




Conference Call Transcript

GE - Q1 2011 General Electric Earnings Conference Call

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"In this document, "GE" refers to the Industrial businesses of the Company including GECS on an equity basis. "GE (ex. GECS)" and/or "Industrial" refer to GE excluding Financial Services."

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CORPORATE PARTICIPANTS**Trevor Schauenberg**

General Electric Company - VP, Investor Communications

Jeff Immelt

General Electric Company - Chairman & CEO

Keith Sherin

General Electric Company - Vice Chairman & CFO

CONFERENCE CALL PARTICIPANTS**Julian Mitchell**

Credit Suisse - Analyst

Terry Darling

Goldman Sachs - Analyst

Scott Davis

Morgan Stanley - Analyst

Steve Tusa

JPMorgan - Analyst

Jason Feldman

UBS - Analyst

Bob Cornell

Barclays Capital - Analyst

Shannon O'Callaghan

Nomura Securities - Analyst

Steve Winoker

Sanford Bernstein - Analyst

John Inch

Bank of America-Merrill Lynch - Analyst

Chris Glynn

Oppenheimer & Co. - Analyst

Nigel Coe

Deutsche Bank - Analyst

Deane Dray

Citi - Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen and welcome to the General Electric first-quarter 2011 earnings conference call. At this time, all participants are in listen-only mode. My name is Tom and I will be your coordinator for today. (Operator Instructions). As a reminder, this conference is being recorded. I would now like to turn the program over to your host for today's conference, Trevor Schauenberg, Vice President of Investor Communications. Please proceed.

Trevor Schauenberg - General Electric Company - VP, Investor Communications

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

Due to the holiday tomorrow, we are reporting one day early and recognize this is a very busy earnings day for analysts and investors. To manage time constraints, we will move through the presentation fairly quickly and would appreciate if you could limit the questions to one per person during the Q&A period.

As always, elements of this presentation are forward-looking that 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

Thanks, Trevor. Good morning, everyone. Just on the first page, just to give you an overview, I think another good quarter for the Company. Just to summarize some of the highlights, despite the general volatility, our environment continues to improve and get better. We had strong top-line performance and the leading indicators are getting better. We had industrial revenue growth of 8%, 5% industrial organic revenue growth, 12% international growth with Brazil up, Australia, China and India. Infrastructure orders were up in the quarter and had real strength in both Equipment and Services.

Earnings growth continues. Operating EPS was up 65%. GE Capital had a really good quarter as did Healthcare, Transportation and Aviation. Energy Infrastructure had a lower first half, but we expect growth to resume in the second half.

A solid execution, the GE balance sheet continues to be very strong. The GE Capital portfolio transformation is ahead of plan at \$82 billion of cash on the Company's balance sheet and we are executing a capital allocation plan kind of in line with what we have talked about with investors in the past. We announced our third dividend increase this morning. We are up 50% since the second quarter of 2010. We have bought back \$2.3 billion of stock since we restarted our buyback and we have either closed or announced substantial transactions really in our Energy business, one small one in our Healthcare business. So we continue to execute on our capital allocation plan.

From an order standpoint, we had strong orders in the quarter, up 13% overall and 10% organically. Our strength was across the board and backlog grew to a record of \$177 billion. It is worth pointing out some of the positive trends in Energy. We had strength in both Equipment and Services. Pricing appears to be stabilizing and most importantly, large gas turbine quote activity is increasing. So we did see solid orders growth in the first quarter.

From an execution and operations standpoint, like I said in December, we are investing more in research and development, about 12% more in the first quarter of '11. This is producing more new products and that is helping to drive our orders growth.

From a margin standpoint, we are down year-over-year. This is primarily in our Energy business due to two primary factors -- wind turbine pricing and acquisition revenues at lower margins. Overall, material deflation continued and we should see deflation for the year. And through the year, our margins will strengthen quarter-by-quarter. So that is really the story from an execution and operations standpoint.

From a cash standpoint, we remain on track for \$12 billion to \$13 billion of CFOA for the year. For the quarter, our results are impacted by the NBCU transaction and working capital growth to support equipment sales through the year. Overall, GE's balance sheet remains very strong with \$82 billion of consolidated cash and \$15.5 billion of cash at the parent. So a story of strong cash flow, liquidity and just strength in the balance sheet. I think the things we've talked about with investors in the past, that all remains intact in the first quarter and we are really happy about that.

From a capital allocation standpoint, we really are seeing balanced and disciplined capital allocation and that remains an important part of our overall strategy. As we said last year, we wanted to redeploy capital from NBC Universal to fast growth energy investments and with Converteam and Dresser and Wood Group, Wellstream and Lineage, our major transactions are done for 2011. Meanwhile, we continue to emphasize growing the dividend as reflected by today's increase, our third in the past nine months. We are focused on reducing our share count in 2011 and retiring the preferred equity by October of this year.

And finally, GE Capital has very strong Tier 1 ratios and we really have done I think an outstanding job, Mike Neal and the team, of strengthening GE Capital coming out of the financial crisis. So we feel good about our capital allocation plan. I think in the quarter, we have executed on the things we said we were going to do for our investors and this positions us I think for good long-term growth and as the year goes on and into 2012. So now, I will turn it over to Keith to go through the first-quarter operations.

Keith Sherin - General Electric Company - Vice Chairman & CFO

Okay, thanks, Jeff. I'm going to start with the first-quarter summary. For the quarter, we had continuing operations revenue of \$38.4 billion. It was up 6%. Industrial sales of \$22 billion were down 6% and the difference is created by NBCU. Our pretax gain that we have from the results of selling a majority stake to Comcast is included in revenue, but that also means we only had one month of NBCU sales in 2011 because we closed at the end of January. So I will describe the gain on the next page, but a better indicator of our industrial revenue performance is on the right side. You can see we had \$20.8 billion of industrial segment revenue and that was up 8%.

Financial Services revenue of \$13.2 billion was up 3%. For operating earnings, which excludes our nonoperating pension expense, we earned \$3.6 billion, which was up 58% and for operating earnings per share, we earned \$0.33 per share in the quarter, up 65%.

As Jeff covered, we delivered \$1.7 billion of cash from operating activities, which was down 34%, principally driven by NBCU. And for taxes, as we covered with you in January, we have a couple of large items that increased our tax rate for the first quarter. First, there is a large tax on NBCU, which I will cover on the next page; the GE rate, ex-GE Capital, 68% for the quarter, but excluding the NBCU gain, the GE rate was 22%, which is in line with the low to mid 20% range we gave in January.

The second big factor that affects taxes in the quarter is that the GE Capital tax rate has also gone up as we have expanded pretax income. The \$800 million increase in tax expense is all explained by the tax on the \$2.1 billion increase in GE Capital pretax income in the quarter year-over-year.

On the right side, you can see the segment results. I am going to go through each business in more detail on the next several pages. Industrial segment revenue was up 8%. Segment profit was up 1% with all segments growing except Energy. And GE Capital had a very strong quarter driving the overall results.

