



Conference Call Transcript

GE - Q1 2009 General Electric Earnings Conference Call

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Operator

Good day, ladies and gentlemen and welcome to the General Electric first-quarter 2009 earnings conference call. At this time, all participants are in a listen-only mode. My name is Noelia and I will be your conference coordinator 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.

Trevor Schauenberg - General Electric - VP, Investor Communications

Thank you, Noelia. Good morning and welcome, everyone. JoAnna and I are pleased to host today's webcast. Hopefully, you have the press release from earlier this morning. Slides are available via the webcast. Slides are also available for download and printing on your website at www.ge.com/investor. If you don't see it, please refresh.

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.

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 - Chairman & CEO

Great, Trevor and good morning, everyone. Just to start on the overview page, the global environment remains challenging. Everybody can read the newspapers every day and that is what we all see. GE I think demonstrated in this quarter that we are navigating through the recession.

We will discuss in the presentation the way we are running the Company, but a couple of things that I want to point out -- very aggressive cost out, strong and solid cash flow. Our commercial teams are doing a good job of holding our backlog and GE Capital safe and secure. Many of you attended the meeting we had on March 19 and this is really an update of that.

And while earnings are down 35% year over year due to the recession, our first-quarter earnings really were consistent with our March update and December framework. The infrastructure and media earnings were flat for the quarter and Capital Finance segment profit was \$1.1 billion. This did include some one-time tax benefits that we will walk through, but we were profitable in the first quarter and we will remain profitable in the year.

We are running GE for the long term. We are investing in growth. Several weeks ago, we announced a joint venture with Intel for home health, which is a good example of the things that we think we can do in this environment.

Now if you turn to the environment, I will just give you a snapshot of the way we see the world based on the industries we participate in. The downturn continues. We are in the midst of a global recession that is taking place around the world. Unemployment continues to increase. We believe it is going to go higher. Capital markets are improving. We have seen some bond issuances and some IPOs recently. I think that is encouraging, but there is still some volatility. The commercial credit cycle we believe will be very difficult and we are planning for that eventuality and we still see weak consumer business confidence. We had more capacity quite honestly to lend to our commercial customers in Q1 than we had demand.

There are some positive signs, the parts of the globe that are still robust. China and the Middle East and Latin America, our order intake was decent. Broad deflation will help margins throughout the year and we are seeing pretty good expansion in energy infrastructure and technology infrastructure. Customer usage helps our Services business. We have a very solid installed base and we think that will get worked hard in this downturn. And stimulus is starting to take hold. And while this will take some time to translate into hard results, we are seeing momentum around projects. So while we were seeing some positive indicators globally, we continue to be cautious and run the Company to be safe and secure.

On the next page, there are just some operational details. These are things we discussed in December and what I want to do is just update them today. We talked about having aggressive cost out and with revenue decreasing, we upped our goals and we should have more than \$5 billion of cost out this year. The focus on driving orders where available while protecting the backlog and again, we will take you through that, but we think we have done a fairly good job of protecting the backlog.

Solid industrial cash flow, our CFOA was at 1.6 times our industrial net income. We are on plan for cash through the first quarter. Keeping GE Capital safe and secure. I think the transparency of 180-page presentation on March 19 demonstrates our commitment to the business and the desire to share the results with investors and resolving the credit ratings. The rating agency reviews are behind us now and despite the downgrades, we retain a strong and stable rating and we're pleased to have this uncertainty resolved.

So the next page just takes you through some of our aggressive cost out and as I said, we are ahead of plan. In the first quarter, our base cost was \$1 billion below last year. In addition, we have funded an additional \$400 million of restructuring. That is going to help us achieve even greater results throughout the year. Headcount is down and we have lower spend and just to put restructuring in context, we have about \$2.5 billion in restructuring over the last several years.

On indirect costs, our indirect costs are down about \$600 million year over year. We are seeing price down and lower usage in IT, telecom, transportation, MRO across the Company and we think this will give us good momentum going forward. In direct material, we have upped our goals. We are seeing more deflation in places like steel and other raw materials. We are seeing some opportunities. Some of this will take place in '09, but we see even more improvement in the books for 2010 and 2011.

The margins we are still targeting to be positive for the year and the quarter. Our infrastructure business had a 90 basis point expansion. We had a very positive value gap and that was offset by some margin headwinds in NBC, which we will go through later, but on balance, we think we have good momentum for margins to potentially be positive this year. So we have increased our goals on cost out and are ahead of plan.

Turning over to orders, orders are done 10% overall, but relative to the economy, I am pleased with our sales effectiveness in this environment. If you look at the top left, the real focus is on preserving backlog. The backlog is essentially flat quarter over quarter. We did have about \$500 million of cancellations, \$400 million in Energy and \$100 million in Aviation, but on balance, we feel very good about how the backlog is in place.

From an order standpoint, equipment orders were down 21%. We think that is to be expected in a cycle like this and we could see several quarters of negative orders as we go through a combination of having a huge order run-up over the last few years and some of the economic headwinds. I think more importantly, the service orders actually picked up in Q1 versus Q4. 7% order intake in our high-margin service business is I think encouraging and on track.

Just a few highlights by business, the Energy Infrastructure equipment orders were \$4.3 billion, Services were \$4.1 billion. Wind hung in there almost flat for the quarter at \$1.7 billion. Thermal was down by about 50%, but we didn't book any of the Iraq order in the first quarter. That was about \$500 million that slipped into Q2.

Technology Infrastructure had pretty good orders in Aviation both in equipment and Services and we had real headwind in Healthcare as that market is proving to be very difficult, particularly in the US in the first quarter.

From a Services standpoint, I think it was pretty strong across the board. Aviation commercial spares were up, overhauls were up, energy and wind services were strong, transportation services were up 19%. So we saw pretty good service capability across the board. And lastly, a lot of orders are coming from outside the United States, a lot of global orders healthcare in China, the West to East pipeline in China. So we are trying to focus where the growth is available.

And in that context, I thought I would give you an update on what we are seeing on stimulus. Once again, this is going to take some time for the projects to translate to income, but we are seeing activity. On the left-hand side, about \$2 trillion of stimulus has been announced. GE is targeting in nine regions -- US, Canada, China, Japan, Brazil, UK, France, Germany, Middle East. We have got a real strong team and process in place. You're going to see several big projects break in the second quarter. And we have got a pipeline of about \$100 billion plus in opportunities.

On the right-hand side, I thought it would just take you a walk on how global and how broad-based these activities are. The first one has a lot to do with wind in terms of stabilizing the backlog and solidifying the 2009 projects and then building the backlog in '09 and -- or in '10 and '11. You have seen projects like Invenergy, there was one in Missouri yesterday funded by the Wind Capital Group. So you have seen three or four in the last few weeks and we think that will pick up during the rest of the year. And in China, their stimulus is actually accelerating our wind demand.

They are accelerating green energy investing like the Smart Grid. For your perspective, a one million population city is about \$500 million of GE content in the Smart Grid and you will see a big deal on this next week on a big city where this technology is going to be applied by GE.

Stimulus outside the United States is solidifying our growing backlog. The China rail project is actually growing year over year and we see more opportunities behind the Iraq turbine order, which is going to help us grow in the future.

Healthcare stimulus differs by region. In the US, it is focused on healthcare information technology. Outside the United States, it is focused on building new hospitals and equipment and again, in different ways, we think this stimulus is going to help our healthcare business in 2010 and 2011.

We are seeing the access to innovation investment. This is going to allow us to spend more in R&D in 2009. In the US, we have got support on things like green appliances and batteries and globally, we are getting R&D offsets to fund more projects. So we think that is a benefit.

And lastly, there is many programs being put in place to support export finance in aviation, energy, transportation and healthcare through the EXIM Bank or in Europe, places like COFAS. So GE is uniquely positioned, well-positioned and this is both important and intense. We're going to get some benefits from this in 2009, but we think a lot of benefit in 2010 and 2011.

Next page on cash, cash was \$2.8 billion in the quarter. Now this is consistent with our operating plan because there is always a build during the year. Historically, 18% of our four-year cash flow is in the first quarter. This would put us on a run rate to hit about \$16 billion for the year. You should know, and I think most of you know, that we are not going to have any GECS dividend in the GE CFOA in 2009. All that capital is going to be kept inside GE Capital.

Our working capital improvements were solid for the quarter, offsetting the decline in progress collections. And if you look at the right-hand side of the page, you really see the big event in the quarter was that we contributed \$9.5 billion to GE Capital and returned to \$3.3 billion to shareowners as dividend. So that is really what you see on the GE cash balance walk between the fourth quarter of '08 and the first quarter of '09. So cash is really on plan in terms of what we expected and importantly, our consolidated cash flow at the end of the quarter is \$47 billion ahead of plan. So we continue to make good progress on cash and we are on plan for the Company so far through the first quarter.

The next page is on safe and secure GE Capital. Our key metrics on liquidity, funding and capital are all consistent with our March 19 update that many of you attended and just to give you a brief update, we are really about funded for this year on our long-term funding plan, so we feel good about that. Our commercial paper progress is really ahead of plan. We are targeting to get to \$50 billion by year-end of 2009 and when you look at the difference between first quarter of '08, it is really significant.

Cash on the balance sheet of \$47 billion is above the estimate we gave you on March 19 of \$41 billion. Our leverage is on plan to be at 6 to 1, so we feel good about just making the Company safer and an important capital ratio of tangible common equity to tangible assets increased significantly. I think it is the sign of balance sheet strength. It is very solid and ahead of our March 19 commitment and it compares we think very favorably to the banks. So we funded 93% of our long-term debt. We have reduced commercial paper and our capital ratios I think really signify how serious we take the need to have a very strong balance sheet in this very rigorous economy.

