adds to our capabilities and is a great strategic fit. The technologies are complementary to the spaces we know well and it really broadens our ability and capability for customers and will make us more competitive. The returns on this deal are attractive and we will deliver $3 billion of cost synergies by 2020.

Alstom adds to the GE Store. They make us a better global Company bringing a project skill set and dramatically increases our power installed base which Steve will walk through later this morning.

The path to close was not easy and it took longer than we would have liked or expected. It definitely impacted the financial results of the Alstom businesses. We seen a decline in orders in the Power business that impacted both earnings and cash as customers waited for certainty around the transaction.

Grid has performed relatively well and the Renewables business has had a reasonable orders performance but has struggled with product and project execution around cost. As a result, normalized operating profit is down sequentially on a calendar basis 2014 and in 2015.

We're going to walk you through a framework that has us delivering $2.5 billion of synergies by 2018, and as I said, $3 billion of synergies in 2020. We see the deal IRR of at least 15% plus in our base plan and we still believe we can deliver $0.15 to $0.20 of earnings in 2018. The teams are focused and excited to get to work.

On the next page I just want to recap the Alstom deal. Here's how the businesses line up. In the Power business, Alstom contributes a large installed base with a large service franchise. Combined with our own service business, we have a $14 billion franchise to drive technology and value. Their Gas business brings us $1 billion of revenue and key combustion and rotor technologies that we can leverage in our industry-leading product line.

The $3 billion Steam platform in Alstom is world-class and will significantly upgrade our competitiveness particularly in combined cycle generation which Joe will address shortly.

The Alstom Renewables business adds $3 billion to GE and an opportunity to drive real synergies. Their Onshore business with $1 billion of revenue is very concentrated in Brazil where we have a large presence and a developed supply chain footprint. Offshore is relatively new with a promising order pipeline and Alstom has a market-leading Hydro business with $2 billion in revenue.

Within Energy Management, we are combining our Digital Energy business and Alstom's Grid business. This makes for us what was a subscale platform into a real industry player that can compete at the top of the industry. The combined Grid Solutions business will have about $6 billion of revenue. It's important to note that we have operational control of all the JVs and we will consolidate them. Alstom has a right to exercise put options at the end of 2018 that would result in 100% ownership by GE.

As I mentioned earlier, the GE Store is the engine that drives value across our businesses. Alstom adds additional capability to elements of the Store and we believe will benefit greatly from the capabilities offered by the Store. We're going to go into more detail with the business teams later in this pitch but I will share a few examples.

Alstom steam turbine technology is world-class. They bring heat recovery steam generator capability and better steam generated technology. Alstom also brings plant design capabilities. These additional capabilities allow us to compete the entire power island and drive efficiencies much more broadly than just optimizing on the gas turbine. This increases our plant scope from about 20% to 60% of our turbine island. The plant design capability also allows us to compete for the grid elements of the balance of plant.

85% of Alstom's revenue is outside the US. In many of these markets, the overlap between the two Companies is complementary and in some markets such as India and China, they make us a much stronger Company. We will leverage the commercial and customer opportunities and rationalize the local supply chain footprints in these areas.

As I mentioned earlier, adding 500 gigawatts to the installed base of steam and gas is an enormous opportunity to create value by driving CSAs, upgrade technology and digital solutions into that installed base. Alstom gives us the ability to compete service work on other OEM machines as well.

We've worked with Alstom management before when we acquired the European gas turbine business in Belfort, France back in 1999. Our experience then and now over the last 18 months confirms the strength of the leaders and the employees and their deep knowledge of technology in markets we serve. We're proud to have all the Alstom employees as part of GE.

Where we have SG&A synergies and the ability to leverage global operations to realize scale, we'll execute it aggressively.

Lastly, Alstom's grid business completes our ability to provide high-tech grid solutions and provide a complete digital plant to our customers. Alstom brings value and technology, management and process to GE. At the same time, there are many, many opportunities for Alstom to use the GE Store and the team is going to give you more examples throughout this morning's discussion.

Just thinking about different business models, when you think about these three verticals, they are similar in some ways and different than others. They are similar in that they compete globally, are built on deep technology and create service franchises around their installed base.

Economically, there are differences. In the case of Power Generation Services, it is a high-margin, high-return business that requires significant technology and manufacturing supply chain investment. We believe this is a business that should generate about 20% margins and returns over 20% over time.

Renewables is in the newer space, in a fast-growing and very competitive market, particularly in the wind space. Product cost and supply chain efficiency is absolutely critical. We see this as a business that should generate margins of between 5% and 10% but requires less investment because of a strategic sourcing strategy. That strategy as well as well priced acquisitions should generate very high returns in the neighborhood of 30%.

We need to build a meaningful service franchise as the installed base grows and we deliver more digital solutions to our customers.

Grid solutions is a business that will now be able to compete at scale. Product costs and project execution are absolutely key. This is a platform that the Company should be able to drive real value creation whether it's pulling through the product portfolio in our Power and our Oil & Gas business, or bidding or supplanting competitor products spec'd into our own current configurations. This is a business we think can generate double-digit margins and attractive returns over time.

Next I'll turn it over to Mark Hutchinson, who has led the integration effort for the last 18 months. Mark will update you on where we are in the integration, readiness process and our view of synergies going forward. Mark?

Mark Hutchinson *- General Electric Company - President and CEO, GE Europe and Integration Leader, Alstom*

Thanks, Jeff. It's great to get the deal closed but now the real work starts. So I'm going to start with synergies. As we discussed with you at EPG this past May, we expect our cost synergies to be at an annual run rate of $3 billion by 2020. We anticipate about $1.1 billion or 30% realized in 2016 and over 80% by 2018. The investment to achieve these synergies will total about $1.9 billion over the five-year period.

We expect to have gains and tax benefits that should approximately equal the investment expense and Lynn Calpeter will discuss this in more detail later in the presentation.

The breakdown of the synergies on the right side of the page slightly different from the EPG presentation as we have had more time to understand exactly where the benefits will occur.

Optimizing the footprint, the manufacturing and service operations as well as improvements in processes should generate about $500 million. Both sourcing and in-sourcing opportunities represent another $900 million and the largest benefit is from SG&A at $1.1 billion. This comes from eliminating the overlap among the four business segments, that's thermal, renewables, grid and corporate and streamlining structures and organizations particular through consolidation with our GE shared service operations.

And finally, eliminating duplicative R&D and optimizing other technology resources provides another $400 million of benefit. These reductions represent about 9% of the cost structure of Alstom and GE Power and Grid businesses.

We have also identified over $600 million margin benefit from revenue growth opportunities. These opportunities, such as the product pull through for grid and power conversion and wind farm projects and controls and electrical BOP for power plant islands. You will hear more about these opportunities from the business leaders.

We have had 18 months for the two business teams to work together and as a result, we have a very granular look at the opportunities and what we need to do to execute. This leads to the integration process.

As a result of the long registry approval process, we've had plenty of time to plan for the integration. The integration planning was broken down into 120 different work streams, the people from GE and Alstom at each team. In all, we had 200 plus people fully dedicated to these work streams plus another 400 people part-time which makes it the biggest integration we have ever done by far.

A good many of the people were from Alstom so each work stream had the opportunity to really learn from each other and start to develop the relationship amongst the teams both on a cultural and process level.

So on November 2, 63,000 people turned up for work as GE employees and all the processes actually worked. This was a mammoth task for IT, HR, Treasury and Finance, but day one could not have gone through them. For example, in the first week alone, some 60,000 employees were loaded into GE's human resources system and had access to GE Internet and email systems. In Treasury, all liquidity processes were integrated on day one with 1700 new bank accounts activated and 2500 derivatives traded. For those who have been around GE for a while, this was one of the best transitions we have seen and also our largest integration.

Early decisions regarding organizational structure and leadership are a critical part of the deal being completed. In fact, we actually re-organized our own business units to accommodate the Alstom businesses prior to the deal being closed. Additionally, we also named several hundred new leadership positions within the business units including more than 40 headed by our Alstom colleagues, a few of which I'll introduce to you in a moment.

The downside of this lengthy regulatory approval process was that the uncertainty around Alstom's future caused disruption in their ability to win in the marketplace. Now that we are one Company, we have the teams very focused on selling the strengths of the combined GE Alstom product portfolios, winning deals in the marketplace and executing the restructuring necessary to achieve the synergies.

Part of this focus is that the teams know what they are accountable for. We have clear metrics in place to measure the business operations and synergy progress and our new leadership teams are on the same annual executive incentive plan metrics we implemented in GE beginning this year. You will hear from the businesses today. They own these numbers and are clearly accountable for them. We have detailed plans on how they will get executed and have regular operating mechanisms in place to ensure we are on track.

On the commercial side, we are already seeing what we can do together with the new Alstom capability. We call this GE4GE which means how we can sell more GE content in a Power or Oil & Gas project. We already have seen some very early wins. GE with Alstom has been technically selected on the Bhikki combined cycle power plant in Pakistan that would use two GE 9HA gas turbines, two Alstom HRSGs and one Alstom steam turbine. We've also recently won a similar project in Germany.

On these two projects, we won with our 9HA gas turbines. However, we were able to pull through the steam tail or the bottoming cycle products from Alstom. This clearly demonstrates the breadth of capability we now have for our customers and the feedback from the customers has been very positive about the expanded product scope.

The Alstom businesses are also winning deals again. Our Alstom Steam business was recently technically selected on a 1200 megawatt clean coal project in the United Arab Emirates and for the turbine island on the Hinkley Point nuclear power project in the UK. Our Hydro business was also selected on a large Hydro project in China. So some great early wins, in fact some $3 billion in wins already from GE4GE and the Alstom businesses. And we continue to see good momentum and opportunity going forward as well.

So what's left to do on the deal? Well, we reached agreement with Ansaldo for the sale of the GT26 and GT36 technology and the other remedies agreed with the regulators in mid-November. We now have to close this transaction with Ansaldo and we expect that will happen early next year.

