



## Conference Call Transcript

### GE - Q2 2010 General Electric Earnings Conference Call

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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****Jeffrey Sprague**

*Vertical Research - Analyst*

**Julian Mitchell**

*Credit Suisse - Analyst*

**Nigel Coe**

*Deutsche Bank - Analyst*

**Terry Darling**

*Goldman Sachs - Analyst*

**Steven Winoker**

*Sanford C. Bernstein - Analyst*

**Bob Cornell**

*Barclays Capital - Analyst*

**Chris Glynn**

*Oppenheimer - Analyst*

**Steve Tusa**

*JPMorgan - Analyst*

**Scott Davis**

*Morgan Stanley - Analyst*

**Jason Feldman**

*UBS - Analyst*

**John Inch**

*BoA-ML - Analyst*

**PRESENTATION**

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

Great, thank you, Noelia. Good morning, and welcome, everyone. We are pleased to host today's second-quarter 2010 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 and printing on our website at [www.GE.com/investor](http://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.

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. Just at the outset I would say I think the GE team had a really great quarter.

Our environment continues to improve. Media buying was strong. Rail loadings were positive. Revenue passenger miles were positive. Losses have declined, and credit demand is up, and equipment orders were positive.

We are still cautious in a few areas. We're working through a difficult commercial real estate cycle. After many quarters of decline, demand for electricity finally rebounded in the second quarter, and we think that is encouraging.

As many people have written, we think this is a multispeed recovery. So the economy is going to strengthen at different paces around the world.

Our earnings growth resumes. We are excited about that. EPS is up 15%.

I think everyone likes what they see in GE Capital. The losses peaked and earnings are rebounding. And we had strong performances at NBCU, Healthcare, Consumer, and Energy.

The GE team's execution was very strong. Increased margins. We are on track for \$13 billion to \$15 billion of full-year cash flow from operating activities. And we had \$74 billion of cash on the balance sheet at the end of the quarter.

That gives us many positive capital allocation options ahead. I would say if anything those options strengthened during the quarter given our strong cash performance. So I am very pleased with the way we executed in the second quarter.

I always go through four operational updates on the Company in general. The first one is with GE Capital. Really same as in the past; all the metrics are improving.

I think the one I would point out on this page is the Tier 1 common ratio at 8.1%, despite FX having an impact on equity. We think that is very positive. And as the GE Capital earnings improve, that is only going to accelerate.

ENI, we're making progress. We announced the sale of BAC yesterday, and we are well on our way towards the commitments we made on ending that investment. So we have very strong liquidity and very strong capital positions, and those got better in the second quarter.

The second thing is how our commercial teams are performing particularly in orders. This is our first quarterly orders growth since the third quarter of '08.

Europe had -- or I'm sorry, Energy had 20% equipment growth. Tech 14%. Service had many bright spots compared to some one-timers last year like nuclear fuels.

And the backlog is steady. It is up 12% quarter over quarter. Pretty broad-based strength, and so I think we feel good about where we stand.

The backlog really is flat ex-FX, and we expect single-digit orders growth in the second half of the year. These are always tough to predict given the lumpy nature. But when we look at our funnels that is what we see looking outward.

The third area is in operational improvement. We expanded margins in the second quarter. We had good performance overall. 70 basis points performance to 17.1% which is, I think everyone would agree, good execution by GE.

Positive margins really driven by a positive value gap from a pricing and deflation standpoint. We have done aggressive restructuring over the past two or three years, and those cost savings are showing up in the bottom line, and we think that it's great.

We have done that while investing heavily in research and development. A significant increase, up 14% year-to-date. We have targeted to introduce 30% more products this year. We are funding adjacencies in areas like batteries, in areas like that. And we are growing our global position.

We really have a deep pipeline of leadership products like that GEnX in Aviation. And falling behind that is the Tech-X and the Leap-X, and we're filling out the product line.

We are launching two new gas turbines in the second half of the year. Multiple new Healthcare, both from an information standpoint, information technology, and also diagnostic imaging devices. Increasing our locomotive advantage. Launching Smart Appliances.

So we really do have a deep pipeline. So we are investing in organic growth while growing margin rates, and we think that is a good sign for investors.

Lastly, good operational improvement in cash. Solid cash flow in the second quarter; \$6.3 billion year to date. Our CFOA advanced ahead of net income and depreciation.

Again in general, while we are seeing progress decline, our working capital is offsetting that. So that is kind of the tail of the tape so far this year.

We have a very strong balance sheet with consolidated cash of \$74 billion. You go down the walk, you see lots of free cash flow which is a big part of the GE business model. Just lots of cash available for capital allocation as we look at the year.

So we continue to build the cash balance. We are on track for CFOA for the year. And I think the cash story and the balance sheet strengthening story is a very positive story for GE and our investors.

So with that, let me turn it over to Keith and he will go through the operations.

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

Thanks, Jeff, I am going to start with the summary of the second quarter. For the quarter we had continuing operations revenues of \$37.4 billion, which were down 4%.

See the pieces. Industrial sales at \$24.4 billion were down 6%, and that is right in line with our expectations.

You go back to the second and third quarters of last year, we estimated that our equipment revenues could be down 10% to 15% 2010 based on the orders profile we were seeing. In December we updated that to say that we thought equipment orders -- equipment revenue could be down 5% to 10% this year. And through the first half, the equipment revenues are down 8%, so that is right in line with what we had as expectations.

Financial Services revenue at \$13.1 billion, down 2%. I will show you more of that on the GE Capital page. We earned \$3.3 billion of net income, which is up 14%.

And for earnings per share we earned \$0.30, as Jeff said, which includes the cost of the preferred dividend. And the EPS results are up 15%.

As Jeff covered, the total cash flow from operating activities was \$6.3 billion year to date, which puts us right on track for our total year estimate.

For taxes, the consolidated tax rate for the second quarter is 21%. That is up from 7% in the second quarter of '09 mainly because of the improvement in highly taxed pretax earnings principally at GE Capital.

GE tax rate is in line with 2009. As you look at the rest of the year we expect the GE rate for the full year to be somewhere in the mid-20s, a bit lower than we had in the second quarter due to the income mix between GE and GE Capital and some possible second-half audit resolutions that we have talked about.

On the right side -- one final point. The total GECS tax benefit, I say on the chart that it's a lower benefit. The total benefit in Q2 was \$570 million lower than last year's Q2.

On the right side are the segment results. You can see our Industrial businesses ex-Media had \$3.6 billion of segment profit, which was down 2% from last year. NBC Universal had both revenue and profit growth. GE Capital earned \$830 million, up 93%.

Overall the segment profit was up 8%. And with lower restructuring at the corporate level, partially offset by higher interest, the total earnings were up 14%. So it is great to be back delivering strong earnings growth.

Before I cover the business highlights, here is a summary of the second-quarter items that impacted our results. As you can see there were very few items to break out this quarter.

First, as we have continued to report, we had a total impact of \$0.01 from restructuring and other charges. We continue to reduce our lighting cost structure. We had some restructuring in water, Healthcare, and global banking.

We had two gains in the quarter. We sold a portion of our CFM engine teardown business to Snecma, and we realize a \$77 million after-tax gain on that. And we had an environmental insurance settlement that occurred in the quarter for a \$75 million after-tax gain. So the restructuring offsets the gains.

We also booked \$186 million of additional reserves for our Grey Zone liability in Japan, and I've got a lot more on that on the next page. I'm going to spend a little bit of time on Grey Zone.

As you know our Japanese consumer businesses is in runoff, in discontinued operations. We sold the business to Shinsei in September of 2008.

As you can see on the top left-hand corner of this chart, at the time of the deal we started with \$2.2 billion of coverage for future claims through the Shinsei loss share agreement. Through the first-quarter 2010 we had booked another \$500 million of additional reserves that related to both the tougher economy in Japan as well as the legislative and regulatory changes that were occurring in the country and affecting the Grey Zone claims.

As you can see from the chart on the upper right we continue to see the claims decline. That is average daily claims on top and then the exposure per claim on the bottom. But the claim trends have not come down as quickly as we anticipated. And because of that we booked an additional \$186 million of reserves this quarter.

In total we settled \$2.2 billion of claims to date and we have an additional \$700 million of reserves on the books today. So I want to go through a couple of facts about our book in Japan, then the dynamics of our portfolio.

First, our liability relates to a closed runoff book. We stopped all new lending as of October 2008. We capped the interest rates for all the accounts by June of 2009 at the 18% level.

The existing balances that we have amortize off by the middle of 2013, so they are all in a runoff, in sort of a term loan runoff.

Shinsei is responsible for all credit losses. So a bankruptcy event is a credit loss; and GE retains the Grey Zone liability, which is the amount above the 18% interest, generally up to around 28%.

And finally, 95% of our remaining customers are current on their existing loans, so this is a runoff book with current payments by the vast majority of the customers. So, when you put those dynamics together the current loss estimate we book to has a few assumptions. I have oversimplified this model, but here is the way we have modeled this so far.

