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EDITED TRANSCRIPT

GE - GE ANNUAL OUTLOOK INVESTOR MEETING

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PRESENTATION

Trevor Schauenberg - *GE - VP - Corporate Investor Communications*

Hello, everyone. Good afternoon and welcome to our Annual GE Outlook Meeting. As usual, this meeting is being recorded and webcast, and all the information relevant to that is on our website at www.ge.com/investor. Our host for today is our Chairman and CEO, Jeff Immelt. And we'll have the usual Q&A today. Please lift your hands, pages, microphones to capture for the webcast. Afterwards, we'll have a leadership reception here; plenty of time to mix and mingle with our group.

And as always, I have to say elements of this presentation are forward-looking based on the world as we see it today. As you know, those elements can change as the world changes. Please interpret them in that light.

I'd like to get excited here and just turn it over to Jeff Immelt--

Jeff Immelt - *GE - Chairman, CEO*

Thank you, Trevor. Thanks.

Trevor Schauenberg - *GE - VP - Corporate Investor Communications*

-- our Chairman.

Jeff Immelt - *GE - Chairman, CEO*

Lord knows --. Thanks. I was just going to say, the world never changes so we never have to change anything, right, Trevor? So, five things I'm going to go through today. We'll talk a little bit about the environment and what we've done to prepare for the world we're in today. I think in many ways we kind of see this as a continuation of what started four years ago. So we've prepared the Company for a volatile environment and the one that we're seeing.

We like our portfolio; good, balanced, strong portfolio, a source of competitive advantage of really technology services, a very strong focus on globalization driving organic growth. Lots of momentum on the margin side; talked about 50 basis points a year for the next few years. But we have a funnel that's in excess of 200 basis points that we're working on.

A good capital allocation. I think we've stayed true to the capital allocation strategy we talked about a couple of years ago and are executing on that. We did another dividend increase last Friday. We'll go through the financial performance, but 2011, really on track. We'll have a good finish



to the year; strong double-digit growth this year. And our framework for next year is double-digit earnings growth, double-digit industrially, double-digit in GE capital, so kind of what we've been talking about throughout the year.

And I think I'm going to wrap up just by talking about some things that are on your mind and how we've tried to address them and give you a financial framework for the Company going forward. So, just going to the environment. I think we feel like we're pretty well prepared. CEOs aren't great economists. I don't want to be the big prognosticator. I think what I'll try to do today is just give you a sense for our mosaic of the businesses that we see. I'd say it's generally pretty good, but there is a lot of volatility and we're preparing for a tough year.

So I think the things that we see that are still pretty good is good growth in the emerging markets. We have what I would call a good energy trade -- high oil prices and low gas prices, right? High oil prices. You saw the big Southwest announcement today, the aviation retooling. That's really driven by oil prices. GE Technology is very well positioned for that. And lower gas prices are really great for the heavy duty gas turbine business as the fuel of choice, and so we feel good about that trade.

The US wind market in 2012 is going to be robust, but we're counting on that unwinding in 2013, so that's more short-lived. And then we just see good infrastructure investment on a global basis, lots of potential in the future. And so those are the things that are good.

I think there's some things that are mixed. You see the US consumer spending a little bit more. We have a lot of inflation built into the plan; that could be better as I think about next year. So there's some things that are still mixed and then there are some things that are tough, that are challenges.

Europe is going to be a challenge, more regulation. Governments are going to have to close their budget deficits and housing. So on balance, we'd say generally positive, volatile, and preparing for Europe. That's how I'd talk about it.

Now, we've taken steps, I'd say, to get ready for this environment. And GE Capital has a lot of liquidity and a lot of capital strength. And so I think we -- Mike and Jeff and Bill and the team went through all of this with you last week. I think they're very well prepared for macro volatility.

We have, I'd say, maybe from an industrial standpoint the world's best growth market portfolio. We're about \$40 billion in 2012 in the emerging and growth markets. Those markets will grow 20% plus this year, about 15% next year. We're really winning where it counts.

We've invested \$16 billion between 2010, 2011, 2012 in new products. We have 50% more products being launched in 2012 than we had in 2010. So we're very well positioned, I think, to gain share in a slow growth market. \$140 billion of service backlog, \$45 billion of service revenue in 2012. I'd say recession-tested, high margin, and in backlog. These were all, I think, great mitigants for volatility that we might see next year.

From a portfolio standpoint, we kind of traded out media for energy. Short cycle media business for longer cycle energy business. Those deals will be kind of in full bloom, let's say, next year. So accelerating margins, good performance from an energy standpoint.

We've created what I would call cost and cash buffers, really. We're running the internal play, I'd say, to create a hedge so that we can still grow earnings double-digit in various macroeconomic uncertainties. So we're running the internal plan hard given the environment and creating a buffer from a cost and cash standpoint.

And then we can manage Europe. Again, I'm not going to forecast Europe. What I'll tell you is our GE Capital earnings will grow 20% plus, 25% plus this year; our industrial orders in Europe this year are up 5%; our GE Capital business is senior secured, well underwritten. We've got very low sovereign debt exposure what the team went through last year. We're going to restructure some of the industrial business in Europe to get ready and I think we're just as well prepared.

We've run through various macroeconomic scenarios for Europe, but I think if you go through these seven factors we feel like we've really prepared the Company for the kind of environment, and to when, and the kind of environment we're going to see in 2012.

Second section -- second idea is just we like the balance and the dynamics in the portfolio today. We're going to go through a stronger industrial portfolio, higher growth, higher margin, a more focused specialty finance business, one that should be able to generate cash and show you, to a certain extent, how they fit together as a Company.

If you think about GE today, probably the world's biggest infrastructure Company, focused specialty finance, we've made the industrial Company faster growth, higher services, more globally positioned. In 2012, we're going to have organic growth between 5% and 10%, very strong. That's the industrial business.

GE Capital is smaller, higher return, stronger balance sheet. And if you look at both of them, from an industrial standpoint, we've got to generate cash ahead of net income; and from a GE Capital standpoint, we expect to begin having GE Capital dividend into the parent next year and we think there's room with how well we're capitalized to get additional dividends over time.

You put those two things together over the next, let's say, four or five years, we're going to have \$100 billion of cash to allocate. So, very capital efficient, kind of the GE model coming back into focus, and we can put that cash into increasing the dividends in line with earnings, like we've said, small bolt-on acquisitions, reducing the share counts, doing the other things we have to do to make the Company more competitive and health over time. So this is really the way we think about the portfolio.

I'd say three big strategies we've run over the last five or ten years industrially. The first one is to build what I would call stronger business, more diversified businesses. We have a great energy business; John Krenicki has done a great job. In 2011, we'll earn about what we earned in 2002, right? So we just had a huge bubble a decade ago. And what we've tried to do is build businesses that are more diversified, more robust so that we can weather these cycles better in the future, and we think we're long down the path to being able to do that.

The second thing is trying to boost the growth rate. Trade out of media, trade out of plastics, invest in oil and gas and life sciences. We think we have systemically a higher growth enterprise. And then the third thing is to blend organic and inorganic investments to build businesses over time and therefore keep a higher return on total capital.

We want to keep this discipline of \$1 billion to \$3 billion acquisitions, build platforms with organic and inorganic investment, let the GE investors take advantage of being the aggregator. Don't pay a company that you've acquired to be the aggregator, and therefore grow revenue, margins, returns all at the same time. And these are the three things that basically we've done inside the Company.

Now, diversified -- we're about \$100 billion industrial Company. We can grow organically, between 5% and 10%. We're very capital efficient. We can leverage the total GE strengths. And this just shows you the platforms that we have inside the Company today.

So, when we talk about cyclicity of renewables, our distributed energy business today -- distributed energy, I mean the aeroderivative business (inaudible) is bigger than renewables. And it's powering right through that and it can offset any cyclicity, I'd say, as you look forward that we have in the renewable business.

If you think about transportation, our business outside the United States is as big as the business inside the United States today. So you get real market diversity. If you think about healthcare -- people are worried about Europe, a little bit worried about Japan -- our emerging market footprint is bigger than Europe and Japan today. So we can manage through the cyclicity of these markets.

In oil and gas, 50% of our revenue in oil and gas is around services. So if you hit another cycle there, we've got services that can power through it. Our systems business in aviation is bigger than our military business in aviation today.

So the point I give you is we're just better diversified, stronger, better set of business, higher quality set of business when you look at where we are. A ten-year look at adjacencies. Basically on this page, we have businesses that essentially we got into at the end of the last decade, let's say around 2000. In 2000, there were \$4 billion in revenue. As we think about this year, there's \$40 billion of revenue on this page. So a massive change in the portfolio.

