



Conference Call Transcript

GE - General Electric 4Q 2007 Earnings Call

Event Date/Time: Jan. 18. 2008 / 8:30AM ET

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PRESENTATION

Operator

Good day, ladies and gentlemen. Thank you very much for your patience and welcome to the General Electric fourth quarter 2007 earnings conference call.

At this time, all participants are in a listen-only mode. My name is Bill and I will be your conference coordinator for today. (OPERATOR INSTRUCTIONS) As a reminder, this conference is being recorded.

I would now like to turn the program over to your host for today's conference call, Mr. Dan Janki, Vice President of Investor Communications. Please proceed, sir.

Dan Janki - General Electric Company - VP Investor Communications

Thank you, Bill. First of all, I'd like to welcome everyone. JoAnna and I are pleased to host today's earnings conference call.

Today, the press release went out at 6:30 this morning. That along with today's presentation material and supplemental financials are available at our Web site at www.ge.com/investor. You can download and print those items or follow along via the webcast.

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Today's presentation does contain forward-looking statements based on the world and economic environment as we see it today and that is subject to change.

Today we will cover fourth quarter results for 2007 and total year and give you an update on first quarter outlook. We will then also take your questions. To do that we have our Chairman and CEO, Jeff Immelt, and our Vice Chairman, CFO, Keith Sherin. So at this time, I'd like to turn it of to Jeff to get us started.

Jeff Immelt - General Electric Company - Chairman, CEO

Dan, thanks. Good morning, everyone.

I want to start with the chart that we kind of ended with at our December meeting on invest and deliver and really use this to frame, I think, very good performance by the Company. If you just kind of track down, we said we were going to deliver a good EPS of \$0.68, up 17% and that's what we've done. The revenues were up 18%, segment profit up 13% and we were led by a really terrific Infrastructure performance.

We continue to drive a more valuable company through portfolio moves. I think if you look at the moves we've made over the last five years in the Company by exiting some businesses like Insurance and Plastics, investing in Infrastructure, boy, we are well-set to have a great company in the environment that we see today.

We talked about 2008 where we'll have high quality earnings, EPS up at least 10%, strong dividend and buyback, and we'll refresh that and talk more about that today but we're reconfirming that outlook as we think about 2008.

And then a lot about the initiatives. On organic growth, margins and returns that we think are going to frame the Company and will continue to drive upside for investors and well positioned in a lot of the big themes of our era. We think we had an excellent quarter and moreover, we think we're very well positioned in the world that we see today.

The next page, just talking about fourth quarter, how we view the environment and how we're running the Company. First, as I said in December, there's three big themes I think in the environment today.

The first one is that global and infrastructure markets remain strong. I want to reiterate that. This continues to be true.

Early in the year, right after our kickoff meeting a lot of the senior leadership team, including myself, traveled around the world and the emerging markets just because we wanted to get a sense for the economic activity in these regions and every place we went there's a need for power, there's a need for planes, there's lots of capital being invested in infrastructure and there's just no signs that this global infrastructure boom is slowing at all. There are big projects, they're well financed and they keep going.

The financial markets, clearly, are experiencing volatility right now. We think liquidity still exists but it's being repriced but the financial markets remain volatile.

The U.S. economy has slowed. Housing has been tough. The consumer's feeling some strain right now, but I would remind people that unemployment is still low and there's still good opportunities for export and we see that in our own businesses as we look inside GE.

So the environment overall, I'd say, broadly is mixed but the GE environment remains exactly the same as the one we saw in the fourth quarter and exactly the same as what we prepared for at 2008.

I think execution is what counts and it's why we're winning right now and I think it's why investors should have faith in GE and I just want to kind of go down this list. For five years we've been developing an organic growth process. In the fourth quarter of '07 our organic growth rate is 10% and total year organic growth rate up 9%.

Very strong global position that we've been investing in. In the fourth quarter our global growth was up 27% and emerging markets were up 39%. We built, I think, the world's best infrastructure business. This gives investors high visibility, huge backlogs in both products and CSAs and tremendous competitive advantage.

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We put a real focus on margins and what we call the value gap, pricing versus inflation. We've been aggressive about pricing. We have a positive value gap and that continues into 2008.

We've been tough minded on our own costs. We funded huge gains to fund restructuring last year with headcount reduction globally and so we've lowered our cost base and we got great productivity in place for 2008.

We've taken risk off the table for investors by exiting U.S. mortgage last year in Japan Consumer Finance. We sustained a Triple A which gives us a big advantage because there's lots of attractively priced assets in the marketplace today.

We've also adhered to great risk management principles. We've got no SIV or CDO exposures, no write-offs in those areas and very strong balance sheet and risk management.

Great cash flow generation. Cash above plan. Industrial cash flow up 15% for the year.

Our free cash flow in 2007 was \$18 billion. And we've been very disciplined about returning capital to investors with more than \$25 billion returned to investors last year and a very healthy dividend increase going into 2008. So the point is, in this environment, we are very well positioned to outperform and continue to execute for you.

On the next page is just some of the key performance metrics that we use to grade ourselves and then we talk about externally. First on growth, you know, with 18% orders growth, 18% revenue growth, 20% asset growth, 10% organic growth, we feel great about where we stand from a growth standpoint. EPS on our targets, on consensus, 17% continuing EPS growth in the quarter, 18% for the year.

Our returns were approaching the 20% level that we set for ourselves. We were on a pathway to hit 20% in 2008 so we feel good about our progress there.

Our margins are as we described in the December meeting, up 70 basis points for the year, less than our 100 basis point goal but still good progress. And as I said, the cash flow was just excellent with Industrial cash flow very strong. So we've delivered on commitments and we continue to make progress as we look at the Company.

How we've executed on the long-term strategy, just a couple highlights on the quarter itself. In terms of leadership businesses, I talked about a boomer in Infrastructure, I think a boomer is what it was. We had great revenue, great earnings, great orders. Very solid.

I believe our financial services teams have done a great job in the environment, having segment profit between GE Money and Commercial Finance up 8%. NBC had a great quarter it's got great momentum. Our Enterprise Solutions business is very strong.

The acquisitions that we did last year, things like Vetco Gray and some of the other acquisitions, are all performing above deal cases and we think the acquisition of Merrill Lynch Capital is exactly what the types of opportunities we thought we'd see when we get into this year.

From an execution standpoint, we had good segment profit growth. The industrial businesses operating profit for the quarter were up 21% so one of the best industrial earnings performances we've had in the last few years. Strong cash, a buyback we've talked about.

One of the things I thought I'd highlight for people is that if you just look at our principle pension plans, we had almost a 14% '07 return, we've got a \$17 billion surplus in our pension plan. So the balance sheet, the cash flow, the margins, the returns are all accelerating in this environment and the headwinds really are the U.S. consumer pressure, although the Company doesn't have that much exposure there, and the Deficit Reduction Act is one that we continue to watch in Healthcare.

Growth is a process. 10% organic growth, good growth in services and CSAs, good global growth. And ecomagination, which is an initiative that we talk about hit the \$14 billion mark, up 17%, so great progress there.

Just great people and team. Our retention's good, we have deep bench and some nice awards for the team in the quarter. So, again, I'm proud of the team for the work they did in the fourth quarter and I think that's -- gives us a good foundation looking forward.

And when we think about 2008, you know, we're in the type of environment we thought we'd be in when we went out with guidance for 2008. So what I want to do today is just recon firm what we said in December that revenues still look to be on track for 10 to 15% growth, EPS is at least 10% or more, CFOA will continue to be strong, ROTC will hit 20%.

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And how I think about each one of the major businesses that we've got inside the Company, Infrastructure, which is 40% of our earnings just has high visibility, great backlogs, we've got the supply chain capacity and we just have tremendous confidence in this segment.

