Conference Call Transcript

GE - Q4 2008 General Electric Earnings Conference Call

Event Date/Time: Jan 23, 2009 / 08:30AM EST

"Results are preliminary and unaudited. This document contains “forward-looking statements”- that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” or “will.” Forward looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties that could adversely or positively affect our future results include: the behavior of financial markets, including fluctuations in interest and exchange rates, commodity and equity prices and the value of financial assets; continued volatility and further deterioration of the capital markets; the commercial and consumer credit environment; the impact of regulation and regulatory, investigative and legal actions; strategic actions, including acquisitions and dispositions; future integration of acquired businesses; future financial performance of major industries which we serve, including, without limitation, the air and rail transportation, energy generation, media, real estate and healthcare industries; and numerous other matters of national, regional and global scale, including those of a political, economic, business and competitive nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

“This document may also contain non-GAAP financial information. Management uses this information in its internal analysis of results and believes that this information may be informative to investors in gauging the quality of our financial performance, identifying trends in our results and providing meaningful period-to-period comparisons. For a reconciliation of non-GAAP measures presented in this document, see the accompanying supplemental information posted to the investor relations section of our website at www.ge.com.”

“In this document, GE refers to the Industrial businesses of the Company including GECS on an equity basis. GE (ex. GECS) and/or Industrial refer to GE excluding Financial Services. The Industrial Products segment was formerly known as Industrial.”

Conference call transcript provided by Thomson Reuters. GE assumes no responsibility or liability for any errors, misstatements or omissions made by Thomson Reuters in the transcription process.

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

CORPORATE PARTICIPANTS

Trevor Schauenberg
General Electric Company - VP, Investor Communications

Jeff Immelt
General Electric Company - Chairman & CEO

Keith Sherin
General Electric Company - Vice Chairman & CFO

CONFERENCE CALL PARTICIPANTS

John Inch
Merrill Lynch - Analyst

Nicole Parent
Credit Suisse - Analyst

Jeff Sprague
Citigroup - Analyst

Bob Cornell
Lehman Brothers - Analyst

Nigel Coe
Deutsche Bank - Analyst

Scott Davis
Morgan Stanley - Analyst

Jason Feldman
UBS - Analyst

Steve Tusa
JPMorgan - Analyst

Terry Darling
Goldman Sachs - Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the General Electric fourth-quarter 2009 earnings conference call. At this time all participants are in listen-only mode. My name is Lauren 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, Trevor Schauenberg, VP of Investor Communications. Please proceed, sir.

Trevor Schauenberg *- General Electric Company - VP, Investor Communications*

Thank you, Lauren. Good morning and welcome, everyone. Joanna and I are pleased to host today's call. Hopefully, you have the press release from earlier this morning and the slides we will be walking through are available on our website at www.GE.com/investor. If you don't see it please refresh. You can download or print to follow along.

As always, elements of this presentation are forward-looking and are based on our best view of the world and our businesses as we see them today. Those elements can change as the world changes. Please interpret them in that light.

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

We will be reviewing the GE press release that went out earlier today and have time for Q&A at the end. For today's webcast we have our Chairman and CEO, Jeff Immelt, and our Vice Chairman and CFO, Keith Sherin. Now I would like to turn it over to our Chairman and CEO, Jeff Immelt.

Jeff Immelt *- General Electric Company - Chairman & CEO*

Great, Trevor. Thanks. Good morning, everyone. First page just kind of summarizes the environment and the environment remains very difficult. Credit losses continue in financial services. The financial service industry is still under stress, so those are still tough just like we described in December. Recession and growing unemployment, again, continues just like we saw at our year-end meeting.

Two things that are mitigants. Deflation is out there and we are seeing that in our raw material purchases and as the governments around the world fund a stimulus. A lot of this these are in the GE sweet spot of clean energy and healthcare IT. So, again, a few things better, but the environment in total is very tough.

So what I thought I would do before we dig in is just talk about how we are running the Company and our focus on doing a great job on the things we control. There's just six areas that I would cover. The first one is just all of the management processes have been accelerated and intensified. We have changed the way the operating leaders and the cadence with which they meet. We have outlined a capital board structure that reflects our strategy. We have got compensation tools for our team that reflect earnings and cash flow. And so we have got a very strong and engaged management team dealing with this incredible environment that we are seeing.

We have diversified and protected our revenues. Services and the Service business model remains robust. Our global diversity; you saw orders like the one in Iraq. We are going around the world to really pursue the growth that is out there. We have continued to invest in R&D and content and we retain the ability to finance our backlog and to finance growth as it appears to be important.

We have increased our cash focus. About $48 billion of cash on hand at the end of the year; very strong working capital and CFOA results. We did the equity raise; in our collections we are ahead of origination, so we have lots of cash on the GE capital balance sheet.

We are executing the plan we outlined on December 2 with the financial services business model towards a smaller, more focused business. We exited some product lines at the end of the year and we think we have dramatically risk reduced financial services.

We have really attacked our cost structure. We have taken $5 billion of cost out. We have done a lot of restructuring in Q4. Deflation is accelerating and we have got fewer people and less spending.

We have positioned ourselves for the stimulus that are being offered on a global basis. Again, every country in the world is doing stimulus of some kind. We think renewables and smart grid and healthcare IT are good fits for the Company. So we have got very focused execution on the things we can control and this is how we are really driving the Company in this incredible environment.

The rest of the presentation basically covers four things. First is to kind of go back to the December meeting and talk about the results you are seeing today and what we did to prepare for 2009. We will talk about our liquidity and cash plan. Then we will go back to the framework that we outlined both in capital finance and with our infrastructure and media businesses and outline how we are driving the earnings to be on track or consistent with the framework we laid out in December.

So with that I will turn it over to Keith and talk us through those points.

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

All right, Jeff. I am going to start with how we completed '08 and positioned ourselves for '09. The first thing that I just wanted to highlight was a checklist of what we outlined in December starting with revenues; $183 billion. They were a little less than what was forecast at the end of the year, driven by the stronger dollar and some lower financial services revenue.

Second, restructuring and other charges. We said we would be at the high end of the $1 billion to $1.4 billion after tax. We actually came in at $1.5 billion, and I will cover in a few charts. We delivered $1.78 per share, including the impact of the preferred shares. We delivered $18 billion

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

in net income and we were slightly above our industrial cash flow outlook. I will cover more detail on all of these as we go through the charts this morning.

The next page are the key measurements that we report every quarter for growth. Total orders were down slightly, but very strong absolute levels in this environment. And I will have a whole page on that.

For industrial sales we had 7% growth, which was pretty good in this environment; good organic growth industrially. Capital finance had assets down 2%, which is what you would expect with the actions we are taking. We delivered the EPS we said; $0.37 excludes the effects of the preferred dividend, $0.36 including the effects of the preferred dividend and aligned exactly with the way Jeff laid it out in December.

Our returns were at 14.8%. We finished the year with margins down one point, consistent with the way we operated all year. And the industrial cash flow finished the year strong; as I said, $16.7 billion, up 5%.

So I will start with a summary of the fourth-quarter; on the left side is a summary of continuing operations. Revenues of $46.2 billion were down 5% in total. You can see the mix is driven by growth in the industrial sales, up 7%, and continued declines in the financial services revenue with the actions we are taking to refocus GECS.

When earned $3.8 billion in net income, which was down 44%. For earnings per share we earned the $0.36 right in line with our December forecast and that includes the $1.5 billion of after-tax restructuring and other charges that we took in the fourth quarter. Total cash flow from operating activities was $19.1 billion and industrial cash flow, as I said, was $16.7 billion, up 5%. I will cover more on the cash in a few pages.

On the bottom left are our tax rates for the quarter and the year. I will cover a full page on tax rates with my next chart, but let me describe the summary here.

First, the tax rate came in exactly as we expected in December. The consolidated rate for the quarter is a negative 56% and that rate arises from a large tax benefit, which is a credit on significantly reduced pretax income for the quarter. You can see it's all driven by GE Capital with the industrial rate at 25% for the year.

The consolidated lower pretax income includes the impact in GE Capital of higher loss provisions, impairments, and also the restructuring that we did in the fourth quarter.

For GE Capital the rate is a positive because we are dividing that tax benefit or credit into a negative pretax income, resulting in the favorable rate. And I think one key point here is that our industrial earnings enabled us to use these GE Capital tax losses. It's one of the benefits of having the financial and the industrial company together. I will cover the size of the fourth-quarter impact on the next page of about taxes.

So on the right side you can see the business results. I will cover business by business in a few pages, but you can see our Industrial businesses ex C&I were up 3% in the quarter in line with our 0% to 5% forecast in December. And that was driven by the double-digit growth in energy. GE Capital finance earned a little over $1 billion, in line with the December guidance. Overall the segment profit was down 25%.

The difference between the segment profit and the total results reflect the restructuring, which was about $850 million after tax year-over-year higher in the fourth quarter. That drives you down to the total net income.

The next is more information on taxes, specifically for GE Capital. On the left side is a tax walk going from the fourth quarter of '07 to the fourth quarter of '08. The fourth quarter of '07 rate was about 1% in GECS and that is the $30 million impact that is listed on the left bar.

Then to compare to the fourth quarter of '08 as you walk across we had three categories that impacted the tax. We had higher losses and impairments of about $2.6 billion, which generated a $900 million tax benefit. We had restructuring and lower incomes, like less US real estate gains, which reduced high tax jurisdiction income by about $2.3 billion. And that also created a tax benefit that was about $800 million.

Then third, we made an election in the fourth quarter to permanently reinvest about $1 billion of prior year overseas lower taxed earnings that resulted in about $400 million of one-time benefits. Though in total for the year -- in the quarter, I mean, that is a $2.1 billion benefit.