The rate of new claims continues to decline. For instance, from March to June our total claims have come down by 9% a month. And in our model we project the claims to come down on average 11% a month over the next year. June's average daily claims came in 14% below May, so that is ahead of what the assumptions are in our model but it's one data point.

With that rate of claims reductions, basically the model assumes the number of claims by the time we get to 2012 become de minimis, and the average exposure per claim remains consistent with the May levels, and we see the impact from the loss mitigation efforts that are in place. So those assumptions support the \$700 million of current reserves.

Now the tougher part here is pegging behavior as we get out into '11 and '12. We know that the more time that people are paid up, the balances are paid off, the less likely they are to claim.

There are also a lot of uncertainties. There is the new government lending restrictions that went into place in June. We have not seen an impact from those yet. There is the state of the economy. So there are a lot of variables here.

But if you just want to run a sensitivity -- and I think this is one that may size this for people -- as an example, if the claims continue to run down at only 3% a month, which is consistent with the average since we sold the business, so if you go back to the [end] when we sold the business at

Shinsei the claims have come down on average 3% a month. But that is significantly below the recent pace of deceleration as you can see on the chart. But just use that as an assumption.

That means the tail would extend out another five years, even though in the middle of 2013 all the accounts that we have balances on will have matured and should've been paid down. So if you run the tail out through five years and you keep the loss exposure at current levels, this set of assumptions would result in about 4 times the incremental claims that we have modeled in our estimates today, and about \$1.2 billion of incremental financial exposure.

So on the other hand, we have added a lot of resources to this effort over the last six months. If we can execute some of the best practices that we learned from some others in Japan, we could impact the existing \$700 million reserve favorably by \$50 million to \$75 million.

So there is a very dynamic situation here. We're going to continue to give you quarterly updates on what is happening, but at the end of the day we believe the ultimate exposure here is very manageable for GE.

So with that, let me jump into the businesses. I am going to start with GE Capital. Mike Neal and the team had a great quarter. We believe this is the start of a longer-term trend of positive earnings momentum.

Revenue at \$12.3 billion was down 3% driven by the lower assets. A real positive in the quarter was the significant improvement they had in earnings quality, with pretax earnings of \$741 million. Net income of \$830 million was up 93%. That is driven by lower credit costs; it is driven by better margins; and it is partially offset by some higher real estate impairments.

Our \$487 billion of ending net investment is well ahead of plan. Even if you exclude the impact of the stronger dollar, which if you go back to the chart Jeff showed you on the ENI walk, we are at year-end target of \$500 billion. So we are already at the year-end target of \$500 billion. We are well on the way to our \$440 billion in 2012. And that gives us lots of flexibility on originations, on funding, and on M&A going forward.

We had a strong volume quarter with good margins. Total commercial volume at \$10.3 [billion] was up 24%; cover some more on that in a minute.

We had \$2.8 billion of losses and impairments, which were down \$500 million from Q1, mostly driven by lower consumer losses as our book continues to improve. And I will cover more on that as well.

The unrealized loss estimate in commercial real estate is down to \$6.3 billion from approximately \$7 billion at year-end. On lower receivables our reserve coverage at 2.66%, an all-time high.

Team continued to do a good job on costs. As Jeff said, we announced the BAC disposition, which is going to give us some more ENI flexibility, about \$8 billion when it closes, which we would expect probably in the fourth quarter.

Based on our first-half pretax results, it seems that there shouldn't be any need for a contribution from GE to GE Capital under the Income Maintenance Agreement; that is what IMA stands for. So really a great quarter.

Let me do a few highlights by business that are down on the left side if you look. Consumer had a very strong quarter. They earned \$735 million. That is \$484 million more than last year's Q2. The earnings growth came from over \$400 million of lower credit losses and \$100 million of lower costs.

Our US retail finance business earned \$393 million, which was up over 100%. Again that is driven by portfolio quality improvements and better margins.

Our global banking business earned \$293 million, up 13%, also driven by lower credit costs. And UK home lending earned \$39 million in the quarter, and I will cover more on that portfolio in a few pages.

Our commercial Real Estate business remained the one tough area in GE Capital, as we expected. The business lost \$524 million net, driven by \$280 million of after-tax credit losses on our debt portfolio.

In the quarter, we saw a 3% decline in asset values for the properties where we book those loss reserves. So the valuation declines have definitely slowed and they appear to be less than what we anticipated as we went into the year, and that is good news.

We also had \$287 million of after-tax marks and impairments on our equity book. I would say there are some positives in real estate. I mentioned the unrealized losses down. We've continued to shrink the portfolio. Assets are down from operations over \$3.5 billion from the first quarter.

Delinquency dollars are flat from Q1 to Q2, and non-earning assets were down \$130 million from Q1 to Q2. So we also had a few property sales; we sold about \$400 million in the quarter. However, while there is some market commentary that things are getting more positive in commercial real estate, we still expect the real estate book to remain under pressure for the near future.

Commercial Lending and Leasing business also had a good quarter. Earnings of \$312 million were up 28%. We had over \$200 million of lower losses and better margins, which more than offset the tough comparisons from the 2Q '09 Genpact gain.

GECAS also had another great quarter. Earnings of \$288 million were basically flat as higher core income offset about \$30 million of higher impairments.

Energy Financial Services also had a great quarter, driven by core income growth and a gain from the sale of our Regency general partnership position. So overall, a great quarter as GE Capital turns around here.

Next I wanted to cover an update on financial regulatory reform. I know everybody knows there is still a ton of work to do to finalize the legislation. So the outcome right here is -- this is what we expect based on what we know today. And what we know today, we think the impact is going to be manageable, and I thought I would just cover some of the pieces.

First and foremost, the good news is the GE business model is intact. We can continue to own GE Capital and the financial supervision will be focused on GE Capital. We will continue to be able to finance GE product sales on market terms at an arm's length, as we have been doing. So that doesn't change.

We will retain ownership of our banks, the ILC and the FSB in Utah.

Second, as we look at capital requirements, we think they should be within our GE Capital earnings growth and asset reduction plans. You saw our Tier 1 went up even in the quarter, even with an impact from FX on equity, as we continue to shrink the book and reduce our leverage. We feel confident that we're going to be able to meet whatever the requirements are to be well capitalized.

Third, we do expect the Fed will be our regulator. The transition is supposed to occur in the 12 to 18 months after the legislation is enacted. As we said, we have been preparing for this for more than a year with the help of outside third parties.

Fourth, we need to see the final regulatory rules surrounding the Volcker rule. However, we believe that the impact on GE Capital is not going to be significant.

We have about \$1.8 billion investment in private equity sponsored funds, and those are either going to run off or reach levels that are less than 3% of Tier 1 Capital in the four- to 12-year phase-in that is contemplated in the legislation that we have out there.

Fifth, we have already lowered our late fees on our US private label credit card business, and we are not a big interchange player. So I think that is going to have a small impact on us.

Finally, proposals on derivatives will require us to post collateral going forward, like everyone else. But the book is grandfathered. It will be on a going-forward basis, and we can just use some of the cash that we are already carrying for that. We don't see any impact from holding 5% of securitizations. Basically securitizations are already on book and we hold 5% in a different form today, so that is not going to have an impact.

So a lot of work, obviously, still to be finalized, but that summarizes the impact that we see today.

On portfolio quality, things continue to improve. I will start with equipment on the left side. Our 30 day past-due delinquencies are better. They are down 21 basis points, and that is pretty broad. Americas were down 24, Europe was down 47, and Asia was down 11.

The total Commercial non-earnings are down about \$500 million in the second quarter versus the first quarter, which is good news. It's down 6 basis points to 2.99%. You can see that in the supplementals that we put out with the earnings press release.

But the equipment, which is a subset of Commercial, non-earnings are up over \$100 million. It's up about 21 basis points to 3.07% as you can see here, the non-earnings.

And that is driven by one account. We had one large account that went into non-earning even though it is still paying current.

On the bottom you can see Real Estate delinquencies are up. We expect them to continue to be up. But the Real Estate non-earning dollars went down \$130 million from Q1 to Q2.

On the right side, on the Consumer, you can see delinquencies are down 6 basis points in total. It is a split story, as it has been. The non-mortgage is down 42 basis points, driven by our North American retail book. That is down 87 basis points as the underwriting actions that we took continue to lead to better results. We have had four consecutive quarters of declining delinquency there, and that is very positive.

On the mortgage book you can see delinquencies are up 71 basis points. It is principally driven by Australia where the delinquency dollars are flat but the percents went up because of the book runoff. We had a similar phenomenon in the UK home lending book.

Those trends are the same for non-earning assets. Overall, Consumer non-earning assets are down \$500 million from the first quarter.

Finally, in the UK home lending book, we are down to 956 houses in the real estate we own at the end of the quarter. That is our lowest level since the second-quarter 2008. And we realized 117% of our carrying value for the houses that we sold in the quarter, so the improvements that we are seeing in delinquencies in non-earning assets are going to lead to lower losses as we go forward.

Next is an update on reserve coverage. Reserves ended the quarter at \$9.1 billion and coverage increased above our historic high mark to 2.66%.

We do have lower reserves. You can see it went from \$9.5 billion to \$9.1 billion; but we did not release reserves into income. I don't know how to get any clearer on that. We tried to highlight it in the box at the top of the page.

