

1980 STRATEGIC PLAN



INTERNATIONAL
CONSTRUCTION
BUSINESS
DIVISION

STRICTLY PRIVATE

COPY NO. 30
ISSUED TO B.M. SENYK

SADE/SADELMI Construction Operations — Segment Plan

29

Business Description

SADE/SADELMI is an operating group of companies involved in international construction and related manufacturing activities. SADE/SADELMI majority control passed to General Electric through COGENEL (80% GE share).

The construction business was established in Argentina in 1947 and Italy in 1948. After geographical expansion into other South American countries, the Middle East and Africa in the 1950s, the business was purchased in 1957 by COGENEL (a GE consolidated affiliate in Milan, Italy).

With an aggressive entrepreneurial strategy the construction business increased net worth from \$2M in 1958 to \$95M in 1979 (excluding \$77M net worth of Argentinian Companies sold in 1976).

In the period 1969-1979 SADE/SADELMI dividends to COGENEL have amounted to \$25M. During the period 1976-1979 SADE Argentina has paid more than \$21M of dividends.

SADE/SADELMI Construction Operation is characterized as a large, profitable, diversified multinational business serving a broad range of governments and private customers in a large number of countries and markets, focusing on LDCs.

SADE/SADELMI Construction Operations was transferred from the Europe Area Division in 1977 to the newly-established International Construction Business Division.







SADE/SADELMI'S WORLDWIDE BUSINESS ACTIVITIES

Majority Affiliates (Consolidated)	HQ	GE Share (%)	Employees (12/31/79)	1979 Results (\$MM)			
				Sales	NI **	Invest- ment **	Total Equity **
SADELMI COGEPI	Milan	80	4,967	\$300.0	\$21.1	\$129.2	\$54.1
SST Saudi Arabia	Al Khobar	48	288	9.3	1.5	2.2	2.2
SADELMI Nigeria	Lagos	48	100	0.7	0.1	0.9	0.9
SADESPA Spain	Madrid	77.6	1,190	35.0	1.6	15.3	6.2
Subtotal Europe, Africa, Middle East "Sphere"		—	6,545	345.0	24.3	147.6	63.4
SADE Brazil	Sao Paulo	73.5	12,000	138.3	(12.8)	43.7	17.2
SADE Colombia	Bogota	71.3	3,952	49.1	1.7	23.8	4.6
SADE Dominican Republic	Santo Domingo	80	26	—	(0.2)	1.6	(0.2)
SADELMI Ecuador	Quito	80	—	—	—	0.1	0.1
SADE Venezuela	Caracas	71.3	1,506	51.9	1.4	24.6	11.1
Subtotal Latin American "Sphere"		—	17,484	239.3	(9.9)	93.8	32.8
SADELMI New York	New York	80	31	1.2	0.0	1.0	0.3
Consolidated Total			24,060	\$573.4*	\$14.2*	\$240.1*	\$95.1*

* Includes department eliminations'

** Total Company

TECHNOLOGICAL SEGMENTATION

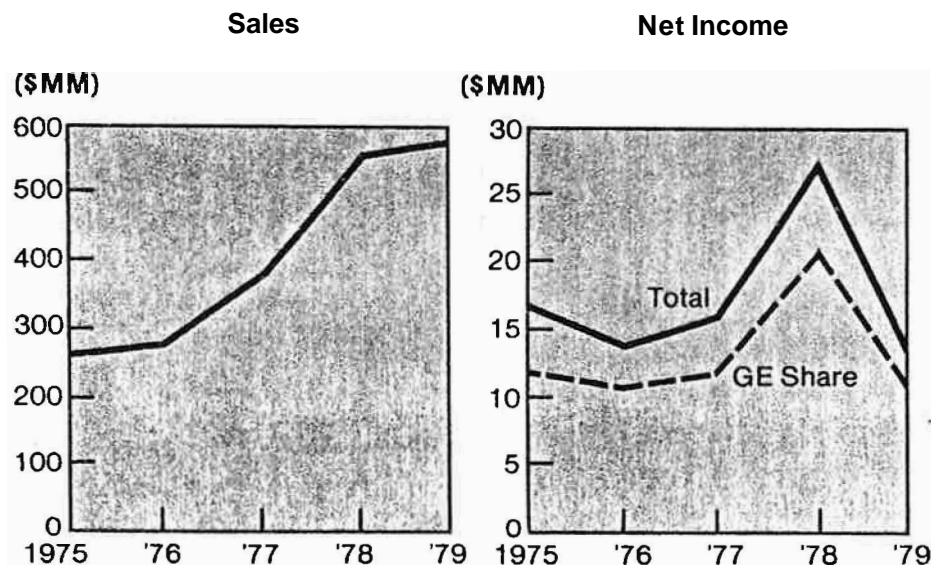
	Sales					
	1975		1977		1979	
	\$ MM	%	\$ MM	%	\$ MM	%
Transmission Lines and Networks 	69	27	92	24	182	32
Power Plants and Substations 	44	17	82	22	102	18
Industrial Plants and Systems 	A3	33	76	20	129	22
Civil Works 	17	7	36	10	51	9
Manufacturing 	29	11	26	7	38	7
Other activities (airports, systems, lighting, utilities, etc.) 	14	5	64	17	71	12
	\$256	100%	\$376	100%	\$573	100%

SADE/SADELM Construction Operations – Segment Plan

30

Business Description(Cont'd)

HISTORICAL GROWTH



- Sales have grown since 1975, with major successes in the newly rich, fast growing OPEC countries, increasing from 22.4% of total in 1975 to 60.8% in 1979
 - Profitability (ROS) has averaged 4.6% and ROI 23% during 1975-1979
 - Loss of major historical contribution of SADE Argentina has been offset by recent growth in other companies, especially SADELM COGEPI and SADE Venezuela
- 1979 results were affected by the revolution in Iran and by the losses in SADE Brazil

GEOGRAPHICAL SEGMENTATION OF SALES

(\$ in Millions)

OPEC Countries	1975	1979
Algeria	9.7	74.3
Ecuador	—	11.7
Iran	9.8	99.3
Libya	15.9	5.8
Nigeria	5.1	11.6
Saudi Arabia & Emirates	8.5	58.3
Venezuela	7.2	51.4
Iraq	1.2	36.4
	57.4 (22.4%)	348.8 (60.8%)
Resource Rich LDCs		
Brazil	123.0	127.2
Zaire	13.5	17.9
	136.5 (53.4%)	145.1 (25.3%)
Other LDCs		
Colombia	13.4	37.3
Egypt	—	7.6
Kenya	4.5	1.7
Dominican Republic	4.2	3.1
Others	3.9	8.3
	26.0 (10.2%)	58.0 (10.1%)
Industrialized Countries		
Italy	13.4	8.2
Spain	21.2	13.3
Others	1.3	—
	35.9 (14%)	21.5 (3.8%)
TOTAL	255.8 (100%)	573.4 (100%)

Managing Director's Overview

SADE/SADELM's historical performance has been based on entrepreneurial business intuition and thrust: pioneering, as engineers and contractors, in developing countries, with broad technological and geographical diversification tending to a local integration and leadership in specific technological segments in the markets in which they operate.

This basic approach continues to be valid looking ahead with the following guidelines for the period of this strategic business plan:

- Gradual evolution from the 1979 policy of "selective retrenchment" in some country markets to a policy of "controlled growth" and of "pursuit of unique opportunities" through broader geographical exploration and business development in new technologies
- Deep strategic development work for reevaluating and prioritizing new business development programs facing a reduction in traditional market opportunities and an increase in competitors' aggressivity
- Careful identification of new pioneering efforts with an appropriate balance of risk and reward is viewed as a key strategic need in 1980-1985
- Particular effort for developing broadened and more aggressive exploratory actions to take advantage of "unique" opportunities or to respond to "emergency situations"

Great and deep involvement into new technological markets: ecology, energy related raw materials (i.e., gas, coal, oil, etc.), defense, and urban infrastructure

- Improved manpower development and management "spheres" plans to overcome human resource constraints to growth: acceleration of the programs and actions started in 1979
 - Retain SADE Argentina and COSAPI as suppliers of resources and construction supplies in the Latin American markets
- Strengthening of **SADE/SADELM**'s structure in the industrial civil works technological sector and in design engineering capabilities
- Continued pragmatic revision of the capital structure of the different companies to better endure potential strong impacts due to changes in the cost of local currencies

- Greater flexibility for deeper integration in the countries where **SADE/SADELM** operates. through consortia, joint ventures, or partial ownership of local companies. As engineers and contractors, to be "not just marginal" but "significant integrated components," in the different communities, nations and regions in which **SADE/SADELM** group of companies are operating

- Continued development of synergistic efforts of mutual benefit in the different markets among the different **SADE/SADELM** companies and other suitable partners ("open consortia approach")
- Closer **ICBD** coordinated integration with other segments of the GE system, while maintaining an external low profile identification with GE: this strategy provides the added flexibility for entrepreneurial selective market penetrations

In summary, **SADE/SADELM** is an important GE business in its own right with a proven record of profitable growth. Difficult times are predicted for the near term and many strategic challenges are to be faced. We believe we are on the right path and with aggressive strategic management and positive interactive cooperation between **SADE/SADELM** and General Electric, difficulties portrayed for the future will be overcome.

Mission

SADE/SADEMI Construction Operations has a mission of profitable participation in worldwide construction markets, with the following roles:

- General contractor in construction projects and related engineering, technical assistance and other services
- Manufacturing of steel structures, hardware and construction-related products for own use or sale to outside customers
- Participating as a partner or subcontractor in projects with outside firms or General Electric, favoring the pull-through of GE products and services

ACCOMPLISHMENTS/CHANGES SINCE 1979

- U.K.-based holding company incorporated in 1979
- SADEMI Ltd. acquisition of additional shares of SADESPA (SADE Spain) (total GE share: 77.6%)
- Africa and Middle East market responsibility between SADEMI COGEPI and SADE Spain was rationalized
- Major management structure changes and "spheres" were developed for implementation in 1980

Determinants of a Strategy for the Segment

1

KEY ENVIRONMENTAL FORCES IMPACTING THE BUSINESS

Economic

- Slow economic growth or stagnation in 1980; uncertainties in the following years
- + Growth in oil countries to continue as a whole, but at a reduced rate with some major exceptions, e.g., Iran
- Policy of OPEC oil prices to influence Western economy, with a lesser impact than in previous years
- **Worldwide** inflation to continue in the 1980s
- Exchange rate fluctuations and uncertainties, however no major economic dislocations are foreseen

Political

- Political and social unrest resulting from changing values and ideological conflicts, creating uncertainties and fears thrusting toward self-sufficiency and reduction of construction opportunities
- Nationalism and opposition to foreign control of business, increased control of foreign investments, but without expropriation mentality for construction companies, as a general rule
- Religious and traditional antipathies, e.g., Islam vs. Israel, fanatic orthodoxism vs. modern mentality
- Emphasis on social investments, infrastructure and agriculture
- Instability in Saudi Arabia, UAE; social turbulence in Nicaragua, El Salvador, Southeast Asia

Business

- Strong construction competition intensified in a shrinking market, with special threats from Far Eastern companies, Socialist countries and local companies in LDCs
- Increased size and complexity of projects in key country markets
- Financing problems in many customers' markets
- **Continued** Arab boycott of Israel notwithstanding Egypt-Israel peace treaty; business practices unacceptable to GE in some countries

STRATEGIC IMPLICATIONS

- Geographical and technological diversification need
- Selective emphasis in oil countries
- @ Technological diversification needed for secondary oil recovery in other non-oil countries
- Responsive terms and conditions
- Need for increased consideration of margins and exposures as a function of **country** risks

- Market acuity needed to further opportunities

- Local partners and consortia
- Patience and **endurance** to maintain market positioning
- New markets identification/penetration
- Selectivity and diversification

- *Threat of margin erosion – need for selectivity and diversification (special projects)

- Use of consortia approach
- Financial capability "critical"
- Continued enforcement with GE policies 20.4 and 20.5 requirements

Determinants of a Strategy for the Segment(Cont'd.)

2

BUSINESS SUCCESS FACTORS

- Willingness to take risks (contracting by nature includes many uncontrollable factors creating risk)
- Market projects selectivity (difficult, changing, risky conditions require careful selection of projects/markets)
- Diversification to utilize "portfolio effect" in risk management and to obtain balanced use of resources
- Experienced, dynamic, intelligent, dedicated management leadership
- Local presence (environment in many countries favors local presence to gain competitive advantage and meet nationalization requirement)
- Technology leadership (leadership in construction techniques, equipment and management controls provide a key to market position and profits)
- Human resources (technical and management capability motivated to succeed in difficult environment)
- Thrust for excellence (on-time and on-budget completion of projects in difficult environments)
- Organizational flexibility (ability to transfer resources within a "system" and to utilize strength of others)
- Synergy with General Electric

STRATEGIC IMPLICATION

- SADE/SADELM historically has had an entrepreneurial risk-taking attitude. Need to maintain such a posture recognizing commensurate reward balanced with country risks in the medium and long term. Strategic philosophy requires moving quickly to take advantage of opportunities before competition. Potential constraint from GE controls oriented to manufacturing business
- Need for selection of markets/projects with reasonable risks but chance of significant rewards in order to achieve profitable returns above industry average
- SADE/SADELM has broad diversification by country and by technology approach. Continued attention to move or concentrate in developing countries/technologies and constant reassessment for deteriorating ones is critical
- SADE/SADELM growth relies on a spirited, cohesive, capable organization and management; organization and management plans to perpetuate this require continued attention
- SADE/SADELM has flexible approach, utilizing local companies with varied equity structures, joint ventures. Construction technology is valid only during country pioneering positioning, or for the long term, where integration with local economy is possible
- SADE/SADELM has strong capabilities in transmission lines, power plants, substations and specific sectors of industrial plants, but has limited know-how in others. Need exists for broadening technical competence in industrial plants, civil works, urban infrastructures, mining services and ecology
- Constraint after fast growth period and sale of SADE Argentina. SADE/SADELM growing to size where resources need structural development. Emphasize organization concept to maximize use of human resources, especially in South America
- Intensive competition requires improvement of the quality of work in every field of activity, making people use their intellect to go more deeply into the problems
- SADE/SADELM "system" of companies maximizes resources utilization. SADE/SADELM also has philosophy and ability to utilize various business approaches (consortia, partnerships, subcontracting, etc.)
- Continue and enhance synergy with General Electric while maintaining a low profile of association with General Electric; flexible external identification

Objectives/Goals

NON-FINANCIAL

- Develop an evaluated, prioritized new business plan
- Evolve an effective organization structure and manpower development plan to enable achieving growth targets, effective management succession and management "spheres"
- Implement a country risk assessment as a business measurement tool
- Achieve effective integration with selected GE components
- Achieve new simple process technologies as an adjunct to existing capabilities

FINANCIAL (1979-85)

- Achieve sales growth rate of 11 percent per year
- Achieve average net income growth of 18 percent per year
- Maintain a 24 percent average return on equity for the period
- Finance growth primarily from internally generated funds, except where opportunities warrant otherwise
- Ensure appropriate capital structure of the SADE affiliates

Strategies and Key Programs

BROAD STRATEGY

Evolve from the 1979 strategy of selective retrenchment to a strategy of prudent growth through geographical diversification and new business development in new technologies, while paying special attention to risk exposure and to cash flow.

