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GE - Q4 2011 GENERAL ELECTRIC COMPANY EARNINGS CONFERENCE CALL

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OVERVIEW:

GE reported 4Q11 continuing operations revenues of $38b, operating earnings of $4.1b, and operating EPS of $0.39.

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the General Electric fourth-quarter 2011 earnings conference call. At this time all participants are in listen-only mode. My name is Chanel, 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. Vice President of Investor Communications. Please proceed.

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

Thank you, Chanel. Good morning and welcome, everyone. We are pleased to host today's fourth-quarter 2011 earnings webcast. Regarding the materials for this webcast, we issued the press release earlier this morning. The presentation slides are available. Slides are available for download printing on our website at www.GE.com/investor.

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.

For today's webcast we have our Chairman and CEO, Jeff Immelt, and our Vice Chairman and CFO, Keith Sherin. Now I would like to turn it over to our Chairman and CEO, Jeff Immelt.

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

Great, Trevor. Good morning. Thanks.

Look, GE finished the year with real strength. We had the best order results in history.

Many of our key end-use markets are showing momentum, like commercial real estate and aviation. The emerging markets continue to be very strong. There are a few challenged markets like Europe and appliances; but on balance we have a positive outlook.

Company operations were strong. EPS grew by 11%. Organic growth was 5%. CFOA and liquidity were very strong.

GE Capital exceeded all of their performance goals and ended with a very strong Tier 1 Common ratio. We are executing a balanced capital allocation plan.

We increased the dividend again in fourth quarter. Overall the dividend grew by 21% in 2011. Our buyback for the year was $5.4 billion, including both common shares and the Berkshire preferred.

Finally, we end 2011 with confidence that we can deliver on our 2012 double-digit earnings framework. So overall, a good quarter.

Orders grew by 15%, which was up 9% organically. We had fairly broad-based strength. Of particular note, Energy orders were up 23%. Thermal orders were up 88%, and we had orders for 50 heavy-duty gas turbines in the quarter. Orders in the emerging markets grew by 26%.

We end the year with $200 billion of backlog and had an equipment book-to-bill ratio of 1.23 for the quarter. So these numbers certainly support a 5% to 10% organic growth goal for 2012.

Our investments in growth are paying off. First on the global front we had a 25% expansion in our Industrial growth market revenue. Our expansion was broad-based, with most businesses and most regions experiencing strong growth.

Services grew by 14% and expanded margins. We had strong growth across all businesses and we ended the year with $147 billion of service backlog.

We increased R&D by 16% in 2011, resulting in multiple new product launches. In Healthcare we launched leadership products in MR, ultrasound, and interventional.

Energy is growing in both the heavy-duty gas turbine market, with the Flex 50 and 60, but also in the distributed energy products with solar and waste heat recovery. Aviation has positioned the LEAP-X to win and had the H80 turboprop launch to penetrate new segments.

Rail is picking up global orders. We are launching a full range of appliance products in the next six quarters. So overall our organic growth should continue.

We made progress on margins in the quarter. We're up 250 basis points versus third-quarter '11. Most of our negative rate versus fourth-quarter 2010 is explained by acquisitions and R&D investment.

Looking forward we still feel good about a 50 basis point improvement in 2012. We have good productivity programs in place. We're making structural improvements, and our global and R&D investments are on a run rate.

We see energy pricing stabilizing as we move through 2012 and into 2013. So margins are an important focus for our leadership team, and we think we will make progress in 2012.

In cash, we had very good, very strong cash performance. CFOA was $5.5 billion in the fourth quarter. That is a record quarter. This led to total CFOA of $12.1 billion for the year.

Our working capital performance was very strong in the fourth quarter. Consolidated cash was $85 billion at year-end.

Our capital allocation plan was in line with expectations. We grew the dividend twice in 2011. We completed nearly $12 billion of acquisitions and bought back $5.4 billion of stock, including the Berkshire preferred.

So overall, cash and capital allocation were either equal to or better than planned and we feel good about that performance.

We continue to strengthen GE Capital liquidity. We prepared for 2012 maturities by having a substantial amount of cash on hand. We have already issued $5 billion of long-term debt, so we are off to a good start.

Our Tier 1 Common ratio was 11.4% for GECC and 9.9% for GECS. On a Basel III basis, we compare favorably to the banks.

We ended 2011 with $445 billion of ending net investment, ahead of our plan. As a result, we are resetting our ending net investment goal for 2012 to between $425 billion and $440 billion.

We will continue to grow in high-return segments. Our expectations for GE Capital earnings are unchanged for 2012. At the same time, we expect to have lower debt issuances for the year.

So, looking forward, we have achieved a focused high-margin (inaudible) GE Capital, a financial service business that can grow and win in this marketplace. And with that, I will turn it over to Keith to go through our operations.

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

Thanks, Jeff. Good morning, everyone. I'm going to start with the fourth-quarter summary.

We had continuing operations revenues in the quarter of $38 billion; they were down 8%. Industrial sales of $26.7 billion were reported down 7%. However, if you look at the notes at the bottom of the page, excluding the impact of not having the NBCU revenues last year, GE's industrial sales were up 11%.

Financial Services revenues, $11.6 billion, were down 9%. That was driven by our lower assets year-over-year, mostly.

Operating earnings of $4.1 billion were up 6%, and operating earnings per share of $0.39 were up 11%, reflecting the benefit of retiring the preferred shares.

Continuing earnings per share includes the impact of the nonoperating pension, and net earnings per share includes the impact of discontinued operations. And that reflects a $0.02 charge this year, which I am going to cover on the next page, and also on a comparison basis the non-repeat of the net $0.06 of gains we had last year in discontinued operations.

Cash for the year of $12.1 billion was very strong. We had a great fourth quarter and the total year, and Jeff covered that.

For taxes in the fourth quarter, our tax rates were 15% for GE, excluding GE Capital. The GE Capital rate was 4%. Those rates include about $0.03 of benefit from our IRS audit resolution for the years 2006 and 2007; and I will go into a little more detail on that on the next page.

So those amounts put us right in line with our third-quarter outlook for tax rates for GE and GE Capital.

The consolidated GE rate ended the year at 29%. The GE rate excluding GE Capital was 38%, and that includes the impact of the NBCU gain from the first quarter. If you exclude that, the GE rate was 19% for the year; that is up 2 points over last year. And the GE Capital rate for the year came in at 12%, and that rate is up significantly from 2010 as a result of our significantly higher pretax income.

As you look forward for 2012, I would estimate our GE rate to be somewhere in the low 20% range and the GE Capital rate to be somewhere in the mid teens range for 2012.

On the right side you can see the segment results. Industrial revenues were up 10%. Industrial segment profit was up 2%. That was driven by Transportation and Aviation.

You can see Energy was flat, and that is a big improvement versus the 3Q year-to-date results. Healthcare was down slightly, and Home & Business Solutions continue to be negatively impacted by the housing market.

Down on the bottom, GE Capital had another strong quarter with earnings up 58%, and I'm going to go into each of the segments in more detail in a few pages.

Before I get to the businesses, I will start with the other items page. As we mentioned during third quarter, we were in negotiation for final resolution of the 2006, 2007 tax years with the IRS. We did reach a resolution on several tax matters for those two years.