Also, on credit ratings, we retain a strong and stable outlook. We have made progress throughout the quarter, just taking you back. In December, S&P put us on negative outlook. In January, Moody's put GE under review. Those have both been resolved in the short term. S&P has given us a AA+ with a stable outlook on March 12. The rating of AA+ indicates a very strong [capacity] financial commitments. A stable outlook means the rating is unlikely to change in the next six months to two years. Moody's put us on a AA2 with a stable outlook. Again, obligations of AA2 judged to be of high quality and no change in short-term ratings. So nobody likes a downgrade, but GE retains a strong, stable rating, and vis-a-vis our financial service peers, we think this makes us competitive in terms of our cost of funds and capacity. So with that, let me turn it over to Keith to take you through the first-quarter performance.

Keith Sherin - General Electric - CFO

All right, thanks, Jeff. Before we get into the details of the first quarter by businesses, I wanted to start with the framework that we outlined in December and then we updated again at the March 19 capital meeting. We said we expected energy infrastructure to be a strong positive performer for the year, if you look at first-quarter results up 19%. That was a great performance. We said we thought technology infrastructure would have positive growth for the year. The first quarter was up 6%. We said we expected NBCU to be flat to down in December and as the environment worsened, we said it would be more negative in March a couple of times. The actuals are very tough, but I'm going to take you through the details of why the first-quarter performance is indicative of what we expect for the total year.

In total, we said infrastructure and media would be up 0% to 5%. With the pressure at NBCU, we came in flat. For Capital Finance, we updated our December framework at the March 19 meeting. There we said capital -- we expected Capital Finance to be profitable. They are \$1.1 billion and I'm going to take you through a lot of details on Capital. Overall, the results were consistent with the outline from the March meeting and we said we expected corporate, including the C&I results and industrial taxes, to be flat and the actual results were flat. So that is a summary of Q1 against our previous updates.

Here is a summary of the first quarter. On the left side is the summary of continuing operations. Revenues of \$38.4 billion were down 9%. You can see our industrial sales of \$24 billion were down 1%. We were impacted by the strong dollar in the quarter. They would be up 2% ex-FX. So we had a lot of good actually international activity.

Financial services revenue, as expected, would be down as we are shrinking that balance sheet, \$14.4 billion down 20%. We earned \$2.8 billion in net income. It was down 35% and for earnings per share, we earned \$0.26, which includes the cost of the preferred dividend.

Total cash flow from operating activities was \$2.8 billion, as Jeff took you through and for taxes, the bottom left of the page has the tax rates for the quarter. I'm going to take a little bit of time to explain them as they were significant in the quarter. The consolidated rate came in at negative

12%. That rate comes from a large tax benefit or credit mostly in GE Capital as you can see on the income statement on significantly reduced pretax income for the quarter and again, that is all in GE Capital.

The whole rate is driven by the GE Capital credits. As you can see, the industrial rate for the quarter was 31%. For GE Capital, the rates are positive because we have a credit that we are dividing into negative pretax income. The pretax was about 150 negative and then you have got a significant tax credit resulting in the favorable rate.

One key point here that I want to reinforce is that our industrial earnings enable us to use these GE Capital tax losses and that is a benefit of having GE Industrial and GE Capital together. So for GE Capital, the \$1.2 million credit for capital includes the first-quarter impact of the tax benefit that we would otherwise expect for the year, the normal benefits we get from our low tax international operations, plus \$700 million from a decision we made in the first quarter to permanently reinvest about \$2 billion of our low tax overseas earnings. That resulted in a one-time tax benefit and under the accounting rules, a \$700 million benefit is recorded entirely in the first quarter, not spread through the year. So that reduced the rate compared to what we project for the year. But only \$200 million of that impact actually fell through in the quarter because, as we increased that prior year indefinite reinvestment for \$700 million, that was offset by \$500 million of tax charges that we took in the quarter to book to our projected full-year rate.

So the \$500 million charge was necessary because, excluding that permanent reinvestment benefit, our tax benefits for the quarter would have resulted in a lower tax rate in the first quarter than we are projecting for the year and therefore, we recorded a \$500 million tax benefit to bring the first-quarter rate up, excluding the discrete items to the projected full-year rate.

So in total, there is a \$0.02 incremental tax benefit in the quarter -- \$700 million from the one-time permanent reinvestment offset by \$500 million of expense that has been booked at corporate to bring the rate to the total year benefit.

On the right side are the segment results looking at our December framework format. Industrial ex-C&I had \$3.4 billion of segment profit, which was flat and you can see the pieces as we talked about on the previous page. Capital Finance earned \$1.1 billion and C&I earned \$36 million, which was down 75% and I'm going to cover the businesses over the next several pages.

Before I get into the businesses, there is one page here on the summary of the first-quarter items, which impacted our results. We tried to describe this in the press release to give you the unique items in the quarter and how the pluses and minuses offset. First, for transaction gains and marks and impairments, the impact in total on the Company was \$0.03 positive. We basically had three transactions that generated gains -- two in aviation for \$0.03 and one in GE Capital for \$0.03. And I will cover these in the business results, but the total in the quarter was a positive \$0.06.

And then partially offsetting that were the marks and impairments. We had \$0.03 of marks and impairments at GE Capital. There was no one large item. Included in the impairments, we had \$72 million for real estate. That would be the largest single category; although it was several properties. And we had \$32 million for FGIC, a write-down of our FGIC investment.

Second, we also completed a lot of restructuring, as Jeff said. We are taking a lot of costs out of the Company. We did \$400 million after tax of restructuring in the quarter. The majority of that is recorded in corporate and then some of it is recorded in capital. If you look by business, there was \$50 million for our energy business, \$75 million for our tech infrastructure business. There was \$60 million in GE Capital, \$75 million for C&I. However, the biggest pieces are the workforce and footprint reductions.

And then third, we had the two tax items in the quarter, which I just went through and that netted to a \$0.02 positive impact. So overall the net of all these was a \$0.01 favorable impact on the consolidated GE in the quarter.

I am going to start the business results with GE Capital and just wanted to reinforce some of the key messages we talked about on March 19. As Jeff already said, we are running the Company to be safe and secure. Clearly, liquidity has dramatically improved over the last six months. With commercial paper under \$60 billion and \$47 billion of consolidated cash, we have dramatically improved that position.

We have completed most of our funding and after looking at the 2009 plan, today, we are reviewing our 2010 long-term debt needs and we are going to continue to fund ahead of our needs to maintain a strong liquidity position and our objective is to be issuing on a nonguaranteed basis during 2009 as we enter 2010. So we are going to keep working on that.

We have obviously been working on resizing GE Capital. That has gone very well. Assets were down \$31 billion from the fourth quarter. Ex-FX, some of this is from the strong dollar and translation, but even ex-FX, we achieved 44% of the total year shrinkage plan and I'll show you in a few pages that we have more capacity to invest in new opportunity starting in the second quarter, which is good news.

We are being very aggressive on managing costs. SG&A for GECS was down. \$600 million in the first quarter. We're on track for a \$3 billion plan. I think we showed you \$2.7 billion roughly at the March 19 meeting. So we continue to make progress on that.

We are in a really challenging credit cycle; there is no doubt about it. We do expect delinquencies and provisions for losses and write-offs to all continue to increase and that is the environment we plan for, what we are expecting.

Even with that, with the dividend savings we are going to have in the second half of the year and the recent capital infusion, we believe we have capital that is sufficient to weather the adverse economic conditions as we showed you on the 19th and I will show you lots of details on asset quality, reserves and non-earnings. We are increasing our total reserves and marks and impairments were about \$0.03 lower than the fourth quarter. So a little bit of positive news there.

We earned \$1 billion in the quarter in total in GE Capital Services. We said we would be profitable and we expect to be profitable for the year and even in this incredibly tough cycle, we are committed to GE Capital. We have great franchises; we have got great people. We have real businesses that are going to earn us strong returns for our shareholders over time. And we are going to be smaller and more focused and better position as we come out of this credit cycle.

So here are the results for Capital Finance for Q1. Mike Neal and the team earned \$1.1 billion, which while down 58% from last year was a very positive outcome in this environment. We also continue to make progress on shrinking the business. As I said, year-over-year total assets of \$542 billion are down 13% from a year ago.

11 points of that reduction comes from the stronger dollar, but if you look from the end of 2008 to the first quarter, assets being down \$31 billion or 5%, and half of that coming from real progress in shrinking the business. And in consumer loan without FX, we're down \$15 billion from year-end. And we also had a \$3 billion decline from year-end in commercial real estate.

In terms of the business results, I'm going to cover some of the income drivers for each of the businesses and then also tie back to the framework that the team pitched on March 19th. So let me start with consumer. You can see on the bottom left in consumer we earned \$727 million. That was down 27% year-over-year.

The decline in earnings was driven by higher credit costs. The credit costs in consumer were up \$581 million, and we also had lower gains. Last year we had about \$290 million of gains as we sold the corporate card business. And those declines were offset by higher tax benefits that I covered earlier and higher core earnings. We had some better earnings in the US retail business, and we had good earnings from global cost productivity.

In terms of the specific consumer businesses from the March meeting if you look at the right side, the US consumer was profitable in the first quarter. And while unemployment is trending towards the numbers in the adverse case, our credit costs in Q1 were \$964 million, which when you look at the framework we laid out is below the Q1 estimate even for the Fed base case. We are seeing the benefits from our underwriting actions that we took last year and it is showing up in delinquencies and it is showing up in entry into delinquencies. So I think there is some good news here.

On the UK home lending, the business lost \$73 million in the quarter. We had \$219 million of credit costs and a lot of that was to increase reserves. Home price inflation was negative 2.7% in Q1, which is favorable. However, when you look at the indicators of rising delinquencies and non-earnings, we do expect to see more pressure in this portfolio as we go forward.