The last point I'd like to make on the integration is that we moved very early on to ensure we install the GE integrity and compliance culture into Alstom. This is more than just training; it's about putting in place an open reporting system that encourages trust with employees and about demonstrating that leadership lives and breathes integrity and compliance.

So we are confident about the integration and our ability to execute what we've communicated to you. We have also had a good influx of Alstom leaders into the GE family. In all, we've appointed seven Company officers from Alstom. Philippe Cochet, who used to run the Alstom Thermal business, has been appointed SVP, Productivity Officer, and has moved to Fairfield.

In the Power business, Andreas Lusch, who runs the Steam business in Alstom, will continue to lead this business from Baden, Switzerland. Likewise, Michael Rechsteiner, who previously ran Thermal Services at Alstom, will now lead the product lines for the overall Power Services business. Also, Keith Carr, who was the Alstom General Counsel, will now become General Counsel for the Power business.

Jerome Pecresse, who previously ran the Renewables Energy business in Alstom will now run the combined Renewables business. Within the Renewables business, Yves Rannou will lead the Hydro business where he has developed considerable experience. Lastly, in the new Grid Solutions business, Stephane Cai will continue his role as Head of the Global Supply Chain for that business. So great additions to the GE leadership team.

I will now hand over to Steve Bolze who will talk about the Power business.

Steve Bolze - ***General Electric Company - President and CEO, GE Power***

Thanks, Mark, and good morning. Like Jeff Bornstein, I was on the original call back in April of last year when we announced this investment. I'm excited today to talk to you about our new Power business and the value the combined GE and Alstom portfolios bring in technology and operations excellence to our customers and investors in the form of better performance, scope and profitability.

The Power business is the largest business in the GE portfolio with over $32 billion in revenue and 65,000 employees in more than 120 countries. Today with our combined existing generation capacity in our customer base, we represent one-third of the world's electricity. Our purpose, focus on providing affordable, reliable, sustainable power to every person on the planet.

The addition of Alstom solidifies our competitive position in the combined cycle gas business, increases our installed base by 500 gigawatts while adding new capability and it puts us in a leadership position in the steam power market.

Our strategic focus in Power is threefold. First, it's on a continuous cycle of R&D investment to drive differentiated products and services that customers value.

Second, it's a strong focus on global presence and talent. We have local execution capability for our customers and the right footprint to optimize margin.

Third, it's on our digital capability, bringing software and digital solutions that drive greater value for the installed base and in what we call the digital thread by which all of our functions and components of the Company are tied together to unlock new levels of productivity.

Everything we do here is all about competitiveness and improving value for our customers and Alstom helps solidify our position and execution in these areas.

This next chart lays out in more detail our GE power portfolio. We are a global business with more than 50% of our revenues generated outside the US and Europe. We operate with strong centralized technologies and functions, balanced by local commercial and execution capability. We also have an expansive global footprint to optimize for product costs, margins and services capabilities.

The core of our business is gas turbines and services, which represents over 60% of our business. With the addition of Alstom, we now have over 1500 gigawatts of gas and steam turbine installed base representing over $50 billion in backlog. Our position in steam turbines is significantly bolstered by the Alstom acquisition which I'll cover in more detail on a subsequent chart.

We also now have the capability to service other OEM equipment. This is a great portfolio of technologies and global capabilities and we are well-positioned moving forward.

This next page shows how we see the global power market and why we like the investments we are making in the business, especially the Alstom acquisition. Our current forecast, see global electricity demand growth over the next 10 years increasing from 24,000 terawatt hours to 31,000 terawatt hours by 2024 representing a 3% average growth rate which is net of energy efficiency gains. This is a good market.

The key drivers of this growth are economic and population growth as well as new capacity drivers around environmental policy, peak demand growth and taking into account fuel availability and price. Within this growth, we see about 1% on average in the developed markets and 4% growth in the developing markets.

The pie graph in the center of the chart highlights our forecast for the distribution of the new 2500 gigawatts of power generation sources required to deliver on the 3% electricity growth. Over the next 10 years, thermal sources will account for approximately 60% of the electricity generated with gas growing by approximately 50%. And gas will be 30% of all new orders the first time since the US bubble that natural gas is projected to be the leading technology choice.

Even with gas's growth, coal will remain a vital part of the generation mix. Still over a third of all electricity generated a decade from now will come from coal. This is a significant new opportunity for us with Alstom.

When you step back and think about this page, if you combine our existing strengths in gas and wind with the addition of the new Alstom capabilities in coal, nuclear steam, hydro, offshore wind and grid, we are well-positioned to serve the broad and diverse needs of our global customers over the next 10 years and beyond.

Next I want to show you how Alstom significantly expands the GE offering for the total Company. In the gas power generation space, Alstom brings world-class steam turbine and generator technologies. In addition to balance a plant and EPC capabilities, Alstom allows us to expand our product offering in a combined cycle gas power plant from 20% today to over 60% going forward representing a tremendous growth opportunity.

Helping us to round out our Thermal portfolio, Alstom's Steam business is a world-class in a very large market. In the Renewables segment, Alstom builds upon our current leadership position in onshore wind by providing to us a new hydro and offshore wind capability of which Jerome is going to talk about further. Tying renewables and power generation components together is the combination of GE and Alstom's transmission and distribution capabilities which significantly improves our position in this space and further allows us to grow our scope with our customers and provide improved performance. You will hear more about this from Russell Stokes.

So when you reflect on our expanded GE offerings, we have the world's most efficient gas and steam power plants, broader service solutions, an enhanced renewables portfolio and a comprehensive T&D offering which will together increase GE2GE for more scope and performance for our customers.

For Power specifically, Alstom significantly improves our competitiveness particularly in our technology leadership position and global presence. Alstom's world-class power plant technology combined with our legacy investments and gas turbine technology, allows for the world's most optimized power plants for our customers.

Alstom brings new service capabilities in the area of steam turbines, boilers and other OEM equipment. Together we can leverage our digital capabilities across this customer base bringing up to $50 million of customer value to each Alstom plant.

The acquisition of Alstom significantly improves our global presence. Together we have stronger local capabilities to support our customers with over 6000 service engineers in more than 120 countries.

Alstom has also enhanced our emerging market capability. A great example of this is in India where we now have fully integrated operations in close proximity to our growing steam customer base. Our focus now is on unlocking the value for our customers and shareholders.

As Jeff Bornstein and Mark spoke about, we see significant synergies in the combined GE and Alstom portfolio with over 70% coming from our Power business. In GE Power, we see line of sight to $2.2 billion of the $3 billion cost synergies for GE by 2020. The vast majority of the synergies will come from improving the overall cost base of the products and structure. We see good opportunities in driving down product and services costs by optimizing our global manufacturing and services footprint and leveraging our direct material and indirect sourcing scale.

GE2GE initiatives also represent a significant margin recapture opportunity as we vertically integrate key technologies back in-house. In addition, there is significant opportunity for SG&A consolidation as we eliminate redundancies in structure and consolidate footprints. As you know, we've had a good track record in GE Power of reducing our SG&A as a percent of sales 3 points in the last four years.

We are also able to optimize our product catalog and associated investments going forward. Each P&L leader that you will hear from has detailed plans for synergies in coordination with the senior integration leader and team that helped develop the plants. As an example, we are already seeing early wins on indirect sourcing with

updated and new pricing in areas such as telecom and travel. We are also seeing benefits in direct material negotiations for a combined GE Alstom buy which allow our suppliers to lock in significant volume in the future while helping us realize deflation.

Conservatively, we think the growth synergies will be an additional $200 million of synergy. We think there's an opportunity for it to be higher as we continue to sell and create more customer understanding of the value created by the new combined product portfolio. We have clear ownership and accountability to drive execution and we're off to a fast start.

This next chart shows how the Alstom acquisition is a great example of expanding the GE Store. First, there is Alstom to GE where GE is going to benefit from vertical integration of key technologies, gross margin recapture and designing for better performance. Two great examples we are already seeing are including heat recovery steam generators from Alstom into our proposals right now and replacing sourced generators in many cases with Alstom gas turbine generators which have historically been procured externally. With the addition of Alstom, we immediately vertically integrate this equipment into our scope representing substantial margin recapture opportunity. This also allows us to now better customize our offerings for customers resulting in better performance, improved schedule and service potential.

On the right side, GE brings a lot to Alstom. Two great examples are the inclusion of boiler feed pumps and valves and low and medium voltage equipment which are key components that Alstom currently sources from other companies when executing on extended scope projects. On new projects going forward, we, GE, will become the supplier of choice representing a new growth opportunity. In total, we see over $1 billion of new growth volume per year that will vertically integrate into GE by 2018.

For this next page, I want to be clear that although we are in the very early days of the acquisition closure, we are already seeing extraordinary value in the market from winning better together globally. As Jeff mentioned earlier, on the left-hand side of the page are two HA orders with US utilities for additional and extended scope. These previously announced deals are examples of where our customers, Exelon and PSEG, selected Alstom's HRSGs, recognizing the strong technology fit, optimal cycling and constructability advantages when combined with GE gas turbines.

The right-hand side of the page captures a great example of optimizing the full power cycle. These are deals in Pakistan, one of which we've already announced as an order where we have been able to really help improve the overall plant performance for our customers by optimizing GE and Alstom technology to improve the plant level efficiency, specifically in the bottoming cycle. We are already seeing upwards of 0.5 point of improved efficiency on bids going forward which represents a significant benefit to our customers and improved competitive position for us.

As we integrate the businesses, we continue to identify more and more opportunities for optimization across and beyond the power island. We and our customers see tremendous value here. With the expanded scope and capability, we see the potential to double the size of our gas business.

With the Alstom acquisition, we also now have one of the world's leading steam power systems businesses. The coal and nuclear market that this business serves is 63 gigawatts per year, represents over 25% of the total new installs over the next 10 years, and approximately 40% of today's power installed base. Alstom's business is well positioned in the market as a leading global provider in coal and high-efficiency, a manufacturing leader in nuclear turbines and a strong local presence in key Asian markets where we see significant opportunity for growth including India, Indonesia and Africa.