Financial services is looking to be exactly like we thought it was going to be. The U.S. consumer is going to be tough. We're going to have lower gains during the year but we're still seeing great global growth in assets and margins and the margins on the new business that we're putting on the books is very attractive and so, again, we feel solid about the financial service positioning.

In Healthcare, we're going to manage the DRA. We're not assuming tremendous growth in the U.S. diagnostic imaging market but globally in the quarter and throughout 2007 and 2008, we've got very strong growth. We've hit all the milestones on OEC, we expect to have that shipping in the first quarter.

So everything that we've described to you about when we'll be up and going, we're kind of meeting those commitments. So we feel good that Healthcare is going to have positive earnings growth in each quarter of next year and hit the 10% target for the year.

NBC had a great quarter. They've got good momentum on all fronts. I think this is going to be a tremendously solid business for us in 2008.

And from an Industrial standpoint, really, we're assuming a very tough appliance market, probably throughout the year. But Enterprise Solutions, this new business that we put together, is doing very well and will continue to have good growth for the year.

I think our 2008 guidance is solid. We think we've got the right opportunities and risks well balanced and I feel very confident about the Company looking forward.

So with that, I'll turn it over to Keith to given you more details about how we're doing.

Keith Sherin - General Electric Company - Vice Chairman, CFO

Thank you, Jeff.

Let me start with orders. We had another great orders quarter. If you look at the pieces on the left side, our major equipment for the fourth quarter we had \$14 billion of major equipment orders, it's up 33%.

You can see the strength in the large Infrastructure businesses, Aviation, \$3.6 billion, up 66%. Great wins in the Triple 7 with a GE90. We added 180 GENx engines in the quarter so the team is doing a great job winning with that engine as well.

Energy, \$5.1 billion, up over 50%. Oil & Gas, up over 90%.

Transportation had some timing issues. We had a big, huge order last year, one large order that we're comparing to from a U.S. customer that didn't repeat.

But if you look at the total year orders here, 29% in major equipment, I think over a 12-month period of time and you look at the rolling average down below from at the end of '05, we're running on a four quarter rolling average of \$6.9 billion, up to four quarter rolling average of \$12.5 billion with the orders still growing. This is talking about what we're winning in the global economy that Jeff described.

Overall Infrastructure orders were up 54% even without Smiths and Vetco, they're up 40%. The Infrastructure backlog is at an all time high, \$44 billion, up 65%.

In the middle, if you look at our service orders of \$9.7 billion, they're up 5%. That was driven by Oil & Gas and Healthcare. Energy services had some growth in power services and nuclear fuels but tough comps in the aero derivatives business so they were up 2 in the quarter.

Aviation, very strong commercial, up 8% offset by the military which was down 20. So we're dealing with some of the mix in Aviation on military services.

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Healthcare, a solid DI performance, up 7, Oil & Gas up 29%. Just great core services growth. And then Transportation down 12, again, due to some tough fourth quarter comparisons on orders and some slowing parts volume in the locomotive business.

If you look at the right side, the flow orders of \$4 billion, up 2%, pretty consistent with kind of what we saw during the year. Appliances, basically flat. We continue to have very strong success in the retail channel and that's offset by the slowdown in the contract and builder channels.

And then globally, Lighting continues to be very strong driven by eco growth and compact fluorescents are just booming. So overall a strong orders performance the fourth quarter of \$27 billion, up 18%. If you look at the total year, almost \$62 billion of orders, also up 18%. Feel great about how that positions us as we go forward.

I'm going to talk about margins. First is margins and delinquencies for financial services. The left side is margin. Basically the blue bars are our net revenue, which is our contributive value as a percent of average assets and then the green bars are adjusted for losses.

So if you can see that the risk adjusted margins are down about 40 basis points in the fourth quarter, year-over-year. And we've been able to offset that compression with tremendous asset growth over the year, it's up 20% and strong productivity and restructuring.

The good news, I'd say, it's about half of the compression's coming from yields running through the portfolio over time and the other half from the provisions that we continue to strengthen as we see volume growth, plus some of the slowdown in the U.S. consumer which I'll talk about in a minute. But the good news is we're benefiting from the tight liquidity and higher prices.

If you look at the fourth quarter in the Commercial Finance new business, so the business we put on in the quarter, the margins are up 50 basis points. So we're looking forward to the new business delivering future earnings growth for our financial services business.

And on the right side you can see the 30 plus day delinquency. I know this is something everyone's watching. Basically, if you look at the Commercial Finance business, the equipment financing delinquencies are basically flat and continue to be at historic lows. The quality of the portfolio is tremendous.

And if you look at GE Money, the delinquencies are up slightly overall, driven by the U.S. If you look at the U.S., the 30 plus day delinquencies are up to 5.52%, up 59 basis points, and I'll cover the financial impact of that on the GE Money page. So with the exception of the pressure on U.S. delinquencies, the global consumer finance business outside the U.S., delinquencies are flat and the portfolio on the commercial side is in great shape.

Next is industrial margins and we're happy to have delivered the 70 basis points margin growth for the year. In the fourth quarter we grew the margins 10 basis points which helps us to deliver that 70 basis points for the year and on the positive side, you can see some of the drivers of the margin growth, great productivity and we continue to have price greater than inflation.

We call it the value gap. We've got a very focused initiative on making sure that we're covering any inflation we get and you can see that that grew our margins.

On the drags, really, two out of three of these are positive stories. Number one, we continue to build a tremendous install base. Our equipment, services, in the fourth quarter, equipment grew three times faster than services overall for GE and you can see that's a 60 basis point drag on margins. But again, building that install base enables us to build the future service business.

And the second one is Infrastructure acquisitions. The Smiths and Vetco acquisitions are contributing. They're both above deal plan.

Vetco has done a great job above the deal plan. Smiths is slightly above the deal plan but they're at lower margins than our existing business. And that's also an opportunity as we work to improve the productivity and the cost structure of those enterprises to get them up to our margins that we have in our existing business.

And then finally, Healthcare, with its high margins is a drag on the total given its performance for the quarter and for the year. If you look down below, we grew our margins 70 basis points. The dynamics are pretty similar and as we told you in December, Jeff is leading an operating council.

We're totally focused on margins across the Company. Our goal is to get 30 to 50 basis points improvement in margins in 2008.

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Next page I want to do is just a recap of the restructuring activity that we completed in 2007. We funded significant restructuring, as you know, with the \$2.6 billion of after-tax gains mostly from the plastic sale but also from the sale of our Swiss Re shares and the nuclear joint venture.

Half of the restructuring was in continuing operations. These are ongoing programs where we're reducing our cost footprint and lowering our Infrastructure. The other half was in discontinued operations, removing risk out of GE Money. You know, we've got GE Money Japan in discontinued operations and the WMC business went into discontinued operations.

On the right side, the categories where we -- the only update I really have for the fourth quarter is that we did add \$0.02 of restructuring in the fourth quarter, mostly in Industrial bringing the total for the year up to \$2.8 billion. It was previously \$2.6 billion at the end of the third quarter so the continuing ops restructuring we're counting on a three-year payback. We've been able to reinvest on the Company to lower our future costs and we've also reduced the future risk in GE Money.

Before I get into the fourth quarter numbers, I want to give you an accounting update. As we mentioned in our press release this morning, we did file an 8-K to update prior period financials for additional accounting corrections that our controllership teams have identified. You know the status, our ongoing review is continuing. We're looking at revenue recognition policies and practices across the Company.

We've engaged significant third party resources to help us to make sure we get this right. We've committed to timely and transparent disclosure of anything we find that's in error and our internal review identified two additional items in the fourth quarter that I'll take you through on the right side.