On the right side, it's this kind of the framework of how do you think about capital taxes for 2009; try to list the biggest drivers. First, we will have higher loss provisions in '09, and I will cover a lot about losses in a few pages. That would lower the tax rate. Second, the plan does include

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

less restructuring, so that will raise the tax rate. And, finally, the plan includes lower global benefits and lower one-time items, which will also raise the rate.

So in 2009 the GE Capital tax framework does anticipate that we are going to have less one-time benefits than we had in 2008. It does anticipate a higher tax rate, but it's still a negative rate as I talked about in December.

Next is a summary of the restructuring and the other charges that we took in the fourth quarter. On the bottom half of the page are the restructuring and loss provision charges that we talked about in December. We said we were going to evaluate $1 billion to $1.4 billion, and Jeff said we would be at the high end of the range. We came in at $1.5 billion, as I said.

In the middle we funded $1 billion of after-tax charges to take costs out of the Company. We are completing projects with a little over one-year paybacks and we are reducing our cost structure in every single business, as you can see listed here. We have also funded incremental reserve provisions in GE Capital.

Just to talk about reserves for a second, you can see we added an extra $0.5 billion. Our reserves are primarily calculated based on statistical models. We use historical losses, historical recoveries, we use delinquency data. And as we saw an uptick in delinquencies in the fourth quarter we took a comprehensive look at all of our reserve models.

These charges that we added here reflect updates to get the most recent loss experience, to get changes in recovery experience, and to get updates on loss severity assumptions. It was about $300 million in the consumer business and about $200 million in commercial.

Then on top of the restructuring and reserves and other charges, we also had marks in impairments in the quarter. You can see we had about $700 million after tax and we have listed the categories here; about $500 million of these were in GE Capital services and about $200 million were in our industrial businesses. So on top of the $1.5 billion restructuring we also have about $700 million of marks and impairments that reduced our income in the fourth quarter.

So we had a lot of charges in the quarter and the $1.5 billion really helped to position us for a better 2009.

That is what I will cover on the next page. For all of 2008 we recorded $1.5 billion of after-tax restructuring and other charges, and this includes the fourth quarter -- this excludes the fourth-quarter loss provisions in GE Capital, but it does include restructuring that we did throughout 2008 in addition to what we did in the fourth quarter.

So we had about $0.5 billion throughout the year that also will help reduce our cost structure for 2009. Those actions that we did on reducing our workforce and simplifying our organization and reducing the number of layers are going to deliver about $1 billion of benefit in 2009 from the cost out activity.

In addition we also exited a substantial amount of non-strategic assets during 2008. We exited our corporate card business, our partnership marketing group business, the Japanese consumer finance business, and we also executed the consumer asset swap with Santander. Overall, we exited $14 billion of assets in 2008.

We completed the Santander swap already in the first two weeks of 2009 for another $8 billion, so $23 billion of reduction in assets from these business exits. And we will get ongoing benefits from not having most of these operations in 2009 and beyond. So I think both the cost out restructuring and the business exits that we were able to accomplish help us to prepare for this tough environment that we are dealing with.

The next section is really talking about liquidity and cash planning, giving an update where we are in funding the Company and with cash flow. Let me start with liquidity. First, we beat our commercial paper reduction target. We ended the year at $72 billion. That is down $29 billion in 2008 and down $16 billion in the fourth quarter alone.

The CP market is in better shape. We have strong demand; rates are very low. Our backup lines plus our cash exceed our CP balances. We haven't used to the CPFF since it opened in November and we have had a very good response in the market place from commercial paper. We are going to continue that reduction in 2009. Our target is to get down to $50 billion by the end of the year and we have every ability to do that with our plan that we are executing.

The second thing we did was we demonstrated our ability to manage our originations and collections. Our teams reduced our ending net investment by $22 billion on top of the changes that are coming from foreign exchange, so that is actual business reductions. We still originated

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

$48 billion in new book volume in the fourth quarter. So a good job of managing collections and originations to help us to get to the size we need to be to meet our leverage targets I will cover on the next page.

We also closed the year with $36 billion of cash in GE Capital and that was up from $13 billion at the end of the third quarter.

The third thing on liquidity that I think is really important is we were successful at growing our retail funding sources. CDs and deposits were up $25 billion in 2008 consistent with our December targets. We are really in great shape here on liquidity and ahead of schedule with the GE Capital actions.

In addition to liquidity, we also lowered our leverage and we have substantially pre-funded 2009. We ended 2008 with 7 to 1 leverage in GECC. We did infuse $5.5 billion of equity from GE in December and that offset the leverage impact we saw in equity in GE Capital from the strong dollar reducing our equity as we translated our overseas investments. And that was offset by both the ENI reduction that I showed you on the previous page and the equity infusion that we put in and got us to the 7 to 1 leverage, which was our commitment.

On the right side we have already issued $29 billion of long-term debt in GE Capital against our plan for the year of $45 billion. So we have completed 64% of our 2009 needs and that puts us in an excellent position as we think about the rest of the funding we need for the rest of 2009. Very strong shape.

Then there is total cash. If you look at GE in the fourth quarter, year-to-date we had $19.1 billion of CFOA. That is down because we didn't have any special dividends from insurance dispositions in 2008 and we had some in 2007. We also lowered the GE Capital dividend to 10% in the second half of the year.

So industrial cash flow was up 5% for all of 2008. It was about $700 million higher in the fourth quarter than our plan. On the right side is the cash balance walk. We started the year with $6.7 billion. We added the cash flow from the left side. We paid our dividends of $12.4 billion in 2008. We did the equity issuance and out of that equity issuance we contributed $5.5 billion down to GECS.

In the first half of the year we had some stock buyback, about $3.2 billion, so that is the $8.7 billion reduction. We had $3 billion for plant and equipment and software investments. We closed a few acquisitions and debt was down slightly. So we ended the year with $12.1 billion of cash at GE. If you ad the GECS cash of $36 billion, the consolidated cash balance is $48 billion at the end of the year versus a $16 billion balance at the end of the third quarter. Just a tremendously safer and more secure liquidity position, and we feel great about where we are here.

The next section is talking about the GE Capital results and also the position and the framework for 2009. I would like to start with just the page that we had in prior pitches. We'd used this in December to talk about GE Capital Finance. We said we would make about $9 billion, we made $8.6 billion. We have a plan and a framework to make about $5 billion in 2009, and I will show you how we are going to do that.

Our focus is really threefold. First, we want to manage through this incredibly challenging financial cycle in a safe and responsible way. I have covered what we have accomplished on funding, and I will give you an update on the credit cycle in a few pages.

Second, we are repositioning GE Capital. Jeff said we are talking about changing strategically where we are going to be -- a smaller, more focused, diversified funding, core finance company -- and I'm going to cover the numbers for that on the next couple of pages.

Our third focus is just to continue to support our customers through new originations. We did $48 billion in the fourth quarter. Our plan is for $150 billion to $200 billion in '09 and we are continuing to focus on the mid-markets, verticals, and the consumer lending. So a challenging year, but strong relative performance and let me go through the details.

First are the numbers for fourth quarter for Capital Finance. Mike Neal and his team delivered what we outlined in December. Revenues of $14.8 billion were down 17%, segment profit of $1 billion was down 67%, and assets in GE Capital Finance were down 2%. The separate business results are on the bottom left. Overall, a really tough quarter in a very tough environment.

First, let me start with GE Money. Assets at $184 billion were down 12% year-over-year, driven mostly by foreign exchange. But they were down 3% from the third quarter as new volume declined in all of the products as we have tightened underwriting globally everywhere. Net income of $832 million was down 14%, driven by the higher reserve provisions that we took mostly in the Americas; $660 million.

Also, we didn't have a repeat of a gain we had in '07, about $150 million from some sales of Garanti shares. Both of those items were offset by the one-time tax benefit, which I mentioned earlier. Most of that showed up in GE Money.

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Next is real estate. Assets of $85 billion were up 8% year-over-year as we invested in the debt portfolio early in the year. Debt as a percent of total assets is up to 57% of the portfolio, but the assets were down 4% from the third quarter as we have dramatically tightened up underwriting on everything obviously to do with real estate.

The business reported a $60 million loss in the quarter. That was down over $660 million from last year and it was mainly driven by fewer gains in the quarter. We did sell $1 billion of properties in the fourth quarter for a positive gain, but that was about $400 million less than we realized last year in gains. In addition, we had about $200 million of impairment in marks in the business.

The portfolio is still in good shape. We have a 1% delinquency rate and while the equity gains are down, we fully expect to more than recover our investment over asset hold periods. And I will cover more on real estate in a few pages.

Next is commercial lending and leasing. You can see we also split out Capital Solutions. We had a really tough quarter in our corporate lending business. This is where we were hardest hit by the turmoil that we are seeing in the financial markets.

We had an earnings decline of over $400 million from the mark-to-markets in equity securities. The largest was Genpact for $96 million. We had almost $400 million in incremental loss provisions that we have put into the business in the quarter and we had lower gains of about $150 million.

Finally, the verticals. They had a solid performance in the fourth quarter. GECAS was down 5%; that is from a one-time tax charge of about $25 million, but the portfolio quality remains in great shape. We ended the quarter -- ended the year with one aircraft on the ground and almost no delinquencies.

And Energy Financial Services had another great quarter with earnings up 24%. So overall a tough quarter given the neighborhood, and in line with our expectations.

Let me go through a little bit about the portfolio quality and credit losses and reserves on the next couple of pages. First is delinquency and non-earning assets. On the left side are the commercial data. We saw an increase in the commercial delinquencies and non-earnings in the fourth quarter.

We are seeing pressure across most of the portfolios. We are up 56 basis points from third quarter on the delinquency rate; capital solutions drove most of that. That was 38 basis points of the increase and Healthcare Financial Services had some of the increase.