Consequently, increased efforts are to be applied in developing opportunities, and selectively pursuing those which appear to be unique and which are related to our present experiences/markets.

STRATEGY ELEMENTS

- 1 Use selectivity in determining priorities and emphasis to achieve profitable growth and avoid management/resources dilution.



KEY PROGRAMS/ACTION PLANS

- Intensively cultivate most promising markets
- Be flexible and ready to modulate emphasis within oil countries as their market conditions change
- Establish permanent "roots of local presence" in key countries, where integration with local economy is possible
- Implement new business development programs and acquire related new technologies
- Concentrate efforts in Iran to limit exposure and generate profits on projects under construction and establish a basis for future rewards with reasonable risks

Strategies and Key Programs (Cont'd.)

STRATEGY ELEMENTS

- 2 Develop and implement **organization/management** structures to meet future needs of a large, growing, diversified business (see Critical Issues).



KEY PROGRAMS/ACTION PLANS

- Assure synergistic system of affiliated companies, with appropriate interchange of personnel and know-how
- Continue assignment of regional and technological responsibilities for specific companies
 - Strengthen organization of major branches
 - Implement improved, structured manpower-plan and recruiting and training programs
 - Select good project managers and "key people" for the field
 - Continue effective implementation of management succession plan
 - Maintain the "cell structure" scheme, by which the right human contact can be kept between the manager and employees, with well-defined responsibilities and authorities. The growth of the "cells" will depend on their own "vital" strengths, and must be measured by adequate financial results

- 3 Progressively pursue entrepreneurial, risk/reward situations in promising country markets, where competition is not firmly entrenched.



- Effectively strengthen operations in newly established companies in Saudi Arabia, Nigeria, Ecuador and Dominican Republic
- Evaluate new business opportunities in the Far East (Philippines, Indonesia, Thailand)
- Increase activity in Egypt (contingent upon SADE/SADELM eligibility for AID)
 - Develop new African country markets

Strategies and Key Programs(Cont'd.)

STRATEGY ELEMENTS

KEY PROGRAMS/ACTION PLANS

- 4 Maintain technological and geographical diversification as a means of balancing growth and risk.



- Evaluate diversification into energy-related raw materials, alternative energy sources, ecology, water treatment, etc.
- Increase engineering and construction capability in civil works as integral part and often decisive factor in competition in turnkey projects
- Strengthen competence in the field of 800 Kv and **higher** transmission projects (lines, substations and hardware)
- Explore construction opportunities in the fields of agriculture and agro-industry
- Investigate acquisition of basic, simple process know-how

- 5 Use flexible business approach



- Joint ventures or consortia among SADE/SADELM companies, with GE **SBU**s, with IPD and with external companies, establishing broad guidelines, to achieve appropriate integrated operations and **risk/reward** relationships
- Meet country nationalistic requirements through use of local partners, local management, local employee development, adequate reinvestment of earnings and local stock ownership (consistent with SADE/SADELM objectives/rewards)
- Explore new "non-traditional" commercial approaches, e.g., trade, barter, toll, etc.

- 6 Maintain the cooperation among the SADE/SADELM companies at the maximum possible level.



- Synergy in rationalized and coordinated marketing effort
- Synergy in coordinated engineering effort (also with GE components as PEO, TEMPO, PDSEO and IPSEO)
- Synergy in coordinated effort for personnel recruiting and training

Strategies and Key Programs (Con 'd.)

STRATEGY ELEMENTS

KEY PROGRAMS/ACTION PLANS

7 Reposition in less promising markets



- Support SADE Spain in its efforts to focus Spanish resources on developing business in selected African and Middle East countries, with de-emphasis on Spain

8 Achieve improved integration with GE (see Critical Issues)



- Low-profile identification with GE, except when commercial considerations suggest otherwise
- Relationship as consortia partner or subcontractor in projects
- Utilization of any applicable GE technology/know-how
- Seek opportunities to use construction activities as bridgehead to GE trading/ manufacturing activities in LDCs, for maximum pull-through of products and services

9 Foment growth through internal cash generation and selective revision of capital structure of SADE/SADELMI companies.



- Continue to limit, in general principle, dividend payout to 1/3 to enable increasing equity and reducing borrowings/ investment worth ratio to 50 percent by 1985. Dividends policy has to be continuously studied on affiliate-by-affiliate basis and also take into account applicable local laws.

10 Comply with GE policies on business practices and boycott provisions.



- Review bidding documents and respond in compliance with GE policies

11 Ensure that the planned merger of COGENEL with SADELMI COGEPI does not adversely affect S/C performance or programs and plans.



- Participate with International Sector, ICBD and Europe and Africa Operations in the evolution of the merger decisions

SADE/SADELM Construction Operation – Segment Plan

38

Major Investments

	<u>Program</u>	<u>Timing</u>	<u>Amount</u>
SADELM COGEPI	New Office, Rome	1980	\$3.5 MM
SADE Brazil	IBM Computer Facility	1981	\$1.5 MM
SST Saudi Arabia	Warehouse, General Services Facility	1981	\$2.5 MM

Not included above are investments (\$20-\$30million per year) required for mobile construction equipment for a multitude of specific projects. Although large in total, individual procurements are generally relatively small.

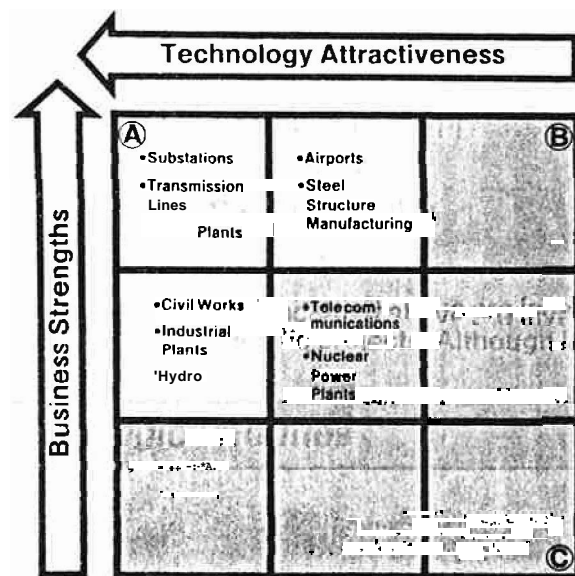
Strategic Priorities

EMPHASIS ON KEY DEVELOPING MARKETS

	<u>S/S Sales (\$MM)</u>				
	<u>1979</u>	<u>1985</u>			
Iran	95.2	15.0	Major SADE/SADELM development countries	Indonesia	Country market analysis in 1980
Saudi Arabia	58.3	87.7		Taiwan	
Nigeria	11.6	82.0		Malaysia	
				Philippines	
Egypt	7.6	36.0	– Capitalize on '79 gains		

- SADE/SADELM major expansion aimed at GE priority developing countries

Strategic Priorities (Cont'd.)



KEY FACTORS

Technology Attractiveness

- Size and growth
- Profitability
- Levels of competition
- Risks

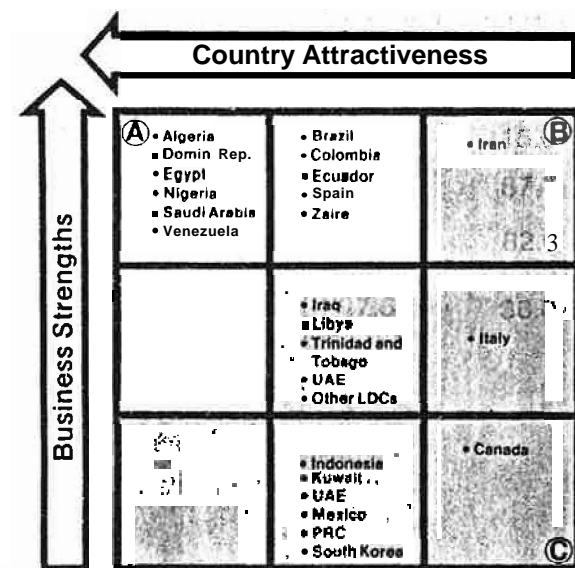
Business Strengths

- Technology know-how
- Human resources
- Image/reputation
- Costs competitiveness

TECHNOLOGIES/MARKETS

STRATEGIC EMPHASIS

	Percent Sales	
	1979	1985
(A) Intensive	97%	85%
(B) selective	3%	11%
(C) Opportunistic	—	4%
	100%	100%



KEY FACTORS

Country Attractiveness

- Size and growth of construction requirements
- Entry requirements
- Level of competition
- Risks (inflation, exchange, financial viability, etc.)

Business Strength.

- Local presence
- Image/reputation
- Availability of resources
- Knowledge of market

COUNTRIES/MARKETS

STRATEGIC EMPHASIS

	Percent Sales	
	1979	1985
(A) Intensive	72%	80%
(B) Selective	26%	18%
(C) Opportunistic	2%	2%
	100%	100%

Note: New potential country markets targeted for study in Malaysia, Philippines and Taiwan

Critical Issues

ISSUE

- 1 What management/organization changes are needed to assure continuing growth at reasonable risk levels?

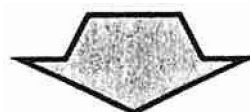
SITUATION ANALYSIS

Business Situation

- Now very large business, \$600 million in 1980 and growing 11 percent per year to 1990
 - Broadly diversified by geography and technology
 - Environment requires structure flexibility and operation as a system to enable resources transfer
 - Key resources in SADE Argentina not owned by GE
- Need for strengthening management "spheres"

Organizational Implications

- Need for maximum flexibility for country operations, but with rationalized central direction
- Multiplicity of country operations makes single layer structure difficult to manage
- Business growth and increased complexity/diversification demand fluidity of communications and decision making



Organizational Alternates

- Status quo – all key companies report to Managing Director
- Functional organization
- Tiered structure consisting of regional operations, i.e., management "spheres"

Evaluation

- Too unwieldy – difficult for MD
 - Difficult for multinational business. Not consistent with construction business oriented to countries and projects
- More consistent with size and diversity. Improve manageability, important to future Managing Directors



RECOMMENDATION

Continue effective implementation of management succession plan and strengthen management "spheres"

SADE/SADELM Construction Operation – Segment Plan

41

Critical Issues (Cont'd.)

ISSUE

- 2 How should appropriate level of growth of SADE/SADELM be achieved?

SITUATION ANALYSIS

- The historical performance of SADE/SADELM has been the following:

AAGR 1975-1979	Sales	10.8%
	Net Income	17.8%

- The growth in the Strategic Plan (1979-1985) is forecast at a controlled pace, taking into consideration the environmental factors (competition, market, volatility of political situation in most countries, etc.) and the SADE/SADELM structure and human resources constraints

AAGR 1980-1985	Sales	11.3%
	Net Income	13.2%

- The approach of acquisitions or mergers could constitute a further constraint on SADE/SADELM companies' structures, especially during the transition period
- A "faster growth alternate" seems at the moment not compatible with present and planned structures of the SADE/SADELM companies, and forecasted slowdown of key markets in the early 1980s
- A "slower growth alternate," which could be achieved by adopting more selectivity to reduce risks and improve returns, is inconsistent with SADE/SADELM philosophy and GE corporate priorities. Nevertheless it would be attractive contingency alternate in event of major environmental deterioration or unexpected internal problems




RECOMMENDATION

The controlled growth pace can be achieved with the present and planned structures of the SADE/SADELM companies

Additionally, controlled growth may be enhanced by selective acquisitions and mergers



Critical Issues (Cont'd.)

ISSUE	SITUATION ANALYSIS	RECOMMENDATION
3 What is appropriate integration level with GE?	a. Identification <ul style="list-style-type: none"> • In some countries, SADE/SADELM's image is stronger than GE and close identification would lessen SADE/SADELM opportunities • The reverse may be the case as well • SADE/SADELM needs to maintain flexibility to enable consortia or subcontracts with GE equipment/project competitors 	 <p>Maintain flexible posture. Use GE relationship to maximize benefits to GE system, including SADE/SADELM results</p>
	b. Cooperation in Projects <ul style="list-style-type: none"> • SADE/SADELM, IPD, GE SBUs, Area Divisions, I&SEBD all have varying involvements in projects • SADE/SADELM views appropriate broad definition of responsibilities as follows: <ul style="list-style-type: none"> ICBD – Overall management; coordination of integration of S/S with other GE segments IPD – Strategist in turnkey projects (in cooperation with ESTD, field sales and SBUs) S/S – Preferred contractor when strongest or only one available I&SEBD – Source of technical service 	 <p>Utilize ad hoc "open consortia" approach utilizing best combination for each specific job, with individual responsibilities but a single source to the customer (in cooperation with ESTD, field sales and SBUs)</p>
	c. Risk-taking in Projects <ul style="list-style-type: none"> • Construction is often the most decisive element of a project or consortium – and often the riskiest, due to uncertainties of costs and uncontrollable events • SADE/SADELM's reward needs to be consistent with risks and contribution levels • GE system income may be enhanced by maximizing construction contribution and returns by means of early coordination 	 <p>Integration of guidelines and risks/reward distribution according to contribution</p>

Critical Issues (Cont'd.)

ISSUE

SITUATION ANALYSIS

RECOMMENDATION

3

What is appropriate integration level with GE? (Cont'd.)

d. Bridgehead
Type
Operations

- SADE/SADELM presence and strength in certain LDCs may precede significant GE involvements
- Opportunity exists to utilize S/S presence and local know-how to favor pull-through of GE products
- Integration of GE design capacities with SADE/SADELM construction experience to optimize equipment material and construction costs



Utilize SADE/SADELM as a resource in such business development following initiatives of GE components while maintaining external low profile, identification with General Electric

4

How can SADE/SADELM continue to obtain know-how and resources from COSAPI, SADE Argentina/ Perez Companc?

- SADE Argentina historically has been a vital part of the SADE/SADELM system of affiliated companies
 - Strong source of know-how
 - Provider of capable people and training opportunities
- *Sale of SADE Argentina equity in 1976 reduced COGENEL share to 10%
- SADE/SADELM Managing Director retained as MD for SADE Argentina, as well

Challenge is how to retain such relationships without equity control of General Electric "responsibility" for SADE Argentina

- SADE Argentina presently majority owned by Perez Companc, one of the largest Argentine conglomerates, involved in petroleum, natural gas, shipyards, real estate, insurance and banking



Seek to retain supplier relationships through "open consortia" type relationships, joint ventures and supplier/customer type arrangements.

