



Conference Call Transcript

GE - Q1 2010 General Electric Earnings Webcast

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"Effective January 1, 2010, we reorganized our segments. We have reclassified prior-period amounts to conform to the current-period's presentation."

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CORPORATE PARTICIPANTS

Trevor Schauenberg

General Electric Company - VP Corporate Investor Communications

Jeff Immelt

General Electric Company - Chairman, CEO

Keith Sherin

General Electric Company - Vice Chairman, CFO

CONFERENCE CALL PARTICIPANTS

Chris Glynn

Oppenheimer & Co. - Analyst

Scott Davis

Morgan Stanley - Analyst

Steven Winoker

Sanford Bernstein - Analyst

Jeff Sprague

Vertical Research Partners - Analyst

Steve Tusa

JPMorgan - Analyst

John Inch

BoA-ML - Analyst

Bob Cornell

Barclays Capital - Analyst

Terry Darling

Goldman Sachs - Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the General Electric first-quarter 2010 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, Vice President of Investor Communications. Please proceed.

Trevor Schauenberg - General Electric Company - VP Corporate Investor Communications

Thank you, Noelia. Good morning and welcome, everyone. We are pleased to host today's first-quarter 2010 earnings webcast.

Regarding the materials for this webcast, we issued the press release this morning, and the presentation slides are available via the webcast. The slides are also available for download and printing on our website at www.GE.com/investor. We will have time for Q&A at the end.

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.

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

Jeff Immelt - General Electric Company - Chairman, CEO

Great, Trevor. Thanks. Good morning, everyone. On the overview page, look, we think this was a good quarter. Our environment continues to improve. We saw some encouraging signs in places like revenue passenger miles and losses declining in GE Capital.

The business model is performing. We've got better margins and strong cash flow. And really most metrics in GE Capital improved in the quarter; Keith will go through that. The losses, delinquencies, and non-earning assets all declined.

We think the 2010 framework remains achievable, really with upside potential, based on how we are doing at GE Capital. We see earnings growth for the balance of 2010. And we might do more restructuring and financial asset sales to position us for the future.

We continue to invest in research and development and restructuring, and we really think this quarter is a pretty good testament to our ability to grow earnings and dividends in 2011 and beyond. So we feel really good about how we finished the quarter and where we are positioned.

We reviewed the next page several times vis-a-vis GE Capital and some of the critical metrics around Safe & Secure. Our long-term debt funding is in great shape. We have funded about \$8 billion year-to-date. The funding costs are low, and we feel very, very good about how we are positioned here.

Our commercial paper is on track. Leverage particularly -- and Keith will go through the impact of FAS 167 -- is declining. Our capital structure is very strong. And the lower rate really just updates our goals on ending that investment. It factors in the impact of FASB 167, the impact of the GE Capital corporate, some of the FX pluses and minuses that change over time.

If you put in those factors, we stand at \$516 billion today. We reduced \$22 billion in the last quarter. And we're on track, I think, for a number that we used to talk about as being \$400 billion -- of about \$440 billion as we go through this, these changes.

So we're on track. We are actually ahead of plan there. You know, it boils down to about \$20 billion or \$25 billion reduction per year; and we feel like that is in great shape and we're making good progress towards those goals.

We had \$17.1 billion in orders. The backlog is stable. Equipment is heading towards easier comps. Service really would have been flat except for a couple of one-time orders in Transportation last year.

We've got a strong pipeline of commitments. A lot of our new orders are coming from outside the United States, a strong pipeline of commitments.

There is a \$1.2 billion Iraq order that has moved through their process. It's a solid commitment that will turn into an order in the second quarter. So that gives you a sense of some of the backlog that we've got on orders going forward.

Like I said, a lot of the orders are coming from outside the United States right now. The Tech Infra macro environment is improving, and we feel really good about the backlog, the visibility, and our position as we go through the remainder and balance of the year.

Margins were healthy in the quarter. We had expanding margins ex the Olympics. This gives you a sense of the dynamics.

Energy, Healthcare, Home & Business Solutions had good expansion. Our service margins across the Company expanded by 250 basis points. And NBC, because of the Olympics, was a drag on margins overall.

A lot of that is driven by a positive value gap. We are holding price in backlog. We are seeing positive new order pricing on the index and still getting deflation. And we think the value gap will continue into the future.

And then restructuring benefits continue to pay off. We saw about \$500 million based on a lot of the work we have been doing in the last few years. And that will continue into the future.

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We are investing more in research and development. We grew our R&D spend by 16% in the quarter. We're launching offshore wind, new healthcare products, energy-efficient products in Transportation and appliances. And again, a great pipeline of products as we go forward in the future.

Cash flow remains on track. We're on track for \$14 billion to \$15 billion (See presentation slides) for the year. Our cash flow from operating activities expanded greater than our net income plus depreciation. We think as we work through the year working capital improvements will offset declines in progress. That is what we did last year and we think we will do that again this year.

We've got \$70 billion of cash on the balance sheet. More than \$10 billion of cash on the parent -- cash at the parent. And as I said, we're on track for \$13 billion to \$15 billion of full-year cash flow from operating activities.

With that, I'll turn it over to Keith to go through how we did in the first quarter from a performance standpoint.

Keith Sherin - General Electric Company - Vice Chairman, CFO

Thanks, Jeff. I'm going to start with just the consolidated results summary, as always. For the quarter, we had continuing operations revenues of \$36.6 billion. They were down 5%.

Our Industrial sales at \$23.5 billion were down 2%, a little less than the average because the Financial Services revenues were down more than -- at \$13.2 billion, down 9% reflecting some of the dispositions we did last year plus the continued shrinkage that we have.

We earned \$2.3 billion of net income, which was down 18%. And for earnings-per-share, we earned \$0.21 a share, including the cost of the preferred dividend.

As Jeff just covered on cash, the total cash flow from operating activities was \$2.6 billion. That is in line with our expectations and on track for our total-year estimate.

In terms of taxes, the consolidated rate for the first quarter is 15% for the Company. That is up from a negative 12% in 2009, since we don't have a repeat of last year's first-quarter decision where we agreed to permanently reinvest some prior-year earnings. That was a \$700 million one-time benefit last year that doesn't repeat. Having that item not repeat pretty much explains all the tax variance for the whole Company first-quarter '10 versus first-quarter '09.

GE tax rate is basically the same as '09. We expect the GE rate for the full year to be in the mid to high 20%, a bit lower than what we had in the first quarter. The GECS rate for the first quarter goes from a large positive rate in 2009 to a large negative rate in 2010. The negative GE Capital rate in '10 reflects the fact that we have a tax benefit or a credit which is larger than the pretax income amount. However, it is significantly lower than the credit that we had in the first-quarter '09, almost \$800 million lower tax credit in GE Capital even with the \$600 million of income we generated. So a big improvement.

On the right side are the segment results. Our Industrial businesses, ex media, had \$2.9 billion of segment profit. You can see that is down 4% from last year, similar to our fourth-quarter results. I will cover more on each of these businesses in the next few pages, as always.

NBC Universal was down, driven by the Olympics. I will show you the impact of that. GE Capital earned \$607 million, down 41%, but with positive pretax income, lower tax benefits, and a better credit profile, which I will describe in the next several pages.

Before I get into the business highlights, here is a summary of the first-quarter items that impacted our results. As you can see, the items are significantly less than we have had the past several quarters.

First, we did continue to do restructuring in the first quarter; and we had \$0.02 of after-tax restructuring and other charges. We're investing in reducing our footprint, lowering our cost structure.

The major businesses where we had the restructuring, GE Capital had about \$60 million of this. Home & Business Solutions had \$32 million. Energy Infrastructure had \$22 million. And Tech and NBC were less than \$10 million each.

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The balance was in corporate. We had some environmental projects that we funded. If you look at the biggest projects in the quarter, we had some business exits in non-core banking in GE Capital and some equipment leasing platforms in GE Capital. We also continued footprint reductions in Lighting and in Energy.