The first one involves spare parts profit. In 2002 we changed our accounting for spare parts in two ways that largely offset. As we reviewed back today, the 2002 activity, we determined that we measured one component of this change incorrectly.

We left historic costs in our contractual customer service agreement models at transfer price, at catalog list price and the determination today as we look back, is we should have gone back prior to 2002 and had those costs in our CSA model at the actual cost. The result of that error is that we overestimated at the time the percent completion of the remaining contract life and we underestimated the total contract margin.

Those two errors offset basically but the larger error is the overestimate of the percent of completion. And if you look at that correction, that represents the vast majority of the financial impact that I've outlined below in the box.

The second item involves long-term contracts. Prior to 2004 we did not apply or describe appropriate revenue measurement principles in certain Infrastructure businesses that should have been accounted for under 81-1 long-term performance of construction and production contracts.

Specifically, it's Oil & Gas and nuclear fuel and the impact of this correction is very minor. In 2002, included in the \$570 million number is a \$15 million positive adjustment and in 2004 including the \$88 million positive adjustment is an \$8 million negative so the second item is a minor financial impact but, again, it's something that we found and we've got to disclose it and make sure we get it right.

So the impact of the error in 2002 is to reduce our reported earnings by \$570 million. And then you can see that from 2002 forward basically we re-earn all of that back. And so from 2008 forward the balance here will be re-earned in our long-term service agreements over the remaining life of those contracts.

It had an insignificant impact for the quarters and the total year '06 and '07 and, as I said, the accumulated impact over the life here is zero and it's a positive impact in '08 and beyond. And again, there's no cash impact at all and the details are in the 8-K filing. These are all the items that we found to date and we're committed to timely and transparent resolution and let me move on to the fourth quarter.

Let me cover the consolidated results. On the left side is the summary of operations. You can see, we had great revenue, \$48.6 billion, up 18%. I think the strength here as you look at our performance through 2007, the Industrial sales here really are continuing to strengthen at a greater rate to the portion of the total company, up \$29.1 billion, up 19%.

Earnings at \$6.8 billion, up 15 and then with the benefit of the buyback EPS on a continuing basis, up 17. Net earnings at \$0.66, up 6, includes the impact of discontinued operations.

And that's in the financial schedule you can see we had a small loss in discontinued ops in the fourth quarter from the final exit of WMC. We're down under \$100 million of assets in WMC. We sold the intellectual property and the IT infrastructure that went with that business and we'll be winding down the remaining, it's about \$90 million of assets through the rest of the year and will not have a big impact on us.

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And cash flow, very strong, \$23.3 billion overall. I'll show you the details on the cash page in a minute, but as Jeff said, industrial cash flow at \$16 billion, up 15% ahead of what our plan was, up about 10%.

On the tax rate, if you look, the consolidated tax rate for the year came in at 16%, that's 1 point below our total year forecast of 17%. Obviously, the Industrial rate came in at 22% which was exactly what we included in our 17% estimate and the difference between the 17 and 16 came from financial services.

The financial services rate for the year came in at 10%. That's about 2 points lower than we had forecast and you can see that impact was from the low rate in the fourth quarter. The GECS rate came in lower than we expected because of the mix of global earnings.

We measure our financial services businesses on net income. The earnings that we achieved in the fourth quarter in the U.S. were lower than what we forecast and those are obviously higher tax rates, and the earnings that we achieved outside the U.S. were much higher than we forecast at significantly lower rates, and that's what drove the 16% consolidated rate.

So the tax rate calculation, it's an output, not an input. Our businesses delivered the earnings and the mix turned out to give us a 16% rate for the year.

On the right side you can see the business results, Infrastructure just had a fantastic quarter. I'll take you through it. Commercial Finance was up 9, a very strong quarter and a great year in total.

Healthcare consistent with the third quarter year-to-date performance. NBC Universal up 10, that's great to see double-digit there, a great job by the team. And then GE Money and Industrial were both up 7. So total segment profit of \$8.6 billion, up 13%.

Next is cash. Q4 cash continued the great performance we had all year. The left side you can see we delivered \$23.3 billion of CFOA, it's down 2% from last year but ahead of plan.

If you look at the industrial CFOA of \$16 billion, it's up 15%, it's ahead of plan, and that's driven by great performance in our initiatives. On working capital we had a significant improvement and a lot of great progress collections from all these orders in Infrastructure helped us achieve this result.

In GECS we keep the dividend from our financial services businesses at 40% and that was up 19%. And then we had less proceeds from special dividends from the final exit of the assets associated with our Insurance sales. So overall, a great cash performance.

On the right side is to give the cash balance walk, \$4.5 billion starting cash balance, we had the cash flow from the left side. We take out the dividends paid. We repurchased \$13.9 billion of stock during the year and we bought \$5.8 billion back in the fourth quarter.

P&E was \$3 billion and then we completed the Plastics disposition which was partially offset by the Smiths and Vetco acquisitions a net positive.

And then finally in the fourth quarter we did a \$4 billion GE bond offering. We ended the year with higher debt and higher cash and we're going to use that to refinance both maturing debt in 2008 and pay down commercial paper in 2008. So ended at \$6.7 billion and a great cash performance for 2007.

Before I turn to the first quarter and the individual businesses, just a recap of the total year. Revenue, \$173 billion, up 13%, just great global growth. Net income of \$22.5 billion, up 16%.

Great cash performance, as I said, the returns, 18.9, as Jeff said, on track to achieve the 20%. Total reported EPS including disc ops, up 9. And what a great year for gains funding restructuring.

We had tremendous activity here to reinvest not only in the Company but also reduce risk going forward and we feel great about the additions that we were able to make in financial services with new leasing platforms in Germany and Japan, in Infrastructure with the terrific acquisitions of Vetco and Smiths and building out our global cable portfolio in NBC. So just a great year for portfolio investments.

The right side you can see the segment results by the business and by the year, exactly what we said in December. So 220, 18% on EPS and let me get into the first quarter.

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You know, our outlook for the first quarter Infrastructure continues to be very strong. You can see up 15 to 20. Industrial, up 5 to 10, driven by the strength in Enterprise Solutions.

Commercial Finance and GE Money both up against tougher comps but GE Money has the tougher job. Last year we had the securitization offset to WMC's losses in the first quarter, first half, and I'll cover further the impact of that on the money page but we're anticipating that being down about 20 in the quarter. Healthcare up about 5, and NBC Universal up 5 to 10.

And then on the right side are the consolidated numbers for the forecast for the first quarter. We expect to continue to have very strong top line growth. It's going to be driven by Infrastructure and also the great financial services growth that we had in assets last year, so \$44 billion, up around 10% plus.

And then our earnings forecast of 5 to \$5.3 billion, up 2 to 8 and with the benefit of the buyback up 4 to 10 on EPS. And total reported including disc ops will be up 11 to 18. So the first quarter guidance of 50 to 53, up 4 to 10, in line with what we expect to do during the year to deliver the 10% plus for the total year.

Let me jump into the businesses. I'll start with Infrastructure. John Rice and the team just had a terrific quarter and they had an outstanding year. You can see the revenues of \$17.3 billion, up 30%, segment profit, \$3.4 billion, up 26% .

The key business results are down the left side. You can see we had nice operating leverage. If you look at the box in the bottom ex verticals, revenue up 31 and segment profit up 37 for the industrial businesses here.

And I think a way to think about Infrastructure, in the quarter we had 90 basis points of margin growth on 30% revenue and for the year, the revenue was up 23% and we increased our margins 50 basis points. This is a tremendous business doing really well.

