

# GE 2016 fourth quarter performance

Financial results & Company highlights  
January 20, 2017



#### CAUTION CONCERNING FORWARD-LOOKING STATEMENTS:

This document contains "forward-looking statements" – that is, statements related to future events that by their nature address matters that are, to different degrees, uncertain. For details on the uncertainties that may cause our actual future results to be materially different than those expressed in our forward-looking statements, see <http://www.ge.com/investor-relations/disclaimer-caution-concerning-forward-looking-statements> as well as our annual reports on Form 10-K and quarterly reports on Form 10-Q. We do not undertake to update our forward-looking statements. This document also includes certain forward-looking projected financial information that is based on current estimates and forecasts. Actual results could differ materially.

#### NON-GAAP FINANCIAL MEASURES:

In this document, we sometimes use information derived from consolidated financial data but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). Certain of these data are considered "non-GAAP financial measures" under the U.S. Securities and Exchange Commission rules. These non-GAAP financial measures supplement our GAAP disclosures and should not be considered an alternative to the GAAP measure. The reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable GAAP financial measures are posted to the investor relations section of our website at [www.ge.com](http://www.ge.com). We use non-GAAP financial measures including the following.

- Operating earnings and EPS, which is earnings from continuing operations excluding non-service-related pension costs of our principal pension plans.
- GE Industrial operating & Verticals earnings and EPS, which is operating earnings of our industrial businesses and the GE Capital businesses that we expect to retain.
- Industrial segment organic revenue, which is the sum of revenue from all of our industrial segments less the effects of acquisitions/dispositions and currency exchange.
- Industrial segment organic operating profit, which is the sum of segment profit from all of our industrial segments less the effects of acquisitions/dispositions and currency exchange.
- Industrial cash flows from operating activities (Industrial CFOA), which is GE's cash flow from operating activities excluding dividends received from GE Capital.
- Capital ending net investment (ENI), excluding liquidity, which is a measure we use to measure the size of our Capital segment.

General Electric Capital Corporation (GECC) was merged into GE in 2015 and our financial services business is now operated by GE Capital Global Holdings LLC (GECGH). In this document, we refer to GECC and GECGH as "GE Capital". We refer to the industrial businesses of the Company including GE Capital on an equity basis as "GE". "GE (ex-GE Capital)" and /or "Industrial" refer to GE excluding GE Capital.

GE's Investor Relations website at [www.ge.com/investor](http://www.ge.com/investor) and our corporate blog at [www.gereports.com](http://www.gereports.com), as well as GE's Facebook page and Twitter accounts, contain a significant amount of information about GE, including financial and other information for investors. GE encourages investors to visit these websites from time to time, as information is updated and new information is posted.

**Imagination at work.**

# 4Q'16 overview

## Environment

- ✓ Slow growth & volatile environment
- ✓ Challenges continue in oil sector
- ✓ More optimistic about U.S. economy
- ✓ Globalization being redefined ... requires flexibility

## Versus expectations

- | <u>+</u>  | <u>-</u>   |
|---|--|
| <ul style="list-style-type: none"> <li>• U.S. and service orders</li> <li>• Business performance ... Aviation, HC, RE</li> <li>• Portfolio actions</li> <li>• Alstom synergies</li> </ul> | <ul style="list-style-type: none"> <li>• Power volume</li> <li>• Oil &amp; Gas market</li> <li>• Higher net restructuring</li> </ul> |

		<u>Reported</u>	<u>Core Organic</u>	<u>Organic w/ Alstom</u>
<b>Orders</b>	4Q orders	4%	(3)%	2%
	TY orders	5%	(8)%	(6)%
<b>Revenue</b> <small>(Industrial segment)</small>	4Q revenue	0%	(1)%	4%
	TY revenue	4%	0%	1%

Includes Alstom for Nov/Dec of 2015 & 2016

<u>Industrial + Verticals EPS</u>	<u>4Q'16</u>	<u>V%</u>	<u>Ex. gains &amp; rest.</u>	<u>2016</u>	<u>V%</u>
Industrial operating	\$.40	(15)%	5%	\$1.28	12%
Capital Verticals	.05	25%	25%	.21	24%
	\$.46	(12)%	6%	\$1.49	14%