Together with GE, we can help grow this business. We see the ability to work with more customers and we will be better able to draw on stakeholder relations with our GGO organization and presence in growth markets.

Alstom's technology brings broad product and services capability. Our combined footprint and sourcing initiatives as well as GE2GE will provide for gross margin expansion. GE's new generation of analytics and digital solutions can further differentiate this offering. We will also have increased competitiveness through local supply chain sourcing and added project financing capability.

We view the steam business as a strategic business for us and we have a great opportunity here going forward.

Now clearly with Alstom, we have an expanded project backlog and execution capability. As you would imagine, we have spent a significant amount of time in integration planning to understand and support execution here. Alstom brings us $18 billion of backlog of equipment across the Thermal, Renewable and Grid businesses. The backlog is represented by approximately 170 projects in over 50 countries ranging from two to seven years in length. We recognize these projects are very complex with multiple factors to manage.

Overall, the backlog margins are as expected with Thermal and Grid generally at market value and Renewables below market.

To help supplement risk mitigation and project level execution, we have already established a centralized project management office that brings over 120 years of experience. It is being led by a former Bechtel executive, Carl Rau, with over 40 years of global project experience and he reports directly to me and serves the broader energy-related businesses across GE. This organization is solely focused on understanding and mitigating key risks starting at the deal underwriting through the execution of the project. It will own our EPC strategy which will continue to be an essential part of our go-to-market plan.

In addition, the group will own best practices, tools and workforce competencies across GE. As you can see, we have taken steps to implement world-class EPC set up, execution and rigor to manage this growth.

Let me conclude now with a summary page on our Power business. It's a $32 billion platform which is high margin and high return. We continue to see a positive environment with growth in natural gas, services and high-efficiency coal and global trends to project solutions for our customers. At the same time, we need to navigate the excess capacity in Europe.

Our path to driving profits is straightforward. We continue to maintain the focus on improved product performance and lowering our product costs. A great example where we have seen here is the launch of our 7HA gas turbine, where we have been successful driving approximately 25% of the cost out since the initial spec, and as you know, we have strong momentum on the program with 70 selections and plan to ship about 25 HA units next year.

We will continue to drive growth in services with accretive margins and digital investment while pulling through additional products and services revenues with extended scope.

So in conclusion, it's been a long journey to get where we are today but as you can hear we are excited about our even stronger business platform in Power going forward with our improved competitive position. You will now hear from our Gas and Service business leaders, Joe Mastrangelo and Paul McElhinney, who will provide more detail on the opportunities going forward.

With that, I will now turn it over to Joe.

Joe Mastrangelo - ***General Electric Company - President and CEO, Gas Power Systems, GE Power***

Thanks, Steve. Good day to everyone. Let me start off on the left hand side of the first page where you can see our core business continues to realize solid revenue performance fueled by the growing backlog of our HA technology, and other recent technology launches in our core gas turbine portfolio.

As we look at the former Alstom gas business, we see moderate revenue growth in 2015. With the new combined capabilities, we expect to see continued strong operating performance over the next 12 months with multiple opportunities for continued growth into the future.

Shifting to the right-hand side of the page and building from Steve's earlier comments on the overall Power Generation market, we see strong long-term dynamics in Gas Power Generation. We currently have favorable natural gas pricing and we believe that the underlying economics of the gas market make an attractive fuel source for three additional reasons.

First, it offers the lowest plant CapEx on a cost per megawatt basis. Second, it has the best land utilization on a megawatts per acre basis. And, finally, it is fully controllable to provide dependent power when there is a need to balance the intermittency from renewables. For these reasons we expect 45 gigawatts per year of heavy-duty gas turbine orders and another 15 gigawatts per year for aero derivative gas turbines and fast power. We believe that the strength of our core gas turbine portfolio, combined with the capability and combined cycle and extended scope projects from Alstom position our business for strong growth in the future.

I'd now like to move to the next page to give you more details of this new expanded capability. What you can see on the left-hand side of the page is how complementary the GE and Alstom businesses are to each other. Our new combined businesses now provide our customers with deep integrated systems expertise across the entire power plant. In our gas turbine portfolio we are reaping the benefits of the GE Store which brings technology from our global research centers and GE Aviation to increase and create high output and efficiency products.

Now think about the last time you saw an airplane take off from an airport. All that engine exhaust is potential energy for combined cycle power plant. With the addition of Alstom, we now have the technology to convert that exhaust into steam and increase our combined cycle efficiency to over 63%. As you saw in the previous page, one point of efficiency on a large combined cycle plant is equal to $50 million of customer value.

Next week in Las Vegas at POWER-GEN International we will launch our first combined GE and Alstom technology catalog, which you see on the right-hand side of this page. The teams have pulled this together since we closed the acquisition and the catalog shows both our broad product portfolio and also highlights our ability to deliver extended scope solutions ranging from optimized powertrains to full scope power plants. Here we have once again leaned into the GE Store to bring in expertise from the Oil & Gas business to expand both our project capability and our power island module expertise. This capability combined with the deepest plant optimization expertise in the industry allows us to not only bring power to the grid faster but also reduces the project execution risk for our customers.

Now let's move to the next page where I'd like to show you the details of one of our core growth opportunities, the utility power segment, which we classify as power plants that generate above 200 megawatts in power. This is the largest segment for gas-fired power plants. If you look at the upper left-hand side of the page, you can see that we are forecasting this segment to be a stable 35 gigawatts, $36 billion per year in plant CapEx.

Under those numbers you see a radical shift from F class to H class technology over the next three years. We see the future of the utility scale power generation shifting to the larger, more efficient HA turbines because of their better customer economics.

Why are the economics better? Because every H class turbine generates the same power as two F class turbines and higher efficiency because the turbines can operate at higher temperatures. That efficiency, combined with the flexibility of gas power makes this technology of choice for base load applications. We believe that as we install these turbines they'll run more often, and as a result, they will deliver four times the service opportunity for GE over the operating life of the plant.

We're proud of the work we've done on our HA turbine portfolio. Three years ago we had negligible share and today we have a 40% share in the space and we expect to continue this performance in the future. The team is also aggressively working our product cost curve. The 10th H turbine that we will ship next year will ship at the same cost per megawatt as the 50th F class turbine that we've shipped. The HA is our fastest technology launch, and as I said earlier, it's a key driver in both our backlog growth and future services growth.

Let me focus now for a moment on the orange bar on the upper left where you can see that those great products only represent 25% of the total segment opportunity and when you look over at the right hand side -- the upper right-hand side of the page, you see that our gas turbine product only approach to this space prior to closing the Alstom transaction highlighted in blue. Only 15% of the time when we sold a gas turbine did we combine them with a bottoming cycle steam tail.

What you see in the green in these diagrams are the technology building blocks that Alstom adds to our H class portfolio. Alstom's expertise in coal-fired power that Steve presented earlier also gives us higher pressure and temperature to steam technology for combined cycle applications. Improved steam tail output increases the value of our technology delivers to our customers. You can see this value on the lower right-hand side of the page that shows the actual figures from a recent power island win Steve highlighted in Pakistan earlier. The combined technology of our new businesses allows the team to deliver higher performance with no incremental fuel or maintenance expense that generates $35 million of NPV for customers over the life of the plant.

This high-efficiency power island guarantee capability doubles our growth potential and our current opportunity pipeline in this space is over $1 billion with just two months post acquisition closing.

As we shift to the next page, I'd like to further quantify the opportunity we have in the HA segment. Currently we have 70 gas turbine tech selections with 21 units in our backlog since the program launched in 2013. Looking to the near feature future, we will add significant scope to our backlog with the complementary Alstom technology offerings.

Steve earlier gave a couple examples where we're already working with Alstom on these projects. Here you can see the underlying product detail on our initial joint opportunities. Thinking back to the prior page and the technology shift we see in the industry, we only expect this to get stronger over time.

The right-hand side of this page shows three examples of our approach on delivering synergy benefits to shareholders. The first example shows an early Alstom contribution to the GE Store where we injected highly referenced component technology into our current turbines to reduce component costs by 25%.

When you look at the middle of the right-hand side of the page, we talked previously about the steam turbine technology and Alstom's capability and how it allows us to offer the highest pressure and temperature steam tails that extract further improvements to plant efficiency and customer returns.

Finally, you see the gas generator in-sourcing that Mark spoke about earlier. Applying that across our full product range allows us to deliver better shareholder returns through an initial incremental $200 million in revenue. Closing out on this page, I would also like to emphasize that the teams continue to work our synergy pipeline and we believe that there are more opportunities to capture. This truly is only the beginning.

When we flip to the next page, let's look at a smaller power generation segment from 30 to 200 megawatts, or as we refer to it, intermediate power. This segment is shifting towards more combined cycle and combined heating and power applications. Here, customers are less focused on individual products and more focused on plant output. We find that these plants are usually bought on a less technical basis and more on speed, flexibility and financing. Customers want the output quickly. Our Distributed Power business has always been strong with their trailer mounted offerings. We can bring that mindset to this segment and now offer a more complete product portfolio with the addition of a 200 megawatt machine and steam turbine capability from Alstom.

When we combine with module and full scope capability tied to financing, we can increase our share in a very stable $27 billion segment.

Now I'd like to pull all these ideas together on my last page and show how we are strengthening our digital capability in Gas Power Systems. Our ecosystem starts with the digital thread. Once again, the HA platform shows us how we are bringing continuous performance upgrades to our gas turbine portfolio. It all starts with a robust digital engineering model. For the HA we have no paper drawings, our models go directly to the shop floor where we can build components and assemble our machines to much tighter manufacturing tolerances.

We then put to not only our components but also our products through a rigorous testing regime. We test our equipment harder than our customers will ever operate it. We've invested over $250 million in our test facility and we can now flow that data that we captured during test directly back into our engineering models which enables us to continuously improve our competitiveness and return on investment.