SADE/SADELM Construction Operation – Segment Plan

44

Contingency Plans

	KEY ASSUMPTIONS	CONTINGENCY	PROBABILITY OF OCCURENCE	IMPACT ON SADE/SADELM	TRIGGER POINT	SADE/SADELM STRATEGIC RESPONSE
1	Construction markets in OPEC countries are growing, but at a lower rate	What if growth levels off in 1980s?	Medium (40-50%)	Significant NSB and NI shortfalls	Bid opportunities level off	<ul style="list-style-type: none"> • Accelerate programs for non-OPEC countries • Diversify to new technological emphasis in OPEC and other countries • Seek more internal vertical integration (more dollars per job and multidisciplinary participation)
2	SADE Brazil can continue to grow as foreign-owned company	What if Brazil requires construction bidders to have majority local ownership?	Medium (30-40%)	Major negative impact on SADE Brazil sales and net income	Demonstrated government policy or directive	<ul style="list-style-type: none"> • Evaluate the desirability of splitting construction and manufacturing into two companies • Investigate acquisition of a Brazilian civil works company as a means of increasing majority local ownership and expansion of project content
3	SADELM can operate successfully in Mid East without significantly adverse boycott limitations	What if boycott rules become more restrictive, so as to seriously impact on SADELM?	Medium to low (25%)	Major impact on sales in Saudi Arabia, Iraq, UAE and Libya	More restrictive rules are applied	<ul style="list-style-type: none"> • Search for new contractual approaches acceptable to Boycott Office and GE • Work as subcontractor for non-affected firms
4	Iranian market will be affected by high political instability	What if recovery does not occur for three or more years?	Medium (40%)	Major impact on sales in Iran	Iranian development plan fails to be implemented	<ul style="list-style-type: none"> • Reallocate resources to other country/markets • Develop offsetting new business
5	SADE Spain can continue to grow as a second European based SADE/SADELM company	What if market assigned (including Spain) levels off/shrinks?	Medium to high (60%)	Loss of human resources and knowhow, as well as of contribution to NSB and NI	Reduction of orders received with respect to present LRF	<ul style="list-style-type: none"> • Reconsider rationalization of market assignment • Assignment of selected technology markets within SADE/SADELM (e.g. steel mills, nuclear) • Re-orient towards new business development technologies • Sell SADE Spain

Major New Business Development Programs

PROGRAMS

OBJECTIVES

ACTION PLANS

1

Assessment of Far East developments (Indonesia, Malaysia, Philippines, Thailand). Competition!

Obtain geographical diversification through participation in promising LDC growth markets new to SADE/SADEMI



- Participation with local compatible companies in selective tenders as a means of evaluating opportunities
- Future efforts dependent on initial results
- Resource availability and knowledge of local operating conditions are concerns/constraints
- Capitalize on GE presence in these markets (Philippines)

2

Continue and expand construction activity in Egypt

• Diversify in Middle East in countries with large potential



- Contract received April 1978 for civil works and erection of two gas turbine power stations (300MW) — \$12 Million — completed
- Ismailia steam power plant 2x150 MW under construction — \$32 Million S/S share
- Need for support from GE organizations which have country management presence and potential for U.S. financing of projects (AID)
- Obtaining hard currency payments is a challenge requiring creative business approaches
- Develop other sources of financing from Italy and Spain

3

Increase activity in construction contracting for civil works, urban infrastructures, secondary oil recovery, mining services and raw materials handling. Solicit resource contribution from GE, as appropriate.

Pursue technological/market diversification in promising new countries and in existing markets

- Obtain significant sales by 1985



- Activity in some of these markets already underway in Brazil and Colombia, and being developed by SADE Spain
- New efforts to develop capability and take contracts in Venezuela, Africa and Middle East
- Know-how/capability transfer from existing areas of experience/strength to new areas
- Acquire new technologies in simple processes with compatible applications

4

Manufacture in new areas and develop new types of services

- Diversification to achieve growth and dilute risks

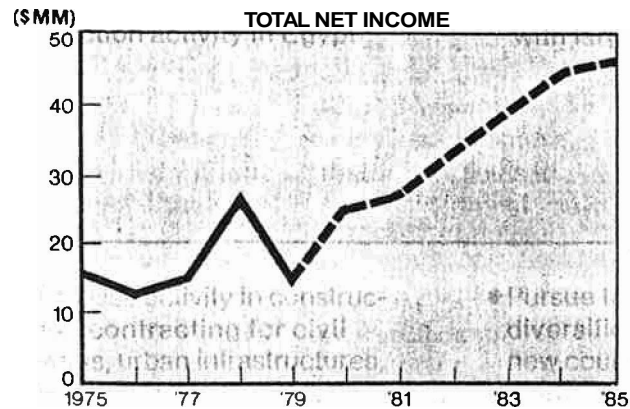
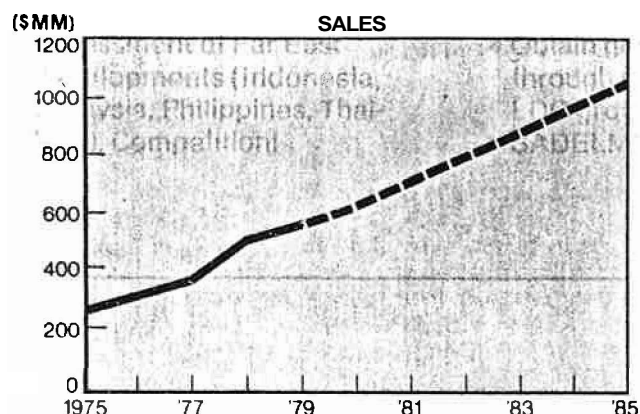


- Future ideas requiring exploration, evaluation and prioritization

SADE/SADEMI Construction Operations – Segment Plan

46

Expected Financial Results



- Sales are forecast to grow at an average annual rate of 10.8% (1979-1985) and total net income is forecast to grow at an average annual rate of 17.8%

KEY PERFORMANCE INDICATORS

	(Sin Millions)			AAGR
	1979	1980	1985	'79-'85
Orders Received	630.4	582.7	1174.9	12.3%
Sales	573.4	607.3	1040.3	10.8%
Net Income – Total	14.2	24.2	45.8	17.8%
– GE Share	11.3	18.6	34.2	17.8%
ROS %	2.5%	4.0%	4.4%	
ROI %	17.4%	21.3%	20.4%	
ROE %	15.7%	22.8%	24.4%	
Investment (year-end)	240.1	255.8	394.3	
• Borrowings	145.0	138.7	196.7	
• Net Worth	95.1	117.1	197.6	
Operating Cash Flow (after dividends)	(15.1)	(1.0)	(18.8)	
Programmed Investment (P&E)	28.2	31.2	36.0	
Employment Salaried	6,516	5,771	6,545	
(1213179) Hourly	17,544	21,454	25,337	
Total	24,060	27,225	31,882	

SADE/SADEMI Construction Operations—Segment Plan

47

High Potential Orders in 1980-81

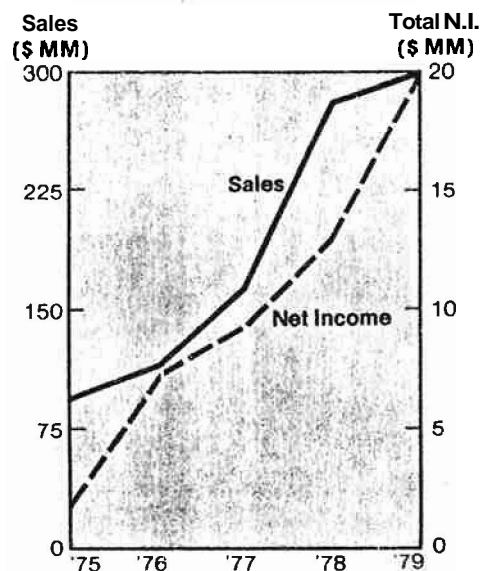
	AFFILIATE	CUSTOMER	DESCRIPTION	(\$ in Millions)
EUROPE AFRICA, MIDDLE EAST "SPHERE"	SADEMI COGEPI	• Sonatrach	— 6 Compressor Stations for Alrar-Hassi R'Mel Pipeline	300
		• NEPA	— 4 x 200 MW MSTG-Turnkey-Igbin Plant (With SNC)	110
		• University of Riyadh	— Academic Area-Partial Supply and Installation of E/M Equipment	100
		• E.E.A.	— Alexandria Gas Turbine Power Plants (Fiat/Nova Pignone); Also STAG (142.8 MW)	55 34
		• N.N.P.M. Co.	— Iwopin Paper Mill Facility-E & M Installation of Pulp and Paper Mill Equipment (With SNC)	34
		• SNEL	— Shaba-220 Kv Transmission Line	29
		• GEBEL AKDAR Authority	— General Building Co.-Rural Electrification for Martubah Project-Turnkey	24
		• CAD	— Jeddah International Airport Cable Plant No. 2 (With SST)	20
		• NEPA	— Shiroro Hydro 4 x 170 MW- E & M-Aux.	15
		• NEPA	— 330 Kv Transmission Line Benin-Sapele (80Km)	8
LATIN AMERICA "SPHERE"	SADE Spain	• Sonatrach	— Skikda Terminal and Pumping Stat. (With IPD, CIMI)	28
		• SOE	— Sprecher Shuh-12 Substations 132 Kv Civil and E&M Installation	20
		• CDE	— Itabo No. 1 — 1 x 150 Mw MSTG-Turnkey (With SADE Dominican Republic)	18
		• Sonatrach	— Alrar-Electrical and Mechanical Installation of Thomasen's 4-GT's	6
	SADE Brazil	• ELECTROPERU	— Mantaro 220 Kv Transmission Lines (With COSAPI)	36
		• COSIPA	— Cubatao III Sintering Unit IV-E & M Installation	23
		• CODEMAT	— 138.7 and 34.5 Kv Transmission, Dist., Lighting	18
		• CODEG	— 138.7 and 34.5 Kv Transmission, Dist., Lighting	17
	SADE Venezuela	• ACOMINAS	— Ouro Branco-Steel Mill-Installation of Medium Section Mill and Reheat Furnace	12
		• EDELCA	— 5-800 Kv Substation for Guri System-Civil and E & M Installation	75
	SADE Colombia	• Interalumina	— Alumina Plant Piping, Prefabrication and Installation	10
		• ICEL	— Termotasajero (coal) 1 x 150 MW-Civil and E & M Installation	28
		• ICEL	— Cerrejon-Mitsubishi (150 Mw Steam) Civil and E & M Installation	10
		• EEB	— Zipaquirá 1 x 66 MW-Civil and E & M Installation	10

Business Characteristics

SADELM COGEPI is the largest of the SADE/SADELM affiliates. It is a construction company headquartered in Milan, Italy, but operating almost 100% in the Middle East and Africa.

SADELM's business consists of engineering and construction in all types of electromechanical plants, plus manufacturing of electrical boards and steel carpentry in Italy, mostly for internal use on construction projects.

HISTORICAL RESULTS



KEY RESOURCES.

Net Investment (12131179) (\$ MM)

Genoa workshop	0.6
Novara workshop	1.1
Milan headquarters building	4.3
Construction equipment	65.8

Employees (12131/79)

Salaried	1,994
Hourly	2,973
Total	4,967

GEOGRAPHICAL SEGMENTS

1979 Sales

Middle East	\$183.6	61%
North Africa	76.8	26%
Other Africa	31.4	10%
Italy	<u>8.2</u>	<u>3%</u>
	\$300.0	100%

STRENGTHS

- Long, foreign-oriented experience
- Competent detailed engineering capability, especially for electro-mechanical installations

Strong image in many foreign markets

TECHNOLOGICAL/MARKET 1979 SEGMENT SALES

	(\$ MM)	%
Power plants and substations	\$123.4	41
Industrial plants	45.1	15
Transmission lines and networks	104.4	35
Manufacturing	6.5	2
Airports, lighting, utilities, etc.	20.7	7
	<u>\$300.0</u>	<u>100%</u>

LIMITATIONS/CONSTRAINTS

- Structural consolidation due to the past rapid growth is being implemented
- Need of key people for foreign branches and job site management

A r a b boycott (and other GE policies)

*Very high headquarters expense due to costly and too frequent financial requirements and reporting

Key Environmental Factors—Economic/Political

PRINCIPAL COUNTRY MARKETS

ITALY			
	Real GNP Growth Rate	Inflation CPI	Exchange Rate \$/Lira (as of 12/31/79)
1977	2.0%	18%	\$0.00110
1978	2.6	13	0.00120
1979	4.5	15	0.00124
1980	2.0	17	0.00119
1981	2.5	15	0.00119
1982	3.5	15	0.00119
1983	4.0	13	0.00119
1984	4.0	12	0.00119
1985	4.0	12	0.00119

ITALY

- Slowdown and volatility in economy. Deterioration of balance of trade leading to possible further deterioration of balance of payments
- Continued political uncertainty; terrorism as a "constant," fostered by government's lack of authority and consensus and high rate of unemployment
- Social unrest and worker militancy
- Structural weakness and lack of a clear majority continue to represent the main obstacles to stabilization

Since sales are concentrated in the Middle East and Africa, four priority countries of these areas shall be considered: Iran, Egypt, Zaire and Algeria (for Saudi Arabia and Nigeria, see SST and SADELMi Nigeria Ltd. Affiliate Plans).

	<u>Iran</u>	<u>Egypt</u>	<u>Zaire</u>	<u>Algeria</u>
• GNP annual average growth rate 1980/85	3%	6%	3%	6%
• CPI annual average growth rate 1980/85	20-25%	15-20%	25%	10-15%
• Rate of Exchange*	\$0.01419	\$1.4744	\$0.4884	\$0.2612

* \$/Local Currency (12/31/79 estimate for 1980)

IRAN

- Political instability and uncertainty in the short term deriving from anarchy and multiplication of centers of power, often in conflict among themselves
- Struggle between religious fanaticism and the more moderate position of laymen, in an overall scenario of nationalism and populism. The reconstruction of the Army is one of the factors necessary for the return to stability
- Economy will need a long time to recover from the disruption caused by the revolution and will be impacted by the ability to maintain acceptable oil production rates
- * Accumulated inertia will delay the start of new development projects, notwithstanding unemployment and desire of the permanent government — after the parliamentary elections — to show that it intends to respond to basic needs of the country
- Continued difficulties of operation for foreign companies, at least for the near term, but rewards probable for companies which endure the present situation, even taking into account that opportunities will be substantially reduced

Key Environmental Factors – Economic/Political [Cont'd.]

PRINCIPAL COUNTRY MARKETS (Cont'd.)