# 2016 operating framework

	<u>Dec. '15</u>	<u>Dec. '16</u>	<u>Actuals</u>
<b>1 Operating EPS<sup>-a)</sup></b>	<b>\$1.45-1.55</b>	<b>\$1.48-1.52</b>	<b>\$1.49</b>
- Organic growth	2-4%	0-2%	0%/1% <sup>-c)</sup>
- Core margins	+	+	(10) bps. (30) bps. <sup>-d)</sup> ex. FX
- Corporate	\$2.0-2.2B	~\$2.0B	\$2.0B
- Alstom	~\$.05	~\$.05 ex. FX	\$.05 ex. FX
- FX impact	~\$(-.02)	\$(-.04)-(-.06)	\$(-.03)
- Restructuring/gains	=	=	\$(-.02)
<b>2 FCF + dispositions</b>	<b>\$28-31B</b>	<b>\$32B+</b>	<b>\$32.6B</b>
- CFOA <sup>-b)</sup>	\$30-32B	\$32B+	\$31.7B
- GE Capital dividends	~\$18B	~\$20B	\$20.1B
- Dispositions <sup>-b)</sup>	\$2-3B	~\$4B	\$4.0B
- Net P&E	~\$4B	~\$4B	\$2.7B
<b>3 Cash to investors</b>	<b>~\$26B</b>	<b>~\$30B</b>	<b>\$30.5B</b>
- Dividend	~\$8B	~\$8B	\$8.5B
- Buyback	~\$18B	~\$22B	\$22.0B



(a- Industrial + Verticals

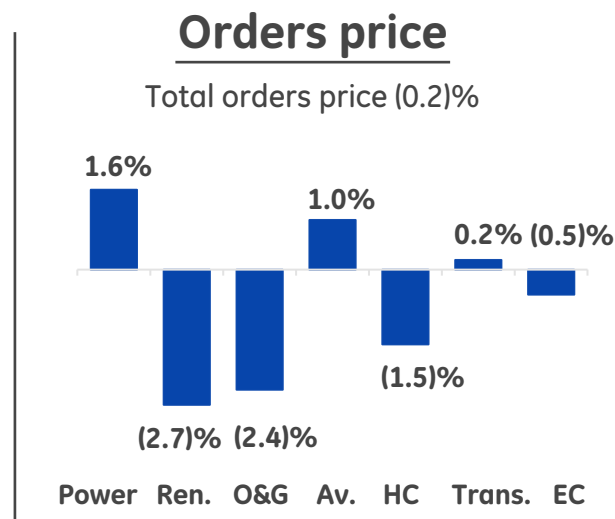
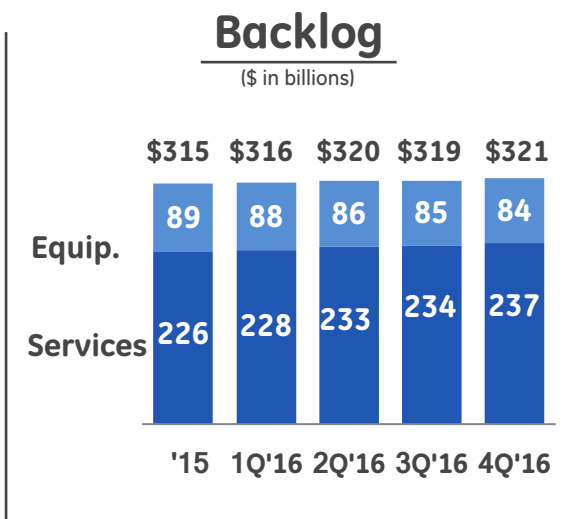
(b- Deal taxes are excluded from CFOA and included in dispositions; pension funding of \$0.3B excluded from CFOA but included in FCF + dispositions

(c- Organic with Alstom measures include Alstom results for November and December of both 2015 and 2016

(d- Excludes Alstom and includes Corporate operating costs with the exception of gains and restructuring & other

# 4Q'16 orders \$33.9B, 4% ... 2% organic with Alstom

	<u>Orders</u>	
	<u>4Q'16</u>	<u>2016</u>
Equipment	(7)%	(2)%
Services	20%	13%
<b>Total</b>	<b>4%</b>	<b>5%</b>
<b>Organic w/ Alstom</b>	<b>2%</b>	<b>(6)%</b>