In the middle column of this page you can see Alstom's virtual power plant. Today, in Baden, Switzerland, we have a full 3D room that allows you to walk through an entire power plant virtually. What's the value? Well, think about a project in harsher remote conditions. We can now derisk the execution for our customers and improve our performance predictability by simulating module assembly, testing for pipe clashes and verifying our design completeness.

The picture you see on this page is the virtual model over the top of an actual plant being built in Iraq. The virtual power plant gives us the opportunity to avoid costly site variations and construction delays. We can expand this capability to develop full operating training for our customers to allow them to operate our equipment more effectively.

Now let me wrap up my discussion today from where I started on Gas Power Systems being a highly cost-effective base load technology that helps manage Renewables intermittency.

Looking at the right column, we see three applications we introduced earlier this year as part of our digital power plant. These apps allow customers to start up our equipment faster, sync to the grid quicker and provide improved grid stability. We have 15 launch customers and are continuing to develop new applications that use all of our data industrial expertise and then marry that with our Predixbased applications to develop higher returns for both customers and shareholders.

Thanks for listening today. With that, I'd like to turn the discussion over to Paul.

Paul McElhinney - ***General Electric Company - President and CEO, Power Services, GE Power***

Thanks, Joe. Good morning. Let me start with giving you an overview of Power Services. This new GE business combines two of the best services teams in the power industry, Alstom Thermal Services and GE Power Generation Services. We're a $14 billion business with 26,000 people in more man 150 countries, all focused on servicing and helping our customers achieve productive outcomes. Alstom increases our installed base by 60% to 24,000 power generation assets. This would have taken us decades to build organically. Together we now have the world's largest installed base which translates to over 1500 gigawatts of installed capacity, enough to power more than 1.5 billion homes.

We have a combined backlog of $50 billion, with 20% of our units under multiyear service agreements. Our contractual offerings have been a hallmark of our advanced gas technology and we are now looking to double that backlog over the next 10 years by expanding similar offerings for total plant solutions, mature fleets, coal-fired power plants and other OEM equipment.

Our business represents half of GE Power's revenues with attractive services margins. One of the opportunities that I'll talk about today is how we plan to improve the Alstom Thermal Service margin rate by 10 points to the levels that our PGS business delivers today. The Alstom service portfolio also extends our reach beyond gas where we're strong today to steam and other OEM units.

In terms of steam, Alstom's capabilities allow us to expand our offerings and combined cycle power plants and to bring new solutions to coal plants representing a potential $5 billion OEM market segment opportunity. The combination of Alstom's technology and domain expertise with GE's customer relationships and operational efficiency will make us a much stronger steam business.

In terms of other OEM, which represents a $20 billion market opportunity, we plan to use Alstom's technology and expertise as the foundation to build a multi-vendor service offering targeting non-GE equipment. We will invest in new product development, manufacturing capability and commercial resources to expand our presence in this segment. We've received multiple approaches from customers about our plans in this space and are looking to close our first orders in the next few months.

Finally with Alstom, we become a more capable and local service provider. Our repair network increases from 30 to 50 shops, expanding our presence into 14 new countries. We're adding local steam part manufacturing capability in a number of new regions which will improve our cycle time and also our ability to capture emergent work. We plan to utilize GE's craft labor network and regional engineering expertise to better serve customers.

In summary, Alstom's portfolio really positions us to deliver comprehensive, total plant solutions to our customers, something that they have been asking from us for a long time.

As we discussed during EPG in May, the Alstom Thermal Service business brings $5 billion worth of revenue but at margins that are 10 points lower than current GE's performance. We see an opportunity to drive real margin improvement here through a combination of the GE Store and a proven track record of delivering productivity with GE's operating record.

As you can see in the pie chart, we're looking to drive this across all segments. First, as Steve mentioned, we will use our breadth as a combined organization to negotiate long-term agreements with suppliers, significantly decreasing material costs.

Second, our productivity results in GE are world-class. We will translate this expertise to the Alstom fleet by optimizing our field resources and automating key processes.

Third, our focus on robotics and shop automation has yielded significant repair productivity in our own portfolio. By incorporating this expertise into the Alstom network as well as rightsizing our global footprint, we will increase output and significantly lower operating costs per hour, OCPH.

Lastly, we've invested heavily in digital and we will use these capabilities to improve margins. We will achieve this by transforming the way we execute outages and developing new offerings to improve customer outcomes. I will talk more about this opportunity in the pages to come.

This page outlines how we're going to grow our revenues from the starting point of $14 billion and also how we plan to deliver $500 million worth of growth synergies by 2020. Let me talk a little about how we're going to achieve this.

First, we're going to focus on upgrades. On the GE side, we have a proven track record of success with upgrades such as the AGP. On the Alstom side, the equivalent of the AGP is the MXL2 gas path upgrade which has been very well received by Alstom's customers. We will continue to invest in new hardware and software technology in our combined gas fleet and expand this approach for total plant solutions and the combined cycle segment.

In addition, Alstom Steam upgrade potential can be broadly leveraged across the GE fleet. We will win in this space bringing Alstom's technology to GE's existing installed base which is a big priority for our customers.

In addition to upgrades, we will focus on capturing non-gas turbines scope during inspections on combined cycle plants. This is referred to as the steam tail and allows us to use Alstom's boiler and HRSG capabilities to expand our share in this segment.

Third, we're going to infuse software into the combined installed base which is a key element of our growth strategy. I'll talk a little bit more about that on the next page.

Finally, I want to reemphasize our commitment to building another OEM business. We have retained the ability through the acquisition to compete on non-GE equipment and have a revitalized focus on winning on our competitors' gas and steam fleets. We intend to make the required investments to ensure success in this space across both gas and steam. Alstom has a proven track record in this space. We are actively working on deals focused on extending our gas business beyond our own fleet. We are redesigning our supply chain to address customer needs and we're getting closer to our customers.

The key here is to be nimble. As you can see, there is a huge growth potential in this business and we are well-positioned to execute on it.

Now let's take a closer look at two of the growth drivers I mentioned on the prior page. The first is on digital. Currently, Alstom Thermal Services only has monitoring and diagnostic capability on 90 units. We have over 2000 units connected in the GE installed base. So we are targeting to take the Alstom number to 600 over the next five years and here is how we're going to do it. We're going to negotiate agreements with customers and bring affordable and secure technologies to connect their assets to our monitoring and diagnostic center. This will allow us to collect operating data and develop solutions to improve customer outcomes. Examples include combined cycle efficiency improvements for customers with high fuel costs, improved reliability for industrial customers in the LNG and aluminum industries, and increased output for utilities for countries with emergent power needs.

We have our first customers identified and we are actively working to bring these solutions to the Alstom fleet.

Next is Steam. As you can see, we have great potential to upgrade our combined Steam installed based. We have a fleet of 2700 utility units and have only upgraded 20% of those. Our goal is to significantly increase our penetration, leveraging Alstom's proven track record and total plant offerings especially as it relates to steam, HRSG and boiler capabilities. Beyond upgrades, we plan to increase the win rate on GE units by 30 points matching Alstom's win rate on their own installed base. This requires a reset on steam intensity that is well underway and supported by our new organization structure.

As you can see, Alstom has added multiple growth opportunities to the Power Services portfolio. We are well-positioned and confident in our ability to execute in our growth commitments.

With that I'll now hand it over to Jerome Pecresse for an update on our renewables business.

Jerome Pecresse - ***General Electric Company - President and CEO, GE Renewable Energy***

Thanks, Paul. There are three things I want to tell you about this GE Renewable Energy business. First, Renewable power is now mainstream and the industry has strong growth projections. It is actually already the fastest-growing part of the Power Gen sector.

Second, our growth strategy comes right out of the GE playbook, supply chain, product development, service and synergies. We know how to do this. We have plans and we just have to execute now.

Third, with low capital, good margins and growing demand globally, this is a good place for GE to invest. We can deliver great returns for the GE shareholder.

So let me now explain this in a little more detail. The Alstom acquisition has also been transformational for GE and the renewable energy industry. We have now the most diverse renewable portfolio and largest installed base in the sector. We have three core business segments, onshore wind, offshore wind, and hydro with combined revenues of approximately $9 billion and over 13,000 employees globally. We can also deliver renewable solutions, products or projects in every region of the world.

Starting with the markets, these renewable energy markets have grown more than five times in less than 10 years and today Renewables is the fastest-growing part of the Power Generation sector. We expect this trend to continue and we expect Renewables to account for more than 50% of centralized and decentralized new power generation capacity to be added every year between now and 2025.

As I said, Renewables is now a mainstream source of power with competitive cost of electricity, an established supply chain and strong competitor driving innovation. Thanks to the Alstom deal in this area, GE now has a broad technology portfolio covering onshore and offshore wind, solar, hydro and tidal. We have an installed base of 370 gigawatts which is more than 20% of the global installed base of the industry.

Our customers globally are all focusing more and more on renewable and are excited by what we can provide them now. So this is a great space for GE to invest and lead and it will bring strong returns to the Company.

As I said earlier, our growth strategy comes right out of the GE playbook. Our goals are high single-digit margins and 30% return on invested capital by 2018 and here is how we get there.

First, we lower our project costs through best-in-class project management, improved sourcing from the combined GE and Alstom volumes and making use of GE global supply chain network. This will be a major source of synergies for us. Then we will apply the full GE service playbook and benefit from these capabilities to grow volume and margin services across the three businesses, onshore wind first with the active installed base, then offshore wind and then hydro.

We will also leverage the Alstom international presence and local leverage to the high growth in more regions. As an example, hydro is a first-mover fuel in many countries and this allows us to establish positions with countries and bring more of the Renewable and Thermal portfolios.

Innovation will also remain key to staying competitive. New turbines, with reduced project costs, more capacity, better reliability are critical to creating customer value and capturing margins and we have some critical new product introductions coming up in the wind business. And, of course, we also need flawless execution of the backlog. We need to manage the project risk. We need to transition successfully to a new generation of onshore wind products in the US from 1.7 to 2.8 gigawatts and execute on our synergy plan.