Our gains in the quarter were driven by really two things. We had a sale of the security business which closed in the quarter; contributed about \$0.01. And we had a few other transactions. It was primarily a licensing and income Aviation transaction related to a service job in China; that was a little less than a \$0.04.

Down in discontinued operations, as you know, in the third quarter of 2008 we sold our finance company in Japan to Shinsei. So since then we basically have an agreement where we share losses up to a certain amount. We had a \$380 million reserve increase in the quarter on the Gray Zone liability for discontinued operations.

Basically we update our models every quarter. In the second quarter last year we added about \$130 million to the reserves based on the claims we saw at the time. If you think about the economy in Japan, it's been very tough. In addition, there is recent and upcoming legislative and regulatory changes that are affecting Gray Zone claims in Japan. And we saw increases in our overall claims experience over the last several months.

As a result, we updated our models. We booked to a range of what we think might happen in the future. And we will keep you updated as we continue to monitor Gray Zone events going forward in Japan. But that is in discontinued operations.

I'm going to start with GE Capital. Mike Neal and the team, we think they had a very good quarter considering the environment we are dealing with, the tough comparisons to actions we took last year in the first quarter that don't repeat. Revenues at \$12.3 billion were down 10% driven principally by the Penske disposition last year. We no longer consolidate that and get the revenue.

Segment profit of \$607 million was down 41%; but we more than offset the impact of \$750 million of one-time positives last year from tax credits and that Penske gain. We offset those one-time items with lower credit costs, higher core income, lower SG&A costs, and better margins. I will cover more of that by each of the businesses.

Assets of \$617 billion were on a reported basis up 1%, but that includes the impact of consolidating \$31 billion of assets from FAS 167. So really the business shrinkage offset that. And also \$29 billion from foreign exchange translation year-over-year. So on an operating basis, the team shrunk GE Capital by over \$53 billion over the last 12 months, with collections exceeding originations -- ahead of plan, as Jeff said.

If you look at some of the individual businesses on the bottom left, I will take you through pieces on each of those. First, the Consumer business earned \$593 million in the quarter; that was down 20%. The US business had an excellent quarter. Tax credits were down \$530 million year-over-year in Consumer; and those were mostly offset by lower credit losses of about \$375 million, and \$100 million of lower costs.

Our North American retail finance business earned \$293 million, up 70%. That is driven by lower credit losses. Banking earned \$183 million; that was basically flat -- it was down 2%.

Our UK home lending business earned \$40 million in the first quarter, which is another positive sign. And we earned a little over \$100 million in Australia in the Consumer business in the quarter.

Real Estate had a loss of \$400 million (Sic-see presentation slides) in the quarter. While that is better than the \$593 million of loss that we had last year in the fourth quarter, we're still in a very challenging environment. We had \$137 million of after-tax credit losses on our debt book; and we had \$387 million of after-tax margin impairments driven by our equity book.

We are seeing some signs that the expected continued valuation declines are abating. However, if you look at Real Estate, we expect this to remain under pressure for the foreseeable future.

Commercial -- the Commercial Lending and Leasing business had a good quarter. CLL earned \$232 million; that was down 3%. But that is where we had last year's \$285 million gain from the Penske transaction. So to be down only 3%, Dan Henson and his team almost overcame all of that with \$139 million less negative margin impairments and \$100 million growth in core income -- including, again, lower credit costs.

GECAS had another great quarter. Earnings of \$317 million were up 21%, driven by higher core income and a few aircraft sales. We ended the quarter, again, with only three aircraft on the ground. So good credit quality and portfolio quality there.

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Energy Financial Services also had a great quarter, driven by about \$80 million of higher gains from the sale of some Marcellus Shale gas rights.

On the right side of the page, if you look at some of the dynamics, funding is in great shape, as Jeff showed you. Our spreads have come in significantly.

Our origination is strong. We completed over \$7 billion of commercial volume in the quarter, at about a 3% return on investment.

We are really pleased with the pre-tax pre-provision improvement. You can see the numbers here. Overall, GE Capital Corp had \$200 million of profit of positive pre-tax income overall, which is a great sign and a positive as we go forward.

Our credit losses are down from \$2.9 billion in Q4 to \$2.3 billion. That includes the impact of FAS 167, and coverage is at near all-time highs at 2.61%.

So you can tell we are feeling better about GE Capital. I am going to run through some of the detail pages on the impact of FAS 167 on our asset quality and our losses and expectations for losses.

As you all know, we adopted FAS 167 as of 1/1/2010. As a result of the accounting, we've consolidated the assets and nonrecourse liabilities from our off-book securitization entities. This page highlights the impact on our financial statements.

First, the balance sheet. As we've previously disclosed, we put \$31 billion of assets on the balance sheet at 1/1. That was split about \$18 billion of Commercial assets and \$13 billion of Consumer assets. If you include the retained interest which was already on our books, the majority of these assets have gone into financing receivables. So we added about \$40 billion to financing receivables.

And we added a line in the liabilities section of the balance sheet for the nonrecourse securitization debt. In addition, we added \$1.7 billion to the receivable reserves as of 1/1; and I will show you how that impacted us by the end of the quarter.

The impact on our leverage and capital ratios was very small, as you can see in the measurements here. We gave you the details of these measurements in the supplemental schedules.

Our reserve coverage went up a small amount, reflecting the mix of Consumer assets. As we showed you in December at the GE Capital update, going forward from January 1 through the year, now we have the earnings from the higher on-book assets. That is going to be mostly offset by not having any more securitization gains. In 2009 on a comparable basis we had \$1.2 billion of securitization gains; that will be zero in 2010.

So I will show you more on this in the reserve coverage page coming up. But it is pretty much exactly what we had previously disclosed on 167.

On portfolio quality, an update on delinquencies and non-earning assets that we give you every quarter. On the left side are the Commercial equipment finance delinquencies. 30-day-plus delinquencies for equipment are down 10 basis points from Q4 to Q1. It is driven by the Americas delinquency was down 18 basis points in the Americas; and for Europe and Asia the delinquencies were about flat.

Ex-167, Commercial non-earning assets declined \$300 million in Q1 versus Q4. We had \$700 million of declines in CLL at GECAS, offset by a \$400 million increase in Real Estate. So we continue to see non-earnings go up in Real Estate, offset by non-earning declines across the rest of the commercial portfolio.

Real Estate delinquencies did go up 75 basis points in the quarter, a little under 5%. Non-earners were up \$500 million including 167, as I said.

On the right side you can see the delinquency data for Consumer. In total delinquencies were down 13 basis points in the quarter. That was driven by a 43 basis point decline in North American Retail delinquencies. Mortgage delinquencies rose 23 basis point driven by an increase in our Australia and New Zealand portfolio. In ANZ we consolidated some call service centers during the fourth quarter and the first quarter, and we had some operational issues. I would say they are not really indicative of the portfolio itself. We continue to have mortgage insurance across the entire portfolio, and we believe the delinquency trend will level back off in Q2 when we get the call centers back in line.

The real positive in mortgages, though, comes in the UK. You can see the 30-day delinquencies declined 65 basis points in the quarter. We continue to realize net gains versus our marks on our foreclosed properties, which is a good sign.

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Global Banking delinquencies were flat at 4.53%, pretty stable. And overall Consumer non-earnings were also down; they were down \$400 million ex-FAS 167. And the overall percent of non-earnings declined by 19 basis points.

So pretty good signs of continued stabilization across a very broad portfolio of Commercial and Consumer receivables.

Next, an update on reserve coverage. Reserves ended the quarter at \$9.5 billion and coverage increased to 2.61%. Here is where you do see some impact of the 167 consolidations. At the end of the quarter we had \$1.5 billion of reserves that were associated with the newly consolidated receivables. \$1.4 billion of that relates to Consumer, so you can get a feel for the mix.

We booked \$2.3 billion of provision for losses in the quarter. That was flat with last year's Q1, but it was down \$600 million from Q4.