On the right side you can see some of the dynamics. I thought I'd go into more details on Aviation and energy so let me start with Aviation. Revenue up 41, segment profit up 27. Orders are extremely strong. Total orders of \$6 billion were up 31%.

Commercial engine orders, \$2.5 billion, up 63%, driven by the GE90 and GENx wins I talked about, and that's with military orders down 20%. So a great commercial performance. The product backlog continues to grow significantly.

Our commercial engine orders for the fourth quarter were 185% of the quarter's sales. The major equipment backlog now is ended the fourth quarter at \$19 billion, it's up 80% from a year ago. The team also delivered in the performance of revenue, \$5 billion, up 41%.

The commercial engine revenues were up 66%. We delivered 118 more commercial engines than the prior year. Commercial spares were up very strong. The ADOR was 19.8 a day versus 16.8, and on revenues, military was also down.

So this performance in commercial is more than offsetting some softness in military which we saw all year, op profit of 27%. We got 9 points of that from Smiths and 18 points of op profit from the core leverage. So a great performance in Aviation.

On the energy side, just a fantastic quarter. Revenues up 24, segment profit up 38. The orders in energy continue to be excellent. The total orders of \$5 billion were up 56%. Major equipment orders were up over 100%.

Thermal orders, \$2.1 billion, up 23%. The Thermal backlog is at \$6.5 billion, up 89% from a year ago. This business is really performing and wind is just doing amazingly well. Wind orders of \$1.9 billion were up 137%. The Wind backlog's \$11 billion is up 2.5 times from year-end '06.

And then finally, nuclear. Nuclear's up 10 times. We received our third large order over \$200 million for long lead items for a new plant, this one from Exelon, and in addition to the orders, overall the power gen order's price is up 6% for the year.

Revenue in the quarter up 24% at \$6.8 billion. The power gen revenue was up 38%. We shipped 56 gas turbines in the quarter up from 40 last year. We shipped 820 wind units, up from 476 last year and energy services was up 9% partially offset by some slower nuclear services, so overall services were up 4.

But they delivered the top line in the op profit leverage at 38%, driven by the volume and the price at power gen. And the total energy op profit rate for the quarter was up 200 basis points to 21% so just a great quarter.

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And if you look at the rest of the businesses Oil & Gas had a tremendous quarter. Transportation had a great quarter and a great year. The verticals were down 18% in the quarter, but up 4% for the year. So both GECAS and Energy Financial Services had a good year.

When we look forward at the first quarter we expect continued strong results, up 15 to 20% and it's going to be a terrific year in Infrastructure. It will start right out in the first quarter.

Next is Commercial Finance. Mike Neal and his Commercial Finance team had another terrific quarter and also a great year of revenues, up 9% and segment profit up 9%. Strong asset growth, \$310 billion, we ended the year, up 23%.

You can see that we continue to just have a great origination environment. We added \$56 billion of assets over last year and \$15 billion from the third quarter through the fourth quarter. That's driving our revenue growth, up 9%.

It'd be up 18% if you adjust for the disposition we had last year in the fourth quarter of Access Graphics. So revenue's adjusted in line with asset growth and the segment profit up 9, really driven by strong growth in Capital Solutions.

If you look at the numbers on the bottom left, Real Estate for the quarter, earnings were down 3%, however, I think there's some timing here in terms of how the business operates. For the year the Real Estate team had a great year, their earnings were up 24%. Global originations were very strong. Assets were up 47%.

The portfolio quality is excellent. We ended the year with less than \$40 million of non-earnings on a \$79 billion portfolio. And in the fourth quarter we sold 123 properties for around \$2 billion, we added \$9 billion of assets so the net assets are up about \$7 billion over Q3 and mostly in the debt business with better spreads than we've seen in a long time.

On the Capital Solutions side they had a great quarter, up 24%. That was driven by strong core growth plus the benefit of our acquisitions. The new leasing platforms in both Germany and Japan performing very well.

We grew assets by 22% driven by core volume, acquisitions and we also did get some benefits in assets and financial services from foreign exchange. So asset quality is very strong in the Capital Solutions business with flat delinquencies and flat write-offs.

If you look at the first quarter as we go forward, we're forecasting segment profit growth about 5%. We're expecting great asset quality to continue and not be an issue at all in our Commercial Finance book and we're anticipating lower Q1 gains year-over-year and that's why we're calling 5% in Commercial Finance.

Next is GE Money. Dave Nissen and the team delivered 7% earnings growth, revenues were up 22. Assets were up 18. Good global growth. If you look, 7 points of this growth in assets was coming from FX, so core growth at 11.

You can see that in terms of the delivery on that 7% segment profit, Europe and Asia were both up double-digit. And as we said in December, we were anticipating higher losses in the Americas. We said there could be offsetting gains.

As the delinquencies rose we added \$190 million to the Americas loss provisions and that was partially offset by \$150 million gain we had from the sale of some of our Garanti common stock. We've had tremendous appreciation in the value of our investment there and we decided to monetize a piece of that to help fund growth in other markets.

So if you look, the Americas was down 59% because of the strengthening and overall in GE Money we increased our provisions \$333 million globally.

In the first quarter, the outlook is for segment profit to be down 20. We have really tough comparisons here in GE Money. If you remember, the year-over-year securitization comparison, last year we had securitization activity that exceeded normal plans to offset the losses we had in WMC.

The WMC losses have gone into discontinued operations so we're comparing to last year with higher than normal securitization that year-over-year is about \$300 million so we expect to have continued pressure in the Americas and partially offset that with great global growth. So segment profit down 20.

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On the right side is Industrial. One change to note in Industrial is Equipment Services now reports to Commercial Finance so the segment is Consumer and Industrial and Enterprise Solutions and no financial services business. I think this makes it easier for analysis and comparison and understanding and it's been done effective with the fourth quarter.

Revenues of \$4.7 billion, up 9%. Segment profit up 7%. C&I had a very strong top line quarter, it's up 9. It's really driven by global.

Again, our global Industrial business, our global Lighting business had very strong growth and Appliances revenue was up 2%. As I said, got great growth in retail, up 5% in this environment, but contract offset that down 8.

Enterprise Solutions continues to deliver very strong growth. The businesses are in very good shape. You can see the broad-based growth down in the businesses, digital energy up 22, sensing up 20.

Intelligent Platforms was formerly GE FANUC, up 17 and security up 8. So in the first quarter we're expecting a similar outlook, segment profit up 5 to 10 for the Industrial business.

Next is Healthcare. Fourth quarter Joe Hogan and the team came in line with the results that we had all year. Revenues up 6% and segment profit down 4, and basically it's the same dynamics we've seen during the year. We get good global growth in the rest of the business that's more than offset by the DRA impact and the OEC shutdown.

Orders were down 1. Service was strong but the equipment globally was down 7. The U.S. was down about 15%. Global was up about 3%.

There were some bright spots by modality. I'd say MR overall was up 7%, Ultrasound was up 6%, MR was up 8% in the Americas and it had been negative all year so that's a nice turning point. But globally, CT was down 18 and X-ray was flat and that's what put pressure on us.

Revenues a similar story, strong global diagnostic imaging but overall DI down 1 because of the U.S. DRA impact. Good Life Sciences, good Clinical Systems, good service growth. And then if you look in total the DRA and the OEC had about a 12 point impact on segment profit growth.

We've given you the framework on the right side to try and outline the dynamics of how the business is performing for 2007. The DRA impact in the U.S. offset the growth in the rest of the business and then the drag from not shipping out of OEC hurt us by 3 points. For Q1 we do plan to ship about \$50 million of OEC product. That gives us a lift of about 1 point in op profit.

We see a continued drag from the DRA. That does lessen through the year as we get to normalized comparisons. What I mean by that is in the first quarter last year we were impacted by the DRA but we were still shipping out of backlog from the end of '06.