As I said, while we will be doing this, we benefit from the diversified portfolio. Today, 80% of our revenue is from onshore wind but we tend to balance that out in the next few years. The Hydro business is now bouncing back after a few years of low cycle with a few last projects coming up on the horizon. We expect offshore wind and Concentrated solar power to translate into significant projects starting from next year.

We are also a global business with a strong local presence. Half of the volumes come from North America and more than 30% from growth markets. We have a net growth of 17 facilities across the world and a talent pool with deep industry experience. And what excites me the most in this market are the opportunities we have in services. Almost 30,000 wind turbines installed and we only service 43% of that base. 230 gigawatts of hydro capacity installed and we are only servicing 20% of that base. So that's a huge opportunity to expand our services volume and then bring digital capabilities from the GE Store to start creating new value streams for our customers in Off-shore wind as we start to build that installed base and in hydro.

Looking forward, executing our synergy plan is also critical to the growth. The future of renewables industry is linked to its ability to continuously bring down the cost of energy. And we are in an environment where cost deflation is absolutely critical to success. So the plan we will execute is to deliver $250 million of cost synergy by 2020 and nearly half of it will be delivered by the end of 2016.

Hydro is much smaller in revenue but we expect from it roughly the same amount of cost synergies that we have in Onshore wind. This plan has been detailed in the last 18 months. We have gone through all the necessary actions and timetables and many of the sections have already started and they will be closely monitored in the months to come.

To give you a few examples, across the product lines, we will start by rationalizing the duplicative HQ and support functions of the GE and Alstom businesses in every major country of the world. That's very straightforward. We have a plan to rationalize R&D in overlapping product lines mostly in Onshore Wind so we can both discuss and also identify and keep the best technological features of both worlds.

Another key focus of our financial plan is also supply chain. The place to start is the combined volume of the two businesses for many key commodities and logistics, which will allow us to buy at a cheaper price with better terms and conditions. We held our first supplier conference two weeks ago in Paris at the European Wind Energy Association Tradeshow and I can see that we have identified lots of potential.

In Hydro, we have plenty of opportunities in some key commodities such as steel plates in places like China and we also have across the sector low hanging fruit in indirect sourcing which we are harvesting already. The combined volumes of the Renewable energy business are very meaningful so we expect significant synergies.

We also want to be a very strong contributor to the GE2GE initiative and have a plan to in-source volumes from other GE businesses to optimize capacity. As an example, I mean Alstom Onshore Wind Turbine in Brazil uses GE Power conversion generators and converters so we continue to maximize this GE sourcing across the businesses, and that can represent significant benefits.

Reducing product costs in all the three product lines is vital so we're implementing this right now. We have a GE "should-cost" model across all our products which means that we're implementing systematic cost modeling for every single component and reengineering our projects where necessary all to drive down costs.

So generating synergies is our biggest focus as of now. As you can also see on the right half of the slide, we will be a major force in Brazil to handle the energy transition in that country. We have a low listing history in Brazil. We have a big backlog there and we have a great pool of talent and a significant part of the synergies we need to generate will happen in Brazil.

Finally, let me tell you a little bit about the two businesses that the Alstom deal adds to the GE portfolio in Renewable and these are Hydro and Offshore Wind. Hydro generates close to $2 billion of revenue. Alstom has always been a leader in that segment. Today around 25% of the global industry installed base is using either Alstom turbine or generators. We have the right project execution expertise in hydro. We are operating in every country of the world where there is a hydro potential and there are significant upside for GE coming from the Hydro business.

First, we have the room to improve our service function. I mentioned before how our service penetration is about 20%. It is very low. It is too low and it will grow significantly as we put more focus and implement the GE service playbook and digital capabilities.

Second, Hydro is coming to GE with a large, fully invested manufacturing base in all of the large countries of the world. Other GE businesses will benefit from this as we can use these facilities in a multimodel fashion.

Third, the customer relationship we have built through hydro projects, particularly in emerging and growing economies, can be a growth platform for GE in many countries.

Offshore Wind is a more recent development. Alstom started in offshore wind in 2011 on the back of some exclusivity agreements with EDF to cover the French market. We have developed a 6 megawatt turbine, which is using GE power conversion, direct high generator technology, for which we have now built two gigawatt backlog and that's probablythe second largest backlog in the industry. Our scope in offshore is related to turbine sales, commissioning and service. We're not taking any construction or installation risk on these projects.

We'll also be the first OEM to install offshore wind turbines in the US this summer with five turbines for the Block Island project.

So we believe that we have the right technology platform in offshore. We have good opportunities to improve upon it by working with our GE colleagues in particular in power conversion and this will enable us to reduce project costs and invest in a larger, higher performing turbines. Remember we're just at the beginning of this technology development. This is going to be a significant part of the wind industry worldwide and this is a state that GE can win.

To conclude, I started by saying that I believe renewable energy is a great place for GE to invest. It's a technology space GE can and should lead in. It's a globally diverse business with growth markets outside the developed world. Offshore and hydro segments where we are just starting to apply the GE playbook and the GE Store has a lot of upside and lots of benefits coming from the GE Store. It starts with the opportunity in service, a massive installed base that is underserved and aging. We are just getting started bringing digital capabilities to these customers and they are hungry for added value.

We have line of sight to grow revenue, improve our margins to high single digits, provide 30% return on invested capital so this is a good investment for GE. This is important to meeting the energy needs of the planet in the future and it is the kind of mission-critical technology that GE was born to deliver.

And with that, I'll now turn it over to Russell to talk about our Grid business.

Russell Stokes - ***General Electric Company - President and CEO, GE Energy Management***

Good morning. I'm excited to talk to you today about our new Energy Management business and the value of the combined Alstom and GE portfolios bring and technical expertise and industry-leading solutions to our customers and investors in the form of better products, service offerings and profitability. By combining the Alstom Grid business with our Digital Energy business to form a joint venture, GE Energy Management grows by more than 60% on the top line to approximately $12 billion in revenue with 47,000 employees serving over 150 countries.

We're excited about the addition of Alstom for three primary reasons, Alstom Grid's product portfolio, project capabilities and their global footprint.

From a product capability perspective, Alstom Grid completes our ultra-high and high-voltage product lines. They have approximately 2400 people selling turnkey solutions to customers, a much stronger force than we previously had focused on these kinds of projects in Energy Management. Alstom Grid's global footprint is very strong outside of the US while our Grid business is stronger inside the US. We're looking forward to being able to scale our positions in the market, places like the Middle East and India as we go forward.

In developing markets, we're taking what we call a one EM approach. We're bringing one GE face in all of our product offerings to customers around the world. We expect with the Alstom Grid business to drive additional product pull through with the existing industrial solutions and power conversion businesses. As we sell more large-scale projects particularly in the electrical balance of plant space, we will see increased demand for low and medium voltage products, controls and mechanical systems.

With Alstom Grid, we gain real scale and immediately become the number three player in the global transmission and distribution market. We're calling this new T&D business, Grid Solutions.

On the next page I'll walk you through what we see in the global grid market and why we like the investments that we're making in the business including this addition of Alstom. We're excited about the fundamentals of the Grid space. There is significant demand for electricity going forward, as you heard earlier, with aging infrastructure, particularly in North America and in the EU. There is a bigger need for new and more reliable electrical and grid equipment. Large cross-border transmission projects, particularly high voltage direct current, our HVDC applications and the integration of renewables generation into the EU and US electrical grids will also provide us with tailwind in this space.

Efficiency is a big focus in the industry and we'll have to drive topline in the future. However, some of the emerging markets have slowed the pace of growth recently and oil price pressure also remains, both of which can constrain economic growth in this space. But overall, energy is a fast-growing requirement in virtually every economy in the world and many markets still experience brown-outs, but that's good news for our business. That brings electrical generation to the marketplace.

For us, we see an opportunity to modernize the grid, to connect power plants to the grid and to move that electricity to where it needs to go. We're helping our customers bring reliable and efficient power to more people in not only meeting their needs today but helping them plan for the future.

Our strategic imperatives include integration, organization and growth. We must have solid execution. We need to transform the culture, and as always, remain focused on compliance. We must have strong linkages between our product line teams and the regional teams that interface with our customers.

Using our joint strengths, we must drive products in the end markets and develop a robust global services model on our large installed base to drive upgrade opportunities.

We will also partner closely with GE Digital in San Ramon, California, to increase adoption of the Predix platform across the Grid Solutions Product portfolio and weave it into our processes and facilities to advance the digital thread throughout the businesses and to drive greater productivity.

Next, I'd like to talk to you about how Alstom complements our product and service offerings across the Energy Management portfolio. Alstom brings our T&D portfolio or strengthens our T&D portfolio and completes our range of offerings from low to ultra-high voltage products. Historically, GE Digital Energy has played predominately in a North American low and medium voltage T&D market as a proprietor of secondary equipment.

Alstom Grid has a large presence in the primary market with a significant presence around the globe but does not play heavily in North America. To illustrate the complementary nature of these product lines, Alstom Grid today does 10% of their revenue in North America and 90% outside of North America while Digital Energy today does 70% of their revenue in North America and 30% outside North America.

GE and Alstom's transmission and distribution capabilities will tie the renewables and power generation components together, as Steve Bolze mentioned earlier. This significantly improves our position in the space and further allows us to grow our scope with our customers and provide improved performance. Alstom Grid is a great fit as well with our industrial solutions and power conversion businesses inside of Energy Management and that it provides us with more opportunities to leverage the power of the GE Store which we'll elaborate on further here in a few moments.

I would now like to touch on synergies. We expect to see $200 million of cost synergies in 2016 and approximately $100 million of investment accompanying that figure. By 2020, we expect the cost synergies to more than double to $500 million and the cumulative investment to triple to $300 million. The majority of this savings will come via SG&A consolidation at $300 million and sourcing at $200 million.

Additionally, we're working $300 million of growth synergy; this will be driving additional benefit.