## Highlights

- ✓ Equipment orders (10)% organic with Alstom driven by tough comparisons in Transportation; growth in Renewables, O&G, Healthcare, and Aviation
- ✓ Service orders +19% organic with Alstom driven by strength in Power, Renewables, and Transportation
- ✓ Backlog +2% VPY and 1% versus prior quarter driven by services
- ✓ Global dynamics ... U.S. +23%, international developed markets +8%, and growth markets (9)%

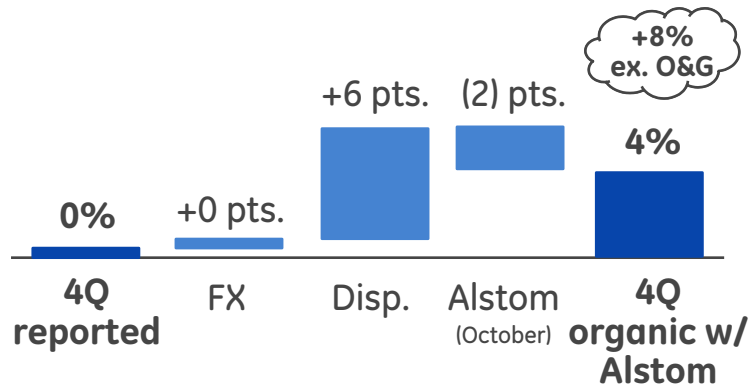
## Digital highlights

- ✓ Predix-powered + Software orders +36% ... non-GE verticals +90%
- ✓ Enterprise-wide Predix deal with Exelon
- ✓ Momentum on Predix platform ... ~22k developers, 427 partners ... Reliance, Maersk, Port of L.A.
- ✓ Digital thread productivity \$730MM for the year ... 98 connected factories
- ✓ Acquired ServiceMax in January to extend Predix across field services; acquired BitStew & Wise.io



# Industrial segment execution

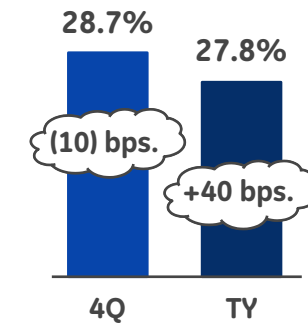
## Revenue growth



## Growth highlights

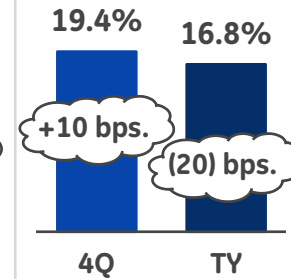
- ✓ U.S. orders +23% driven by TMs & upgrades in Power +36%, Onshore Wind driving Renewables +83%, and Transportation 2X on services
- ✓ 8 HA turbine orders, 25 for TY ... 32 in backlog
- ✓ \$2.6B Onshore Wind equip. orders ... \$7B for 2016
- ✓ Strong organic HC int'l orders with China +19% Europe +6%, LATAM +16% ... China 11% for TY
- ✓ 4Q LEAP engine orders \$480MM ... 255 units
- ✓ Baker Hughes JV<sup>(c)</sup> ... creating a full-stream digital industrial service company

## Segment gross margins<sup>(a)</sup>



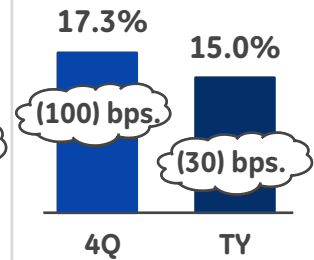
Total V pts. 28.2% +50 bps. 27.0% (10) bps.

## Segment OP margins<sup>(a)</sup>



18.7% +110 bps. 15.6% (90) bps.

## Industrial<sup>(b)</sup> OP margins<sup>(a)</sup>



16.8% +20 bps. 14.0% (80) bps.

