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SPEAKER 1: All right, we'll get started. We have, from GE, CFO Keith Sherin.

SPEAKER 2: Good afternoon, everyone. Thank you, Steve, for inviting us down here. Before I get into the picture, just wanna say I don't have any new updates to the GE framework that we've communicated. I do have a lot of material about the company and...several of the items we covered at EPG recently, so. So, just to start with the economy. We---- we don't have a change to how we're seeing the world. Right now, it's a multispeed world, the developed economies are slow. They got challenges with their debt; housing, with the budget deficits; and unemployment, and the developed world---- developing world is really investing like crazy and we're seeing an awful lot of global growth and that's kind of the way we saw the world as we entered the year. We continue to see that. A lot of volatility, whether it's geopolitical issue or a natural disaster. You know, for us, we've gotta run our play. We're---- we're investing in new products. We're investing in globalization. We're growing our services business and the way we're dealing with the volatility is we have a lot of cash. We're---- we're prepared for disruptive events and if we had to have periods where we couldn't access capital markets, that's kind of the way we designed the financial balance sheet at GE Capital and that's how we're dealing with volatility today. From a perspective of customer productivity, you know, customers are demanding more and---- and that's why we're investing more in new products. I'll share some more about that and governments are really active. We got a great culture from a regulatory perspective and a compliance perspective so we're positioning the company for growth. We---- we try to just demonstrate the portfolio with this simple chart. We're a big infrastructure business. We're---- we're focused on solving some of the world's toughest problems. We've made tremendous investments in infrastructure. We've got a big financial services business. Our objective is to have strong competitive advantages in every business we're in and I think if you look at the positioning across our infrastructure businesses, you know, we clearly got a global market leading position in every one of those business. In financial services, we've retrenched. It's smaller. It's focused around the things where we connect to GE like the verticals and aviation energy and healthcare and it's also the mid-market commercial lending and leasing where we got a direct origination advantage and we wanna use our skill to advantage. You know, the one ben---- one big benefit of being a large company is to get leverage across, whether it's R&D or it's global distribution or it's connecting the dots of our financing and our services and our equipment businesses so, you know, pretty---- pretty good portfolio. We---- we've really ramped up investments in R&D. If you look at our run rate in R&D from 2005 through 2007, and then you look at the [inaudible] that we put in R&D in '08, '09, '10, and '11, incrementally, it's---- it's several billion dollars. We've taken the R&D spend up to about---- between 5% and 6% of industrial revenue. Even during the recession and the financial crisis, we increased our R&D spend 15%, 20% a year for those 3 years in a row now, and it does peak as a percent of revenue in '11. I think we've reached the spending rate that we feel very confident in in terms of being able to deliver new products in the markets where we're competing. We've got new products across the entire portfolio. You saw this week we announced a large heavy duty gas turbine FlexEfficiency product in Europe, 61% efficiency. We're very heavily invested in products in the oil and gas market, extract shale gas. We've got a lot of new products in healthcare including tissue pathology that really are just starting to ramp up. On aviation, you know, we're in a heavy product cycle. We feel---- feel great about our position there. GEnx is just about in the run rate and LEAP-X is starting to ramp up. Transportation is in a huge positive cycle. We got a brand new investment in a sodium battery in a facility up in Schenectady and then in---- in home and business solutions, we're pretty much reinvesting across the entire brand's product line, so the way this is gonna show up is in higher organic orders growth and we expect 5% to 10% organic orders growth in 2011. One of the most important parts of the portfolio is obviously our installed base and our services business. We've got $37 billion in revenue last year with over $10 billion of profit. We continue to grow in installed base, in aviation and energy, transportation, and healthcare. We---- we continue to have a tremendous backlog of long-term service agreements, 10- to 15-year product maintenance agreements with our major customers. We got a very global position. Almost half the backlog is in emerging markets so we're not only selling equipment there, we're also committing---- getting commitments on long-term service arrangements. Good spares rates, you saw that in the first quarter of transportation and aviation and energy and our margin of services is expanding. We're also investing a lot in software. We---- We are, on a standalone basis, about the 14th or 15th largest software company out there if you just took all our product software and you aggregated it, and we wanna really be even better at that. We got a big new leader and it's gonna help us to provide broader solutions to customers in places like Smart Grid or aviation and other parts of energy, healthcare. Probably one of the biggest transformations going on in the company today is around globalization. We're a very good global company, over half our revenues are outside the US, but we can be better. Many of you know we've taken one of our senior leaders, John Rice, who's a vice chairman of the company, run many of our businesses, as he's been [inaudible] to lead the growth regions for the company. He's based in Hong Kong, but it's more than one leader. We're basically---- and many of the countries have upgraded our CEO in the region. We've added big chief financial officers in each of the growth regions, and we're really working on a cultural change to be able to have more authority, delegated decision making, be a lot closer to the customer, and bring better solutions in terms of financing and products and services locally and so we're really trying to shift the balance of power in our company from a product-driven company or, you know, most of the decision making was done centrally in a developed market to a more of a mix where it's a balance between the product-driven company and the global capability and the best way to do this is to have huge---- big, responsible leaders out there who we trust with the delegation of authority close to the customer and so, you know, through the first half, revenues were up 16%. You can see great growth in Asia and a strong growth in the resource-rich countries. We expect to be up double digit in 2011 in these growth regions. Growth regions are basically everything except for Japan, Western Europe, and the United States. A big topic in the---- in the market about GE is around the gas cycle, and gas turbines, where are they and what's driving it. A lot of very positive dynamics in the marketplace here. Obviously, a lot of abundant natural gas at low prices. The emerging market growth and the investments they've put in infrastructure for gas, regulations around coal, certainly the disaster in Japan has had a dramatic impact on the energy market there, and it's also had ramifications on the nuclear energy market globally. There will be a boost in the need for additional power in Japan. A lot of that is being delivered as gas, gas turbines, and their derivatives and, you know, the two drags we got, one is general GDP growth in the US and Europe and whether reserve margins are tightening enough so that's something that you gotta have the economic growth to be able to really guess who's gonna be right and it's gonna be the preferred energy power generation source for the next 15 or 20 years, but you gotta have the demand there, and the other thing that we're dealing with, we do have lower pricing in our backlog in gas turbines, but that's also stabilized in the second quarter here. All right, on the top, you can see just the total cost of electricity by different technologies. That's---- that's from a third party, not from GE, and then, you know, our original outlook for gas turbines which were such a big driver of the energy market for us was to be flat in '11 and flat in '12 and as Jeff said at EPG, you know, we're actually up in '11 and we're gonna be up again on top of that in '12 and we've just seen really strong orders in Saudi Arabia, in Brazil, in Russia, and in China, and---- and now in Japan as well on top of that. GE Capital is such an important part of the company. The turnaround is happening. We feel very positive about the outlook for GE Capital. Obviously, we earned $3.3 billion last year. In the first quarter, we earned $1.8 billion and even if you took out $300 million for the gain we had from the sale of our Turkish bank stake, you know, on a run rate, it's at a---- at a significantly improved profitability level and the outlook for '12 is all set to continue to have growth and earnings. We're ahead of our shrinkage targets on ending investment reductions. You know, we---- we had a goal to be at $440 billion of ending investment by the end of '12 and you can see, '11 estimate is on track and we're---- we're $10 billion plus ahead of where we originally set up this so we have---- we have room for some bulk origination if we can find the assets at a very attractive price. We like our origination advantage.