We also saw an increase in non-earnings. Non-earnings were up 37 basis points, up almost $700 million versus the third quarter and it's driven by senior secured loans. We do expect significant recovery. This is where our senior secured positions are so important. I will give you an example.

In the quarter, we had nine accounts that were greater than $30 million; that was all the rest of the non-earnings that went in were less than $30 million. That represented about $450 million of exposure, but our expected loss is less than $60 million. So on the accounts that went into non-earnings we are senior secured, that is about a 13% net exposure, but our overall commercial reserves to non-earnings is 53%. So I think we are going to see non-earnings. We are going to see delinquencies rise; seniors secured position and our diversification is so important here.

On the right side is the consumer data. We continued to see deterioration in the consumer portfolio during the quarter in both the mortgage and the non-mortgage books. I thought it would be better to break out mortgage and non-mortgage because the loss dynamics are so different.

The two biggest pressure points we have on both delinquency, which is on the left side, and the right side is non-earnings are in North America, the consumer business, and UK home lending. I tried to break that out down on the bottom. Total delinquencies for the consumer business were up 108 basis points versus the third quarter. The North American business accounts for 64 points of that increase and the UK accounts for about 29 basis points. Total non-earners were up 62 basis points, and again North America accounted for 17 of that and UK accounted for 28 basis points of that increase.

So we are also being impacted by lower volume. As we have less volume going in, we don't have new accounts going in that are current and you ended up with a higher percentage just by the math.

The mortgage loss rates are rising, but they really remain low. Our non-mortgage book has low non-earnings. It's 1.76%; you can see that. And despite the mortgage non-earnings at 5.57%, the mortgage loss rates are low. Fourth-quarter write-offs were $109 million, 0.67% of the financing receivables, and our current portfolio loan-to-value is at 76%.

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

We underwrote in the businesses where we have less-than-prime business with mortgage insurance at everything over 80% loan-to-value, so we also have the insurance coverage. In UK, where we have our biggest book, you can see that the repossession stock was flat versus the third quarter of '08. That is about a little less than 1,000 houses that we have repossessed. So despite the business being our biggest portfolio, it's really a small number of properties that we actually get to repossession with because of the way we have underwritten the credit and because of the mortgage insurance.

Overall, we expect both the commercial and the consumer delinquencies to continue to get worse in 2009, but we are well reserved for this and I will cover that on the next page.

Here is an update from the December 2 meeting. We showed you our credit losses and our reserves. We updated for the fourth-quarter actuals here and we have given you kind of our current view of 2009. So on the top are credit losses. In the fourth quarter the losses came in higher; our provision it was driven by write-offs and reserve strengthening. We incurred $7.5 billion for the total year.

We have increased our forecast for 2009 from what was previously $9 billion up to $10 billion. We also increased the reserves in the quarter by $700 million and by $1.1 billion for the year, while having write-offs up $2 billion. So we have done a lot of strengthening in this portfolio. The reserves ended at $5.3 billion, in line with our forecast adjusting for the impact of FX and some of the business exits we did in the fourth quarter.

As I mentioned, our US consumer and UK mortgage businesses are the pressure points and on the top right are some of the stats about that. If you look at the US card and sales finance, our US consumer business, we increased reserves by $0.5 billion in the fourth quarter. For the year that took us up to about $1.3 billion, which allowed us to have the coverage rate up 178 basis points to 6.15% of financing receivables. That is a really good reserve for this book and reserves to non-earnings are covered to 2.25 times.

So we have really increased the reserves in North America reflecting the delinquencies and our changes in underwriting, we can see a benefit on new losses rolling into delinquency, new accounts rolling into delinquency, but we are still seeing a lot of pressure on the consumer and the US book obviously.

On the mortgage book we increased our coverage rate 56% to 0.64%. We really have significantly less losses here being a senior secured lender. With insurance, the reserves to non-earnings are about 11.5% and our average loan-to-value across the entire portfolio is at 76% now. So when you look I think we have dramatically increased our provisions. We have also upped our loss estimates for 2009 based on the environment we see. This is a tougher loss environment that we are planning for than we showed you on December 2.

If you look at the next page, I thought it would be helpful to just go back to the GE Capital framework we discussed in December. And then on the right side I will talk about some of the trends in the businesses and how you think about 2009, which is everyone's question. At this time, we don't have any changes to the overall framework on the left side, but I do want to share some movement within the ranges that I will just give you an update on.

We ended the year with a $8.6 billion of earnings in Capital Finance. We don't really have any change to the range for what we think is going to happen between the asset declines and the changes in the portfolio; still $0 to $1 billion down. We don't have any change in our estimates of gains. We are going to be down $1.4 billion to $1.8 billion.

For losses, we ended the year, as I said, with higher losses and reserves. We are planning for a slightly higher loss experience, around $10 billion versus the $9 billion, and that would take you close to the middle of this range.

On SG&A, we see more upside in the cost actions that we have launched. So we expect to at least to be at the high end of the range on SG&A and possibly better and that will accelerate through the year.

Finally, on tax benefits. They will be down in 2009 but probably near the lower half of the range here based on our 2008 close. Still down significantly though versus 2008. So all-in-all a more conservative loss assumption for '09 offset by SG&A and a little bit of tax, and this is what the teams are operating too.

On the right side when you look at the major statements GE Capital it would be helpful to just give you some of the dynamics. I will start with real estate. We continue to increase our debt mix versus equity, but we are conservatively planning the real estate team at breakeven to a potential loss of zero to a $0.5 billion loss. And that is driven by our lower gain assumptions, especially in the first half and some increased impairments.

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

You can see we have moved from an embedded gain last year at the end of the year. In the 10-K we reported about $3 billion, and this year when we do the 10-K we are expecting to report an embedded loss of somewhere around $4 billion pretax. But within that, we did sell $2 billion of gains in 2008, and then the rest is the change in the market dynamics. And I think selling those properties and realizing those gains was a pretty good performance in this market.

Another thing I wanted to talk about when you think about the $4 billion of embedded losses in real estate, we are an operator of these assets. We have the ability to hold for the long-term. The assets from an accounting perspective are carried at historical costs. We test them for impairment under FAS144, impairment for long-life assets. It is reviewed every single quarter, but they are not mark-to-market. We are not a trading REIT. If you look at this equity book that we have here, we generate about $1.7 billion in net operating income from these properties.

We also record depreciation annually on the properties we own. That lowers our basis about $1.2 billion per year, and we originated these properties to hold them. We put them on our balance sheet. We work on value creation, lease-up, property improvements, and manage the property over time, and we will hold these properties for five years or more.

So I think the portfolio is in pretty good shape, low delinquency. The market conditions are what they are, but we have underwritten these with good-quality underwriting and we like the supply and demand characteristics of the markets we have invested in. And we are prepared to hold these properties through this cycle.

GE Money next, we are expecting higher losses. I think you can surely see that in the consumer business for the first and second quarters at least. We are going to continue to shrink the book as we remix the commercial, and so we expect them to be down in '09 versus '08.

For commercial loans and leases we expect another challenging year with the loss pressure that we are seeing being offset by the SG&A actions. We are really dramatically impacting the cost structure here globally. But we do have a good market position and all of the new underwriting that we are doing is at extremely improved margins.

Then for the verticals we are really well positioned on GECAS and all of our placements for 2009 are committed and solid. And EFS also looks like it's prepared for another strong year, so they should be positive contributors here.

So we are planning on a tough year in a tough environment. The team is operating within the $5 billion framework for 2009 and that is what they know they have to execute on.

So let me switch now and go to Infrastructure and Media. I will start with the orders in the quarter; we feel very good about this. On the left side is major equipment. For the quarter, we had orders of $13.4 billion; that was down 11%. You can see that Energy was flat. The Thermal business was up 1%. Wind was up 5%. Oil and gas was down 19%, down 9% when you adjust for FX given the global nature of their business. And we did see some push outs in the Oil & Gas business.

Healthcare you can see was down 6%. Life Sciences was up strong, Surgery is up favorably obviously with the OEC orders and shipments, and DI was down 14%. Aviation had some tougher comparisons. Last year the fourth quarter was up 66%, but even with their orders down 26% that still allowed them to grow their backlog. The high absolute level of orders was more than the sales.

So for Transportation you can see equipment orders were down 48% in the quarter and 59% for the year. We do anticipate fewer locomotive deliveries in the '09 framework, and I will cover the '09 framework for all of these businesses in a few pages.

So if you look in total for the year, we had $54 billion of equipment orders. We ended the year with a $51 billion backlog that was up 6%, and we continue to see pretty strong global activity out there. I will cover some more on the orders as I go through the different businesses.

On the right side is Services. In the quarter we had $9.8 billion of orders; that was up 2%. Energy was flat. We had strong orders in power Gen offset by a non-repeat of some nuclear fuel orders, which are always -- impact us from a timing perspective. They come in, they are large and lumpy.

Oil & Gas was up 2%; very good upgrade position and the short cycle was down slightly in the Oil & Gas business. Aviation had a very good quarter, up 9%. Both in military and commercial the spare order rate was 21.9 a day, up 6% over last year.

If you look at the total service orders for the year, $37 billion. It's a fantastic business. We ended 2008 with $121 billion in customized service agreements backlog; that was up 11%. The total orders for the quarter at $22.8 billion were down 6%, but total orders for the year were $89.8

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

billion, up 5%. We grew the backlog in total including equipment service by $15 billion in 2008 so there is still an awful lot of economic activity out there in the infrastructure businesses.

I will start from a business perspective with the Energy Infrastructure team. Revenues of $11.4 billion were up 21%. We had $2 billion of segment profit, up 11%. Let me start with the Energy business.