## Segment OP margins

Mix (0.5) pts.  
 Value gap (price/inflation) 0.3  
 Cost productivity 0.1  
**Gross Margins<sup>(a)</sup> (0.1) pts.**  
 Simplification (SG&A) 0.3  
 Base inflation/other (0.1)  
**Op Profit Margins<sup>(a)</sup> 0.1 pts.**

Alstom 1.0  
**Op Profit Margins 1.1 pts.**

## 4Q

(0.5) pts.  
 0.3  
 0.1  
**(0.1) pts.**  
 0.3  
 (0.1)  
**0.1 pts.**  
 1.0  
**1.1 pts.**

## TY dynamics

- ✓ Strong gross margins, up 40 bps.<sup>(a)</sup>
- ✓ Oil & Gas a drag ... Industrial margins +30bps ex O&G<sup>(a)</sup>
- ✓ Industrial margins 14.0% with Alstom
- ✓ Segment services margins +170 bps.<sup>(a)</sup>



(a- Excluding Alstom

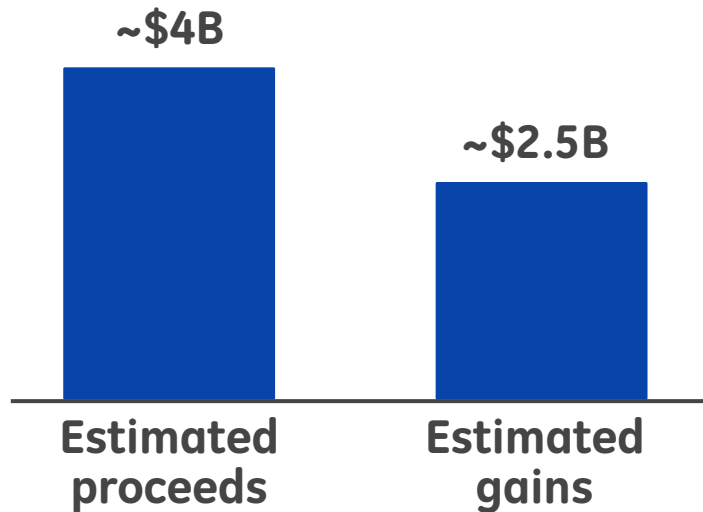
(b- Industrial includes Corporate with the exception of non-operating pension, gains and restructuring & other

(c- Transaction is subject to customary closing conditions, including approval by regulators and Baker Hughes shareholders

# Focused on driving cost out

(\$ in millions)

## Water + Industrial Solutions



- ✓ Significant interest in platforms
- ✓ Targeting mid-year close for Water ... late 2017 for Industrial Solutions

**Gains fund restructuring**



## 2017-2018 cost program

- Product & Service costs
- Acquisition integration
- Lower SG&A / Corporate

Run-rate  
~50 bps.

- Digitization ~\$1,150
- Integration learnings ~\$500
- Additive ... future benefit

Incremental  
~50 bps.

### Actions taken since December ...

- ✓ Horizontal IT structure underway ~\$450
- ✓ Global tax partnership with PWC ~\$100

# Generating cash

(\$ in billions)

## TY CFOA

## V%

Ex deal taxes & pension

\$30.0/31.7 83/92%

GE Capital dividend

\$16.4

4.3

12.2

(0.2)

2015

Free cash flow<sup>-a)</sup>

\$13.7

Ind'l free cash flow<sup>-a)</sup>

\$9.4

Ind'l CFOA<sup>-b)</sup>

\$6.2

Ind'l free cash flow<sup>-b)</sup>

\$5.5

20.1

11.6

(1.7)

2016

\$29.0

\$8.9

\$8.2

\$7.6

F

(5)%

U

F

(5)%

34%

39%

## GE cash balance walk

### Total

Beginning balance 1/1/16	\$10.4
CFOA ex. deal taxes & pension	31.7
Dividends	(8.5)
Net P&E	(2.7)
Acquisitions	(2.3)
Dispositions incl. deal taxes	4.0
Buyback	(22.0)
Change in debt/FX/other	(0.1)
<b>December 2016</b>	<b>\$10.5</b>

Working capital cash flow +\$5.2B in 4Q ... \$3.2B for TY

	Framework	Actual
FCF + dispositions	\$28-31B	\$32.6B
Buyback + dividend	\$26B	\$30.5B



(a)-Excludes deal taxes \$(1.4)B & pension funding \$(0.3)B in 2016 and deal taxes \$(0.2)B in 2015

(b)-Excludes deal taxes \$(0.3)B & pension funding \$(0.3)B in 4Q'16 and deal taxes \$(0.2)B in 4Q'15