One other point on the memo on the bottom left, we said that we would communicate the amount of NBCU earnings every quarter. I am not going to go into any details on the results. Comcast is going to cover that in their upcoming earnings call. However, for the first quarter, excluding the gain on sale, GE included, \$93 million of pretax income from NBC Universal.

Before I get into the businesses, I am just going to cover some of the other items that affected the quarter. First is the NBCU gain. As we said previously, we expected a small after-tax gain when we closed the NBCU transaction. As you all know, we closed at the end of January. There was a gain of \$400 million after-tax on the NBCU transaction. The pretax gain on our sale of NBCU was \$3.6 billion and that reflects Comcast's new ownership of NBCU and our receipt of \$6.2 billion in cash and a 49% investment in the new JV.

Because the JV is structured as a partnership, the taxes are recorded separately from the investment that we hold, so we had a very high tax rate on the transaction, \$3.2 billion of tax expense, reflecting both our low historic tax bases in the NBCU assets and the recognition of deferred tax liabilities on our 49% investment in the JV.

If you look down below on the page, partially offsetting that gain, we had \$0.02 of after-tax charges in Corporate related to restructuring and other charges. We had some slight downsizing in Energy, Aviation and Healthcare and we also had some capital defleeting.

By business, just to give you the details of the charges on a pretax basis, Energy was \$66 million; Aviation was \$66 million; Healthcare was \$44 million; Capital was \$58 million; Corporate was \$48 million; and H&BS was \$11 million.

We also had \$0.01 of after-tax deal-related costs that we took at Corporate. Those are related to the Energy deals that we had. So the NBCU gain was a little higher than we expected and \$0.01 of that gain fell through to operations.

One other point on the quarter, not on the page, but we did have six more days in Q1 '11 versus Q1 '10 based on our fiscal calendar. We really don't have as much of a flow portfolio as we used to without Plastics and NBC Universal. However, if you look at the impact on our service businesses, the flow businesses in GE Capital and on Home and Business Solutions, we had roughly \$0.01 positive from the additional days.

On the other hand, we also had about \$0.005 of negatives related to the disruption in Japan, and Japan is going to be covered by Jeff later in the pitch. So NBCU gained \$0.04 in the quarter and partially offset by the other items.

For the business results, I am going to start with GE Capital. Mike Neal and the team delivered another quarter demonstrating significantly improving results. The revenue of \$12.3 billion was up 3%. That includes the impact of the Garanti sale. We announced back in November that we were disposing of our Garanti stake and we estimated we would have a \$300 million after-tax profit on that, and then we announced that it was going to close in the first quarter. So if you adjust for the Garanti sale, which in revenue was about \$700 million, revenue would have been down about 2%, which was in line with our framework.

Pretax earnings of \$2.3 billion in the first quarter were up \$2.1 billion. They were within \$50 million of the total pretax for all of 2010, so a significant improvement in pretax. Net income of \$1.8 billion was up \$1.3 billion. We did have the benefit of the \$300 million after-tax of the Garanti gain, but even without that, GE Capital had a great quarter.

We had \$940 million of after-tax lower credit costs and margin impairments year-over-year. Our volume was up 19%. That was mostly driven by the Commercial business, which was up 56% from last year. We had \$10.4 billion of volume in the quarter. Our Consumer volume was up 9% over last year and the new business margins remained strong. The overall portfolio margin was 5.1% in the first quarter. As Jeff said, our capital ratios are strong and continue to improve and we continue to see broad-based improvement in our asset quality metrics.

So let me go through some of the business results you can see at the bottom left. First is Consumer. Our Consumer business continued to deliver very strong results in the quarter. We ended the quarter with \$147 billion of assets, which was down 7% and that is driven by the continued runoff in our mortgage and our auto businesses.

In the first quarter, our US retail assets were up 7% and Consumer net income of \$1.3 billion was up 120%. That included the gain from Garanti. Excluding the Garanti gain, net income of \$940 million was up 65% driven by \$400 million of lower credit costs.

Our US retail finance business earned \$545 million, up 88%, also driven by lower credit losses as the portfolio performance continues to improve. Without including anything for the Garanti gain, our global banking business earned \$281 million in the quarter, up 77%, also driven by lower credit losses.

In the quarter, UK home lending earned \$63 million, the sixth consecutive quarter with positive pretax and net income. Commercial Real Estate, our Commercial Real Estate business is still facing losses, as you can see, but we are seeing early signs of improvement. We lost \$358 million in the first quarter, but that was \$45 million to \$50 million better than last year's first or fourth quarter. In the first quarter, we had \$55 million of after-tax credit losses and \$315 million of after-tax margin impairments. And during the quarter, we sold 113 properties for \$1.3 billion with \$28 million of gains.

Our assets are down 14% year-over-year and down 2% from year-end and we are seeing some early signs of increased liquidity for quality properties. We are seeing stabilizing rents and some places with rising occupancy. Overall, on average, some improvement in the debt portfolio, 1% to 2% in values in the quarter. So better than last year, but still challenging.

Commercial Lending and Leasing business also had another strong quarter. Earnings of \$554 million were up 139% from last year. The results there were driven by lower losses and higher core income from pricing and fees. It is pretty broad-based. Americas were up 81%; Europe was up 24%; and Asia was up 90%.

GECAS continues to have good performance. The earnings of \$306 million were down 3% from last year. The portfolio continues to be in strong shape. We had \$16 million of non-earnings and zero aircraft on the ground. And Energy Financial Services earned \$112 million, which was down 27%, driven by lower gains year-over-year. So overall, a really strong quarter for GE Capital.

Next is asset quality. In the interest of time, I am not going to go through all the detail here. On the left side, you can see our delinquencies continue to improve across all the portfolios. Non-earning assets declined by \$500 million overall and our coverage on reserves to non-earnings was basically flat. On the right side, you can see our write-offs at \$1.7 billion were greater than our new loss provision of \$1.3 billion, so reserves came down by \$400 million. Overall reserves ended the quarter at \$7.6 billion and the coverage was down 5 basis points to 2.42% as the portfolio performance continues to get better.

Next, I am going to shift to Energy over to Industrial. Energy orders of \$7.3 billion in the quarter were up 17%. Orders were up 10% organically with Equipment up 10% and Services up 10%. The thermal orders of \$730 million were up 57%. We had orders for 27 gas turbines versus 10 in the first quarter of last year. The orders price for thermal was down 6%. We had strong Aero orders of \$387 million. They were up over 100% and we had wind orders of \$930 million that were down 22%. We had orders for 327 units this year versus 494 last year and the orders price for wind was down 3%.

Service orders of \$3.9 billion were up 15% from strong power gen services and measurement control systems and digital energy. In the quarter, revenues of \$7.8 billion were up 9%. That is 4% organically driven by the higher volume. Renewables revenue was up 31% to \$1.1 billion. We shipped 366 wind turbines versus 349 last year, but the growth came from more 2.5 megawatt units, so we had some mix impact there.