Commercial real estate continues to stabilize and losses will come down in that business and the unrealized loss in the portfolio will also continue to come down. We've got core growth in the green assets, in the commercial lending and leasing, in the verticals, and we have limited European sovereign debt exposure. We don't have any US mortgage exposure, and we---- we feel very good about the position. Here, on the bottom left, the capital ratios, I've updated this with the second quarter '11 estimate that---- that capital tier-1 common ratio at GECC and GECS will both be over 9%, so as we continue to shrink GE Capital, as we continue to leave the retained earnings in GE Capital, obviously the capital ratios have continued to improve so we---- we feel pretty good about where we are. Our objective is to reinstate the dividend from GE Capital back to the parent in 2012. That requires---- will require Fed approval. The Fed will be our regulator, and---- beginning in July. We've had a couple preliminary meetings with them. They're very professional, engaged organization and we've been preparing to have the Fed be our regulator for the last 18+ months so, you know, I think the start will happen in July. We've got a lot of work to do to provide information in a way that they're used to seeing it from other financial institutions but we feel like we're reasonably well prepared and we've been preparing as I've said for quite a long time. The other thing about GE Capital that our objective over the next couple years is that we'd like to, while we continue to have GE Capital be a smaller part of the total company, we'd love to be able to dividend the excess capital out and have that contributed to our capital allocation plans. I'll show you some more of that in a minute, so, feel good about the progress in Capital and actually the performance continues to be very strong. We've talked a lot about capital allocation. Eighteen months ago, we put together a team at the company to make sure we look at what investors were expecting from us on capital allocation, what other companies did, what are some best practices. We learned from the things that we've done over the last 10 years what worked well and what didn't work as well. You know, our actions in the last 18 months have been pretty strong in restoring a very investor-focused capital allocation plan. We've increased the dividend three times in the last 14 months, 12 months. We're up 15% over where we were in the first quarter of '10. We got a very attractive yield. We bought back $1.3 billion of stock since we restarted the buyback. We're gonna continue to buy back stock. We're gonna buy back the Buffett preferred. It's not callable until October of 2011 and when it is callable, we're gonna use our capital to do that, and we made a lot of acquisitions. I'll cover that in another page but we've spent $12 billion mostly in energy and oil and gas. Basically, we took the NBCU proceeds plus some of our free cash flow and we've reinvested to get cash flowing, generating operating earnings and generating good cash flow from assets that we think we know well and will have a good return for investors. So, on the right side, we plan to keep around $8 billion of cash at the parent, in line with being safe and secure and being prepared for whatever unforeseen event, you know, plan on. We learned a lot about that in the financial crisis around liquidity. We've got another $3 billion of M&A that we've already announced that we have to close, that's the