That resulted in $0.03 of benefit in the fourth quarter. In terms of geography, $0.01 of that was in Industrial, and $0.02 of that were recorded at GE Capital. So overall, a $0.03 benefit at the end of the year from that resolution.

We also had some one-time costs in Q4. We had a little more than $0.02 related to restructuring. We reduced the cost structure in Energy, Healthcare, and GE Capital. We also had almost $0.01 of one-time costs related to this year's acquisitions, as we have had throughout the year.

So if you look at where these were recorded, the charges were recorded at corporate. On an after-tax basis we had $78 million in Energy; $58 million in Healthcare; $28 million in GE Capital; and then Aviation, H&BS, Transportation, and corporate all had about $15 million of restructuring as we work on lowering our cost base as we go into 2012.

On the bottom of the page, we did an update on Gray Zone reserves in the fourth quarter. While the claims have declined significantly from the peak that we saw in the first quarter of 2011, we did see an uptick in September. Then we saw declines in October through December. Based on the 2011 activity, we have updated our long-term claims reduction assumption.

We had set this at 4% in the third-quarter 2010, and we reduced it this quarter by about 1 point. So if you include the current claims severity as well as the claims assumption adjustment, it resulted in a $243 million addition to the reserves in the fourth quarter.

We end the year with $692 million of reserves, and we expect the claims to continue to decline. The December claims were down. We will have to obviously monitor and communicate where we are in Gray Zone going forward, but the trends feel good based on where we are at the end of the fourth quarter.

One other point that is not on the page, as we discussed in the first-quarter earnings we did have six more days in Q1 2011 versus Q1 2010, and that is just based on our fiscal calendar. That helped us by about $0.01 EPS in the first quarter. In the fourth quarter, we had the opposite effect; we had six fewer days in the fourth quarter of the '11 versus '10, and that impact was about $1 billion of lower revenue and about $0.01 less EPS in the fourth quarter. So we also absorbed that impact.

Next I want to cover two reporting updates for you. On the left side, we are in the process of merging GE Capital Services into GE Capital Corporation so that we end up with one SEC registrant for Financial Services. Basically, the current reporting for GE Capital Services will become the going-forward reporting for all of GE Capital Corporation.

Those results at GE Capital Services will be the segment GE Capital that we use with investors. That will be what Mike Neal and the team run. There won't be two organizations.

We think this is a big simplification. It will be effective for the first-quarter earnings, and we are going to file an 8-K today outlining this merger.

So there is no change in the fourth quarter or how we are reporting GE Capital until the first quarter, and going forward we will have one consistent Financial Services entity. So I look forward to getting to just reporting GE Capital and having it be the total enterprise.

On the right side, we completed an internal reorganization in October. We moved the responsibility for the Measurement & Controls business run by Brian Palmer over to Dan Heintzelman in the Oil & Gas business.

You can see the financial size here, $4 billion of revenue, $600 million of op profit on a total year basis. The details of this move are in the supplemental materials that we released this morning. We moved this business because it reflects the customer alignment for the M&CS business; it is much more aligned with the Oil & Gas base.

It is going to give us more scale in the Solutions business for Oil & Gas. There is no change to the overall Energy Infrastructure segment, so this is just between Energy and Oil & Gas within the segment. And today on the results that we will show you, I will give you both before and after so you can clearly see this impact.

So, two organization changes; and I will move on to the business results.

First is Energy Infrastructure. The fourth quarter was a mixed performance. We had a terrific orders quarter, as Jeff talked about, and I will give you more details. Revenue was also very strong, but it was less than our September forecasts.

We had some wind units and we had some equipment installations pushed into 2012. We also had some impact that was worse than we expected in September from the stronger dollar.

Segment profit, while it was significantly better than the first three quarters, it was slightly less than the growth we expected. And I will cover that by business.

I am going to cover the details for Energy and Oil & Gas on the new basis, as I just covered. So you can see that down in the bottom left. However, the pre-reorganization basis is also shown on the bottom left; and as I said, the supplemental data has all the details. So what I am going to go through now is on the basis with M&CS moved into Oil & Gas.

I'll start with Energy. We had another quarter of great orders growth. Orders of $11 billion were up 19%. Equipment orders at $6 billion were up 33%. They are even up 24% excluding the impact of the acquisitions.

Renewable orders at $2 billion were up 53%. We had orders for 1,023 wind turbines versus 477 a year ago. Thermal orders of $1.9 billion were up 88%, and we received orders for 50 gas turbines versus 29 last year. That is a great quarter for gas turbines.

Equipment orders price was down 4.4%. Renewables pricing was down 4.9%. Thermal pricing was down 12.5%.

If you look at the combined thermal and power-gen services orders price impact, it was down 5.5%, and service pricing was flat.

Service orders in the quarter, $5 billion, were up 6%. When you look at the top line, revenue at $9.2 billion was up 11%. That is driven by the strong volume we had and the acquisitions benefit. Organic revenue in Energy was up 6%.

Equipment revenue of $5 billion was up 15%. That was driven by renewables, $1.6 billion, it was up 15%. We shipped 688 wind turbines versus 592 last year. That was a little short of our goal, if you look at what we put out for the third quarter, as we expected for the total year -- we had some slip.

Jenbacher revenue was up 57%. Aero revenue was up 14%. That growth was partially offset by thermal revenues of $1.3 billion; it was down 3%.

We had higher volume in gas turbines, 33 this year versus 18 last year, but that was more than offset by having lower balance of plant revenue -- items that are produced by other parties that we don't make, but we include in the project -- and also the lower pricing.

Service revenue of about $4.1 billion was up 7%. For the quarter, segment profit of $1.7 billion was down 3% as the benefits of the higher volume and material deflation were more than offset by lower pricing and negative unit mix. Now, while being down 3% is a great improvement over the third quarter year-to-date result of down 20%, the main drag continued to be our wind business, which accounted for $41 million of the $44 million year-over-year op profit decrease; and I will cover some more of the dynamics on the wind business for 2012 on the next page.

For Oil & Gas, orders of $4.7 billion were up 34%. Equipment orders of $2.4 billion were up 40%, driven by the acquisitions plus strong refinery and petrochemical orders. Service orders at $2.3 billion were up 29% on strong drilling and production activity.

Oil & Gas orders price index was a positive 2/10 in the quarter. Revenue of $4.1 billion was up 38%, again driven by the impact of the acquisitions; excluding acquisitions, the revenue was up 6%.

Segment profit of $630 million was up 12%. That is driven by the acquisitions plus strong volume, partially offset by negative productivity across the business. So overall when you look at Energy Infrastructure, a significantly improved earnings profile as we exit 2011.

Now, thought it would be helpful to give you a little more detail on the Energy plan for 2012. On this chart we ended the year with $6.7 billion of op profit. Our plan is to grow double-digit in 2012, and you can see the drivers on the right side.

First, we have an incredibly strong equipment backlog. Energy equipment orders of $25.5 billion were up 39% last year. We are planning on double-digit growth in the equipment deliveries, and you can see the huge growth in wind and aero volume down on the bottom left that is in the business plan for 2012.

For services, our service orders were $22.8 billion, up 9% for 2011. Our service backlog stands at $50 billion, so we should expect a good services year in Energy.

We invested a lot in new products and in growth. We have peaked in terms of our program and growth investments as a percent of revenue, so that is not going to be a drag on margins for Energy. And we will get a full year of the acquisition earnings.