For thermal, the revenues were down 15%. We shipped 9 fewer gas turbines, 32 this year in the first quarter versus 41 last year, and Service revenues of \$3.7 billion were also up 9%. Segment profit was down 9%. The benefits that we received from the higher volume were more than offset by lower price on wind and we had net \$115 million of higher programs and global investments, and we also had a small benefit of \$29 million for the results of Dresser and Lineage in the quarter.

On the bottom on the right, you can see Oil and Gas orders for the business were up 7% driven by Equipment orders up 11% and Service orders up 3%. Wellstream added 4 points to the orders in the first quarter. Orders here are also lumpy on a quarterly basis. We had a strong growth in petrochemicals and refineries and strong growth in drilling and production, both up over 60% and that was partially offset by lower orders in both Turbomachinery and Natural Gas segments.

Revenues of \$1.8 billion in the quarter were up 12% driven by the growth in Equipment up 17% and good strong Services up 6% and segment profit of \$199 million was up 4% as the benefits of higher volume and deflation were partially offset by negative foreign exchange and higher program investments.

So overall, we expect Energy to continue to be down in the second quarter and then we will see Energy returning to growth in the second half of the year.

Now we don't have the businesses split in the Technology Infrastructure anymore, so I will cover them separately. We will start with Aviation. The Aviation market remained strong in the quarter. Orders of \$5.1 billion were up 14%; commercial engine orders of \$1.2 billion were up 111% driven by GE90, CFM and small commercial and that was partially offset by military engine orders of \$600 million being down 36%, principally driven by less funding on the Joint Strike Fighter.

The Equipment orders price was down 0.4%. We ended the quarter with a backlog of \$20.4 billion, up 3% versus last year. In the quarter, Service orders of \$2.8 billion were up 14%, driven by strong spares. In the quarter, our commercial spare parts orders were \$25.4 million per day. That was up 32% and that was partially offset by military services, which were down 1%.

Revenue of \$4.4 billion was up 5% driven by the Equipment up 3% and Services up 7%. Segment profit, \$841 million, was up 5%. That was driven by the higher volume. It was driven by positive pricing and that was partially offset by no repeat of the first quarter of '10 service franchise fee with [Texel] that generated \$74 million last year and as we go through the year, R&D and launch costs are going to continue to ramp up in the second, third and fourth quarter.

On the right side, Transportation had a very good quarter. The market continued to improve. Domestic rail volumes were up 5%. Parked locomotives were down 5% from year-end. The orders of \$938 million were flat, but that included one multiyear locomotive order last year for almost \$300 million that didn't repeat. Service orders were very strong in the quarter, \$500 million, up 25% and our Equipment backlog closed at \$4.1 billion, up 40% over last year.

Our revenues of \$900 million were up 18% driven by higher volume. Equipment revenues were up 12%. We shipped 30% more mining and off-highway vehicle units and locomotive revenues were about flat. Service revenues were up 23% on the strong parts sales. And segment profit of \$157 million was up 37% reflecting the higher volume and the stronger services.

Next is Healthcare. The Healthcare team delivered another quarter of positive growth while they continued to reinvest. Orders of \$4.1 billion were up 9%. Equipment orders of \$2.1 billion were also up 9% driven by Healthcare Solutions up 10%. We saw a strong growth in Healthcare Solutions. Just to go around the world a little bit, Eastern Europe and the Middle East were up 37%; China was up 18%; India was up 41%; and then in the developed world, Europe was up 2%; the Americas were up 5%.

Apr 21, 2011 / 12:30PM GMT, GE - Q1 2011 General Electric Earnings Conference Call

Service orders in the quarter were up 9% and the Equipment backlog of \$3.9 billion ended up 6% versus last year. Revenue of \$4.1 billion was up 10%. It was pretty broad-based. If you go by product, Ultrasound was up 21% in the quarter; Devices were up 13%; CT was up 13%; MR was up 3%; Life Sciences were up 15%; X-ray was up 6%; and Services were up 8%. And then segment profit of \$531 million was up 7% and that was driven by the higher volume, it was driven by positive productivity and that was partially offset by negative price and about \$50 million of higher investments in new products.

And finally on the right side, you can see H&BS. We had revenues of just under \$2 billion; they were up 3%. We had strong revenue growth in Intelligent Platforms. The revenue was up 19%. Lighting was up 6% and Appliances was down 1% in the quarter. The segment profit in the segment was up 4%. We continue to see lower pricing and pretty heavy discounting in the Appliance market. Lighting continued to benefit from our prior restructuring. And for the year, we still expect H&BS to be about flat as we ramp up again more new product investments. So with that, let me turn it back to Jeff.

Jeff Immelt - General Electric Company - Chairman & CEO

Great, Keith. I thought I would give you a brief update on Japan where I visited two weeks ago. Our first priority is to support our people through humanitarian efforts and offer technical support to our customers and we are doing all those things. We are also providing substantial power generation equipment to help meet the country's needs in 2011 and '12.

Financially, as Keith mentioned earlier, we experienced about a \$50 million negative earnings impact in the first quarter in Healthcare, Energy and Capital. Going forward, we see limited supply chain and market impacts for the year. I would say it is more or less in balance. It may impact timing, but overall results probably won't be impacted for GE for the year. Again, we are very focused on helping Japan recover and rebound and rebuild and our teams are working diligently to support our customers in Japan.

Now to update the 2011 operating framework. Industrial is about as planned with Energy, as Keith said, turning positive in the second half of '11. We really believe that acquisition integration and we are really encouraged by an increase in gas turbine quote activity. We think those factors give us good momentum for our Energy business as we get to the second half of '11 and go into 2012.

GE Capital, as Keith reviewed, is improving rapidly really in every dimension and Corporate is about as planned. So for 2011, we really see some very solid operating earnings growth, CFOA between \$12 billion and \$13 billion, mid single digit industrial organic growth and I would say after the first quarter, we are even more confident in the 2011 operating framework for GE and the outlook going forward.

So just to summarize again some of the high points of the quarter, I think capital allocation is key for GE. We have announced our third dividend increase in the last nine months, up 50% in that time period. The buyback and dividend take priority as we get to the second half of the year. I think we have executed a good acquisition strategy as we redeployed capital from NBC Universal into the Energy business and we plan to redeem the preferred shares in the fourth quarter.

Very solid GE Capital earnings growth, higher margins. We are having good asset growth in target segments. Losses are declining and the balance sheet is safer and stronger. I think we are in really good shape for accelerating industrial earnings growth. It is positive in 2011, should accelerate in 2012. All the precursors are in place, good Equipment orders, backlog growth, good Service orders and international growing double digits and we are investing to build competitive advantage. R&D is in place. I think the new products that we are launching are showing up in our increasing order rates. The global growth of 12% says we are participating in the parts of the world that are experiencing growth and the strategic acquisitions in Energy and Healthcare I think really position those businesses well for the long term.

So that is an update on the quarter. Trevor, let me turn it back to you and we can take some questions.