Converteam deal. I'll show you that in a minute. We plan on a little bit of funding for our pension over this period. Next---- next year, in 2012, the estimate is around $1.3, $1.4 billion, and then we're gonna retire the preferred shares which will be $3 billion plus the 10% premium, $3.3 billion in October of '11 so we got a lot of planned actions. On top of that, if you go from '11, '12, '13, and '14, we're entering into a strategic plan period here. We look at the next 3 years. On top of the actions that we got planned, we'll have about $3 billion of capital to allocate back into the dividend or buyback or M&A over this period, so we got---- we got a pretty attractive payout, we're gonna continue to reduce the float over time, getting a dividend out of GE Capital back to the parent is a big catalyst for us and I know for investors that will help us to give more punch to the buyback, and we're gonna continue to be opportunistic about M&A. All the big deals that we are---- we're gonna do are done already for 2011. This is---- it's just a summary of the energy acquisitions. We've done 5 transactions in the energy and oil and gas base. You know, when we---- we went back and looked at our M&A activity over the last 10 years, or a few things that we wanted to make sure we learned from, one was white space deals were really hard. You know, we went into the water security and we found some of those things that---- if they weren't connected to a GE business in some way, they were harder for us to integrate and realize the benefits of synergies that we're planning on, take advantage of the technology globally so we---- we really said let's make sure the M&A is focused on things that we do well. We also saw that there is a higher return on the deals in the energy space that we're in the $1 to $3 billion size. That's where all these transactions basically were and larger deals were something that we realized were somewhat important and transformational in the portfolio, but more challenging to get a return in the shorter timeframe that we're looking for and so, you know, we try to apply those lessons learned. I think we bought some terrific businesses with great technology that are connected to energy and oil and gas. They're things we know well. You can see the overall amount of revenue is about $60 million. We expect to get double-digit growth out of these. Returns will be above our cost of capital, and you can see one---- four of the deals were closed and Converteam will close in the second half so I feel pretty good about redeploying this capital in energy and oil and gas and we're placing sort of the NBCU cash earnings with things that are gonna be very high growth and good returns for shareholders. And one of the...points I just wanna share with you is some of the thoughts that we have when we put together a pro forma about doing a deal. How does GE add value to an acquisition? Obviously, when we see a product that has good technology but isn't fully globally distributed, that's something that's exciting for us. Just as an example here, we've got 8000 commercial resources in GE Energy, that's 17 in Wellstream. I think, you know, if you look at the scale and supply chain expertise that GE has, $22 billion of sourcing that the energy came to us, you know, versus $500 of variable cost in Wallstream and you can apply this to each of these deals, to each of the deals we've done in energy and oil and gas. Services penetration, overall, services and energy and oil and gas, about 45% of our revenue. Pretty small in