In the second quarter we had \$2.2 billion of write-offs, which resulted in lower assets. When we have a write-off, we actually remove the receivable from the books. It is a balance sheet event and it is not a release to income. It is actually removing a delinquent or non-earning asset.

We added \$2 billion in new provisions. The amount of new provisions we add is based on two things, really. One, the book is smaller, so you are going to have less provisions because you have less assets that you are providing against. And, two, the improving asset quality.

Then finally we also had an impact of \$200 million from the stronger dollar at the end of Q2 versus Q1.

So you can see the split of the reserves. We increased our Commercial reserves by \$200 million in the quarter, principally the real estate loans where I said we added some reserves. We're up to \$1.8 billion of reserves in Real Estate, and 73% of our impaired loans are paying current.

So we are marking basically a lot of the loan book to market. It is roughly -- when you are at 100% LTV on the loan book you deal with the volatility on a quarterly basis. But with a lot of the customers paying current, we think we are going to do better than some of these reserves that we have put up.

Then finally, across the rest of the Commercial book, obviously our secured lending positions are very important in minimizing the losses, given default. We feel good about that.

On the Consumer, reserves are down \$600 million. Assets are down \$12 [billion]; they are down 7% quarter-over-quarter. Delinquencies are down over \$1 billion, and most of the FX impact that I talked about was in Consumer.

So one final thing here, it's the non-earning numbers aren't on the page. The coverage went up, but the non-earning pages are in the supplemental schedule, and non-earning assets are down in total \$1 billion from Q1 to Q2, which is also a positive.

So if you look at the quarter, we increased the Commercial reserves again. Our overall coverage and our non-earnings coverage are both up in the quarter.

I will wrap up GE Capital with a few comments on volume and our outlook. Originations continue to get better. I think we are in a differentiated space here. We are playing in the midmarket. We have got a green light on our midmarket and small and medium enterprise originations. And the

total on-book volume was up 22% versus the prior quarter to \$40 billion, so the teams are growing their volume in the quarter. And year over year it is up positively.

Our Commercial Lending and Leasing business, which is right over the target of midmarket and small and medium enterprise pipeline for future business continues to grow. It went from \$33 billion to \$37 billion. That is a combination of proposals, active credit reviews on specific amounts that customers want, and things that are in the backlog. So that is a positive.

The core US midmarket business was \$5.7 billion in the quarter. That is up 75% over Q1. So these indicators are delivering real volume on the books.

The retail finance volume was up strongly year over year and the returns remain high. We are getting good returns on our book. In the quarter, margins were up overall in GE Capital; we are up to 5% about in the first quarter. We are up around 5.3% in the second quarter.

So things are really turning here and the volume picture feels pretty good.

On the right side is the outlook that Mike Neal covered in June. You can see we expect more of the same that we saw in Q2 for the second half. Continue to have revenue down as we are ahead of our shrinkage on the ENI plan.

Margins are good. Losses and expenses are good, and the pretax and the earnings are definitely better.

So if you want to do it by business, if you look at the bottom right, it's the earnings outlook for the second quarter versus -- the second half of 2010 versus what we had in 2009. Overall, everything at GE Capital feels like it's getting better, and that is good news.

Next I will move to Industrial. I am going to start with NBC Universal. Jeff Zucker and the team delivered a strong performance in the quarter. Revenues at \$3.7 billion were up to 5%. Segment profit of \$607 million was up 13%.

It is really a straightforward quarter. We had continued leadership by our cable properties. Cable revenue at \$1.2 billion was up 7%.

Segment profit was up 10%, again led by entertainment. Saw continued strength at USA and Bravo and Oxygen. We had a good performance at CNBC; op profit was up 9%.

In broadcast, we had a pretty good quarter. Revenues of \$1.4 billion were up 1% and segment profit was up 6%.

We saw continued strength in the ad markets. The scatter was up over 20% in the second quarter. The local stations market continues to be very strong. In the second quarter, local stations were up 25% after being up 15% in the first quarter.

You know, the ratings are down in the summer for all the networks, but we were off to a pretty good start. We've got the number-one show with America's Got Talent. The development that we have invested in was well received and probably one of the biggest highlights in the quarter was the upfront.

In total, NBC was up about 18% in dollars booked. About half of that was from higher sellout and about half of that was better pricing. And Leno returned, as you know, and he has maintained a 23% margin over the alternatives in the demo, so that feels pretty good.

Film & Parks also had a positive quarter. Revenue was up 6%. Segment profit was up over \$40 million.

The film business had a better performance at the box office with Get Him to the Greek. And we had a fantastic start to our automated film, Despicable Me, at the start of the third quarter.

The parks had single digit increases in both attendance and per cap V spending. Segment profit was down slightly in the quarter from our marketing spend for the opening of Harry Potter World in Orlando and the King Kong 360 3-D in Hollywood. And both of those are off to fantastic starts.

The regulatory review is progressing as expected. We were happy to receive EU approval this week for the Comcast-NBCU joint venture. And hulu and NBC continue to have -- CNBC.com continue to have very strong growth in the quarter. So overall pretty solid quarter for NBC Universal.

Next is Technology Infrastructure. John Rice and the team delivered a second quarter in line with our expectations given their environment, which was challenging. Revenues of \$9 billion were down 6%. Segment profit of \$1.6 billion was down 11%.

If you go business by business, I will start with Aviation. Second-quarter orders of \$3.9 billion were down 6% year over year. We continued to have major equipment orders down.

We had \$1.6 billion of major equipment orders; that was down about 8%. We had \$920 million of commercial engine orders. \$200 million of military orders; military orders were down about 13%. The backlog ended the quarter at \$19.2 billion, which is down about 3% for the quarter.

Service orders were down 5%. Commercial spare parts orders were \$20.3 million per day, which was reported down 7%; but if you adjust for the 2009 Aviall order that would be down about 2%.

Revenues of \$4.3 billion were down 8% reflecting the impact of the lower new engine shipments; we were down about 4%. And lower spare parts sales, which was down about 11%, principally from fewer overhauls.

We had about 80 fewer overhauls during the quarter. We have seen airlines defer overhauls, and we also see a decrease in the scope of overhauls and repairs that came through our shops, driven by the airlines preserving cash. We had some impact, I think, a little bit of a delay because of the ash impact in Europe in the beginning of the quarter.

Overall segment profit of \$879 million was down about 5%, primarily driven by the lower volume on engines and services, as I said, partially offset by the gain that I covered on the quarterly items page. We also had a positive value gap in the quarter, price positive with deflation.

So if you normalize the op profit for Aviation I think for the first half, we have had deals in this year and deals that didn't repeat from last year. If you'd normalize the op profit excluding the deal transactions in both years, Aviation op profit would be down about 10% driven by the volume pressure in overhauls and lower commercial unit shipments.

Healthcare had another strong quarter, a nice turnaround here. Orders of \$4.3 billion were up 6%. Equipment orders were up 9%. Saw a pretty strong market.

Global diagnostic imaging orders were up 13% with broad participation. The US was up 5%; China was up 38%; India was up 77%; the Asia-Pacific region, including Japan, was up 21%.

MR was very strong with orders up 27% driven by our new Optima 1.5T wide bore product which was well received in the market. Service orders were up 2%. In the quarter, revenue of \$4.1 billion was up 3% driven by equipment up 6% and flat services. And the segment profit of \$661 million was up 12% driven by the higher volume and the benefits from last year's restructuring.

Transportation continues to be impacted by just a tough operating environment, although there are some signs of improvement for the future. The first one that we talked about were the orders at \$1.2 billion in the quarter. They are up 84%. We had \$660 million of equipment orders, which is up 400%, including a 200-unit North American order. So that is a positive sign.

We also saw some strength in the off-highway vehicle orders. We had \$114 million of orders in the quarter which were up 150%. For operations, revenues of \$700 million in the quarter were down 34%.

Really two factors. We had 30% fewer locomotive shipments, at 80 locomotives this quarter versus 119 last year in the quarter. And we had 37% lower services reflecting the impact of the parked locomotives that we have talked about. So segment profit of \$26 million was driven by the lower volume in equipment and services.

Another positive here I would say is that the customer operating environments continue to improve. Q2 volume was up 18% for the railroads. Parked locomotives, which are still a drag in services, have improved though. They went from 4,000 to 3,000 in the quarter and that should begin to help our service business going forward.

Next is Energy. John Krenicki and the Energy team delivered another solid quarter despite the lower volume. Our revenues at \$9.5 billion were down 9%, but we had good operating leverage. Segment profit of \$1.9 billion, up 3%.

Both Energy and Oil & Gas had similarly quarterly profiles as you see on the bottom left. If you look at Energy, orders of \$8 billion were up 8% in the quarter. Equipment orders of \$3.7 billion were up 19%. This is just a great quarter on orders here.

We had thermal orders of \$1.7 billion; that is up 45%. In the first quarter we talked about the Iraq order that was going to happen in the second quarter. It did happen. That was for 25 gas turbines. And overall we had orders for 42 gas turbines versus 25 last year.