So, those four factors more than offset the price pressure that we already have in the backlog and that we've talked out about quite a bit. You know, the Energy team has worked through the toughest part of the earnings cycle, mainly driven by the 2011 wind margin declines; and we are looking forward to delivering double-digit earnings growth in 2012.

Next is Aviation. The Aviation team had another solid quarter in the fourth quarter. Orders of $6.9 billion were up 18%. Commercial engine orders of $3.3 billion were up 67%, driven by the GE90. Military engine orders of $402 million were up 53%, driven by foreign military orders.

Equipment orders price was up 1.9%. We ended the quarter with a backlog of $22.5 billion, up 12% versus last year.

Service orders of $2.7 billion were down 9%. Military services were down 41% driven by lower F110 spares. Commercial services were up 1%, driven by higher overall activity -- overhaul activity, partially offset by a lower spares rate.

The fourth-quarter spares order rate was $22.3 million a day, down 11%; and that reflects the aggressive purchasing that we saw in the third quarter in advance of the November price increase. If you look at the total-year average daily order rate for our spares it was $24.7 million, up 13% over 2010. And the team feels very confident about the current spares rate and how they are doing in the marketplace commercially.

Revenue of $4.9 billion; that was up 2%, driven by equipment up 3% and services up 2%. We shipped 518 commercial engines in the quarter. That was down seven engines from last year, but revenues were up 10% on more GE90 units; and we shipped 34 GEnx units in the quarter.

Segment profit of $850 million was up 4%. That is driven by the strong volume and the positive value gap in the capital business.

On the right side, Transportation. The Transportation team continued delivering strong results in the fourth quarter. Orders of $1.2 billion were down 11%. That is driven by the tough comparisons.

Equipment orders of $500 million were down 43% because of no repeat of last year's $550 million multiyear order. So the order is still in the backlog, but it is a tough comparison.

Service orders at $739 million were up 57%. That is driven by the growth in our long-term service agreements. And orders pricing for Transportation was up 1.2%.

Revenue in the quarter, $1.5 billion, was up 43% driven by all the strong volume. We shipped 210 locomotives domestically versus 86 in the fourth quarter last year. We shipped 48 international units versus 30 last year. And mining revenues were also up almost 40% on higher volume.

Service revenues were up over 30% on strong long-term agreement performance, and segment profit of $226 million was up more than 200% driven by all that strong volume and the services delivery.

Next is Healthcare. We did see a slowdown in the developed markets in Q4 for Healthcare. Orders of $5.2 billion were flat. Equipment orders of $3.2 billion were up 1%.

Diagnostic imaging over all globally was down 2%. Clinical systems was up 5%. Life sciences was up 3%.

If you go by geography, US equipment was down 7% and non-US equipment was up 6%; and here are some of the pieces. Europe was down 13%; that was the toughest market. China was up 29%; India was up 20%; Latin America was up 6%.

Service orders at $2.1 billion were down 1%, and the total orders price for the business was down 1.9%.

Revenue of $5.2 billion was up 1%. That was really driven by the emerging markets, which were up 16%, partially offset by the declines in Europe and the US. Segment profit of $953 million was down 5% as the benefits of the higher volume and productivity were more than offset by negative price and the continued investments we're making in the new business, like Intel Home Health JV, and also new products.

On the right set of the page, H&BS had another tough quarter. Revenues of $2.2 billion were down 4%. Segment profit of $82 million was down 41%.

These results were driven by appliances. The domestic market was down 12% in units in the quarter. We gained 7/10 of a point of a share in the quarter, but the inflation we saw was only partially offset by pricing, resulting in the overall segment profit decline.

Lighting revenues were down 1% driven by Europe, and Intelligent Platforms revenues were up 4% driven by strong software growth.

Let me shift to GE Capital. Mike Neal and the Capital team had a really good quarter. Revenues of $10.7 billion were down 9%, in line with our ENI shrinkage plus the impact of the fewer days. Pretax and after-tax earnings continue to rebound.

On the right side, asset quality metrics showed continued improvements or stability. We had $49 billion of volume in the quarter, which was up 13% from Q3. Our margins came in at 5.4% for the year.

We continue to beat our ending investment targets, and there is a lot more information about GE Capital in the supplemental charts on reserve coverage and non-earnings that we posted this morning.

So, just a few highlights by business. I will start with consumer. The consumer business had another positive earnings quarter. We ended the year with assets of $139 billion; that was down 6%. Net income of $575 million was up 5%, and that was driven by the improved credit costs.

US retail finance had a great quarter. They earned $463 million which was up 29%, driven by some acquisitions -- we added some portfolios -- and also lower credit costs. The US retail finance volume was strong; it was up 3% over last year and it was up 14% versus the third quarter.

For Europe, we had net income of $111 million. That was down 35%, but it was driven by not having the Garanti earnings that we used to have since we sold our stake there.

We also had $63 million of after-tax impairments on our Greek bonds. That brings the net book value of our Greek holdings down to about $74 million.

Our UK home lending business earned $89 million in the quarter. Good performance on asset quality. 30-day delinquencies were down 97 basis points versus Q3. Our owned real estate stock was down to 461 houses, and that is the lowest we have had since 2005. And on the houses that we did repossess and sold, we realize 115% of the carrying value on our sales in the fourth quarter, so pretty good marks and valuation.

Next is real estate. Commercial real estate had another quarter with significant improvement over last year. Assets of $61 billion were down $12 billion or 16% versus last year.

They were also down $4 [billion] or 6% versus the third quarter, so we continue to work in this book down. The business ended Q4 with $153 million of losses after tax; that was $256 million better than last year.

During the quarter, we incurred $64 million of after-tax credit costs and $168 million of after-tax marks and impairments. Also during the quarter, a bright spot I would say, we sold 157 properties for $1.9 billion, realizing $132 million in after-tax gains. So as you see in the press, there is more liquidity in the commercial real estate market, and our business is benefiting from that.

As Jeff mentioned on the front page, our unrealized loss on the equity portfolio was down to $2.6 billion. And the outlook is that real estate is going to continue to deliver a strong, improved performance in 2012.

Commercial lending and leasing also had another strong quarter. Assets of $194 billion were down 4% due to the runoff of some non-core assets and dispositions. Net income of $777 million was up 37%; that is driven by lower losses and higher core income.

Americas net income of $570 million was up 42%, driven by lower credit costs, and that is their best quarter that they have had in four years. Europe and Asia were both down a bit, driven by lower assets.

GECAS. GECAS fourth quarter is actually better than it looks. You can see here a net income of $315 million as reported, down 27%; but that included the impact last year of $167 million of tax benefits from the IRS settlement we had last year in the fourth quarter. There were no such benefits allocated to GECAS this year. So if you look on a normalized basis, net earnings would have been about 19% up, driven by continued improvements in core margin.

Asset quality remains strong here. We ended the quarter, ended the year with two aircraft on the ground. So another good year for GECAS.

Energy Financial Services also had a strong quarter. Earnings of $110 million were up 234% driven by higher core income and higher gains. So overall, another very strong performance by GE Capital. And let me turn it back to Jeff.

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

Hey, great, Keith, thanks. For 2012 we are confirming our earnings framework. Strong orders and rebounding margins support double-digit Industrial growth. A better margins, improving commercial real estate, and lower losses support double-digit Capital growth. Corporate costs and CFOA are in line with our December meeting.