Wellstream but an opportunity in all the deals we've done, and then finally technical excellence. I mean, one of the big attractive things that we have is our core R&D capability. We've got over 16,000 engineers just in the emergency business alone. We really do transfer technology between our central R&D centers and each of our technical businesses and, you know, that will add a lot to the engineering base in a place like Wellstream, so over the---- over these five energy deals, over the 5 years of the pro forma, we have about $500 million of cost synergies to get the returns we expected so that right around 10% of the cost base which is not that challenging for is in terms of the pro forma and now we got a billion dollars of incremental revenue opportunities in this deals over that same timeframe, and the dea for that, of course, are on track and John Krenicki and the energy team and Claudi Santiago feel great about kind of the progress we've made so far and the deals that we have closed. So, this is---- this is a little more detailed chart. It's one of the charts from EPG that Jeff covered. We tried to---- you know, we're---- we're not giving guidance, we're trying to give a set of indicators about some of the more important things in each of the businesses as you look at a multiyear period so here, this is a look at 2012 and 2013. Headwinds and tailwinds. In financial services, we expect tax rates to be higher. Right now, as we grow our pre-tax income, you see the tax rate going to the teens for GE Capital. We expect that to continue. The current legislative framework is in place through 2011 and with our calendar year, November through 2012 for us, so we don't have any changes because of the government right now but just because we're having improved profitability in GE Capital, we will have higher rates and then we'll have a drag from having a smaller balance sheet. On the plus side, the losses continue to decline. Commercial real estates is stabilizing and, you know, going from losing close to a billion dollars to break even and so a lot of earnings growth over a couple year period for us, and [inaudible] is on track for that, and then the core growth is pretty good---- very good margins today. In energy, you know, we got one drag that we're wrestling through is the wind portfolio. If you look at any of the publicly traded wind competitors out there, you can see what's happened to the financials. We had a very...tremendously successful run here in the United States with a very profitable wind backlog. As we have delivered on that backlog, the replacement orders are at lower margins and we're wrestling through that. We're watching inflation, you know, this year, we still expect to have deflation overall but when you look at '12 and '13, we're looking at the pressure on raw materials and some of the places where the supply chain looks like its gonna have some growth including energy. On the---- on the plus side for energy, the service business is performing extremely well. It's much broader, it's more diversified. We're gonna get the benefit of not only the second year of acquisitions but a full year so that will be attractive. We've put a lot of money in NPI and we expect to get returns on that. The natural gas dynamics are very attractive and it's a matter of timing---- excuse me---- and then the supply chain, we expect to continue to do a good job with sourcing and low-cost country sourcing and material deflation and material productivity. In oil and gas, [inaudible] volatility under $100 is still an attractive place for people to invest in the space. In oil and gas, the business does kind of benefit from a continued growth in services---- Excuse me. The acquisitions in oil and gas will be the same as in energy. And some of the things that have gone in from a safety investment in the environment are also helping the oil and gas business. Aviation defense budgets are gonna be under pressure, but it's---- it's clear that we're in a better cycle here from a new product introduction. GEnx is mostly in the run rate, NPI is up at the run rate, and the global [inaudible] it's in pretty good position and you can see the run rates, the ramp rates for both Boeing and Airbus are trying to increase the production rates of the narrow-body and they will increase obviously the 787 production rate. Healthcare, still pressured in governments---- developed world government budgets but it's been a long time from a replacement cycle. We're seeing pretty good orders growth in the developed worlds but there's pressure on that and then in the developing world, healthcare is really doing tremendously well. We're seeing great growth in China, in India, in Latin America, the Middle East, so that---- that's got some really positive dynamics. Transportation's in a very good cycle. We're executing an NPI for new emission standards but we're sold out basically on locomotives. We're fully---- full production run rates on everything associated with mining and the service business has rebounded so we got a really good cycle here for a couple years in transportation. Consumer business, the appliance business, lighting, it's really down to how's housing gonna do right now. It's not doing well and the appliance business, the market's down, so over a couple years, we're investing in a completely new product line. We should get some benefits from that on the NPI, but we're gonna have to be dependent upon how housing does. At corporate, we're continuing to invest globally in things like the [inaudible] Organization where we're gonna get a benefit from having a return---- for retiring the preferred stock as well as we'll have a benefit from---- NBC will be in the run rate, so this year we're going from having 80% down to 49% of a bigger entity. Next year, that's in the run rate on a full-year basis so there's no drag on that, so, overall, the growth profile here is trending positive. We've used this chart to describe kind of the dynamics of the globe and GE's earnings from 2010 to 2011 and 2011 to 2012. Clearly, in 2010 to 2011, the majority of our earnings growth is coming from the rebound in GE Capital. They're having a tremendous year at a great turnaround. Its lower loss is in good margins. In industrial, we're seeing good growth in healthcare and transportation. We're wrestling through the wind pricing as we said. The NBCU dilution and some of the investments in growth including NPI and globalization. For 2011 to 2012, the dynamics get a lot more balanced between the industrial portfolio and the capital portfolio. You know, we're into a better cycle here from aviation with the run rate of new product spending up at the level we need already, better aviation cycle. Energy market dynamics improving, a lot less drag from what we've seen in the wind portfolio and better dynamics around the gas portfolio. M&A, all the deals we've done will have a better contribution obviously in a full-year basis in 2012, and then in GE Capital, we expect to continue to see good earnings growth as losses continue to go down and as we continue to invest in the growth and the core and the green assets, so real estate will be the swing factor, how fast does that turn around, but it's---- it's gonna contribute to earnings in this period so I've said that I think we've got the best portfolio we've had in 10 years. We've made a number of acquisitions. If you look back over the last 10 years, we've basically done about over a hundred billion dollars of acquisitions in the industrial and the financial space and we've done over $75 billion of dispositions and in that period, we sold all of our materials businesses. We sold all the insurance businesses, life insurance, bond insurance, reinsurance. We've downsized GE Capital and you've seen us exit a bunch of businesses there and we've just got a tremendously more focused portfolio. We like the industrial infrastructure portfolio, we like the smaller, more focused, more competitive GE Capital and it's the best earnings outlook we've had as well in 10 years. So, the portfolio now looks pretty good. We're expecting strong organic growth from the investments we've made in R&D and globalization services. We expect energy to resume growth in the second half of this year. GE Capital is gonna continue to recover and we're looking forward to being able to extract capital out of the financial services business. Got a very attractive dividend yield in today's environment and we like how the company's positioned. So, with that, Steve, I'd love to open it up for questions.