The orders in Energy, as I said, were flat at $8.7 billion, but that is a strong absolute level of orders. For the fourth quarter the equipment orders in that number were $5 billion and they were flat. We received orders for 70 gas turbines in the fourth quarter, which is a good absolute order number. Only six gas turbines or about $200 million of the 55 unit Iraq order that we announced in December, the $3 billion order, is included in this number. So we still have another $2.8 billion from that order that will come in.

What we require is we need a signed contract. We need nonrefundable cash before we would include it in orders. So we have announced that we have the agreement, but it hasn't flowed into these order numbers yet. So that is still another indicator of the economic activity that is out there.

Wind orders were up 5% in the quarter to $2 billion, a little over 930 turbines versus about 900 last year. Air orders were up 86% to about $700 million. Now the offset to all of those is that nuclear orders were down about 90% to $18 million so not a lot of activity there on the equipment side.

Fourth quarter Service orders were flat. Energy Services were up 9%, again offset by the nuclear services which were down about 55% due to fuel reload timing. Total backlog at $24 billion was up 14% and order pricing was up 5.5%, so very strong continued order activity for the Energy business.

Revenues in the quarter were very strong, up 29%, driven by the growth in power generation. That was up 48%, and the service revenues were up 3%. The Thermal business had a great quarter. The revenue was up 76% on strong volume. We had two more gas turbines, five more steam turbines, 17 more generators, and then there was a little bit more balance of plant which is more third-party supply material at lower margins but a lot of revenue.

Wind was up 29% on more units. They had 988 units in the quarter, up 168 units. The service revenues were up three, as I said, facing tougher comparisons versus last year's business had big orders in transactional parts and big revenue.

For Energy the op profit was up 15%. That was driven by all of that strong volume that I just covered in Power Generation, partially offset by some lower Services op profit. That was down about 10% in the quarter. We had higher inflation in the F fleet overhaul costs, and energy also had a $30 million drag from net terminations in the Nuclear and Wind business. So negatives in the Nuclear and a few positives in Wind and Aero.

The next business, Oil & Gas, they had another strong quarter and they had a great year. Total orders of $1.9 billion were down 11%. As I said, we saw some impact from lower prices in the economy. We did have about $275 million of cancellations in the Oil & Gas business, but that didn't have any impact on operations while the net position we had from cash offset any exposure we had.

We also were impacted by the strength of the dollar. Ex FX, even including cancellations, orders were flat. Revenues were down 4%, Equipment was down 13%, and Services were up 14%. Again, impacted by FX, the strong dollar; revenues were up 6% on a local currency basis. The positive equipment service mix in the Oil & Gas business resulted in the great op profit performance with growth of 22%. So double-digit growth in the Energy business and continued great global economic activity for us.

Next is Tech Infrastructure. Revenues at $12.6 billion were up 1%. Segment profit of $2.5 billion was also up 1%. You can see the business results again on the bottom left and let me just cover a few highlights of each of the businesses here.

In Aviation, very good quarter. Orders in the quarter were $5.3 billion; that was down 12%. That is what you would expect with the airframe or backlog sold out into 2011 or 2012. We knew we were going to have tougher engine comparisons versus some of the orders we had last year.

The fourth-quarter commercial engine orders were $1.5 billion so we have still got a lot of activity even though that is down about 40%. The Military orders were pretty strong; they were only down 4%. And Service orders were up 9% so even with a tough comparison, we grew our equipment backlog. Year-over-year the equipment backlog was up 9%.

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Revenues of $5.2 billion were up 2%. That was driven by higher military shipments, up 78%, partially offset by fewer commercial engines, which were down 14%, and the Commercial Service revenues were up 4%. And that delivered op profit of $1.2 billion, up 21%, driven by pricing ahead of inflation and good service productivity.

Healthcare, revenues were down 3% and segment profit was down 9%. This is the final quarter, I am happy to say, impacted by last year's revenue recognition adjustment. Without that impact, segment profit, as you can see with the footnote we have got on the chart, would have been up about 8%. Orders in Healthcare were down 4%, Equipment was down 6%, and Services were up 1%.

We continue to see pressure in the DI business. DI was down 14% driven by more pressure in the US. Orders were down about -- a little under 30% and international was up 8% in local currency. So in the quarter revenue was down 3%.

We had some growth in Life Sciences; that was up 13%. We had good in surgery from the OEC business shipping. We had 1% growth in services and that was offset by DI, which was down 2%., Clinical Systems was down 9%, and Medical Diagnostics was down 6%.

So a mixed picture in Healthcare. Op profit down 9% driven by the negative price versus inflation and last year's revenue recognition adjustment.

Then in Transportation business here in the Tech Infrastructure, revenues of $1.4 billion were up 20%. We had a lot of international locomotive volume. We had growth in our wind gearbox units and that was partially offset by fewer North American locomotives. Op profit was down 16% because of the cost impact of developing this North American locomotive. We have got a new platform and we also had higher commodity costs that impacted the business.

For the year, the transportation op profit was up about 3%. So a mixed environment in Tech Infrastructure, but exactly what we said we were going to see when we met with you in December.

Next is NBC. NBC delivered -- the team delivered the results in line with the expectations in the fourth quarter. Revenues of $4.4 billion were down 3% and segment profit was down 6%. It's a little tougher profile than most of 2008. We had continued strong performance in Cable, but that was more than offset by the pressure we are seeing in local markets.

Cable has another great quarter. Revenues were up 11%, op profit was up 22%, and it's strong everywhere. USA continues its number one streak, Bravo, Sci-Fi, and USA were all up double-digits. MSNBC had a tremendous quarter, up 37%, with great coverage of politics in the quarter. CNBC was up 14% and is doing a fantastic job in business news.

The next category is Broadcast, which if you look at the network and our TV production operation, they had a strong quarter with positive profit growth, but local media had a tough quarter. Revenues down 25 and operating profit was down 55 driven by the economy. And you are seeing that in local advertising.

The TV studio partially offset that. They continue to perform; we are getting a lot of good revenue and margins from owned content like House and Heroes and 30 Rock, and NBC News continue to have a great quarter. Strong number one with Meet the Press, Today and Nightly News.

We are excited about the changing broadcast model with the agreement to have Jay Leno go on at 10 o'clock and that will start in the next season, which will be after September. Overall op profit for the broadcast was down about 50%, driven by the local performance.

On the right side, Film & Parks had a mixed quarter. Op profit was down about 7%. We did have six new releases in the fourth quarter versus four in '07. So that the advertising and promotion drag with the new releases hurt us a little bit year-over-year. That was partially offset by very strong DVD sales; up 20% from hits like Mamma Mia.

We have had a pretty good quarter overall in the content and quality. We have got some good Oscar nominations from the team at Universal. We congratulate them on that.

The parks had a mixed performance. The per cap spending was pretty strong, attendance was mixed. We were up 4% in California, down 4% in Orlando which is pretty good given the environment that we are seeing.

Finally, on Digital & Cost and other. Hulu continues to perform, get great recognition and good growth. We continue to take a lot of actions here to reduce cost and the team will continue to do that.

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Then in the fourth quarter we reached an insurance settlement for the final settlement on the impact of the fire that we had in Hollywood. That benefit of about $225 million was offset by $215 million of write-downs on some of our investments in NBC like Shop NBC and our investment in Ion. So a solid performance in a tough environment.

Next I just want to cover a couple of charts about the industrial business model, and I think it's relevant in this environment and it reinforces the message that we gave in December. There is really five factors that Jeff outlined in December that position us to outperform in a tough environment.

First is our position in infrastructure. We start 2009 with a $51 billion equipment backlog. We are incredibly well-positioned to be a part of the global stimulus and that entire world is putting stimulus packages together. And we are going to be aggressively pursuing things that we can help governments create jobs and improve their economic activity and also improve their infrastructure. We are well positioned there. Certainly from a clean environment and renewable energy perspective and in Healthcare we have got a great position.

Second, global diversity. We ended 2008 with 53% of our Industrial revenues outside the US. Despite the slowdown, there is pockets of global growth. You can see it; that we continue to benefit from large orders in the Middle East. I mentioned the Iraq order.

We also had in the fourth quarter a $1 billion order in Saudi Arabia. Healthcare in China in the fourth quarter was up 33%, and as Jeff said, they were enacting stimulus. So our global position really enables us to take advantage of market activity anywhere that is available in the world.

Third, our terrific service position. We benefit from a huge installed base and in a tough environment customers tend to extend their asset lives and that is good for our service business. We had $9 billion of Services revenues in the fourth quarter with high margins and that continues to grow. We have got a great customized service agreement backlog that gives us a long-lasting relationship with our customers and in an environment like this that is really important.

Fourth, value gap, margins. We expect to drive pricing in excess of inflation in 2009. We have got a positive tailwind developing in inflation and our Equipment Services mix is also going to turn positive in 2009. So I think we have got a lot of factors here on this page, and then the fifth point is cost control, which I'm going to cover on the next page.

You talked about -- Jeff mentioned how we are operating the Company. We have got an intense focus on cost with the operating counsel and our focus at the GE Capital Board. But on the operations side for Industrial we have the entire global sourcing team energized to get material deflation. We expect our direct material to be down a couple of billion dollars this year and we are seeing that across the board as commodity prices have come down and as the environment has gotten tougher.

Every single team in this company has a headcount-based cost target and the restructuring that we funded in the fourth quarter really helped us to get going on these actions. They will help us to deliver about $1 billion of incremental benefit year-over-year in '09. In addition, that is a big part of how we get our base cost down from 44 to 41.

Then finally every team in the Company has a program to reduce indirect cost and that is a part and the indirect is a subset of the base cost. But we are expecting sourcing deflation of around 7% and in many places it is better than that. As we reduce our headcount from the cost actions that also helps us to reduce our indirect spending, the connection between employment and indirects or directs. So we are really taking aggressive cost actions across the Company.

