



Flow Research, Inc.

27 Water Street
 Wakefield, MA 01880
 [1] 781-245-3200
 [1] 781-224-7552 (fax)
www.flowresearch.com



Osborne Reynolds

Worldflow Flash Report

GE hedges its bets and boosts competitiveness with purchase of Dresser

Wakefield, Massachusetts (March 22, 2011) – On February 1, 2011, General Electric announced that it had completed its acquisition of Dresser Industries. This move increases GE’s presence in the energy arena, since Dresser makes a variety of products for the energy industry, as well as positive displacement (PD) flowmeters. At about the same time, GE also announced its acquisition of Lineate Power Holdings, as well as Wellstream Holdings plc., a manufacturer of pipeline products for oil and gas transportation in subsea production. GE also purchased Calnetix Power Solutions, which is involved in recovering waste heat from industrial processes for electricity generation.

Dresser manufactures a variety of types of instrumentation, including valves, actuators, switches, regulators, and air and gas handling equipment. In the flowmeter world, however, Dresser is the leading supplier of PD flowmeters on a worldwide basis. GE’s purchase of Dresser stands in contrast to its 2008 purchase of Rheonik, a supplier of large size Coriolis meters (6 – 12 inches). Coriolis flowmeters are among the most technologically advanced type of new-technology flowmeters, while positive displacement are in the traditional technology camp.

It’s not clear how big a role Dresser’s PD meters played in the acquisition, It may be that some of Dresser’s other products, such as those more directly involved in the energy business, played a more important role in motivating the purchase. But GE’s purchase of Dresser actually makes a lot of sense when considered in relation to their 2008 purchase of Rheonik. Coriolis and positive displacement flowmeters are competing technologies when it comes to oil delivery and distribution systems. By being able to offer both PD meters and Coriolis meters, GE is in a position to service companies who need to replace existing PD meters, or who want to stay with familiar technology. At the

same time, they can service customers who prefer to move on to a new technology and order Coriolis flowmeters.

Both Elster and Emerson's Daniel division follow a similar strategy with their ultrasonic and turbine flowmeters. Both types of meters are approved for custody transfer of natural gas. Many customers are switching to ultrasonic flowmeters because of their high accuracy and longterm reliability. On the other hand, users of turbine flowmeters still need to replace their meters, and some are choosing to stay with a familiar technology. Both Elster and Emerson offer turbine and ultrasonic flowmeters for custody transfer applications. This enables them to service customers who choose to stay with a familiar technology, as well as customer who prefer to move on to a new-technology flowmeter.

What it means. GE, ABB, and Siemens are three very large companies that have built up their instrumentation portfolios largely through acquisition. All three companies are heavily involved in the energy and power businesses. GE's acquisition of Dresser will give it a much more significant presence in the flowmeter industry. Even though the positive displacement flowmeter market as a whole is declining, GE's purchase of Dresser, when paired with its ownership of Rheonik, puts it in a position to increase its market share in both the PD and Coriolis flowmeter markets, as well as strengthen its position in energy instrumentation.

Analysts: Jesse Yoder, PhD (jesse@flowresearch.com)
 Belinda Burum (belinda@flowresearch.com)

The press release issued by GE appears on the following page.