Industrial organic growth is well positioned to expand by 5% to 10%. Capital revenue will be below our December meeting, based on lower ENI. So, we close the year with momentum towards these results and goals that we have for 2012.

To conclude, we are positioned, I think, for strong execution in '12. Organic growth looks solid with the $200 billion backlog. Margins are improving, fueled by productivity programs and cost actions.

Our Industrial returns will exceed 15%. We are positioned to deliver on the two areas most important to investors -- double-digit Industrial earnings growth with higher margins, and double-digit Capital earnings growth with the goal of restarting the GE Capital dividend to GE.

So it was a good quarter, could have been even better. And that is encouraging for 2012. So I like our momentum and really we feel good about where we are and what we can get done in 2012. So, Trevor, with that let's turn it over to you.

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

Great. Thanks, Jeff and Keith. Chanel, we are ready to take questions now.

QUESTIONS AND ANSWERS

Operator

Scott Davis, Barclays Capital.

Scott Davis - *Barclays Capital - Analyst*

Hi, good morning, guys. Guys, can you talk about your confidence in your margin guide in Energy? You have been talking about 50 basis points, but you put up a pretty big 4Q, which raises the base for 2011. And then you also raised your gas turbine shipments from 130 -- well, you were at 128 last quarter, now you are saying 137. So your mix shift is turning a little bit more negative and your base is higher.

So just talk about that 50 basis points, because that is a pretty big movement in our model.

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

Well, I think -- I will take a shot at it and let Jeff also add to it, Scott. I think if you look at the drag that we have had in Energy this year and the drag that we have had for the whole Company, it has been driven by our investments in R&D and global. As we have said we have taken that and we have got it in the run rate, and that is not going to continue to be a drag.

That was -- for the fourth quarter, it was 9/10 of a point on the whole Company; and for Energy it was a similar result.

The second drag that we have had in 2010 that you would expect were the acquisitions. You know, we have acquired these companies. We have only started to really integrate them. We don't have a full year.

That was a half a point of a drag on the Company in the fourth quarter. And our expectation is that we continue to get improvements in those acquisitions. We have got a lot of people working on both the top-line and the operating synergies, and so that is another factor that we have got to work.

Then finally the one drag that was just on the whole Company all the year long was wind. You know, on the total year it was 8/10 of a point for the whole Company.

As you can see, our wind expectation is that we are going to have a significant amount of volume. It is certainly not going to be an operating profit dollar drag like we saw in 2011. It was close to $700 million of operating profit drag dollars in 2011 on this business.

We don't expect anything like that. We expect actually to have an improvement in the wind performance in 2012, and we are going to have to work the mix issue associated with that.

But there is a lot of good factors. The services business has an incredible backlog. We have got to execute in the businesses like the Oil & Gas business on large projects and make sure we don't have any cost of quality issues or things like that, and the whole team is focused on it.

So it's important to us, it is important to investors. We have some good factors that don't repeat from 2011 that were headwinds that don't repeat as headwinds. But we need to execute. There's no question about it, Scott.

Scott Davis - *Barclays Capital - Analyst*

That's helpful. Just as a follow-up, Keith, for you, I am calc-ing out about $10 billion of potential dry powder you will have in 2012 to either buy back stock, or do deals, or dividend, whatever you guys decide.

I mean I guess my first question is -- is that $10 billion going to pass your sniff test? And B, have your priorities to deploy that cash changed at all since your Analyst Day in December?

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

Well, I think 2012 we expect to have growth in cash flow from our Industrial businesses. We ended the year at $12 billion; we expect that to grow in 2012.

We already have increased the dividend for 2012, as you saw. Our expectation is that we are going to have a balanced capital allocation plan between buyback and M&A. We are going to look at opportunities and see what we do.

I think to get to a number like you are talking about, we really do need, first of all, the Capital dividend, and we would expect that over time we are going to get excess capital out of Capital, not just a 45% earnings. And we have to get some of that.

The other thing I would say is right now we are still planning on keeping about $8 billion of cash at the parent. We ended the year a little bit above that number just from a safe and secure and how we manage the Company for all sorts of unforeseen risks. So I would factor that into your math. But we expect to have a good cash year and have good capital allocation here.

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

I think we will have available cash in line with what we said in December. You know, we have got a $200 billion backlog. We don't need -- really we don't need acquisitions. I wouldn't look for us to do a big acquisition.

We have got a pretty full pipeline of new products. So I think the emphasis on dividend, reducing the float over time, those take a very high priority.

Scott Davis - *Barclays Capital - Analyst*

Okay. Good luck, guys. Thank you.

Operator

Steve Tusa, JPMorgan.

Steve Tusa - *JPMorgan - Analyst*

Hi, good morning. So, you guys gave us the service margin of 28.5%. I think you have given us a number that is close to that in the past.

I don't know what that margin refers to. There's a lot of different numbers that you refer to when you say margin. But backing into what the equipment margin is gets me to a low single digit number. Is that correct, the way to look at?

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

Yes, equipment margins are in that range.

Steve Tusa - *JPMorgan - Analyst*

Historically, how high have those margins gotten? Obviously, exclude the gas turbine bubble. They have been higher historically, correct?

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

Sure. When you -- if we get to those kind of levels, the incremental margin associated with the gas turbine business was fantastic back in the late --

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Steve Tusa - *JPMorgan - Analyst*

Well, I guess excluding that, though.

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

Well, I think if we -- right now you're looking at a thermal business that is -- the market actually is pretty good globally. For the 50 gas turbine orders in the fourth quarter is pretty good.

But there is still excess capacity. I think if you see a tightening in that market, you are going to be able to get incremental margins on the equipment side. I think that is going to be a good factor for us.

But right now you are still seeing, obviously, price erosion when you look at the orders price index that we have. But the commitment levels that we are seeing are starting to stabilize. And I think Jeff said that will roll into the end of '12 and into '13 at much better margins for us from an equipment perspective.

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

Steve, we ought to get improving equipment margins as part of the 50 basis points improvement in 2012 versus 2011.

Steve Tusa - *JPMorgan - Analyst*

Right. So longer-term, you have got $60 billion-ish of revenue that is really sitting there dramatically under-earning at this stage given the level of volume you are doing.

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

I think there is another -- you know, if you look, there is another factor maybe to think about, is Aviation. We are really in the early launch phases around the GEnx, and that will continue to improve as well. We have got to get up to the run rate in terms of the number of engines, but clearly the launch engines are the worst ones in terms of cost plus price.

We are going to work our way into a different place in Aviation. GEnx will be probably one of the bigger factors.

Steve Tusa - *JPMorgan - Analyst*

Right. Then one more question just on consumer. It was down sequentially. Is that just some Europe headwind flowing through? I know the provision was also up a little bit on the GE Capital income statement.

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

Yes, I think the main thing in the quarter for consumer that I would think about was the Greek bond impairment was in the consumer segment.

Steve Tusa - *JPMorgan - Analyst*

Okay, because delinquencies, non-earnings, all continue to head in the right direction.

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

Yes, I think the main point we had in the quarter -- if you do 3Q to 4Q it would be the Greek bonds. The asset quality performance was good. You do put up a little bit of provision as we had asset growth, Steve, 3Q to 4Q.

Steve Tusa - *JPMorgan - Analyst*

Great. Thanks a lot.