Trevor Schauenberg - General Electric Company - VP, Investor Communications

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

QUESTION AND ANSWER

Apr 21, 2011 / 12:30PM GMT, GE - Q1 2011 General Electric Earnings Conference Call

Operator

(Operator Instructions). Julian Mitchell, Credit Suisse.

Julian Mitchell - Credit Suisse - Analyst

Yes, thanks. I was intrigued by the commentary -- definitely sounds like a better outlook for you in gas turbines than what you were thinking as recently as December or January. Could you give a little bit more color sort of by region what you are seeing? Because I think last year you had 96 gas turbine orders globally. Can you give a sense of, given we are now in late April, what your view is on gas turbine orders for this year?

Keith Sherin - General Electric Company - Vice Chairman & CFO

Well, look, Julian, I would say that the outlook does feel a little better. If you remember at the end of the year when we met and talked about what the outlook was going to be, we had about 112, 113 gas turbines last year in shipment. We said we would be down about 10.

Today the team is working on looking at opportunities to maybe be at least flat and put some more in the production schedule if we could to be prepared for the growth that we are seeing, some incoming orders activity, inquiries and things like that that we're working on.

Obviously, the Middle East has been very strong for us. It continues to be strong. We had one order in the quarter out of the orders we had for gas turbines in the US, so I think that is an activity that has to pick up as we go forward. And clearly, as Jeff said, we are really trying to help our customers in Japan. There is an awful lot of capacity that is out and they are trying to put as much power in place as they can to prepare for the summer, and also to deal with the fact that they have got to replace a lot of power.

So I think the team is cautiously optimistic about it, but the outlook is good. We are ramping up the PSI, our outlook for production a little bit in the business and for 2011, it might be at least flat, maybe better and 2012 should be better on top of that.

Jeff Immelt - General Electric Company - Chairman & CEO

I think, Julian, there is a confluence of maybe five factors that are going on more or less at the same time. One is clearly global growth in the emerging markets; the second is the need to provide more infrastructure as part of the Japan rebuild; the third is lower natural gas pricing overall; the fourth would be wherever the environmental standards end up in the United States; and then I think the fifth is, and this will be decided by our customers, not by us, is where does the long-term capacity get added, vis-a-vis coal, nuclear, gas, as people add new blocks of power going forward. So I think all those things make us a little bit more bullish on the gas turbine market.

Julian Mitchell - Credit Suisse - Analyst

Thanks, and just a quick follow-up. The pricing environment -- I guess it is down -- it is a little bit better in terms of a year-on-year decline on the thermal pricing in Q1 versus where you were in Q4. But we saw one of your global peers say they are joint venturing their boilers business with someone in China. So how do you see sort of the competitive landscape? Is there much changing for you or you think that as volumes recover, pricing will naturally tick up in the order intake in the second half as well?

Jeff Immelt - General Electric Company - Chairman & CEO

That has been the historic pattern, Julian. I think Energy tends to be a later cycle recovery item. And so the pricing you saw last year was really what played out in the first quarter and that has historically been the pattern of I would say price activity. The good news is --

Keith Sherin - General Electric Company - Vice Chairman & CFO

It follows supply and demand. I mean I think right now, we are still dealing with a place where the global capacity was pretty strong and then today I think the demand situation has changed.

Apr 21, 2011 / 12:30PM GMT, GE - Q1 2011 General Electric Earnings Conference Call

Jeff Immelt - General Electric Company - Chairman & CEO

One of the strengths of our Energy business is the supply chain and our sourcing and things like that and I think that we are flexible, we are fast and we do a good job on deflation.

Julian Mitchell - Credit Suisse - Analyst

Great, thanks.

Operator

Terry Darling.

Terry Darling - Goldman Sachs - Analyst

Good morning, gentlemen. Hey, just wondering if we could clarify, just taking a couple of questions on the Garanti gain, was that in your operating framework before and we just didn't know exactly the timing? Is that the right way to frame it?

Keith Sherin - General Electric Company - Vice Chairman & CFO

Sure. Last year, when we announced the transaction in November, we actually put out a press release that said we were going to have about a \$300 million after-tax gain and we thought it would close in the first half and then when we knew it was going to close in the first quarter, we announced that. So I think it has been part of what we have had in the framework all along. We had \$300 million after-tax, as I said and then that business had about \$60 million of earnings a quarter that we won't have any more as we go forward.

Terry Darling - Goldman Sachs - Analyst

Perfect. Okay, that's helpful. And then just coming back to the comment on Energy margins, I think I thought I heard Jeff indicate that that should improve throughout the year. And then, Keith, I thought I heard you say down in 2Q, up in the second half. Maybe you were talking profit dollars and Jeff was talking percent margins, but could we just clarify that?

Jeff Immelt - General Electric Company - Chairman & CEO

I was talking total company, Terry. The margin rates tend to --.

Keith Sherin - General Electric Company - Vice Chairman & CFO

First quarter is the lowest.

Jeff Immelt - General Electric Company - Chairman & CEO

First quarter always is the lowest for us total company and I think Keith was talking more just Energy.

Keith Sherin - General Electric Company - Vice Chairman & CFO

And I think the direction -- the gap that we saw in Energy quarter-over-quarter, that profile is driven by factors that will continue through the year -- the renewals pricing, the higher investments in programs and global growth and then the dilution from the acquisition. That profile is pretty similar as you go through the year for Energy itself.

Apr 21, 2011 / 12:30PM GMT, GE - Q1 2011 General Electric Earnings Conference Call

Terry Darling - Goldman Sachs - Analyst

Okay. And then just shifting over to Aero, I wonder if you would talk about any update on profile of R&D and implications for margins for Aero overall. You have got a lot of pieces in the mix there with the aftermarket getting a little better. Maybe you can just break some of those pieces down and talk about military too.

Keith Sherin - General Electric Company - Vice Chairman & CFO

Well, the profile for R&D for Aviation, R&D plus launch costs has not changed for us for the total year. We do expect to have that ramp up as we go through the year. The R&D actually was less in the first quarter year-over-year than last year based on some timing issues. But through the year, we expect to see a ramp-up of the GENx obviously. We shipped 13 GENxes in the quarter. As you know, the 787 should be certified and delivering in the third and fourth quarter. And the 747 with the GENx on it is already just about through all of its certification tests. The engine is done; the plane is still finalizing. And so those are going to ramp up and R&D is going to ramp up as we ramp up on the TechX and the LeapX.

So I think as you go through the year, you are going to see continued reinvestment in Aviation but the offset is the strength of Services. We feel pretty good about it. We are looking for when are you going to see it last year based on utilization improving, revenue passenger miles and freight passenger miles up. And you can see that in the order rate up 30%. We feel pretty good about that order rate and the outlook from the team is that that should continue to be strong for us.

Terry Darling - Goldman Sachs - Analyst

And then, Keith, could you just refresh us on what that year-over-year increase in Aviation R&D is now expected at?

Keith Sherin - General Electric Company - Vice Chairman & CFO

Well, Aviation, just on R&D itself, is supposed to be up I think about -- just one second -- for the total year, it is supposed to grow about 15% to 20% to about \$1.7 billion.