Thermal orders price was down 1%. Wind orders of \$600 million were up 7%, so positive wind orders are good. We had orders for 248 wind turbines, up 32 from last year. And the wind orders price was down about 8%.

We had mixed orders in the rest of the business. Aero equipment orders of \$150 million were down 40%, but Jenbacher equipment orders of \$180 million were up 93%. So you're seeing a mix around the world.

Service orders were flat at \$4.3 billion, and Energy services at \$3.2 billion were up 6%, including over \$200 million of Smart Grid orders, which was up 50%.

The one drag here is nuclear service orders at about \$400 million of orders in the quarter, but they are down about 25%. Those fuel reloads have been lumpy, as I have said in the past.

In the quarter on operations, revenue of \$8 billion was down 8% driven by the equipment being down 16% and services up 5%. We shipped 31 gas turbines versus 42 last year in the second quarter. And we shipped 511 wind turbines versus 680 last year in the second quarter.

Segment profit of \$1.7 billion was up 3%, as higher pricing and direct material deflation more than offset the impact of that lower volume.

On Oil & Gas, Claudi Santiago and the Oil & Gas team also delivered another solid performance. They are seeing a pretty strong market. Orders of \$2 billion were up 10%. They were up 14% ex-FX driven by strong growth in equipment, which was up 20%.

Services were down 3%, but they were up 1% ex-FX.

Equipment is up, driven by a pickup in investment in the downstream market. We haven't seen this in a while. Refiners and petrochemical plants had really invested less during the oil price pullback in 2007 to 2009, and we are seeing a lot of increasing activity as oil prices have picked up.

We saw particular strength in Kuwait and Colombia, and we saw 2 times the number of smaller projects globally. Drilling and production was also up broadly. We saw particular strength in drill stacks for use in offshore drilling ships slated for the Brazilian market.

We had an order for a couple of ships and we expect another 25 to 30 ships to be built over the next two to three years. We also received another great order in the quarter for the Gorgon Australian LNG project; it was about \$225 million.

Service orders, organically up 1% driven mostly by lower orders for upgrades in parts in the downstream market. But the backlog in services is up 11% year over year.

In the quarter in terms of operations, revenues of \$1.8 billion were down 9% driven by the lower reactor sales for refineries. But that was partially offset by the strong growth in drilling and production equipment revenues. Service revenues were down 6%, driven by the lower spare parts for refineries.

Segment profit of \$292 million; that was up 3% as our direct material deflation more than offset the lower volume.

The final business page is on Home & Business Solutions. Charlene Begley and the team had another strong quarter. Look at revenues of \$2.2 billion; they were up 4%. And great segment profit, \$143 million, was up 59%.

Appliance orders were flat. We saw 4% growth in the retail market, but that was offset by the contract channel which was down about 9% given the weak multifamily market that is out there.

Lighting orders were very strong, up 12%, driven by the growth in energy-efficient products. We continue to invest in building Energy Star qualifying appliances in the US, and we received \$48 million of E\*Star credits in the quarter. That shows up in net income, not in the segment profit.

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Segment profit growth was driven by the benefits from the restructuring. We also had positive deflation which more than offset price declines. So overall, another solid quarter in H&BS.

I'm going to wrap up with a chart on Europe. Basically over the last two months we have fielded a lot of investor questions on Europe and tried to summarize them on the page.

Will GE Capital losses increase if there is more economic turmoil in Europe?

We do have a substantial business in Europe. Our businesses are profitable. They are performing well. The net income was \$183 million in the quarter on all our capital assets in Europe, up 79% from the first quarter. 80% of our assets are secured. So it is a majority commercial finance type business or mortgages.

And the losses were down over 50% from last year; and they were down 20% from the first quarter. We hold less than \$300 million of sovereign debt. We don't think that is going to have an impact on us.

Second question that we got a lot -- will currency translation negatively impact earnings?

We have got a pretty global manufacturing base as we have talked about. It gives us a significant natural hedge. Foreign exchange hasn't been a big variable for us in the past. It has been less than \$0.01 a quarter.

In Q2 we had less than \$50 million impact from FX; it was actually positive. We will be impacted by the euro as you translate the GE Capital assets and equity. But even with that, you saw our capital ratios improve.

A couple macro questions. Could the austerity program slow the growth in Europe? Does the lower euro help European competitors?

I think we will have to see. We have 14% of our Industrial revenue in Europe and we have already been basically dealing with a slow-growth Europe. We will have to see what competitors do with the pricing.

But as fast as we are worried about the dollar going to 1-to-1 now we're worried about it going the other way. So I think the global nature of the Company and the broad manufacturing base we have helps us to kind of weather these short-term volatility periods. And based on what we see today I don't think European volatility should have a material impact on our earnings.

Now, Jeff and I were in Europe the week before last. We covered seven countries. We met with many customers and government officials, bankers, and employees. So, Jeff, maybe you could make a few comments on Europe before we go into the end here.

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

No, Keith, as Keith said, we had a lot of chance to talk to people. I would say while governments are adjusting, the companies and partners that we work with across Europe are all continuing to invest. A lot of them have export franchises. So there just seems to be a little bit of a disconnect between what has to happen broadly from a macro standpoint and where the individual companies are that we are working with.

So as Keith said, we just don't see a big systemic issue coming out of Europe, given the world we see today.

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

There seems to be a real commitment to the European Union, a commitment to the euro. The austerity programs that people have put in place seem to be calming people down.

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

Yes, and I think the markets show it.

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

Yes, good.

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

So I am going to end just with three charts that I used at a May investor conference, EPG. The first was on 2010. We really don't change this. It is similar to before.

I would say our Industrial business is as expected. NBCU is strengthening. GE Capital is quite good and trending better. Healthcare looks pretty good. FX is negligible.

And we expect to do more restructuring in the second half of the year to kind of invest in the Company so that we improve the long-term profitability of GE. We have always expected to do that in 2010.

So I would say on a framework just similar to before, and the signs we have talked about are reasonably strong right now.

On the next page is another one that we went over with investors and we used this chart again at the EPG. In a no-guidance world, we are just trying to say what are some of the pluses and minuses as we look out over the next few years.

I really don't see any changes for this as we sit here today. There's lots of positive catalyst, lots of new products, global growth. GE Capital is clearly going to be better. The strength of our service business.

And the Company is always managing through a number of factors -- product launches, regulation, pension expense, things like that. So we have positives and negatives. But as I weave through that we are still positioned for attractive earnings growth in 2011, given with these same set of challenges and opportunities as we look out.

Finally, again, I showed this chart about a month or so ago and we really don't have a change in that. We're not giving guidance; but we still expect an attractive financial profile with a lot of cash.

If you think about value creation, the four things we talked about at my last investor meeting and what we saw in the second quarter -- we said that a repositioned GE Capital has a significant profit growth and competitive advantage. I think the second quarter shows that the GE Capital business model is intact.

I actually think when you look out in the future for GE Capital, we are competitively advantaged versus lots of other players out there. We feel like this advantage is going to benefit investors as we look toward the second half of this year and into '11.

Growing in our Infrastructure business. We had good orders; we are investing a lot in R&D; we've got a big global footprint. So we continue to invest in that long-cycle strength.

Building expertise and value around process excellence. Our margins are good. Our cash flow from operating activities are good. Our risk management has held strong. So I think investors should feel good about that.

Capital allocation opportunities to create long-term shareholder value. I think as more things come into focus on GE Capital returning to earnings growth, financial regulatory reform, this just gives us tremendous flexibility from a cash standpoint in terms of where we invest and how we grow.

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

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

Great. Thanks, Jeff, and thanks, Keith. Noelia, I think we are ready to jump into questions right now.

**QUESTION AND ANSWER****Operator**

(Operator Instructions) Jeffrey Sprague, Vertical.

**Jeffrey Sprague - Vertical Research - Analyst**

Good morning, everyone. Jeff, you perhaps created a little bit of a brouhaha -- perhaps unintentionally -- and things got maybe a little blown out in the press a couple weeks ago with your comments on China. But I am wondering if you could give us just a little bit of additional perspective on perhaps how you see the market transitioning.

Clearly there is probably an intensifying competitive dynamic starting to take form as the market is not all just about Western companies tapping the demand there, but maybe the growth and ultimate resurgence of some of these Chinese companies. Just give us some thoughts on how you navigate that landscape, and any thoughts on maybe how you might change how you approach business, kind of the JV structure, or other dynamics.

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

You know, Jeff, I am going to limit the dinners I have in Italy from now on, I can tell you that much. But I showed a chart at EPG on China which I think really reflects our perspective, which is -- it is an extremely big and strategic market.

We have got a big footprint of about \$6 billion and we plan to grow it double digits. That our strategy will be multifaceted. We will have businesses that will completely grow in a significant way like Healthcare. In Healthcare and Aviation we will have opportunities to do joint ventures with state-owned enterprises like the one we introduced this week with Avionics with AVIC, which I think gives us a chance to leapfrog some of our competitors.