So OEC we're looking forward to shipping in the first quarter. The DRA drag does continue in the rest of the business outside the U.S. and the rest of the platform portfolio will continue to perform and we expect the Q1 segment profit up about 5%.

And finally, NBCU. Jeff Zucker and the team delivered their fifth quarter in a row of positive earnings growth. As we said in the press release, their first double-digit quarter in more than two years. We're thrilled about that. Revenues of \$4.5 billion were up 8%, double-digit op profit growth.

In terms of the dynamics, as you go around, the network results were up in the fourth quarter. That's because our TV content revenue from monetizing our programming more than made up for the ratings pressure.

You know, there's a lot of good news here. Season to date we're tied for number one in prime. Today, Nightly News, Meet the Press, all strong, number one.

There's a lot of discussion about the writer's strike. There was no noticeable impact in the fourth quarter. We do have fewer new shows but we've also got a lot lower costs. And I'm sure some of you saw that the studios did agree to a three-year deal last night with the Director's Guild and we'll see what happens next in the negotiation with the writers, but that's allowed us to basically introduce new reality shows and they're all off to a good start.

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On the entertainment and information cable side, they continue to deliver. Revenue was up 14%, op profit was up 23% in the quarter. USA is number one in every demo. Sci-Fi went up to the number four cable network in the fourth quarter. Bravo's got record rating in all the demos and high upscale demos is fantastic.

MSNBC and CNBC up double-digit. MSNBC was the fastest growing cable channel in ratings up 26% and the Oxygen integration's on track. So very strong performance in entertainment and info cable.

Film team had a great quarter, their best year ever, revenues were up 16, op profit was up 21. The movies performed in the box office and also the DVDs had a great quarter powered by the "Bourne Ultimatum."

And then finally, we continue to make progress in digital. Hulu beta's launched, very positive feedback and our other online activity continues to grow.

So when you look at the first quarter we continue to see a strong top line quarter driven by both film and entertainment cable. We expect to see the continued strong performance across the network and we're forecasting segment profit of 5 to 10, because we have some heavy advertising and promotion in Q1 for the films that are going to release in April. But overall just a continued strengthening story at NBC.

Let me turn it back to Jeff.

Jeff Immelt - General Electric Company - Chairman, CEO

Keith, thanks.

Just to summarize and then we'll take some questions. We ended 2007, I think, with great performance in a tough environment and I feel great about how the team did. We're very well positioned to grow earnings 10% plus in 2008.

You know, all of the notations around the softer consumer have been factored into our forecast so we really expected the environment that we see today. Infrastructure is very strong. I think NBCU has got great momentum.

Healthcare, this is a key turnaround year but I'm confident in our ability to execute. And in financial services we've got great risk management and we think we can capitalize on the opportunities that the market gives us.

And on capital redeployment, we plan to continue to with our financial services dispositions. We continue to drive the buyback and the dividend and we feel great about the overall positioning around the portfolio.

So good performance in 2007. We know what the environment that we're in in 2008 is and we expect solid growth in 2008 as well.

With that, Dan, let me turn it back to you. Great. Thank you, Jeff. Bill, we'd like to open it up for questions now.

QUESTION AND ANSWER

Operator

Thank you very much, sir. (OPERATOR INSTRUCTIONS) Our first question comes from the line of Nicole Parent of Credit Suisse. Please proceed.

Nicole Parent - Credit Suisse Securities - Analyst

Good morning.

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Jeff Immelt - General Electric Company - Chairman, CEO

Hi, Nicole.

Nicole Parent - Credit Suisse Securities - Analyst

I guess, Jeff, could you just give us a sense of what your message was to the leadership team down at Boca and what you articulated to them as the Company's biggest challenges and opportunities for 2008?

Jeff Immelt - General Electric Company - Chairman, CEO

Nicole, we had two days. The first day we spent really on the environment and what we think the operating keys would be for 2008. So we had presentations on pricing, on material productivity, on working capital, on risk management.

You know, really just detailed conversations about all the operating keys in 2008. The way it worked out is kind of Keith shapes the day and it's all about what we need to execute in 2008.

And then the second day we spent a whole day on globalization. So we talked about all presenters from outside the U.S., how do we capitalize on opportunities faster, better, more profitably and that was kind of framed to the two days.

Nicole Parent - Credit Suisse Securities - Analyst

Great.

And I guess with respect to Healthcare, can we just get an update on the hand off? Did you hand off the OEC to the FDA in late December as planned?

Jeff Immelt - General Electric Company - Chairman, CEO

All the dates that we talked about, Nicole, we met. You know, the consultant finished their valuation then we notified the FDA and we're in the middle of that process now, scheduling their audit.

But basically we're on kind of the flow chart that we showed you at RSNA and we feel, clearly, all of us have our -- this has been a much-reviewed process, let's put it that way. And we feel like we're on track to execute on what we committed to at OEC.

Nicole Parent - Credit Suisse Securities - Analyst

Super. Thanks.

Jeff Immelt - General Electric Company - Chairman, CEO

Thanks, Nicole.

Operator

Ladies and gentlemen, your next question comes from the line of Bob Cornell of Lehman Brothers. Please proceed.

Bob Cornell - Lehman Brothers - Analyst

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Hey, just, you mentioned, Jeff, in the last comment, your continuing the financial services dispositions. I wonder if you could give us some sensitivity around private level credit cards?

And then, I think, in the guidance, if you do sell that business mid-year, is that something that will go into disc op at that point like Plastics did with a restatement and if that's the case, is that included in the 242 guidance or will we make an adjustment at that point?

Jeff Immelt - General Electric Company - Chairman, CEO

Bob, just on the first part of the question, what I would say is that we're going to continue with that process. It's going to take months to get audited financials. We've had some expressions of interest and I believe that that and other platforms will basically be consummating along the same lines of kind of what we did in Plastics.

It's going to take six to nine months to do anything and that's how that process will work, but we're committed strategically to that process. I don't expect it to be completed until towards the end of the year.

The way I would have you think about it for now is that the \$2.42 won't change in terms of how we frame the year, regardless of what happens with PLCC. But we want to review that as we get closer and as we execute on that plan.

Keith Sherin - General Electric Company - Vice Chairman, CFO

We're looking at different alternatives, Bob, here, that may include partnerships or joint venture structures and we'll have to understand how that works before we can finally tell you what it's going to be and what the impact will be.

Bob Cornell - Lehman Brothers - Analyst

Yes, I guess, a second question, certainly someone's going to ask, is more of a detailed look in GE Money, domestically, what you really see in that environment. You gave the guidance, you gave the core and the guidance for the first quarter, I mean, how do you see the GE Money business rolling out over the balance of the year in the U.S.?

Jeff Immelt - General Electric Company - Chairman, CEO

Basically we've got a forecast that recognizes where we are on the delinquencies. You can see that the delinquencies in the U.S. were up in the fourth quarter, they were up in the third quarter, as a result of that, we put up provisions.

We put up basically \$200 million for the increased delinquencies on both the credit card and the sales finance book in the U.S. in the fourth quarter and we've made a plan for 2008. That's about a 90 basis point increase in 2007 in our loss provisions.

In 2008 our plan anticipates about 140 basis point increase in those and that's somewhere around 5 to \$600 million for 2008 so I think we've been prudent about it. We've obviously looked at what everyone else has reported in their credit card operations from delinquency and I think we're prepared for it and we planned for it.

We've also added a tremendous number of collectors to make sure that we're doing the best job we can in managing our portfolio. So I think we've anticipated it. We're thinking about it and we're taking actions to make it the best it can be in 2008, Bob.