For Central and Eastern Europe, the banks made \$84 million in earnings in the quarter. We had \$156 million of credit costs, which are below the Fed base case for the first-quarter estimate. Commercial Real Estate, obviously one of the biggest businesses that we are talking about today with investors and we gave a lot of details on the 19th. The business lost \$173 million in the quarter. That was the biggest variance year over year for GE Capital; was down \$650 million. The main driver of the earnings decline is significantly lower property sales gains. Last year, we realized -- we sold \$2.6 billion of fair value properties. This year, we sold \$200 million. We had a small gain, but year over year, the gains were down almost \$500 million.

As expected, delinquencies have risen. 30 plus delinquencies in this portfolio is about 2.2%, which is very low, but we did increase our reserves in real estate by about \$110 million and we had \$70 million of impairments explaining the full decline in negative income at basically gains plus the increasing credit costs.

In terms of the March update, the total loss of \$173 million in the quarter basically is in line with our December outlook, but as we look at the indicators, we expect the losses to continue to worsen as we go through 2009.

For commercial lending and leasing, the business earned \$222 million in the quarter; is down almost 70%. The earnings decline was driven by \$155 million of higher credit provisions and we also had lower gains here. Last year, we had a GENPACT gain and that was partially offset by the gain in Penske this year. We sold to below a control position. We have been selling down Penske for 2.5 years now and we completed the transaction to get below 50% and that resulted in a gain of about \$0.03 in GE Capital.

Our CLL customers are clearly being impacted by the tough economy and in terms of the March update, the total losses and impairments are just slightly above the base case that we showed you. And finally, the verticals had earnings declines, but mainly that was driven by lower gains. Last year, GECAS benefited from some aircraft sales. That didn't repeat. That was about \$100 million and we ended the quarter with one aircraft on the ground, but right after the end of the quarter, in the first week of April, we signed a new commitment on that plane and we will move that out. So a lot of good asset quality stories in the verticals; really no issues there.

So let me go into asset quality. The next page is an update that we give you regularly on delinquencies and non-earnings. These are 30 plus day past dues and non-earning assets. On the left side, commercial data. We continue to see the delinquencies and non-earnings rise as our customers are impacted by the economy. You can see most of the delinquency, it is up 66 basis points versus the fourth quarter, is in the equipment finance business. It is in our core CLL portfolio, about two-thirds of the increase.

Non-earnings of 61 basis points, up 61 basis points versus the fourth quarter. It is driven by senior secured loans. They are well-collateralized. I will take you through how we think about non-earnings relative to our reserve provisions in a couple pages. And then commercial real estate, it is not in the delinquency metric above, but it is -- non-earnings are up to 1.2% and we are seeing delinquencies, as I said, up to 2.2%.

And then on the right side is the consumer data. We continue to see deterioration of the consumer portfolio in the quarter in both the mortgage and the non-mortgage book, but we break the mortgage and the non-mortgage out because the loss dynamics are so different and I will continue to show that as we go through the asset quality section here.

One piece of good news, as I mentioned, in North America, we are seeing delinquencies stable. The consumer delinquency in North America was flat from the fourth quarter basically. It was 7.07% in the fourth quarter, went to 7.1% in the first quarter and we continue to see declining entry rates in the delinquency though our entry into delinquency is down. It was down in the fourth quarter and it was down in the first quarter and that is a real positive sign in the card portfolio. So we'll have to see how that plays out as we go forward, but it did help us in terms of our provision needs and our profitability in the quarter.

The UK, on the other hand, is the biggest pressure point. It drove 47 basis points as a delinquency increase and 54 basis points of the non-earnings increase. Mortgage delinquency rates are rising. The exposure though is mitigated as we showed you in the March 19 meeting. We have got very low loan-to-value positions and even with our delinquencies, the write-offs are very low at 0.45% of financing receivables. So while non-earnings for both commercial and consumer are rising, I'm going to show you our reserve coverage from the March meeting in two pages. Overall, delinquencies and non-earnings just show us that we're going to continue in a tough environment as we expected.

Next is an update on reserve coverage. If you look at the bars here, we took \$1.7 billion of write-offs in the quarter. We had \$2.3 billion of provisions in the quarter and we increased our reserves by \$400 million just from year-end and \$1.4 billion from year over year while we lowered our assets by \$31 billion. The reserves would have actually been at \$5.9 billion on a consistent FX basis, so we had a \$200 million reduction in the absolute balance because of the strong dollar translation.

If you look, it is not on the chart, but if you look at reserves and the provision run rate, there were some questions this morning and pre-notes about why is the provision down from fourth quarter. I will just go through over the last year what have our provision for losses been. They were \$1.3 billion in the first quarter of last year. They rose to \$1.5 billion in the second quarter, \$1.6 billion in the third quarter. They were \$3 billion in the fourth quarter, but if you remember, we had \$500 million after tax of incremental provisioning we did to adjust our loss reserve ratios in some methodologies.

On an adjusted basis, taking out that one-time increase, you would probably be somewhere around 2.2 and here in the first quarter, we are at 2.336. So we have seen a full-year cycle of increasing provisions that will continue. And as we increase those reserves, we are increasing our reserve coverage. If you look at the percent's below the bars here, last year in the first quarter, we were at 1.04% and today at the end of the first quarter, we are 1.59% and we expect that to continue to increase as we go through the year. So we have put up more provisions. We have

increased our reserves in both commercial and consumer and we have increased our coverage rate in commercial up to 0.86% and in consumer, up to 2.87%.

For the US - card & sales finance, the coverage rate is up to 6.8% and we maintained strong non-earnings coverage of over two times and for the mortgage business, the coverage rate also increased up to 0.92% and we continue to see very low losses relative to our delinquencies and our non-earnings. So in total, the reserve coverage is up 55 basis points over the prior year and as I said, that is going to continue as we go forward.

This is an update -- the next page is an update on non-earning assets and reserve coverage. These are the same charts that Jeff Bornstein, the CFO of GE Capital, covered during the March 19 meeting and we just updated them for the first-quarter actual results. I think it helps to look at where are we on non-earnings in the business. And when you break out how we think about the exposure, how do we feel in terms of our reserve coverage versus the real exposure.

So on the left side is commercial, the non-earning assets at \$4.5 billion. We are up \$1.3 billion from year-end. It is about 2% of our financing receivables. If you look at the next three bars, this is the benefit of being a senior secured lender. You can see we expect \$1.4 billion of 100% recovery. We are so overcollateralized that we have a very secure position. We have \$1 billion of recovery that we will get estimated on things that are in work-out where we are going to have to do some form of restructuring, but we expect a full recovery or cure.

We have \$1.2 billion that we believe we will recover based on the collateral value and we work like crazy to make sure we get that right and then that leaves a \$900 million loss exposure on non-earning where, with \$2 billion of reserves on the commercial side, is 220% coverage. So when we look at the senior secured lending benefits that we have here and our positions by business, item by item, loan by loan, we feel like we're in pretty good shape here. But again, this is going to continue to rise as we go through the year.

On the right side is the consumer non-earnings of \$5.5 billion. That is up \$700 million over year-end. It represents 4% of our financing receivables. But the consumer dynamics are pretty different if you compare mortgage and non-mortgage assets. So I think the first deduct from the \$5.5 billion is \$1.6 billion of non-mortgage assets. These are our private-label credit card and retail sales finance and other consumer non-mortgage assets that are delinquent. We have got \$3.2 billion of non-mortgage reserves. So we have maintained over 200% coverage on those assets and feel pretty good about where we are on that and externally that compares with other financial companies as well.

On the mortgage side, we have got \$3.9 billion of non-earnings. Again, we think we have \$1.3 billion that will cure based on a portfolio detailed loan-by-loan underwriting of our risk team. We have an estimated collateral value of about \$2 billion and we think we have about \$300 million of mortgage insurance benefits. So with the estimated exposure, we are still at 160% coverage.

And one additional point on mortgages. When a mortgage goes over 360 days past due for us, we mark that property to realizable value. So included in the mortgage non-earnings is about \$600 million of mortgages that are over 360, but they are marked at realizable value and we took about \$60 million of marks on those mortgages in the quarter and they mark every quarter. So once you go over a year, we're at basically fair value. So we believe we are appropriately covered for the non-earning loss exposure.

Next is an update on origination. Jeff talked about it a little bit; I mentioned it. For the quarter, we originated \$32 billion of unbooked assets. You can see it by business here. With our collections and sales and securitization of about \$43 billion, we had a reduction in ending that investment of \$11 billion in the quarter and we also had additional asset declines because of the strong dollar translation. But that is about 44% of our total year plan. So we are ahead of our plan in terms of collection versus originations and we're seeing good opportunities to make loans.

We see the returns are above 2%, we expect to increase our volume in the second quarter. We have got more capacity and we're going to do it in the Commercial Lending and Leasing, as well as in the verticals. We have got a pretty good pipeline. We do have the capacity to buy some distressed assets. We are evaluating the PPIP, being an investor there. We're going to continue to shrink our mortgage business. In the quarter, originations were a little under \$500 million down 89% and that will continue to shrink as we go forward.

We do see opportunities associated with the global stimulus, as Jeff mentioned, in areas like renewables and we're going to maintain our pricing discipline. Right now, this is good news. We are managing our collections and originations to meet our funding plan and since we are ahead of that plan, we have additional capacity that we can take advantage of opportunities in the quarter and our teams have a nice pipeline that they have put together. So first-quarter volume was a little below plan, but it is a positive as we have capacity to increase lending as we go forward here at pretty good rates.

So to wrap up the capital section, I thought I would come back to the outline of the stress cases from the March 19 meeting. This is the same data that was presented then. There is no one case that fits all our different business dynamics as I described by business a few pages ago and as Mike

Neal said on the 19th, we are not taking a specific case or outlook. Our overall view of the Q1 results would be that the Q1 credit loss and impairments are running to the original outlook; however, the leading indicators -- unemployment, GDP, delinquency, non-earnings -- would suggest caution as you think about the rest of the year.