There's going to be places where we have competitors there, in the Energy business and the rail business. But when you add them all up I still view China as an immensely strategic market for GE, one that we are doing well in, one that we will continue to grow in, and one where we will have strategic opportunities from a cost and a business model standpoint as we look forward in the future.

**Jeffrey Sprague - Vertical Research - Analyst**

Then just for -- actually maybe for Keith, but for either. There was a mention on supply constraints in one of the businesses, I think Healthcare. Is that actually impacting revenues in any of your businesses? What impact is it having on the organization overall?

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

You know, Jeff, I will start and, Keith, you can amplify it. But anybody in the electronics supply chain has seen a tightness around certain components. Healthcare for us is the biggest consumer of electronics. And as you can see the difference between orders in the last two quarters, really three quarters, and revenue -- we're building a lot of backlog.

All of us are getting better on the supply chain. I think particularly in Healthcare that just makes -- it should give us a little bit of juice for the second half of the year, that's the way I'd look at it. That is really -- I think other than Healthcare, Keith, we are not really --

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

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Healthcare is the only place we have really seen it, and we have seen it for a while. I think we're talking about around \$50 million of revenue that maybe got hung up at the end of the quarter in the supply chain. But the teams have been working it for a couple of quarters. I think they are really working through it, and it is not going to have an impact on us.

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**Jeffrey Sprague - Vertical Research - Analyst**

Just one final one if I could squeeze one more in. You mentioned energy price being positive in revenues. But I think we have had a couple quarters here now where price and orders has been negative. I am just wondering if there is a visible inflection out there where you are really booking negative price through the Energy business.

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

I think if you look at the total in Energy, it is down a little bit. Thermal down 1%. Wind, not a huge number of turbines, was down 8%. I think you're probably going to continue to see price pressure in the wind area. I think you're going to see pressure in the renewables area in total.

But I think the thermal business is a little more stable. We aren't really dealing with huge volumes of growth or huge declines in volumes. It is kind of about stable at the 110, 115 gas turbines a year

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

What I would say, Jeff, is that this team is generating about 4% deflation this year, the sourcing team. So we have got -- I actually expect the value gap for Energy to be okay as you look forward in the future.

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**Jeffrey Sprague - Vertical Research - Analyst**

Great. Thank you very much.

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**Operator**

Julian Mitchell, Credit Suisse.

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**Julian Mitchell - Credit Suisse - Analyst**

Thanks. I had two questions, please. The first one on Healthcare. Obviously that is a business where you have three consecutive years of falling earnings; you have had decent earnings growth in the first half so far. Can you maybe give an update on the restructuring in Healthcare and also on the pricing?

Then secondly, within the Energy business, just what you are seeing in terms of large tendering activity of the major utilities globally in terms of thermal as well as wind equipment. Obviously large thermal orders have been fairly dormant for two years now. How quickly do you think those might pick up?

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

Why don't I take a crack at it?

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

Yes, go ahead.

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

Keith you can fill in. Look, I think Healthcare we had a tough couple years, so all of us are a little bit hesitant to be super-bullish.

I think there's a couple things I like about the business right now. One is a lot of the regulatory impact is now known and being reflected; so I think that is good.

There is strong pent-up demand among our customers for technology. Our product line is very strong right now in Healthcare. So I see good interest from top to bottom.

Our emerging market growth is very strong. Our China and India businesses all grew in excess of 25% in the quarter.

And the team is doing a good job on execution -- margin rates, working capital, things like that. So I see some positives as we look at Healthcare going forward that I don't think are just one-time type items. I think there are just strong fundamental underlying dynamics as well as us doing okay in the business.

In Energy, most of the activity in the second quarter of orders came outside the United States. A lot in the Middle East and Latin America and Asia. So I think it's -- other than the Middle East they are not super-huge tenders, but they are a couple gas turbines at a time. And we've got a big sales force that can accommodate that.

I think the US has been still sluggish. No worse than it was last year, but no better. But the interest outside the United States is pretty good and we see pretty good funnels there.

That is true -- our three big wind markets are probably going to be Brazil, Canada, Turkey, places like that. So, Keith, that is my view. I don't know --

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

Sure, I agree. I think the Healthcare restructuring that we did last year, we probably spent \$150 million to \$200 million in projects that are less than two-year paybacks. And I think the team is doing a great job of executing. Now they are really focused on growing distribution to be able to take advantage of the growth in the developing world.

I think we're continuing to do a little bit of restructuring to help them to combine the diagnostic imaging with the rest of the product line so we've got a cleaner, streamlined structure globally. But the team is delivering. I think you see it in the order rates with new products. You see it in the profitability growth, and you see it in the margin rates.

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**Julian Mitchell - Credit Suisse - Analyst**

Great. Thanks.

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**Operator**

Nigel Coe, Deutsche Bank.

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**Nigel Coe - Deutsche Bank - Analyst**

Keith, you gave a good bit of color on the fed oversight. So what you expect in terms of the regulatory part over the next 12 months. What kind of frame work are you managing towards as this policy develops? Maybe specifically, what kind of Tier 1 ratio and leverage ratios are you managing towards?

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

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Well, I think what we're seeing today is what we know so far. If you look at an 8% Tier 1 ratio and you go back to what the large financial institutions in the US had to do as part of the stress tests and to be able to repay TARP, we feel like that is a very strong level of capital.

If you look at what might have to happen in the future from the new regulatory reform bill or from activity like Basel III, which we think is going to be pushed out and maybe be changed a little bit to the benefit of the large financial institutions, anything that we can foresee here we will be able to deal with based on the fact we continue to shrink the book when you get down to \$440 billion of ending net investment. We aren't anticipating a dividend out of GE Capital in '11.

We do think that we will pay a normal dividend, somewhere around 45% of the earnings in 2012. But when you get down to those levels of capital, somewhere out in 2013 and 2014 we should have excess capital in our Financial Services business.

Whether we need it for some really different regulatory level or we can use it to reinvest back in the rest of the Company I think is yet to be seen. But the outlook for us based on the performance of the business, the shrinkage that we are doing -- we are shrinking in very high leverage products. The mortgage business, high leverage and as that shrinks that gives us an awful lot of capital flexibility.

So I feel like we are trying to be thoughtful about it and cautious about it. Obviously, the rules are not written. There is no prescriptive number.

But for the risks that we take in our business we feel like we are very strongly capitalized and that whatever is going to come at us we will be able to deal with on our own. And we do believe we will have capital flexibility out later in the next couple of years.

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**Nigel Coe - Deutsche Bank - Analyst**

I think you have said in the past you are driving towards a 10% Tier 1. Is that still the target?

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

We have not given a number like that, Nigel. I think we want to be well capitalized in the regulatory world, and we plan to be that.

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**Nigel Coe - Deutsche Bank - Analyst**

Okay. Fair enough. A couple of quick ones before I hand it over. First of all, just following on to Jeff's question, 20%-plus Energy margins is pretty spectacular. You've talked about some pricing and pressure in the backlog. I think Jeff mentioned the value gap remains okay. How do we think about the Energy margins as that [decision does] come through the revenues?

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

What I would say, Nigel, is that pricing on new engines is still positive and we expect that to continue. One of the things that I have talked about in the past has less to do with value gap and margins and more to do just with funding of growth and strategic funding of the Aviation business going forward. You know, my --

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

It's mostly in Energy right now, but --

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

What's that, Keith?

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

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He was asking about how do we feel about Energy going forward.

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

Oh, are you talking about Energy, Nigel?

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**Nigel Coe - Deutsche Bank - Analyst**

Yes, the Energy margins in particular.

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

I thought you said Aviation. So I don't know; Keith?

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

Yes, I think if you look at the Energy business for us, we are going to basically be dealing with slow equipment growth as we said. You saw the equipment revenues are down somewhere around 8%.

And the offset to that is the service revenue. I think the equipment-service dynamic in the Energy business is going to play out just like it is in some of our other long-cycle places. Overall we are going to be able to have pretty good margins here.

70% of our margins came out of the service business in the second quarter and through the first half. And we built a pretty good installed base. We have got a lot of units that have not gone through their major overhaul on the gas turbine fleet.

I think the one place you watch is renewables. I think you are just going to have to watch the wind market. But I think the gas turbines market is going to be relatively flat, not very bubbly or dynamic for us. And the service business is what we're going to have to drive growth in.

We are investing a lot in adjacencies. You look at investments in Smart Grid and investments in everything around energy efficiency, we feel pretty good about some of the growth opportunities there.

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

And we are seeing good, solid deflation as well.

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

Deflation, as you mentioned, yes.

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

And I don't see that slowing down.

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**Nigel Coe - Deutsche Bank - Analyst**

Just a quick follow on there, Keith. You mentioned a lot of the installed fleet still hasn't had their major overhauls. When do you expect that inflection point to come through?

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

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Well, we need better energy demand. That is for sure. I think Jeff mentioned that we dealt with energy demand declines last year for the first time in a long, long time. And I think we need better utilization.

You saw that in the summer. The hot summer has helped quite a bit. Low gas prices helped. But at the end of the day we need some global growth, and I don't have a specific time frame for you, Nigel, on that.

But I think that we have got a lot of it under contract. We have got a huge CSA portfolio. And we will benefit, continue to benefit from the services growth in the Energy space.