With that now let me go back to the framework for '09. I thought I would recap on the 2009 operating framework. This is what we gave you in December; I have a few comments to make about it. Revenues we said would be flat to down 5%. You can see that we have got Industrial growth and continued Financial Services shrinkage. That hasn't changed.

For the Industrial segments, we expect the segment profit to be up 0% to 5%. We have many strengths that I just went through -- the five points -- including our great backlog, our position in infrastructure, our service business, and our focus on cost. Even with a tough economy and the financial crisis, we should be able to deliver this.

I thought I would just give you some of the unit assumptions that we have in our framework maybe to help you model. For Energy in '08 we had about 188 gas turbines. In '09 we are expecting to be about flat with that, somewhere around 185. For Wind we had about 3,240 turbines in '08. We expect that -- in the framework we have that at about 2,800 turbines. That is down about 14%.

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

In Transportation, we had 861 locomotives in the year. In '09 in our framework we are counting on about 600. In Aviation we had about 2,156 commercial engine deliveries in '08. That actually in the current rollup in the framework is 2,200 engines based on the airframer production schedule and our share. On the Military side we had about 746 engines and we are counting on about 925, which are contracted with the government.

So that gives you a little bit of help on how you think about 0% to 5% and what we are thinking about on these long cycle infrastructure businesses.

On Capital Finance we said we would have about $5 billion. I went through the operating performance factors; the team is totally focused on it. We know it's a tough environment and we have got a lot of execution to hit that, but we have given you the framework on how we are thinking about it.

Then, finally, our corporate costs and C&I. That is going to be flat. We are going to have less restructuring. We are going to have a little higher pension costs.

Just one update on pension, if you look at the cloud on the right side there, our US pension -- principal pension plan the assets were down 28%. We were impacted by asset returns, just like everyone else was last year. With assets down 28%, we ended the year with about $1 billion deficit in the principal US plan.

There are no funding requirements for '09. The funding requirements are a little different than just the difference between your book assets and liabilities. On the funding requirement calculations we are 109% over-funded at the end of the year and we don't anticipate that you would have any funding in '09.

We will have to see what happens with discount rates and asset returns in 2009 and 2010 to see it a little further about. But the 2009 expense will be up slightly from '08, as we showed you, about $300 million versus $200 million. So not a big impact there.

Overall, no change to the framework for 2009 from December. I though it would be good to give you a few of the updates on where we were. Let me turn it back to Jeff.

Jeff Immelt *- General Electric Company - Chairman & CEO*

Great, Keith. Thanks. I want to just recap on capital allocation and want to spend some time dwelling on something that has received a lot of attention and speculation. We are planning for a really tough environment. The recession is tough; financial services crisis is worse. We had 12 financial service companies downgraded in the fourth quarter. GE put on negative outlook by S&P, so we are prepared for a really tough environment.

But what I would say is that we really have prepared the Company to perform in this environment. We hit or beat every cash liquidity commitment since the crisis began. Our Industrial CFOA is very strong at $16.7 billion versus a $16 billion dollar plan. We generated $5.3 billion of Industrial cash flow in Q4.

We end the year with very strong positions in cash. CP reductions ahead of plan; 64% of the debt is pre-funded. Leverage is down to 7to 1, so from a capital liquidity cash flow standpoint I think we are in great shape.

Our management attention is very focused. The operating council, the GECS, drive results. The GE Capital team I think has really done a great job of executing and responding to this environment. We have increased the cadence of our meetings. We have aligned compensation around cash. I think the team is very focused and engaged and the plan is realistic.

I think we have adjusted in line with the environment. We are reflecting the environment. We have increased loss reserves, and again I feel very confident that we have fully reflected what we expect in this environment.

The key thing is to maintain our disciplines. We believe that the dividend represents a good shareholder return in this environment and we continue to run the Company to be AAA. So we have a lot of cash, we have improved the liquidity, our priorities remain the same. I think we have really reflected a balanced plan in GE Capital. Our priorities for 2009 are just in line with our December outlook, which is to grow the Company organically, maintain the GE dividend, and execute on our financial services plan that we have outlined at the December 2 meeting.

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

So just to summarize, I think we have completed 2008 in line with the December meeting. We have earned $18 billion, the GE Capital business earned $8.6 billion, in Capital Finance, Infrastructure & Media were at 3% in line with expectations. We have executed on a liquidity and cash plan that we have outlined, very significantly, and have executed and performed really across the board. We have reduced the ending net investment by $46 billion in Q3 and 64% of our '09 debt funding levels are completed.

We are not changing the 2009 financial framework in terms of how we look at the Company and how we are running it. We are running the Company with intensity. We have got shorter cycle time on processes. We have diversified revenue streams. We have increased cash flow. We are changing the financial service business model. We have aggressively lowered costs and we are positioned for stimulus. So we believe that the Company is positioned for a very tough environment and set to perform.

So, Trevor, let me turn it back to you.

Trevor Schauenberg *- General Electric Company - VP, Investor Communications*

Great. Lauren, I think we would like to turn it over to the Q&A now.

QUESTION AND ANSWER

Operator

(Operator Instructions) John Inch, Merrill Lynch.

John Inch *- Merrill Lynch - Analyst*

So if we look at capital it strikes me that perhaps one of the biggest sources of pressure within the markets would be, say, the equity portion of your real estate book. Keith, I understand your comments vis-a -vis sort of accrual accounting and just sort of how you book that stuff, but then you do have this embedded loss.

I guess where I am coming from is, given what has happened with commercial real estate markets and the pressure these industries are under, could you describe how we should be thinking about perspective losses or write-downs to that business looking ahead? How long can you hold these levels without having to take a much bigger hit?

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

Sure. I think the thing that you have to recognize is the way I described it this morning. We invest in these properties to hold them for the long term. We don't mark them to market. We do have the ability to run them. We collect operating income from the tenants. We invest and improve the properties. Our hold period on this equity book is going to be five-plus years. We have underwritten every single property from a supply and demand characteristic to make sure that we have got a high-quality asset in a place that is going to have good supply and demand characteristics. And in the short term if you have to deal with a rent decrease or a vacancy issue, we can weather that and we include that in our assumptions.

Basically, we use third-party data for our rent growth assumptions. We look at our occupancy based on the market and our actuals. We inflate our expense growth in our forecast. We use sales comps for Cap rates. We use third-party data; the discount rates are set by third parties. So I think we are really very diligent on how we look at what the value of the properties are going to be, what is the long-term prospect for the property with rent growth and inflation and Cap rates, and we have the ability to hold these.

So I think you are going to see a continued pressure in the commercial real estate market, obviously, from the impact of unemployment and the general economy. And we forecast that into how we have looked at what this book is going to be. So I think you can see further declines from an actual fair value mark-to-market versus this book, but we have the ability to hold these properties for the long-term and we intend to do that.

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

I think when we put the plan together for '09 we were expecting $0 to $500 million loss for real estate. Included in that we are going to make $500 million, $600 million, $700 million from the debt portfolio. We will lose a similar amount on the equity portfolio in total, because we have operating income. But that is offset by carrying costs and this depreciation which lowers the basis. I think it's important that we are lowering the basis every year by $1.2 billion, John.

Then overall we will probably have a couple hundred million dollars of impairments is the way we looked at 2009. Not a big number and it's based on the current market, our estimates of what the future will look like based on our best assumptions for 2009 and 2010 and beyond. And we are prepared to weather the storm.

I think that, you know, it's not too dissimilar from you look after 9/11 with GECAS. 9/11 with GECAS we had a lot of airlines under stress, but we have good assets. The airplanes have a lot of value and we have the ability to weather that storm.

As you look at what we have been able to do since 9/11, we have been able to not only recover those assets values but we have been able to put the whole business back into positions where we had substantial gains. That is what we are. We are a long-term investor. We are a buy-and-hold investor. We fix up the properties and we have the ability and the balance sheet to weather this temporary storm in commercial real estate, even if it's going to be a couple of year period.

John Inch *- Merrill Lynch - Analyst*

Then just as a follow up, given the higher provisions of $1 billion, as you guys look at the world, Jeff, are you still sticking by your assertion you do not need to raise additional equity capital?

Jeff Immelt *- General Electric Company - Chairman & CEO*

You know, John, I really look at the cash position in the Company today and the strength of our cash flow and things like that. And I just can't see a scenario in which we would have to raise additional equity capital. We just have -- we have executed on all of the capital planning, liquidity planning, cash flow strength. We just have done -- I think navigated this very well and we have just got high levels of cash and liquidity right now.

John Inch *- Merrill Lynch - Analyst*

Thank you.

Operator

Nicole Parent, Credit Suisse.

Nicole Parent *- Credit Suisse - Analyst*

Good morning. I guess I am just trying to reconcile the 3% Industrial organic growth that you guys are targeting for 2009 with the great color you gave us on the unit deliveries for '09 and I guess also the order numbers for the fourth quarter. I guess maybe elaborate on Oil & Gas you talked about push outs in the quarter, equipment orders down, service strong. Transportation, orders are up to 50%, unit forecast for 2009 is down 30%.

And then I guess with Healthcare with diagnostic imaging down 30%, help us think about how the components get you to kind of the growth that you are talking about?

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

I think you are going to have to look at the backlog. The orders in the fourth quarter don't really reflect what we have as the backlog that is shippable for 2009, although it does obviously indicate from the high levels, the absolute high levels that we have been realizing these orders at,

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Nicole, a slowdown versus those. I think if you go business by business I think Energy is really well positioned for a good year. I think we have got a very strong backlog on the Power Generation side.