We've got franchises where we're winning, I'd say of scale. Oil and gas, distributed power, molecular medicine, very strong. Businesses we're building, like aviation systems and mining, and businesses that we're just starting and nurturing. We've never had much of a presence in business jets. Next year, we'll launch the GE-Honda engine. We've gained share at Lombardia; we're gaining share in that space.

So, on this page just represents over time building and changing the portfolio and making investments that pay, and so that's how we've strengthened the industrial business. More diverse, stronger platforms, higher growth platforms.

And the third thing I'd just talk about is just high return builds. There's the space, distributed energy. By that, I basically mean power generation off the grid. It's about a \$100 billion segment today and it's growing. And it's growing because the grids are weak or emerging markets or places like mining.

This is a business we weren't in. Now, we've got about a \$5 billion franchise. We basically have done \$2 billion worth of acquisitions. Stewart and Stevenson, a packager; Jenbacher, gas engines; and the Waukesha Division of Dresser.

We now have about a \$5 billion business. This is going to be a \$20 billion business, I'd say, by 2020 for GE. We don't have to do big deals. It's high margin; it's high return. We take on people like Cummins. We take on other players around the world. It fits our footprint. We can use our sales force. High growth, high margin, high return industrial platform. So that's how I think we've restructured and changed the industrial business.

GE Capital, the team took you through this in great detail last week. I think Mike and his team have done a great job getting the business positioned, \$440 billion of [ending net] investments. We are committed to GE Capital. We want to generate attractive returns; we think we're on the way to do that. And we want to diversify funding. We want to have less wholesale funding and more deposit-based funding, and we're kind of working through that process today.

We're going to remix. So, when I look at \$440 billion of ending net investment, as we trade out red assets and put in green assets, you've got a lot of earnings growth left in this platform, even at \$440 billion of ending net investment. We want to return cash to the parent and we always want to be safe and secure.

Now, I look at this franchise over time and say, look, it could be smaller, if I think out over time. The way I think about GE Capital strategically is we only want to be in those businesses where we have a strong competitive advantage versus banks. That is where we want to play.

We want to always have control of our own destiny. In other words, we said to you three years ago we thought we could get to \$440 billion of ending net investment by 2012. I think we made a smart call because we didn't really have to count on selling big franchises or things like that. It was really under our control, and I think you always want to look at this franchise in terms of just doing things that are under our control.

Good returns. I think the way Mike and Bill and the team run it today is if we don't get the return target, we don't do the deal. Very tough-minded. And believe me, I do a lot of field swings and I check up, and the louder the sales force complains the more I know we're doing exactly what we should be doing, right? And so you see, I think, very strong management there.

And just a lot of the chapters haven't been written yet in financial services about where the regulators are going to go and how the market is going to be formed. The fact is, we've got a lot of segments where we're still the only competitor, or one of the primary competitors. I don't think I would have said that -- that wasn't something I would have predicted three years ago, so we have to see how this plays out over time.

But that's the way we think about the portfolio. But make no mistake, there are some places where we have bone-crushing competitive advantage. And the middle market is one of them, and this is a place where -- a fast growth segment, a great segment, one that we can grow a lot of earnings on, one that we are better than the banks. We have good origination capability, industry domain expertise.

We launched this big mid-market center at Ohio State, which has done great. We have this thing called Access GE, which allows our customers to get access to globalization, lean manufacturing, (inaudible) inside GE that we think really builds strong competitive advantage. So, portfolio-wise, I feel good about where we are. We are making good progress and I think a good outlook.



Competitive advantage, part three. I really see kind of I'd say five core pillars of the GE competitive advantage -- superior technology, a great emerging market footprint, deeply embedded relationships, service platform, real customer-facing relationships, a strong focus on margins and margin enhancement, and smart capital allocation.

And then when I look at things like the global research center, idea sharing inside the Company, global scale, financial strength, brand reputation -- all of those enterprise advantages play into this competitive advantage. And so I want to take you through this just kind of step by step in terms of the way we're thinking about the Company.

First, from an R&D standpoint -- look, this includes not only GE funded but externally funded. We've stepped this up over the last ten years. So, we're at about a little shade less than 6% of R&D to revenue. I think it's crested. It will go down next year as a percentage of revenue, but that, again, is, I think, good that we've got it in the run rate.

Our goals are simple -- we want to beat competition; we want to expand market opportunity; we want to build the installed base; we want to do it at low cost; and we want to be an innovator. And with this level of R&D, I think we've been able to do all of those things and be really well positioned.

Starts with leading and big systems. It's key. We've got good competitors. We've got to have better products than they do. I think the LEAP-X -- we are going to gain share in narrow-bodies. Think about the platform we've had for the last 30 years and what we've done with the 737 Max and the NEO. This is really, I think, phenomenal work. And again, Southwest is a great validation. We've had some great market wins.

[MR], we've had the best product line we've had in the last five or six years. We expect to gain share next year. The Flex 50 is going to be followed by the Flex 60. We've got the highest efficiency, most flexible gas turbines in the market. We've signed numerous MOUs already. We think these position us well for the future.

Submersible pump is what we acquired from Wood Group. This is the key technology to getting more extraction into existing oil wells. It also has a fit in shale gas technology. Mining, we have the most efficient, lowest emissions traction motor and traction technology in the industry. We sell the Komatsu, a variety of people in the industry. We have technical superiority.

We will have 50% market share of the wind turbines installed in the US next year. The 1.6 megawatt wind turbine is superior in the industry and we've done a great job of positioning there. Interventional has always been a product line in our healthcare business where we're stunk. We've launched a new product that's based on robotics at the RSNA. We expect to double market share there.

And appliances, we've already spent, what's in the run rate, \$1 billion to refresh our plant's product line. Those products start hitting in the first quarter of next year and continue through the first quarter of '13. So, the point I make is we've invested the money. I think from an investor standpoint, you've seen it go in our run rate. It has hurt our margins this year, for sure. But now, the fruits of the labor are going to pay off. We've got a big backlog of market winners. You're seeing the proof of the pudding in terms of the ways we're winning in the marketplace and we feel good about our positioning here.

Now, a place that I think deserves a lot of attention is unconventional gas. This is not just shale gas in the US, but it's coal bed methane gas in Australia and China; it's oil sands in Canada. And we have a variety of technologies here, from oil and gas to water to power generation to controls.

And we have a good presence. We've got a business that's in excess of \$1 billion today that can grow 15% or 20% a year. And GE can have a lot of content in this system and do very well with it. Acquisitions have been key. We've done a number in the energy space. I'm not going to go through all the synergies, but I would say a key source of both technology and growth synergies over time in these acquisitions come from technology.

So when you look at the acquisitions we've done in the last, let's say, 15 or 18 months, from a macro standpoint what we've tried to do is bring aviation technology into the oil and gas space. That comes from GE to the acquired company. We've tried to get better in areas like power electronics, submersible pumps, things like that. Those come from the acquired companies to GE.

We've tried to get better at application engineering. That's really what Converteam is all about. Some of the best application engineering in the world, that comes from the acquired company to GE. And then we want to drive cost synergies in the supply chain, in manufacturing, and that comes from GE to the acquired companies. So we're seeing good synergies across the board when it comes to our acquisitions.

Lastly, I want to give you a sense that we're throwing money not just on new products, investment money, but on manufacturing technology and cost as well. I'm not going to go through the printable diode technology with you, but I'll make four points here.

One is that the GRC is a big part of our technical value-added. Two is, what you see on here is why the [moat and] aviation is huge. It's really why the competitive barriers are huge. It's because not just do you have the application and design, but you've got generations of manufacturing technology.

Three, this is why we have an edge and win. Frequently, when you read articles about a win, your impression is that there's no technology there. There is a lot of technology in wins. We have superior products -- far superior to the Chinese products, superior (inaudible) -- and we can decide what margin to sell them at or what share we want. But make no mistake, there is a ton of technology going into the renewables space right now.

And then the fourth thing is how do you get long-term cost out, right? Materials are half our cost stack, and this is where a lot of the innovation and technology has to be applied. A big competitive advantage in growth markets. This is a big reason why we put John Rice in Hong Kong, and you're seeing the accelerated revenue growth. The growth markets will grow more than 20% this year. We've got 15% in the business case for next year, up to \$40 billion.

The executive leaders, this is what we call executive [band] in GE, have grown substantially. And we're investing in capability, geographic coverage, supply chain, planting new flags. This remains an incredibly important, I'd say, competitive advantage for our investors and something that we continue to invest in and do well at.