SPEAKER 1: Great. I'll kick it off just with a question on GE Capital. Obviously, there has, you know, been some buzz are kinda coming to a head on the---- on the requirements that---- the tier-1 requirements. I think, you know, 10% number was thrown out there. The banks have obviously, you know, been---- seeing some pretty poor trading activity over the last couple of weeks. You know, you've talked about this being settled by the end of the year, you know, at some point by the end of the year. Maybe you could talk about what you're hearing and, you know, how easy---- it seemed to be pretty easy for you guys to get---- to hit that---- that type of ratio even though, you know, it seems pretty punitive to some of the banks.

SPEAKER 2: Well, first, I'd say we don't have anything definitively agreed to or completed or concluded, okay? I think for us, we're not a bank yet we believe we are gonna be systemically important. How well the regulatory committee treat us is still not clear so, I don't know. I don't know that we're gonna be held to the same standards as the banks all the way to the 10%. I think there's a---- a lot of work to go between here and there. I don't think that's gonna be the ultimate outcome but who knows? Even if it is, you know, if you look where we are even in that second quarter estimate I gave you today on tier-1, I mean, we've---- we've shrunk the balance sheet so much more rapidly than we thought and we've retained all the earnings in GE Capital that where---- we've got very strong capital ratios today, so I don't think it's a problem, you know? The question is the difference between a point on tier-1, it's just the difference on---- in some ways about how much excess capital you might get out of GE Capital over the next couple of years as opposed to is it a---- is it a problem for us. We don't anticipate having to put any capital on GE

