GE Aviation ’06 Revenues

- Commercial Engines
- Military Engines & Services
- Other
- Commercial Engine Services
Military Systems
Operation
Military … winning in a tough environment

Environment

• Global war on terror

• Aging equipment … operating & maintenance cost up 2x in 10 yrs

• Must re-capitalize / modernize

• 3 to 5 year lead-time for procurement funding

✓ R&D benefits both commercial & military
## Customer solutions for growth

### Customer Challenge

<table>
<thead>
<tr>
<th>Top line budget pressure</th>
<th>GE Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support</td>
<td>Legacy Operations &amp; upgrades</td>
</tr>
<tr>
<td>Diminishing supplementals</td>
<td></td>
</tr>
</tbody>
</table>

### Transformation

- Smaller, more agile

### Aging fleet

Tankers, TACAIR, helos, humvees

### Manpower reductions

Logistics' 115,000 6-yr. plan

### GE Opportunity

- Investment in rotorcraft & technology demonstrators
- Position for replacements
- Performance Based to drive productivity
Commercial Engines
Commercial passenger demand is strong

...
Industry strength continues

1H’07 revenue passenger mileage growth

- India 20%
- MEA 18%
- China 16%
- Americas 5.0%
- Europe 4.9%
- Asia (w/o India & China) 4.5%

20 - 30%
10 - 20%
0 – 10%
Aircraft utilization up equals more revenue

Aircraft utilization
equals more revenue

Source: ACAS

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Since 2001 ...

Labor productivity \( \uparrow 33\% \)

Sales and distribution costs \( \downarrow 10\% \)

Non-fuel unit costs \( \downarrow 13\% \)
The headwind … fuel price

2001 industry fuel bill … $43 billion … 13% operating costs

2006 estimate … $115 billion … 26% of operating costs
2007 … a return to profitability worldwide

Source: IATA
Order Book … growth

Engine Orders
(50 Pax and above)

'96-'00 Avg: 1,809
'01-'04 Avg: 1,188

2005: 2,610
2006: 3,368

CFM is a 50/50 joint venture with Snecma
*GP7000 developed by Engine Alliance, LLC, a joint company of GE – Aviation and Pratt & Whitney

GE Proprietary Information - For Internal Use Only
Tech investment … family additions
($ in billions)

Highest R&D commitment in history … ~ $7B since 2000

Total R&D

- Airbus A380
- GP7200*
- Boeing 787
- GEnx
- ARJ21
- CF34-10
- 747-8
- GEnx
- GE/Honda**
- HF120

*GP7000 developed by GE/P&W Engine Alliance
**HF118 developed jointly by 50/50 JV between GE & Honda
Commercial ... win with technology

Product lineage

1971  CF6
1979  CFM
1992  CF34
1995  GE90
2008  GP7000
2008  GEnx
Next  LEAP56™

Commercial installed base

(K)

96  06  16F

Fleet in active commercial service
Source: ACAS, GE internal studies
GP7000 developed by GE/P&W Engine Alliance
CFM is a 50/50 joint company between GE and Snecma
LEAP56™ is a trade mark of CFM International, a 50/50 joint company between GE and Snecma

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Production ... another strong year!

- '06: 1,759
- '07: 2,080
Production … Delivery, Mix, & Material

*GP7000 developed by Engine Alliance, LLC, a joint company of GE – Aviation and Pratt & Whitney
Great first impressions … priceless

Operators with new airplane types

› New aircraft in service ’06 & ’07 … ~1,920
› New customer experiences … 1,150
Commercial Engines in 2007. . .

✈ Aviation remarkably strong

✈ Production volume will be at record levels

✈ Product portfolio is solid

✈ Our Customers have got to win
<table>
<thead>
<tr>
<th><strong>GE’s plants</strong></th>
<th><strong>Suppliers</strong></th>
<th><strong>Partners</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>28 component shops</td>
<td>335 domestic</td>
<td>Avio</td>
</tr>
<tr>
<td>6 assembly and test sites</td>
<td>105 global</td>
<td>Volvo Aero</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MTU Aero Engines</td>
</tr>
<tr>
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<td>IHI</td>
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</table>
Volume ... Total Supply Chain Output

On the horizon ... GEnx  JSF  GE38  GP7200  GE Honda  LEAP56

CFM, CFM56, LEAP56, and the CFM logo are trademarks of CFM International, a 50/50 joint company between Snecma and General Electric Company.

F136 developed by GE Rolls-Royce Fighter Engine Team
GP7200 developed by GE/P&W Engine Alliance
HF118 developed jointly by 50/50 JV between GE & Honda

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Unprecedented Growth…

Requires…

• More Raw Materials

• More Castings

• More Machining

• More Bearings

• And More Titanium
Accelerating new product launch

$\text{GE}nx \ldots 0 - 100 \ldots 19 \text{ months}$
GEnx growth

Fastest Large Engine Ramp up in history

(Engines)

2007 2008 2009 2010 2011
Growth strategy

• Investment

• Technology

• Lean
  • Standardization

• Productivity
Supply Chain … investment

Volume

Turbine airfoils
- Greenville plant

Rotating parts
- West Jefferson

Composites
- Mississippi plant

CFAN\textsuperscript{a}) expansion

\textsuperscript{a} - CFAN is a 50/50 joint company between GE and Snecma
Managing Cost
Material pressure

Conversion

Supply Chain Cost

Material

Nickel
$ lb

Titanium

'04 '05 '06 '07

'04 '05 '06 '07

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### Raw material ... key Aviation demand

<table>
<thead>
<tr>
<th>Material</th>
<th>2007</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Titanium</td>
<td>7M</td>
<td>11M</td>
</tr>
<tr>
<td>Nickel</td>
<td>17M</td>
<td>27M</td>
</tr>
</tbody>
</table>
Raw material focus

Cost reduction … playing offense!!

Cost reduction funding ($MM)

Engineers applied to cost reduction

“Buy-to-Fly”
GE90-115B TCF

From: 1 pc forging … 1878 lbs
To: 4 pc UEC welded rings … 1082 lbs

Driving material efficiency
Material options to titanium

- **PMC MAT' L**
  - Displacing titanium at lower temperatures

- **ALUMINUM USE**

- **TITANIUM USE**

- **NICKEL DISPLACING TITANIUM AT HIGHER TEMPERATURES**

- **FEROUS**

- **CMC MAT' L**
  - Designed for high strength at high temperatures

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GE Aviation 2007-08 Sourcing Strategy

Opportunity

Strategy

- Continue Global Push...Asia/China Still Priority - Accelerate India
- Leverage Aviation Growth and GE Infrastructure Synergy
- Sustain Raw Material Buffers to Protect Supply - Plus On-going Capacity Checks
Global capacity … China

Xian Aero Engine

Smiths Suzhou
Global capacity … Europe

Turkey

Rotating parts
Fabricated Assemblies

Major Product Lines:
F110, CFM56, CF6, CF34, GE90, GEnx

Romania

Combustors

Major Product Lines:
CFM56, CF34-3, CF34-8, CF34-10
Supply chain summary

Tremendous growth

Investing in capacity

Strong focus on productivity
  • Material … “Buy to Fly”

Delivering on customer expectations
Summary

• Tremendous Business Cycle that has some breath

• Need to keep material lines healthy

• Outlook for titanium from an engine perspective looks strong

• Must continue to drive cost …. Alternatives are available

• Counting on your continued support to do the right thing for the Buy America Act