I thought what I'd do is just spend a little bit of time talking about the world, because I spend a lot of time outside of the United States. I'd say one of the things -- this is something we don't delegate as a leadership team, is opinions on regions. You want to feel it in your gut. You want to have experience. You want to have contacts.

I was certain China -- a lot gets written about China. My impression is they have had an amazing resiliency and ability to transition the economy. So even if exports aren't as great as they would like given what's going on in Europe and the US, the domestic market has really been switched on and we see that every day amidst financial resources and strength -- amidst financial resources and strength.

Could there be bad real estate lending in China? Sure. Do they have immense capital reserves to power through that? Absolutely, when you think about China. And then, I think the third thing is their willingness and diligence around the five-year plan. This is a highly executing -- so, when you read the 12th five-year plan, they actually do it. It's unlike maybe other places you hang around in.

We see immense healthcare growth -- immense healthcare growth in our healthcare business. We see immense growth in the aviation space in China. And the [bluebird], I think, is energy. The gas turbine mix is going to go from about 5% to 10%. There is so much work going on today in China in shale gas because they don't want to import coal. And so every night when I go to bed I say a prayer, bless my family and find more gas in China, Dear God. Those are my only two prayers at night. And so China is one that I kind of think -- that's how I'd start.

And then I'd go over to the resource rich parts of the world -- the Middle East and Turkey. The oil and gas goes without saying in those spaces. Most of those countries have a power deficit. Saudi Arabia has electricity growth needs of 7% a year; that's massive. John and company, and both John Rice and John Krenicki have spent a lot of time in Iraq. We just opened a couple of offices in Iraq. What people don't write about in the Middle East is how many hospitals are being built. This is going to be a booming healthcare market. We're already seeing that to a certain extent.

Russia, we find to be quite interesting. Russia, again, I think, is a vastly underserved healthcare market and their electricity grid is the least efficient in the world. So we made some investments in energy and healthcare this year. Is that to position ourselves as partner of choice in Russia? I always



look at investing and risk management sense. So when you invest in places that are volatile, I look at what our downside is, which isn't much, and our upside is huge, I think, in Russia when I look at the coming years.

Africa, we're still learning. It's a couple of billion dollars for us today. Jay Ireland, who you all know, is now living in Kenya and building a team and we're finding out a lot. There, I think it's really about mining, and we're actually working with Chinese EPCs to sell gas turbines in Africa. So, some unique opportunities.

I'd say the other thing that's going to be very big in China is going to be distributed energy, fleets of aeroderivatives and things like that, which I think is good over time. Latin America, Brazil, Mexico, big power deficits, so the need to invest in electricity is massive. A huge mining presence.

And if you look just in Brazil, all of these places have big rail lines. Brazil has like 10,000 locomotives. The average age is 30 years old. If you just invested in new fuel-efficient locomotives, the payback is like less than a year. So you just see immense, sustained growth there.

Our business in Australia grew 50% last year. If you want to go to a fast growth economy where people speak English and are nice, go to Australia. That's the fastest growth business in the world. They're going to do with the new energy legislation 14 gigawatts of wind. If you do 14 gigawatts of wind, you'd have to do 7 gigawatts of peakers, right? So it just makes Australia unique.

And we may be the only Company that you follow that considers Canada to be an emerging country, but it's growing quickly and you get a lot of -- for us, I always think you've got to do the easy things easily when you run a Company, and Canada and Australia are easy. They're places that are growing rapidly that like GE. Our shares are high.

So we feel good about the world. It's not without problems, but we feel pretty good about the world. India is just -- it's always three steps forward, two steps back. The government is taking two steps back now. That makes it tougher, but even India is going to have a positive V next year. In the (inaudible) countries, we kind of ran the table on the aviation benefits and aviation campaigns. So, the world's risky and volatile, but there's a lot of opportunity out there. And I think we go at it from a position of strength.

Here's some of the resources and investments. We have 9,800 sales people just in the emerging markets. So we basically have added 1,000 sales people every year for the last four years. You want to knock on doors, you want to have good products. That's how you win in places like this.

We're constantly making investments. John Krenicki is leading an investment in Korea to build an engineering EPC center. A lot of the world's best EPCs are Koreans, and so we're right there in their backyard. And we're building a great manufacturing site in Pune in India that's going to be a multi-business site. We think India offers some good opportunities from a manufacturing standpoint, so we're making some of those investments there.

Global partnerships, I could take you through almost any region, but I'd say Russia and China were particularly active last year. Russia, we did a joint venture in gas turbines and we did a joint venture in healthcare. And as part of those, we got launch orders for each one. So that's a great way to start, a joint venture, as you're thinking about doing more localization.

And in China we just have big scale partnerships. You've heard about most of those. One, [Huadian], is a big utility. They are going to be a packager of aeroderivative engines in China, and that just gets you a huge footprint in China in terms of where you can go and what you can do.

And then on a commercial level, we're very focused on customers. We continue to build our footprint. We've opened up four major service shops in places like Perth and Saudi Arabia, places like that, and we continue to work with governments. So I think we've tried to build a massive and strong emerging market footprint, and I think that's pretty well in place. And from a cost standpoint, pretty well in the run rate right now.

Services, we just have continued to evolve our service business over the last 15 years. It probably hit your screen in 1995 when we first started talking about it. It was about \$10 billion in revenue then. Today, it's \$45 billion in revenue. And we kept evolving. We went from brake fix to CSAs to asset optimization to more analytics, and just continued to grow with our service business.



Next year, we think it will be about \$45 billion in revenue. We expect to expand margins next year as well in the service business. We run a service council. Dan Heintzleman used to lead it; Steve Bolze leads it now. I participate. We drill down on the service best practices and things like that.

We always measure each business on installed base growth and dollars per installed base, simple math. That's how you grow the service business and that's where the activities have been for the Company. And again, a lot of the activities that we have going.

You've read about our investment in an analytics center, and I just want to give it some context. These assets produce a ton of information. So, if you look at a Boeing 777 G90 engine, it's got 17 sensors in each engine. It's basically taking 18 million parameters off one engine every month. So we're taking the terabyte data off a jet engine; the same way with an MR scanner; the same way with a gas turbine. And then, there's three elements of value creation. The first one is what we call [internal] prognostics. And by that, I mean if you can never have one of your assets have an unplanned outage, unplanned failure, right?

So, if you can build a world where you have no unplanned outages, and when it came time to do an overhaul or a tear-down or something like that, your service team knew exactly what needed to be done. Had to do no exploration, knew exactly what needed to be done. That is billions of dollars of service productivity -- billions. So that is one piece of analytics that is a big driver inside the Company.

The second one, asset productivity. One point of fuel burn to our aviation fleet is \$3 billion to \$5 billion for our customers -- \$3 billion to \$5 billion. So if you're an airline, that counts. When you saw Gary Kelly today, all he talked about was the fuel efficiency, how much money Southwest could save. One point of fuel burn is worth a ton.

And then the third one is really about asset optimization. If you can fly a fleet of planes better, then you're going to create a lot of value and productivity for your customers. So, when we talk about software and analytics, this is what we're talking about. This is where we're investing.

Now, for us today we're about \$3 billion of revenue today; we'd like to be \$5 billion over the next two years. The places where we want to be good are analytics, controls, monitoring, and diagnostics integration. We're building a small center of excellence in California. We already have 7,000 software engineers.

We'd be a top 20 software Company today. We're going to have broad IT partnerships like what you saw with Microsoft last week. I don't want GE to be a software Company, guys. You're not going to see us do a big acquisition or anything like that, but we have to be the best in the world at asset productivity. We have to be the best in the world at the productivity of our own assets -- better than anybody else -- and that's what we plan to do.

And I give you just three examples. The iBox is going to go in with our oil and gas equipment, and this is so our oil and gas customers can do remote monitoring. And this is good for safety and it's good for asset uptime. The middle one is a project we're working on with a couple of big airlines on integrated vehicle health maintenance. This is going to allow a fleet of aircraft to fly more efficiently.

And then the bottom one is what we talked about last week with Microsoft, where we both are working on decision support; we both are working on new tools to help our customers; and we're going to come together and build great clinical models, greater analytical models that can sit on top of an electronic medical record. So, that's where we're going in software from a software strategy.

Next, margins. We are basically working on a funnel of about 230 basis points to get 50 basis points a year for the next two years. So we've got a bigger funnel of ideas and activities. What we want to do is march from about 15% this year, up 50 basis points a year for the next two years.