So we are going to have lower costs, we are going to have higher volume as we move into Q2 and Q3 and Q4, but we don't have a specific case that we are picking here. I think we have given a lot of information for you to be able to go back to the 19th framework business by business and say how do you feel about the estimates, the economic assumptions and where do you want to put GE Capital. But even in the most adverse case, we don't foresee the need for additional capital and based on everything we know today, we expect GE Capital to be profitable for the year.

So let me turn to infrastructure and media. I am going to start with NBCU. Jeff Zucker and the team had a very challenging environment and some tough timing comparisons, which I'm going to cover here. As I said in March at the 19th meeting, the business and the industry are having a challenging time given the economy, but in Q1, NBC was also hit by other one-time impacts like the Super Bowl or the film DVD schedule that further hurt the results and on this page and the next page, I'm going to show you how the run rate for NBC is really down 15% to 25% in this tough environment and the 45% is overstated because of some of these one-time timing issues.

The highlight for the business continues to be the very strong cable performance. Revenue was up 7% and op profit was up 19%. We have got positive sub fees and then positive ad sales, as well as good cost controls. In terms of operating profit, cable was strong everywhere. If you look, Bravo was up 41%, USA was up 15%, Oxygen was up over 100%. USA was number one for the 11th consecutive quarter, MSNBC had a great quarter. Op profit was up 28%; they beat CNN in the morning and prime in adults 25 to 54. CNBC, up 20%. It had its best performance in total business day viewers since 2001, really performing well. So great performance out of cable and that continues and that will continue as we go forward.

Broadcast, while cable was strong, there was pressure in broadcast. Revenue was up 6% driven by the Super Bowl, but op profit was down about \$165 million from last year, driven by three things really -- the cost of the Super Bowl, the tough ad market, which really affected local stations and then higher programming costs versus last year because last year, we had the writers strike in the first quarter, which gave us a favorable impact in terms of the cost of programming.

On the film and parks, they also had a tough quarter. For film, revenue was down 9% and op profit was down \$118 million. Home video is the largest driver here. We had about 5 million fewer DVDs with tough comparisons. Last year in the first quarter, we had very popular DVDs like the Borne movie and American Gangster and we had very few this year in terms of comparison from the fourth-quarter launches. We also had higher film development costs than last year. So there are some real timing issues in the quarter. I will show you as we go forward, the rest of the year looks a lot better. The parks were down about \$29 million in the quarter and that is from lower attendance. We are seeing an impact of the recession, down about 20% in attendance in Orlando and Hollywood.

Another highlight for the business is in digital. Hulu continues to be very successful. It's now the number two video website. We are very excited about the progress there. It is also a highlight that the team is working incredibly hard on making sure the cost structure is right in this tough environment. We're going to continue to reduce costs and one other drag we had, we wrote off about \$16 million on one of our media investments, Ion, in the quarter. So that covers a lot of one-time items and different timing impacts. On the next page, I am going to try take a view and put it back together for you so you can see how we think about this operationally.

On the left side is the walk from the first quarter reported \$391 million of op profit, down 45% and if you look at the adjusting items, first of all, the Super Bowl doesn't repeat. The Super Bowl was an incredible ratings success, but those ratings carry with it the proportional share of the rights fees for the NFL contract. And so the cost of producing the Super Bowl and the rights fees in total left us with a \$45 million one-time drag in the quarter.

The film timing, as I said, on the DVDs and some parks -- the parks had some timing with comparisons in the quarter versus last year. That could add another nine points. The impairments we had were nonoperational and the writers strike obviously is just a one-time thing that doesn't continue through the year. So on a normalized basis, we see the op profit here down somewhere between 15% and 25% and that leaves you the operational drivers. Cable is going to continue to be strong. We're going to continue to see pressure in the local stations in advertising and we are going to see continued pressure from the economy.

So on the right side, if you look at the rest of the year, we expect to continue to have a great performance from cable. In the third quarter, we're going to get about \$150 million favorability just by not having a repeat of the Beijing Olympics and the financial impact of that. The film schedule is much more positive through the rest of the year, including DVDs and that already started with the success of Fast and Furious, which was from early April. And then on the bottom, we will continue to see pressure from the economy and there could be impairments, additional

impairments. There could be other gains from asset sales. So we put this page in to try and give you a better operational view of NBC performance and a fair base line for how to think about the balance of the year.

Next is Technology Infrastructure. John Rice and the team delivered revenues of \$10.4 billion, which were basically flat. 42% of our revenues in tech infra come from services and they were up about 5%. Segment profit of \$1.8 billion was up 6%. You can see the key business results on the bottom left.

I'll start with the Aviation business. They had a very good quarter obviously. Orders in the quarter were \$5.5 billion, up 6%. Major equipment orders were \$2.8 billion. That was down 4%. We had \$1.1 billion of commercial engine orders, which were down 26%, but that was offset by military engine orders of \$1.5 billion, which was up 60%. We ended the quarter with a major equipment backlog at \$21.6 billion, up 12% versus the first quarter and up 4% versus the end of last year. So even with a full commercial book, this business had a very good orders quarter, which positions us well as we continue to deal with the economy.

Service orders were very strong, up 18%. We have commercial spares up 10%. The average daily order rate was \$21.6 million a day. Commercial overhauls were up 14% and the CSA orders in the quarter were very positive, which resulted in a backlog of \$56 billion at the end of the quarter. It is up \$4 billion from last year's first quarter.

Revenue in the quarter was up 12% driven by the double-digit growth in both equipment and service and the military engine shipments of 185 engines, they are up 50% and that more than offset the commercial engine shipments of 494 units, which were down 9%.

Op profit in the quarter here you can see is up 39%. They had a very good quarter in terms of price and productivity. We also benefited here from some one-time transactions that I mentioned on the items page. If you look, we increased our controlling interest in a service technology business in Singapore. That resulted in a gain. We sold the business from the Smiths acquisition, which wasn't really core and that also resulted in a gain and those gains were partially offset, if you look year over year, by lower partnership sales from the first quarter of 2008. So excluding all the transactions, the op profit here would've been up about 12% on revenue growth of 7%. Still a very good performance and overall a great performance including the transactions.

Next is Healthcare. Orders of \$3.6 billion were down 8%. That is a pretty good result in this environment. We are seeing very tough conditions in the healthcare world in both US and Europe. Overall orders equipment was down 11%, Services were down 2%, total DI was down 22%, life sciences was a positive up 5% and if you look regionally on equipment, US was down 16%, Europe was down about the same and China was up 23%. We had a bright spot and Asia, China, Japan were both very strong, but it was a tough quarter in terms of orders pretty much across all the productlines.

Revenue for the quarter was down 9% with equipment down 10% and service down 7% and op profit was down 22%. It is really driven by negative volume and a little bit of foreign exchange. We got hurt a little bit with foreign exchange here. So as you look forward at Healthcare, we expect this variance is going to improve through the year. We have a couple of things. One, OEC will continue to ramp up as we have additional productlines coming out at higher margins and the comparison periods get easier from a timing and relationship to last year perspective.

Next is Transportation. Total orders of \$940 million were down 10%. Our equipment backlog ended the quarter at \$2.8 billion, which is down about \$400 million from year-end. We said we're going to have tough equipment orders here and we are looking for somewhere around 500 locomotives for the year. Revenues in the quarter were up 2% driven by Services up 5%, which is a nice story and equipment was down about 2% and the op profit was down 15%. It is basically driven by negative product mix. We have fewer AC locomotives and some of our international program investments had higher costs with them. So overall, a mixed environment. We are doing a lot of restructuring in the Technology Infrastructure segment to reduce our costs and with that, I will switch over to Energy.

Energy Infrastructure, John Krenicki and the Energy team had a very strong quarter, another very strong quarter in a string of them. Revenues of \$8.2 billion were up 7%. 47% of the segment revenues come from services here and segment profit of \$1.3 billion was up 19%. You can see the business results on the bottom left with both Energy and Oil and Gas delivering double-digit growth.

If you look at Energy, Energy orders of \$6.6 billion in total were down 20%. They are still strong at an absolute level and only \$300 million lower than revenue in the quarter. So we're still operating at a very high absolute level of orders here. Thermal orders of \$1.1 billion were down 50%. We had \$500 million of the Iraq order pushed into Q2 as Jeff said, which would have taken their total equipment orders up by another 15 points. We received orders for 18 gas turbines. The Thermal backlog is around \$8 billion, which is up 7% from last year. It is down 6% from year-end. It would have been flat with the Iraq order.

Wind orders of \$1.7 billion were down 8% and air orders of \$186 million were down 59%. Service orders were strong up 4% and our CSA backlog ended the quarter at almost \$40 billion, up \$5 billion from a year ago and \$400 million from year-end. So revenue at Energy was up 9% driven by Thermal. They had good equipment; it was up 55%. We shipped 42 gas turbines. That was up six from last year and very strong pricing from the backlog, up 5%. Wind was down 2%. We shipped 433 units; that was down 130 units, but the price was up 6% and service revenues were up 3%. Op profit was up 23%. That is driven by the strong volume in pricing in thermal and the service op profit was up 1% as price and productivity were partially offset by inflation on some CSA contracts.

Oil and Gas had another strong quarter also. Orders of \$1.9 billion were down 1% in dollars. However FX-adjusted, they were up 15%, so there was a lot of global activity. We had \$150 million of orders for natural gas compression equipment. That is up 90%. It is nice to see us getting some orders for extraction of natural gas. We also had \$560 million of orders for pipelines in LNG, including a \$340 million East to West pipeline order in China, which is a great win for the team.