Operator

Steven Winoker, Sanford Bernstein.

Steven Winoker - *Sanford Bernstein - Analyst*

Good morning. Hey, so just the first question on the reorganization of GECS and GECC into GE Capital. When you think about how the Fed is looking at -- or when you think about how you would think about what makes sense in terms of the right entity, we have talked about the difference in coverage and reserves for GECC versus GECS.

Is there any reason to believe this wouldn't make it more likely that GECS would be the entity to look at, as opposed to GECC?

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

Well, exactly. I think all we are doing is sort of a reverse merger, Steve. If you look at what we are doing is we are putting GECS back under GECC. So the total now will be GECS.

If you look at our current reporting, when you see things like Tier 1 Capital at 9.9% for GE Capital Services, going forward that will be 9.9% for GE Capital. We're going to have one entity, and it is going to be the top level. But we're going to call it GE Capital.

Steven Winoker - *Sanford Bernstein - Analyst*

So this essentially removes even the possibility that GECC would have been something that regulators might have considered?

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

That's right. I think at the end of the day our expectations were -- and it hasn't been finally decided -- were that the total Financial Services assets of the Company would be regulated. This isn't something the Fed made us do, but I think it does simplify everything and make it clearer for investors.

Steven Winoker - *Sanford Bernstein - Analyst*

Okay, and you said this is not something that was based on input from regulators?

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

That's correct.

Steven Winoker - *Sanford Bernstein - Analyst*

Okay.

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

No. This goes back almost 20 years, Steve, and I think it just simplifies it for our equity investors and for our bondholders.

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Steven Winoker - *Sanford Bernstein - Analyst*

Okay, and you talked about lower debt issuance. Can you quantify that a little bit?

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

Well, we will have to see how we go through the year. We give a range of $425 billion to $440 billion. As we go through the year, we will look at the composition.

Will we be able to -- I want to see how the long-term debt markets look. We want to look at CP. We will look at alternative funding. It is going to depend upon those factors.

But in total, if you got all the way down to the $425 billion, you would expect to have a combination of lower CP and long-term financing.

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

And the margins, Steve, are still good. The earnings power is still good. I think what we have said to you guys is we've got more than $70 billion of what we call red assets. The market in the US is healthy for that kind of stuff.

So I think that is -- we are just confident that -- in our earnings power, and the ENI progress I think is a good thing for investors.

Steven Winoker - *Sanford Bernstein - Analyst*

Okay. Then maybe just one final one. 15 months ago or so when you took the last Shinsei reserve, I think we all asked the question of -- how do we know that that was the right number and that that was it? And we talked about frequency and severity. How do we know that this is the right number and that this is it?

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

Well, it is our best estimate. You are right. We are dealing with a tail of a liability here that has got a lot of volatility.

I think the Takefuji bankruptcy wasn't something that we foresaw when we put up that reserve 15 months ago. This is our first adjustment in 15 months. We have done a lot of statistical analysis, and we have got a dedicated team on the ground managing these claims.

It is our best estimate as of today based on the information we have on both claims volume and severity. And we are just going to have to continue to watch it. I think --

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

And the claims volume is heading down.

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

The claims volume is going down and December was better than what we had forecast, a little bit. But it is just such a long-tail liability and we're just going to have to watch it.

Steven Winoker - *Sanford Bernstein - Analyst*

Okay, great. Thanks, guys.

Operator

Nigel Coe, Morgan Stanley.

Nigel Coe - *Morgan Stanley - Analyst*

Thanks. Good morning. You talked about, Keith, talked about some push outs in Energy, I think mainly in wind. Can you maybe just quantify that versus just your plan? And is there any evidence that there is more push outs?

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

Well, from September when we laid out the Energy goals and where we were heading into the year, I would say there's a number of factors that affected our Energy revenue. We had about $400 million that I would put in the push out category. About half of that is wind.

We had wind units in Canada that didn't get to revenue that we thought we were going to get, that will come in '12. We also had some push outs on installations for about another 200. So, there is about $400 million of things that we did not record that we thought we were going to and that moved into the next year.

We had about $200 million from FX from the beginning of the quarter. The dollar was much stronger than we thought, so that impacted us a little bit versus our September estimate.

And we had some weakness in our Industrial systems business more than we thought, probably another $100 million. So those are kind of the things that we see versus where we were in September in the Energy business.

Nigel Coe - *Morgan Stanley - Analyst*

Okay, that's really helpful. Then on the Energy pricing, it looks like it ticked down again versus 3Q. I think 3Q was down 1.8 and last quarter it was down 4.4, I think you said, Keith?

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

Say the numbers you had again.

Nigel Coe - *Morgan Stanley - Analyst*

I think it was 1.8 last quarter on Energy equipment orders pricing, and this quarter it was 4.4?

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

That's correct.

Nigel Coe - *Morgan Stanley - Analyst*

Does that make the goal of keeping Energy margins flat next year more difficult?

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

Well, we have considered that in what we put together as our plan. I think the team does have to manage through that margin pressure, as we showed you on the chart for 2012. We are going to have to have good execution on inflation and deflation and global sourcing.

We have got to grow our service business, and we have got to have good cost of quality and execution on our projects. But we have factored that in.

Our guys, when we put the plan together, that is not worse than what they were expecting. But it is pressure obviously in 2012, and we think we have accounted for it.

Nigel Coe - *Morgan Stanley - Analyst*

Okay.

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

But this is a big deal, getting Energy to go positive margins, just like Scott said and what you said. This is something the team is really focused on.

Nigel Coe - *Morgan Stanley - Analyst*

Sure. Then finally, obviously, you're limited in what you can say about the Fed review, but it sounds like [to start off] you understand the business and understanding the funding model. Can you maybe give some color in terms of where they are focusing right now?

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

Sure. You know, they have been with us for around six months now, the Fed. I think without any specifics they are working on the things you would expect them to be working on.

They are looking at our risk systems and risk teams, our risk models. They are looking at our capital levels, they are looking at our liquidity and our liquidity risk management.

We're working cooperatively with them. We are in a dialogue.

They know we'd like to restart the dividend, and we have a process going on to review what they need to be able to help make a decision on that. And it is going at their pace, I would say.

So it is a lot of work. It is a ton of oversight, and we're committed to working constructively with them. At the end of the day, as soon as we can give you more information about that we will.

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

Our macro benchmarks look pretty good. I mean when you look at our Tier 1 Capital ratios and things like that. So I think we are pleased with how we finished the year. We are pleased with the operating results at GE Capital, and ultimately, that is the proof of the pudding ultimately, so that is what we want to focus on.

We are in a process that we just don't control. We're working as hard as we can, and we will give you as much as we can when we can.

Nigel Coe - *Morgan Stanley - Analyst*

Great. Thanks a lot.

Operator

Julian Mitchell, Credit Suisse.

Julian Mitchell - *Credit Suisse - Analyst*

Thanks a lot. Yes, my first question was in terms of the Energy business. You and Alstom have both had decent orders in that for the December quarter. Their outlook is fairly positive for March as well.

But looking at your gas turbine volumes, you had an acceleration and a decline in thermal pricing in Q4 versus Q3. So I wondered if there is a sense in which, although on the surface infrastructure projects are going ahead, you're actually finding that there are some delays going on; and so you priced maybe slightly more cheaper than normal just to make sure you got decent volumes in Q4 in terms of order intake.