It's got to start with material. The focus in material is on value gap -- and by that, I mean the difference between pricing and inflation. Good material cost out programs like the ones I showed you with aviation, those are going to be absolutely key. And big-time CSA productivity, doing more in repairs. And that really are the big drivers for our material productivity programs.



From a manufacturing standpoint, more on process optimization and acquisition integration, and we think we ought to be getting 5% to 10% conversion productivity, particularly with the kind of volume that we're going to be getting through our factories next year. It will be a good year for productivity.

We're going to do European footprint reduction as we do restructuring this year and next. And then, more simplification, more common back rooms for the Company around the world. So if you look at that, we've got a very strong funnel that can manage good margin enhancement over the next few years. And that's where we expect to drive cost improvement and margin enhancement, and continue to drive that into the future. So we think this is an important part of the GE competitiveness and the GE story.

One of the things we've been doing for the last couple of years is really, I would say, reformulating some of the process and best practice sharing inside the Company in what we call GE Advantage. It's been led by Charlene Begley, who's got about a thousand resources in this space.

And what we really did is just focused on the key processes that count. So we picked about 40 processes and we're using a combination of old tools, things like Lean and Six Sigma, and new tools, something called Differentiated Value Proposition, where you really try to sit with customers and assess and value what they value in the relationship, and where you can take costs out and grow margins at the same time.

I'll just show you a couple of projects that we're working on with our customers and inside today. A big team working on ways to shrink and accelerate the aviation learning curve. As you know, the GENx is coming down the learning curve, then the LEAP-X comes down the learning curve. That's already in the run rate for the Company going forward. But if we can accelerate that and make it happen faster, that's going to be real money for the bottom line.

Oil and gas service excellence. This is going to be really important in uptime and service margins as time goes on, very important. Healthcare cycle time. So, how good a job do we do on order to remittance? Reducing time in the field, it's going to make us more responsive, improve our inventory end costs.

Transportation differentiated value proposition, really sitting down and sitting with CSX and Burlington Northern and customers like that and really assessing where do we add value and how do they assess the service offerings and where can we improve margins and capability?

And then the Appliances Mission 1. All of the work we're doing in appliances has very focused effort on hours per laborer, variable costs, selling price, and a series of other things to improve the margins in that business. So, 40 big projects are going to be the drivers for a lot of the costs and the productivity going forward, and we, again, feel good about how we're positioned there.

And lastly, capital allocation. This is a similar chart to what we showed you last year in previous sessions. Three big targets areas. We've increased the dividend four times in the last two years. So again, a dedicated focus on continuing to increase the dividend in line with earnings.

We retired [the buffered] preferred, something we said we were going to do last year, and have reduced the float overall. So about \$5.4 billion this year and continuing to eat away at it, and that provides some tailwind for next year.

And completed our infrastructure acquisition, so I think balance and discipline capital allocation is what we're trying to do. Over the next -- '11, '12, '13, '14, \$30 billion of what we call available cash, so this is cash that's available after dividend, after other investments we need to make. And this is going to come from industrial CFA, comes from the first round of NBCU monetization, comes from dividends from GE Capital.

And so I think if you look at '12, '13, '14, \$30 billion, you can continue to grow dividends, reduce float, acquisitions between \$1 billion and \$3 billion. We'll do \$1 billion, I think -- as we said in the past, we'll do \$1 billion of pension funding next year. So those are the things that we're going to do, but I think it gives you a sense that we just have a lot of optionality from a cash standpoint.

I don't really envision a big deal in 2012. You never know what the world's going to look like, but I think we can achieve all of the numbers that I've talked about without big acquisitions and, again, feel good about the positioning here from a capital allocations standpoint.



So, I think a lot of progress on technology; a lot of progress on globalization; a lot of progress on services; I think a real focus and funnel on margins and margin enhancement; excess cash, which would give us an opportunity to make good, smart capital allocation choices. These are the areas where I think we've got good competitive advantage and can position ourselves to win in 2012. And those show up with good organic growth.

So we're saying organic growth in the high single digits next year; 50 basis points of margin improvement with a pipeline that's bigger; and enhancement of return on total capital. So these are the three metrics that we think are the manifestation, if you will, of those initiatives in the business next year.

Section four, financial performance. Where are we? How to think about the Company going forward. Again, good, strong earning growth in 2011, double-digit earnings growth in both industrial and financial services in '12. So that's how I think about the Company.

As we finish 2011, in Q4 we should have positive earnings growth in energy; we should have positive earnings growth in industrial; good earnings growth in GE Capital. I think we feel good about how the year is shaping up and where we're going to be.

On the corporate line, I think we'll do more restructuring in Q4 versus the run rate, so I would say that we'll have probably between \$0.03 and \$0.04 of restructuring in Q4 that get us ready for next year. And then still, we envision doing that in the context of still having a good, strong Q4.

And then on the discontinued operations line, on the Grey Zone in Japan, my sense is that the severity -- the claims keep coming down. The severity rate is probably a little bit above estimations. We did a big reserve about 18 months ago. My hunch is that the reserve could be increased between, let's say, \$100 million and \$200 million in Q4. Not a big reserve, and I think that positions us for the Grey Zone going forward. And that, I think, will be the only thing that really is unusual, that happens in discontinued operations.

Cash. We're building inventory to get ready to service next year. Still a good cash performance. Industrial revenues should grow organically at high single digits. Capital will decline and we don't have NBCU comparison year-over-year. So I'd say Q4 performance, pretty strong, no surprises, and good performance overall we finish the year, and good, strong double-digit earnings growth for the year.

From an energy standpoint, this is kind of the key segment that investors look at. We had declining earnings growth this year. We'll have double-digit earnings growth next year. Most P&Ls growing nicely. Wind is going to be very strong. We should see earnings growth in the wind segment next year. Good global strength. Acquisitions continued to perform.

My hunch is that from a product standpoint I'd say wind pricing is firming and getting better. The interest and quotes on heavy duty gas turbines are improving and I would say the heavy duty gas turbines, in terms of quote activity, is stabilizing. And that has to play through into orders and things like that, but that's how I would read the market today in terms of leading indicators.

But all that bleeds into an energy business that should grow double digits next year, and that's how we're running it and how we feel that the business is positioned to grow. And energy has kind of a mixed exposure, I would say, to Europe. A good exposure in Northern Europe. Oil and gas is okay. We don't see -- we kind of planned for a tough Europe in the energy space, but we don't see a lot of specific negatives, I would say, in energy in Europe next year.

Healthcare, we're counting on a tough Europe; a Europe that's down, let's say, 5% to 10% from a market standpoint. The US market in Q4 is still pretty good. The emerging markets are very strong; we see good momentum there. Customer productivity in our offerings are very good, a deep NPI pipeline, more than 100 MPIs next year. We're going to take some restructuring actions in Europe as we're positioned to improve profitability there over time.

So again, I would say it will grow single digits this year. My expectation is that healthcare ought to grow single digits next year. And that's the way I would frame where we are in healthcare. A lot of the headwinds that we're going to experience in Europe are already in the run rate. We think it could get even tougher in Europe, and we're kind of planning along those lines as we think about healthcare.



Aviation. Like energy, a single-digit earnings growth this year. We think earnings in aviation will be up double digits next year. Very strong product portfolio; winning in the marketplace there; very good services revenue and growth; good supply chain opportunities to get productivity in aviation.

We've got the engine launch costs in our run rate, so that continues to play through. We're going to monitor how the fuel costs hit our customer base, but so far that has been manageable and, if anything, has just prompted investment in new technology. So that's how we see aviation. And not a huge European concern. The deliveries are okay. We think freight will soften, but we don't see a big European impact in our aviation business.

Transportation had double-digit earnings growth this year; it should have double-digit earnings growth next year. The North American business is positive in terms of what our customers are seeing, but has slowed. The global demand is still very strong. We think we have a good chance to grow adjacencies in mining and places like that. We have good opportunities for margin enhancements and productivity in the transportation business.

We're managing through a new competitor in CAT, so CAT's a company we really respect, but, again, managing through that pretty effectively so far. And this business has almost no presence in Europe, so we just don't see a big specific European impact as I think about the transportation business.

Home and business solutions, a tough year this year, for sure, primarily in appliances. We think that business will grow next year and have decent earnings growth. We've got about \$140 million of price advantage in run rate. As we go into next year, our pricing actions that we're taking January 1, have a pretty good product line. We've been able to price the lighting business ahead of inflation.