The equipment backlog ended the quarter at \$6.3 billion. It is up \$100 million from year-end and revenues were up 1% driven by growth in both the petrochemical and the refinery equipment. Service revenue was down 1%. Both were up over 10% if you adjust for FX. So a good global quarter and op profit was up 11% driven by volume, price, productivity and is partially offset by FX. So overall, just a really solid performance by the energy team in a tougher environment and with that, let me turn it back to Jeff.

Jeff Immelt - General Electric - Chairman & CEO

Great, Keith. Thanks. Just to wrap up, I think we are operating GE in this environment the way investors would want us to. We are running GE Capital to be safe and secure. We have got a solid funding with \$47 billion of cash and \$38 billion of tangible equity. We have earned \$1.1 billion in the first quarter. We will be profitable for '09 and we expect originations to accelerate in the second quarter through the fourth quarter and that is at higher margins and we think that portends well for the balance of '09 and into '10 and '11.

We have positioned our infrastructure businesses I think to really weather the cycle and to do well. The first-quarter segment profit was up 11%. We expect a difficult period, but I think one of the things is that, as GE, we have really a lot of mitigants to offset this. We are good at services and services is one of our differentiators in this environment and we think that is important. The backlog is good. We have got lots of ways to work with our customers on the backlog.

We think we are very well-positioned on the stimulus. We have got a global network of national executives. We're well represented. We are in the right technologies and so I think we feel good about that. We have got lots of new R&D investments that we are making that we think add to our ability to grow in 2010 and 2011.

And look, some of these one-timers we didn't let fall through. We put \$400 million into restructuring. It is the kind of thing you would expect us to do. That is going to help improve our cost out and the rest of the year. And so I think there is a lot of mitigants despite the fact we are in a very difficult period.

The media space is tough, but as Keith pointed out, I think the total year will exceed our first-quarter run rate. The industrial cash flow, we have got lots of teams working on working capital and our ability to offset the decline in progress payments and we think the run rate will be on track to be between \$15 billion and \$16 billion for the year.

And lastly, we are committed to transparency. The supplemental schedule will be in addition to our 10Q this quarter and will feature lots of additional disclosures. We have got the EPG meeting in May. We plan to have another GE Capital meeting early in the summer. So we are just going to keep this drum beat up of transparency and disclosure and we think it is important where we are in the economy.

So the economy remains tough. I think there is places where we can still win and we are positioning the Company to excel as we come out of this in 2010, 2011 or whenever that takes place. So Trevor, let me turn it back over to you.

Trevor Schauenberg - General Electric - VP, Investor Communications

Thanks, Jeff. Noelia, I think we're ready to switch over to the questions.

QUESTION AND ANSWER

Operator

(Operator Instructions). Nicole Parent, Credit Suisse.

Nicole Parent - Credit Suisse - Analyst

Good morning, guys. My last question on GE ever, big picture. Keith, you made a point of saying that Q1 results really aren't indicative of the full year. I guess theoretically you kind of acknowledged provisions at Capital are going to move higher over the course of the year. NBCU down 20% is indicative of how we should think about it for the full year. Healthcare worse than what we thought, probably doesn't get better and the cancellation numbers at Energy Infrastructure going up. And I can appreciate that you have gotten away from giving quarterly guidance, but why when we add all that up, wouldn't we change the framework for the industrial side of the portfolio?

Keith Sherin - General Electric - CFO

Well, I think my main comment was about NBCU that the quarter results were indicative of the full year and I tried to show you how to think about that. I think it also does apply to some of the Healthcare read that you said. But if you put the pieces back together, we think we're going to have a very strong year in the Energy Infrastructure space. You can see the first quarter was very good and if you look at the backlog and the position that they have, you look at the Services business that they have, you look at the Wind business, including what we think we are going to benefit from in stimulus as we go through the year, the Oil and Gas business has a good set of orders and a good backlog, we feel very good about the strength in Energy and Energy Infrastructure as you look at the total year.

For Tech Infrastructure, we were up 6% in the quarter. We think we are going to be positive for the year. We have got a lot of work going on to reduce our costs. I think you do have some easier comparisons as you get into the second half on some of the businesses there, but we feel very good about that. If you adjust the NBC to the run rate that we said for the rest of the year -- you get \$150 million on a variance just from the Olympics alone in the third quarter. We think we are still in the framework. We are not giving guidance. It is not dramatic enough that it would be something that we would change I don't think today, Nicole and I would like Jeff to add some comments to it.

Jeff Immelt - General Electric - Chairman & CEO

I would say the same thing, Nicole. I think in a very realistic way, having \$171 billion in backlog is a real luxury when you think about 2009. This really doesn't even include -- we haven't booked most of the Iraq order yet and cash there, so that I think gives some buoyancy to the energy infrastructure segment.

I think when you think about Aviation being probably at a run rate of 10% to 15% for the year, it can offset some down quarters in healthcare and transportation. I think transportation actually solidifies during the year. Healthcare is probably the one with the least visibility right now.

And in media, again, I think Keith laid out a pretty good framework to think about media. So I don't know. I think it is always difficult to bridge between not giving guidance and giving a framework and things like that, but when I look at the puts and takes, I don't think there is really a reason to change right now. And then I think -- when I think about the stimulus -- look, I think we will do better than most on the stimulus. That is a little bit of '09, but I really look at that more as '10 and '11.

Keith Sherin - General Electric - CFO

If you look at Services in the quarter, Services were about \$8.3 billion of revenue out of energy infrastructure and tech infrastructure. That is about 44%, but it represents somewhere around 70% of our profit. I think that Services' ongoing stream is what really helps to strengthen the industrial outlook even with a tougher equipment orders view that we know we are going to have as we go forward.

Jeff Immelt - General Electric - Chairman & CEO

Exactly.

Nicole Parent - Credit Suisse - Analyst

And I guess just to that point on Healthcare, I mean you have had kind of -- the industry has had abysmal equipment orders for a long time. So how does that translate into service? Are people more inclined to actually ramp up service because they are not replacing the equipment or does it impact just timeline-wise because you haven't had the equipment sales that you might have in a different type of environment?

Keith Sherin - General Electric - CFO

Yes, I would say, Nicole, there are two factors going on. One is the Services grow by installed base and then dollars per installed base. So the installed base has been flat at best, but the dollars per installed base has been growing. And then the other one is Healthcare Information Technology, which we show in the service numbers. And I would say even though I am bullish about Healthcare IT later this year, I think there has just been a lot of uncertainty about where the government programs are going to go and who is going to qualify. And I think if anything, that had a negative impact on Q1 that may unwind as the year goes on.

Nicole Parent - Credit Suisse - Analyst

Okay. Thank you.

Operator

Jeff Sprague, Citi Investment Research.

Jeff Sprague - Citigroup - Analyst

Thank you, good morning, everyone. Just a couple items. First, just on this question of tax, Keith, and how it inter-relates with the various outlook. So it sounds like in terms of the expected loss performance at Capital, you are somewhere between original outlook and fed base case. But it would seem from the way you laid things out, the tax benefits toggle pretty substantially based on the loss performance at Capital. And I tried to follow everything you said on tax in the quarter, but it seems like even adjusting for what you said, tax is running more towards what we would have expected, somewhere between the base case and adverse case for Capital in terms of the pretax and the resulting tax credits that would have been generated. Can you just provide a little more clarity on how to frame that for the rest of the year?

Keith Sherin - General Electric - CFO

Sure. I will take a shot at it. If you look at GE Capital in the first quarter, we had about \$1.2 billion of tax credits. That is [1160]. \$700 million of the benefit in total in GE Capital Services off the income statement comes from this one-time permanent reinvestment. That is not something that you would plan on having to repeat, but if you wanted to get to a run rate, you ought to take a quarter of it and put it into the results. And if you adjust the \$1.1 billion earnings that GE Capital has either at the GE Capital Finance level or you could do it off the income statement, basically if you adjust for the \$700 million and you put a quarter of it in the run rate, at the end of the day, it comes out to be about \$700 million of net income for GE Capital adjusted for tax.

So I think the tax benefits are somewhere around 500 in GE Capital without the one-time benefit and you could run that forward through the year and then take a quarter of the \$700 million benefit and kind of have it be -- that is where we are right now for run rate. Now the thing I would say to caution you is if the losses go higher and those losses are in high-tax places, GE will be able to use those tax losses and then the tax credit number at GE Capital could be higher as you move towards the right side of those risk cases, Jeff. Does that tie it together a little bit?

Jeff Sprague - Citigroup - Analyst

That helps. And just looking at equity sequentially, it did trend down again both in Capital and -- well, it is up in capital, but not up in keeping with the capital injection in the quarter and on a consolidated basis, it is drifting lower against the net income number. Can you reconcile that?

Keith Sherin - General Electric - CFO

Sure. If you look for GE Capital, we had \$53 billion of equity at the beginning of the quarter and we went to \$60 billion at the end of the quarter. It is up \$7.5 billion. The \$9.5 billion infusion that we put in was offset partially by mostly a strong dollar. Our currency translation account was about \$3 billion in the quarter. Offsetting that, we had the retained earnings obviously from the income.

So at the end of the day, the strong dollar did hurt us in terms of equity. I think since the time those rates have been established in March, the dollar has weakened a little bit and some of that I think will come back as we go into the second quarter. But the biggest driver is going to be the CTA change.

Jeff Sprague - Citigroup - Analyst

And then just finally --.

Keith Sherin - General Electric - CFO

The same thing on the GE -- for the GE level, at the total company level, instead of \$3 billion, that is about \$4 billion.

Jeff Sprague - Citigroup - Analyst

Okay. And then just finally from me on cash flow, so it appears to be tracking to your expectations, but I guess if you still look at it, you are down 24% or \$1 billion on industrial on roughly flat industrial profits at the segment level. So there was the comment that progress in working capital were largely offsetting, but that doesn't seem to reconcile with actually the year-over-year cash drop. Is there something else going on in the industrial cash flow in the quarter?