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**Nigel Coe - Deutsche Bank - Analyst**

Right. Thank you very much.

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**Operator**

Terry Darling, Goldman Sachs.

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**Terry Darling - Goldman Sachs - Analyst**

Thanks, good morning. I wanted to talk a little bit about some of the items on the Mosaic slide. In terms of the 11 items you've talked about on the following chart, the plus-up for earnings in 2011, or two plusses as it were. Clearly it looks like you've got good momentum in GE Capital heading into '11.

I am just trying to think about how all the pluses and the minuses on the Industrial side add up as you think about it, and whether we could see Industrial earnings down in '11, offset by that strength in Capital, to get to the overall up; or how you are looking at that right now.

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

So you know, Terry, I think we don't give guidance on '11 and we haven't done operating plans and stuff like that. Maybe the easiest thing for me to do is just kind of take you down step-by-step and give you a sense of each one of the businesses.

I think if you take a look at Energy, I think what Keith said just a second ago is probably the most uncertainty is about the wind profile and where that goes. On the plus side, I think we should see some decent orders growth. We have got a good product pipeline, not just in gas turbines but in places like distributed energy, Jenbacher, things like that. And the adjacencies orders have started to pick up, so we should see some decent momentum and tailwind out of those activities.

Oil & Gas is -- everybody is watching what is going on in the Gulf. In the meantime our orders are quite strong and our backlog is very good. We think there is still potential for our Oil & Gas business to get even stronger as we go through the year, with a very strong profile.

Aviation, revenue passenger miles are growing. Services we expect will strengthen as we get into next year. We have got big share positions across the board.

I think we will spend -- really if you look at this period of time, I would say over the last 25 years we have built a very strong leadership position in commercial aviation. In the next few years there is going to be investments not just in the GEnX but in narrow-body business jets, a whole profile and skyline of new technologies. These generate the earnings stream as you look out over the next 25 years. There's probably new planes being built that will be a \$0.5 trillion of profit over the next coming years.

So we are going to invest more in R&D and product spend over the next couple years, anywhere from a couple hundred million dollars to as much as \$400 million or \$500 million as we look at the next few years. But that is envisioned in the '11 framework that we give.

Healthcare I think is more good than bad. Healthcare has got -- we worry a lot about government budgets and things like that, but reform is better understood. You have got an older installed base. You have got good procedure growth. You have got emerging market growth.

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As Keith said earlier, we think Transportation has hit a low point, and the backlog is strong. You're going to get some juice out of this business just based on the recovery that you see going on out there.

Home & Business Solutions, retail is a little bit better, contract is still soft. We have done a good job on costs and margins in this business. We ought to continue to see decent growth.

Then we expect pension headwind to be out there in the future. But that is offset by whatever restructuring we do this year and things like that.

So Terry, when I put it all together, there is a lot of tailwind, but there are some specific things that we are going to manage our way through as we get through '11. But none of those really change the way I feel about the Company going forward.

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**Terry Darling - Goldman Sachs - Analyst**

Okay. Then, Keith, maybe follow up with you on where we are with the net of restructuring expense and restructuring savings. Sounds like your first half of the year here, or at least certainly in the second quarter, you got some benefit on a net basis. Sounds like in the second half restructuring expense goes up; maybe offset by lower Industrial tax rate. Is that the way to think about that?

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

I think there's a couple factors for the second half that you would have to think about. I think there are some potential tax settlements; we would not anticipate they would fall through.

If you look at the strength in GE Capital, I think that the GE Capital team is going to continue to look at opportunities to make sure they continue to improve their earnings profile as we go forward. I don't have a specific cents per share in mind here; but we do have some projects that we are working on that we think can continue to lower the cost structure.

I think if you look at the benefits from the restructuring that we have done, they are really coming through. You can see them in margins; you can see that in our variable margins; and you can see them in our base cost productivity this year.

So I hope that we can do some more restructuring in the second half, and the teams are loading up some projects that we think will lower our cost structure and improve the profitability as we go forward.

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**Terry Darling - Goldman Sachs - Analyst**

So, Keith, for the year, is it expense is pretty similar to the savings? Or are you net still --?

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

The expense will be less than the savings. The last couple of years we did so much restructuring, Terry, we did several billion dollars after-tax. We're not going to approach that level this year.

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**Terry Darling - Goldman Sachs - Analyst**

Then next year the scope -- assuming the world doesn't fall apart on us again -- would be continued savings in excess of expense?

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

Yes, it would.

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**Terry Darling - Goldman Sachs - Analyst**

Okay, great. Thanks very much.

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**Operator**

Steven Winoker, Sanford Bernstein.

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**Steven Winoker - Sanford C. Bernstein - Analyst**

Good morning. Jeff, can we just start off with capital allocation? Could you just give us the sense of prioritization across dividends, repurchases, and M&A, in terms of how your thinking has continued to evolve with changing world events?

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

You know, I think the first thing I would say, Steven, is that we really have in many ways -- we've executed extremely strongly on the balance sheet and cash availability. I think the numbers we show you today are all at or above their -- kind of the baseline. And we still have the NBCU transaction and stuff like that out there.

So with that day as an outset I will just kind of track through. I think when you think about the dividend, I think it's important for the Board and me as we see capital losses have peaked, pretax earnings accelerating, the regulatory capital standards clarified, I think it gives us confidence as we go through that on the dividend. And that is more or less these things are all kind of falling in place. So we want to be safe, but we also want to be investor-friendly when we think about that. These are things the Board and I will talk through.

I think as you get past that, you think about buybacks and then I think it depends on alternatives. If we get -- good complementary acquisitions are available at the right value, we would look to deploy our capital there. But if our stock were valued similarly to where it is today, then doing a buyback is something that is a good alternative.

So I think the dividend is easier to focus in on and then buyback versus acquisitions just really all depends on returns and availability and things like that. We have got -- look, when we look at our financial profile, we think that is from underlying operations. And the financial flexibility is just a way to make the Company even stronger. So that is how I view the pluses and minuses on capital allocation.

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**Steven Winoker - Sanford C. Bernstein - Analyst**

Right. Clearly there has been some price moves within Oil & Gas and other sectors that you have talked about as kind of priority areas over time, right?

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

Look, we still think the Company is going to do M&A in Infrastructure, in the right size range, and we have the cash available to do that.

Look, I think having -- just think about it. You've got something like \$60 billion of cash in GE Capital. You're going to have by the end of the year \$25 billion of cash at the parent. We have seen GE Capital really strengthen. Pretax is growing. Losses seem to have peaked.

Keith talked about the fact that essentially we think that GE Capital is going to be able to shrink and grow earnings into whatever capital structure it needs to have. So that gives us tremendous freedom.

The Income Maintenance Agreement -- look, we will see what the second half says. But if you just took the first half and multiplied it by 2, there is no Income Maintenance Agreement that GE Capital has needed. But we will see how that all goes as time goes on.

I just think it ought to give investors a heck of a lot of confidence in the capital allocation options available to the leadership of the Company.

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**Steven Winoker - Sanford C. Bernstein - Analyst**

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Okay. You mentioned cash flow, just Keith, maybe so I get a better idea on the Industrial cash flow and operating assets was down 10%. I know you talked about progress, collections again being offset by working capital improvements.

But even relative to revenue, are there any other negatives that are going on there that we should be aware of?

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

The only dynamic I have is that the progress is down, and we have offset that with receivables and inventory and accounts payables. I'm not aware --

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**Steven Winoker - Sanford C. Bernstein - Analyst**

And CapEx. Okay. All right. Then I guess on the organic growth number, can you just give us -- last quarter was down 6%. What was it this quarter for Industrial?

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

Yes, organic revenue for Industrial was down 4%.

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**Steven Winoker - Sanford C. Bernstein - Analyst**

Okay, great. Then the final thing is on the orders front. They were up 17%; but if you -- depending on how you treated the Iraqi order, obviously it might be I guess 3% if you thought about that from Q1 versus Q2 or somewhere in between.

Again, the progression of orders within the quarter, was that rising or falling across the Infrastructure businesses?

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

I think better. I think if you look at Energy, even ex-Iraq, positive. You look at Oil & Gas, very positive on equipment. You look at Healthcare positive. You look at Transportation, some big orders.

I think Aviation is down. The reality is that air framers are pretty full through '11 and '12.

Now we do have some encouraging signs. You saw that Boeing has said that they are going to increase the 777 from five to seven a month in mid-'11. Eventually that is going to impact us on orders on equipment.

Airbus is going to take the A320 from 34 to 36 at the end of this year. Boeing is going to take the 737 from 31.5 to 35 a month in 2012.

Those will start to flow through on equipment orders again. But we had such a big backlog that is the one that I think that is just a little slow and will stay there a little bit.

But the others I think are encouraging. It is a lumpy -- long-cycle orders are lumpy, but it's encouraging.

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

I think, Steven, you said it right. I think looking at the timing of Iraq and stripping that out, thinking about orders going forward in single-digit-ish type range is the right way to think about it.