Capital, that's for sure, and it's a question of when can we start the dividend. We believe we'll be able to do that in 2012. We've gotta work through a process with the Fed on that, and then in terms of the ultimate capital levels and what's the timeframe, you know, our expectation is whatever's defined and decided, you know, there's a multiyear process to get there obviously on things like the [inaudible] targets, we're gonna be well capitalized out of the shoe to whatever those targets come and whatever we're required to do, so we got a lot of work to do, it's not resolved. I think we can handle what's being discussed today and maybe it's not gonna be quite that level when we get everything said and done, Steve.

SPEAKER 1: And then you made incrementally positive comments on commercial real estate, your commercial real estate book. I think there's another valuation coming up here over the next couple of months. How---- how do you guys feel about that kind of, you know, that unrealized loss, should we start to see some real tangible progress there over the next at least, you know, 3 to 6 months?

SPEAKER 2: I---- I think you're gonna continue to see progress, like I have said---- two things are directly impacting the unrealized loss. Number one, we're writing off and impairing properties. Number two, we're depreciating the properties we own, and then the question is what happens from a valuation perspective, you know? It's really got a lot of factors in it, what market are you in, what's going on with supply and demand in that market, what's going on with rental rates and occupancy, so as---- I expect to have a continued steady reduction in the unrealized loss just based on the fact that, you know, properties continue to be impaired and we continue to depreciate the properties. I don't expect to---- a big dramatic change from the valuations. I think we've seen a bottoming. I think you've seen a lot of positives in certain core markets, on trophy assets, you know, we're not as heavily invested in places like, you know, Park Avenue in New York, we've got a lot more office buildings in other places and multifamily and things like that so our---- you know, we're not as directly affected by the---- the appetite for investing in those types of properties but everything around commercial real estate feels better and, over time, I think it's gonna be something that we're gonna be positively, you know, impacted by in GE Capital.

SPEAKER 1: And how about some of the middle market C&I loan growth, have you seen---- I know that, you know, things have been---- things were good around your end, they were okay in the first quarter, have you seen any kind of, you know, slowing in-- in the demand for kind of middle market industrial type of loans that you guys do?

SPEAKER 2: We haven't really. I---- You know, we're giving update in the second quarter, we had a review with the Capital team this week. The pipeline is good, the volume is good. The margins that we're doing business are good so we haven't seen any---- a change in what we were communicating about how---- how the mid market business is doing. There really hasn't been any. It continuous to be at a positive path.

SPEAKER 1: Right. Yes, right here.

SPEAKER 3: Hello.

SPEAKER 2: Yeah.

SPEAKER 3: You commented that large gas turbine pricing stabilized in the second quarter?

SPEAKER 2: Yes.

SPEAKER 3: There's been a lot of commentary lately about incremental capacity, at least here in North America, and I'm wondering if---- you know, if the market does start to recover, i.e., there's actually volume to compete for, the possible---- or how do you see pricing---- do you think it will continue to be stable going forward? Or do you think we could have another step down before it gets better?

SPEAKER 2: I---- I don't know that I could give you a---- a good dynamic of what's gonna happen on pricing here. I would say that things have gotten better rapidly versus what our expectations were. Some of it was before Japan. We saw more global growth in places like the Middle East, in Russia, in Latin America, and post the crisis in Japan, things have tightened again because there's an awful lot of capacity that's being pulled to supply the needs of Japan. I think there's a lot of capacity obviously, you know? At the height of the gas turbine bubble, we were doing close to 300 turbines, you know, with our capacity here, in France, so I---- I think how much of that can come back into the market and how quickly and everything, you know, we'll have to see, but I think it's around technology and it's around efficiency and ultimately, it will be around cycle times for people to be over the need of the market so, you know, we've had more commercial discussions here in the US, but we don't have a lot of big order activity to be able to report on so I---- you know, I don't have a pricing dynamic on that. I'd say the pricing stabilized through the second quarter based on what's going on globally. I think demand in the US will be incrementally positive and I would have to say that, you know, I don't have a view that that would be a real problem from a pricing perspective if we got to see some of that demand.