So I think we're on the right side of the pricing curve as we begin the year in home and business solutions, but the housing market is very tough. We're not counting on any breaks there. And the lighting business, actually, has a franchise in Europe that we're going to manage our way through, but our expectation is that it's tough in Europe next year for the lighting business.

And Capital, you went through last week in detail. We think double-digit earnings growth this year; double-digit earnings growth next year; \$440 billion of ending net investment. The regulatory impact is manageable. We think we're competitively advantaged in terms of where we are. Originations, accelerating. Margins remain strong. Real estate continues to improve. And then, we're counting on lower assets and a difficult European market. So that's the way we view GE Capital.

And the lastly, when you wrap it all together in terms of the operating framework for next year, we see industrial up single-digit this year, up double-digit next year. So that's how we view the business. Good organic growth, energy acquisitions performing, broad-based strength. GE Capital, another solid year in 2012 versus 2011, that the team went through with you last week. Improved losses and impairments, real estate improving.

And then, I think we don't have any of the one-time aspects at NBCU. We've got some optionality around restructuring next year. We think that the corporate line will be about flat next year. So we see good double-digit earnings growth in terms of the total Company.

From a CFOA standpoint, we see between \$12 billion and \$13 billion of industrial CFOA next year. What we basically think is there's \$1 billion of pension funding, so that gets you down to \$11 billion to \$12 billion. And total revenue should be around 5%, with industrial organic up between 5% and 10%, and GE Capital still managing the balance sheet down.

So we think this is a good performance in a volatile time. I think we've got some, I would say, some hedges built into the plan if the macroenvironment gets tougher from an industrial standpoint. So that's the way we try to run it looking at next year, but I'd say a more balanced plan than we've had since the crisis started.

Some of the metrics that we go through with you consistently, which is organic growth in services and growth markets up 5% to 10%, earnings growth equal to or greater than the S&P 500, cash equal to or greater than net income, ROTC of at least 15%, and an attractive dividend payout ratio. So we think we hit all those marks when you look at 2012. And then, we do plan to continue running the Company in 2013 and its future. Again, I'm not going to forecast all of this stuff, but I thought I'd just give you a few things to think about when you look to the future.



We're going to keep driving product pipeline and product excellence. We're going to keep driving growth market investments. We think we've got a very strong service revenue. We've really looked at our cost structure over 24 months and beyond, so we're going to have good opportunities for cost and productivity. We're going to continue to remix GE Capital, so as the red assets go down, the green assets come on. We think there's going to be continued room for GE Capital to continue to grow.

There will be some positive drivers. Commercial real estate is another year better. We're going to have more cash optionality in terms of how we're positioned. The gas turbine market has a chance to rebound, and we think over time that market is going to continue to get better. The US economy could get better, could get worse. We're not forecasting one way or the other.

And we think if the economies remain slow, there's going to be optionality around deflation, and so that's something -- I think if you think about this year, we're going to have positive price this year and a slightly negative value gap because we're counting on tough inflation. That could be a source of upside as we work into 2012 and 2013.

Potential headwinds is Europe could be worse. US wind is going to peak in 2012 and come back down again. Governments' actions, how people respond to budget deficits and things like that, are still to be determined. And then we just need to see ultimately what happens to the US economy, but our overall estimate is just continued slow growth. So, that's the way we think about performance in the world going forward.

So, just one final page of thoughts in terms of how we think about the world going forward, what the pluses and minuses are about the way we're approaching it, how we try to think about your concerns and address your concerns, and talk about consistent performance.

So, when I read the sell side notes or talk to investors, there are five things that I just want to make sure we have a sense for. Europe. So, again, I don't think I can forecast exactly everything that's going to happen in Europe, but we've got lots of liquidity. We've got a very strong business model. We've prepared the Company for a European recession. I think we've got an extremely strong balance sheet at GE Capital and a very diversified business mix industrially.

So, we go through a variety of scenario plans. I think we feel like we've really prepared for it. We're going to restructure our European operations in Q4. We'll determine how much more we need to do to be prepared for slower markets. But again, I think we feel like we're very well diversified with a lot of growth investments and have good momentum to phase into Europe.

Energy growth. Better cycles, a better product line, acquisition integration, a robust backlog. But we've been able to reposition our energy business with basically no US heavy duty gas turbine margin -- zero. So, if these retirements take place, there's 30 or 40 or 50 gigawatts of power generation that would have to be installed in heavy duty gas turbines. So that's all still out there, I think, for the Company as we think about going forward.

Industrial margins. With the investments we've made in R&D and globalization are basically in the run rate. We've got a lot of programs for material productivity, more in simplification. We've got 50 basis points built into the plan in 2012 and '13. We've got a funnel that's bigger than that that we're working on from a margin standpoint. So, again, I think growing industrial margins is key to the GE team. We've got an intense focus on that. And again, from an industrial standpoint, if we can grow our organic industrial platform between 5% and 10% and enhance margins and do it in a capital efficient way, this is going to be a great profile for GE going forward.

Capital allocation. Significant cash available. We hope to get capital back to the parent in 2012. The priorities are well known; I think a pretty balanced approach. You know the approach we want to take on acquisitions, between \$1 billion and \$3 billion, so I just think there's a lot of enhancements that we can make to the portfolio and to the Company from a cash standpoint.

And from a GE Capital standpoint, competitive position is stronger. We've got excellence in originations and asset management. We've got a ton of liquidity. We expect to start the dividend -- restart the dividend in 2012. The margins are expanding and we think we're kind of coming through the cycle a better financial service business than we went in and with a stronger hand.

So, I think Europe, manageable; energy, performing; aviation, performing; industrial margins, growing; capital allocation, cash optionality; and a stronger GE Capital. That's really what I think about when you think about GE as we enter 2012.



And then lastly, I think from a macro standpoint, our earnings are going to look, I think, pretty decent by the time the dust settles in 2012 with a lot of preparation we've made getting ready for this environment -- preparation -- investments in the portfolio, investments in R&D, service backlog, things like that; dividend growing in line with earnings, so we feel positively about that; and strong cash optionality.

So I actually think the Company, coming through the crisis, '12 is going to be a good year for us and a year when we think we can differentiate versus our peers and do a good job for our investors. So with that, let me open it up for questions and talk about whatever you want to talk about. Cliff, go ahead.

QUESTIONS AND ANSWERS

Cliff Ransom - *Ransom Associates, Inc. - Analyst*

Cliff Ransom. Jeff, I have sort of a mantra on GE that says that the culture in this Company is really quite highly developed in two areas. One is risk identification and the second is risk mitigation. That's my line, so let me ask you two questions about it.

One, do you think that is an accurate appraisal? I know you'll disagree with me if you want to. But two, is that something -- if it is true, is it something that you developed consciously or did it bubble up?

Jeff Immelt - *GE - Chairman, CEO*

Cliff, my view is risk culture has always been part of the Company. I think there is a certain aspect of being in old-line industrial businesses that I think give you a thoughtful approach, particularly in areas like financial services. But there's no doubt that between 2007 and today, from an enterprise risk standpoint, this Company is better in every way.

I think in terms of scenario planning, in terms of stress testing, in terms of looking around corners and things like that, Cliff, there's just no doubt that the Company is significantly better today than it's ever been from a risk management standpoint.

Cliff Ransom - *Ransom Associates, Inc. - Analyst*

(inaudible - microphone inaccessible)?

Jeff Immelt - *GE - Chairman, CEO*

Look, I just think it's a learning culture, it's a learning Company. I just think there's never a time when you can ask enough questions as a leadership team. There's never a time that you can be discerning enough. And I just think that the macroenvironment over the last period of time has been amazing, and I think the Company has responded and gotten better and we're all better for it.

Yes?

Steve Winoker - *Sanford C. Bernstein & Company, Inc. - Analyst*

Thanks, Jeff. Steve Winoker. First question. Just as I look at the 2012 outlook, so you're talking about 50 basis points of margin expansion and 5% to 10% organic growth leading to double-digit earnings growth. How should we think about it if, in fact, that growth does not materialize? Can you still -- how much of that margin do you think you can get? And then, how do you think about the risk to the 5% to 10%?

Jeff Immelt - GE - Chairman, CEO

What I would say, Steve, is that we've both hedged back on the revenue side and we're going for more cost than 50 basis points. So the way I would describe it is there would be macroeconomic scenarios that are worse than our core plan that still end up with double-digit earnings growth industrially.

Steve Winoker - Sanford C. Bernstein & Company, Inc. - Analyst

Okay. And then, just as a --.

Jeff Immelt - GE - Chairman, CEO

So, revenue hedge and cost hedge.