Terry Darling - Goldman Sachs - Analyst

Okay, great. And then lastly --.

Keith Sherin - General Electric Company - Vice Chairman & CFO

Somewhere in that range.

Terry Darling - Goldman Sachs - Analyst

Just lastly, obviously, nice to see that stronger performance at GE Capital. And Jeff, I wonder if you could comment on the potential that that better performance pulls forward, the confidence in the GE Capital dividend back to parent and implications for buyback and additional dividend increases from a timing standpoint?

Keith Sherin - General Electric Company - Vice Chairman & CFO

We are obviously feeling pretty good about the progress in GE Capital. You can see the capital ratios, you can see the pretax earnings growth, you can see some stabilization in Real Estate. So I think all those signs are good. There are some uncertainties we have. As you know, the Fed will transition to be our regulator in the summer here. So I think the team feels good about it. We have made a lot of progress. We think we are going to be above what the levels are of capital required for all the different criteria, but that isn't exactly finalized as you know as well. And then we have got to transition to a new regulator, so our objective is to, as you know, at a minimum, pay a dividend in 2012. And if we could work on that earlier than that, obviously, we would love to do that.

Apr 21, 2011 / 12:30PM GMT, GE - Q1 2011 General Electric Earnings Conference Call

But right now, the only thing we have in the plan is that we will restart the dividend from Capital in '12, but, obviously, the progress continues to be pretty strong and I think it was also encouraging when we saw what the banks were able to do this year between the dividends and the buyback based on their capital and stress case plan. So we are going to work on that.

Jeff Immelt - General Electric Company - Chairman & CEO

The only thing I would add is that, Terry, is, look, I think the major transactions we had planned on doing we have done and so dividend and buyback I think take a higher priority as I look at the rest of the year. So I think that is the way I would -- that is the perspective we had. We like the deals we did. We think they were opportunistic and strategic and help our Energy business, but, again, I think what Keith said, we feel really great about where GE Capital is positioned and I think priorities in the second half of the year will tend towards dividend and buyback.

Terry Darling - Goldman Sachs - Analyst

We will look forward to it. Thank you.

Operator

Scott Davis, Morgan Stanley.

Scott Davis - Morgan Stanley - Analyst

Hi, good morning. I want to switch gears and talk a little bit about Healthcare and a couple things. I think, Keith, you said that R&D was up \$50 million in the quarter. Now maybe you meant for the year, so some clarification on that. And then maybe you can talk about why R&D has had to come up in this business. I mean my understanding is that there was a bit of a pullback in the arms race, if you will, that would require less R&D spend with Healthymagination. Am I reading things wrong?

Keith Sherin - General Electric Company - Vice Chairman & CFO

First, let me clarify, we did have about \$50 million of increased spending year-over-year in new product launches, about \$30 million of that was related to our Home Health joint venture with Intel. So that is a new business we have gone into. And also investments in our Solutions business, the consulting business that we are growing and providing a lot of help to hospitals as they manage the need to lower their costs and become more efficient. So about \$30 million of that is there and then about \$20 million is higher NPI for new products. We launched about 45 or 50 new products in the quarter, so we have just really ramped up R&D globally. Omar Ishrak has got control of the entire business and he has got a terrific model where we have breakthrough technology. Then we flow that down through the productline and we are trying to make sure we have products at every price point as we participate in these global emerging market growth opportunities.

So I think, in some cases, a couple years ago, we were behind in MR. We have caught back up and we have got a great position in CT and today, I think the team really likes the position we have across the entire productline.

Jeff Immelt - General Electric Company - Chairman & CEO

Scott, I would just add to what Keith said to say, look, we expect this business to have operating profit rate expansion for the year. Productivity costs, our share position is good to improving and I fully expect Healthcare to have operating profit rate expansion in 2Q through 4Q.

Keith Sherin - General Electric Company - Vice Chairman & CFO

Totally agree.

Scott Davis - Morgan Stanley - Analyst

Apr 21, 2011 / 12:30PM GMT, GE - Q1 2011 General Electric Earnings Conference Call

You mean expansion beyond the 7% you showed this quarter, is that what you mean, Jeff?

Jeff Immelt - General Electric Company - Chairman & CEO

Yes, I mean --.

Keith Sherin - General Electric Company - Vice Chairman & CFO

Absolutely.

Jeff Immelt - General Electric Company - Chairman & CEO

I mean I would say double-digit plus operating profit growth and expanding margin rates in Healthcare.

Scott Davis - Morgan Stanley - Analyst

Okay. Yes, no, I totally understand. Okay, I know this is -- it is early days in Japan and the tragedies there, but it is a big part of your -- it is a fairly large healthcare market overall, and I think it is a fairly important part of your overall mix, if memory serves me right. But what do you hear from the local guys? Is there going to be money diverted from spending on things like healthcare for the rebuilding effort? Does it not change? I mean is there any sense at all of direction or is it just too early?

Jeff Immelt - General Electric Company - Chairman & CEO

Scott, I just think it is too early. We don't have anything to -- if you go back to the Kobe earthquake, right, there was more stimulus put into the overall economy in Japan after that, but I just -- I just think it is too early to tell what the impact is going to be.

Scott Davis - Morgan Stanley - Analyst

Okay. And last question, Keith. Some of your competitors -- GECAS competitors -- ILFC, etc. -- have taken write-downs in their fleets to reflect a couple of changes. Obviously, new aircraft that is efficient, higher oil prices, it's kind of up, increase the obsolescence of some of the craft. Is the GECAS portfolio, as you see it right now, pretty much marked to market?

Keith Sherin - General Electric Company - Vice Chairman & CFO

Absolutely. We basically have to do our appraisals every year and we have to adjust and you see us take impairments when we go through those reviews if we need to based on current views of asset values or specific customer situations.

I did see that there was a write-down on the A320 family for ILFC and I think it might be interesting to take a look at the differences in how companies depreciate equipment. Most companies depreciate aircraft on a straight line over 25 years to a 15% residual and we assume a 20-year life to 90% of our average or appraised value, which results in an annual depreciation percent that is higher than what a lot of competitors have. So we feel pretty good about our values and we did look at what they did and we absolutely feel good about where we are at GECAS.

Scott Davis - Morgan Stanley - Analyst

Okay. Fair enough. Well, thanks, guys.

Operator

Apr 21, 2011 / 12:30PM GMT, GE - Q1 2011 General Electric Earnings Conference Call

Steve Tusa, JPMorgan.

Steve Tusa - JPMorgan - Analyst

Hi, good morning. Can you just talk a little bit more about the outlook for gas turbines in the US. So you are talking about only having one order there and a lot of the activities in the Middle East. When you talk about the actual quotation activity, can you maybe give us some parameters around -- I know quotation activity is a high-level comment, but is there any way to tell us what kind of a magnitude it is in the activity globally? So is it 50/50 US? I am just curious as to the plans of your customers in the US that you are seeing there.