Bob Cornell - Lehman Brothers - Analyst

Thanks.

Operator

Thank you very much, sir. Ladies and gentlemen, your next question comes from the line of Nigel Coe of Deutsche Bank. Please proceed.

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Nigel Coe - Deutsche Bank - Analyst

Thanks. Good morning.

Keith, you talked about tax being up rather than input, but certainly in my model it's an input. What's the appropriate level for 2008?

You talked about the global mix of earnings in GE Capital favoring the tax rate that's within the year but that's going to continue in 2008. I'm just wondering what sort of rate you're looking at for next year?

Keith Sherin - General Electric Company - Vice Chairman, CFO

You know, Nigel, when we looked at 2007 all year we said we're going to have a consolidated rate of 17. In December we told you we thought that the 2008 impact of taxes would be a rate increase of about 2 points in terms of the tax rate and, you know, our forecast today would be about that. So we ended the year at 16.

We're still anticipating a 2 point rate increase off of that for 2008 on a consolidated basis. My best forecast right now is about at 18% consolidated tax rate for 2008.

Nigel Coe - Deutsche Bank - Analyst

Okay. Great.

And then secondly on delinquencies in GE Money you did a great job on the on balance sheet. But off balance sheet there was quite a spike in 4Q, I think it's about a 1 point differential that I've seen on balance sheet and off balance sheet.

Keith Sherin - General Electric Company - Vice Chairman, CFO

Sure. I think you're referring to the data in the supplemental schedules, Nigel?

Nigel Coe - Deutsche Bank - Analyst

Right.

Keith Sherin - General Electric Company - Vice Chairman, CFO

Basically, if you look at the supplemental schedules, if you don't have them for everybody and we put out in the supplemental schedules the GE Capital Services link, let's see, for GE Money, the on book delinquency represents our total global portfolio, it's about \$200 billion of assets and the delinquency is basically flat year-over-year.

And then we have off book delinquency that's primarily the Americas. It's about \$22 billion at the end of the fourth quarter, managed receivables. The delinquencies up a full point.

Basically, if you go back a year, it was only about \$12 billion off book so half of the increase in that delinquency is from the mix of the type of portfolio that's in there and the other half is from the rise in delinquencies, just like what I said for the U.S. consumer book.

Nigel Coe - Deutsche Bank - Analyst

Okay. So it's more of a U.S. flavor?

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Keith Sherin - General Electric Company - Vice Chairman, CFO

It's U.S. and mix. I think it's half U.S., which is the delinquencies I talked about in the U.S. book, and the other half is just a mix of different assets like care credit receivables instead of just private label credit card receivables.

Nigel Coe - Deutsche Bank - Analyst

Got it. Thanks a lot.

Operator

Thank you very much, sir. Ladies and gentlemen, your next question comes from the line of Steve Tusa of JPMorgan. Please proceed.

Steve Tusa - JPMorgan Chase & Company - Analyst

Hi. Good morning.

Just a question on the first quarter guidance. The range looks just a tad bit wider than normal, maybe the numbers are getting larger here. Is there anything to read into there? Is there a little bit more uncertainty that you're trying to account for in that range?

Jeff Immelt - General Electric Company - Chairman, CEO

I don't think so, Steve. Again, I think the basics around the businesses remain kind of what -- the way we described both in December and today. And I wouldn't really read much into that. I think we've planned to have a good first quarter.

Keith Sherin - General Electric Company - Vice Chairman, CFO

If you look at the 2008 guidance by going to 10% plus for the year, you know, we've also had to look at what we do in the quarters and I think this is just kind of an appropriate way to think about a quarter for us now, under the umbrella of 10% plus for the year, Steve.

Steve Tusa - JPMorgan Chase & Company - Analyst

Got you. Great.

And then lastly, Jeff, on Infrastructure I think there's a lot of fear out there that this U.S., looks like to be an imminent U.S. weakening will have an impact on the global Infrastructure story. Have your guys done any analysis on how bad the U.S. has to get before it starts to impact some of these long tail projects that are out there or are you just, you sound 100% confident that there is some sort of decoupling when it comes down to that stuff. I'm just curious as to any analysis you guys have done around that.

Jeff Immelt - General Electric Company - Chairman, CEO

Steve, what we try to do, you know, again, because it's never totally decoupled but it's becoming increasingly decoupled. And so what we try to do is right after our kickoff meeting, John Rice, Mike Neal, and I went to Latin America, we sent a lot of our senior leadership team, like Krenicki, people like that out to actually go to these countries, India, China, Latin America, places like that to see what is the sense of the economy, what do we see in these projects, talk to the people that are financing them, things like that, and the fact of the matter is there's tremendous energy issues in all these countries. They have real gaps in terms of how much power they need. Their revenue air miles are still growing 12 or 14%.

I had a round table with a bunch of airlines in Latin America, all of who needed more aircraft. John traveled to India, South Africa, places like that, power shortages everywhere.

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So I think both in terms of financing in terms of what they need for their domestic consumption as well as exports, there's just no sign of any slowdown in Infrastructure projects and there is continuing investment in new Infrastructure projects like Oil & Gas and things like that and so that's what we're seeing.

Steve Tusa - JPMorgan Chase & Company - Analyst

Great. And then one last quick one.

You know, you talked about the reserve adjustments in consumer and, obviously, most of that comes in Americas. But have you guys accounted for or thought about potential weakening, you know, the U.K. or more broadly in Europe with regards to the reserve strengthening there?

Keith Sherin - General Electric Company - Vice Chairman, CFO

Sure. I mean, if you look, our total provisions were up \$400 million for the business. All of financial services in the quarter about half of that, as I said, was in the U.S. book. The other half's related really to, it's split between GE Money globally and commercial and it's related to our asset volume.

So I think we have a very detailed process to make sure our risk teams are on top of what's going on in each of the markets and what's happening with delinquencies determines our reserve formulas and we've added collectors to work on our mortgage book in the U.K. in advance of any issues. And as you've seen over the last 24 months, our mortgage delinquencies actually in the U.K. have come down.

So we peaked a couple of years ago, actually. I think we're very cognizant of it and we're working it hard with the risk teams and we've taken into account what we think the economic environment's going to be for the forecasts we gave you for GE Money globally.

Steve Tusa - JPMorgan Chase & Company - Analyst

Thanks a lot.

Operator

Thank you very much, sir. (OPERATOR INSTRUCTIONS) Our next question comes from the line of Jeff Sprague of Citigroup. Please proceed.

Jeff Immelt - General Electric Company - Chairman, CEO

Hi, Jeff.

Jeff Sprague - Citigroup - Analyst

Thank you. Just a quick follow-up on Money and then switch over to services.

Could you just give us a sense, Keith, thinking about, I think you said the provision for '08 will go up another 140 basis points. You know, I believe that's lower than where it's been historically, obviously, the mix has changed. Just give us some provision, you know, I mean, some thought on where you think that provision goes kind of in a normal credit cycle.

And I'm also just wondering, you did use some gains to kind of fund the provision in the quarter. Is that part of your expectation when you look at that 5 to \$600 million increase for '08?

Keith Sherin - General Electric Company - Vice Chairman, CFO

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Well, first of all, in terms of the absolute number for the provision, this is going to be a pretty high level for us. You know, in the first quarter our total loss or the fourth quarter I'll start with is about 6.6% for GE Money North America. So those are pretty high levels.

And we expect, as I said, to add to that over 2008 by about 140 basis points in total, it'll be for the year 6.5 on all of 2008 and that's a big increase, 140 basis points. So I think that that's an appropriate increase given the risk we've seen and given the delinquencies. I mean it's pretty formulaic, Jeff, I mean as we get 30-day delinquencies and 90-day delinquencies it just turns right into reserves in our model.