Steve Winoker - Sanford C. Bernstein & Company, Inc. - Analyst

And then a little bit deeper question, just on the gas turbine front. A lot of the data that we looked at for greater than 60 megawatts units for 2011 year-to-date seem to show -- and it's preliminary, but seem to show Siemens taking share broadly in the order rates. What do you think about that, and how do you feel positioned going forward in terms of arresting that, stopping it?

Jeff Immelt - GE - Chairman, CEO

What I would say, Steve, is that the orders get -- we book orders when we get cash; they book orders when they get orders. So we basically book orders at different times. If you look at the heavy duty gas turbine market in a macro setting, we've got about 45% market share; they've got about 45% market share; and all the other guys have about 10%.

We have a different cadence for when we book orders, and I think we feel good about our position right now, the quality of the products and where we are.

Steve Winoker - Sanford C. Bernstein & Company, Inc. - Analyst

And just last question. What happens if the GE Capital dividend does not come? In other words, it keeps getting deferred out and Fed basically (inaudible - multiple speakers)?

Jeff Immelt - GE - Chairman, CEO

So, we've built cash buffers inside the operating plan and we just continue to run the Company and run it well and the industrial business has a very strong cash position. So I think that's how I would categorize that. But again, that's the scenario we think about. And again, I just think we will continue to generate upside in cash.

Steve Winoker - Sanford C. Bernstein & Company, Inc. - Analyst

You'll be able to grow the dividend in line with (inaudible - multiple speakers)?

Jeff Immelt - GE - Chairman, CEO

That would be our expectation, Steve. Got you.

Steve Winoker - Sanford C. Bernstein & Company, Inc. - Analyst

Thank you.

Jeff Immelt - GE - Chairman, CEO

Thank you, Steve.

Unidentified Audience Member

Thanks, Jeff. Two questions, Jeff. First, on GE Capital. You kind of seemed to make a point that it could be smaller. And perhaps that's music to some people's ears, but I'm wondering if there's something you see in the remix potential that makes you think that's a likely outcome. So you do have that band of capital to potentially redeploy. Are you foreseeing something that changes that makes you not want to do that, or --?

Jeff Immelt - GE - Chairman, CEO

No, Jeff, what I think you should count on is us remixing within the \$440 billion to get higher returns. And then just continue to look over time to see how are we positioned versus the banks as we come through it? Where are the regulators positioned over time? And how do all of the rules within Dodd-Frank and other regulations get positioned?

But I look at just the core plan of remixing the \$440 billion. That ought to get you up to \$9 billion or \$10 billion of earnings in GE Capital. I think that's the best way to plan the next couple of years. But I think from a capital allocation and strategic standpoint, at the end of the day we're only going to be in the businesses of GE Capital where we have clear competitive advantage.

Unidentified Audience Member

And then just a further follow-up on the margins, and perhaps the answer is embedded in your notion of a cushion. But you do have R&D coming down; you don't have deal integration costs; it doesn't sound like the service OE mix is adverse. Is there something in particular that's holding the margins back relative to what could be?

Jeff Immelt - GE - Chairman, CEO

Well, Jeff, like I said, I think we've got a funnel of more than 200 basis points of margin improvement. I'd like it to be better than 50, but I think 50 -- what I would say is 50 is a commitment case and could mitigate any mix variations of a much stronger OE versus service mix or things like that.

So what we've tried to do is create a little bit of buffer that could withstand any mix changes as you went through it.

Unidentified Audience Member

And then I was also just wondering, finally, the \$0.03 to \$0.04 of restructuring you're talking about in the fourth quarter, is that "paid for" by something or should we think about numbers coming down \$0.03 or \$0.04 or what kind of context --?



Jeff Immelt - GE - Chairman, CEO

I don't think you need to think about numbers coming down. I think it's largely going to be in the run rate of how -- it's an elevated run rate, but I still think we're going to have a good fourth quarter. And again, we're kind of out of the guidance business, but I just think we're going to do more restructuring in the quarter.

Shannon?

Shannon O'Callaghan - Nomura Securities - Analyst

Thanks, Jeff. Shannon O'Callaghan. So in wind, you've got this technological advantage, you're talking about record-like volumes, 50% market share, but pricing is still pretty lousy. So, is there just going to continually be too much excess capacity, or do you actually see a way out?

Jeff Immelt - GE - Chairman, CEO

Well, look, I think this is a -- I'd say what's happening in the US is kind of artificial, right, Shannon? So you've got a one year kind of pull forward. The 1.7 megawatt wind turbine will go from making a few to making a lot in just 24 months. So we're going to come down the learning curve and all that stuff on wind turbines. We see the market stabilizing outside the United States in terms of pricing.

And then, I'd just say the way to think about the business is with 10% T/M rates in the wind business, it's a 50% to 100% return on total capital. So it's just a differently structured industry than the heavy duty gas turbine market is structured. And investors have felt most of the pain this year in terms of margin reduction, and I think that's really largely built into the run rate as we look forward into the future.

Shannon O'Callaghan - Nomura Securities - Analyst

And then on the funnel of over 200 bps, and when you think about that by the businesses, how would you break it down?

Jeff Immelt - GE - Chairman, CEO

By the various businesses, I'd say that aviation has got a very solid business plan around it. Really, all the businesses have a decent profile as it comes to margins. Energy may be up a couple of basis points, transportation up probably the most. But everyone, kind of the same positive margin enhancement next year.

Shannon O'Callaghan - Nomura Securities - Analyst

So energy is the least of the bunch?

Jeff Immelt - GE - Chairman, CEO

Like I said, energy, we'll see strong revenue growth, some margin enhancements, and double-digit earnings growth. And then you'll see in more in energy going into 2013 in terms of margin enhancement. But energy will be positive margins in '12 -- positive margin growth in '12.

Scott?



Unidentified Audience Member

Thanks. Jeff, you mentioned the potential gas turbine market picking up. What's your personal view on the odds if the EPA goes through with the plans to shut down these plants -- the old coal plants?

Jeff Immelt - GE - Chairman, CEO

Scott, I really -- I think it's better than 50/50, but I don't know. In other words, it could not happen. I think it's still better than 50/50, but it is hard to predict when you look at it, given all the puts and takes around the EPA and things like that. But I'd say it's still better than 50/50.

But I've always considered that to be above and beyond how we feel about the Company. In other words, if you got this incredible gas turbine wave, it'd be even better. But if you look at our heavy duty gas turbine business today, our oil and gas business, renewables, stuff like that, we've got a lot of good growth still built in.

All right, Mark?

Unidentified Audience Member

Maybe we can switch gears a little bit and talk about R&D. When you came on board, I think GE was probably a little product light, and you've put a fairly large investment in over the last 10 years. Are you where you need to be --?

Jeff Immelt - GE - Chairman, CEO

I think so.

Unidentified Audience Member

-- so you can drive --.

Jeff Immelt - GE - Chairman, CEO

I think so.

Unidentified Audience Member

-- the kind of organic growth rates and --?

Jeff Immelt - GE - Chairman, CEO

I really do, Scott. I think what you want to have is good products, because products give you the optionality around margins and share. When you don't have good products, you don't have the options around margin and share. I think if you look across our product portfolio today, we have the right optionality around what we want to do at aviation and what we want to do in energy and what we want to do in healthcare. And I don't see it growing as a percentage of revenue; I see it probably shrinking over time.

Unidentified Audience Member

Okay. And last question, there were a number of oil and gas acquisitions you made in the last two years and there was some criticism out there on valuation. But now, you've had a chance to integrate these transactions, taking a look at them, and see whether it's matching up with the deal model. Give us a sense of whether you feel like these were smart moves and maybe how you score the success rate there.

Jeff Immelt - GE - Chairman, CEO

Scott, if you just look at the year one deal models, we're ahead of pro forma on the deals we've done. But it is still early. I think it's still -- if I just go down the list, both -- Wellstream has given us a great footprint in Brazil; that's what we thought. It's given us a good flanker product as it pertains to our subsea business.

Wood Group has really built submersible pumps, has helped both in terms of well extraction and also shale gas, good there. Converteam, a great application engineering footprint. Lineage just opened up data centers. Dresser has given us multiple niches.

The way I think about it, it's all in the context of a good, high return industrial portfolio. And the thing about oil and gas, when you do an oil and gas deal, you can walk into Exxon or Chevron or any big customer and you can pick up a piece of business that day, the day you conclude the deal. You can pick it up that day.