# 4Q'16 consolidated results

(\$ in billions – except EPS)

(\$ in millions)

	<u>4Q'16</u>	<u>V%</u>
Revenues	\$33.1	(2)%
– Industrial <sup>(a)</sup>	30.4	(3)
– Verticals <sup>(b)</sup>	2.5	-
– Other Capital <sup>(c)</sup>	0.1	F
Industrial + Verticals EPS	.46	(12)
Operating EPS	.43	39
Continuing EPS	.39	50
Net EPS	.39	(39)
CFOA YTD	\$30.0	83
- Ind'l. CFOA <small>ex. deal taxes/pension</small>	\$11.6	(5)
	<u>4Q'16</u>	<u>4Q'15</u>
Consolidated tax rate	(26)%	(39)%
– GE (ex. Capital)	(2)	5
– Capital	F	39

GE TY  
9%

	<u>Revenues</u>		<u>Op profit</u>	
	<u>\$</u>	<u>V%</u>	<u>\$</u>	<u>V%</u>
Power	\$8,479	20%	\$2,069	27%
Renewable Energy	2,500	29	163	F
Oil & Gas	3,402	(22)	411	(43)
Aviation	7,187	7	1,749	11
Healthcare	5,101	3	1,030	10
Transportation	1,243	(23)	317	(6)
EC & Lighting	3,325	(29)	102	(63)
Industrial Segments	31,236	-	5,842	6
Corporate <sup>(d)</sup>	(845)	19	(616)	(48)
Industrial <sup>(d)</sup>	<u>\$30,391</u>	<u>-%</u>	<u>\$5,226</u>	<u>2%</u>

<u>Industrial + Verticals EPS</u>	<u>4Q'16</u>	<u>V%</u>	<u>Ex. gains &amp; rest.</u>	<u>2016</u>	<u>V%</u>
Industrial operating	\$.40	(15)%	5%	\$1.28	12%
Capital Verticals <sup>(b)</sup>	.05	25%	25%	.21	24%
	<u>\$.46</u>	<u>(12)%</u>	<u>6%</u>	<u>\$1.49</u>	<u>14%</u>



(a)- Includes GE-GE Capital eliminations

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

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

(d)- Excludes gains and restructuring & other items



# 4Q'16 Industrial other items

	<u>EPS</u>	
Restructuring & other items	\$(.08)	✓ \$(1.0)B pre-tax, \$(0.7)B after-tax at Corporate including Alstom cost synergy investments
Net gains	\$.04	✓ \$49MM pre-tax, \$0.3B after-tax at Corporate related primarily to an Aviation non-strategic product sale ✓ 4Q tax rate impact by gains ... adjusting for gains/restructuring, 4Q tax rate 12%

<u>2016 Summary</u>	<u>2016</u>
Restructuring & other items	\$(.27)
Net gains	<u>\$.26</u>
<b>Total</b>	<b>\$(.02)</b>

Planning for gains = restructuring & other items for 2017



# Industrial segments

(\$ in millions)

## Power

<u>4Q'16</u>	<u>\$</u>	<u>V%</u>	<u>V%</u> ex. Alstom
Revenues	\$8,479	20%	6%
Segment profit	\$2,069	27%	-%
Op profit %	24.4%	1.4 pts.	(1.5) pts.

### 4Q dynamics

- \$11.1B orders, +16% reported ... core (4)% with equipment (28)% on lower GPS volume and services +24%; Alstom orders \$2.8B
- Revenue ... core equipment +10% driven by GPS +16%; core services +4% driven by Power Services +3%; Alstom revenue \$1.9B
- Core profit flat on higher volume and favorable FX partially offset by negative H and BOP mix

**Strong service orders; Alstom executing**



## Renewable Energy

<u>4Q'16</u>	<u>\$</u>	<u>V%</u>	<u>V%</u> ex. Alstom
Revenues	\$2,500	29%	20%
Segment profit	\$163	F	(8)%
Op profit %	6.5%	3.6 pts.	(1.6) pts.