Writeoffs in Q1 were \$2.4 billion; and that leaves us with the \$8 billion of reserves ex-167. So there is no release of reserves in the quarter. Our writeoffs were \$100 million higher than the provision ex-167; and with 167 we're up to \$9.5 billion of reserves.

If you look on the right side, the Commercial reserves are flat with a strong coverage ratio and lower delinquencies and non-earnings. Consumer reserves are down slightly but the coverage is up as we continue to shrink the Consumer book.

Both North American Retail and Global Mortgage are flat or improved on coverage. So having these reserves at these levels, 2.61%, approaching historic highs for total coverage for the Company.

Next, I will finish GE Capital's section with just another update on the sub-business dynamics. These are from the presentation that Mike Neal gave in December and then Jeff and I updated in January. Most of the outlook has not changed.

You can see that there's two places where we think the outlook has improved, based on what we see. That would be for our US Consumer and for our vertical businesses.

For Commercial Lending and Leasing, we continue to see improving portfolio quality metrics. In the first quarter, we had \$500 million of losses. That is below last year's run rate. And we originated \$700 million more volume than last year at good margins.

For the US Consumer we now have a few quarters of improving data. Our entry into losses at very low levels, historic low levels. Delinquencies are improving, and we continue to see the book decline a bit, which helps on losses overall.

Our losses in the quarter were \$400 million, also very positive, well below last year's run rate. So that is one place where we think things have improved versus what we saw in December and January.

Global Banking remains stable. Losses are in line with our fourth-quarter view; not really a change there.

UK Mortgage continues to stabilize. I think we are getting continued positive trend data as the delinquencies have rolled over and started to decline. But you know, we still are cautious there. We want to continue to watch what happens with house prices and unemployment in the UK before we get a full recovery.

Verticals, I'd say this is another area where we think things have actually improved from our December and January outlook. GECAS and the Energy Financial Services business are both performing better in Q1 and the outlook remains positive. Even in the airline industry where we have some restructurings, we're managing those within our plan.

Commercial Real Estate remains tough. Although the pace of the valuation declines is moderating, as you see in the press, we still had \$600 million of impairments in Q1. That would be above our original total-year estimate if that run rate continues.

Overall, though, if you think about the metrics around delinquencies, non-earnings, losses, reserve coverage, everything appears to be heading in a positive direction here for GE Capital.

One final point on Capital. Our historical practice is that we provide summary financial information for GE Capital Services -- or GECS -- when we announce the GE earnings; that is the summary [register we're on]. Starting today, we're also going to be providing that information for GE Capital Corp; and we are going to be filing an 8-K sometime today with more income statement and balance sheet details so you don't have to wait for the 10-Q for that information.

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The other thing is now that GE Capital Finance equals GE Capital Corporation, things are just a lot simpler. You will see that in our reporting.

Next, I will shift from GE Capital, going to the other businesses. I will start with NBC.

If you look for the quarter, revenues of \$4.3 billion were up 23% and segment profit of \$199 million was down 49%. You can see over on the right side, if you adjust for the impact of the Vancouver Olympics, revenues were flat with last year and segment profit was up 1%.

Jeff Zucker and a team did a great job in the quarter. Dick Ebersol and his team did a great job with the Olympics. The ratings were up 14% versus Reno.

We had around \$800 million of revenue. And as we said previously, we thought the loss would be somewhere around \$250 million in the quarter. In the end, the sales were better. We had a loss in the quarter of \$223 million on a 100% basis, or \$194 million at the GE level.

In the quarter, Cable continued its leadership performance. Revenues of \$1.2 billion were up 3% and segment profit was up 4%, led by entertainment. USA had its 15th straight quarter as number one. Bravo posted its 18th consecutive quarter of ratings growth. Oxygen had its highest ratings quarter ever.

And even on the cable news, the revenue and op profit was flat in the quarter, pretty good performance in this environment. CNBC complete continued its lead in business news.

And MSNBC had a few milestones. We beat CNN in prime for the quarter and total day for March.

If you go to Broadcast, revenues of \$2 billion were up, driven by the Olympics; and the op profit was down, driven by the Olympics. The same reason as I said for the total business.

We're seeing some really good recovery and the ad market. Local ad market was up 10% in the fourth quarter. Local ad market was up 15% in the first quarter. Scatter is up over 20% on both the network and on cable, leading into the upfront. And that is a really good outlook as we go into the upfront.

You might have missed this. We did a lot of shuffling in the lineup in the first quarter. You may not realize it, but we are reprogramming at 10 p.m. Ratings are up 45%. And Jay Leno is back in late-night, and he regained his number-one position. So lots of progress heading into the mid-May upfronts here.

Film & Parks showed a lot of signs of improvement in the first quarter. Revenue was up 14, and op profit was flat. The box office results for the movies did fall short of our expectations; but that was partially offset by less second-quarter pre-promotion for movies.

DVDs had a good quarter. We had 5 million units, led by Couples Retreat. Parks also had a good quarter, highlighted by the opening of the Universal branded park in Singapore. We had slightly lower attendance overall in the two parks, but that was mostly offset by higher per-capita spending.

Our Digital continued to have some highlights. Hulu remains the number-two video site and it has had continued strong growth. We are working our way through the regulatory reviews for NBCU with the Comcast deal; and we're just going to continue to cooperate with the FCC and the Department of Justice.

The hearings in Congress have concluded and we are into the comment periods now. It is just a long, steady process and we will cooperate fully, as will Comcast.

So overall, Jeff Zucker and the team accomplished a lot this quarter. The Olympics gave us a great platform to revamp 10 p.m. and late-night, and the ad market outlook continues to improve.

Next is Tech Infrastructure. Here the headline results for John Rice and the team look more challenging than they really are, because we had some one-time items from last year that don't repeat. We covered those a lot last year in the first quarter, and I will cover it more in detail when I get to Aviation. But the reported numbers of revenue down 9% and segment profit down 18% are more like revenue down 6% and segment profit

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down 1% when you adjust just for the Aviation business transaction. So operationally, the businesses are clearly doing better than the headline numbers here.

If you look by business, I'll start with Aviation. First-quarter orders of \$4.5 billion. They were down 12% year-over-year. Major equipment orders at \$2.1 billion were down 21%.

We had \$600 million of commercial orders and \$1 billion of military orders. Military orders were down about 9%.

The backlog ended the quarter at \$19.8 billion, flat with Q4 and down 9% from last year. Service orders were down 3%. Commercial spare parts orders were \$19.3 million per day, which was reported down 11%; but if you adjust for the 2009 Aviall order which we also covered last year, they would be up about 1%. Military service orders were down about 8%.

So if you look in the first quarter last year, we did have two transactions. We sold the Times Microwave business and we had a gain in our ATI service business. This year in the first quarter we had a gain from a service licensing facility in China as I mentioned.

If you look, last year's gains were \$362 million positive. This year's gain was \$74 million positive. If you adjust for those, revenue would have been down 8%; segment profit would have been up 1% on an operating basis. So if you look at the results in the quarter on revenue and op profit, the impact of the lower volume, we had higher R&D spending. And that was more than offset by positive pricing and variable cost productivity if you take out the deals.

Healthcare. The Healthcare team had another strong quarter. Orders of \$3.8 billion were up 5% and equipment orders were up 8%. Diagnostic imaging orders were up 10% in the quarter.

For total orders, EMEA was up 7%. It is broad global growth. Asia was up 20%; China was up 28%; India was up 54%.

The US was flat. We saw equipment orders down 2%, service orders up 3%. And US equipment orders definitely slowed from the 9% growth we saw in the fourth quarter. It looks like when you go back and look at the fourth quarter, some of that strength came from hospitals and budget timing that didn't carry into the first quarter as positive as we were expecting.

Still when you look at the quarter for the team, the revenue of \$3.7 billion was up 5%. That was driven by the equipment revenue up 6% and service up 4%. Segment profit was up 20% -- 21% as the team delivered strong productivity and the volume more than offset the price pressure. We entered Q2 with a pretty good backlog, a healthy increase in the backlog.