Keith Sherin - General Electric - CFO

No, if you look at in the quarter, industrial net income was \$1.9 billion. We had about \$600 million of depreciation. We had a decline of progress of about \$800 million, and we had \$1.5 billion of other working capital. So we had a very good performance in receivables and everything else.

And then other CFOA was about a \$400 million drag, which is a little bit of the long-term incentive plan payment and some restructuring funding. So the team is really focused on working capital, and we feel pretty good about the progress we've made. We have got an operating council running every month, and we actually were a little ahead of where we thought we were to come out when you look at cash in the quarter at the \$2.8 billion level.

In addition if you think about it, we missed -- that Iraq order slipped into second quarter. That is \$500 million of progress that is included in this \$2.8 billion we didn't get. So that rolled into Q2 for us.

Jeff Sprague - Citigroup - Analyst

Okay, thank you.

Operator

Terry Darling, Goldman Sachs.

Terry Darling - Goldman Sachs - Analyst

Thanks. Keith, on the industrial tax rate, 31% a good run rate at this point?

Keith Sherin - General Electric - CFO

It is a little high in the quarter, again, as we had to adjust and book \$500 million to get to the total-year estimate. A little of that happened at the industrial level and a little of that -- about half happened industrial, have happened to capital. We would expect a high 20s tax rate for industrial for the year, is the current estimate.

Terry Darling - Goldman Sachs - Analyst

Okay. Then, you know, wondering if you can help us with kind of the year-over-year deltas in the pretax earnings at GE Capital, or any color around that or how to allocate the tax benefit, or anything that could help us understand the moving pieces on a pretax basis?

Keith Sherin - General Electric - CFO

I am going to have to have these guys get back to you on that. I don't have a schedule on it, so we will have Trevor and Joanna get back to you, Terry, on it.

Terry Darling - Goldman Sachs - Analyst

And then lastly on sort of this point about your capacity to help fund, you know, customer business this year, if tight credit markets create a shortfall, like I am sort of forgetting whether that number was \$10 billion or \$15 billion. But I am wondering kind of where you are with that number at this point. Is that -- did you burn through a significant amount of that in the first quarter, or do you still see strong capacity there? Just maybe update us there.

Keith Sherin - General Electric - CFO

I think that what I was trying to show you on the volume page is that the first quarter was a little lower, and we think we've got about \$10 billion of incremental capacity here.

Jeff Immelt - General Electric - Chairman & CEO

Kerry, you are talking about funding our own backlog?

Terry Darling - Goldman Sachs - Analyst

Yes.

Jeff Immelt - General Electric - Chairman & CEO

Yes, we really didn't do really any of that in Q1, but I kind of -- I think we need to stand ready to do some. In other words, my sense is the way some of these stimulus packages might work is the government is going to create, for instance, an energy bank. We may have an opportunity to invest side-by-side on wind farms and things like that.

So what I would say, Terry, is that we have created about \$10 billion to be able to do it. We really didn't use any in Q1, but we have got some dry powder that we can use in the rest of the year. And my sense is the way some of the stimulus programs might work, it might offer some good opportunity for us to go side by side with the government in a few of these things.

Terry Darling - Goldman Sachs - Analyst

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Okay, and just slip one more quick one if I could. The discussion around the stress tests, I know you have been clear that you do not expect to be subject to a stress test. But I just wanted to confirm that you don't think anything has changed there.

Jeff Immelt - General Electric - Chairman & CEO

I think the answer is we don't -- since we are not a bank holding company, we don't expect to be subject to the stress tests, but I think what we tried to reflect on the 19th, and what we have tried to reflect today and what we reflect in every GE Capital meeting is that, for our investors, we want to try to hold ourselves to the same standards and we want to share the same level of data. So we have really tried to -- I am not sure we will do 180 pages each time, but what we are trying to do is give the same disclosures that banks more or less do and then even though we are not subject to some of the same regulations.

Keith Sherin - General Electric - CFO

Just to be clear on the stress tests, we did not get direct guidance or input from the government on that. We used what we thought were the best estimates with the help from all the investment banks on what it would look like and we made our stress cases based on the assumptions that were publicly announced. So we did the best we could to try and at least give a communication about how we felt about GE Capital into those different environments that the government had laid out.

Terry Darling - Goldman Sachs - Analyst

Okay. Thanks very much.

Operator

Nigel Coe, Deutsche Bank.

Nigel Coe - Deutsche Bank - Analyst

Thanks, good morning. Just a quick one on tax. I'm sorry to keep on banging about tax, but obviously you are utilizing the tax losses in the US against your income you are earning within GE. Is there an upper bound on the -- is there a level above which you wouldn't be able to use those losses and therefore the carryforward?

Keith Sherin - General Electric - CFO

I am sure there is at some point. There is not one that we would anticipate today. For the high-tax losses in the US, we believe that we have plenty of capacity with the US earnings to be a loss at those and we actually pay GE Capital for those losses. So you would have to be at some level that I couldn't even imagine to have that be something you couldn't monetize.

Nigel Coe - Deutsche Bank - Analyst

Okay, great.

Keith Sherin - General Electric - CFO

You have to be careful internationally country by country, but for the majority of what we are dealing with here, that is not an issue.

Nigel Coe - Deutsche Bank - Analyst

So you are nowhere near hitting that feeling, okay. And then secondly, obviously debt reduction in GE Capital was very strong, I think about \$21 billion. What was that number excluding FX?

Keith Sherin - General Electric - CFO

On the debt reduction?

Nigel Coe - Deutsche Bank - Analyst

Yes.

Keith Sherin - General Electric - CFO

I will have to get back to you on that.

Nigel Coe - Deutsche Bank - Analyst

Okay, great. And then just a --

Keith Sherin - General Electric - CFO

Debt reduction excluding FX?

Nigel Coe - Deutsche Bank - Analyst

Right. And then thirdly, on the -- obviously, the interest costs came down a lot in GE Capital as well, low leverage and lower rates. You mentioned that you wanted to test (inaudible) market at some point this year. Do you have any sense on when that might happen and what kind of yields you might expect?

Keith Sherin - General Electric - CFO

We will have to see. At the end of the year, the capital markets were pretty good and we did a 30 year, we did some five year in Europe and last night, we saw some financial companies do some unsecured, unguaranteed. That was very encouraging and we are just going to -- we don't need any capacity right now obviously, so we have the time to take a look and evaluate it. But we do think we will be back in the unsecured, unguaranteed market. We will have to obviously watch the cash spreads. I think we watch JPMorgan as the benchmark today and where they are and we will have to see how the capital markets unfold. But there have been some obviously positive signs. The CP market is very strong and robust and I am encouraged to see some of the other capital market signs opening up here.

Nigel Coe - Deutsche Bank - Analyst

But do you think you get better rates today than you would have two months ago, than you did two months ago?

Keith Sherin - General Electric - CFO

Well, I think we are -- when we say that the capital markets are open enough, we will get rates that are competitive enough that we can earn 2.5 plus returns with that cost of funds. That is what I would say.

Nigel Coe - Deutsche Bank - Analyst

Okay. Thanks.

Operator

Steven Winoker, Sanford Bernstein.

Steven Winoker - Sanford Bernstein - Analyst

Good morning. First question is around inventory levels. Can you give me a sense for when you see inventory level decelerations slowing down in your own inventory on the equipment side for industrial? Are you still taking out inventory?

Keith Sherin - General Electric - CFO

Yes, I think inventory for the quarter, if you look at what we had in our cash flow results for working capital, it was basically flat in the quarter while we are ramping up for higher shipments here as we get into the second quarter. So we are working on lean all across the Company, but it didn't have a big cash flow impact. It was about a \$200 million delta.

Steven Winoker - Sanford Bernstein - Analyst

And do you see going forward the trajectory of that changing?

Keith Sherin - General Electric - CFO

Sure. We are going to have to continue to lower inventory as we go through the year obviously with the -- the interesting thing is, if you look at the energy business with the continued growth in equipment as we are delivering this backlog, you need inventory. If you look at the Aviation business, we have still got a very robust backlog, a lot of equipment. I think if you get out of those two big long cycle businesses, we are going to see inventory down in Transportation, we will see inventory down in Healthcare, we will see inventory down in Equipment Services. Inventory has obviously been down in Appliances.

So I think it goes with how our outlook goes and right now in Energy Infrastructure, the outlook is still very strong and that's going to continue to keep a high level of inventory, but the lean focus, we are trying to make sure we are more efficient across the whole portfolio. But it is probably not a big, big driver until you get towards the end of the year into next year.

Steven Winoker - Sanford Bernstein - Analyst

Okay and on the customer channel side, are they continuing to destock? Are you seeing that as well?

Jeff Immelt - General Electric - Chairman & CEO

Steven, the only place that -- we are such a long cycle, project-oriented business where our customers don't sell out of inventory per se. I would say the healthcare market had its own cadence. People just weren't ordering much. And then I think if you look at appliance run rates, appliance run rates have gotten sequentially better, which would indicate that there is either -- our customers are building inventory or there is better demand from our consumers.

Keith Sherin - General Electric - CFO

With the appliance cycle, we are 16 months into this cycle in terms of home building and the inventory rebalance levels have been pretty robust already at the retailers. So now we are kind of seeing flow-through with our order rates.

Steven Winoker - Sanford Bernstein - Analyst

Okay. And the last question is on provisioning and the loan loss ratio. JPMorgan and some of these other guys are coming out with sort of on-average LLRs of 4% plus, 4.5%. I know some of that is due to the mix of business and you certainly took us through the detail in slides 16 to 18. But in terms of how you think about an optimal loss reserve ratio in the near term given the charge-off rates, are you -- and you talk about increasing that over time. How far away are you from what you consider to be appropriate given what banks -- how far ahead banks are reserving for net charge-offs?