If you compare it to an aviation acquisition -- I love the aviation space, but if you're not on the airframe, you ain't getting on it. If you're not on the 737 MAX today, it's not like you're going to buy a Company that's not on and get on. So you just, in energy, I think, have a lot of optionality as it pertains to both costs and revenue synergies, and that's why I think we feel good about where we are there.

Yes. Yes, Dean?

Unidentified Audience Member

Great, thank you. Jeff, just a clarification first on the restructuring; I will come back to this \$0.03 to \$0.04. It would be atypical for GE to do naked restructuring. Just to clarify, is there an offset to that charge?

Jeff Immelt - GE - Chairman, CEO

Yes, I -- again, I don't -- it's not going to be naked restructuring. We're still going to have a positive -- it's just a higher run rate and I would say the way we'll finish corporate is slightly higher expense than when I look at the variety of models. And I think the way to think about it is we're doing better other places, okay? So that's the best I'm going to do in a non-guidance -- is that clear to everybody? I just want to make sure there's --.

So I just think the geography, as I look at it, is a little bit off. And we want to do restructuring this year to be even better prepared for next year.

Unidentified Audience Member

Okay. And then the second question on capital allocation. This was a little bit of an atypical year on the M&A side because you basically swapped out --.

Jeff Immelt - GE - Chairman, CEO

Just going back to the last point, is everybody clear on that? I just want to make sure there's no --.

Unidentified Audience Member

I'm seeing mostly nodding heads here.

Jeff Immelt - GE - Chairman, CEO

Again, I think --. Business doing well, corporate, some restructuring, the totality is still really good. Good, okay? Is everybody okay with that? Okay. Okay.

Unidentified Audience Member

All right. And capital allocation for M&A, this was an atypical year in terms of just swapping out of media into oil and gas.

Jeff Immelt - GE - Chairman, CEO

Right.

Unidentified Audience Member

You kept within the \$1 billion to \$3 billion and what basically fits the bolt-on. Looking forward, are you going to stay in this bolt-on \$1 billion to \$3 billion? You hinted you can go bigger, but how do you size the bets appropriately to these markets?

Jeff Immelt - GE - Chairman, CEO

I think, Dean, if you look at John Krenicki, that team has a lot on their plate to execute on this year. The thought of doing an energy acquisition, it's just not going to happen, of any size in '12, just not going to, right?

Look, healthcare, it's -- we'll do small stuff, but we have good market shares in most of the heal and we're not going to do a big, expensive healthcare deal in 2012. Just not going to, okay? Aviation, I like our space. We've got a lot on our plate in aviation next year. When I think about execution-wise -- Dean, I think we're just going to stay in the \$1 billion to \$3 billion niche.

And look, guys, really, I'm a 30-year GE man. The vast majority of my early career, doing \$3 billion of acquisitions in a year was unthinkable. We never did -- we've just over the last decade we had to fix this baby up a little bit. We had to contemporize it, make it stronger, get faster growth. That's what we've done. I feel like that's where we sit today, Dean.

And so we just don't need a lot when I look over the next few years. We've got a great energy business. We've got a great aviation business. We've got a great transportation business. We've got the chance to do adjacencies. We've built adjacencies from \$4 billion to \$40 billion in the last decade. Sometimes our guys would like to do more, but I just think we've got a lot on our plate right now to execute, and that's what I want to do.

Yes?

Unidentified Audience Member

I want to look at GE Capital [kind of] my question (inaudible - microphone inaccessible) looking backwards and learning in terms of the culture of learning and then looking forward. What competitive advantage did you guys --? Let me frame it this way. You got out of mortgages, you got out

of insurance. Looking back, would you have liked to have scaled that back more? And specifically in real estate, what was your competitive advantage in real estate? Again, looking back, then I want to look forward.

Jeff Immelt - GE - Chairman, CEO

Look, I think they're all different. I would say in insurance, competitive advantage, none. In a lot of consumer spaces, mortgages, not much. In real estate -- not to be argumentative -- quite a bit. I'd say, point to point, really, we let commercial real estate get too big, my bad. But on a smaller scale, we made a boatload of money; we're well positioned; we've got a good team. It should be smaller -- it will be smaller. But in commercial real estate debt, we're quite good, we're quite good.

So, I just think it's -- to me, it's just about -- again, it's about returns, it's about how we're positioned versus banks, it's about where ultimately -- we still don't know where the regulatory and market focus is going to be. We need to play that out.

And it's about having control. Basically, three years ago we said we were going to get to \$440 billion and ending that investment. We got there. We didn't have to count on doing big, stupid spinouts and stuff like that. We basically got there on our own. And that's how I think about it going forward.

Unidentified Audience Member

(Inaudible - microphone inaccessible) competitive advantage in middle market lending versus banks. Can you give us more color on that?

Jeff Immelt - GE - Chairman, CEO

Huge origination, great flexibility, better domain, knowledge of the assets, a better linkage for what the customers want versus what banks have, a lot of small industrial companies that can link up to GE very easily, better margins.

Unidentified Audience Member

And last, unrelated question. In China particularly, how do you protect your technology? I know it's a complicated issue, but --.

Jeff Immelt - GE - Chairman, CEO

Look, I think it's always complicated. I think the way we do it is we control what goes there. We always do joint ventures, so we have control built into the joint ventures. And we keep investing in businesses where we're better.

When you think about jet engines -- or really, any of our products -- we are significantly better than anybody that we would interface with in China and are spending more money. So that edge is going to be long-lived is the way I would look at it.

So, we can do it at choice. There's not one thing we do in China that I don't personally approve. We kind of have a pretty good strategic perspective on China. It doesn't mean that we've done everything perfectly, but we've done a lot well.

Yes, John?



Unidentified Audience Member

So, just so I'm clear, is there a big tax gain coming to pay for this restructuring in the fourth quarter? That was a joke. Okay. Talking about mining, Jeff, you highlighted it. Just, what's your vision for this vertical, especially in the context of very large global players, say, trucks where you see your competitive advantage, and then sticking to a bolt-on strategy of \$1 billion to \$3 billion? How do you see mining progressing for GE --?

Jeff Immelt - GE - Chairman, CEO

What I would say is we already have a couple -- a \$3 billion presence. We do a lot to an OEM platform. So, we do a lot with Komatsu. We do a lot with companies like [Joy]. We do a lot in the components around the mine itself, John. In terms of when we acquired Converteam, we acquired a big mining footprint.

We'd like to grow it over time. Like I said, no big deals. Small, bolt-on acquisitions. And this is one I would compare to distributed energy, where you kind of start one day at a certain size and you keep making it bigger over time organically and inorganically. But there's not going to be any lightning bolt in that space because I don't think we need to.

Unidentified Audience Member

That makes sense.

Jeff Immelt - GE - Chairman, CEO

And look, we've got a great relationship with Komatsu. We are the guts, kind of, inside Komatsu. That's a pretty capital-efficient way to play mining, and that's why we like this space.

Unidentified Audience Member

Same comment around process. You've got some very large, established players in Emerson, Yokogawa, some others. But you have now kind of carved the space out a little bit more with a circle around it. What are your thoughts toward building that space out, because it clearly fits some of the oil and gas (inaudible - multiple speakers)?

Jeff Immelt - GE - Chairman, CEO

If you look inside -- it's now a part of Dan Heintzelman's business. We've got a \$3 billion or \$4 billion or \$5 billion set of businesses that we did some small acquisitions. Bently, Nevada, a big part of Dresser went in there. And again, that's been primarily an organic grow with smaller, bolt-on acquisitions. So I don't see big deals in either place. What we like, then, because they're places where you can make a lot of money on small deals. That's why we like it.

Unidentified Audience Member

Jeff, if you look back over the past 10 years, some people might characterize GE's M&A activity as pretty massive. There was a -- you guys have not been shrinking violets when it's come to sort of buying and selling companies. Would you characterize the next 10 years of your tenure as more of a harvest mode, if you will? So, in effect, you've kind of already articulated the \$1 billion to \$3 billion, the product portfolio that you talked about.

And if so, would it makes sense -- maybe not today or next year, but for you at some point -- to begin to much more aggressively repurchase your shares given what appears to be a pretty robust trajectory for cash flow?

Jeff Immelt - GE - Chairman, CEO

First of all, I don't think about 10 years. I think about like a year at a time, or maybe a quarter at a time. John, when I look back, we just didn't have the goods industrially, right?

We rode the power bubble up. We weren't investing as much as we needed to in R&D. We hadn't replenished the hopper, if you will. I felt like we needed to make our businesses -- and that shows up in --. Look, we have done a great job in our energy business. I think John Krenicki has done a fantastic job. And we'll make the same amount this year that we made in 2002, fundamentally, right?