EGYPT

- Following the policy of Sadat and as a consequence of the peace reached with Israel, the economy of the country now depends completely on aid from Western countries

Problems of internal and external stability may result because of the present political trend linked to expectations for economical improvement. However the country appears to be the largest and most promising market of the area second only to Saudi Arabia, and quite open to the activity of foreign contractors

New opportunities in infrastructure development, water distribution, and ecology, probably will evolve in the near term

ZAIRE

- Unstable political situation, but acceptable alternative to present government not available
- Stabilization program having implementation difficulties
- IMF appears to have started exercising its control over the Zairian economy
- Poor credibility to meet commitments
 - New investments encouraged but very limited
- Emphasis on agriculture, transportation, energy
- Persistence of inflation and debt problems
- Notwithstanding presently perceived problems, SADE/SADEMI considers Zaire as high potential market country

ALGERIA

- Political stability appears to be maintained despite severe criticism of the past administration done in the last Central Committee of the FNL both against the excessive exploitation of the **resources** as well as the insufficient use of existing equipment and human potential
- According to President Chadli, Algeria should conserve its oil and gas resources instead of turning them into "multicolored bank notes"
- The implementation of a drastic energy conservation policy will reduce opportunities in the field of industrial plants
- Emphasis of the next five year plan (to be issued late 1980) will be given to investments destined to meet and improve the basic needs of its rapidly growing population (agriculture, housing, infrastructure projects, health, education)
- Foreign (especially Western) "costly" aid and technical assistance will be reduced and gradually eliminated
- Emphasis will be given to discipline, productivity, self-reliance and eliminating waste
- Merit incentives will be introduced to encourage productivity
- Arabization of education and mores will be accelerated: Arabic will be introduced throughout public administration
- Algeria's foreign policy will continue to support the Polisario Front guerrilla now fighting Morocco for the independence of the Western Sahara
- Victory of the Zimbabwe people and of the Iranian revolution were welcomed, but no position was taken on the Soviet intervention in Afghanistan

Key Environmental Factors

MARKET/CUSTOMERS

- Power Plants & Substations, Transmission Lines {
 - Public Utilities in Italy, Iran, Iraq, Nigeria, Saudi Arabia, Ghana, Algeria, Zaire, etc.
- Industrial Plants {
 - Private companies in Saudi Arabia
 - Public companies in Algeria
 - Aramco & Petromin in Saudi Arabia
- Manufacturing {
 - Most production is included in content of SADELM construction sales to customers
- Others {
 - Regidesco (water supply) in Zaire
 - Riyadh University (Saudi Arabia)
 - Civil Aviation Department (CAD) in Saudi Arabia
 - Hochtief (civil work contractor for Jeddah Airport)

OPPORTUNITIES

- Development programs in Saudi Arabia, Nigeria, Algeria, Egypt, Iraq, and other oil producing countries
- New emphasis on development of hydroelectric resources (Ghana, Ivory Coast, Nigeria)
- AID financed projects (Egypt), if it will be possible to obtain SADELM COGEPI eligibility
- In Italy, ENEL's programs for fossil and nuclear power plants

COMPETITION

- International contracting companies able to shift resources from one market to another (e.g., SAE, BICC)
- Joint manufacturers/construction companies able to optimize system profits (e.g., Brown Boveri, Cogalex, Siemens, GIE)
- Eastern European, Indian, Egyptian companies with goals generally not profit-oriented but directed toward obtaining hard currencies with the advantage of low cost manpower (e.g., Energoinvest Romenergo)
- Japanese companies with vertical integration (materials, equipment, engineering, transportation, services)
- Local companies starting in Saudi Arabia, Algeria, and other countries, with political and financial support

THREATS

- Political instability and sudden turmoil in some market countries (mainly Saudi Arabia and Zaire)
- Increased competition from contractor companies with greater ability and broader technical and geographical scope
- Nationalistic and xenophobic tendencies
- Increased cost and reduced availability of skilled labor, especially for work abroad
- Social unrest in Italy

Objectives.

- Reestablish leadership for substations in traditional markets (Iran, Algeria, Zaire) and extend in other markets (Nigeria and other African countries)
- Reestablish and extend transmission lines activity in oil rich countries (Nigeria, Iran, Iraq, Saudi Arabia) as well as in Africa (Tanzania, Kenya, Mozambique, etc.)
- Increase thermal and hydro power stations and industrial plants activity in resource and oil-rich countries
- Expand direct activity in civil works, as an integral part of power plants and industrial projects. Competitiveness in this field should also improve due to better integration of transmission and civil works sectors
- Capitalize on successful achievement in the Jeddah Airport for increased participation, including partial O & M services
- Expand airports bidding activity
- Capitalize on past and present activity in the Riyadh University for obtaining substantial share of the electrical and mechanical portion of the new facility

Strategies and Key Programs

STRATEGY ELEMENTS

- 1** Continue selective promotion in the oil-rich countries, especially in Saudi Arabia, Nigeria, Algeria, Iraq and in resource-rich LDCs



KEY PROGRAMS/ACTION PLANS

- Continue to expand operative activity of SST company in Saudi Arabia with continuing SADEMI exports of manufactured products and services to SST
- Effectively develop activities of SNL company in Nigeria
- Initiate explorative market testing through selective proposal activity in Far East Countries
- Expand activity in Egypt, leveraging initial successes
- Implement promotional activity in other African and Middle East countries
- Maintain country presence and be ready to serve for future opportunities in Iran

- 2** Concentrate technical leadership in some selected segments, while at the same time pursuing selective diversification



- Broaden technical competence through joint-venture with experienced partners (e.g., CIMI for nuclear power plants, and SADE Argentina for water distribution,
- Continue to improve the level of human resources through active and effective selection and training
- Enhance engineering capability through utilization of computer technology (CAD/CAM)

Strategies and Key Programs (Cont'd.)

STRATEGY ELEMENTS

Develop the company structure to meet needs of a larger business



KEY PROGRAMS/ACTION PLANS

- Emphasize civil and industrial detail engineering, construction methods and equipment
- Increase the strength of operating structure (personnel, data processing, **export** and shipping, construction **equip-**ment, promotion)
- Implement the rationalization of the company Information System
- Conduct special search for "new managers" and for "site project managers"
- Increase utilization of third countries **and/or** local nationals (Pakistan, Filipinos, Turks)

④ Work closely with IPD and GE PSBUs

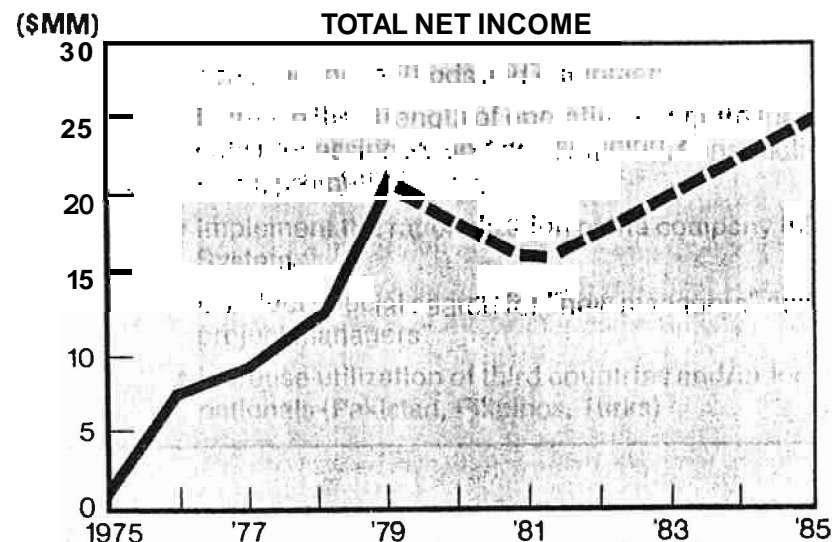
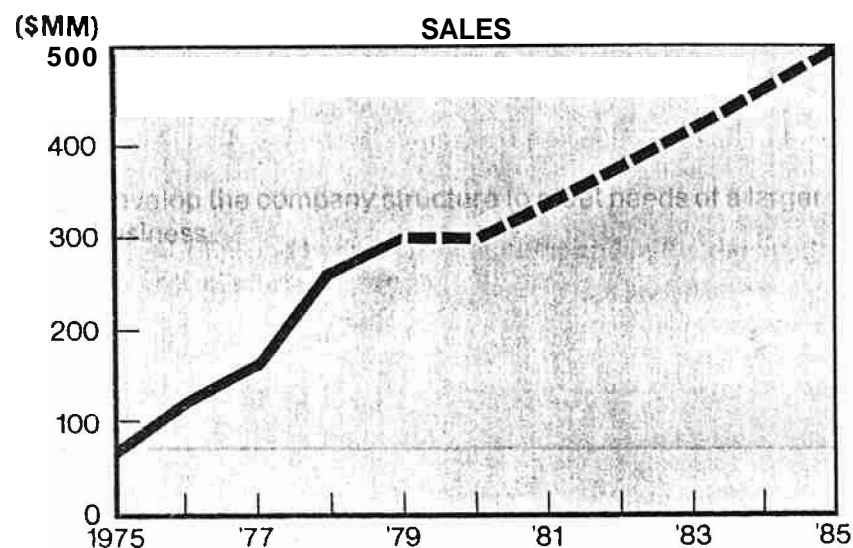


Continue to expand **cooperation** in projects bidding with IPD and develop specific opportunities with PSBUs when large project system content requires integration

SADEMI COGEPI Italy – Affiliate Plan

54

Expected Financial Results



KEY PERFORMANCE INDICATORS

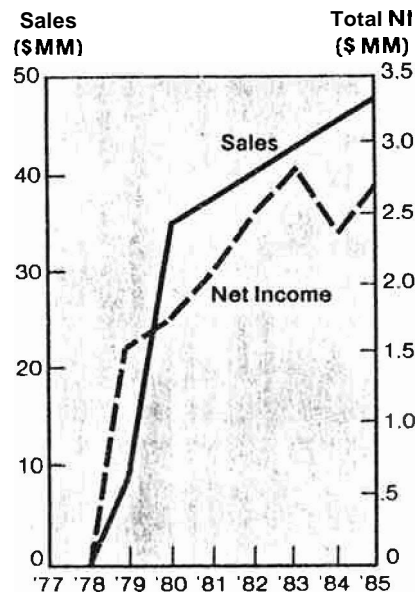
	(\$ in Millions)			AAGR
	1979	1980	1985	'79-'85
Orders Received	238.1	259.5	540.0	15.2%
Sales	300.0	300.0	500.0	9.5%
Net Income – Total	21.1	19.3	25.4	4.2%
– GE Share	16.9	15.4	20.3	4.2%
ROS %	7.0%	6.4%	5.1%	
ROI %	35.3%	25.1%	21.4%	
ROE %	48.4%	30.2%	28.0%	
Cash Flow (after dividends)	11.2	(10.0)	(13.8)	

Business Characteristics

SST was formed in 1977 as a joint venture with local partners in Saudi Arabia to provide local presence and thus expand S/S activity in the large Saudi Arabian market.

SST began operations in 1978. Initially, much of the content represents exports of materials and services from SADEMI; SST gradually will increase its participation in the scope of contracts.

FINANCIAL PERFORMANCE



ECONOMIC/POLITICAL

- Real GNP growth to 1985: 11%
Inflation 7%-13%
Rate of exchange \$1 = SR 3.35 stable
- Possible political instability due to unusual character of Saudi Arabia's political structure in modern times, and also to influences from neighboring countries (e.g., Yemen and Iran)
- Large economic development stemming from large oil revenues
- Local presence is deemed valuable for business success
Local ventures with foreign investments encouraged and protected. Substantial external technical support is required
- Expected change in the near future in the leadership of the country

MARKET/CUSTOMERS

- Construction market estimated at \$10 billion per year
- Large projects are typical, requiring consortia approaches
- Major customers: electric utilities (SOECO, EC, REKS, etc.), Petro-min, SWCC, other Government ministries/entities

COMPETITION

- In transmission and distribution: Siemens, BBC, Mitsubishi, SAE, Balfour Beatty, Cogalex, Hawker Siddley, ASEA, emerging Saudi companies
- In power generation: Mitsubishi, Hitachi, BBC, KWU, GIE, Alstom, Westinghouse, UTC

OPPORTUNITIES

- Participation in the large Saudi Arabian development plan despite recent cuts and postponements

THREATS

- Severe competition from Far East low-labor cost construction companies
- Unavailability of labor
- Possible sudden changes in present political system

Plans

OBJECTIVES

- Increase the share in the construction market
- Add direct benefits to SADEMI COGEPI from sale of supplies, materials and technical services to SST

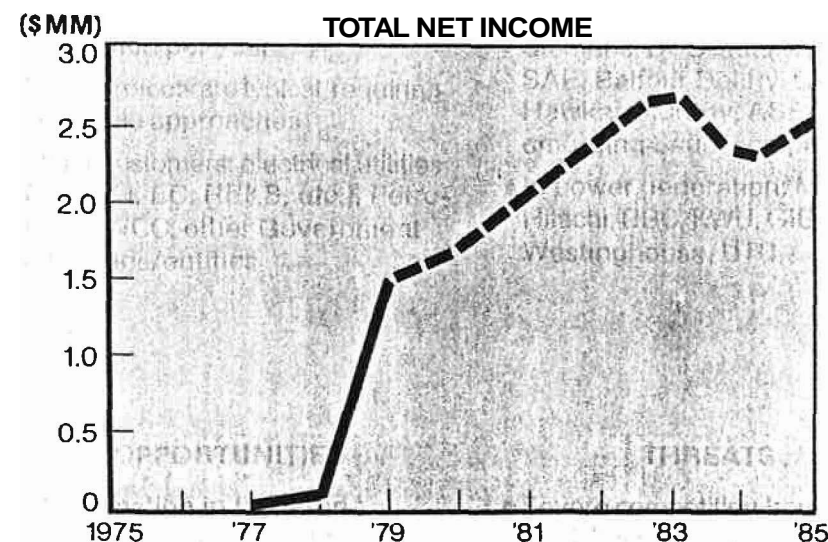
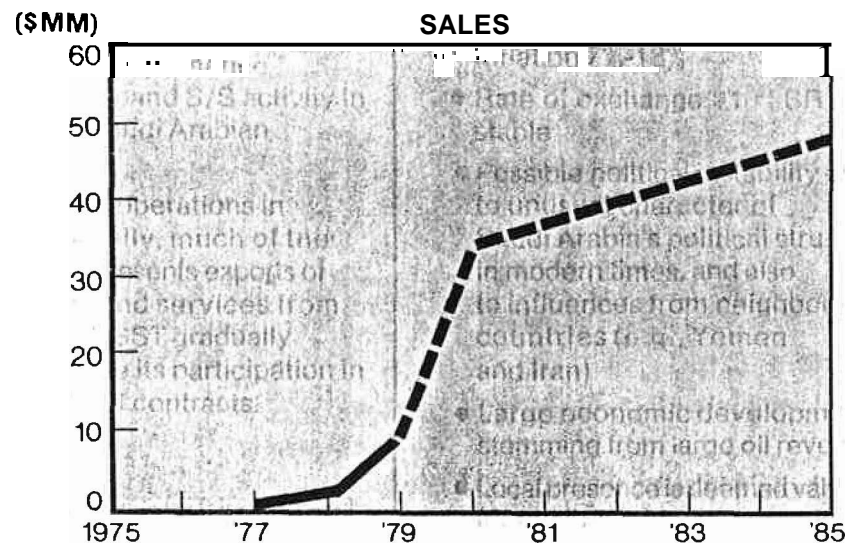
STRATEGIES

- Capitalize on SADEMI COGEPI strong reputation from previous experience and diversified capabilities
- Use local presence to enhance image and improve ability to obtain and manage manpower resources
- Utilize consortium and/or joint venture approach with SADEMI COGEPI and/or IPD
- Increase the capital of SST

SST Saudi Arabia – Affiliate Plan

56

Expected Financial Results



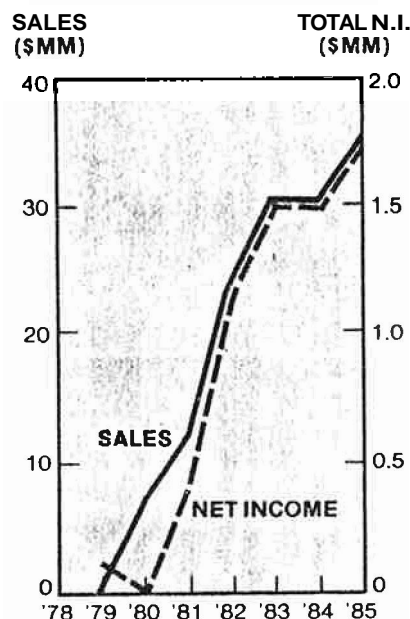
KEY PERFORMANCE INDICATORS

	(\$ in Millions)				AAGR
	1978	1979	1980	1985	'79-'85
Orders Received	6.0	40.6	32.7	53.7	6.5%
Sales	0.2	9.3	34.9	47.7	21.9%
NI—Total	0.2	1.5	1.7	2.6	9.6%
— GE Share	0.1	0.7	0.8	1.2	9.6%
ROS %	92.0%	15.6%	5.0%	5.4%	
ROI %	27.2%	83.3%	59.5%	19.2%	
ROE %	48.9%	98.6%	58.0%	19.7%	
Cash Flow (after dividends)	(0.1)	1.1	(0.9)	0.1	

Business Characteristics

SADELM Nigeria Ltd. was formed in the first quarter of 1979 as a subsidiary of SADELM COGEPI to provide local presence and thus expand SADE/SADELM success in the large Nigerian market. Construction work in Nigeria is to be performed by corporations organized under Nigerian laws.