Keith Sherin - General Electric - CFO

I think we did cover some of that today, but I think you have got to go back to the March 19th meeting where Jeff Bornstein laid out trying to compare the actual product composition mix that we have to the product competition mix banks have and say, okay, how are you reserved based on that?

I think on the consumer side, we feel like we are exactly in line with what other banks are based on our credit portfolio and our risk profile. So we think we're there. We think we are there on the mortgage side, but we have a different mortgage portfolio, dramatically different than what the banks have, so it is hard to compare directly. We don't have any US mortgage exposure, as you know. And I think right now when we look at 1.59% in the quarter, that is the appropriate level for where we are based on the risk we have. We have said that we think that reserve coverage will go up to around 2% as we get through this year and so we just think we are appropriately reserved. We think we are going to put up more reserves as we have more delinquencies in non-earnings and we think the reserve coverage is going to increase as we go into the balance of 2009.

Steven Winoker - Sanford Bernstein - Analyst

Okay, thank you.

Operator

Scott Davis, Morgan Stanley.

Scott Davis - Morgan Stanley - Analyst

Hi, good morning, guys. I think just to follow on that question a bit, the slide on page 19 is very interesting. The assumptions on the workouts and collateral value, things like that, is that based on historical, is that some sort of adjusted assumption based on what you are expecting in the future? How do you kind of get to those numbers?

Keith Sherin - General Electric - CFO

Sure. Our risk team has a loan-by-loan, bottoms-up evaluation of our exposure here in the non-earnings. They have to evaluate each case for the specifics of the creditor and the collateral. We do have historical values obviously on things like our collateral estimates, but we have to adjust them for what the markets are. For example, we have some corporate jets we got back in the quarter. We had marks on those to bring them to fair market value. So I think we have some history, but these are based on what we think we are going to realize based on today's look loan by loan of these individual asset exposures. So it has got to be current.

Scott Davis - Morgan Stanley - Analyst

Okay. And then just looking at the supplemental, it looks like for both Real Estate and GECAS, it was pretty limited. I know these are long-lived assets, so you don't have to mark things down to market, but presumably there are some assets that don't pass the impairment test. There was really nothing written down this quarter of note. Is that a timing issue? Can you just give us a little detail on that?

Keith Sherin - General Electric - CFO

Yes, there weren't really any -- there was very minor impairments in GECAS and no write-offs really to speak of. I think it is \$1 million, right? That was last year, so there was nothing in the quarter. If you look -- in Real Estate, there were about \$70 million of impairments and those are the equity properties where you don't pass the cash flow test. The cash flow estimates that you have over the life of the property are resulting in a value that is less than your book value and then you are writing down to fair market value. We had about \$70 million there. So that is based on a property-by-property analysis using today's rates on vacancy, rent expectations as we go forward, occupancy in the individual properties.

Scott Davis - Morgan Stanley - Analyst

Okay. And last question -- well, actually, a little nit picky one here. The tax credit, is there a cash versus noncash component of those credits?

Keith Sherin - General Electric - CFO

Well, there may be timing between GE and getting that credit from the government. But generally at the end of the day, within an 18 month, two-year period, you are going to be all equal on cash versus the government in terms of refunds or in terms of the return impact. Between GE and GE Capital, it is usually settled within a quarter.

Scott Davis - Morgan Stanley - Analyst

Okay. And then last question just for you, Jeff, on Healthcare since you have known the business for such a long time. When you think about what some of the things going on in diagnostic equipment, you could make an argument that there is a cycle impact here with macro conditions. You could also make an argument that there are some secular changes with just government stopped being able to kind of afford the healthcare promise to folks and reimbursement rates are going to continuously -- it seems like every couple of years, they get lowered on a global basis.

How do you think about some of these secular shifts and also just -- we understand that your pricing model may have changed a bit over the last couple quarters where you are more of a discounting the product upfront to sign up service contracts. Can you talk just a little bit big picture about what you see in healthcare?

Jeff Immelt - General Electric - Chairman & CEO

You know, Scott, I think the US market in particular is very tough right now for two reasons. One is that the overall economy, as it goes down, hospitals -- their endowments and stuff like that have less money and they are going to spend less money on capital equipment. That is one factor.

I think the other factor is just great uncertainty. People say, okay, there is going to be some changes in healthcare spend and reimbursements and things like that, so I think people are sitting on their hands.

Underlying that is just -- I would say procedure growth does continue and the growth outside the United States does continue. So I think just to kind of weave through your question though, Scott, we believe that the US diagnostic imaging market, the US diagnostic imaging equipment market is going to be at a lower level. I don't know if it is the first-quarter run rate, but it is going to be at a lower level for maybe an extended period of time as people work through the changes that get made overall on healthcare.

In terms of changing our business model, we really haven't changed the way we approach it. It is a competitive market. We like having the service revenue and I think the service business actually in healthcare over the long term is very well-positioned, probably positioned better than competition and it has every chance to continue to grow.

Keith Sherin - General Electric - CFO

Just a couple of clarifications if I could on the schedules that Scott asked about. The schedule on non-earnings and write-offs does not include impairments, so that is why you don't see anything in GECAS or in real estate. The \$70 million I mentioned happened in Real Estate. And the second thing is on the debt reduction versus the fourth quarter, for Nigel, we had a reported debt reduction of 22, ex-FX, that is 13.

Scott Davis - Morgan Stanley - Analyst

Okay. Thank you, guys.

Operator

Bob Cornell, Barclays Capital.

Bob Cornell - Barclays Capital - Analyst

Thanks. Just going back to your comment on the commercial business and the cycle looks adverse I think and the delinquencies did rise pretty significantly. Maybe you could just sort of flesh out your view there and I have a couple other questions. I mean what is embedded in your view for the business in overall Capital staying profitable for the year with regard to the commercial cycle at this point?

Keith Sherin - General Electric - CFO

Well, that is what we see today. We said we would be profitable for the year and we've taken into account kind of the outlook we have. If you look at the commercial cycle, I think if you see the delinquencies and you see the non-earnings, we know we're going to have pressure here. The teams are all over it in terms of risk management and restructuring to protect our asset values.

I think if you go back to the 19th meeting in a place like real estate, you look at our underwriting discipline, you look at our cross-collateralization that we're focused on, you look at the level of loan to value that we put into places. I think there are just things that are different about how we run the business that are going to help us to have lower losses in a cycle like this.

If you look over time at our leverage loan portfolio, we have had 1.5 to 2 basis points over a 15-year period of lower losses than what the average is for the banks in that category of asset classes. That is because we take a senior secured position, we take smaller holds, we are more diversified. But we are going to have higher losses as this economy rolls.

So I think we have tried to outline that. The best way to think about it is to use the business results page that I showed you and then go back to the 19th meeting and look at the three cases. The retail case looks a little better on the consumer side. The mortgage case probably is pressured. On the commercial side, the real estate case is back to our op plan right now, but I think everybody would agree based on the market that is out there with delinquencies and vacancies and the economy that we are going to be more pressured as we go through the year.

So I think we're going to have a tough commercial cycle. I think the losses are going to exceed what they have in the past in cycles that we have seen. We expect that. It may be a lag effect though. It may not be as fast as what others have predicted. It may be dragged out a little. Maybe that is part of your question, Bob.

Bob Cornell - Barclays Capital - Analyst

Well, in one of the slides you showed and one of the meetings as you got into more detail, you talked about the commercial cycle peak loss is 1.4% looking back 20 years. I guess the question we all would like to know the answer to this, in your guys' minds, where do those losses peak as a percent and when? What is the timing? Is it 2009 or 2010 and --?

Keith Sherin - General Electric - CFO

Jeff has asked me that question and it is like knowing what the market is going to do. It is just too hard, Bob, I think to say. I think, right now, we are grinding it out and we have come from a period where people thought the world was going to end to a period that is a little better. And I think today you look and there are some signs in the economy that are a little better. But we know that unemployment is going to continue to rise, as Jeff said and that we are going to have a tough commercial real estate cycle. But I can't say that we have got enough visibility to be able to give you a good answer to that.

Jeff Immelt - General Electric - Chairman & CEO

I think what we tried to do on the 19th, Bob, is to maybe not predict it, but to show you how seriously we are taking it as a company, how many good people we have working on it, that we have tried to be conservative and realistic as we go through it. We have been through the cycle before. Our risk people are 25, 30-year veterans, people like Jayne Day and some of the other people you saw. I think that is the best we can do right now. I think --.

Bob Cornell - Barclays Capital - Analyst

One follow-up question for you guys. When you go out in the market and you hear a lot of anecdotal evidence about how GE is really tightening up the screws in an effort to get collections to the point where you are putting some of the companies in distress to get the money out. I mean what is your view there with regard to the level of stress you are putting on some of your customers relative to the long-term marketshare you'd like to get in the business?

Jeff Immelt - General Electric - Chairman & CEO

Well, I'd make a couple comments, Bob. The first one is the fourth quarter last year, maybe even the beginning of '09, these are extraordinary times. We had collections ahead of originations and we went through a lot of changes in the field and things like that, but we have got big franchises here, big important franchises. We are doing a lot of funding on DIPs. We are doing a lot of asset-backed financing and the page Keith showed you on originations says that we are going to do -- we did about \$69 billion of funding in Q1 and we ought to do \$150 billion -- probably in quarter two through four, we will do another kind of \$140 billion, \$150 billion of originations. So we are in this to stay and we are in it for the long term. We have gone through an extraordinary time period, but we have got a good franchise.

Keith Sherin - General Electric - CFO

I think we have some balance. We are a senior secured lender. We take it seriously in terms of getting our money back. We always have and we have got to be professional about that and we have got to think about our impact in the marketplace and our market position. But that is what a senior secured lender does and we have got to definitely balance the customer needs and what the implications are for future business. But I think as we have gone through this, I think we really want to make sure we had safe and secure collections and originations tighten down. I think now we are sitting here in a position where now we can go on offense a little more and that is a good place for us to be.