I think the Wind side is -- we are forecasting and in the framework we have it down 14. I think there is quite a bit in the stimulus that may help us to influence that. Whether it affects '09 or '10, we will have to see, but a renewable portfolio standard as well as a change of the production tax credit to be actually a refund really does change the dynamics of the market for that business. So I think they are well positioned.

I think in Oil & Gas we have seen those push outs. We do have a very good backlog. The good news about the equipment slowdown is we don't make a lot of money on the equipment margin as we ship those units, but it's important to build the install base. And the service business is growing nicely. So I think in Oil & Gas it's going to be a similar profile in the fourth quarter where you have less equipment shipments but from a total growth you are dealing with a lot better service margin, and you have enough equipment shipment business to make sure you don't have a cost problem in your business model.

From Aviation I think we have got pretty good unit forecast. I think we will have to see how the backlog holds when you look at will financing and will the capital markets sustain the total airframer production schedules that they have. We have tried to hedge back what we think might happen based on the financial markets, but we have a tremendously strong backlog here from an equipment perspective based on the share we have gained. And the Service business based on that install base growth feels pretty good.

We have taken in Aviation -- as you know, we saw in the summer last year airlines globally announced about 1,500 planes that were going to come out. We have taken that into account and are forecasting both for what it means maybe for airlines taking new planes as well as for what it means in overalls and the installed base. With oil coming down to $40 a barrel that has helped things actually, we have had less pressure than we actually thought we would have by the fourth quarter last year.

We were impacted about $200 million in the service business in all of '08 from those push outs and we think it's similar numbers likely in '09.

For Healthcare it's going to be a tough business. At the end of the day we have got to do a better job with costs. We are taking a lot of costs out of the cost structure. We have got many product lines there, as you know, that will help us from an equipment perspective. We have got to do a better job with the surgery business. That is up and running, obviously, and will give us some tailwind into 2009, but we are obviously watching that DI market.

I think the one other positive in there is going to be stimulus, including things like in China where you are getting a lot of local benefit to hopefully help the local healthcare markets. And we are seeing that globally. That is one positive that we have got to watch in healthcare.

Transportation is going to be down; there is no question about it. I think you are going to see lower North American locomotives. We have got a lot of global orders we are chasing, but they are going to have to do a good job with service. And they are going to have to do a good job with the adjacencies, like the wind turbine business which helps them because they do the gearboxes.

So I think we have taken that all into account when you look at the framework of zero to five for industrial and it's going to be a tough equipment world. There is no question about it. The teams have built their plans for 2009 based on that environment, Nicole.

Jeff Immelt *- General Electric Company - Chairman & CEO*

Nicole, the service business is very strong. The backlog is very strong. That is $8 billion of Industrial earnings right there. If you go back to the December meeting, I think our orders are really in line with what we thought. We have very been little sell and install that is required for 2009 and very robust Service backlog, so I think that is the key to this year.

Nicole Parent *- Credit Suisse - Analyst*

Got it. Just one follow-up on real estate. Keith, I think you said you sold $1 billion at a profit. Could you give us a sense of what the dollar amount of that profit was and was it in line, better, or worse than your expectations?

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Yes, we sold about $1 billion of properties. We had about a $50 million net gain on those sales. It was in line with the expectation of a terrible market in the fourth quarter. It's less than we wanted if you wanted to go back to the second quarter or the third quarter, but it was in line with what we thought we were going to get when we entered into the fourth quarter here and the environment that we saw.

Nicole Parent *- Credit Suisse - Analyst*

Great. Just one last one on Transportation, you mentioned you were investing in the international platform. What was the dollar amount of that investment just so we can normalize an exit run rate for the full year?

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

It was about $40 million associated with the platform. We developed a locomotive for North Africa. We had an order for about 80 units in Egypt. We haven't completed shipping all of those units, but it's about $30 million of costs. We did get a follow-on order for Libya for about 15, 18 units. So it's a growth area for us and the investment, we think, will pay off.

Nicole Parent *- Credit Suisse - Analyst*

Great, thank you.

Operator

Jeff Sprague, Citi Investment Research.

Jeff Sprague *- Citigroup - Analyst*

Thank you. Good morning. Keith, can you just walk us a little bit through what happened with equity? Sequentially, the equity balance is down about $7.5 billion, obviously, despite a capital raise and net income that is greater than the dividend. I am sure some of it is pension, but it's kind of hard to put my arms around what is going on there.

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

Sure. If you look -- I will go from third quarter, Jeff. We had about $112 million of equity, and in the fourth quarter we ended the year with about $105 million of equity. Basically, we had a little change in the unrealized loss on investments, about $800 million. We had a negative from the change in the value of cash flow hedges, about $1 billion.

Currency really hit us. The stronger dollar translating over half our assets in financial services overseas and the US and the GE industrial assets that are overseas hurt us about $7.5 billion. We have about $14 billion from the benefit plans. That is mostly pension. The surplus that went to a deficit.

We had $15 billion increase from the equity issuance, and we have $4 billion increase from the earnings, and then we paid our dividend. So at the end of the day, the equity issuance that we did was kind of offset by the benefit plans, and we had a decline in equity from foreign exchange.

Jeff Sprague *- Citigroup - Analyst*

And then on a similar vein, just trying to get my arm around these various walks, the GE capital walk kind of slightly adjusted from the beginning point at 8.6. But it appears that your gains -- I am sorry, your losses, you are now expecting a $2.5 million delta based on the $10 billion credit losses you were talking about for '09, but you didn't change that loss headwind of $1.3 billion to $2 billion.

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Yes. I think it is probably the difference between pretax and after-tax. If you look at the reserve levels and the credit loss provision, it is pretax. And then the net income walk on GECS, the $8.6 billion down to the $5 billion, that is an after-tax number.

Jeff Sprague *- Citigroup - Analyst*

And then your comment about the taxes, we should be more in the middle of that range than $1 billion to $2 billion credit?

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

Yes, I said probably closer to somewhere nearer the lower end of the range than the top end of the range. And we have obviously a lot of work going on in taxes to make sure we get that, but that has got some volatility in it.

Jeff Sprague *- Citigroup - Analyst*

The lower end of the range meaning bigger credit?

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

No, I meant the lower end of the range, less the credit, closer to the $1 billion down than the $2 billion down, Jeff, sorry.

Jeff Sprague *- Citigroup - Analyst*

Okay.

Jeff Immelt *- General Electric Company - Chairman & CEO*

Jeff, I think we have been able to have the GE Capital guys step into a lot in the fourth quarter. I mean, I don't think that should be underestimated. The reserve strengthening, the restructuring that has gone on to take the cost out. I would say that the cost plan we can probably do even better than. So I think we have done a nice job in Q4 to get positioned for 2009. And all of the actions we have taken, I think, make the $5 billion more achievable.

Jeff Sprague *- Citigroup - Analyst*

Jeff, actually a different thought. You characterized deflation as kind of positive. Maybe we have got good deflation here for a while with some of these raw mat costs coming down. But do you see any evidence of kind of the dark side of deflation where it is really catching up on your ability to achieve price in the marketplace or you are getting people really evaluating their plans and reconsidering CapEx and other things?

Jeff Immelt *- General Electric Company - Chairman & CEO*

Jeff, I think we have gone through a cycle if you go through the last couple of years, and that is that our pricing in the beginning lagged inflation, and then our pricing was better than inflation. Our pricing, for instance, in businesses like Energy was very positive in the fourth quarter. So we tend to sell longer than we buy in many of our businesses, so I view that as net positive.

I also think that projects got canceled because of inflation that now might get more attention. So again, I think this is more positive than negative vis-a-vis what we can expect for 2009, from a value gap standpoint.

Jeff Sprague *- Citigroup - Analyst*

Thanks a lot.

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Operator

Bob Cornell, Barclays Capital.

Bob Cornell *- Lehman Brothers - Analyst*

Good morning, everybody. More questions on capital than industrial for the first time ever. Another thought, Keith, as you look at the fourth quarter for financial services, the op profit before provisions was $1.572 billion, down from $4.7 billion last year. Now if you start from that level and you annualize that number, you're looking at $6 billion of op profit in '09, and then you are looking at $10 billion of provisions next year. So you're starting out -- if you just extrapolate the quarter that just reported, you're looking at a meaningful loss next year.

So to the extent you can -- obviously, that doesn't count the cost savings and so forth. Maybe is it possible to take the current number and extrapolate into '09 and maybe help us with that walk?

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

Sure. I think the way to do it would be if you look at GE Capital, the total GE Capital services, you had about $1.5 billion pretax loss in the quarter, Bob.

Bob Cornell *- Lehman Brothers - Analyst*

Yes.

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

I would start with the restructuring. We had $700 million pretax in the fourth quarter that is above any run rate if I'd add that back. I think if you look at the loss provisions, we had $3.1 billion of lost provisions in the quarter. Clearly, even at a 10 rate, you are somewhere -- I am only averaging for quarters and I'm not picking a quarter; I'm just saying the average for the year, that would be 2.5 versus 3.1 even going to the 10 rate. So that is 600 higher in the fourth quarter than that run rate.

Losses -- mark-to-markets and impairments, in the quarter we had about $1.2 billion pretax of mark-to-markets and impairments. Even if I said the total year 2009 was going to be the same mark-to-market impairment levels as we had in 2008, you know we had marks in the first quarter and the third quarter.

That would be about $1.6 billion pretax total year. So that would be less than the fourth quarter. Another $800 million in the fourth quarter, I think was a very heavy quarter for us on marks and impairments in GE Capital.

And then finally lower costs. We got over $2 million of lower costs year-over-year. You are talking about $0.5 million. I can get you back up to of over $1 billion of pretax income and then for the year you roll that out you are $4.5 billion, say, on pretax.

And then this year for the total year you obviously got tax credits of about $2.4 billion for the whole year. And with that walk that we are giving you, say the tax credits, the one times, and another things don't repeat at that same level.