Transportation. This business continues to be impacted by just a really tough environment. Orders of \$936 million were flat. We had strong equipment orders, \$440 million; those were up \$290 million, driven by locomotive orders internationally.

We had one great order in South Africa, 100 locomotive kits that generated most of the positive on equipment. And that was offset by service orders. They were down from the lack of the comparable order to last year's \$300 million China wind gearbox order. So flat overall on equipment versus service.

Revenues of \$766 million were down 35%. That is driven by the equipment being down 50%. We shipped 79 locomotives this year in the quarter versus 183 last year. Service revenues were also down 20% because of the lower overall activity.

Segment profit of \$115 million, that was down 47%. It is really just driven by the lower volume and higher NPI spending.

We are seeing signs of real pickup in our activity from the North American customers, which obviously will be positive as we reduce the slack in the system and all the parked locomotives.

So overall for the Tech Infra business we see some early signs of improvement in aviation traffic, rail freight traffic. And the normalized operating results are as we expected in the quarter.

Next is Energy. John Krenicki and the Energy team just had another great quarter. Revenues of \$8.7 billion were down 5%. With strong margin expansion they delivered segment profit of \$1.5 billion, up 12%. You can see the business results on the bottom left; both positive for Energy and Oil & Gas.

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I'll cover Energy first. Energy orders of \$6.2 billion; they were down 15% versus last year. As Jeff mentioned, we had \$1.2 billion worth of orders from Iraq slip from Q1 into Q2. That would have led to orders being down 2%, the most positive improvement in the trend. Even though the trends continue to improve sequentially for Energy, that would have really changed the dynamics here.

So we are going to get that order in the second quarter. After the election it got caught up in some administrative processes; and that will be a very big positive for the quarter.

Thermal orders of \$500 million. They were down 56%. We had orders for 10 gas turbines versus 18 last year. And the Iraq order was for an additional 25 gas turbines, so that is important for our backlog.

Wind orders of \$1.2 billion; they were down 28%. We had orders for 494 wind turbines versus 724 last year.

A couple of positives on orders. Aero derivative orders were up 17% and Jenbacher orders were up 12%.

Order prices for thermal were down 1% and for wind they were up 6%.

Service orders in the business were down 5% driven by lower spare parts and tough comparisons, driven by a large Iraq service order last year that didn't repeat. Revenue down 7%, driven by the lower volume.

Thermal unit revenue was down 14%, really driven by lower balance of plant shipments. That is about \$400 million of non-GE content that didn't repeat. So it is not a lot of margin that helps with the margin leverage that you see even though the revenue is down.

We shipped 41 gas turbines versus 42 last year. Wind units were down to 349 from 433 last year. Service revenues were flat.

So segment profit was up 12%. That is driven by a positive value gap. We had over \$200 million of positive price in the Energy business and \$100 million of deflation, which more than offset the impact of the lower volume.

Oil & Gas. Claudi Santiago and the Oil & Gas team had another strong quarter. Orders at \$2 billion were up 8%. We continue to see very strong global demand. Equipment orders at \$1.1 billion were up 1% and service orders at \$900 million were up 19%, driven by our expansion of our long-term service contracts growth in countries like Nigeria, Malaysia, and Egypt.

Revenues of \$1.6 billion were up 3% and the equipment revenue was down 2%. But service revenues were up 11%, driven by strong rotating parts overhaul and upgrades. And segment profit of \$191 million was up 7%, also driven by the positive value gap. So another very strong quarter from the Energy team.

And finally, Charlene Begley and the Home & Business Solutions team had another strong quarter. Revenues of \$1.9 billion were up 1%. Segment profit of \$71 million was up 58%.

Lighting had a good quarter for us. It was driven by the restructuring benefits that we invested in last year and continue to invest in this year. We also had strong global demand and some positive price. Revenue was up 10%, and Lighting made about a third of the op profit in the quarter.

Appliance revenue was down 4%. Retail sales were about flat. Contract was down 16%. We continue to see a challenge in multifamily housing, but appliances earned the other two-thirds of the profit in the quarter.

If you look, we continue to launch new energy-efficient products to drive growth. We've got the LED side-by-side refrigerator for the second quarter and other E*Star refrigeration models are also being launched. E*Star is an interesting program.

It's a program that was put in place to incent manufacturers to develop energy-efficient products in the US. We continue to invest in building those products, and our net income was up over 2 times last year's Q1, driven by the E*Star credits. So overall a great performance for the Home & Business Solutions.

And with that, let me turn it back to Jeff.

Jeff Immelt - General Electric Company - Chairman, CEO

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Great, Keith. Thanks. So, you know, we've been using a framework to describe how we look at the Company and how we view it going forward. I just wanted to give an update of the framework.

We talked about industrial earnings for the year being about flat. We think we are on track there. Good new products and service growth and lower costs, global expansion. There is still some excess capacity in certain sectors; but we feel pretty good about where we are positioned as the recovery continues.

Media we have as negative. We think our worst quarter is behind us with the Olympics. Cable continues to be strong. The ad markets, as Keith said, have real strength. Film remains challenged but we should see growth in NBCU through the balance of the year.

We had had GE Capital as flat in the framework. Clearly this is going to grow for the year. We are well positioned for upside. As Keith said, Commercial Real Estate is challenged, but valuation declines are moderating. And we think this will be now a positive for the year.

Corporate we have as flat. I think everything in corporate is as we expected. We may use this as an opportunity to position to do some more restructuring.

Cash between \$13 billion and \$15 billion. We think we are on track for that, with working capital improvements offsetting lower progress payments.

So we would view the 2010 framework as achievable with upside potential. The earnings growth for the remainder of 2010 will be there. So the Company will show earnings growth over that time period.

We may do more restructuring and financial asset sales and we look forward in the future. So -- but we feel good about the quarter and we feel good about the way the team performed in the quarter. We think the quarter says a lot of good things about the Company going forward.

The last page, from an investor standpoint in terms of how we manage the GE team. We have talked about two keys. One is an attractive financial profile as we come through the downturn of earnings going from '09 to '10, and then as we get the GE Capital snapback and recovery, good growth in '11 and '12.

And just the massive amount of financial flexibility we have from a cash standpoint, with \$10 billion-plus on the balance sheet now. We should have about \$25 billion by the end of 2010 if we complete the Comcast transaction. And then more cash available as time goes on.

So these are the ways that I manage the GE team. This is very important from an investor standpoint.

Then, so what do we know about these things from the first quarter? Let me just recap.

The GE Capital losses seem to have peaked, and Commercial Real Estate losses are manageable. I think that is an important investor key in terms of how you think about looking at the Company going forward.

I think that leads to the second point, is, earnings growth for GE should be positive for the balance of '10. The GE Capital rebound has begun, and the macro industrial indicators are improving.

So I just think we have turned the corner here. We are well positioned, and I think GE Capital's improvement gives us some spring in our step, and we feel good about that.

The combination of strong operations and dispositions are generating substantial cash at GE. Again, this is not something -- this is just happening. You don't -- this is just happening as we speak and this will continue to accumulate through the year.

We have choices. I think we have already said that we want to grow the dividend in line with earnings in 2011. The potential remains for a redemption of the preferred stock. We've got opportunities for buyback as time goes on.

We always review strategic acquisitions. And we will always keep GE Capital safe and secure. So we just have tremendous cash optionality for the rest of the year.

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So I leave you this quarter just with this vision of the Company, of an attractive financial profile with lots of financial flexibility. And I think the first quarter just demonstrates that we are well on the way to this kind of performance in the future.

So with that, Trevor, I will turn it over to you and we will take some questions.

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

Great. Thanks, Jeff and Keith. Noelia, we are ready to open the lines for questions now.

QUESTION AND ANSWER

Operator

(Operator Instructions) Chris Glynn, Oppenheimer.

Chris Glynn - *Oppenheimer & Co. - Analyst*

Thanks, good morning. A question on industrial orders outlook, excluding the Iraq movement into the second quarter. What is your outlook there? Do you think 1Q looks like a low here, on the equipment side in particular?