Bob Cornell - Barclays Capital - Analyst

Sounds good. Thanks.

Operator

John Inch, Merrill Lynch.

John Inch - Merrill Lynch - Analyst

Thank you, good morning. First question would be I guess the GECS dividend. You have indicated on slide 8 that it has now been paired to 0%. I think, Keith, it was at 10%. Was there some reason why you've paired -- like a trigger point as to why you paired to 0% and then what would be your expectation for the timing of restoring the GECS dividend just based on market conditions and what you are seeing?

Keith Sherin - General Electric - CFO

Well, we were sitting here in the first quarter, John, and when we decided to put the \$9.5 billion equity infusion in, we thought it would be a little silly to take 10% of the earnings out and it wasn't a big number and we just thought it would be cleaner to say, okay, for 2009, we are going to just suspend the GECS dividend in total in the cash flow. We can handle it in our plan. It is better to be safe and secure in GE Capital. It is not a material amount and we just thought it was less confusing to be putting equity in and then taking a little amount out. So I think for our view right now, we are just going to keep it that way for 2009 and we will see as we get towards the end of the year what we think about 2010.

John Inch - Merrill Lynch - Analyst

You had originally targeted sort of an '10 timeframe, had you not, though for restoring at least some of this?

Keith Sherin - General Electric - CFO

We did. Yes, we did.

John Inch - Merrill Lynch - Analyst

Has anything changed on that front?

Keith Sherin - General Electric - CFO

Well, it hasn't, but as we showed you on the 19th, we've got to look at what the outlook is for the losses over multiple periods here and we again, would prioritize the GE Capital safe and secure is the first banner that we have been running the Company under and taking a lot of actions to do that. So I don't think we need to make a decision about the GE Capital 2010 dividend yet. We have plenty of time to do that.

John Inch - Merrill Lynch - Analyst

I don't disagree. Can I ask you about the sort of -- if you look at the \$1 billion increase in provisioning, you are sort of -- we are now running at kind of this Fed base case threshold and I think if I were to parse your commentary around the tax credits, you could also probably surmise that we are running into kind of the base case zone versus what, on the surface, looks like the adverse case zone. Does that kind of infer, Keith, that, all else equal, we are -- I heard your commentary about things could still get a little bit worse, but we are kind of running toward that slide of the \$2 billion to \$2.5 billion of net income for GE Capital and if that is true, --.

Keith Sherin - General Electric - CFO

I can't answer that right, John? I mean we are not giving guidance. We have given you the three cases. I think we have given a lot of details about how to pick it in there. I think you should make your view based on what we covered today, but we feel confident that we are within those ranges with the three cases. And as I said, some businesses are left and some businesses are a little right, but we are not going to pick a number for GE Capital. We said we expect it to be profitable is kind of the way we've said it.

John Inch - Merrill Lynch - Analyst

No, I hear you. I guess I am just thinking of the \$1.1 billion that Capital just earned in net income, right? If it is closer to the middle scenario, it means that the sequential run rate is going to be a lot less.

Keith Sherin - General Electric - CFO

It could be. It could be. I think if you look at the \$1.1 billion, you have got to really adjust for annualized on the \$700 million. In total, on consolidated results, it didn't fall through. But in GE Capital Finance, the \$1.1 billion includes about \$400 million too much of taxes in the quarter for a run rate without adjusting for any differences in losses. I think you have probably got to get back to \$700 million if you just tried to normalize taxes at either the GE Capital Finance level or the GE Capital Services level.

John Inch - Merrill Lynch - Analyst

But the provision, the \$1 billion provision year over year, does that likely hold?

Keith Sherin - General Electric - CFO

Well, I think if you look at 2.3 in the quarter, right, is our provision for losses, it is in excess of the write-offs. That you have got to decide, based on the cases we showed you and the different pressures by business, what do you think that is going to do as you go through the year. I think we would say that is probably going to go up.

John Inch - Merrill Lynch - Analyst

Last question. You guys footnoted the mark-to-market rule changes that are pending. What sort of an impact is that going to have? I mean presumably it is a favorable one, but maybe you could flesh that out a little bit for us.

Keith Sherin - General Electric - CFO

Well, as you know, the two FSPs came out after the quarter closed. There was one on other than temporary impairment and one on how to calculate fair values. I would say it is too early for us to tell you what the impact would be. We are going to work our way through that and get into the second quarter. I think we need to make sure we understand how the accounting firms are going to interpret those two FSPs.

John Inch - Merrill Lynch - Analyst

But you will know by the second quarter, you think?

Keith Sherin - General Electric - CFO

Sure, of course. Yes, we will adopt in the second quarter, absolutely.

John Inch - Merrill Lynch - Analyst

Great, thanks very much.

Operator

Stephen Tusa, JPMorgan.

Stephen Tusa - JPMorgan - Analyst

Hi, good morning. The GE Capital revenue I think year over year was down about \$3.5 billion. Could you just maybe let us know at a high level within the different revenue categories which were the -- which ones were the biggest moving parts?

Keith Sherin - General Electric - CFO

I am going to have to give you some of the pieces. The FX was a little over \$1 billion, so quite a bit of it was driven by FX. But we will have to break it out for the -- it should be on the -- gains are also obviously a very large piece.

Stephen Tusa - JPMorgan - Analyst

Okay.

Keith Sherin - General Electric - CFO

Just in real estate alone, they are down \$600 million.

Stephen Tusa - JPMorgan - Analyst

Okay. And then when you look at the total write-off number for CLL going to 265 from 498 in the fourth quarter, is that just -- is that a net number, so you are collecting better or what was the change there?

Keith Sherin - General Electric - CFO

The change again -- if you look at the fourth quarter -- this was on provisions?

Stephen Tusa - JPMorgan - Analyst

Total write-offs in the supplementary slide four?

Keith Sherin - General Electric - CFO

In total write-offs. At the end of the day, we had less accounts that went into completion of restructuring that required the write-off. In the fourth quarter, we finalized a lot more. We still have a lot of obviously accounts that are in discussions for structuring. But when they get finalized, we have to take the write-off.

Stephen Tusa - JPMorgan - Analyst

So we should really I mean (multiple speakers). The trend in the non-earnings and the delinquencies are more important than that write-off trend going down?

Keith Sherin - General Electric - CFO

I think the write-off trend going down is helpful, but you have got to look at the delinquencies and non-earnings as a forward indicator. The write-offs were helpful in the quarter definitely.

Stephen Tusa - JPMorgan - Analyst

Okay, and then one more question. In energy infrastructure, I think last year according to your 10-K, you got about 4% to 5% of price. What was that number in the first quarter?

Keith Sherin - General Electric - CFO

I think I had it on thermal and wind was up about 5%. I don't know what the Services number was in total, but it was very strong on equipment. I will have to get you the service number.

Stephen Tusa - JPMorgan - Analyst

Okay. And then one last question. Just on the -- I know you guys have a backlog and there is some timing here, but with your equipment orders running down about 20%, when does that start to actually move into revenues? Is that a second half of '09 thing or is that more of an early 2010, assuming that that trend continues?

Keith Sherin - General Electric - CFO

I think the way we have tried to model 2009 is that you could think about, if the orders level stay at kind of the level we are at, you might be dealing with a \$1 billion of revenue in excess of orders and a decline in equipment backlog a quarter. That is the way I would think about it as we go forward. Now you are going to have some lumpiness in there, but that is a rough way to think about it. It is kind of a steady dramatic -- not dramatic change as you go through.

Jeff Immelt - General Electric - Chairman & CEO

I'd say though it is more an '10 and '11 type of thing on the equipment, Steve. In other words, if you go between service and equipment, particularly when you think about aviation, energy, oil and gas, transportation, stuff like that, a lot of that is in backlog.

Stephen Tusa - JPMorgan - Analyst

Great. Thanks a lot.

Trevor Schauenberg - General Electric - VP, Investor Communications

We are over 10 o'clock, Noelia. Why don't we take one more here.

Operator

Daniel Holland, Morningstar.

Daniel Holland - Morningstar - Analyst

Good morning. Just a question on Healthcare. Could you talk a little bit about how it trended through the quarter? Is there kind of any momentum pushing it through the second quarter? Any sign of good news to talk about there?

Jeff Immelt - General Electric - Chairman & CEO

It was pretty tough all quarter, Dan. I think -- if you look, there wasn't any indicator that I would say that led us to see some type of spike either regionally or by product. It was a tough quarter and it stayed tough.

Daniel Holland - Morningstar - Analyst

Okay. And just one more question on actually wind. There has been a lot of press releases, things like that regarding new wind wins out there. I'm kind of curious if you guys have seen a material pickup in activity, not necessarily on orders, but just more quoting kinds of things, things like that in the last little bit here?

Jeff Immelt - General Electric - Chairman & CEO

I think the thing that has really picked up in the last month is that commitments that might have slipped out of the year because of lack of financing have now started to firm up. And so I think that is the encouraging piece because people see on the horizon that the credit markets are opening up to finance them and that the stimulus is going to have some advantages for them. So I actually think that shipments in '09 will improve in wind even while you might not see new projects announced just because there is such a lot of activity in '06, '07, '08.

Keith Sherin - General Electric - CFO

Apr 17, 2009 / 12:30PM GMT, GE - Q1 2009 General Electric Earnings Conference Call

It will still be down year over year, but I think the commitment activity, as you said, has really picked up. Just one comment on the energy services for Steve. The overall price is up 3.7. The equipment is about 5 and service was lower than that.

Jeff Immelt - General Electric - Chairman & CEO

Okay, Trevor.

Trevor Schauenberg - General Electric - VP, Investor Communications

Great. Thank you, everyone, for your time today. A replay will be available this afternoon and just to announce, our next earnings call will be held on July 17. As always, JoAnna and I will be available to take your questions today. Thank you, everyone.

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