Keith Sherin - General Electric Company - Vice Chairman & CFO

I don't have any specific numbers on quote activity in the US. I mean I think what we are basically looking at is the dynamics have really changed subsequent to the disaster and tragedy in Japan. You see people canceling their plans to continue development of new nuclear plants. Clearly, coal has issues from an environmental perspective and is challenging from a cost and technology perspective to be competitive. We have put a lot of renewable energy into the system, especially in the US, but globally and with gas prices where they are, that is a challenge to make that as economic as it needs to be for financing.

And so you come back to what is going to be the power of choice. It is going to be gas. And we think we are well-positioned there. We still have reserve margins here in this country, but as you look at retirements and replacement and then new economic growth, we think the outlook is going to be pretty good. I don't have specific order quoting numbers and I don't know even if I had it whether I would tell you what they were.

Steve Tusa - JPMorgan - Analyst

(inaudible) talk specifics, but just in general, it sounds like you are seeing a pretty nice uptick in dialogue with your US customers. I guess that is more the question at a high level.

Jeff Immelt - General Electric Company - Chairman & CEO

Yes, I think that is right. The other thing I would say, Steve, is I think we could see a nice increase in gas turbine demand even with the US demand not being anywhere close to 50% of it really.

Keith Sherin - General Electric Company - Vice Chairman & CFO

Totally, you look at Russia, you look at Iraq.

Jeff Immelt - General Electric Company - Chairman & CEO

So you have a lot of other stuff going on, Iraq phase 2; Russia, as Keith said. There is more interest in China today in gas turbines.

Keith Sherin - General Electric Company - Vice Chairman & CFO

Saudi Arabia needs power.

Jeff Immelt - General Electric Company - Chairman & CEO

So it is all that kind of activity that we are seeing as well.

Steve Tusa - JPMorgan - Analyst

Apr 21, 2011 / 12:30PM GMT, GE - Q1 2011 General Electric Earnings Conference Call

Okay. And then one other question, this was just in the news the other day is the only reason I am asking, but the Board reset the comp package I guess talking about operating cash flow at a minimum of \$55 billion over a four-year period and I think there was something about outperforming the S&P 500 as well. I am just curious as to the message that you want us to take away from that because the operating cash flow number I think over a four-year period is only really up modestly from where we are today. And then outperforming the S&P 500, is that something we should think about, GE stock as kind of a comp versus the S&P 500 as opposed to your more industrial peers, like the other guys in our sector? I am just kind of curious as to the message or at least the message that you would like to kind of have us take away from that change.

Jeff Immelt - General Electric Company - Chairman & CEO

Steve, I think what we did is we reverted back to kind of the formula we have had in place since 2003, which really set two benchmarks. One was an S&P performance and the other one was a CFOA growth target. So look, I believe in performance shares. I think it is a good way for CEOs to be compensated and that is really what it says. I think we will continue to give you a framework that can spell out what we think we can do, but we want the Company to outperform.

Keith Sherin - General Electric Company - Vice Chairman & CFO

Those were the same targets that we had (multiple speakers)

Jeff Immelt - General Electric Company - Chairman & CEO

Those were similar targets (multiple speakers)

Keith Sherin - General Electric Company - Vice Chairman & CFO

(multiple speakers). All we did was took out the 2010 cash flow.

Steve Tusa - JPMorgan - Analyst

Okay, thanks.

Operator

Jason Feldman, UBS.

Jason Feldman - UBS - Analyst

Good morning. So you have addressed several of the issues related to Japan, including commercial real estate. And I have seen the release related to the channeling law, but has there been any indication that there could be any potential liability related to the disaster in Japan and is there anything else at Finance that we should think about, maybe Shinsei losses creeping up over time or anything else?

Jeff Immelt - General Electric Company - Chairman & CEO

I think on the channeling law, it is really clear and been written about by a lot of different people. So I would just -- I think all the things we have said in the past still hold true today and we haven't seen any indications that anything would counter that and mainly because I think it is so clear.

Keith Sherin - General Electric Company - Vice Chairman & CFO

Apr 21, 2011 / 12:30PM GMT, GE - Q1 2011 General Electric Earnings Conference Call

On the other exposures, as you said, we put a little bit up for property damage in Japan, \$15 million, and then some reserves, \$15 million in the CLL business. But other than that, we really haven't seen any direct impact. We have got Real Estate, we have got Commercial loans and leases, we have got Aviation in there and we did a pretty good review of our portfolio with the teams.

On Shinsei, on the gray zone, we have seen elevated claims as part of the Takefuji bankruptcy. As everybody knows, those claims really started to decline after the bankruptcy period closed and they have continued to decline in April. And right now, the trend on claims looks pretty good; however, we are going to have to see how they normalize in Q2 and Q3. But it is obviously hard to determine what are some of the events that throw some of those claim declines in this period given some of the challenges in Japan. But right now, the trend looks pretty good.

Jason Feldman - UBS - Analyst

Okay, and also, you spent a fair amount of time talking about better opportunities for gas turbines given new EPA regulations, Fukushima and everything else. Has there been any change in sentiment since the EPA regulations came out since the Fukushima disaster related to renewables? And potentially also whether you have some new opportunities perhaps for the offshore wind turbine launch, particularly in Europe?

Keith Sherin - General Electric Company - Vice Chairman & CFO

They are all positive. I think we are investing a lot into wind obviously. We are shipping a lot of 2.5 megawatt units, which are a good value proposition. We are doing a lot globally, so we are investing a lot in wind and we think the business has a future.

I think, right now, we are dealing with just the decline in the US market and the change in margins that we had in that market. But overall, we are very committed to it and I think you must've seen recently our investments in solar, the announcement that we are going to build a very large solar plant here and have the highest efficiency in the marketplace for thin-film solar.

So renewables is a big part of the business. I think it is going to be a part of our portfolio. We are investing a lot in it and we are just kind of weathering this decline in the shipment of the very profitable US backlog and then the replacement of that in the wind business.

Jason Feldman - UBS - Analyst

Great, thank you very much.

Operator

Bob Cornell, Barclays Capital.

Bob Cornell - Barclays Capital - Analyst

Actually, GE Capital had a great quarter, but maybe you could just take a minute and go through the reserve walk. You went by it pretty quickly in the summary and it looks like you say write-offs were greater than new provisions so that -- and that is a big reason why reserves came down I wonder, but maybe just give us a view over the balance of the year, Keith, and what we should expect there. And even ex-Garanti, the numbers look good. Should we expect sequential earnings growth out of GE Capital?

Keith Sherin - General Electric Company - Vice Chairman & CFO

Well, just first on the reserves. I think the profile will continue where you see write-offs higher than the new credit cost provisions. If you look at the percent of the new credit cost provision, it is somewhere around 1.45%. That goes back to what I would call more normal historical levels. So I think that probably is a good indicator of what we could expect going forward as long as this portfolio continues to demonstrate improvements and delinquency in non-earning. So I think that dynamic will continue if you look at provisions, new provisions for losses at somewhere around that level.