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

I would say, Chris, that -- again Iraq is a substantial order. Healthcare looks pretty good. We think the Aviation cycle --similar to what you hear from other people -- improves as we go through the year. Energy, we always track commitments into orders. I think the aero derivatives and Jenbacher tend to be leading indicators of customer interest from an energy standpoint.

Transportation -- there was probably 5,000 locomotives parked at the end of last year. There's more like 4,000 parked now. We have got lots of global demand there.

You basically haven't seen any impact of stimulus in the Company. A lot of the Smart Grid orders were pushed from first quarter to second quarter just because there was some confusion around the tax payments. So I think those are yet to be had.

So I just think the profile for the balance of the year is going to be pretty positive.

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

I think if you look at the pace of change on orders going back through the last several quarters, Chris, you can see. The second quarter last year was down 42% on equipment. Third quarter last year was down 32%. Fourth quarter was down 14%. This year we were down 10%.

We would be flat if we had the Iraq order in there. So I think the pace and the comparisons support continued gradual improvement.

And as you know, they are lumpy. We're going to have some big orders that drop into different periods, but I think overall the trend is continuing.

Chris Glynn - *Oppenheimer & Co. - Analyst*

Okay. Then just looking at the cash on hand, the improvements at Capital and some of the commentary just to my prior question, anything that could cause dividend increase to be pulled forward into 2010?

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

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You know, Chris, I just can't comment on stuff like that. I think we have a strong intent to create financial flexibility. We've got good optionality. We've got a set of priorities as a management team and as a Board in terms of how we look at it.

I think what Keith said in February is there is a dividend increase in your future; and I will just leave it at that.

Chris Glynn - Oppenheimer & Co. - Analyst

Understood. Thanks a lot.

Operator

Scott Davis, Morgan Stanley.

Scott Davis - Morgan Stanley - Analyst

Hi, good morning, guys. Can you maybe, Keith, give us a little bit more sense of what is going on at Shinsei Bank? I guess the confidence that you have fenced in these losses with the charge that you took.

Keith Sherin - General Electric Company - Vice Chairman, CFO

Sure. I think as you know, we closed this in the third quarter of '08 and we have in the loss agreement with Shinsei -- but the economy has been terrible. And there have been a lot of different changes in the legislation and the regulatory environment.

For example, in the legislation, lenders in the consumer finance space are no longer going to be allowed to give loans to people who have greater than 30% debt to income. And that will go into effect in the end of June of 2010. Now, that has been known for about 18 months, but that is getting very close.

Is that increasing claims disproportionately? We don't know.

There have been some changes from a regulator perspective where customers who file a Gray Zone claim are no longer flagged in the credit bureau system. So that -- did that change the behavior of claims?

So we have seen a pickup in the last several months in terms of the overall claims severity. The number of claims have gone down. The average amount per claim is higher than what was in our model. And it is volatile.

So what I would say is we update that model every quarter. We have done a lot of work on what do we see as claim trends, what could the liability be, what is the sharing with Shinsei, what's left. And we added \$380 million to the reserve this quarter.

A couple of points. Number one, we still have not used up the amount that we established for the potential liability when we formed this transaction with Shinsei. So there is an amount left from the original deal that is still there. In addition to that we have booked up \$500 million of additional provisions between the second-quarter last year and the amount we did here in the first quarter.

So our book is a little different than competitors. We are no longer -- we cap everybody in the book at 18%. We have not been doing Gray Zone since June of last year. We are in runoff mode. We reduced and blocked a lot of the accounts from even getting additional loans.

So I think what I can say is there has been volatility. It is higher than what we thought. We booked an amount that we think is consistent with what we think the liability will be. But we have got to watch what happens over the next several months.

Scott Davis - Morgan Stanley - Analyst

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That makes sense. As a follow-up just on the cash balances you guys have been building, are you still anticipating the need to put \$2 billion of cash into GE Capital in 2011? Or is that something that maybe given your experience is looking a little bit less necessary?

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

Well, I think we originally had that estimate when we were looking at the December outlook for Capital around \$2 billion. I think if you look at the way the math works on the income maintenance agreement it should be less than that today if things continue.

If you look at the first-quarter interest, fixed charges were somewhere around \$4 billion, right? So 10% of that is \$400 million.

In the quarter, GE Capital made \$200 million of pre-tax earnings. So if you just did it on a quarterly basis the payment for the first quarter would be \$200 million.

I don't know how to -- what will happen annually from a pretax and from an interest, but gives you an order of magnitude if everything just was straight-line, what it would be.

So we think it's going to be less than the \$2 billion, but we have to see what happens with the rest of the year and whether we have additional restructuring. But right now that outlook looks positive.

Scott Davis - *Morgan Stanley - Analyst*

No, it makes sense. Then just lastly, I want to talk about just asset sales. I mean I think at one point or another you talked about selling private label credit cards a couple years ago. And now there seems to be a liquid market out there again. Is this something that you are reconsidering?

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

You know, Scott, not specifically. I think what we try to do is create a path to \$440 billion of E&I that really doesn't require any special dispositions. It's 100% in our control. So that's the way we look at it right now.

Then I think we just have to see how these businesses perform, how the capital markets look over the next year or so, and make strategic decisions accordingly. That business has done extremely well. The whole competitive dynamics are different than they were a couple years ago.

Nonetheless, I think we're really focused on creating this great specialty finance GE Capital business that is going to be high margin into the future. So \$440 billion is in our control and it doesn't really require any big dispositions at all.

Scott Davis - *Morgan Stanley - Analyst*

Okay. Thanks, guys. Appreciate it.

Operator

Steven Winoker, Sanford Bernstein.

Steven Winoker - *Sanford Bernstein - Analyst*

Good morning. First question is on net charge-offs and provisions. Net charge-offs as you pointed out were higher if you exclude -- well, higher than provisions by about \$150 million or so. So the reserve release if you exclude FAS 167 did take place, even if you don't round it. I mean, it was small but it was still a reserve release.

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

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Actually, it wasn't a reserve release. Provisions were a certain amount and losses were an amount 100 higher than that. So it is not a reserve release when you actually use it to write off losses, Steven.

Steven Winoker - Sanford Bernstein - Analyst

Excluding the FAS 167, right?

Keith Sherin - General Electric Company - Vice Chairman, CFO

I'm doing \$8.1 billion to \$8 billion. Excluding FAS 167 we actually had a provision of \$1.9 billion ex-FAS 167. And we had a little higher than that in terms of writeoffs. So it's a writeoff; it is not a reserve release. We actually wrote off an asset.

Steven Winoker - Sanford Bernstein - Analyst

Okay, okay. Fair enough. Then going forward that leads to a follow-up question on the same point. Which is, okay, so then if you think about timing versus your expectations, how are you thinking about getting to a point in the current environment where you might be able to then talk about reserve releases that are more substantive and aggressive?

Keith Sherin - General Electric Company - Vice Chairman, CFO

I think you have got to think through the cycle. You ended up with delinquencies rising. As delinquencies rose you posted more reserves. I think writeoffs will lag the posting of the reserves as you end up dealing with and resolving accounts that related to those delinquencies that became part of your reason for putting up a reserve.

I don't have a quarter though where I'd pick the timing. I think if you just looked at the rest of this year, if you look at the quarter, we booked \$2.3 billion of provision. If we kept the provision roughly around that amount and we kept writeoffs around that amount, you would end the year with \$8 billion of reserves. But you would have substantially less provisions for the remainder of the year than you had last year.

And I think that's a positive. I don't think -- I think eventually you're going to have a point where you're not going to have even to need those reserves that you have, where writeoffs will be less than the provision you put up. But we're a little too early to call that today, I would say.

Steven Winoker - Sanford Bernstein - Analyst

Okay. A quick question, back on the Lake issue on Shinsei. You mentioned a ceiling in that. Can you give us a sense for, given the trajectory there, what ceiling is agreed between parties here should Japan not get better?