HISTORICAL RESULTS



ECONOMIC/POLITICAL

- *Average annual GNP growth rate: 6%-10%
- +Average annual inflation growth rate: 20-25%
- Present rate of exchange of one Naira = 1.74 \$ — probably to be devaluated
- Oil production: 2 million barrels per day — major source of export
- Liquefied natural gas plant soon to be constructed
- Inadequacy of infrastructures; excellent opportunities in this field
- Nationalistic policy: "indigenization" of foreign companies and protectionism of local enterprises

MARKET/CUSTOMERS

- Main customers; NEPA, regional electric authorities, Nigerian National Oil Corporation and other public entities
- a Estimated value of construction market, \$3 to \$4 billion per year

OPPORTUNITIES

- The Nigerian national development plan, particularly infrastructure and oil related activities

COMPETITION

- In the field of power generation, substations, transmission and distribution; all the major manufacturers of the world

THREATS

- Strong competition from European manufacturing and construction companies
- Erratic and discontinuous order awards
- Possibility that majority control of SADELM Nigeria may have to be in the hands of Nigerian partners (S/S would retain management control)

Plans

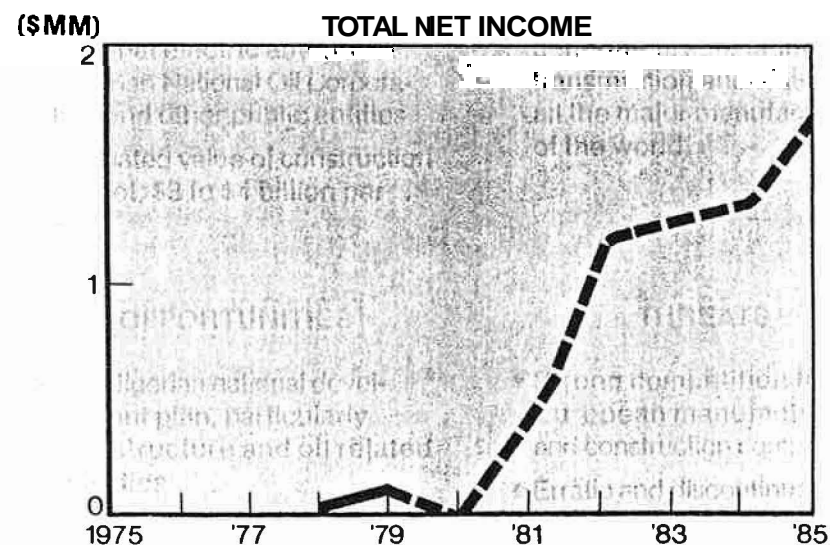
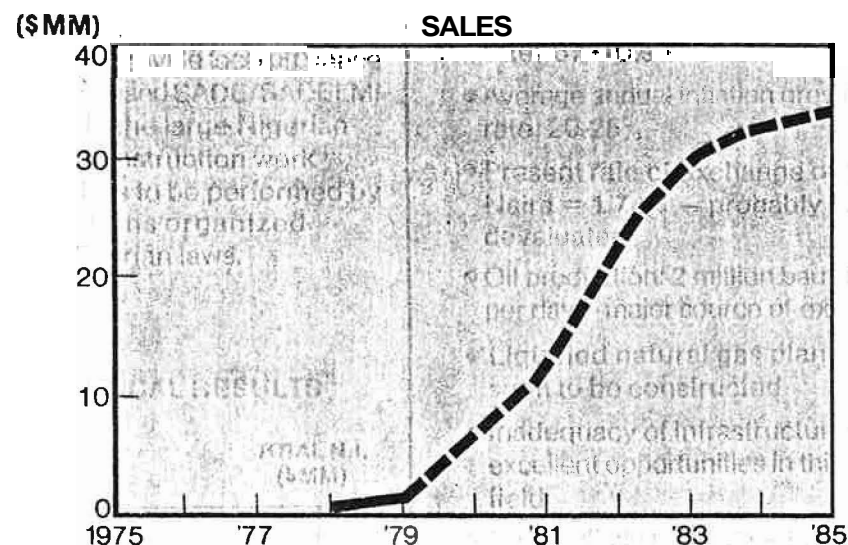
OBJECTIVES

- To obtain at least 5% of estimated construction market in power generation and substations, 15% in transmission, 1 to 2% in the other fields
- A d d direct benefits to SADELM COGEPI from sales of services and materials to SADELM Nigeria

STRATEGIES

- Use local presence to enhance and improve chances to obtain local contracts
- Utilize the consortium and/or joint venture approach with SADELM COGEPI and/or IPD
- a Capitalize on SADELM COGEPI good reputation based on previous achievements and ability to provide diversified construction capability, coupled with local image

Expected Financial Results



KEY PERFORMANCE INDICATORS

	(\$ in Millions)			AAGR
	1979	1980	1985	'79-'85
Orders Received	12.9	15.3	34.0	17.4%
Sales	0.7	7.0	34.0	72.7%
NI—Total	0.1	0.0	1.7	F
— GShare	0.1	0.0	0.8	F
ROS %	14.3%	0.0%	5.0%	
ROI %	11.5%	2.1%	20.2%	
ROE %	23.0%	0.0%	27.1%	
Cash Flow (after dividends)	1.5	(2.5)	0.0	

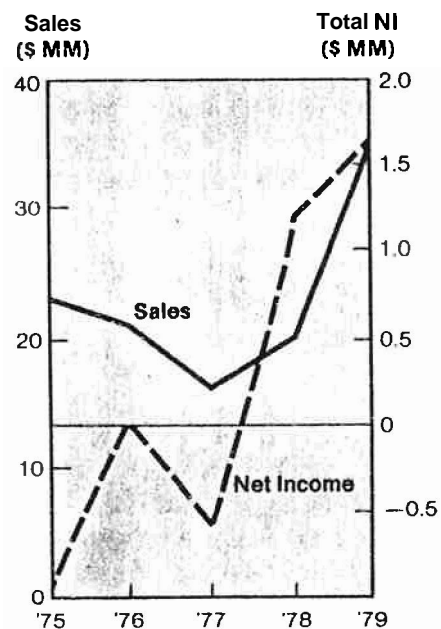
Note: SADEMI COGEPi has participated in the Nigerian market in previous years as an Italian company.

Business Characteristics

SADESPA, SADE Spain, is an affiliate engaged in construction both in Spain and in other countries (on an export basis).

The company has engineering and manpower strengths, with experience especially in steel mill plant construction and power plants (conventional and nuclear).

HISTORICAL RESULTS



ECONOMIC/POLITICAL

	Real GNP Growth	Infla- tion CPI	Exchange Rate (\$/Peseta)
1978	3.1%	16.4%	\$0.0131
1979	3.5	12.0	0.0151
1980	1.5	21.0	0.0133
1981	3.0	21.0	0.0125
1982	4.0	14.0	0.0125
1983	4.5	14.0	0.0125
1984	4.5	14.0	0.0125
1985	4.5	14.0	0.0125

- Government decline in political success has been compensated by some positive steps in critical sectors undergoing deep crisis (national plan for coal burning thermal plants)
- First signs for nationwide recognition of need to curb inflation materialized in top level industry-unions agreement which although not supported by communist union is obtaining wide acceptance
- High inflationary impact of long-due currency devaluation is gradually eroding trade balance expectations
- Uncertain future tendency in the Catalan and Basque autonomous governments with strong socialist influences may interfere with national consensus required in the economic policy field

MARKET/CUSTOMERS

- Electric Utilities:
 - Central nuclear de Almaraz
 - Central nuclear de Asco
 - Hidroelectrica Española
 - Iberduero
 - Fecsa
- Industrial:
 - Altos Hornos de Vizcaya
 - Altos Hornos de Mediterraneo
 - Ensidesa
 - Megasa
 - Astilleros Españoles
- Foreign:
 - State Organization of Electricity (SOE) – Iraq
 - KWU
 - Mitsubishi Electric
 - IHI
 - Mitsubishi Heavy Industries
 - Thomassen

COMPETITION

- Many aggressive local companies (e.g. Nervion, Isolux, Abengoa, Ibemo, Elecnor, Copisa, Tamoin, Soria, Wat)
- Increased presence of "low labor cost" international contractors in foreign markets: Indians, Singapore, Korean, etc.
- Traditional prime contractors (MHI, IHI, etc.), penetrating the erection field through direct hiring third country (Chinese) labor

OPPORTUNITIES

- Steel companies in Spain
- New (revised) nuclear and conventional power plants program in Spain
- Civil works and electro-mechanical installations in foreign markets: IHI, KHI, F.L. Smith

THREATS

- Spanish business environment damaged especially for labor intensive operations, multinationals and basic industry market, all key to SADE Spain activity
- Spanish consortia lack experience to act effectively abroad
- Erratic or non-existing Government policy for export promotion

Objectives

- Re-focus activities abroad (Iraq, Algeria, etc.) to offset weak local markets
- Expand activities in steel mill plant construction, utilizing SADE Spain's unique experience/strength in this field and develop activities to penetrate the cement plant market
- Increase share of electrical and mechanical erection of nuclear plants in Spain

Strategies and Key Programs

STRATEGY ELEMENTS

- 1 Re-focus activities to markets outside Spain



KEY PROGRAMS/ACTION PLANS

- Reshape organization and strengthen foreign service staff; maintain managerial and engineering base in Spain
- Direct efforts to countries where Spanish relationships and SADE Spain unique strengths will have maximum promotional impact
Continue Spanish business to provide base load necessary to maintain and rotate minimum permanent work force, and to continue local presence/image in Spain
- Cooperate with SADELM I and other SADE companies in developing integrated approaches to export markets/projects

- 2 Upgrade technical competence and expand share in steel plants and nuclear power plants



- Continue development of engineering and construction capabilities in steel plants and nuclear power plants and cement plants
- Obtain increased knowhow through consortia or joint ventures with suitable partners

- 3 Development of SADE Spain as complementary SADELM I COGEPI resource construction venture for Africa and Middle East

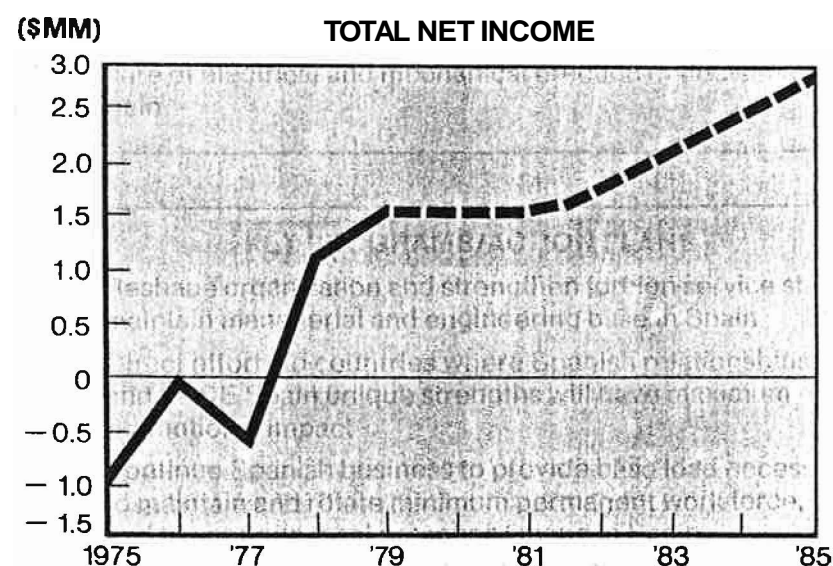
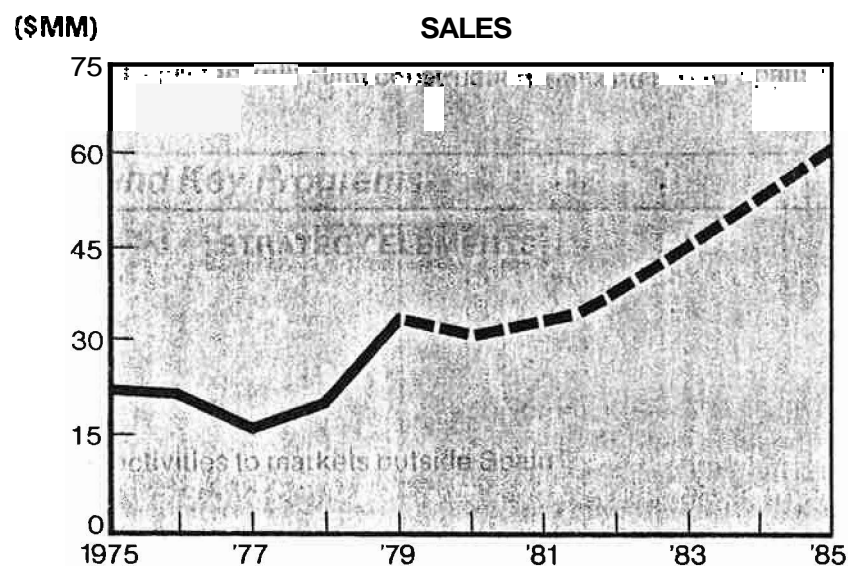


- Establish a Middle East and Africa market rationalization between SADELM I COGEPI and SADE Spain
- Promote a permanent "open consortium" approach with SADELM I COGEPI on HV transmission lines
Systematic exploration of SADE Spain country market assignment

SADE Spain – Affiliate Plan

61

Expected Financial Results



KEY PERFORMANCE INDICATORS

	(\$ in Millions)				AAGR
	1978	1979	1980	1985	1979-'85
Orders Received	41.9	18.1	44.9	71.0	19.8%
Sales	20.0	35.0	31.0	61.7	11.6%
NI—Total	1.2	1.6	1.5	2.8	11.7%
—GE Share	0.5	1.2(a)	1.1(a)	2.2(a)	11.7%(a)
ROS %	5.8%	4.6%	4.8%	4.5%	
ROI %	17.1%	15.4%	15.1%	16.1%	
ROE %	20.5%	25.9%	21.8%	20.2%	
Cash Flow (after dividends)	0.7	(1.6)	(0.5)	0.0	

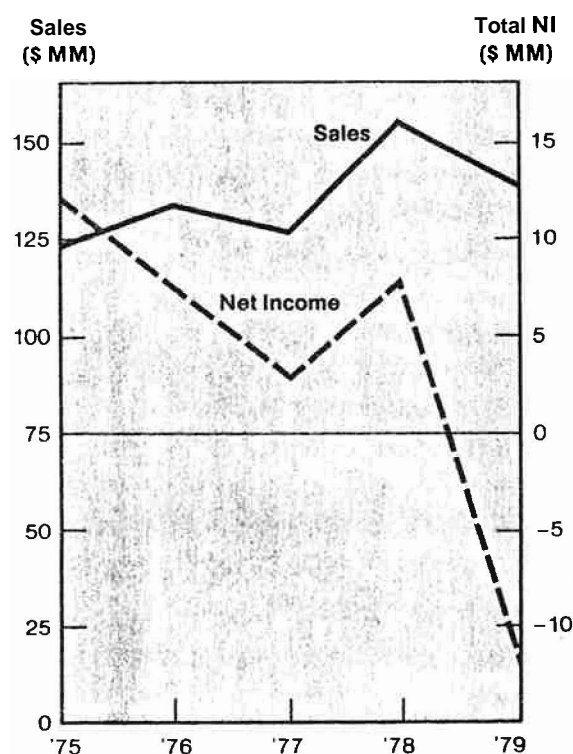
(a) GE share of net income increased as a percent of total net income due to a change in GE share of ownership in 1979 from 40%GE to 77.6%.