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**Steven Winoker - Sanford C. Bernstein - Analyst**

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Okay, great. Thanks, guys. I appreciate it.

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**Operator**

Bob Cornell, Barclays Capital.

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**Bob Cornell - Barclays Capital - Analyst**

Hey, guys. You've covered a lot of ground. The corporate expense is a little less than I would've thought in my model. You talked about restructuring ramping up in the second half.

Can you give us a guide for what corporate expense is likely to be for the full year and how that might trend over the balance of the year?

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

You know, I can tell you what it is in the quarter. I think in the quarter we are down a couple hundred million, Bob. You go from \$500 million of cost to \$300 million, if you see that on the income statement schedule that we put out.

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**Bob Cornell - Barclays Capital - Analyst**

Right.

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

The segment schedule. Basically that is lower structuring partially offset by higher pension. Then we had the gain that I mentioned in environmental gave you a little bit of a decline there.

I think if you normalize that, the pension continues at the normal level, the higher level. It is on track to be \$1 billion pretax higher restructuring for the year.

We will have to see on restructuring. I think restructuring is the flexibility we have in the second half. In the second quarter, there is about a penny after tax; that could be higher as we go into the second half of the year on the corporate line.

And I don't anticipate anything like another environmental settlement. This was a long, old case that just settled in the second quarter. So I don't think you will get that credit benefit in the corporate expenses. So I think you are probably back up closer to the \$500 million level on a more normalized run rate.

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**Bob Cornell - Barclays Capital - Analyst**

Well, we had flat for the year. Is that too high a corporate expense number for this year based on what you see now?

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

I don't know how to compare to your model, Bob. I think I will ask Trevor to take a look at it with you.

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**Bob Cornell - Barclays Capital - Analyst**

Cool. The other question is, it sounds like in Tech that the service numbers were all a little bit lighter than you would have thought. Can you just comment there a little bit, quickly?

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

Sure. The place that we are seeing an impact obviously is in Aviation. It is a little lighter than we thought. The number of overhauls in the quarter was 279; that was down basically 80 overhauls from last year.

It is driven by CFM. We are seeing a lot of airlines that are under cost pressure. They are pushing out service, doing the bare minimum of service.

I think we had some impact from the lower flying hours in April from the volcano. But now you're seeing growth in revenue passenger miles. You are seeing growth in freight passenger miles. It seems like there is a three-month lag between the revenue passenger miles rolling into more overhaul activity, and maybe as much six-month lag between the freight passenger miles growing into overhaul activity.

But with both of those very positive in the first half, that should be better. Sequentially we are looking at overhauls of about 330 in the third quarter; that should be up about 10%. That's sequentially up, but it is still down versus last year about 6%.

So I think the good news is in front of us, but I think it's just going to be a little slow to materialize. And on a comparison to last year, it is still a little tough.

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**Bob Cornell - Barclays Capital - Analyst**

Okay. You're pressed for time, I will pass the baton. Thanks.

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**Operator**

Chris Glynn, Oppenheimer.

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**Chris Glynn - Oppenheimer - Analyst**

Thanks. Just digging into the orders a little bit, the comment on single-digit growth in the second half. It's kind of interesting with the tough fourth-quarter comp. Just wondering what is driving that strength in particular in the verticals?

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

I would say there is always a fourth-quarter ramp in businesses like Healthcare and Energy and stuff like that, Chris. So I think when we look at our funnels across the businesses, and you think about businesses like Transportation that are coming off a very low base, that is really what we base it on.

So again, like I said it is difficult to forecast; it is difficult to predict. It tends to be lumpy. But when we sit down -- when I sit down and visit with our commercial leaders, this is kind of the rollup that I look at.

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**Chris Glynn - Oppenheimer - Analyst**

Okay, and one follow-up.

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

Energy through the first half, it is a little lumpy on even something like Iraq. Through the first half the total Energy is basically down 1%.

I think on a normalized basis that is probably better instead of worrying about the lumpiness of Iraq. Is it in or is it out? That is a pretty -- to get to flat and maybe up slightly in the second half is something the teams are working on.

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**Chris Glynn - Oppenheimer - Analyst**

Okay. Then just on NBCU, I think if we back out the impairment last year, profits are actually down a little bit. Is everything going all right there with the margins? Any restructuring benefits? I was a little surprised by that.

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

I don't have anything that we are comparing to last year that gave them a positive V here. I think they had very few other income items in the quarter, transactions this year or last year. Whatever they had was the same as last year in my analysis, Chris.

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**Chris Glynn - Oppenheimer - Analyst**

Okay, I must have misplaced something. Thank you.

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

In the third quarter --

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

In the third quarter --

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

Third quarter they do have a -- they did have a gain from the A&E.

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**Chris Glynn - Oppenheimer - Analyst**

Got it. Thanks.

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**Operator**

Steve Tusa, JPMorgan.

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**Steve Tusa - JPMorgan - Analyst**

Hi, good morning. So, GE Capital revenues are basically flat, but the assets were down dramatically. You guys really had a plan there; doing well on the cash conversion.

You talked about your contributed value margin being 5.3% versus 5%. Where -- does that contributed I margin get better? Or are you starting to already see degradation there? How does the second half look? Because I know your guidance for the year is 5% on margin.

And just a follow-on to that is -- was there anything in the quarter in GE Capital revenues that was kind of unusual that needs to be stripped out?

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

You know, I don't have a lot in GE Capital that needs to be stripped out. I think the margins are better. You can see that on underwriting the margins that we're getting on new volume is very good. We are going to be rolling off some of the lower margin volume that we did in the last four years.

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The margin contribution to growth in the second quarter was substantial. That is not going to change dramatically as you go forward. I mean with these high margins and the run-off and the comparisons, I think you are going to continue to get benefits from better margin in GE Capital.

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**Steve Tusa - JPMorgan - Analyst**

So you should be able to beat that 5% this year, it sounds like.

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

We have given you a 5% number; in the quarter it was 5.3%. If it stayed at that level, that would continue to be really good as we go through the year.

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**Steve Tusa - JPMorgan - Analyst**

Okay. Then one last question. Given the dramatic facelift of the portfolio in GE Capital, focused on more of the core business as you wind down ENI, is there reason to believe that those provisions and those reserves should be lower than historical levels out in the normalized period? Or are we just in a different credit environment where those metrics are stubbornly high?

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

Sure. I think our reserves -- our loss provisions are going to follow our delinquencies and non-earnings. As those delinquencies and non-earnings continue to improve, our loss provisions are going to come down.

Eventually you're not going to have \$9 billion of reserves. Some of it will come down, the majority through write-offs. But I believe that you're going to have a need for lower reserves in a normalized margin environment.

It is pretty clear to us that we think losses have peaked. If you look versus the fourth quarter of '09, we are \$900 million less on the credit provision. Even including marks and impairments we're \$600 million less than the high point.

We have got two quarters of improvement. I think you are just going to continue to see this book get better.

Now, that is subject to what happens in the world and the economy. But I think based on the outlook we see today, that is a pretty good earnings generator for the next several years.

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

Steve, if I can, I would add something just to what Keith said, which is about the front-end of the business. We still have the best origination force in the industry. We are well positioned in the midmarket franchise. In a lot of the segments that we compete in we have far fewer competitors today than we did pre-crisis.

So I think not just from a loss standpoint is the scenario going to get better, but I also think from an origination standpoint we are at a very good time for GE Capital.

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**Steve Tusa - JPMorgan - Analyst**

Right. The pretax pre-provisioning number actually improved quite a bit too. So clearly you're getting some good headway on the margin side.

One last quick question just on the GE Aviation R&D. You talked about a couple hundred million dollars. Is that a year-over-year increase every year? Is that an annual increase from 2010 that should be sustained for the next several years? I just didn't quite understand what you were saying there.

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

(multiple speakers) Again, I just think there is a lot of new technology that is coming in, and as I look at where we're going to go in the next few years, it is going to be in that range as a year-over-year basis. (multiple speakers)

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**Steve Tusa - JPMorgan - Analyst**

Right, so a couple hundred million dollars a year?

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

I would say a couple hundred million dollars up to \$0.5 billion.

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**Steve Tusa - JPMorgan - Analyst**

Per year?

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

A range.

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**Steve Tusa - JPMorgan - Analyst**

Okay, great. Thanks a lot.

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

But again, guys, it's all about leadership and it's really all about driving technology at a moment in time when we think that is of most value.

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**Steve Tusa - JPMorgan - Analyst**

Okay, thanks.

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**Operator**

Scott Davis, Morgan Stanley.

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**Scott Davis - Morgan Stanley - Analyst**

Hi, thanks, guys. I want to just ask a couple follow-up questions. I mean the commercial real estate unrealized losses, a pretty nice directional move. How does that -- is that -- how do you think about the model?

Is that better experience in the actual properties, or somewhat of a change in assumptions based on macro variables? How do you get to that number?

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

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Well, I think the number one thing that drives it down is we depreciated the properties we own. Number two, the impairments we take lower the book value. So those are the two biggest pieces.

We have not factored in to any changes in future rental growth or cap rates or anything to lower that amount. That is mostly coming from our performance, from our write-offs and impairments, and the depreciation of the properties.