Even if you were $1 billion less of tax credits, you would have $1.4 billion. You are still close to -- on the total GE Capital a higher number than the $5 million. You can get yourself up to $5.5 million to $6 million. So again imprecise macro numbers off of the fourth quarter, but I think it's consistent with the framework we have laid out to get to $5 billion for GE Capital Finance for 2009.

Bob Cornell *- Lehman Brothers - Analyst*

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Okay, we will fine tune that; I hear you. I think we had thought that you, GE might give us some thought about the first quarter maybe in terms of a percent of the earnings that might appear in the first quarter. Is that a possible on this call?

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

Well, we have said we are not going to give quarterly EPS guidance and I think we are sticking to that. We have given you the framework for '09 and I think people just have to build their own model. You can look at what the percent of the year is historically. You can look at run rates that we have by business. You can do your own modeling about how costs benefits come in based on restructuring and things like that. We are not giving any guidance on the first quarter EPS.

Jeff Immelt *- General Electric Company - Chairman & CEO*

We did update the framework. Again, Bob, we did update the framework and the updated framework says based on backlog, order rate, cost out, productivity in Industrial we still think zero to five is solid for the year. And Keith just gave you kind of a walk on Capital Finance and so look, I think the framework is something that we want to stick with. We did update that today and say that we still think based on what we are seeing it still looks okay.

Bob Cornell *- Lehman Brothers - Analyst*

We will sharpen our pencil. Thanks.

Operator

Nigel Coe, Deutsche Bank.

Nigel Coe *- Deutsche Bank - Analyst*

Thanks, good morning. So just a quick follow-up to Jeff's question on the FX, of that 7.5, how much came within GE Capital?

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

If you look at GE Capital's equity on its own, it's about $6 billion from FX. So if you look at GE Capital ended third quarter about $56 million of equity, ended the year at $53 million. Basically, the $6 billion of change from currency translation was offset by the $5.5 billion contribution we put in from the parent.

Nigel Coe *- Deutsche Bank - Analyst*

Okay, okay. Then a question the kept popping up quite a bit is on a balance sheet reserves for the losses are currently running below the loss provision in the P&L. The question is if you are expecting $10 billion of losses in 2009 on why wouldn't the balance sheet reflect that $10 billion?

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

Yes, I think what we have to do is we have to have losses reflect what is the embedded loss in the portfolio, and it's very statistically driven. I think if you look at the fourth-quarter provision of 31, it's probably a little high on a run rate. But the provision that we have for losses is exactly what we need based on what is embedded in the current book we have.

Unfortunately, we can't book losses for things that we think might happen in the future. For example, our loss estimate of $10 billion, Nigel, has an average assumption of over 9% unemployment now. , but that is not where it is today. so I can't book losses for things that I am forecasting in the future, but I am anticipating it in how I put my framework together.

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Nigel Coe *- Deutsche Bank - Analyst*

Okay, that is clear. Then just again on a commercial real estate, I just want to clear that up. So basically the carrying value of the real estate is the intrinsic value, i.e. the discounted rental income that you are recognizing. Is that correct? So even if you get (multiple speakers)

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

Carrying value is the book value offset by annual depreciation.

Nigel Coe *- Deutsche Bank - Analyst*

Right. So long as the intrinsic, i.e. the discounted value of the rents, kind of holds that value. Even if there is a large gap between intrinsic and market values then you still wouldn't feel pressured to write down --?

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

The actual FAS 144 test is not on a discounted cash flow basis, it's on discounted future cash flows. So we do test for the fair value and that is how we come up with our embedded loss that we have talked to you about today. But the actual accounting test is an undiscounted cash flow look.

Nigel Coe *- Deutsche Bank - Analyst*

Okay, that is clear. Thanks.

Operator

Scott Davis, Morgan Stanley.

Scott Davis *- Morgan Stanley - Analyst*

I am trying to understand a little bit, you have talked a little bit about the statistical models and your reserve levels. And just not being a finance guy, you look back at 2002, 2003 your reserve coverage was a lot higher. Just given how dire this crisis has been so far, how do you tweak these models to make them realistic?

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

We have a significant amount of work going on on it. I just want to go back -- if you go back -- everyone goes back to 2000 levels, the business prior to 2001/2002 -- I don't know exactly when the change was made based on accounting requirements. I had kept a loss provision of 2.63 year in and year out and the accounting changed where you had to reflect the embedded loss in your book.

As a result, as the portfolio quality improved and delinquencies went down and we had a very obviously good period from a credit perspective that went down to what the actual embedded loss was. So the change in loss reserves going back to historic time is really driven by a different requirement from a loss provisioning perspective.

If you look at where we are today, we have done a complete study in the fourth quarter based on the delinquencies we saw and based on the pressure that everybody has on it. Obviously, we would be crazy not to be putting a ton of resources on it, making sure we get it right. The entire team is focused on getting it right.

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

We look at our statistical models. We look at historic loss rates. We look at an updated in the fourth quarter for more recent loss experience based on delinquency rates. And we increased the provisions by over $0.5 billion after tax based on that study, so I think we are really trying to make sure we are current and getting it right.

But we are in a terrible credit environment. We are going to see more pressure from the consumer. We are going to see more pressure from the commercial. We are anticipating it and the provisions are going to have to increase as we see that materialize. And so we are trying to forecast a worse environment than we see today and that is going to be reflected in higher loss provisions as we go forward, Scott. It's just the way the math is going to work in the formulas.

Scott Davis *- Morgan Stanley - Analyst*

Sure. Maybe it would be helpful if you just refresh our memory on what percent of assets have to be mark-to-market versus the long-lived assets?

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

In total, the majority of our book are financing receivables and those have to reflect the fair value based on the embedded loss. So the majority of our assets, the vast majority of our assets are financing receivables. They have a reserve provision, which I have shown you, that results in a net realizable value based on the fair value of the receivable less -- the value of the receivable less the reserve that you have for your embedded loss.

The actual mark-to-market assets in the book is somewhere around $10 billion that flows directly through the income statement. We have another $45 million of assets in our insurance portfolio in our Trinity short-term guaranteed investment contract portfolio. Those are mark-to-market through other comprehensive income. But the vast majority of this book are financing receivables.

Then the other category would be the long-lived assets like the real estate equity book and like equipment leased to others, some of the operating leases in the GECAS portfolio, things like that that are held at historical cost and tested for impairment.

Scott Davis *- Morgan Stanley - Analyst*

Okay. Then lastly, and I know we talked a lot about this in December, but can we talk about the dividend rationale? It's clearly not supporting your stock. The stock is yielding almost 10%. You just issued debt at about 7%, so you have a cost of equity that is extraordinarily high given your cost of debt.

So can you talk a little bit about -- the capital markets are telling you something, but does that play into your decision whether to keep the dividend, does it not? Are you waiting to see what kind of unemployment rates we are sitting on in six months before you make a more longer-term decision? Maybe just talk through what the thought process and also just what the Board has been discussing since your update in December.

Jeff Immelt *- General Electric Company - Chairman & CEO*

Sure, Scott. What I would say is that the results that we got in the quarter were what we thought we would get when we had the December meeting. The cash flow was actually stronger, so our cash position is actually improved today versus even where we were in December. The overall capital inside the Company, cash inside the Company is almost $50 billion. Our industrial cash flow for the quarter was $5.3 billion, so we feel good about the liquidity and the cash plan inside the Company.

So then the question is how do you use that capital and how do you use that cash? We are investing in the future, so we are not starving the businesses. We are reinvesting back into the long-term growth of the Company. It has just been our feeling that the dividend is a good return to investors in this moment of uncertainty, but we are not straining in order to pay it.

In other words, we have got lots of cash and lots of free cash flow and lots of capital inside the Company. And so it has just been the judgment that this has been the most investor-friendly use of this capital.

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Scott Davis - ***Morgan Stanley - Analyst***

Okay. Good explanation. Thanks, guys.

Operator

Jason Feldman, UBS.

Jason Feldman - ***UBS - Analyst***

Good morning. So if I am reading the slides right, you are showing that the reserves you are expecting to increase about $2 billion into '09, but provisions are only going up about $2.5 billion. So am I missing something? Are you basically only expecting write-offs to increase $500 million, $600 million next year?

Keith Sherin - ***General Electric Company - Vice Chairman & CFO***

Provisions include the write-offs and reserves.

Jason Feldman - ***UBS - Analyst***

Understood. So if the provision is up 2.5 --?

Keith Sherin - ***General Electric Company - Vice Chairman & CFO***

Write-offs were up $2 billion this year. We really have a massive acceleration of write-offs even at -- with the provision up $3 billion, the write-offs were up $2 billion. I think you are seeing those at a run rate that is more reflective certainly on the consumer side then probably going to accelerate, I would say, on the commercial side, yes.

Jason Feldman - ***UBS - Analyst***

Okay. So you expect a deceleration in the rate of growth of the write-offs?

Keith Sherin - ***General Electric Company - Vice Chairman & CFO***

On the consumer side.

Jason Feldman - ***UBS - Analyst***

Okay, thank you very much.

Operator

Steve Tusa, JPMorgan.

Steve Tusa - ***JPMorgan - Analyst***

Just a question on the reserves. I noticed that you didn't really change the mix much of consumer and commercial and it's kind of hard to read on the bar chart. Commercial looks actually -- and this is on the credit losses -- looks actually flat relative to '08.

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Looking at some of the loss statistics and what you guys have said about the corporate credit cycle is that conservative enough or does that increase again in 2010? If you could just talk about the dynamics around the commercial side, because it looks like once again most of the provisioning is coming from consumer.