Business Characteristics

SADE Brazil is a large construction company with most of its activity in Brazil, but with some export activities to other Latin American/ African countries.

SADE Brazil's business consists of engineering and contracting activity in nearly all sectors plus manufacturing and galvanizing of steel structures; hardware for high voltage sub-stations.

HISTORICAL RESULTS



KEY RESOURCES

Net Investment (\$MM)

Jacarei and Casa Verde	11.7
General Services in Jacarei	1.4
Construction equipment.	6.6
Total	\$19.7

12,000 employees (12/31/79)

In 1979 SADE Brazil began complete operation of the manufacturing of steel structures and galvanizing at the new facility of Jacarei. Also, the General Services activities were moved to Jacarei.

The manufacture of hardware and of industrial steel structures remains temporarily in Casa Verde.

TECHNOLOGICAL/MARKET SEGMENTS

	1979 Sales	
	SMM	%
Transmission lines	18	13
Industrial plants	26	19
Power plants & substations	27	20
Civil works	36	26
Manufacturing	31	22
	138	100

STRENGTHS

- Long established strong image
- Capable people in all construction sectors
- Manufacturing capacity
- Capability in the field of civil works, hardware and steel towers for up to 800 Kv lines, engineering and construction methods for EHV, HV transmission lines

LIMITATION/CONSTRAINTS

- High financial costs and shortage of internal funds
- Foreign ownership
- Shortage of human resources, especially at the middle management level
- Poor performance in '79 of the SADE Brazil domestic branches, most of which had to be closed

Key Environmental Factors

ECONOMIC/POLITICAL

	Real GNP Growth Rate	Inflation CPI	ExchangeRate \$/Cruzeiro [as of 12/31/79]
1978	6.3 %	40.8%	\$0.048
1979	6.2	77.2	0.025
1980	5.5	60.0	0.016
1981	6.0	57.0	0.011
1982	6.5	54.0	0.008
1983	6.7	51.0	0.006
1984	6.6	48.0	0.004
1985	6.4	45.0	0.003

- Slower than historical GNP growth due to the impact of energy crisis and cutbacks in government spending and tight monetary controls
- Import restrictions due to chronic balance of payment deficits and a high level of external indebtedness. Difficult equilibrium in the balance of trade. Emphasis on export of products and services but lack of bureaucratic preparation.
- Negative company results due in part to decrease in general economic activity within the country, high levels of inflation and very high financial costs (level of 55% per year)
- Increased pressure in bidding, in prices as well as from exclusion from the government-run company market due to nationalistic "flag-waving"
- Political stability despite some sign of political unrest. Progressive liberalization of the government
Increase in frequency and duration of strikes

MARKETS/CUSTOMERS

- Petrobras (petroleum)
 - Electrobras (electricity), through its national and affiliate companies (e.g., Electronorte, Furnas, Electrosul, CESP, CELESC, CEMIG, CEEE RGS, CHESF, etc.)
 - Coal gasification
 - Companhia Siderurgica Nacional — Volta Redonda (steel)
 - Comphania Vale do Rio Doce (iron mines)
 - Other steel companies
 - Cosipa
 - Usiminas
 - Acominas
 - Comphania Siderurgica Turbarão
 - Construction of platforms for oil exploration and drilling
 - Alcohol and ethanol industries
 - State operated water and sewage treatment companies
 - Private industrial companies
 - Railroad maintenance and electrification
- Government-owned companies representing 85% of SADE's market

Size of the SADE market: U.S. \$1.5-2.0 Bil
SADE share of the market: Approx. 10%

COMPETITION

- Many privately owned local contractors (e.g., Tenenge, Nativa, A. Araujo. Montreal, etc.) which have market control in technologies such as nuclear power plants, electrical and mechanical installations
- Local branches of American and other foreign companies (e.g., Morrison Knudsen, Chicago Bridge, Techint, SBE, etc.).
- Increasing presence of large civil construction contractors within the field of electromechanical erections (C. Correa, Cetenco, Servix, A. Gutierrez, Mendes Jr., CBPO-Bechtel, Norberto Odebrecht).
- Recently nationalized subsidiaries of foreign companies (SETAL control from Combustion Engineering to Monteiro Aranha).

Key Environmental Factors (Cont'd.)

OPPORTUNITIES

- Major development programs in the infrastructure and industrial fields
- Urban transportation (trolleybus and subway systems) and railroads electrification and maintenance
- Urban infrastructure (sewage, water treatment and distribution, etc.).
- Steel industry
- Participation in the Brazilian government planned development of on-shore drilling for petroleum products. Possible collaboration with Ladd Petroleum
- Construction of modules and jackets for off-shore platforms with possible pull-through of GE technology and engineered system supply
- Petrochemical industry
 - a Alcohol and ethanol plants
 - Coal gasification
- Hydroelectric projects
- Interconnecting EHV lines
 - Port facilities
- a Housing, agriculture and infrastructure
- Telecommunication systems
- Joint-ventures with other Construction Group companies for works abroad
- Contractor and manufacturer export activities:
 - Latin America: Peru, Paraguay, Uruguay, Bolivia, Dominican Republic
 - Africa: Angola, Mozambique
- Participation with GE in the BEFIEX plan to increase exports from Brazil

THREATS

- Lack of investment funding continues causing slowdown in market growth
- In a shrinking and difficult market, preference is given to companies with local majority control
- Slowdown of private investments
- Technology transfer to Brazilian owned companies by foreign competitors

Objectives

- Recapture net income position
- Focus on financial management to reduce impact on income and assure reasonable level of working capital and debt to capital ratio
- Improve competitive position in manufacturing, increasing factory production entering industrial structures sector and export market; expand capabilities in galvanizing
- Enter new activities in on-shore drilling, off-shore platforms supply installation, coal gasification, alcohol plants
- Improve capability in civil works and competitive position in petrochemical, cement and steel plants projects
- Extend activity abroad (Peru, Dominican Republic, Chile, Portuguese-speaking African countries, etc.) to compensate domestic market reduction
- Maintain and further develop leadership position in HV and EHV transmission lines
- Maintain moderate growth after period of retrenchment and stabilization

Strategies and Key Programs

STRATEGY ELEMENTS

1 Use flexible approach to demands for Brazilianization.



- Constant monitoring of government/community pressures and demands for Brazilianization and be prepared to meet same by ownership restructure (if such becomes obligatory) by sale of majority equity of the construction portion, while maintaining management control

2 Increase participation on total project content.



Consider acquisition of Brazilian civil works company. Bid turnkey

3 Improve profitability through selectivity.



- Concentrate on larger orders with solid cash flow, both for construction and manufacturing activities, and increase participation on total project content

4 Improve organization and manpower resource.



- Emphasize personnel development and training at all levels

Strategies and Key Programs (Cont'd.)

STRATEGY ELEMENTS

5 Enhance technical capabilities.



KEY PROGRAMS/ACTION PLANS

Improve and assimilate new construction methods and techniques, in association with other SADE/SADE/ELMI affiliates.

- Introduce technological innovation through consortia with foreign companies (off-shore platforms, coal gasification, etc.)

6 Expand activities outside Brazil.



- Increase activities in other countries; e.g., Peru, Uruguay, Paraguay, Bolivia, Colombia and Venezuela, in joint ventures with other SADE/SADE/ELMI affiliates or SADE Argentina, using credit facilities granted by the Brazilian Government, i.e., BEFIEX and "government-to-government loans," when possible.

*Assemble technical/financial packages on a turnkey basis, financed through consortia within Brazil and abroad.

- Seek export expansion for SADE Brazil manufactured products and services:
- Extend activities to African Portuguese-speaking countries

7 Improve productivity and competitive position of SADE.



- Increase capacity through productivity improvement programs including better methods of computer design detail, tower engineering and computerize plant production planning and control.

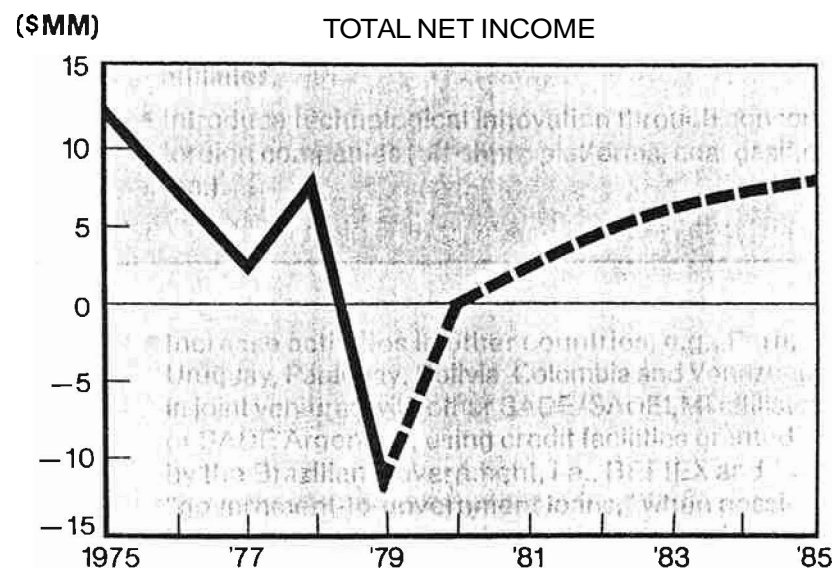
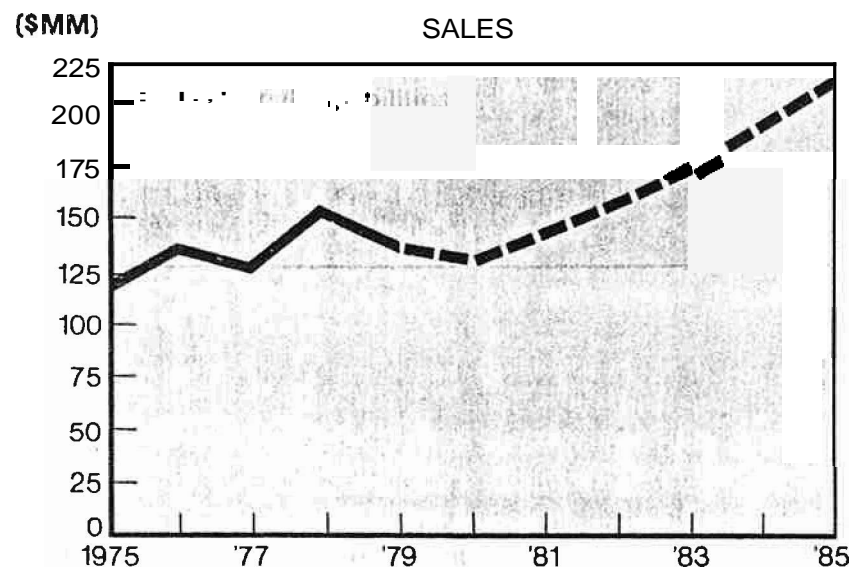
Maintain share of the galvanizing market for third parties, enter the market of industrial structures manufacture.

- Consolidate participation and share of the spacer-damper market..

SADE Brazil – Affiliate Plan

67

Expected Financial Results



KEY PERFORMANCE INDICATORS

	(\$ in Millions)				AAGR	
	1978	1979	1980	1985	'79-'85	'80-'85
Orders Received	200.7	219.5	146.2	228.0	3.3%	9.2%
Sales	155.5	138.3	127.5	213.9	8.7%	10.9%
NI— Total	7.9 (a)	(12.8)	0.0	6.9		
— GE Share	5.8 (a)	(9.4)	0.0	5.1		
ROS %	5.1%	(9.3)%	0.0%	3.2%		
ROI %	24.3%	(4.6)%	19.3%	19.7%		
ROE %	29.1%	(54.4)%	0.0%	19.8%		
Cash Flow (after dividends)	(5.5)	(15.9)	6.0	0.1		

(a) 1978 net income includes some major non-recurrent income adjustment (prior year reserves reversed to income in 1978).

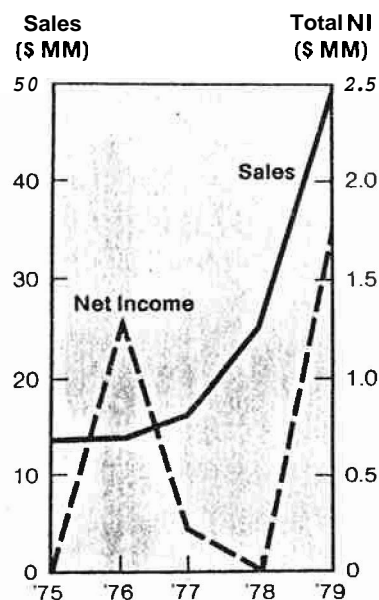
Business Characteristics

SADE Colombia is an affiliate engaged in construction contracting both in Colombia and in other Latin American countries, plus limited steel structure manufacturing.

The Company has good manpower resources and has been used as a springboard to activities in other markets, e.g., Ecuador, Dominican Republic.

It has good business relations with government agencies and is the leading Colombian company in the electrical and mechanical installation market.

HISTORICAL RESULTS



ECONOMIC/POLITICAL

	Real GNP Growth Rate	Infla- tion CPI	Exchange Rate (\$/Peso) (as of 12/31 /79)
1978	7.8%	19.7%	\$0.023
1979	6.5	28.8	0.023
1980	6.5	25.0	0.020
1981	6.5	25.0	0.017
1982	6.5	25.0	0.015
1983	6.5	25.0	0.013
1984	6.5	25.0	0.011
1985	6.5	25.0	0.010

*Continued mini-devaluations of the Colombian peso

- Political uncertainty
- No significant labor unrest; good skilled manpower situation
- Continued import controls to protect domestic industry
- General weakness in investments
- Increasing nationalistic pressure

MARKET/CUSTOMERS

- Utilities (ICEL, ISA)
- Petroleum (ECOPETROL)
- Water (EMCALI and E.A.A.B.)
- +Various private industries
- Siemens, Texas Petroleum Co., Mitsubishi, English Electric, Spanish Consortia, GE, Westinghouse, etc.