SPEAKER 1: Just sticking with energy, can you guys grow energy profits year over year in the second half? And then maybe talk about the---- how much of a headwind the wind business is and maybe some of the margin dynamics there because there is obviously, you know, interesting moving parts going on with gas turbines and wind.

SPEAKER 2: Yeah. You know, our objective with John and his team is that they grow their profitability in the second half of this year. You know, the first quarter was challenging. The second quarter has got the same profile, it's challenging, but a lot of the pressure is coming from the wind margins and, you know, John and his team and the expectation of everybody is that we're gonna be able to have a positive [inaudible] growth in that business in the second half, Steve. I---- you know, we haven't really gone into the specific dollars of the wind business, but it's---- it made many hundreds of millions of dollars and the pressure has been significant on the energy business in terms of the new margins on new orders versus what we have in that backlog mostly from the [inaudible] product in the US so---- it's been a real drag for John and [inaudible] from the team and, you know, we're offsetting that with good growth and services. We're offsetting that with some of the M&A that we've done and good growth in the oil and gas business, but the wind drag has been a real pressure point for the team and that's been substantial.

SPEAKER 1: Are you making---- you are making money there?

SPEAKER 2: We're still making money in the wind business, but it's less than we were making.

SPEAKER 1: Right.

SPEAKER 2: We're really pressured.

SPEAKER 1: I heard a lot within China last week, heard a lot about, you know, potential pipeline activity and, you know, natural gas. Obviously, the price for them is---- is still too high but it sounds like they wanna, you know, push in that direction. Am I looking at that the right way or they're, you know---- how big is the opportunity there for you guys from a, you know, from a pipeline perspective with your oil and gas business and----

SPEAKER 2: Well, we've had very good share of the pipelines that had been built in China. We had tremendous success in East-West pipeline. Our technology is performing very well. You know, we had some similar discussions, I mean, it seems like even the customers in China are rethinking about the amount of capacity that they're gonna have from nuclear. Obviously, there's a pressure today in the short term from the price of coal and their ability to convert that into electricity and sell it at a profit so that's a tension that just has to be worked out within China, and I think there's really favorable dynamics around gas for the medium term and long term in China as well so I, you know---- the oil and gas business has a tremendous track record there in terms of having an excellent share position in China around the pipeline and I would expect we'd continue to participate. We got a pretty strong position now. We got a good partnership with Harbin on the gas turbine side.

SPEAKER 1: How is the---- maybe an update on how the LEAP-X is doing versus Pratt, the Airbus platform.

SPEAKER 2: Sure. Look, we've had a---- we've got an amazing franchise in aircraft engines and we've had a fuel advantage on almost every platform we have out in the marketplace versus our competitors and we expect to continue to have that type of performance over time on even a platform like the NEO. You know, we---- we---- there had been early launch orders that had come out. Those are brutal, and we've looked at them and in some cases, you wouldn't go there, based on---- on what the dynamics were and I think, you know, we're---- we're in a very strong position here and I'd say let's---- let's see how the air show---- the air show is in a couple of weeks, let's see how things will look by the time we get through the air show. We feel good about our position and our product and our relationship with Airbus on the NEO so I---- I feel pretty good about it.

SPEAKER 1: So you'll see a few orders perhaps at the air show?

SPEAKER 2: I would expect so, yeah.

SPEAKER 1: Okay. On more of the short cycle side, the aftermarket in aerospace and in aviation, obviously, higher oil price with Honeywell here today talked about, you know, things kind of being in line from an airspace aftermarket perspective despite higher oil price and potential for further capacity reductions. What's your take? What are you guys hearing from the---- from the airlines on the aftermarket and the impact of higher oil prices?

SPEAKER 2: Well, I think at $100 a barrel or around there and then converting that to fuel price for airline jet fuel, I think the airlines are flying more. They've got pretty good profitability, it's not everything they wanted but fuel's definitely put a dent in their profitability. The freight has picked up and what we saw in terms of orders growth in the first quarter and services is continued in the second quarter, so the aftermarket dynamics have continued to be pretty strong. You know, you look at all the signs from Airbus and Boeing about increasing the production capacity and, you know, you---- you say is that gonna be able to be sustainable through the next several years depending upon what happens on oil. We'll have to see. You know, for us right now, the dynamics are pretty good. We've obviously got a tremendous growth in our installed base and the airlines are flying their planes, the more fuel-efficient planes are flying, and our spare parts reflect the fact that, you know, 40% of our installed base hasn't even hit their first [inaudible] and as airlines fly more, we're gonna see more overall so, you know, the dynamics have been pretty good and, you know, I don't see anything, subject to some disruption that we don't forecast, you know, see anything really strong and off balance right now.