Apr 21, 2011 / 12:30PM GMT, GE - Q1 2011 General Electric Earnings Conference Call

The other dynamic that you have is impairments coming down and that is going to depend upon how we see the market for the real estate equity book and as I said, we have seen some positive indicators there and year-over-year, it is obviously down quite a bit. So I think the outlook is pretty good for improvements in profitability driven by lower credit losses. You see it in the fourth quarter, you see it in the first quarter. I don't see any reason why that wouldn't continue.

For the total year, how do we feel about it? Obviously, if you look at GE Capital's results, they are better. You take out Garanti and even if you normalize for not having Garanti's earnings going forward, you are going to see a terrific performance out of GE Capital this year. As Jeff said, we feel very confident about our framework.

Bob Cornell - Barclays Capital - Analyst

Is there any seasonality in that business that I don't recall? I mean obviously you had these tremendous ups and downs the last couple of years. But in a normal year, what kind of seasonality would be if the first quarter typically the low point of the year, I mean what can we expect as a trend rate over the course of the year?

Keith Sherin - General Electric Company - Vice Chairman & CFO

We used to have a big bump in the third quarter, but I think we have really normalized and are pretty level. I can't think of one thing that has really popped out as a seasonality item today in GE Capital.

Bob Cornell - Barclays Capital - Analyst

Second question for me, I was trying to ask a question earlier, when I got on when I was on mute, about the Joint Strike Fighter engine. I mean you are going to continue to work on that engine for a while, but what is sort of the GE view of that engine and might you continue funding the development of that engine? I understand it is nearly complete. What is the outlook there?

Jeff Immelt - General Electric Company - Chairman & CEO

Look, Bob, I think the engine is 85% complete. We are going to keep a small team in place to continue to work on development and see where we go with the 2012 budget cycle. Our basic thesis remains the same, which is this saves \$20 billion over the life of the program. It has enjoyed bipartisan support for a lot of years. It is a program that has been over budget and this is one of the ways to get competition back in the game.

Keith Sherin - General Electric Company - Vice Chairman & CFO

Our engine actually has been the model engine in the whole Joint Strike Fighter program, which is over budget, not our engine. So it is really --.

Jeff Immelt - General Electric Company - Chairman & CEO

So we are going to keep the team together.

Bob Cornell - Barclays Capital - Analyst

Keep the team together. Okay, thanks, you guys.

Operator

Shannon O'Callaghan, Nomura.

Shannon O'Callaghan - Nomura Securities - Analyst

Apr 21, 2011 / 12:30PM GMT, GE - Q1 2011 General Electric Earnings Conference Call

Good morning. So on ENI, we are getting close to the target here. I mean what is the plan if you get there pretty soon? I mean do we start to ramp up on CLL or do we shrink the business further? Where do you go from there?

Keith Sherin - General Electric Company - Vice Chairman & CFO

We feel pretty good about the progress here, but we have a plan to continue to run off the red assets and grow the green assets and you can see the runoff of the red assets is happening faster than we thought. We had more success with dispositions. I think that has been very positive and maybe given us a little more room for growth on the CLL side even earlier than we thought. And our investment in the green assets, the growth in CLL volume, the growth in the Consumer volume have been very strong. So we are not planning on going below the 440 ENI target for 2012. We plan on getting there in an orderly way and I don't see any change to it.

Shannon O'Callaghan - Nomura Securities - Analyst

Okay. And on the Commercial Real Estate piece, I mean the last couple of quarters, you have been able to sell a decent amount of properties at kind of a small gain. Could we see some of the opposite of maybe some opportunistic sales of other pieces at losses or how do you think about winding that down and opportunities now that things have stabilized?

Keith Sherin - General Electric Company - Vice Chairman & CFO

Depends on the economics really. If we believe we have got value in the property, we are going to do what we need to get the most attractive value and I think our headset on that is proven out through this cycle. I would not anticipate large sales at significant losses in the Real Estate business. We believe in our properties and our values. We feel like we are going to be able to recover them on the equity side and that is coming true. We are also reducing our bases obviously with depreciation and write-offs and we feel pretty good about the outlook. So we will be opportunistic, but I don't see big sales at significant losses.

Shannon O'Callaghan - Nomura Securities - Analyst

Okay. Just last one, I don't know if I missed it, but tax rates by the pieces for the rest of the year?

Keith Sherin - General Electric Company - Vice Chairman & CFO

Well, we haven't really given much of a forecast there. I will tell you, if you look at the rates in the first quarter, the GE rate ex-GECS was 22% ex-the NBCU gain. I wouldn't expect the rate to be higher than that for the year. There are some, as we go through the year, other opportunities that teams are working on that may bring that down slightly, but we will be around the 20% I would say for the year would be the estimate today.

And on the GE Capital rate at 18% in the quarter, I think you're going to be in the mid-teens for GE Capital as you go forward. We had a pretty high tax on the Garanti gain and other than that, the entire profile of GE Capital was a normal rate on the pretax earnings and our benefits, our structural benefits were a little under \$400 million, which is probably the run rate for the year today.

Shannon O'Callaghan - Nomura Securities - Analyst

Okay, great. Thanks a lot.

Trevor Schauenberg - General Electric Company - VP, Investor Communications

So Tom, we have had several requests to keep this to an hour, so we have got about five minutes more. We would like to take everyone's call. If everybody could keep it to kind of one question and then we will wrap up within five minutes here.

Operator

Apr 21, 2011 / 12:30PM GMT, GE - Q1 2011 General Electric Earnings Conference Call

Steve Winoker, Sanford Bernstein.

Steve Winoker - Sanford Bernstein - Analyst

Hey, good morning. So I will keep it to one. We've covered a lot of ground. China, give us a sense, if you could, for what you are seeing impact given some of the macro energy complex decelerating, what you are experiencing there and maybe an overview. Thanks.

Jeff Immelt - General Electric Company - Chairman & CEO

The overall revenues were up 12% in the quarter. What I would say, Steve, is that the Healthcare business saw a pretty normal quarter with growth close to 20%. I think it was like 18%, something like that.

Keith Sherin - General Electric Company - Vice Chairman & CFO

A little higher.

Jeff Immelt - General Electric Company - Chairman & CEO

A little higher. Aviation has got an outstanding backlog and that I think is pretty secure. We won a lot of business last year, which will play through. And like I said earlier, the 12, 5-year plan really emphasizes environmental investing. So I think we are going to see some good opportunities in our Energy business as we go through next year as well. So top line I think was 12% revenue growth and we don't see anything that suggests it should be less than that as we go through the year.

Steve Winoker - Sanford Bernstein - Analyst

Okay, thanks.

Operator

John Inch, Bank of America.

John Inch - Bank of America-Merrill Lynch - Analyst

Just as a quick clarification, there wasn't a restructuring offset to the Garanti bank gain, was there?

Keith Sherin - General Electric Company - Vice Chairman & CFO

Not in GE Capital, no. The only restructuring was on the page I covered on other items in the Corporate side. A little bit of that was in Capital, but we covered it on that page.