### 4Q dynamics

- \$3.3B orders, +32% ... core +48% on higher U.S. wind equipment & service orders including repower \$0.3B; Alstom orders \$0.3B
- Revenue ... core +20% driven by mix shift to larger MW units; Alstom revenue \$0.3B
- Segment profit 3x driven by Alstom; core (8)% with volume growth offset by FX and NPI investment

**NPIs driving orders & revenue growth**

# Industrial segments

(\$ in millions)

## Aviation

<u>4Q'16</u>	<u>\$</u>	<u>V%</u>
Revenues	\$7,187	7%
Segment profit	\$1,749	11%
Op profit %	24.3%	1.0 pts.

### 4Q dynamics

- \$7.2B orders, +5% ... equipment +2% on more commercial engines; services +8% with spares +14% ... \$155B backlog
- Revenue ... equipment +1% driven by CEO +8%, partially offset by lower Military (35)%; services +12%
- Segment profit +11% on productivity & service volume ... margins +100 bps.

Continued excellence



## Oil & Gas

<u>4Q'16</u>	<u>\$</u>	<u>V%</u>
Revenues	\$3,402	(22)%
Segment profit	\$411	(43)%
Op profit %	12.1%	(4.3) pts.

### 4Q dynamics

- \$3.3B orders, flat driven by TMS +42%, Subsea & Drilling 0%, Surface (3)%, DS (10)%, and Downstream Technology (35)%
- Revenue (22)% ... Subsea & Drilling (31)%, TMS (28)%, Surface (24)%, DS (6)%, DTS +3%
- Segment margin (430) bps. as cost-out actions were more than offset by volume and price declines

Market pressure continues

# Industrial segments

(\$ in millions)

## Healthcare

<u>4Q'16</u>	<u>\$</u>	<u>V%</u>
Revenues	\$5,101	3%
Segment profit	\$1,030	10%
Op profit %	20.2%	1.3 pts.

### 4Q dynamics

- \$5.4B orders, +3% organic with China +19%, Latin America +16%, Europe +6%, and U.S. (1)%
- Revenue: HCS +2% organic with Ultrasound +6%; Life Sciences +9% organically
- Segment profit +10% driven by volume growth and cost productivity partially offset by price ... margins +130 bps.

**Strong quarter and year**

## Transportation

<u>4Q'16</u>	<u>\$</u>	<u>V%</u>
Revenues	\$1,243	(23)%
Segment profit	\$317	(6)%
Op profit %	25.5%	4.5 pts.

### 4Q dynamics

- \$1.4B orders, (58)% with non-repeat of large India order in 4Q'15 ... equipment (98)%, services 2x
- Revenue (23)% with equipment (38)% on lower locomotive shipments; services revenue +2%
- Segment profit (6)% driven by lower volume partially offset by cost out

**Challenging market**



# Segments

(\$ in millions)

## Energy Connections & Lighting

<u>4Q'16</u>	<u>\$</u>	<u>V%</u>	<u>V%</u>
			Ex. Appliances
Revenues	\$3,325	(29)%	9%
Segment profit	\$102	(63)%	6%
Op profit %	3.1%	(2.8) pts.	- pts.
<u>Op profit</u>	<u>4Q'16</u>	<u>4Q'15</u>	<u>V%</u>
Energy Conn.	\$98	\$33	F
Current & Lighting	\$3	\$63	(95)%
Appliances	\$-	\$178	U

- Revenue: EC core organic (8)%, Alstom \$1.6B; Lighting (14)% with Current +5% & legacy (26)%
- Segment profit ... strong Grid earnings offset by headwinds in Power Conversion and C&L

## GE Capital

<u>4Q'16 Earnings</u>	
<b>Verticals</b>	<b>\$478</b>
Other Continuing	(262)
<b>Capital</b>	<b>\$215</b>
Disc. Ops.	3
<b>GE Capital</b>	<b>\$218</b>

- \$20B dividends in '16 ... \$5B ahead of plan
- Other Continuing incl. excess interest expense, preferred costs, taxes, restructuring, opex
- \$82B ENI ex. liq. (\$93B w/ Disc. Ops.); \$51B liquidity<sup>-a)</sup>
- GE Store: enabled \$5B of industrial orders<sup>-b)</sup>

- ✓ Energy Connections & Lighting ... tough year; expecting better performance in 2017
- ✓ GE Capital ... exits largely complete; strong performance from Verticals



# 2017 operating framework

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



(a- Industrial operating and Vertical EPS

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