COMPETITION

- Strong competition from local companies in medium-sized jobs
- World competition from international contractors in major projects
- a Consortia of manufacturers

OPPORTUNITIES

- Support, in cooperation with SADE Venezuela, activity in other Latin American countries (Ecuador, Dominican Republic, Panama)
- New electricity generation and transmission projects
- Industrial development programs

THREATS

- General financial difficulties, especially of government-owned companies
- Continued strong nationalistic tendencies (Andean Pact)

Objectives

- Maintain market leadership positioning in industrial installations, thermal power plants and transmission lines
- Extend activity in other Latin American countries in support of new affiliated companies
- Improve market share in civil works for industry
- Leverage previous experience in the electrical installation of hydro generators and turbines to penetrate the hydro civil and mechanical construction field
- Selectively bid prime and turnkey in small projects in the power generation/distribution and industrial fields
- Cooperate with other S/S companies

Strategies and key Programs

STRATEGY ELEMENTS

KEY PROGRAMS/ACTION PLANS

1 Improve local engineering capabilities



- Establish joint-ventures with adequate partners in major projects and in new technologies
- Train young, promising people

2 Expand local manufacturing



- Moderately expand steel structures manufacturing

3 Strengthen local image



- Increase capital stock and increase the recognized amount of foreign investment
Sell some equity to local partners, as required to meet nationalistic pressures and expand participation in thermal power stations

4 Extend activity in other countries

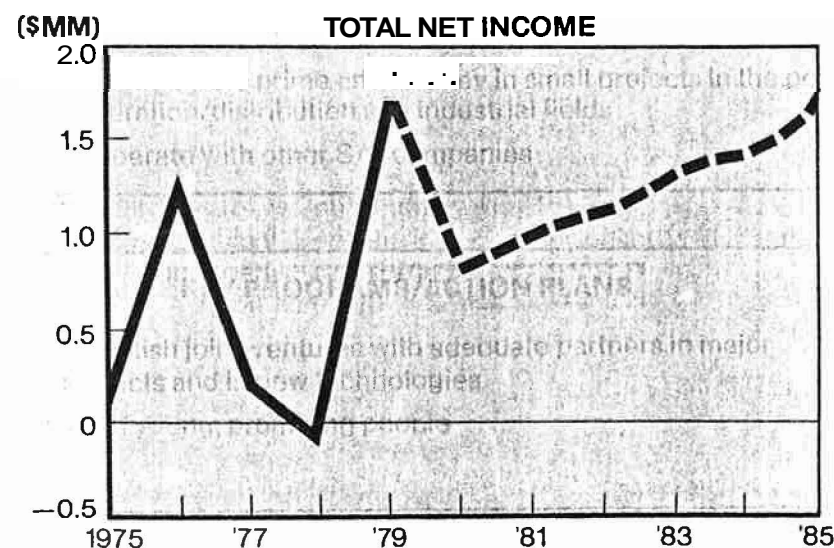
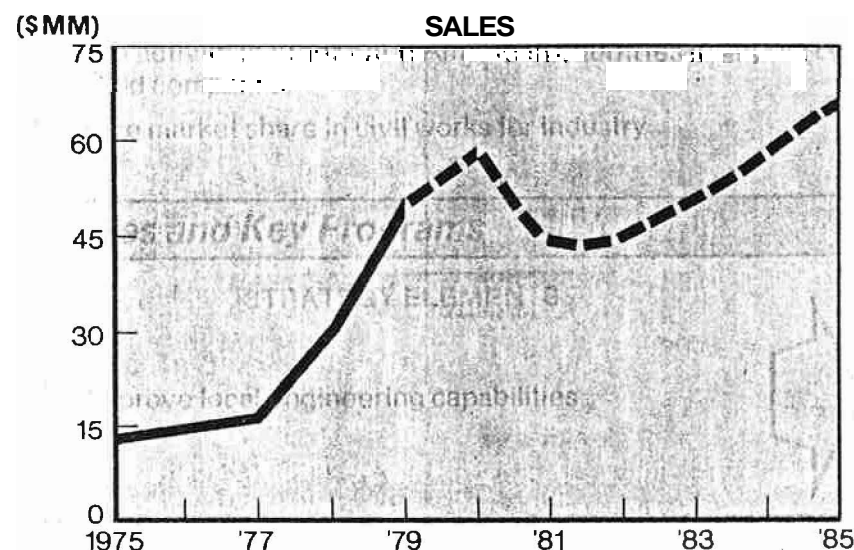


- Support new affiliates in Ecuador and Dominican Republic
- Cooperate with other SADE/SADELM I affiliates on off-shore projects

SADE Colombia – Affiliate Plan

70

Expected Financial Results



KEY PERFORMANCE INDICATORS

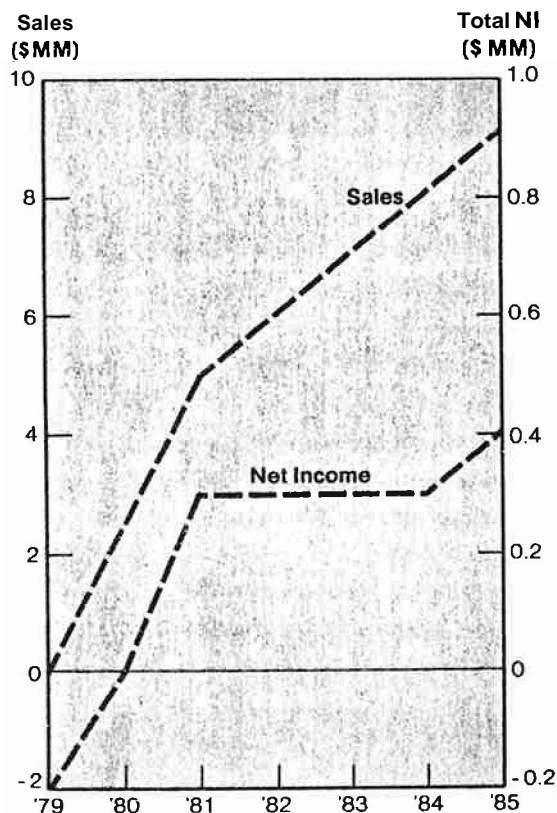
	(\$ in Millions)				AAGR	
	1978*	1979*	1980*	1985*	'79-'85*	'80-'85*
Orders Received	66.5	58.4	32.5	70.0	7.6%	15.5%
Sales	29.7	49.1	57.7	65.9	3.7%	4.6%
NI—Total	0.0	1.7	0.8	1.8	5.3%	16.0%
—GE Share	0.0	1.2	0.6	1.2	5.3%	16.0%
ROS %	(0.1)%	3.5 %	1.4 %	2.7 %		
ROI %	9.1 %	25.9 %	11.1 %	18.8 %		
ROE %	(1.3)%	45.4 %	16.7 %	19.5 %		
Cash Flow (after dividends)	(9.1)	(6.2)	1.2	0.3		

*Including Ecuador Branch

Business Characteristics

SADE Dominicana S.A. was formed in 1978 to meet nationalistic requirements and to be ready to serve opportunistically on sales of other SADE/SADELMI affiliates in the Dominican Republic

FINANCIAL RESULTS



ECONOMIC/POLITIC/...

- Average annual GNP growth rate: 4.5% for 1980-85 period
- Average annual inflation growth rate: 10-18%
- Rate of exchange: 1 Dominican peso = 1 dollar USA, likely to revalue
- Economy based on exports of sugar, cacao, coffee and minerals
- Development plan of Corporation Dominicanade Electricidad (CDE) for increase of installed capacity
- A reasonable investment plan for industrial installations expected

Plans

OBJECTIVES

- Average annual sales for next ten years in power generation & distribution market: \$5.6 million
- Average annual sales for next ten years in industrial installations market: \$2.5 million
- Utilize Dominican affiliate as base for commercial activity in other Caribbean markets
- Strengthen human resources of SADE Dominicana

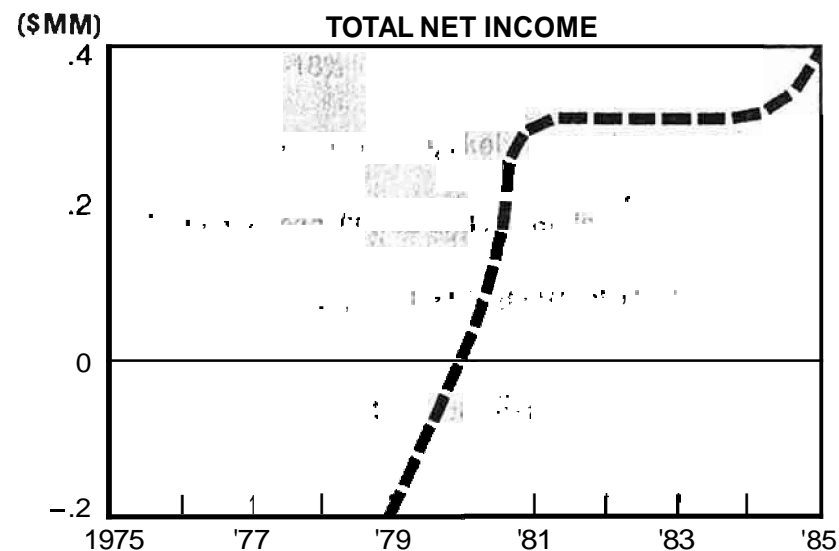
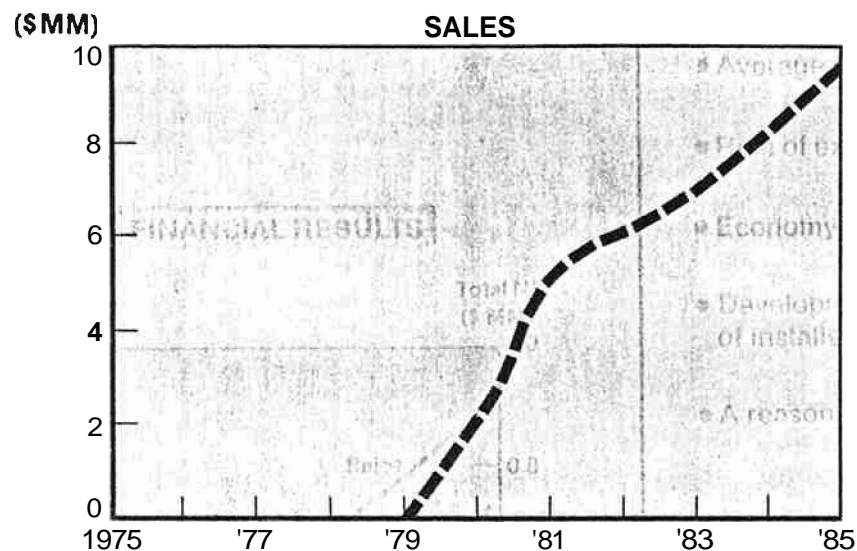
STRATEGIES

- Capitalize on past experience in the country and on good relations established with principal customer, CDE
- Initial support by Colombian affiliate

SADE Dominican Republic – Affiliate Plan

72

Expected Financial Results



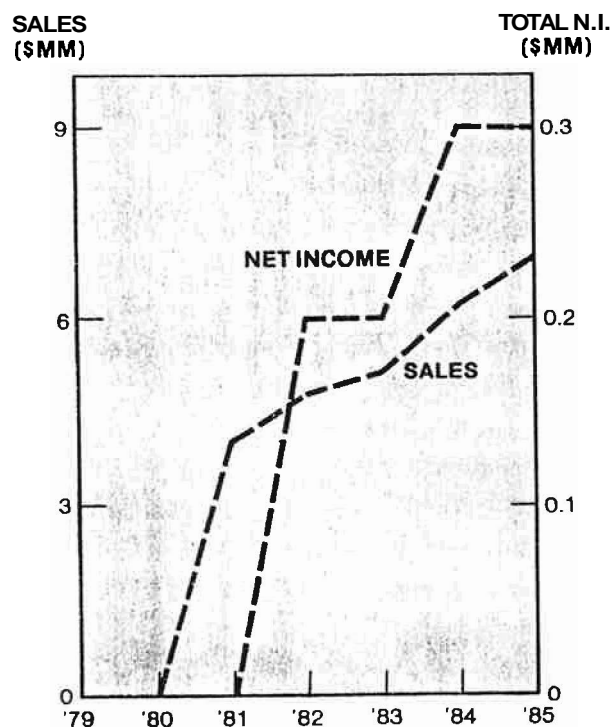
KEY PERFORMANCE INDICATORS

	(\$ in Millions)			AAGR
	1979	1980	1985	1979-85
Orders Received	9.6	6.0	9.0	1.9%
Sales	—	2.0	9.5	F
NI – Total	(0.1)	0.0	0.5	F
– GE Share	(0.1)	0.0	0.3	F
ROS %	—	(1.6)%	4.0 %	
ROI %	(12.9)%	(5.1)%	23.8 %	
ROE %	(11 %)	(24.0)%	28.5 %	
Cash Flow (after dividends)	(1.1)	2.5	0.2	

Business Characteristics

1979 as a subsidiary of SADEMI Ltd., U.K. to provide local presence and maximize SADEMI opportunities in growing Ecuadorian market.