Keith Sherin - General Electric Company - Vice Chairman, CFO

I didn't mention a ceiling, I don't think. I don't think there is a ceiling. I think this is a thing that we have an agreement with Shinsei where we will be responsible for that liability.

I think that whatever the ultimate amount is, even if you say it is worse than what we posted this year, I think it will be manageable for us.

Steven Winoker - Sanford Bernstein - Analyst

Okay, but you're lockstepped with them however, wherever, it goes?

Keith Sherin - General Electric Company - Vice Chairman, CFO

Absolutely.

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Steven Winoker - Sanford Bernstein - Analyst

Okay. Then on the corporate items side, I think it was around something like 25% to 30% down year-on-year. Could you just give us a sense? Is it restructuring, pension, cost reduction, how to think of --?

Keith Sherin - General Electric Company - Vice Chairman, CFO

(multiple speakers) I'm not sure what line we're on.

Steven Winoker - Sanford Bernstein - Analyst

Corporate items on the Industrial side.

Keith Sherin - General Electric Company - Vice Chairman, CFO

On Industrial, we have less restructuring offset partially by higher pension.

Steven Winoker - Sanford Bernstein - Analyst

Okay, so --

Keith Sherin - General Electric Company - Vice Chairman, CFO

Yes, pension is up about \$200 million. We did about \$0.03 of restructuring in the Industrial corporate last year; we did about \$0.01 this year.

Steven Winoker - Sanford Bernstein - Analyst

Okay.

Keith Sherin - General Electric Company - Vice Chairman, CFO

And the security gain is in there as well.

Steven Winoker - Sanford Bernstein - Analyst

Okay. Then finally last question just on the M&A pipeline, Jeff. When you talk about the flexibility that you have in that last slide, and we have talked previously about thinking about dilution that is going to be created from NBCU, etc., how are you thinking about that pipeline and the most likely segment still in terms of where you are hoping to really make some -- close something significant over the next couple of years?

Jeff Immelt - General Electric Company - Chairman, CEO

I think when you look at the Infrastructure portfolio today, we all have businesses that we can invest in and like growing. Again as I have said earlier, we like bolt-on acquisitions that are financially attractive where we have leadership teams that can step in and run those acquisitions, working with our partners. So that's the way I would look at it.

We've got a decent pipeline out there. But look, I think we've got lots of options. The redemption of the preferred stock; the buyback potential.

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So you know, the way I would look at our financial picture is that it's pretty strong. And with GE Capital's earnings rebounding that is quite positive. So we just have lots of options on this last page in terms of the things we can do and still grow earnings and still have lots of cash.

Steven Winoker - *Sanford Bernstein - Analyst*

Jeff, just to put that a little further, are you saying -- are you prioritizing that comment therefore around --?

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

Not necessarily. Again, I think we just want to do what is in the strategic best interest for the Company going forward. But I just think the good news is we have got lots of ways to create shareholder value.

Steven Winoker - *Sanford Bernstein - Analyst*

All right. Thanks very much.

Operator

Jeff Sprague, Vertical Research Partners.

Jeff Sprague - *Vertical Research Partners - Analyst*

Thank you. Good morning, everyone. Just a couple more things on Capital and how to think about reserve release. Obviously, whether it was founded or unfounded, you guys took some criticism on the way up as losses were mounting, that provisioning and allowances were low. And the argument was the accounting made it all formulaic and the provisions would come up as the losses came up.

Therefore, I am wondering how formulaic it is on the way down. And if in fact you could give us kind of the roadmap that we should be thinking about, whether it's the level of writeoffs, the trend in delinquencies, a certain ratio of provisions to losses, or something that -- for those of us on the outside looking in can try to get some kind of roadmap of how to think about this inflection point.

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

Well, I think there's a couple of ways to think about it. If you actually look at the financial statements and you look at what we booked as the reserve for losses last year each quarter, and you look at what we booked this year in the quarter, and you compare that going forward, you can get a pretty good feel for how you think if nothing else changed and we kind of had a normal first quarter, and you continued at that level, what would be the impact.

We booked \$2.3 billion of provisions in the first quarter. That was flat with last year's first quarter, but it was down \$600 million from the fourth quarter. If you continue at \$2.3 billion and you compare that to what we booked last year in the second, third, and fourth quarter you are going to be booking less provision.

I think another way to look at it is we made \$600 million in the first quarter, GE Capital. I think it's a pretty clean quarter. I think if you annualize that, we may have made \$1.7 billion in GE Capital Corp last year in the total year. And if you annualize from \$600 million, you're above that. And that is another way to think about it.

So I think yes, the reserves that we're going to post and the writeoffs that we are going to have are going to be formulaic based on the quality of the book. I think the uncertain area is probably Real Estate. You look, the losses and impairments are higher than our run rate last year a little bit, in first quarter. But you see some other signs there.

So again, that just gives us uncertainty. But if you look across the rest of the book around delinquencies, non-earning assets, and the provisions that we have had to provide I think those are two pretty good ways to look at it, Jeff.

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Jeff Sprague - Vertical Research Partners - Analyst

Great, thanks. Then on environmental, those are the -- always kind of rise to the surface, but it kind of popped up a little bit more than normal in Q4 I think; and we are hearing it again today in Q1. Do you guys have your arms around what we should expect there for the year?

Keith Sherin - General Electric Company - Vice Chairman, CFO

Sure, I think -- environmental in Q1 is less than \$50 million. I don't think it was a substantial number at all. We've got -- I don't see environmental in the year being a material item here that we would think we have to do anything special on.

I think the one big project obviously you watch is the Hudson. We think we have provided for what we think we need to do based on where we are with that. And we will watch how that develops over the year.

But I don't think there are other any other individual projects or anything that would rise to a discussion level.

Jeff Sprague - Vertical Research Partners - Analyst

Then just also on GE Capital tax, I don't think I totally followed you when you were going through just the whole description of the puts and takes. Was there --? Clearly we had the year-ago comp issue.

But was there something in the going-forward on credits that you mentioned? I heard an \$800 million number.

Keith Sherin - General Electric Company - Vice Chairman, CFO

\$800 million is the amount of basically lower tax credits at GE Capital year-over-year, first quarter to first quarter last year.

Jeff Sprague - Vertical Research Partners - Analyst

Okay, so that is just the comp? Yes.

Keith Sherin - General Electric Company - Vice Chairman, CFO

\$800 million, if you look just off the income statement. And basically the \$700 million one-time tax benefits we had last year in the first quarter, if you remember last year that was offset by estimates where you true up for the total year rate at GE Capital and GE. Well, even if you adjust for those this year in the first quarter, we continue to have some of those -- you are \$700 million higher taxes year-over-year in the first quarter of 2010 versus 2009 (multiple speakers) consolidated Company.

Jeff Sprague - Vertical Research Partners - Analyst

Great. Finally can you give a little more color on price? You did, Jeff, indicate that [points] talk about positive value gap. It sounds like price is down a little bit in gas turbines, up in wind. How about across the rest of the portfolio?

Jeff Immelt - General Electric Company - Chairman, CEO

You know, Jeff, if you look at the -- what's in backlog, right? You've got positive price in backlog.

And then the new order -- what we call the new order pricing index in Q1 was also positive. So I think that's a good sign.

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And deflation continues to be pretty strong. So again I think this is something that we watch, the value gap, very closely. And I think we feel pretty good about it.

Jeff Sprague - Vertical Research Partners - Analyst

Great. Thanks a lot.

Operator

Steve Tusa, JPMorgan.

Steve Tusa - JPMorgan - Analyst

Hi, good morning. Sorry, maybe I am just making this too simplified and I hate to beat the dead horse here on the reserves. But if provisions are lower than writeoffs, isn't that a release in the reserves?

Keith Sherin - General Electric Company - Vice Chairman, CFO

No, it meant that you actually wrote off some asset account but didn't release any reserves. I actually took assets down by writing off an account.