Because I think your thermal pricing was down in Q3 on the order side about 7 or 8; and now it's down around 12.

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

You know, Julian, some of this is just geographic mix of where the orders come from. I think Saudi tends to be slightly lower price, and there were some big orders there in the quarter, stuff like that. But again, I go back to what we have said in the past which is -- first, we start with commitments; then we go to orders.

I would say the pricing and commitment seems to be stabilizing. That tends to be the leading indicator of pricing.

But I think the difference between Q3 and Q4 is as much mix-driven as it is any more intensity in the marketplace. As Keith said earlier, there is a lot of interest. There is a lot of interest in gas turbines really on a global basis.

Up the 50 orders that we took in Q4 I think only two were in the US, something like that. So we haven't even really seen much out of the US yet.

So I would say the commitment is a good leading indicator for '13. And what we are seeing in '12 is no different than what we really expected.

Julian Mitchell - *Credit Suisse - Analyst*

Okay, thanks. Then secondly on Healthcare, the profits are down there. I was intrigued to see the US, the comments around the US being fairly weak. I guess Philips said the US was good for them, obviously with a very weak Europe though.

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So I guess how confident are you that Healthcare profits can grow in '12 given you have got quite a high revenue growth base from the first half of 2011? And obviously there's persistent price deflation just by nature in the healthcare market.

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

You know, when you look at the market in Q3, which is the last time we really have NEMA data, it was I think flat to up a couple points. We gained --

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

About 3 points.

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

A couple points a share, 3 points a share in Q3. So we haven't really seen the market data yet in the US. Our expectation for the US market is flattish in 2012 and that is what we are building -- have built our plan around.

We are going to restructure Europe, which has already begun. We have got excellent emerging-market revenue growth which I think is both profitable and fuels the earnings. And then life sciences remains strong.

So our target for Healthcare is revenue in the single-digit range and earnings in the single-digit range for next year. We didn't see anything as we closed the year that says that shouldn't be where the goals remain.

Julian Mitchell - *Credit Suisse - Analyst*

Okay, thanks.

Operator

Shannon O'Callaghan, Nomura.

Shannon O'Callaghan - *Nomura Securities - Analyst*

Good morning, guys. Hey, so can I ask you to fill out I guess the 50 gas turbines orders a little more? You said a big Saudi, very little US. Maybe just a little bit more how that shakes out and what you are seeing in the different global markets. And do you expect that mix to change in '12?

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

Boy, it is incredibly spread out, Shannon. We had four in Australia, one in Canada, four in China, one in Colombia, six in Egypt, five in Iraq, one in Japan, one in Korea, two in Russia, 13 in Saudi Arabia. It is just spread out. It is global activity and our teams are covering it.

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

I think, Shannon, gas is really the fuel of choice. I would say that with more confidence today than even in the past, and the US hasn't really started yet. So some day there is going to be a US market.

Shannon O'Callaghan - *Nomura Securities - Analyst*

Okay. How about just a little bit more on Europe? You mentioned seeing more weakness in December. What is the pace of weakening that you are seeing?

Are you seeing things accelerate to the downside? Or maybe a little color on what you are seeing over the last six weeks or so.

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

I think the one that you really saw directly was in Healthcare Europe was soft. Our orders in Healthcare were down 10% in the fourth quarter. Our revenues were down 7%.

That is consistent with the framework Jeff talked about in Healthcare. But when you are dealing with governments and reimbursements and austerity programs, that is probably what we expect to see.

Across GE Capital, we actually had pretty good performance. Our asset quality metrics across Europe, across both commercial and consumer businesses improved in the quarter on delinquency, 30-day delinquencies and non-earnings. So the team there continues to do a good job managing their book.

So I think Healthcare is the one we saw a little; we saw a little bit in Industrial systems. But not more than we expected.

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

I don't think Europe was really worse than what we expected. I think we are preparing for recession and that is what we expect. I think encouragingly, it looks like there is more liquidity in the market now than there probably was even 30 days ago.

But we will see how it all shakes out. We are ready for a tougher environment.

Shannon O'Callaghan - *Nomura Securities - Analyst*

Okay. Thanks, guys.

Operator

Deane Dray, Citi Investment Research.

Deane Dray - *Citigroup - Analyst*

Thank you. Good morning. Hey, I was hoping we could circle back to the newer, lower target for ENI at GE Capital. I know that is a welcome news on a risk management standpoint, and you hinted about it in the December meeting. The fact you are not lowering any of the framework for GE Capital suggests that some of this progress on cutting the balance sheet debt would come from the non-core assets.

Jeff, you hinted at it, said there's a more open or willing market for that. Could you just take us through where the cutting and the reduction might come from, and the time frame?

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

First, Deane, I would say that revenue for Capital in '12, again with lower ENI will probably be down. It is always hard to forecast revenue in GE Capital, but that is the one correction I would make. I think earnings we think are still on track.

But I think, you know, one of the big ones is what Keith talked about in commercial real estate. There is just a lot more liquidity for commercial real estate.

I think the guys were down for the year almost more than $10 billion of ENI for the year. So I think you can see that very well in commercial real estate.

Then I think there are just some other portfolios that are small in the US that we think are going to be able to whittle away at the red assets. At the same time, incoming margins remain good, and we have got a good origination team. So we think we can grow where we want to grow and continue to execute on the red asset plan.

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

You know the plan we laid out, Deane, as Jeff said was to lower the red assets. If you look at 2011, our ending net investment on a reported basis was down $26 billion. It is down $32 billion if you include things that end up getting transferred into disc operations -- discontinued operations -- and was taken out of the original numbers.

So $32 billion last year of shrinkage. $27 billion of that came from what we considered red assets. And we have still got $80 billion of red assets.

So I think the team is going to continue to run that off and we're going to continue to invest in the green assets. Just based on the fact that we are $20 billion ahead of plan on the ENI shrinkage plan, our reality is probably in 2012 we are going to be smaller.

Deane Dray - *Citigroup - Analyst*

Great. Is there any change in the expected contribution from GE Capital to earnings? Still that 30% to 40% and likely at the lower end?

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

I would keep it there for now.

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

Yes.

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

I mean, the fourth quarter was about 40%. That is where we are right now on a run rate kind off; so you have got to -- we will have to see how we do in 2012, but we are not changing that target.

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

I would keep it there for now. Again, I come back, Deane, and say the strategic priority -- job one for the GE team in 2012 is to grow the Industrial earnings more than 10%. And that in the end is a laserlike focus that we have got, and I like the backlog we have to do it with.

Deane Dray - *Citigroup - Analyst*

Great. Just last question for me is on cash flow. It's a bit stronger than what we were looking for in the fourth quarter. We had expected a little bit more of a working capital build.

Were the pushouts the reason you didn't have to do that? Or just true that up for us if you could.

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

Well, probably your expectation came with the fact that through three quarters we had built some inventory and we had a little more working capital than we wanted in our plan. And, we did a -- the teams did a great job in the fourth quarter drawing down that inventory.

Our working capital use for the year was only $700 million on double-digit revenue growth. And we increased our turnover by a 10th of a point. So the teams did do a good job in working capital.

I think it was a -- we were behind at the end of third quarter year-to-date, and we caught up and actually exceeded where we were expecting to be in the fourth quarter. So, progress was down a little over $1 billion, and we only use $700 million of working capital while growing the Industrial business 14%. It was a pretty good year.