On the sourcing side, we expect that we'll achieve the cost savings by driving competitive and optimized organizations, incremental deflation on overlapping spend, direct supplier and indirect sourcing benefit and by optimizing our GE2GE and GE4GE initiatives and I'll touch on that a more detail on the next slide.

SG&A synergies will be achieved by simplifying and streamlining our functional teams. As mentioned, we'll capture incremental growth by focusing on electrical balance of plant, expanding Alstom into North America Digital Energy globally and increase solution selling of our complementary platforms.

We are very excited about having the full range portfolio of transmission and distribution products, projects and services to offer our customers around the globe.

On the next chart it lays out in more detail the electrical balance of plant initiative and how a great example how this works by leveraging the GE Store and GE4GE that we can continue to grow solution selling. The growth in global electricity demand requires connecting new power generation to the electrical grid. Utility, grid and industrial operators require flexibility, speed, efficiency and simplification from their electrical systems. GE4GE allows us to do several important things.

First, the expanded scope of a given project improves competitiveness on cost and speed both of which are critical to our customers' success and our ability to enhance profitability and value for our shareholders. It pulls content in the form of products and services from across Energy Management, controls, grade, medium voltage, low voltage and power electronics and drives the alignment with GE Power, Oil & Gas, Renewables and EPCs on reference designs.

The expanded scope that comes with these projects is meaningful. We in Energy Management right now only have 5% penetration with GE Power today and expect this to increase significantly. The One GE approach that customers empowers our regional teams and makes it easier for our customers to do business with GE. Greater integrated system efficiency is also a key enabler for GE Digital and our suite of industrial Internet applications.

On the chart in the lower right corner of the page, you can see a great example of how Energy Management plays with GE Power on electrical balance of plant scope for a typical 9HA combined cycle plant. The legacy GE content is $60 million but with the addition of Alstom and the complementary offerings it brings, there is an incremental $110 million of scope that can be offered to our customers as we go forward.

Now on the next page I'd like to touch on the roadmap for the Predix adoption for our Grid Software Solutions business. From an asset control perspective, our goal is to drive adoption of the Predix platform across the core UI/UX analytics and security services control room, operations and mission-critical applications within the business. This will enhance system reliability and cyber security and help tie the applications in better with field operations.

From an asset optimization perspective, our goal was to leverage the complete Predix stack and industrial cloud tools as well as Big Data applications to drive optimization, efficiency and maximize our customers' return on investment. This will enable near real-time analytic capabilities, cloud-based data applications and enable the software to become an integral part of planning and maintenance functions for our customers. Accelerating use of the Predix platform across our business is also a great enabler for the digital thread by which all of our functions and components in Energy Management will be tied together to unlock new levels of productivity for our customers and shareholders. Together, we now have a software business that will do $500 million of revenue in 2016, that will enhance customer value and help further differentiate us from our competitors in this space.

In conclusion, it's been a long journey to where we are today but as you can hear I am really excited about the future of the combined business as are our customers. Our combined domain expertise, genuine scale, complementary portfolios and project capabilities will provide us with real differentiation in the market and for our customers.

With that I'll now hand it over to Lynn Calpeter, CFO of our Power business.

Lynn Calpeter - ***General Electric Company - CFO, GE Power***

Thanks, Russell. First I'll start with a financial summary. We continue to work to fine-tune our current estimates for 4Q 2015 and 2016. Our 2018 outlook for $0.15 to $0.20 of EPS accretion remains unchanged. As you can see on the right-hand side of the page, the 4Q 2015 EPS impact of Alstom is about a $0.01 to $0.02 charge driven primarily by breakeven operating earnings, accounting adjustments and deal costs, partially offset by net tax benefits.

Our estimate for 2016 is about $0.05 of EPS accretion. I'd like to spend a few minutes to walk you through the financial dynamics of that number.

First, at the segment level, we expect to report about $600 million of operating profit. Operating profit from operations is expected to be $200 million, flat with the normalized 2015. To provide some context, this is down significantly from the $1.3 billion Alstom earned on a normalized basis in 2013 and is driven primarily by lower thermal volume and factory underutilization due to deal uncertainty, wind and hydro project losses, costs related to the HVDC product launch, the sale of the pre-heaters business and foreign exchange.

As Mark mentioned earlier, we expect to realize about $1.1 billion of cost synergies. In 2016, these will come principally from actions taken to aggregate our direct and indirect buys and eliminate redundancies in both the commercial teams and the enabling functions. We expect that the investment to achieve those synergies will be about $500 million, principally booked in corporate, as you can see on the bottom right of the page.

The impact of acquisition accounting items will be about $900 million with $700 million reflected at the segment level and $200 million at the corporate level.

There are three primary drivers of the acquisition accounting items impact. The first is moving from IFRS to US GAAP revenue recognition accounting standards. The second is the amortization of intangibles associated with customer relationships, technology and backlog. The last driver is a step up of certain inventory and P&E assets. We are working through purchase accounting impacts now and have a one-year window to complete this exercise.

What you see on the page reflects our preliminary estimate based on what we know today and we will continue to refine these estimates over the next year. Deal and integration costs in the segments are expected to be about $100 million mostly related to the efforts of the business integration teams. The minority interest for the three joint ventures will be a positive benefit of about $100 million as we recapture the synergy investment and purchase accounting impacts in those entities.

Corporate charges will total $700 million including synergy investments of $500 million and $200 million of accounting items, both of which I mentioned previously. The charges at corporate will be offset by about $700 million of net tax benefits. As part of this integration, GE is locating the headquarters of the combined GE and Alstom Power Services business in Switzerland. This will result in incremental benefits from lower taxed, non-US operations. We will see a one-time benefit in both 2015 and 2016 as we relocate operations over that period.

Beyond 2016, we expect ongoing structural tax benefits of $0.02 to $0.03 per share per year for the combined lower taxed businesses.

So to recap, we expect the EPS impact of the deal in 4Q 2015 to be a charge of $0.01 to $0.02. Our best estimate today for 2016 is about $0.05 of accretion and our 2018 EPS accretion remains unchanged at $0.15 to $0.20.

The next slide breaks out the expected synergy benefits and investment by year. The benefits will be recorded at the segment level with over 80% realized by 2018 for a total benefit of $3 billion by 2020. The investment to achieve those results total to a cumulative $1.9 billion. This realization of over 80% of the synergy benefits by year three helped offset pressure from the lower order book.

The next slide provides a walk on the final purchase price. The original deal in April 2014 had an enterprise value of $16.9 billion at EUR1.37 to the dollar. We had assumed that there would be about $3.4 billion of cash at closing around the beginning of 2015. So the net purchase price was $13.5 billion. The adjustment for all sums retained interest in the joint ventures reduced the purchase price by a further $3.5 billion for a total revised purchase price of $10 billion.

We had several other changes to the deal in subsequent months including the impacts of remedies and brand licensing that netted to zero. At closing, the cash on hand was lower by $2.8 billion. This was driven by the base earnings erosion I described previously, lower progress collections on lower than expected order intake and the deal closing at what historically is a low seasonal cash point for Alstom.

Finally, the lower cash balance was mostly offset by a foreign exchange benefit of $2.5 billion. The final purchase price is $10.3 billion.

Lastly, the overall financial metrics are strong. The pressure from lower operations has been offset by higher synergies. The overall returns are strong with a 15%-plus IRR. The present value of the synergies paid for the deal and we will deliver returns higher than our weighted average cost of capital by 2018.

Most importantly, the strategic rationale for doing the deal, the assets, the people and the technology, remain intact. With that, I'll pass it back to Jeff.

Jeff Bornstein - ***General Electric Company - SVP and CFO***

Thanks, Lynn. So you've heard from each of the business leaders on how we think about the value creation opportunities putting Alstom and GE together. In the slow growth environment, the combination of these technologies, capabilities and markets gives us enormous momentum to not only drive product cost and synergies but also new levers on growth and competitiveness.

We will have a substantial Power business with leading positions in Gas, Steam and Nuclear and a great Service business with a 50% larger installed base through which to drive upgrade software and CSAs.

In Renewables, we will have a more diversified business with both onshore and Offshore Wind platforms, a leading Hydro franchise and a growing Service business. We will significantly improve the renewable supply chain cost position. And with grid, we'll be able to compete at scale, with great growth opportunities to pull through eBoP from our Power and our Oil & Gas businesses and drive software solutions. This is an opportunity to further differentiate our digital industrial Company.

On the next page, in addition to closing Alstom and executing the integration, we have several other important portfolio actions in the fourth quarter. First, the Company executed the split off of Synchrony; the exchange was oversubscribed in access of three times and allowed us to retire over $20 billion of GE stock or 6.6% of our float. We were very pleased with how the transaction was received and both Synchrony and the GE teams did a great job over a couple of years making the split possible for the Company.

On GE Capital, we remain on track with the resizing of GE Capital. Year to date, we've announced about $146 billion of signings and expect to close in excess of $100 billion of those signings in the year. We continue to expect a dividend of about $2.5 billion from GE Capital in the fourth quarter.

And finally, on Appliances, the trial began on November 9 and we expect it to run through next week. We believe it is unlikely that there will be a rolling before January. We do have a right to terminate the transaction on or after December 7 so more to come on Appliances.

So on the last page I'll wrap up the presentation. We're excited to have finally closed Alstom; it's an important step in transformation of the Company. Alstom brings great complementary technologies, products and a global footprint, a huge installed base from which to grow our service franchise and unique capabilities like project management. The overall economics remain intact and will generate attractive returns. Alstom will strengthen the GE Store and will be a source of scale for several of our product lines like Grid and our Steam business.

There is no question that the uncertainty of the approval process hurt Alstom from a customer perspective impacting orders and operations where we we're already beginning to see some uptick in activity. Our plan for $3 billion of cost synergies is very well developed in conjunction with the Alstom team and we are already in execution mode.

There are also many opportunities to grow faster between the two companies. Today the team took you through some of those opportunities and we will work these lists just as hard as we worked the cost synergies list. The Company has never been better positioned to integrate an acquisition; the teams are aligned, the leadership teams are in place and the action plans are well-defined.