In terms of the other point on funding some of this, it depends upon the magnitude. But we do have a lot of different strategic assets that we can look at to help us to continue to fund growth in other parts of the world and I would anticipate we will have some things in GE Money over the year.

Jeff Sprague - Citigroup - Analyst

And then kind of a big picture question on services, I mean, I think we all understand kind of the mix issue that equipment is growing much stronger than services so you've got kind of this mix and margin tension. But it kind of strikes me that services aren't really growing that fast in and of themselves, which given the high demand for equipment and the resulting high utilization that you would think you would have for existing equipment, that perhaps services would be stronger, energy service orders down 1% for '07 for example.

I mean, can you just address that? I know there's a lot of puts and takes, it sounds like the ADOR and Aviation was actually quite solid. But still, when you kind of step back and look at the whole thing --

Keith Sherin - General Electric Company - Vice Chairman, CFO

Sure. I think the equipment growth is overwhelming a great services story. For the fourth quarter our services revenue in total for the Company was up 10 and, as I said, the equipment growth was three times that.

If you look at Infrastructure alone, the Infrastructure services revenue was, the equipment revenue was up six times for the services revenue. So, you know, I think that what we're seeing is a 10% growth in services and Infrastructure in the quarter, 59% growth in equipment.

The other point I'd say is you got a good point on the orders chart it shows that the orders for something like energy was down one for the year. Basically, we have not recast for the disposition of the rentals business and we also had some kind of lumpy orders in nuclear services. The core business year-over-year is up about 8.

So I think what's happening is this equipment monsoon, it's just incredible in terms of the amount of equipment we're shipping, is overwhelming, a great services story. I'm thrilled to have services revenue growing 10% at these margins and I think it's a tremendous performance.

Jeff Immelt - General Electric Company - Chairman, CEO

Jeff, I would add two points to that. I would say the way this will likely transpire over the next three, four, five years is that services continues to grow year in and year out 10 to 12% even as equipment slows down at some point. But just the way the CSAs work and the way the customers use it.

So I think you look at this as a five-year, 10-year run of 10% revenue growth in services. And the CSA backlog's 110 -- \$109 billion, up 17%. So we've got a tremendous backlog of services already in backlog that may not all show up as new orders and things like that. So tremendous visibility, I think.

Jeff Sprague - Citigroup - Analyst

Great. Thanks a lot.

Keith Sherin - General Electric Company - Vice Chairman, CFO

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Okay.

Operator

Thank you very much, sir. Ladies and gentlemen, your next question comes from the line of Robert McCarthy of Banc of America Securities. Please proceed.

Robert McCarthy - Banc of America Securities - Analyst

Good morning, everyone.

Congratulations on the orders. I guess one place I'd focus is on the flow ADR orders on an organic basis, really below trend line in the fourth quarter, obviously, given some of the near-term short cyclical pressures we're seeing.

Any kind of color around what you're seeing there? Have you seen a progression through the quarter or any indications for December or January that show you a greater than expected kind of slowdown in that area?

Keith Sherin - General Electric Company - Vice Chairman, CFO

I think the quarter was as we expected. You know, I don't have a specific number by month. I know that retail appliances and certainly in the housing sector, appliances were really slow after Thanksgiving, I mean, it was a tough December for the appliance business. But you know, again, to have Appliances flat, that's pretty much what we saw for the year and it was a mix issue for us.

We saw very good strength the retail business. We're gaining share. We're gaining share with the big do it yourself retailers and then we're just going to suffer through the housing issues with the other -- with the rest of the market.

So I think December was definitely slow. But I think it was pretty consistent in terms of how the whole fourth quarter came with what we saw for the year and we're planning on that for 2008.

Robert McCarthy - Banc of America Securities - Analyst

So not a surprise.

Keith Sherin - General Electric Company - Vice Chairman, CFO

The surprise, I'd say, is the Lighting strength, really.

If you look at it, the CFLs are just selling everywhere like crazy. I mean to have Lighting orders up 8 in the quarter, 13 for the year and it's really driven by compact fluorescents globally and also incandescent. The Lighting business is really probably the surprise, I'd say. It's strong globally and it's strong in the U.S.

Robert McCarthy - Banc of America Securities - Analyst

With respect to U.S. commercial construction, could you comment on what your facing businesses are with respect to U.S. commercial construction and perhaps any comments from GE Real Estate, what you're hearing there in terms of, your starting to see any kind of contagion rollover from kind of light commercial or capital formation there? Could you just give some commentary around U.S. commercial construction?

Keith Sherin - General Electric Company - Vice Chairman, CFO

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You know, Rob, we don't do a lot, quite honestly, with U.S. commercial construction, probably a little bit in the Industrial business. Most of what I would be able to reflect on would not be kind of what we see at GE but more what I hear from other people and that's -- I think that's definitely slowing, commercial construction.

But one of the bellwether's that I always look at is our Capital Solutions business because these are thousands of guys that are crawling around mid-market companies, you know, and GE Capital and they're still seeing a reasonably decent activity right now and so I think there's a lot of export activity still under way and they're still seeing decent organic growth.

Robert McCarthy - Banc of America Securities - Analyst

What about U.S. office, though, for GE Real Estate? Is that an area of focus for growth? Are they selling properties there? What are kind of the trends you're seeing there in terms of risk management for GE Real Estate with respect to the U.S. office market?

Jeff Immelt - General Electric Company - Chairman, CEO

The U.S. office, they've sold some portfolios in the fourth quarter of the year and, you know, again, I think there's still pockets of liquidity. It just depends on the geography and where you are.

Keith Sherin - General Electric Company - Vice Chairman, CFO

It's really supply and demand for us, Rob. You know, we invest based on the supply and demand dynamics and whether or not rents are going to be growing or not. And where we have opportunities to take advantage of the liquidity in a property that we've either fixed up or leased up, you know, we'll do that.

So we are, I think the biggest thing that we're seeing today is we're seeing an opportunity to invest in U.S. office at senior secured debt levels with high spreads and that's what we're finding really attractive. So we're not really in the construction business, we're in the finding opportunities in the marketplace business and right now senior secured debt at high spread levels is what that team is really investing in.

Robert McCarthy - Banc of America Securities - Analyst

Understood. And then finally, on the writer's strike, obviously you've had an agreement last night. You could have an agreement with the producers relatively soon.

Have you kind of ring fenced the volatility that you could see if this writer's strike extends? And then I'm under the impression that there's potentially an actor's strike in the back half of the year. I mean, how are you kind of war gaming kind of the volatility you could be seeing across NBCU for this year given the fact that it could take investors unawares.

Jeff Immelt - General Electric Company - Chairman, CEO

You know, Robert, I was going to say is that I think our numbers reflect kind of what we see today so we're not counting on the first quarter or even the total year necessarily a fast resolution of the writer's strike. We hope it gets resolved. I think the fact that the directors came back, I think is a positive sign.

But I think we're pleasantly surprised by how well the reality programming has done and the consumer appeal from Apprentice and American Gladiators and stuff like that, I think gives us if anything more confidence in terms of the financial strength of NBCU and what we can do in this environment.

Robert McCarthy - Banc of America Securities - Analyst

So you think your guidance basically takes into account that volatility?

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Jeff Immelt - General Electric Company - Chairman, CEO

I do, Rob, I really do. I think Jeff and the team did a great job of preparing for this. We got the programming in line that we needed to. As I said, there was no impact in the fourth quarter from the writers' strike.

There's minimal impact in the first quarter and there is an actor's negotiation that will happen in the second half of the year. And the film business has been preparing for that. If it were to be strike they're preparing for that and they've got set up that 2008 guidance anticipates that and so I think we're preparing for the worse and hopefully it will be better than that and we're in good shape on that. The team did a great job getting ready.