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**Scott Davis - Morgan Stanley - Analyst**

Okay.

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

And that will continue. You know, we depreciate a little over \$1 billion a year. And obviously with the impairments in the quarter, \$500 million pretax, that is a bite that is right into the unrealized loss.

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**Scott Davis - Morgan Stanley - Analyst**

Sure, sure. Okay. That makes sense. Jeff, I know you talked a bit about R&D, up 14% year-over-year and you are trying to stimulate new products.

How do you see that growth in R&D? Pretty much since you have taken the job you have had a nice focus on R&D. But up 14% is a pretty good number.

When you look for 2011, 2012 kind of the out years, is there some sort of sweet spot that you hit where you don't need to grow it anymore, where you have your platforms funded?

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

Yes, definitely. Definitely, Scott. I kind of peg it at kind of between 5% and 6% of our industrial revenue. We're going to have about 30% more products this year than in the past.

I think you see that with our market share in Healthcare. As you know, this is what sets up the service revenue and all the things that come with it. So I always think that is a sweet spot that gives us a competitiveness position against all of our key competitors.

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**Scott Davis - Morgan Stanley - Analyst**

Sure. So basically growing with revenues from here, or growing ahead of revenues?

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

Look, I would say growing more or less with revenues from here.

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**Scott Davis - Morgan Stanley - Analyst**

Okay. Just to narrow down a little bit, clearly you will have a little bit more R&D in the Aviation side. Does that mean you can take a little bit from an area that doesn't have quite the growth potential?

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

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What I would say is we're going to look across the portfolio. I spike out Aviation because I think they are in a particular cycle, and there might be opportunities to reallocate inside the Company. But we also still see good potential for Healthcare and Energy and some of our other platforms as well.

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

The most valuable growth we can do is if we can invest in technology to improve our organic growth. And we are committed to it. Every single one of our strategic plans that we went through this year, Scott, the number-one thing is -- what is the R&D deck to continue to improve our competitive position?

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**Scott Davis - Morgan Stanley - Analyst**

Sure.

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

The teams are committed to it and I think it is a better place for the Company to be at these levels of R&D spending.

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**Scott Davis - Morgan Stanley - Analyst**

Sure, sure. Agreed. Just again narrowed in on it, one of the potential side effects you could argue on Healthymagination is maybe not as much of a focus on the arms race and the next generation of CT scan or something.

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

I think that's right.

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**Scott Davis - Morgan Stanley - Analyst**

But does that mean you can --

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

Again, when I look at Healthymagination, though, the share we are gaining on the lower end in places like China and India is substantial.

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**Scott Davis - Morgan Stanley - Analyst**

But that doesn't require quite as much R&D spend, right?

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

Exactly, yes.

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**Scott Davis - Morgan Stanley - Analyst**

Okay, okay. Lastly, Keith, just to clarify, the CFOA has been fantastic and working capital has come out pretty aggressively. Are we pretty close to being done with what you can do in working capital, now that presumably your growth rates are bottoming out and you will start to build backlog again?

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

I don't think so. We basically, as I said, we went through the strategic plan this summer. We are trying to get a goal. We have benchmarks for every one of our businesses and the goal that we would have is probably about a half a turn in working capital improvement each year to continue to offset the growth that we have in the businesses or any pressure from progress collections.

Two years ago we stated that as our goal, and we have been able to deliver that through the all of 2009 and the first half of 2010. So we have an operating council. We meet every month. The teams are focused on improving their processes.

Our working capital turnover went up in the second quarter again a couple of tenths in receivables and inventory and accounts payable. And there is more to do here in terms of using lean and being more efficient and sharing practices across the Company where we have better performance.

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

You know, Scott, when you look at our long-term incentive plan one of the big drivers is cumulative cash flow from operating activities. So all of the leadership team is incented to drive working capital improvement and strong CFOA. And I think this is what you see in the execution.

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**Scott Davis - Morgan Stanley - Analyst**

Okay. Sounds great. Thanks, guys.

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**Operator**

Jason Feldman, UBS.

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**Jason Feldman - UBS - Analyst**

Morning. So you have talked a couple times now about expecting \$25 billion of cash at the parent level by the end of the year. I guess I am just kind of wondering how much you really need to keep there.

At Finance you've got better capital ratios and leverage ratios than for some time, if ever. How much of a backstop do you still really need at the parent level? Or how much of that can you deploy?

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

You know, we haven't really decided yet on this one. I would say clearly we're going to have more cash in the future than we had pre-crisis. But with \$25 billion we're going to have substantial flexibility to do the things we want to do to grow the Company.

I don't know, Keith, would you add to that?

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

Yes, sure. I think we are obviously -- priority number one was to make the Company safe and secure. I think we have crossed that threshold. I think you mention at GE Capital we have got enough capital, got a lot of cash, and we have got enough cash to handle any liquidity issues there.

We are looking from an enterprise risk perspective at how much capital do you need at the parent for unforeseen events, for systemic risk. It's going to be some amount, obviously, more than we used to hold. We used to hold \$2 billion at the parent; it is going to be more than that. But we have not given a specific number.

But even about whatever that threshold is, we're going to have substantial cash. We're going to be able to deploy all the NBCU cash and a lot of our free cash flow from the business operations into capital activities that will improve the future value, as Jeff said.

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**Jason Feldman - UBS - Analyst**

Okay. Last question is, you mentioned not just today but in the past that you've got far fewer competitors in the finance business than precrisis. At least one large bank, I think another as well, mentioned sharply higher originations in the small-business lending area. Have you seen an uptick in competition as the banks have begun to recover, or any change in the competitive environment?

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

You know, I would say we really haven't in the spaces we are in. I think you got to remember about where GE Capital is. We are like deep in things like private label credit cards, midmarket lending, aircraft leasing. In the places where we are, sure we are going to have competitors. But I think we have pretty unique, scaled niches and that's -- it's -- we feel good about our dynamics.

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**Jason Feldman - UBS - Analyst**

Okay, thank you.

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

Noelia, why don't we take one more question? We have been going for a while here.

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**Operator**

John Inch, Merrill Lynch.

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**John Inch - BoA-ML - Analyst**

Thank you. Good morning, everyone. So the implication -- I think Jeff, you made the statement of the \$25 billion still expected by year-end in cash. Does that imply that NBC is still on track to close by year-end? I am assuming there is some sort of dovetailing with EU approval.

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

You know, John, I hate to predict exactly when it's going to close just because we don't control it. But we don't see anything today that changes what we have said in the past.

So we have put that in as a marker; but again remember we don't control it, and so I want to respect the process.

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**John Inch - BoA-ML - Analyst**

Sure, I understand.

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

The \$25 billion assumes it closes by year end. But what if it pushes out a little bit? We are still going to get that capital. We do believe this deal is going to close, and there is a timing question.

Right now our teams are working very constructively with both the DOJ and the FCC. We filed all of the information. We are in active dialogue. The formal clocks end sometime in November.

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So we are going to work like crazy to get that closed by year-end, but that is tied to that assumption, obviously. Right?

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**John Inch - BoA-ML - Analyst**

And the delta is like what, about an \$8 billion shift?

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

\$8 billion, yes.

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**John Inch - BoA-ML - Analyst**

And then, Keith, the cash impact of Lake, is it materially different than what we see in terms of the chargeoffs per quarter? Like was it different than the \$0.02? What is the trend there?

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

Yes, there was no cash impact yet of Lake. But ultimately the amounts we pay above the \$2.2 billion will be cash paid to Shinsei for the claims.

It is going to be dollar for dollar. The reserve amounts will be cash in Japan, and these are without any tax effect. So there is dollar for dollar on the reserve increases.

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**John Inch - BoA-ML - Analyst**

Okay. That makes sense. Just last question, more of a housekeeping. On the balance sheet I think the liabilities associated with businesses held for sale seemed to go up a lot sequentially; but it didn't look like the assets of the businesses held for sale were up that much.

Is there something meaningful there? I think it was about \$4 billion of change.

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

Sure, we completed the NBCU debt offering. If you remember in the quarter we borrowed -- we have \$6 billion of term financing that we need to do before we close the deal. We did \$4 billion of that in the second quarter. A very successful offering. So that is what that is.

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**John Inch - BoA-ML - Analyst**

Okay, great. Thanks, guys.

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

Great. Thanks, everyone, for your time and questions today. Just to close out, the replay of today's webcast will be available this afternoon, and I have a few housekeeping items to close out here.

First we will be distributing our quarterly supplemental data schedule for GE Capital later today. In the past we have issued this in conjunction with our 10-Q, so we wanted to get the data in your hands sooner.

Second, we have our analyst meeting at the Farnborough Air Show next week on July 20, and please visit our website for details there.

Third, we will be scheduling a GE Capital webcast for later this year. We have had several of our leaders including Mike Neal out at sell-side conferences, so we haven't done a webcast. But we will still be doing one later this year, so we will send out details once that is finalized.

Finally, our third-quarter 2010 earnings webcast will take place on Friday, October 15. And as always, JoAnna and I are here to take questions and go through anything you have. Thanks, everyone.

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