So, Matt, with that, think we're ready for questions.

Matt Cribbins - ***General Electric Company - VP Corporate Investor Communications***

Thanks, Jeff. Now with that I'll ask the operator to open the lines up for questions.

QUESTION AND ANSWER

Operator

(Operator Instructions). Julian Mitchell, Credit Suisse.

Julian Mitchell - ***Credit Suisse - Analyst***

Hi, thanks. I guess my first question would just be around the quality of that $18 billion equipment backlog. I think you'd mentioned at Alstom if you could just talk about -- there doesn't seem to be any charge for project revaluations within that backlog. Is that because you are still going through that process or you've actually purviewed that backlog already and you are pretty comfortable with it?

Jeff Bornstein - ***General Electric Company - SVP and CFO***

Hey, Julian, Jeff. So there are some charges embedded in the roll off we should you for 2016. They are not enormous at this point, although we are very early in the process. I think Thermal and Grid in the backlog are more or less as we expected as the team walked through. I think where we do have some challenges is in Renewables but I think in consolidation when you add all three pieces of those together, it's relatively modest. I'll have each of the guys kind of walk through and talk about how they think about their piece of the backlog. Steve?

Steve Bolze - ***General Electric Company - President and CEO, GE Power***

Yes, Julian; this is Steve. As I mentioned earlier the total backlog coming in from Alstom is about $18 billion and as I said, we spent a lot of time looking at that in integration planning. We also engaged some third parties to do some work on our behalf, looking at the backlog based on some limitations in the planning process. But overall we feel very good about the backlog.

I think the Thermal side, we have that fairly planned out at this point and I would say, too, is of that 175 projects, $12 billion of that backlog is with projects north of $50 million in size. So we've gone through those, but, hey, there's always going to be a few surprises, but I think net-net we feel pretty good.

Jerome Pecresse - ***General Electric Company - President and CEO, GE Renewable Energy***

With respect to Renewables backlog that gets into GE with Alstom is around $5 billion in round number. There are two different issues actually. The first one is related to onshore wind in Brazil where we have encountered some delays ramping up toward our target costs. In that context we need to look at our supply and there are a limited number of suppliers for key components for wind turbine in Brazil. So we are working through it. We have a plan and I think the synergies that we are generating between Alstom wind and GE within Brazil are going to allow us to make key steps toward the low-cost targets.

With respect to Hydro, Hydro has always been a mix of good and less good projects. I think last year the part of the more difficult projects in the mix was higher. In a few of them we have links some new product introductions, in particular, variable speed from storage. This project and many of them are getting finished, are getting commissioned so the mix is going to gradually improve, in particular, as we book new projects at better conditions.

Russell Stokes - ***General Electric Company - President and CEO, GE Energy Management***

When you look at the backlog for us it's about $7.5 billion of which about a third of that is tied to HVDC projects that the team has been combing through and understanding. We feel good about the backlog in total, though. There's about 10,000 projects in there in total so a lot of smaller, manageable projects inside that total number.

We're focused on the operating discipline and risk management that it takes to manage them and we'll be connected, as you heard Steve reference earlier, to the PMO efforts as we go forward.

Julian Mitchell - ***Credit Suisse - Analyst***

Thanks. And then just one quick follow-up. It would be around the free cash flow profile at Alstom. On slide 52, you laid out the synergy benefits and investment by year. Should we think about the free cash profile as being analogous to the progression of those -- that EBIT delta?

Jeff Bornstein - ***General Electric Company - SVP and CFO***

Julian, I'd would say for 2016 we expect free cash flow to be modestly positive, probably because there are so much investment taking place in the short run. We expect when you get out to 2018 that free cash flow relative to earnings will look very similar to the core business. And, as you know, we've set a target for the Company to try to achieve 95% free cash flow conversion by 2018 and we don't expect the Alstom contribution to be materially different than that target.

Julian Mitchell - ***Credit Suisse - Analyst***

Great. Thank you.

Operator

Steven Winoker, Bernstein.

Steven Winoker - ***Bernstein - Analyst***

Thanks and good morning. Thanks a lot for all the detail. It's been very helpful across the businesses and a lot more transparency on a complex deal. Just quickly on the financial side, return of invested capital therefore you mentioned it briefly but what are you actually expecting now for ROIC, not IRR, by 2018?

Jeff Bornstein - *General Electric Company - SVP and CFO*

Well, the way we think about it, Steve, is what we laid out here is we expect a 15%-plus IRR and we expect to hurdle our weighted average cost of capital by 2018. Now, what I would say is if we deliver on all the growth opportunities in front of us, we haven't underwritten the transaction that way, although I think the team walked you through -- a lot of what they talked about today was well beyond just getting costs out. I think there is an opportunity that the return on this transaction is going to be in the high teens level as opposed to 15%, 15%-plus. So I think we feel very good about the returns prospects for this deal and I think the team is confident on their ability to deliver the results.

Steven Winoker - *Bernstein - Analyst*

And, Jeff, what's embedded in the underlying growth assumptions excluding a lot of the -- not talking about the revenue growth synergies but just what are you assuming in the underlying growth for the combined business now through that timeframe?

Jeff Bornstein - *General Electric Company - SVP and CFO*

So I think we've -- Steve, my view is we've conservatively underwritten, we think, the results we're giving you. In other words, we show you $200 million of operations in 2016 and then you've got all the purchase accounting, the synergies, all that work below it. We basically assume that over 2016, 2017 and 2018, we're going to operate at $200 million of segment operations and what -- the value we're creating is in the synergy realization. That gets you to 15%-plus IRR and 15% to 20% of EPS in 2018.

Now, we're obviously going to try to deliver better than that. We think there is growth opportunities that are not fully baked in that that get us to the high end of that EPS range in 2018.

So I think we've been conservative. We're basically telling you if we run the place the way we just closed it and deliver all of the cost synergies, we generate very attractive returns. Now our job is to do better than that, obviously, and to actually get and materialize a lot of the growth synergies that the team talked to you about this morning.

Steven Winoker - *Bernstein - Analyst*

Okay, if I could, just one more thing. Steve, the Ansaldo sale and Shanghai Electric's, I think 40% stake in Ansaldo, what kind of strategic or market dynamic do you think that might set up or change over kind of a medium to longer term perspective? Is it something that we should think about a different market structure going forward as a result of Shanghai's involvement with Ansaldo or really you don't see it playing out that way?

Steve Bolze - *General Electric Company - President and CEO, GE Power*

You know, Steve, as we look at it, Ansaldo is a good home for the Alstom advanced gas turbine technology. It's something that we had to do coming through the Brussels process. But I'd say this has to do with the F class and H class technology and when you look at that versus what we have in F class and H class, we feel very comfortable about us competing going forward with our offerings today.

So I wouldn't look at it any different over the medium or long term. It's something we've got to continue to execute, but we're very comfortable with our F and H class positions.

Steven Winoker - *Bernstein - Analyst*

Okay, thanks.

Operator

Joe Ritchie, Goldman Sachs.

Joe Ritchie - ***Goldman Sachs - Analyst***

Thanks, good morning, guys. My first question is really around the tax synergies in 2016 and then going forward. Is that number new because I don't recall it being part of the framework? And then I'm just curious if it is new, why not a change then to the potential then accretion from the deal?

Jeff Bornstein - ***General Electric Company - SVP and CFO***

No, it's not necessarily new. I think the opportunity around it grew over time as we got into the integration process. As the team talked about, we are consolidating our Power Services business that's outside the US into Alstom in Switzerland, so we'll be moving pieces of the puzzle around outside the US to make that consolidation happen. It happens really partly in 2015 and the balance in 2016. So you do get this benefit as we make those -- as we move those businesses and that work.

Over the long-term, we see about a penny or two pennies a share of ongoing tax benefit from being able to take advantage of that structure. So it's -- in the short run it's a little bit larger than we initially thought because as we went through the integration process, the size of what we could do with it grew a little bit but we always had some benefit in the framework on the value creation here on putting these two service businesses together.

Joe Ritchie - ***Goldman Sachs - Analyst***

Okay, and I think Steve may have mentioned that -- his comment I think may have been that the real work starts now on the synergies? And Jeff, to your comment earlier that really the value of this deal is really in the synergies. I'm just curious as you take a look at slide 7 and the breakup of the synergies, maybe talk a little bit more about the cadence of the synergies coming through, where you expect them to come through over the next few years?

And then specifically your confidence and whether there's -- whether there are any potential concerns that you have across each of the different buckets?

Mark Hutchinson - ***General Electric Company - President and CEO, GE Europe and Integration Leader, Alstom***

Yes sure, Joe; Mark here. So, look, I think just maybe start off on the process here, we had 18 months to really focus on the integration here and we had a good team of people focused on this and when you start this process you don't know what you don't know. We had like 200 people fully dedicated to this -- just looking through the synergies. We created clean teams both from Alstom and GE and they worked very hard on getting project pipelines together actually around this.

So I'd say as we kind of went in through this process we really developed very comprehensive pipelines. We had names, we had teams identified around these. We've put metrics around it. We know what the milestones should be and an operating process, so I think as we got on through this process we found that we've been able to refine and continue to refine what that pipeline looks like.

If you actually look at the synergies itself, it seems a big amount, but you've got to look in the context here of just the scale of this transaction combined with our own business. This is a big business.

As you start to think through the different categories of what the synergies are, let's take sourcing for example, the combined buy between the two companies is something like $14 billion and $5 billion of that is kind of overlap so as you start to really work at that together, then you start to realize synergies quite quickly actually. And that's what we're seeing in 2016.

Technology is the same. We have program spends on both sides of the house from Alstom and GE and we identified pretty quickly there is an overlap of about $400 million. Well, you just -- you don't spend that so you can get at that pretty quickly as well, so we feel confident about the deck there.