Deane Dray - *Citigroup - Analyst*

Great, thank you.

Operator

Terry Darling, Goldman Sachs.

Terry Darling - *Goldman Sachs - Analyst*

Thanks. Good morning. Wanted to just continue down this path of changes to the 2012 outlook at the margin relative to December, and maybe start over on the Capital side. Keith, I wonder; did the pre-provision performance at Capital in the fourth quarter, how did that perform versus your expectations?

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

Capital came in a little better than we wanted in total. I don't have any specifics around pre-provision that came to mind in getting ready for today, Terry.

Terry Darling - *Goldman Sachs - Analyst*

Okay. So in terms of the deltas --

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

Something specific you are looking for?

Terry Darling - *Goldman Sachs - Analyst*

No, just in terms of the deltas for '12, beyond the faster turnover of the red assets, areas for upside to the Capital framework I am curious about.

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

Sure, if you look there really hasn't been a change in the fourth quarter on that. As Jeff said the only change there would be, we will probably have the revenue be a little lower.

But you look, the margins are good. We're going to have continued significant improvements in real estate; that is our expectation. Losses will be slightly better; they are close to the run rate.

Those would be some of the bigger drivers that we expect in 2012.

Terry Darling - *Goldman Sachs - Analyst*

Okay. Then I will take a shot at this, one more shot at this Energy horse here. The lower US natural gas prices impact on your short-cycle Oil & Gas business. I know it is not a big part of the Company, but pretty high margins there. What are you seeing in terms of that risk element?

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

I haven't seen anything specifically. The lower natural gas prices make it an attractive fuel, obviously.

Terry Darling - *Goldman Sachs - Analyst*

Maybe more on the drilling side.

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

Well, the drilling and production, we have had tremendous service orders that I saw in the quarter. I didn't see anything unusual in the equipment side.

Terry Darling - *Goldman Sachs - Analyst*

On the equipment side itself?

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

We're still working on integrating everything we did with Wood Group, and that gives us much more presence on the land-based drilling and production. But I didn't see anything unusual in the order base.

Terry Darling - *Goldman Sachs - Analyst*

Okay, and then just a couple points of clarification. On your comments on the Fed review, obviously tough to characterize. But I guess can one interpret that as timing perhaps has shifted a little further out in terms of when you might anticipate things coming to a conclusion there? Is that fair?

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

Well, what did we want? We wanted to do the dividends starting with the year. And as a result of being with the Fed we haven't been able to do that.

It is really just something we don't control. I really haven't ever laid out a timing and they haven't given us a timing. We just are going to continue to work with them.

Our goal is to do the dividend in 2012. We haven't changed that goal, and we think we are going to be able to achieve what we said. But the timing is -- we haven't given one and it hasn't changed for us. We're just working with them constructively.

Terry Darling - *Goldman Sachs - Analyst*

Okay. Then just lastly, any other items you want to call out for people to note with regards to the 1Q year-over-year comparisons? You called out the days issues; that is pretty clear. Anything else that you want to call out there?

For instance you saw only $0.03 of restructuring in 4Q. You're talking about a range of $0.03 to $0.04. Do you have a heavier restructure in the first quarter of '12 over '11? Any other items like that you want to call out?

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

I think if I look at first-quarter '11, I don't see anything unusual in this year's first-quarter '11. If you look at last year, you have got to remember we had the NBCU gain. And then in Capital we had the large gain from the Garanti sale.

So I think those are things that we're working through comparing to. But in this year I don't have anything that I would call out.

Terry Darling - *Goldman Sachs - Analyst*

Okay, thanks very much.

Operator

Jeffrey Sprague, Vertical Research.

Jeffrey Sprague - *Vertical Research Partners - Analyst*

Thank you. Good morning, everyone. Just a little more detail on Energy pricing, if we could. Jeff, could you elaborate a little bit on your comment about things firming up in commitments?

And when would you expect price on orders to inflect? Do you think that is a second-half '12 event?

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

So again, Jeff, I think when we look at commitments, the pricing has stabilized. That tends to be, let's say, anywhere from a six-month to an 18-month cycle.

So I think the lead indicators suggest that the equipment pricing, as it goes into orders, is going to start stabilizing. Then, it goes from orders to revenue, so that is not necessarily a different scenario than what we have talked about in the past, I don't think.

Jeffrey Sprague - *Vertical Research Partners - Analyst*

Right. And, Keith, I may have missed it; but can you give us the price in revenues in the quarter in Energy, thermal, renewables, all-in?

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

Well, the total was down 1%, I don't have the split between the pieces. The total for Energy selling price was 1% down.

Jeffrey Sprague - *Vertical Research Partners - Analyst*

All right.

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

For the Company, it was 0.5% down, in total.

Jeffrey Sprague - *Vertical Research Partners - Analyst*

Okay, all right. That's all for me. Thank you.

Operator

Christopher Glynn, Oppenheimer.

Christopher Glynn - *Oppenheimer & Co. - Analyst*

Thanks. Good morning. Looking at -- through the initial resumption of GE Capital dividend, but noting the ENI target is coming down, is it reasonable to expect that future GE Capital payout ratio could be well above the historical payout ratios?

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

Well, our goal that we have laid out is that we would like to have GE Capital pay the same percent of its earnings that GE pays to its shareholders. So, we're at about a 45% payout ratio, and that would be our goal.

Now, sometimes in the financial services world, the discussion is that there is a 33% or 30% payout ratio at the banks, but there is also buybacks on top of that. GE Capital doesn't have that equivalent of a buyback.

So I think that is a reasonable expectation. That is what we are working on, is to start with a 45% of GE Capital's earnings back to the parent, which would be above historical.

The second thing that I think that we are thinking about is, as we shrink GE Capital, as we built up the capital base, we have excess capital we believe on top of whatever the target of capital that regulators are going to require for Tier 1 for a very large, important financial institution.

We haven't formally been notified that we are a SIFI. We aren't under anybody's Basel framework yet. But we are reporting like we will be, and we believe we have capital levels that will exceed what the targets are that the banks will be held to.

And our objective as we shrink GE Capital is to dividend that excess capital back to the parents. Over the next several years that could be several billions of dollars.

So that is our global. We will have to see how we do as we work with the Fed, but that is our goal.

Christopher Glynn - *Oppenheimer & Co. - Analyst*

Okay, and next question. Answer might be obvious, but I will ask it anyway. Are you buying any properties in CRE?

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

We are not buying any properties. We have done some debt investing, but we are not buying any properties. We are running the equity book down.

Christopher Glynn - *Oppenheimer & Co. - Analyst*

Okay. Then lastly, with the double-digits earnings framework for both Capital and Industrial, are you biased to one exceeding the other? Or too close to call?

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

No bias. We want to execute well and have a good year.

Christopher Glynn - *Oppenheimer & Co. - Analyst*

Great, thank you.

Operator

Jason Feldman, UBS.

Jason Feldman - *UBS - Analyst*

Good morning. So, on the Energy service front, earlier this year, the federal court stayed the CSAPR rules, which we had expected to shift more fuel switching from coal to gas. Does that impact your outlook on the service side at all for this year?

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

I couldn't tell you. I am not familiar with that, and I would have to get -- we will have to get back to you on that, Jason.