John Inch - Bank of America-Merrill Lynch - Analyst

Yes, okay. Just wanted to make sure there was nothing else. The upcoming -- so my question is the upcoming stress tests with the Fed, is there -- I mean how do you guys think about your real estate book? I mean I am just sort of trying to think if -- what could be a land mine is the fact that you still have these embedded losses in your real estate book that is not really accounted for the same way as say the banks do. Could that be some sort of a source of pressure that they would say, look, just write this down and kind of all systems go type a thing or how do you think we should think about that?

Apr 21, 2011 / 12:30PM GMT, GE - Q1 2011 General Electric Earnings Conference Call

Keith Sherin - General Electric Company - Vice Chairman & CFO

I don't think so. I think you should think that we have been doing stress tests a couple times a year. We do have regulators who are regulated by the Office of Thrift Supervision and the FDIC and we do do stress test two times a year and we do have to basically think through and be comparable to what the banks go through with their formal SCAB tests.

So I would say we have been through it a couple of cycles now and we feel pretty good about the process we use and the stress that we put our portfolio through to make sure that we have enough capital and enough liquidity. But the only difference is that obviously, as you say, is a new regulator. But we have got a lot of input. We are dealing with a lot of third parties who are obviously industry experts. We have hired people from the industry to help us with this who are on our team directly who are industry and regulatory experts. And I don't think that that is something different that could be dramatic as we go forward here.

John Inch - Bank of America-Merrill Lynch - Analyst

Thanks, Keith.

Operator

Chris Glynn, Oppenheimer.

Chris Glynn - Oppenheimer & Co. - Analyst

Thanks, just a lot on the -- one on the gas turbine side, just switching over to wind quickly. Any thoughts on what you are seeing marketshare-wise there taking advantage of the downturn? I know you weren't afraid to use price and then thoughts on an eventual recovery shaping up there.

Jeff Immelt - General Electric Company - Chairman & CEO

Well, I think as the AWEA data came out in January I believe, we had about 50% marketshare in the US and then smaller in Europe and the rest of the world. I would say in the first quarter, a lot of our deals were in places like Brazil and Canada, things like that.

What I have always thought, Chris, is that we really do have the lowest cost and the highest reliability in the industry. And I include in there the Chinese competitors. So it gives us a lot of strategic flexibility when we look at this space. And so even as the market goes through cycles, I think we approach it from a position of strength. I don't think we have anything in mind today, but this -- if you just look at the landscape and we have always had a philosophy of having broad fuel capability so that we don't have to -- we are in nuclear, we are in coal, we are in gas, we are in wind, we are in solar we are in a lot of different things. I like our position in gas turbines and wind turbines and I think it is going to play out over the next three to five years that those too will have a good future.

Keith Sherin - General Electric Company - Vice Chairman & CFO

I think the one thing you see happening in our wind business is we are becoming better globally. We had such a terrific position in the US market, but today with the market where it is in the US, we are really competing effectively globally. And that is going to make us a better business.

And the second thing, obviously, is the offshore wind business, which is going to grow and we are investing and we should have a significant position there as well. So as we said earlier, we like our position in wind and we like the outlook for the business. It is just we are working through this backlog that was pretty lucrative that the margins on the new orders are lower.

Chris Glynn - Oppenheimer & Co. - Analyst

Got it. Thanks a lot.

Apr 21, 2011 / 12:30PM GMT, GE - Q1 2011 General Electric Earnings Conference Call

Operator

Nigel Coe, Deutsche Bank.

Nigel Coe - Deutsche Bank - Analyst

Thanks. Hi, guys. Trevor, we are over an hour here, so I will keep this really quick. Jeff, I thought the timing of the dividend announcement was interesting. And I just wondered what is the message you want to convey with that dividend increase. And then secondarily, are we into an era of opportunistic dividend increases or is your intention to go back to sort of an annual December announcement?

Jeff Immelt - General Electric Company - Chairman & CEO

I think what we want to convey is just a confidence in the Company first and foremost and the fact that, for a broad base of investors, the dividend is important and we think that is a good message to send today, good on -- good confidence in the Company, the fact that we have I think really effectively redeployed the capital from NBCU, the focus is really on dividend buyback now and just the broad importance of the dividend.

I think where we are going to is going to be -- we want the dividend to be an effective payout ratio, a good yield, very reliable. And so over time, we are going to get back to an annual dividend increase that we do that investors can count on and we will just see how that plays out. But I think overarching I want it to be confidence in the Company.

Nigel Coe - Deutsche Bank - Analyst

Great, thanks.

Trevor Schauenberg - General Electric Company - VP, Investor Communications

Keeping that quick, Nigel, I think we have time -- we are running over, so we will take one more question and then I have some announcements at the end.

Operator

Deane Dray, Citi.

Deane Dray - Citi - Analyst

Thank you. Good morning, everyone. Hey, just to stay on the topic of capital allocation, we got the message on focus on dividends, buybacks, acquisitions basically done for 2011. How about divestitures? I know I have asked this before, but -- and Jeff, you have said this is the best portfolio you have had since you have been CEO, but are there opportunities for further portfolio reshaping?

Jeff Immelt - General Electric Company - Chairman & CEO

I just don't see it right now. Again, I think what we want to do is run the portfolio, the capital -- the infrastructure capital portfolio we have, get very well -- execute well in '11, get positioned for simultaneous industrial and financial service growth in '12 in that portfolio, generate a lot of cash and have a lot of optionality around what we do from a capital allocation standpoint.

So I just -- I think we are going to generate a lot of good cash flow this year. I think a lot of people have asked about the capital dividend. Our expectation is that capital restores its dividend at some point and that provides additional cash over time. And so I just want to -- we want to execute this play with excellence and our investors will benefit from that.

Apr 21, 2011 / 12:30PM GMT, GE - Q1 2011 General Electric Earnings Conference Call

Deane Dray - Citi - Analyst

Great, thank you.

Trevor Schauenberg - General Electric Company - VP, Investor Communications

Thank you, everyone. Just a couple of housekeeping items and some announcements here. The replay of today's webcast will be available this afternoon. We will be distributing our quarterly supplemental schedule for GE Capital also later today.

And here are a couple of announcements. Next week on Wednesday, April 27 is our 2011 Annual Shareholders Meeting in Salt Lake City and we hope to see you there. On May 18, Jeff will be presenting at the annual EPG conference, so that will be the next big presentation. Our second-quarter 2011 earnings webcast will also be held on July 22 for your calendars.

And then finally, we will be hosting a GE Energy meeting with special emphasis on Oil and Gas later this year on September 20 in the afternoon. We will provide you more details regarding the meeting logistics at second-quarter earnings, but we do expect to hold this meeting in the New York area and as always, JoAnna and I will be available to take your calls and questions today. Thank you, everyone.

Operator

Ladies and gentlemen, this concludes your conference call. Thank you for your participation today. You may now disconnect.

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