Robert McCarthy - Banc of America Securities - Analyst

Thanks for your time.

Operator

Thank you very much, sir. Ladies and gentlemen, your next question comes from the line of Deane Dray of Goldman Sachs. Please proceed.

Deane Dray - Goldman Sachs - Analyst

Thank you. Good morning.

Jeff, in December we talked about this where GE Capital's playbook of operating in tough credit markets potentially a recession gets dusted off here and you'd said you would start looking for potentially distressed portfolios. That has happened before. It looks like that came through with the Merrill deal. Just take us through with what the dynamics and how they've changed in the past month or so in terms of distressed portfolios for sale.

And the second point or the second question for Keith you mentioned that capital business is writing business at better spreads today, specifically Commercial Finance. Is that coming from a quality of the book that you're writing or is it a funding advantage? Can you quantify what those better spreads are?

Jeff Immelt - General Electric Company - Chairman, CEO

You know, I would say first of all, I think you've seen us do some transactions already around, you know, at better pricing than what we've seen in the past and so what I would say is that there's probably \$100 billion plus of assets that would be in our sweet spot that are in the process of being repriced in some way. And so from Mike Neal's standpoint, it's just a question of doing it at the highest margins we possibly can, making sure that we do the right diligence and get the right deals.

But this is definitely a great time to think through, particularly on the Commercial Finance side, you know, what we can do and we're trying to create a lot of capacity in order to do that in a, and I would say, a prudent but aggressive way like we've done in the early '90s and late '90s and stuff like that.

Keith Sherin - General Electric Company - Vice Chairman, CFO

You know, Deane, the price increases on the new business is just a classic economic response to supply and demand. I mean, there's a liquidity issue in the marketplace, as Jeff talked about. You all know it.

When you have capital, you should be paid appropriately for the risk you're taking. We've repriced risk. So it's raising prices. I mean in corporate finance our lending business in the fourth quarter, the originations were up 49 basis points.

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In the leasing business in the fourth quarter, our origination spreads were up 52 basis points and in real estate lending in the fourth quarter the originations were up 39 basis points. So I think of the teams, again, it's part of the execution that Jeff talked about up front.

Mike Neal and the commercial team and both Dave Nissen and his global team knew what was coming, got ahead of it and we've been raising prices and demanding better returns for the risk we take and I think that's going to flow through the portfolio over the next 18 months.

Deane Dray - Goldman Sachs - Analyst

Great. And just one quick follow-up on that point, Keith in terms of funding expectations near-term for GE Capital, looks like you've issued wider spreads in tough markets but it still looks like that's a funding advantage versus your competitors.

Keith Sherin - General Electric Company - Vice Chairman, CFO

We did a lot of debt in the first piece of the year. We have about \$20 billion of debt that matures in the first quarter. We actually saw that the banks were going to need to do a lot of funding after they did their earnings release and we got out ahead of that a little bit and, you know, I would anticipate that over the year we've got to do a similar level of debt that we did last year, somewhere around 80 to 90 plus billion dollars.

Our global team's working with a lot of great underwriters and trying to find the places with investors want Triple A paper. We're going to be prudent about it and make sure that investors get what they pay for when they invest in our debt and we do have a funding advantage, obviously, it's Triple A. But spreads have widened for us and spreads have widened for everybody in this market and that's another reason why you've got to go out and get those yields in the marketplace, Deane.

Deane Dray - Goldman Sachs - Analyst

Thank you.

Dan Janki - General Electric Company - VP Investor Communications

Bill, we'd like to take one more question.

Operator

Okay. We'll take a question from Scott Davis from Morgan Stanley. Please proceed, sir.

Scott Davis - Morgan Stanley - Analyst

Good morning, guys.

Jeff Immelt - General Electric Company - Chairman, CEO

Hey, Scott, how are you?

Scott Davis - Morgan Stanley - Analyst

I'm good.

I'm just wondering about your leverage ratios. It looks like they went up a bit in the quarter, year-over-year. Do you still have wiggle room in the agencies or is this just temporary?

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Keith Sherin - General Electric Company - Vice Chairman, CFO

No, I think, you know, it's a great question. Basically we've worked with both Moody's and S&P to develop a capital model that's based on product line leverage by business. So it's a business by business, what's the appropriate leverage for the risk you're taking at a Triple A level of loss and what you're seeing is the mix impact of the GE Money at much higher leverages because you're dealing with, like, mortgage business, for example, gets very high leverages to it versus an equity investment that gets low leverage.

You're basically dealing in total at GE Capital with a mix issue. In Commercial Finance the leverage actually went down in the quarter based on the mix of business they had. And then for total GE Capital it went up a little bit based on the global mix, principally driven by mortgage and auto.

Scott Davis - Morgan Stanley - Analyst

Okay. That makes sense.

Also, I did notice that GCAS and EFS had a pretty tough quarter but you didn't really give any color on that. Again, I know it's a little lumpy, but I would think given the shortage of planes out there that you guys would be doing quite well right now. Is there anything timing wise there or to explain it?

Keith Sherin - General Electric Company - Vice Chairman, CFO

Sure. I think it is timing. I think we had an expectation for GCAS the total year and if you remember, that plan included selling some assets. Most of those were done with the Genesis IPO earlier in the year.

And so from a comparison perspective, they were comparing against some asset sales in the fourth quarter of last year when we actually got it done in the first quarter, fourth quarter of '06 versus the first quarter of '07. So I think it's a timing issue for the total year, both EFS and GECAS were up about 4% and those businesses are going to be a little lumpy and I think on a rolling 12, that's how we ought to look at them and they both had a very good year.

You know, GECAS, we just can't get enough planes today. We wish we had doubled down on the order book post 9/11 and right now if you want to get planes, you can see we placed some orders with Boeing and Airbus recently, you know, you're talking about 2010, 2011, 2012 slot.

The secondary market is very challenging because the airlines are doing better globally and there's a lot of competition for that paper. The business is in great shape. I think we ended up with five aircraft on the ground. We just wish we had more planes, as Jeff said.

Jeff Immelt - General Electric Company - Chairman, CEO

And EFS has a great portfolio and there's lots of opportunities to get gains in that portfolio, Scott, as time goes on. It's the sector that's still like Aviation that's still really doing well.

Scott Davis - Morgan Stanley - Analyst

Okay.

And lastly, what does it mean, does it put pressure on your balance sheet when securitizations decline the way they've declined? Does that change things for you guys, per se?

Keith Sherin - General Electric Company - Vice Chairman, CFO

I think we do use capital markets. We've got great origination. We have been able to continue to do transactions in the capital markets. We did about \$3 billions in the caps solutions business in the fourth quarter.

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There have been some credit card deals that have been done here in the first quarter. We would like to be able to access capital markets but we built our plan based on the fact that we think capital markets are going to be tough in the first quarter.

You can do it and it's just a question of what the pricing is on what you sell. So there is liquidity out there and it's just whether the investors sell to the yield that they want. But right now we're anticipating capital markets to be okay but not as good as they have been for the first quarter.

Scott Davis - Morgan Stanley - Analyst

Okay. Fair enough. Thanks, guys.

Jeff Immelt - General Electric Company - Chairman, CEO

Thanks, Scott.

Dan Janki - General Electric Company - VP Investor Communications

Okay. We'd like to thank you everybody. For today, JoAnna and I are available all day to take your questions and also, today's material transcripts and replay will be available out at our Web site. So thank you again.

Operator

Thank you very much, sir, and thank you, ladies and gentlemen, for your participation in today's conference call. This concludes your presentation for today. You may now disconnect. Have a good day.

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