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

Well, the total allowance was up about $400 million from the third quarter. In the commercial business it was up $600 million year-over-year, so we are stepping into the commercial allowance as well. I think the difference is that we are senior secured and you are going to see a slower loss cycle on the commercial side.

On the consumer side, obviously, we are already seeing it; on the delinquencies in the US books, specifically. I think the mortgage book has a slower and more delayed loss response. But, yes, we have stepped up on the commercial side based on broad pressure in the economy, higher delinquencies, and higher non-earnings.

Steve Tusa *- JPMorgan - Analyst*

But am I right that you are saying that basically the '09 rate is about in line with '08 because you stepped up so much in the fourth quarter I guess is what you are saying?

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

I think both are going to be up in 2009, Steve; maybe the bar chart doesn't show it. I will have to get you some better numbers on it, but both are clearly going to be up in 2009.

Steve Tusa *- JPMorgan - Analyst*

Okay. And then as far as the (multiple speakers) -- sorry.

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

When you take the provision up to $10 billion you are going to see three-quarters of that is in the consumer side, the increase in the other quarter in the commercial side.

Jeff Immelt *- General Electric Company - Chairman & CEO*

Look, I think from the December 2 meeting we have taken the loss provisions up $1 billion in '10. And I think stepped into some of it in the fourth quarter and taking the estimates up for next year, and then the $5 billion walk haven't changed the dynamic around losses. So I think we feel like we have been pretty conservative. I don't think there is any reason not to be conservative as we estimate these losses.

We are in the credit cycle. We have been in this business for a long time. We underwrite differently than the banks, we are senior secured. But, look, I think we have done a lot to step into a very tough environment.

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

You know, Steve, I just looked at the bar chart. The bar chart -- the bars haven't been updated for the increase of the number at the top of the bar, so I apologize for that.

Steve Tusa *- JPMorgan - Analyst*

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Okay, so that is the -- so commercial is actually higher than what that bar chart shows?

Keith Sherin - ***General Electric Company - Vice Chairman & CFO***

Right, the bar chart is related to the December 2. We didn't change the bar in there; we just updated the number for the total losses. Sorry about that.

Steve Tusa - ***JPMorgan - Analyst***

Got you. I thought my ruler was wrong for a second. When you look at the mark-to-market you said I think this year how much did you have in mark-to-market? 1.6 billion I think you said?

Keith Sherin - ***General Electric Company - Vice Chairman & CFO***

On a pretax basis, yes.

Steve Tusa - ***JPMorgan - Analyst***

$1.6 billion. So that applies to everything, basically, other than your receivables base, so like $200 billion in assets, I guess? Is that the number we should be thinking about?

Keith Sherin - ***General Electric Company - Vice Chairman & CFO***

It would be a lot less than that.

Steve Tusa - ***JPMorgan - Analyst***

Okay.

Keith Sherin - ***General Electric Company - Vice Chairman & CFO***

I think the mark-to-market -- some of the impairments are obviously on the $200 billion that is not financing receivables. But a lot of the impairments that we took this year were on public equity securities. We had a couple of billion dollars that is down to about $1 billion, I believe, the amount that is sitting there in that category. So we have had definitely a lot of marks that we have taken that have reduced the basis of a lot of the public securities that we had.

Steve Tusa - ***JPMorgan - Analyst***

Right. And then one more question, and this goes back to cash flow. I guess on the Industrial side you guys have some pretty solid working capital targets to generate the cash. Is there anything -- a lot of companies are kind of pulling out all of the stops to conserve cash. Is there anything that you guys are doing?

Maybe you could just talk about what you are doing on your payables maybe or at GE Capital whether it's rebate programs to accelerate, balance reductions at your customers? Anything there that would be -- can you just talk about how you have changed those policies to really batten down the hatches here? I know all companies are doing that stuff. I am just curious as to how you guys are going about that.

Keith Sherin - ***General Electric Company - Vice Chairman & CFO***

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Sure. We have got an operating counsel, as Jeff said. The focus is on margins and on cash. When you look at cash we have got specific targets for every single business around inventory. We are using lean throughout the Company to drive inventory down, to get our cycle times down. We are using the same techniques around our receivables.

We are working diligently to reduce our past due receivables across the Company, to change our terms where we have got too much extended terms versus the margin we get on the equipment. We do have a discount program with GE Capital where suppliers can get paid early by taking a discount that has got a good ROE on it. And we are working on a supply base to try and extend our payable terms by about four or five days.

So every element of working capital is being intensely worked on here across this company. I think the thing on working capital that the environment change actually helps us on, as you know, we have had high single-digit, double-digit revenue growth in the Industrial business for the last three years. Now we are going into a tougher environment, we are not going to need as much working capital. And that is going to help us a lot from a cash flow perspective in 2009 in addition to all of the actions we are doing from the operating council.

Steve Tusa *- JPMorgan - Analyst*

What are normal payables terms, just at high levels?

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

About 55, 60 days.

Steve Tusa *- JPMorgan - Analyst*

Okay. Great, thanks.

Jeff Immelt *- General Electric Company - Chairman & CEO*

The point I would make, just to amplify what Keith said is we have done a lot here to be able to control our own destiny. We have taken the cost out. We have for the last year been driving real cash programs. I think some of that showed up in the fourth quarter. We are just running the place with intensity. And I think the fact that we have got almost $50 billion of cash and liquidity and strong programs demonstrates that we have done the right actions to be able to weather this cycle.

Steve Tusa *- JPMorgan - Analyst*

Then just one more very quick one, how much of your backlog ships in 2009?

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

I thought it was a little over half.

Jeff Immelt *- General Electric Company - Chairman & CEO*

Yes, the chart in December, Steve, I think really shows --

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

Got about $26 billion of the $50 billion.

Steve Tusa *- JPMorgan - Analyst*

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Okay, great. Thanks a lot, guys.

Trevor Schauenberg *- General Electric Company - VP, Investor Communications*

Lauren, we are bumping against 10 o'clock here. Why don't take we just take one more question?

Operator

Terry Darling, Goldman Sachs.

Terry Darling *- Goldman Sachs - Analyst*

Thanks, Keith, trying to be quick here. Coming back to the value gap discussion, you had mentioned you are expecting $2 billion of raw materials savings in '09 in your forecast. Wondering if you can give us the net number there which would lead us to ask you about price assumption in that context?

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

We are going to expect to see a positive price in 2009. A lot of that, obviously, is already in the backlog, Terry. We haven't given out a number of what the net dollar amount is between the two. What we said in December, and Jeff outlined, was that we expect margins to grow and we had a number of tailwinds that were going to help us. We have got price in the backlog.

We had, originally, when we came into the fourth quarter of '08 businesses looking at about a little bit of inflation. We have been working with the sourcing teams to actually turn that into deflation. And we are talking about a big part of that direct material drop to be from deflation that we are going to get from the supply chain as we work through the year here and as the global economy slows and people are going to be really chasing the commodity supplies.

Terry Darling *- Goldman Sachs - Analyst*

Also, in terms of the shift here where profit starts to outperform revenue on the Industrial side, should we be expecting that shift to occur in the first half or more in the second half?

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

I don't have a breakout of that, Terry. I think we are going to have to work on that. I think you are going to see Equipment versus Services all here along turn into more of a Services revenue growth versus Equipment. I don't know exactly the pace by quarter.

Jeff Immelt *- General Electric Company - Chairman & CEO*

What I would say, Terry, is that the Service versus Equipment will probably be flip-flopped in the first half of the year. The value gap I think is pretty solid right now and the restructuring actions kind of get vetted in as the year goes on. So you got some that will happen in the first half and some that will happen in the second half is the way I would say it.

Terry Darling *- Goldman Sachs - Analyst*

And then in terms of the additional restructuring, do you have a number we ought to be thinking about in terms of building into the -- additional restructuring number we could talk about in terms of building into the numbers at this point?

Keith Sherin *- General Electric Company - Vice Chairman & CFO*

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

We had this year about $1.5 billion after tax and next year we are including in the framework about $0.5 billion after tax.

Terry Darling - ***Goldman Sachs - Analyst***

So no update there at this point?

Keith Sherin - ***General Electric Company - Vice Chairman & CFO***

$1.5 billion to $0.5 billion.

Terry Darling - ***Goldman Sachs - Analyst***

Thanks very much.

Trevor Schauenberg - ***General Electric Company - VP, Investor Communications***

Terry, thanks for your final questions. I will turn it over to Jeff Immelt for final questions (multiple speakers).

Jeff Immelt - ***General Electric Company - Chairman & CEO***

Again, in a very tough environment we delivered results that were consistent with what we talked about in December; earned almost $4 billion in the quarter and $18 billion for the year. I think the highlight of the quarter is the strong Industrial cash flow and the really strong strength of the balance sheet, particularly with the cash on hand on the balance sheet. The framework for 2009 we have no change to and that is what we talked about in December.

Lastly, I just want to go back to a point which I think was part of Scott's question is that we think given the strong operating performance of the company and the framework and the strong capital position that we still believe that supporting the dividend and doing it without straining. Doing it just by controlling our own destiny and by executing with excellence. That is the best use of capital and capital allocation.

We run the Company to be a AAA. We have supported and have on hand lots of cash and lots of capital. And we are really running the place, controlling our own destiny with real excellence and focus. So thanks for your attention and, Trevor, turn it back to you.

Trevor Schauenberg - ***General Electric Company - VP, Investor Communications***

Thanks, Jeff. Just a few closing items for everyone, appreciate everyone's questions and their time today. A replay will be available this afternoon on our website. Our next earnings call for the first quarter will be held on April 17 and as always Joanna and I will be available to take your questions today. Thank you very much for your time.

Operator

This concludes your conference call. Thank you for your participation today. You may now disconnect.

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies mayindicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

© 2005, Thomson StreetEvents All Rights Reserved.

© 2009 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.