Steve Tusa - JPMorgan - Analyst

Got you. So it's -- I see. So it's just not that simple as looking at your total writeoff number versus what your provision is. (multiple speakers)

Keith Sherin - General Electric Company - Vice Chairman, CFO

Well, the amount went down; but it's because I actually -- you could -- whether you call it a cleanup or whatever, the writeoffs in the quarter were \$2.4 billion; and the provisions were \$2.3 billion. So I actually stepped into and -- whatever you want to call it -- I finalized the writeoff on certain credit accounts that were on my books. I didn't release any reserves here.

Steve Tusa - JPMorgan - Analyst

Got you. So I guess going forward --

Keith Sherin - General Electric Company - Vice Chairman, CFO

I think you are going to see that phenomenon. I think it is not a reserve release when you actually have writeoffs above the provision. We actually booked \$2.3 billion of provision. We didn't reserve -- release any reserves.

Steve Tusa - JPMorgan - Analyst

Okay.

Keith Sherin - General Electric Company - Vice Chairman, CFO

I don't know how to be clearer on it.

Steve Tusa - JPMorgan - Analyst

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Got you. So going forward, that trend in writeoffs, is that --? Is the \$2.4 billion, given the leading indicators, kind of a -- is that what you are referring to as a peak number? Are we going to go through a couple more quarters here where you have this whatever it is, a headline or reported kind of mismatch in that number?

Because over the last couple quarters you guys have -- clearly the provisions have been much, much higher than the writeoffs. So how do you look at that \$2.4 billion going forward?

Keith Sherin - General Electric Company - Vice Chairman, CFO

I think the more important number is what is the provision going to be, Steve. I think the change in writeoffs is going to be what affects the net reserve balance that is left. But I think the provision number is what I talked about as the being the thing that we think you really should be watching.

I think writeoffs have lagged provisions, as you said. And just theoretically they should be above provisions as you come out of the credit cycle.

So I think the more important number is that provision. If we are flat at \$2.3 billion you can look at what that will do in terms of benefits versus the rest of the year.

Steve Tusa - JPMorgan - Analyst

Right, okay. On Real Estate, you wrote down I think you said \$600 million in assets. What is the -- is there any change in the ending unrealized loss? I think it was \$7 billion at the end of the year. Is there any change in that at the end of (multiple speakers)?

Keith Sherin - General Electric Company - Vice Chairman, CFO

Right, that was -- I don't have an update that in the quarter. We will update that in the second quarter and give you that during the second quarter. I do not have an update on that right now.

Steve Tusa - JPMorgan - Analyst

Okay. Then, Jeff --

Keith Sherin - General Electric Company - Vice Chairman, CFO

There was a lot of depreciation, and a lot of those writeoffs do eat into that. I don't know what the net number will be after you get done with that analysis though.

Steve Tusa - JPMorgan - Analyst

Okay. Then, Jeff, that's a lot of questions around capital allocation. First of all, is EPG too early for you guys to get a little more specific on your priorities? I think it is obviously a big question out there, and you guys have talked about at a high level all the various options.

Do you have enough visibility on the year-end cash to get a little more specific at EPG?

And then with regards to the dividend, would you reinstate the GE Capital dividend prior to doing -- to raising the dividend at Industrial? Or is that kind of all in one fell swoop?

Jeff Immelt - General Electric Company - Chairman, CEO

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The first thing, Steve, is I would say that the timing on the NBCU transaction isn't in our control. Things seem to be moving in an orderly way, but that's a little bit out of our control.

But beyond that I would say EPG is a good time for us to give a pretty good vision for how we view capital allocation going forward. So I do think that is a good thing, a good subject for that meeting and how we are thinking about it.

On the GE Capital dividend, look, I think the GE dividend can grow independent of the GE Capital dividend. But it is a high priority of Keith and mine and the management team to restore the GE Capital dividend in a timely fashion. But the GE dividend I view as being independent of that.

Keith Sherin - General Electric Company - Vice Chairman, CFO

You know, the comments that we made previously about growing the dividend in '11 don't assume that we grow the GE Capital dividend, Steve.

Steve Tusa - JPMorgan - Analyst

Right, okay. Thanks a lot.

Operator

John Inch, Merrill Lynch.

John Inch - BoA-ML - Analyst

Thank you. Good morning, everyone. Hi, guys.

Hey, Keith, I think at the December 8 meeting, you called out prospective provisions in 2010 of \$11 billion to \$12 billion. If you annualize the \$2.3 billion you get \$9 billion. So doesn't that theoretically suggest in terms of just pure EPS that 2010 could be somewhere between \$0.10 to \$0.20 above last year just on that basis?

Keith Sherin - General Electric Company - Vice Chairman, CFO

I think we have two categories here, losses and impairments.

John Inch - BoA-ML - Analyst

Okay.

Keith Sherin - General Electric Company - Vice Chairman, CFO

And you also have the FAS 167, which we added those receivables and that will result in higher losses. So what we said in December was that the base case of around \$12 billion on losses and impairments, another \$1.5 billion for the 167.

If you look in the first quarter, the actuals on that same basis were \$3 billion. So if you annualized that to \$12 billion versus \$13.5 billion, I think it's a little less than what you said; but it's directionally correct.

John Inch - BoA-ML - Analyst

Okay. I also -- just as a follow-up to that. What about the tax credits? You identified that they had come down that much. I'm assuming these trends are likely to sequentially prevail, even though there is a little bit of seasonality.

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Does this suggest, given how much they were down, that we could be looking at a tax expense in 2011? Or what are the puts and takes there, for Capital specifically?

Keith Sherin - General Electric Company - Vice Chairman, CFO

Sure, I think actually the first-quarter GE Capital tax credits are pretty representative of what the structural benefits are for GE Capital. If the current legislation -- first of all, the subpart of it has to get reenacted, which we believe it will. But if that legislation and that framework stays in place, the tax credit that you see in GE Capital in the first quarter are pretty representative of our run rates on a quarterly basis, John.

So what will change is, as we have additional pretax income -- and you can see the increases in pretax income -- those will get tax provisions against them of whatever the incremental rates are in the 30% to 35%. You would have to have several billion dollars increase in pretax income to start to offset those tax credits on a quarterly basis.

You know, \$1.5 billion of pretax would offset kind of the tax credit from the first quarter. Then you would have zero as a rate.

So I think the structural benefits in the first quarter are pretty representative of what you are going to see going forward if the legislation stays in place. And then as we have higher pretax income, the tax rate will rise in GE Capital.

John Inch - BoA-ML - Analyst

But it sounds like it could still be headed for a net tax credit in 2011 based on your comments. Is that the implication?

Keith Sherin - General Electric Company - Vice Chairman, CFO

It depends upon what pretax is in 2011. I think the tax credits that you see on a quarterly basis, you can say that is structurally what we expect in 2011 (multiple speakers) what happens to pretax.

John Inch - BoA-ML - Analyst

Okay, that makes sense. Then I want to go back to the corporate line question. I think the \$295 million that you did in the corporate items and eliminations line was down pretty substantially from the run rate. But then the corporate line in GE Capital was actually up a lot year-over-year.

So has there been some sort of reallocation between the two buckets? Maybe you could just give us a little bit about a walk of what -- why is it only \$295 million? And is that actually a run rate on a quarterly basis for that line item specifically?

Keith Sherin - General Electric Company - Vice Chairman, CFO

Well, \$295 million for the corporate items and eliminations in the schedules, that is less restructuring offset by more pension, basically. That is why you are down 100 year-over-year.

On the Capital side, if you look, we had a Capital Finance equals GECC now; so some of the things that were in Cap Corp previously are probably in what we call GE Capital today, Capital Finance. That may be what you are looking at.

I think in the quarter we had restructuring in Capital Corp, about a penny. We had some marks and impairments in the Treasury group. And then we have about ongoing \$100 million of ongoing costs associated with running the operation, the overhead and the facilities and global functions.

Operator

Bob Cornell, Barclays Capital.

Bob Cornell - Barclays Capital - Analyst

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Does GE have an Industrial business?