SPEAKER 1: And '12 should be a good year relative to '11 'cause you don't have the big R&D step up you had this year, is that the right way to look at it?

SPEAKER 2: Well, what we said is that we expect earnings growth in aviation in '12 versus '11. I don't think you're gonna see the R&D as a percent of revenue at the levels we have this year.

We've got the GEnx launch in the run rate and then the R&D ramp up has already reached its peak level we think in that business, so, you know, we're about to go into---- we'll spend the month of June with each of our businesses doing their strategic plan. We'll do, you know, a 3- to 5-year---- longer---- longer cycle business, like aviation we have really longer outlook, you know, shorter cycle with 3-year plan. We'll look at competition and markets and everything around the dynamics of that business and actually allocate capital with those and we'll get another update but right now I---- you know, our expectation is aviation is gonna have a good year in 2012 versus '11 and earnings growth.

SPEAKER 1: Turning back to---- to China, we were talking earlier about the---- in the hallway about the 5-year plan and how that seemed pretty---- a little more positive for GE, maybe you could just talk for a minute about---- about what you saw there that, you know, made you a little more optimistic.

SPEAKER 2: Well, there's a---- a real commitment to healthcare, and there aren't any broad local competitors so, you know, we're participating in a very strong market. We've got a lot of localization. We've got a great product position. We got a great local team. We've expanded our distribution capability with direct sales force across the western part of the country, and the outlook looks pretty good, so healthcare will be a strong point. I think aviation, they've got a real commitment to aviation. Obviously, they not only are gonna make the regional check, they're gonna make the narrow-body. We've got a sole-source position on the engines on both of those. We've got a partnership with AVIC and COMAC on the avionics on the C919, and---- and that's a priority in this 5-year plan and we're partnered with them and I expect that to be a very successful airplane in the region and we've got a tremendous competitive position. I think on the nuclear side, that's a little bit uncertain. I thought there was gonna be a lot more nuclear in China. There may not be as much as you go forward, and if there is less, I think you're---- you're right, that there will be more investment in gas infrastructure and ultimately gas power generation. Obviously, the wind business has been supplied mostly locally. We haven't really participated there so there isn't a real change there. In [inaudible] we got a tremendously strong position from a leasing perspective and a great relationship with customers so that's pretty positive, too. Locomotive's not a lot of business in China for us at this point, but for the main portfolio, healthcare, aviation, and a little bit of energy, oil and gas, we should be in pretty good shape there.

SPEAKER 1: Maybe one more question. You know, last year, there was this trajectory where the first half started off pretty well. The third quarter, I would, you know, consider to be a little bit of a speed bump whether it was just, you know, kind of the trough in energy or tougher orders quarter and then it really ramped in the fourth quarter which I guess is kind of normal GE seasonality. I mean, how do we---- how do we think about this year? Is---- are we still gonna kind of have to have that kind of back-end loaded fourth quarter or is it a little more smooth this year than it was last year when you think about whether it's orders, degree of activity, any kind of hiccups you see in the---- in the outlook for the next, you know, several quarters, how do we think about that?

SPEAKER 2: I think---- I don't have a quarterly split for you. I think the second half, obviously, things are better than the first half and the main pressure is the wind margin pressure and energy. Everything else is I think...pretty steady. If you look across healthcare, it should be a steady double-digit growth. Transportation should have a very good year of strong double digits. Aviation is gonna be close to flat as we've said, and energy has had a down first half and should have a positive second half so I, you know, I don't have a split between the third and fourth quarter but for the second half, it's---- should be a change in trajectory. Energy is the biggest one to watch.

SPEAKER 1: Anything else? Great. Keith, thank you.

SPEAKER 2: I appreciate it----

SPEAKER 1: Thanks a lot.