The biggest synergy is obviously SG&A, and the more we kind of got involved and understood how Alstom is laid out compared to our own network, the more we understood just what the synergies could actually generate. And it ended up being a big amount but we have like $4 billion spend just on SG&A between the two companies and you can do some easy things to start off with. You don't need two head offices, for example.

But as you kind of get into that then you realize that the way we support with the functions is different in the two organizations and as you start to consolidate that, you can find that there is a lot to take out there. So again, it was a big number but actually the more we got into it, we broke it down into bite-size pieces to execute on. And that's kind of really -- we feel very confident about the project pipeline we have, the same on the manufacturing side as well. The over 100 manufacturing sites we can rationalize those and we have good plans around that.

So I think -- we've got the operating mix in place, we have the teams in place. We've started to execute these already. We feel very good about the $3 billion.

Steve Bolze - ***General Electric Company - President and CEO, GE Power***

Maybe, Joe, just -- this is Steve, just to add on -- on the Power side, I showed you earlier, but the $700 million of cost synergies coming through in 2016, we have that laid out by business by function. On the day we close is the day all those plans went into place with clear owners and as we mentioned some of the indirect and direct material, that's already flowing through the system.

The growth margin synergies we've talked about were really in year five. We gave you a number of $200 million in year five. I think with what we're seeing in the marketplace that could be more so going forward, but this is, as you would expect, tight operating rhythms, very clear accountability, and the plan went into place day one.

Jerome Pecresse - ***General Electric Company - President and CEO, GE Renewable Energy***

This is Jerome. I have two different perspectives on that and the first one is that I have been running the integration process with GE on the Alstom side for 18 months working with Mark, so we are well placed to see that GE has looked in detail and very proficiently into any synergy opportunities and we are quite impressed on the Alstom side that there were no stones behind which we have not looked for synergies. So I think the benefits for this 18 months of work at least if there is one is to be able to have an exhaustive look at the synergies put on shore for the Alstom business and a very detailed action plan in implementing day one.

I mean, for Renewables, at the end of the day it means that when you compare the synergies to the size of the Alstom business, it's around a high single digit percentages so there is nothing here which is unusual and I would say, listen, a large part of it is about overrides. Another very large part of it is about sourcing and using sourcing very substantial part is just merging our small wind business into a much bigger wind business and that naturally is going to generate economies of scale which are going to be low hanging fruits.

Russell Stokes - ***General Electric Company - President and CEO, GE Energy Management***

And then for Grid -- this is Russell -- for Grid, we feel good about the plans that have been put in place. We have really detailed plans, as we said, tied to the ability to go after the overlapping spend from a direct material and indirect sourcing standpoint and believe as well that there is opportunity for us to drive further benefit as it's tied to the number here through the GE2GE and the GE4GE efforts.

The SG&A items are typical functional synergies so we're looking to streamline and simplify the way that the organizations work and then the growth opportunities we feel good about as well as we go forward and is really that page where we reference the balance of plan opportunity where we believe we could pull through more material from Alstom Grid and Digital Energy through the GE Power and Renewable businesses.

Jeff Bornstein - ***General Electric Company - SVP and CFO***

So the other thing I would add, Joe, is so in our incentive compensation plan that you know that we completely restructured beginning this year. Delivering on these synergies will be a significant piece of that construct for each one of these businesses and for the Company in its totality. So the guys are going -- and the teams are going to win or lose based on our ability to deliver these commitments.

Operator

Shannon O'Callaghan, UBS.

Shannon O'Callaghan - *UBS - Analyst*

Good morning. Thanks. On the walk from the $1.3 billion from operations in 2013 to the $200 million now, can we quantify some of those buckets in terms of lower thermal volumes, currency, etc., that you gave? And then how big a factor do you think the deal disruption factor was? How much were you really hearing from customers that they simply weren't ordering because of the uncertainty around the deal? And talk about maybe that uptick you've seen since.

Jeff Bornstein - *General Electric Company - SVP and CFO*

Well, sure. I mean there has been a big fall off. A big piece of it -- I'm not going to quantify every single piece of this. I'll give you some level of feel for the steps here. But in going from $1.3 billion to $200 million, a big piece was the uncertainty; the order flow, we're down 30% in orders in 2015. That is both an obvious impact on volume with shops and the productivity around that and also impacts cash flow significantly.

I would say part two is the Company did not execute the restructuring they otherwise would have to deal with that lower volume and so you're carrying an excess cost burden as well over that period of time that does not reflect the lower volume that was running through shops. FX has had a big impact on the Company from 2013 through 2015.

And I'd say the last big piece is because of where we were in the approval process, the Company was continuing to spend in R&D and particularly in areas of R&D like gas where we're not going to invest because of how we're putting these businesses together. That was at least $300 million in 2015 of incremental R&D spending that we wouldn't have done had we closed earlier.

So there is no question that the delay has had a material impact on the business and you can imagine if you're a customer of Alstom and you're looking at a $0.5 billion or a $1 billion kind of project, not knowing when the deal was going to close and if it didn't close, what then was going to be the outcome, you'd understand why there was a lot of uncertainty on putting business on Alstom.

Steve Bolze - *General Electric Company - President and CEO, GE Power*

Maybe, Shannon, just to follow up; this is Steve. Just I would say that since closing, that uncertainty is clearly gone and the customers we're seeing a lot more engagement now. We talked about some of the areas we're winning right now. We talked about some of the expanded scope gas projects that are already happening. Obviously, just some big projects that was mentioned earlier on the seam side and the OEE. But there was just some uncertainty with customers on what was going to continue forward too on a product and service offering in R&D. That is clear now. We can have those discussions with customers.

And as was mentioned earlier by Joe with one of the big gas conferences coming up in a couple weeks, it's very clear the catalog we're going out with, so that uncertainty has now lifted and we're just moving forward.

Jeff Bornstein - *General Electric Company - SVP and CFO*

And it's early, so we like the uptick in activity over the last couple of months since this has really been resolved. We'll see how it plays out.

Shannon O'Callaghan - *UBS - Analyst*

Okay, and then on -- in terms of this greater efficiency and value that you can deliver to -- that your customers value at their power plant, do you think GE is going to be able to capture some of that value in the form of your own pricing or is this kind of required to maintain the strong market share you've had or maybe just a little feel of how does that greater customer value translate into GE?

Joe Mastrangelo - *General Electric Company - President and CEO, Gas Power Systems, GE Power*

Hey, Shannon; this is Joe. So if you go back to the page that I had on utility scale power, you can see that now we will be able to underwrite the performance guarantee across the entire powertrain that goes into the combined cycle plant. And, one, you de-risk the project for the customer, and the second thing is when you've got to think that we know the way our gas turbines operate better than anyone else and now tying that into the expertise that Alstom has, we deliver a higher return and with that

higher return to customers and the ability to operate, we believe that we'll get better value out of the projects that we sell. And there's a big opportunity because only 15% of the time when we're selling a gas turbine do we have that steam tail.

So what we want -- our goal is to drive that up above the 50%, 60% mark and that's where the growth comes from.

Steve Bolze - ***General Electric Company - President and CEO, GE Power***

And, as I mentioned -- Shannon, this is Steve. This is a transaction-by-transaction, proposal-by-proposal, and that effort has been planned in integration and, as Joe said, that kind of goes into effect immediately.

Operator

Deane Dray, RBC Capital Markets.

Deane Dray - ***RBC Capital Markets - Analyst***

Thank you. Good morning, everyone. Hey, would like to get some clarification on the 2018 accretion guidance. Just with regard to the $600 million in growth or revenue synergies, is that included in the high end of that $0.15 to $0.20?

Jeff Bornstein - ***General Electric Company - SVP and CFO***

Yes, so the way I think about it, Deane, is what I walked through earlier in terms of base operations, deliver the cost synergies, get to the kinds of returns we talked about and deliver the range in 2018, the growth synergies get you to the top end -- to the higher end of that range is how we think about it.

Deane Dray - ***RBC Capital Markets - Analyst***

All right. Got that. And then just separately, what struck me in this presentation -- maybe I had missed this before -- but you emphasized the opportunity to service non-GE, non-Alstom equipment. Maybe just give us a sense of how aggressively do you expect to go after this? Why was this not an opportunity before? Why did Alstom have this and did Alstom -- was Alstom servicing any GE clients previously?

Jeff Bornstein - ***General Electric Company - SVP and CFO***

Paul?

Paul McElhinney - ***General Electric Company - President and CEO, Power Services, GE Power***

Yes, Deane, I would say the capability that comes across from Alstom here is pretty significant. We've looked at this space a couple of times, but honestly with the tailwind we had with our own gas products business, Alstom didn't have that so they had to scrap and fight for new spaces where they could grow. So I think their technology, their expertise really gives us a shot at going after Siemens and MHI Equipment and we're already in the market. I think we're pretty close to our first order.

Deane Dray - ***RBC Capital Markets - Analyst***

Great. Thank you.

Operator

Nigel Coe, Morgan Stanley.

Nigel Coe - ***Morgan Stanley - Analyst***

Thanks. Good morning and great detail in the pitch. Just one question from me. Is the $3 billion target, is that predicated in any way at all on the put option being exercised in 2018? And is there any variance on that $3 billion with or without the put option?

Jeff Bornstein - ***General Electric Company - SVP and CFO***

No. The two are completely unrelated. We're going to execute $3 billion of synergies whether the put options are exercised in 2018 or 2019.

Nigel Coe - ***Morgan Stanley - Analyst***

Okay. Thanks a lot.

Operator

That was our final question. I'll turn it back to Mr. Cribbins for additional remarks.

Matt Cribbins - ***General Electric Company - VP Corporate Investor Communications***

Great, thank you. Just as a reminder, the replay of today's webcast will be available this afternoon on our investor website and also we're going to be holding our annual outlook meeting in New York City on December 16. We look forward to seeing everybody there. And then our fourth-quarter earnings webcast is scheduled for January 22.

Thank you, everybody, for joining the webcast. Have a great day.

Operator

This concludes your conference call. Thank you for your participation today. You may now disconnect.