Keith Sherin - General Electric Company - Vice Chairman, CFO

Hey, good morning, Bob.

Bob Cornell - Barclays Capital - Analyst

Continuing in the line, though, the reserves of the [center] financing receivables were 2.51. You know, where can that ratio bottom?

Historically you guys kept it at 2.62, whatever; and the SEC mandated you move that reserve around relative to the [loss count] and the portfolio, so forth and so on. Is that what you expect to happen going forward over the next couple of years, is that reserve level will drop back to where it had been in the trough in the last decade?

Keith Sherin - General Electric Company - Vice Chairman, CFO

Look, the reserve levels will follow the quality in the portfolio. As delinquencies and non-earnings roll over and decline, your reserve levels are going to decline. It's a pretty straightforward relationship, I would say.

Bob Cornell - Barclays Capital - Analyst

You didn't comment -- I think you referenced the net interest margin but didn't specifically allude to it. What happened at net interest margin?

Keith Sherin - General Electric Company - Vice Chairman, CFO

I don't have a specific number on net interest margin in the quarter.

Bob Cornell - Barclays Capital - Analyst

Well, you guys gave a chart a quarter ago talking about how the net -- bottom -- margin (multiple speakers) was starting to rise.

Keith Sherin - General Electric Company - Vice Chairman, CFO

Yes, I haven't changed the estimate for the year. I think -- I don't have it updated on a quarterly basis. We said last year it was about 4.6 for the portfolio; going to 5 this year. I think that is still true.

The business is still around 3 ROI. But I don't have that updated on a quarter, Bob.

Bob Cornell - Barclays Capital - Analyst

Yes. No, you guys have been over this. So the total provision is \$2.3 billion. How much of that provision was the Commercial Real Estate book and how much was everything else? It was \$400 million for Commercial Real Estate? Did I hear that right?

Keith Sherin - General Electric Company - Vice Chairman, CFO

In the quarter, in the provision itself, it's about \$200 million. The rest was in impairments not in the loss reserves for (multiple speakers).

Bob Cornell - Barclays Capital - Analyst

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And the impairment was how much in the quarter? Did you say \$600 million?

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

Pretax, yes.

Bob Cornell - *Barclays Capital - Analyst*

Pretax?

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

\$600 million pretax, about \$0.04 after-tax.

Bob Cornell - *Barclays Capital - Analyst*

So just looking at the provision, is it fair to imagine that the provision ex-Commercial Real Estate comes down from here and that the Commercial Real Estate tracks with -- that end market goes up a bit? How should we think of -- if you were to disaggregate those two numbers what should we expect?

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

I would say that a way to think about it maybe is the debt book in the Commercial Real Estate business is in the financing receivables and will be included in the loss provision results.

Our debt book today, with a lot of it at around 100% loan-to-value, is almost mark-to-market. So depending upon Commercial Real Estate values change on the debt book, that will show up in the loss provision.

On the equity book, it's a longer-term view. It is what our rent is going to do over time; what will happen to occupancy; how do we feel about leaseup and releasing properties. We do a pretty big review of that twice a year. We do a quarterly review of any troubled properties every quarter.

So I think in there we had \$600 million pretax of impairments in the first quarter. I don't know if that is a run rate, Bob. We have to see what happens to all those dynamics. That has got a little more volatility in it.

I would say that on the other side, on the debt side, across the portfolio -- boy, as delinquencies have come down and non-earnings have come down, I think you're going to continue to see that positive -- the provision will follow that positively, including the debt book on Real Estate.

Operator

Terry Darling, Goldman Sachs.

Terry Darling - *Goldman Sachs - Analyst*

Thanks, good morning. Keith, start with Technology Infrastructure margins, which were much stronger than what we were looking for in the quarter. Typically you build from here throughout the year. But I'm just wondering if you might comment on that profile that you are seeing.

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

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In Technology Infrastructure? I think you are seeing the strength here is obviously the Healthcare business with good earnings leverage. We expect them to continue to have a pretty good year as you go through the year.

I think Aviation actually in the quarter gave us pressure, obviously. If you ex out those deals, the Aviation equipment versus services dynamic should be okay through the rest of the year.

Transportation I think is just having a really tough time on equipment. But the service business again has continued to be profitable. So I think ex the deals would be a pretty good way to look at Tech Infra as you look forward for 2Q, 3Q, 4Q.

Terry Darling - Goldman Sachs - Analyst

You would expect that normal kind of build throughout the year, Keith, to play out?

Keith Sherin - General Electric Company - Vice Chairman, CFO

I don't know what the build is. I said ex the deals I think the quarter is pretty representative of the way I feel that the businesses should be performing as we go through the rest of the year.

We've got the benefit of the spare parts price increase. Our spares orders are pretty good. The service versus equipment mix is remaining positive, slightly positive in the quarter; and that should continue through the year.

Terry Darling - Goldman Sachs - Analyst

I think you have mentioned a gain on sale of some planes in GECAS. Can you just call out that number for us if you have it?

Keith Sherin - General Electric Company - Vice Chairman, CFO

It was less than \$50 million. I don't know what it was.

Terry Darling - Goldman Sachs - Analyst

Okay.

Keith Sherin - General Electric Company - Vice Chairman, CFO

\$20 million I have been told.

Terry Darling - Goldman Sachs - Analyst

Okay. Then coming back to the order outlook commentary, I'm wondering if you can just fine-tune a comment on the orders for the service side of the business. Do you see that as picking up over the balance of the year? Or is that something we should expect to continue to be in a little bit of a downtrend for a while?

Keith Sherin - General Electric Company - Vice Chairman, CFO

I don't remember what big one-time orders we had in 2Q through 4Q last year. I think I would expect them to be closer to flat as we go through the rest of the year as a more normal operating indicator.

Terry Darling - Goldman Sachs - Analyst

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Okay. Then lastly, a lot of companies talking about in the financials world normalized earnings power. I am wondering with the trends getting better if you can talk a little bit about that.

You've given obviously the \$440 billion. You've talked about where you see the loss cycle going out to '12. Maybe refine your thinking on ROA and tax maybe, to just sort of finish the penciling out exercise for us there.

Jeff Immelt - General Electric Company - Chairman, CEO

You know, Terry, I think we have kind of set a 2 ROI target for the business, and so it is just arithmetic as you go through that. Then the reserves go where they go; and how long that takes is how long it takes. But our focus is on having a good, high-margin specialty finance business.

Terry Darling - Goldman Sachs - Analyst

Tax is still kind of a wild card?

Jeff Immelt - General Electric Company - Chairman, CEO

And tax is -- I think what Keith answered earlier is the right answer.

Keith Sherin - General Electric Company - Vice Chairman, CFO

Structural credits, \$1.5 billion to \$2 billion in the current tax legislative regime. And on top of that, pretax income generating positive tax provisions.

Terry Darling - Goldman Sachs - Analyst

On that regulatory regime, any new thoughts on potential change or lack thereof?

Jeff Immelt - General Electric Company - Chairman, CEO

I don't -- Terry, we are all kind of watching it at the same time you guys are. We will see what happens.

Keith Sherin - General Electric Company - Vice Chairman, CFO

The big structural positives are all in place. Obviously, the grandfathering of GE's ownership of GE Capital; the fact that we keep the banks. I think that when you look at the consumer protection it doesn't really affect us that much.

We are prepared for a different regulator. We think we are systemically important, and we are prepared for the Fed to be our regulator if that is the case.

I think the teams have done a pretty good job preparing for all that. The details, as Jeff said, we're going to have to see how they work out. But the big structural things we feel really good about.

Terry Darling - Goldman Sachs - Analyst

Thanks very much, guys.

Operator

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There are no further questions in the queue. Mr. Schauenberg, do you have additional remarks?

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

Great. Thank you, everyone, for joining our webcast today. The replay of today's webcast will be available this afternoon.

Our second-quarter 2010 earnings webcast will take place on Friday, July 16. And as always JoAnna and I will be available all day today to take your questions. Thank you, everyone.

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

Thanks.

Operator

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

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