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

I do think the gas power is running harder. There is no doubt about it. But I don't know that that specific change is material in the way we think about financials for the year.

Jason Feldman - *UBS - Analyst*

Okay. Balance of plant revenue has come up when we are talking about the Energy margins, I think the last two quarters. Last quarter it was a bit of a headwind, or maybe more than a bit of a headwind. This quarter it sounds like a year-over-year comp basis it actually helped you.

Can you give us a little bit more quantification of how much of a difference that made? Is that just volatility that we just have to live with given the nature of the business?

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

The only thing I have is that we were about $100 million lower on balance of plant in the quarter. So, obviously there was no margin release associated with that. It did help the margin rates a little bit, but it also contributes to lower revenue.

Jason Feldman - *UBS - Analyst*

Right.

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

That is the only number I had.

Jason Feldman - *UBS - Analyst*

Okay, thank you.

Operator

Brian Langenberg, Langenberg and Company.

Brian Langenberg - *Langenberg and Company - Analyst*

Thank you very much. Hey, guys. Good morning. Two questions. The first one is with respect to the merger of GE Capital, GECC. You're not a company that tends to let things lay for like 20 years. So, until recently, there was a reason to have that structure.

Just touch on what operational and/or tax benefits have gone away with going from two to one, two structures to one.

Then the second part is how much cost-out do you think you can get to offset the $300 million of additional spending you need to do in the new financial world? That is the core question.

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

Well, let me start with the first one. You know, there was a good logic for GE Capital Services. We had a broker-dealer, Kidder Peabody; we had significant insurance operations, both what is now Genworth that we call GEFA and also ERC.

So the insurance operations, the reinsurance operations, and the Kidder Peabody were originally under GECS on the other side of the ownership; and then GECC was on the other side as part of the assets of GE Capital Services. But the point is that over time, as we have sold all the insurance businesses, as we got out of Kidder and the broker-dealer, really the difference between GECS and GECC is almost insignificant.

We have about $30 billion of investment securities and we will had the GE Capital team, Mike Neal and Jeff Bornstein and Bill Cary and those guys, manage that now. There is an insignificant change in our tax outlook as a result of this merger.

So really it is just a collapse of two SEC registrants. Over time it had a purpose, and today it has less of a purpose and actually just provides kind of confusion.

In terms of cost, the GE Capital team has done a great job on SG&A. Our SG&A was actually down in 2011 despite the fact that we are investing like crazy on the regulatory side. So they are getting good productivity in their back office and they continue to do a good job managing their costs.

Brian Langenberg - *Langenberg and Company - Analyst*

So in terms of collapsing two into one, is there a significant incremental cost to come out once the two structures go away?

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

No, I think it is really -- in some of the accounting consolidation and reporting, it will simplify their life. But there is not a big cost structure at GECS.

Brian Langenberg - *Langenberg and Company - Analyst*

Okay. Then just the last question, with Aerospace you called out some prebuy in the third quarter, which is not something I had really heard about from other aerospace players. Just looking at it simplistically, are you suggesting that there was a good $250 million of prebuy in the third quarter on the Aerospace side?

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

It would have been orders for spare parts. I don't think that would have showed up in their cash flow yet. They are ordering, so we report our average daily order rate. I can't tell you what the timing of when they actually took that was. But it was $29 million a day or something -- $27 million a day in the third quarter, up 20%.

We didn't expect it to be that high. And basically they are just getting in, in advance of our November price increase. So in terms of when they actually took that material, that is not something I have.

Brian Langenberg - *Langenberg and Company - Analyst*

Okay.

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

Our shipment rates in the third quarter were nowhere near as high as that, so it really would have been ordering.

Brian Langenberg - *Langenberg and Company - Analyst*

Okay, okay. Thank you very much.

Operator

John Inch, Bank of America.

John Inch - *BofA Merrill Lynch - Analyst*

Thank you. Good morning, guys. Hey, Keith, just to clarify, do any of the quarters in '12 have this days issue as it pertains to the compares versus '11? I'm just going back to Terry's question.

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

I asked the same question yesterday, and I have been assured that we are on a normal calendar comparison in 2012.

John Inch - *BofA Merrill Lynch - Analyst*

Yes, okay.

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

Happy to report, John.

John Inch - *BofA Merrill Lynch - Analyst*

Right, no that clears up that. Then back to the restructuring, again I don't want to split hairs. I thought the fourth quarter was maybe going to be $0.03 to $0.04; you did $0.02. Does that imply that there is frontloaded restructuring this year?

And maybe, Keith, if you could scope out what your thoughts are vis-a-vis restructuring in Europe. I know you talked about Healthcare restructuring; but is half of this going to be Europe? Front-half weighted? Just anything you could maybe talk about.

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

Sure. I would say first of all, what we talked about in December, we have a category -- restructuring and other charges; that was going to be about $0.03, and that is $0.03 to $0.04, and we did $0.03.

It is not that we really pushed anything out. We work with the teams on what projects can they identify that have good a payback, and can they execute. And we ended up with the projects we identified.

I would say over half of the projects that we funded in the fourth quarter are related to Europe in Healthcare and Energy. If you look at going forward in 2012 in our plan, on a normal quarter we are somewhere around $100 million of restructuring in a quarter, and our plan is kind of built assuming that type of run rate.

Now, if we have more good projects, we may pull some in. We reserve the right.

But just basically from a planning and how we talked about that $3 billion of cost in the corporate line, that is how you should think about it, John.

John Inch - *BofA Merrill Lynch - Analyst*

Okay, so linearly spread throughout the year though?

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

So far, yes.

John Inch - *BofA Merrill Lynch - Analyst*

Okay, just lastly, Keith, the provisions for the Capital were relatively flat sequentially. What has been happening to provisions in Europe?

And maybe you could give us just in -- I didn't see it in the supplemental. What was the ending Financial asset base in Europe? I think it was 132 or something in the third quarter.

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

I think Europe was down a little bit, I don't have the exact number. We will get it to you.

And I don't separate provisions by region. I have it by business.

Provisions were -- if you look, reserves came down about $300 million. Some of that was writeoffs greater than provision; some of that was FX; and provisions were flat in Europe.

John Inch - *BofA Merrill Lynch - Analyst*

Yes, so the question is really you are not really seeing incremental losses associated with (multiple speakers)?

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

Well, actually, no; as I said the asset quality was actually better. The only thing in Europe that was unusual, I would say, was two things. One is the Greek bonds. And the second thing, we put up some money in Hungary for mortgages.

John Inch - *BofA Merrill Lynch - Analyst*

Right. Thanks very much, guys.

Operator

We have no more questions. I will turn it back over to you, Trevor.

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

Thanks, Chanel. Five wrap-up comments to close here.

The replay of today's webcast will be available this afternoon on our website. We will be distributing our quarterly supplemental data schedule for GE Capital later today.

Two announcements to make. First, we will host our global growth investor meeting on March 6 and 7 in Rio de Janeiro, Brazil. We hope you can join us. We will have a full agenda that we will be getting out next week on that, and it is pretty packed. So we hope to see everybody there.

Second, our first-quarter 2012 earnings webcast will be on April 20. As always, we will be available to take your questions. Thank you very much.

Operator

Ladies and gentlemen, that concludes the presentation. Thank you for your participation. You may now disconnect. Have a great day.