FINANCIAL RESULTS



ECONOMIC/POLITICAL

Average annual GNP growth rate: more than 9-24%

- Average annual inflation growth rate: 16%
- Rate of exchange: 25 to 31 sucres = 1 dollar USA
- Oil production: 220 thousand barrels per day – no. 2 exporter of petroleum in Latin America
- Development plans of Instituto Ecuatoriano De Electrificación (INECEL) for power generation and distribution will mean market of adequate size to justify a permanent activity. Hydroelectric and rural electrification projects will dominate infrastructure expending
- A parallel growth of industrial investments will increase construction market

Plans

OBJECTIVES

- Average annual sales over next ten years in power generation and distribution projects: \$4.5 Million
- Average annual sales over next ten years for projects in the industrial installations market: \$2.6 Million

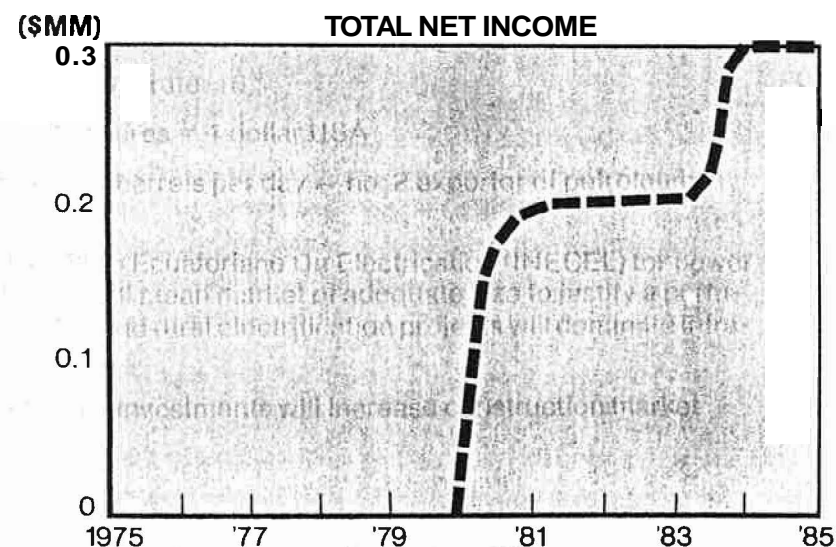
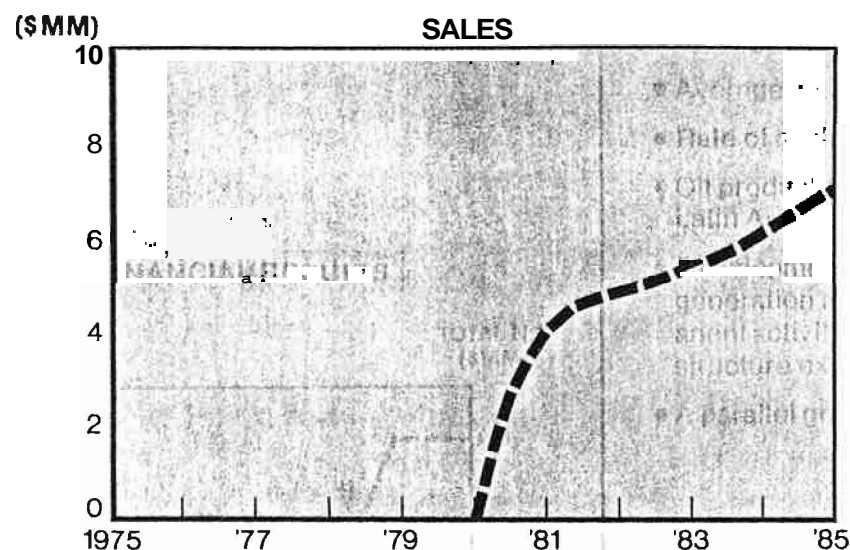
STRATEGIES

- Use of SADE manpower availability and past experience in the country, coupled with local image

SADEMI Ecuador – Affiliate Plan

74

Expected Financial Results



KEY PERFORMANCE INDICATORS

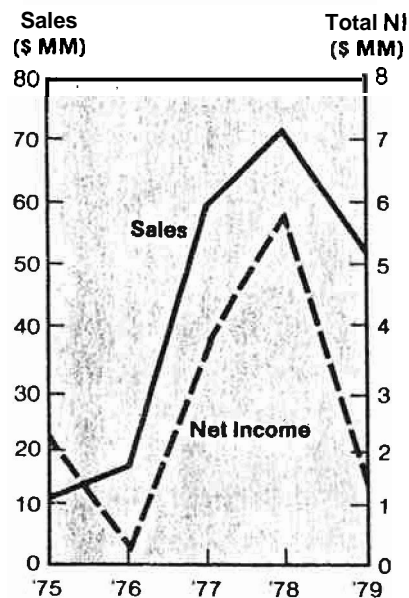
	(\$ in Millions)		AAGR
	1980	1985	1980-'85
Orders Received	5.0	6.0	3.2%
Sales	—	7.0	F
NI—Total	0.0	0.3	F
— GEShare	0.0	0.2	F
ROS %	—	4.2%	
ROI %	(10.5)%	22.3%	
ROE %	(10.6)%	29.0%	
Cash Flow (after dividends)	0.0	0.3	

Business Characteristics

SADE Venezuela is a construction company operating primarily in Venezuela, but with some activities outside the country. It is engaged in a variety of technological/market segments.

The company has experienced big growth in 1976-1979 consistent with recent rapid growth of construction markets in Venezuela.

HISTORICAL RESULTS



ECONOMIC/POLITICAL

	Real GNP Growth Rate	Infla- tion CPI	Exchange Rate (\$/Bolívar) (as of 12/31/79)
1978	4.8%	12.0%	\$0.23
1979	4.0	23.0	0.23
1980	6.5	25.0	0.23
1981	6.6	18.0	0.23
1982	6.7	15.0	0.23
1983	6.9	12.0	0.23
1984	6.5	10.0	0.23
1985	6.5	10.0	0.23

- Incentive to domestic production
- Increasing role of public sector in development
- Continued favorable oil situation
- Aggressive nationalistic policy
- Decontrol of prices to stimulate production
- Inflationary pressures
- Increasing labor unions' strength
- Fiscal austerity and strict control of money supply

MARKET/CUSTOMERS

- CADAFE, EDELCA (electricity), SIDOR, CORPOZULIA (steel), CANTV (telecommunications)
- PETROVEN (refineries and petrochemicals)
- Siemens and Brown Boveri (substations)
- METRO (subway)
- INAVI (housing)
- INOS (waterworks)

OPPORTUNITIES

- Guri substations; a basic goal for the company
- Major development projects, especially in oil industry, Caracas subway system, housing Corpozulia
- SADE past experience enabling to obtain higher participation in telephone installations, transmission lines and substations

COMPETITION

- Aggressive and low-bidding local contractors for medium-sized works
- Worldwide competition from international contractors and suppliers in major products
- "Consortia" of manufacturing companies

THREATS

- Continuous and dynamic changes in competition

Objectives

- Enlarge scope of business over and above 800 Kv transmission lines and substations
- Achieve better integration with Venezuelan business
- Increase volume of business in Central America and Caribbean countries

- Expand our presence in the oil industry
- Increase share of traditional market sectors where we are leaders

Strategies and Key Programs

STRATEGY ELEMENTS

- 1 Strengthen the organization and upgrade technical competence, through association with world manufacturing leaders

- 2 Capitalize from strengthened local image obtaining increased size of traditional markets

- 3 Expand activity in Central America and Caribbean countries

- 4 Combat nationalistic policy through joint-ventures and cooperation with reliable local contractors

KEY PROGRAMS/ACTION PLANS

- Pursue policy of promoting local personnel while using other companies for needs of specialists
- Expand general services section

- Fight aggressive competition through selective bidding in areas of strengths
- Concentrate on major new projects (800Kv lines and substations, oil industry, subway)

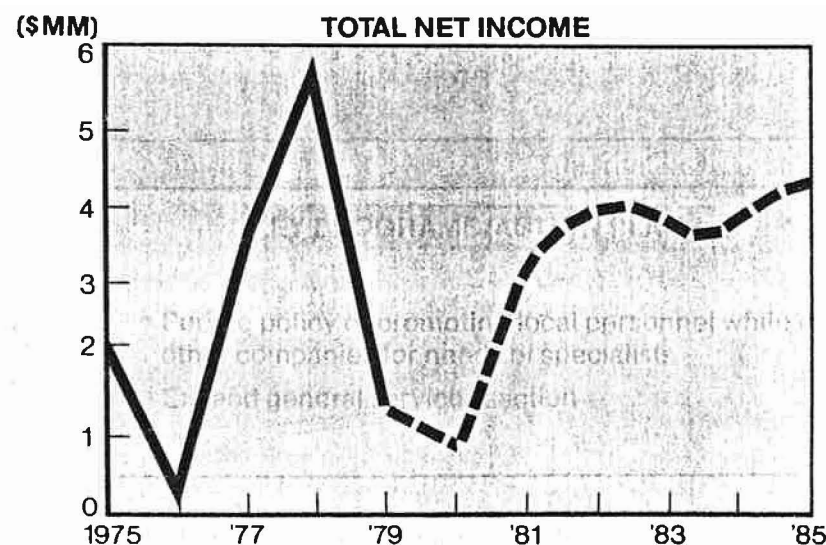
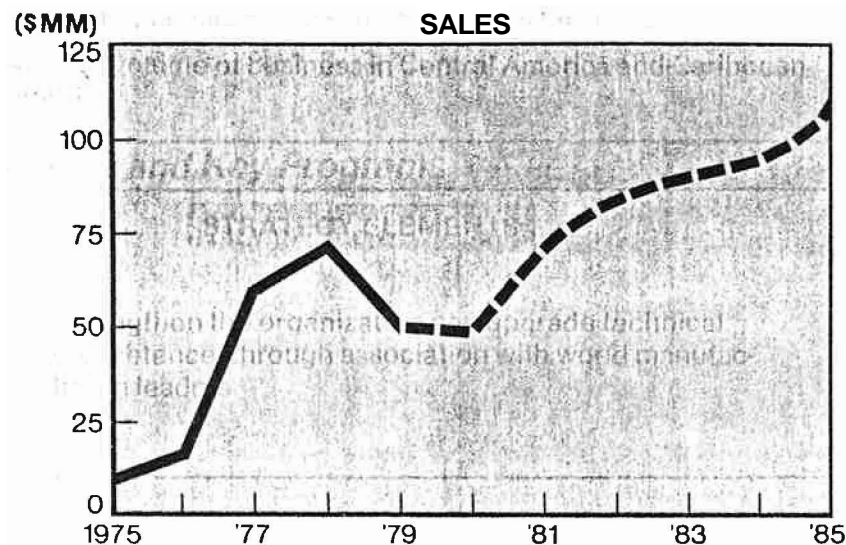
- Select good sales representatives in each country of the area

- Pursue cooperation with local contractors
- Identify Venezuelan groups interested in equity participation

SADE Venezuela – Affiliate Plan

77

Expected Financial Results



KEY PERFORMANCE INDICATORS

	(\$ in Millions)				AAGR
	1978	1979	1980	1985	'79-'85
Orders Received	79.8	36.8	92.5	169.5	22.2%
Sales	71.5	51.9	50.6	108.0	14.0%
NI—Total	5.8	1.4	0.9	4.4	26.7%
—GE Share	4.1	1.0	0.6	3.1	26.7%
ROS %	8.0%	2.6%	1.7%	4.1%	
ROI %	29.4%	14.7%	9.9%	19.6%	
ROE %	65.1%	12.1%	8.2%	23.3%	
Cash Flow (after dividends)	6.4	(4.8)	3.9	(5.9)	

Business Characteristics

BACKGROUND

SADELM New York, Inc. was established in 1969 to provide purchasing and marketing services to SADE/SADELM Companies in the USA and Canada.

Current scope of SADELM New York activities also includes export services (shipping, documentation), financial services (credit line, banking and loans for affiliates), technology transfer (construction equipment and computer technologies) and project engineering support on contracts by S/S with U.S. companies.

Additionally, SADELM New York performs modest purchasing/expediting services for outside companies, who are consortium partners of the affiliates on various projects.

SADELM New York is reimbursed by S/S affiliates for the efforts on their behalf.

STRENGTHS

- Staff of 36 individuals with long, diversified experiences. Specific expertise includes electrical and mechanical components, piping and fittings, and construction equipment
- Purchasing operation is cost effective, performance is consistently checked by prices overseas, obtained by affiliates, and affiliates' buying in USA (for various reasons) through sources other than SADELM New York
- Project engineering support staff has job site construction engineering experience and work background at affiliates. Support is provided during bidding with GE USA components. GE affiliates, and outside companies, and during performance of contracts

HISTORICAL TRENDS

a Procurement by SADELM New York, Inc. for the S/S affiliates of construction materials and equipment in the USA has been increasing steadily, due to business growth of affiliates, trends to "turnkey" contracts on international projects, expansion of capabilities by affiliates to bid and perform larger projects, and higher competitiveness of US prime bidders. Currently procurement is in the \$40million a year range

*Over the last four years, there has been a marked increase of joint projects between affiliates and GE's power generation and delivery components. Also, marketing activity has been intensified with architect consultant engineering firms, lending institutions (World Bank, IADP, Ex-Im Bank, AID, CIDA, commercial banks), and large general contractors

LIMITATIONS AND CONSTRAINTS

- Difficulty in recruiting strong professionals for SADELM New York because of New York City location, extensive travel requirements and limited chance for advancement (particular problem in recruiting computer software analysts)
- SADELM New York staff must satisfy the needs and interests of S/S affiliates, despite different customs and philosophies among various affiliates and SADELM New York

Business Characteristics(Cont'd.)

PURCHASING

- Construction materials and equipment will continue to be competitive in selective categories due to continued devaluation of U.S. dollar
- U.S. consulting engineers have extensive involvement, internationally, and are expected to specify American equipment on their projects
- There is a move by the U.S. government and industrial firms to increase American exports

MARKETING

- U.S. firms will continue to be strong in oil and petrochemicals and various process technologies and are likely to obtain a substantial share of projects in these fields
- SADELM New York may have an important role in helping affiliates participate in AID-funded projects, if eligibility for AID is resolved

objectives

- @ Continue evaluation of computer software technology and provide support in implementation of computer hardware and software to meet affiliates' needs
- Refine expediting and reporting services to respond effectively to affiliates' demands and contractual requirements
- Concentrate marketing effort on large American contractors, i.e., Fluor, Bechtel, Kellogg and Lummus. Establish strong contacts and pursue specific, selective opportunities
- Investigate possibility of using SADELM New York, Inc. to allow affiliates to participate on AID-funded projects

Strategies and Key Programs'

STRATEGY ELEMENTS

- 1 Develop new project opportunities in USA for SADEISADELMI Companies.



KEY PROGRAMS/ACTION PLANS

Coordinate the preparation agreement between GE-Aircraft Engine Group and SADEISADELMI for S/S to take responsibility for construction on the joint Jet-Engine Maintenance/Repair Facilities bids

- **Lead** and develop an agreement for joint bidding of communication projects with Western Electric International and SADEISADELMI companies, starting with perceived opportunities in Nigeria
- **Develop** market opportunities to obtain significant contracts in petrochemical process projects for SADEISADELMI with large general process contractors, such as Bechtel, Fluor, etc. Concentrate on opportunities in Venezuela
- **Penetrate** water treatment/irrigation/distribution projects business. Pursue Venezuelan opportunities by bidding with a consortium consisting of Worthington, GE-Ladd and SADE Venezuela

- 2 Participate in AID funded projects.



Continue to work with ICBID to obtain eligibility of S/S for AID funded programs

Prequalify affiliates for AID projects

- **Provide** from USA all required materials and equipment on AID projects

- 3 Technology evaluation and transfer to SADEISADELMI.



- **Intensify** search for an evaluation of new construction equipment and methods
- **Expand** support to affiliates
- **Implementation** of CAD system and in evaluation and acquisition of computer software
- **Demonstrate** utility and economics of mini-computer use through implementation and use in SNY

Strategies and Key Programs (Cont'd.)

STRATEGY ELEMENTS

- 4 Utilize SNY as link to USA general contracts and coordinate market exploration activities in USA.



KEY PROGRAMS/ACTION PLANS

- Reinforce contacts and intensify business interface with firms such as Morrison-Knudsen, Bechtel, Fluor, Parsons, Lummus, Davy-McKee and others
- Continue to provide proposal support and project engineering service to affiliates on joint projects with IPD and GE SBUs
- Coordinate affiliates market penetration of businesses with USA connection such as cement mills suppliers, oil exploration companies and coal mining firms

(Volver al texto)