So that just shows you kind of the hill that you have to climb sometimes. And so we've done that by repositioning the portfolio. We've made, I think, good investments in platforms that can grow over time. And I like the way the industrial company looks today. I like what we have exposure to in terms of oil and gas and shale gas and big aviation footprint and stuff like that. And I think -- so I think it does give us a lot more cash optionality when you think about the future.

Look, we've got to go through the process with the Fed. We're going to do it in a constructive way. That's going to give us a sense for where GE Capital and how that is. But I think the good news is we've got a lot of cash and we've got inherently a very strong industrial business, as strong as we've ever had.

Now, GE Capital, look, we're committed to GE Capital. The team's done a great job. But we want to be in businesses that we have clear advantage in.

Other questions? Yes?

Unidentified Audience Member

I was just wondering if we could go a little deeper into China in a couple of respects. First, in your slide where you're showing the Asia high growth markets decelerating to 15. Presumably, China is decelerating as well. And I'm wondering if you could -- might break that down? Where do you see that decel from a segment perspective?

And how do you think about GE versus the market, which then feeds back into your earlier point, we've done well in China, maybe have done as well as we would have liked. And how do you see either the landscape or what GE specifically is doing changing over the next three to five --?

Jeff Immelt - GE - Chairman, CEO

Terry, what I would say is Asia actually is a slower [India and ASEAN], and China is actually going to be faster growth in '12 versus '11. So, like any of these countries, there's never like one macro answer. I'd say in aviation and in healthcare, we kind of run the table in China. We've got extremely high market share, a great competitive position. We're better than our competitors. We are the big -- in healthcare, we are the big dog. We are bigger than Siemens and Philips. At aviation in the last year, we've won like 70% of the campaigns in aviation over the last year.

The ultimate size of -- I think where GE is healthcare has a lot to do with energy. And fundamentally, we did a big [bumbled buy] in the early part of the decade -- I'd say 2003, 2004. Then, the country went back primarily to coal between like 2005 and 2010. Most of the new power generating capacity was in coal.

And now, Terry, gas is getting a ton of play, a ton of play. And some of that is shale gas, some of that is just having the East-West gas pipeline done, stuff like that. So, if gas goes from 5% to 10%, energy is going to grow immensely. If gas goes from 10% to 20%, energy is going to grow like a bunch more.



And so I think China could be a big upside for us, but a lot of it has to do with how fast the gas turbine industry really grows. So I think if you think about heavy duty gas turbines and balance, my hunch is that the output grows next year, versus the number of units we sold this year. Heavy duty gas turbines will grow again next year in terms of units above.

And then, you've got Russia, US, China as being -- if any one of those markets really broke, you'd have a big upside in the heavy duty gas turbine business. It's Scott's question on does the coal get replaced? It's your question on how big will the gas turbine market be? In Russia, it's do they want to use gas for their own power generating consumption versus today they use mainly coal. Those are the big macro questions that you can ask.

Unidentified Audience Member

And I wonder if you could follow-up with a comment on profitability in China. Are you still in heavy investment mode there? Obviously, you don't have as big a services mix there, so the overall margins presumably are lower, but comment there?

Jeff Immelt - GE - Chairman, CEO

China, again, Terry, it's service business is growing rapidly. Our aviation campaigns are no worse there than any place else in the world. Healthcare margins, it's the highest margin healthcare country in the world. So tremendous healthcare. And then power gen, kind of in the mix.

Unidentified Audience Member

Okay. And then just lastly, if we assume the [GECS] dividend is approved and goes through, is there any sense that you would have restriction with regards to how you want to utilize that cash at the corporate level between dividend and buyback per some of the Fed's recent comments?

Jeff Immelt - GE - Chairman, CEO

I think it's different because it's a dividend to the GE parent, really. And so I would -- I would find that to be very unlikely. And again, just think about it, guys, in terms of context, right? We've got cash at the parent -- \$8 billion to \$10 billion of cash at the parent. We've got 11% or 12% Tier I capital in GE Capital. And then we have a lot of liquidity, right? We've got \$80 billion, plus or minus, so we've got like a couple of layers of protection now in terms of the business being safer than it's ever been.

Trevor Schauenberg - GE - VP - Corporate Investor Communications

Maybe one or two more?

Jeff Immelt - GE - Chairman, CEO

Great. Yes.

Unidentified Audience Member

Thanks. I just had a question on 2012 in the equipment margin specifically, because I guess if I look at the numbers that you gave, industrial sales all in this year about \$100 billion. You gave the service portion of that. If we assume the service margins grow 200 points next year and the overall industrial margin is up 50, your guidance seems to imply equipment margins are down next year. Is that correct? Because obviously R&D is coming off -- the value gap is getting better.

Jeff Immelt - GE - Chairman, CEO

I think you've got a full year of GENx shipments. You've got more wind, less gas, so you've got some big mix items that are kind of flowing through the energy and aviation space. So even though each one of those gets better from a profitability standpoint, you've got more GENxes, you've got more wind versus gas, and that's really how it flows through.

Unidentified Audience Member

Okay, but the equipment margin will be down next year because of mix?

Jeff Immelt - GE - Chairman, CEO

Yes, it might be down. We've got a bigger funnel than 50 basis points in terms of how we look at it. But again, I think the mix inside equipment is going to have products that have lower margins as you go through it.

Unidentified Audience Member

You've mentioned Chinese gas a couple of times. I think if you look at the market maybe in three or four years, it could be 10 gigawatts, let's say, of annual gas additions just in China.

Jeff Immelt - GE - Chairman, CEO

Yes.

Unidentified Audience Member

Supply is being lined up from [Turkmenistan], the domestic reserves are being exploited. So when you think about GE's positioning there, you have about \$2 billion in energy sales, I think, in China. How would you imagine the phasing of the revenues you get from the gas opportunity would work?

I guess -- you have, obviously, pipeline compression business, you have some extraction business, and then half of that would be gas.

Jeff Immelt - GE - Chairman, CEO

We should have a third of the business there. Our partner is Harbin. Siemens is there. MHI is there. I think if the industry grows, that's not a bad estimate for what we should target.

Unidentified Audience Member

And then lastly, I guess, on the adjacencies, you've put them into three groups. One is under the sort of heading, I guess, strengthening, which presumably means that's the [airway] your M&A is going to be focused in of those three groups. You have about \$11 billion of sales there. Do you have any sort of medium-term target you'd be willing to share (inaudible - multiple speakers)?



Jeff Immelt - GE - Chairman, CEO

Not really. No, I wouldn't necessarily say that's where the M&A is going to be targeted. I think if you look at the aviation systems business, we're doing a joint venture in China that's going to help us grow that business. We continue to see good expansion opportunities around the edges in mining. But I think acquisitions could take place in any one of those three places.

But I think, to a certain extent, what we did in solar is a pretty good indication of -- there's a lot of carnage in the solar industry right now. I think our preference is to build organically and do it over time and stay profitable and see where it goes.

Yes?

Trevor Schauenberg - GE - VP - Corporate Investor Communications

Great. Last one.

Unidentified Audience Member

Thanks. Your enthusiasm on gas turbines, just one more question there. Is that entirely because GE's market share is so much more dominant in gas than in other power generation technologies, or is it just any kind of increase in building and power plants that's going to benefit GE no matter what the technology?

Jeff Immelt - GE - Chairman, CEO

Look, we've got a diversified portfolio, right? So we've got wind and nuclear and solar and coal and gas. And so we can basically sell anything a customer wants. But \$4.00 gas, and when it's plentiful, that kind of answers the question. So at \$4.00 gas, your new units are cheaper than coal. They're cheaper than anything.

And so in the end, the market always works. And we just are lucky that we've got 45% market share in gas. But if gas were \$15.00, I'd say the answer would be something else. But every day you get more [gas being found in] Argentina, India, China, Poland, US. Rex Tillerson declares that gas is the new coal. I say, right on, Rex. Let's go. I'm right behind you.

So I think it's all about -- in the end, it's all about cost of electricity. The good news is that wind is down the learning curve now. We've gotten big orders in Canada and Brazil, other places in wind. So the business outside the United States is very strong in wind right now, so I think that's got potential to be equally good over time.

Trevor Schauenberg - GE - VP - Corporate Investor Communications

Great. Thank you, Jeff. Thank you to our audience today.

Just a reminder, our next earnings we'll talk to you on is on January 20. Please join us for the reception here, but this concludes our webcast. Thank you, everyone.



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