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EDITED TRANSCRIPT

GE - General Electric Co. Outlook Investor Meeting

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CORPORATE PARTICIPANTS

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

Jeff Immelt *General Electric Company - Chairman and CEO*

Jeff Bornstein *General Electric Company - SVP and CFO*

CONFERENCE CALL PARTICIPANTS

Cliff Ransom

Steve Winoker

Scott Davis

Deane Dray

Steve Tusa

Andrew Obin

Chris Glynn

Nick Heymann

John Inch

Shannon O'Callaghan

Nigel Coe

PRESENTATION

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

Good afternoon and welcome everyone to our annual GE investor outlook meeting. We have a full crowd here for the folks on the webcast. It is being webcast. It will be available for replay. Our website is www.GE.com/investor. So you can get all the information there for on the webcast.

Today, Jeff is hosting the meeting. We will do a presentation, do some Q&A and then we will have a reception with our leadership team. Several members of our leadership team are here today.

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

So I know everyone wants to get started. I will turn it right over to Jeff.

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

Thank you, Trevor. Good afternoon, everybody. Thank you Mr. Bernanke. He was one warm-up. I guess Justin Timberlake was up here earlier today as well so I'm in pretty good company but let me just dig right in.

So we are going to complete a solid 2013 good fourth quarter increasing the pace of organic growth and margin expansion, executing our portfolio plans. Keith and Jeff took you through these in November -- 70% industrial earnings by 2015, planning the exit of the North American retail business in a capital efficient way. I will show you some great initiatives today that really solidify organic growth in the 4% to 7% range and we go into next year with a higher level of backlog. We are pretty confident in that number.

From a margin standpoint, we are on track for the 70 basis points for 2013. We have set a goal for 2016 to be about 17% from a margin standpoint. So pretty good plans in place to continue to grow margins as time goes on. And balanced capital allocation will return $18 billion to investors this year and you saw last week our capital allocation choice around the dividend. The Company has a lot of cash. We are very confident in the position of where we are right now and how we feel about the next few years and we felt letting the payout ratio drift up a little bit over the next couple years is really a good trade for our investors. So that's really the tale of the tape in terms of the big messages we are going to deliver today.

I would say the macro environment continues to get a little bit better. There's still volatility out there but we see the US continuing to strengthen. The consumer has been good. I think we have seen more demand in the -- slightly for commercial credit than we've seen in the past. I view that as a good sign.

Europe has stabilized. That's probably the best thing I can say. There are segments of Europe that are actually growing pretty well like Germany and the Nordic region. We think the growth markets are still positive plus China is still a great story. The resource rich markets are still a good story but there's volatility in places like India and Brazil has probably had a tough year this year than we would've expected. But places like Mexico are actually quite strong when I look at 2014.

Inflation is still tame. We still have lots of fiscal negotiations going on that impact things like military spending and things like that but our macro themes are pretty solid when I look at 2014 and then to the future. So we feel pretty good about the overall outlook.

There's really no change to the earnings framework for 2013. I was just going to reiterate a couple of points that Keith and Jeff made in the November meeting. GE Capital is going to have a couple of big gains in the Swiss spin and the Bay transaction. Those are going to be offset by portfolio strengthening as you think about the things that Keith continues to do inside GE Capital.

The Swiss transaction in particular is a very tax efficient transaction so you're going to see a low tax rate in GE Capital. We are going to be able to do more industrial restructuring in Q4 because that's going to be offset by gains we have in the industrial portfolio. And there will be an adjustment on the gray zone reserves in the Q4 as well.

So other than that, we are going to -- we will see good solid industrial performance in Q4 both organic growth and margins and from an earnings standpoint. So that's kind of -- there's really no change in the framework in terms of how we feel about the year.

And these are the big investor objectives for 2013. Organic growth we said at the low-end slightly better in Q4. Our margin rate is on track for 70 basis points for the year. Industrial segment profit positive in the second half and positive in both the third quarter and the fourth quarter. Returning cash from GE Capital in the year and returning $18 billion of cash to our investors. So that's really the things we've talked about last year and how we are doing vis-a-vis where we stand going into 2014.

Now let's look forward in terms of where the Company stands right now on some of the big initiatives that we think are going to carry us forward into the future. Jeff outlined the left-hand side of the page seeing EPS grow while we are going through this portfolio transition, industrial being up double digits, getting cash out of GE Capital, executing on the retail finance transaction, a fair amount of cash inside the Company. That is still intact. We think that's important. We are in execution mode on that right now.

Meanwhile the investments we have made in the Company and the investments we continue to make I think set us apart from an industrial execution and strategy standpoint. We've got a big backlog of products, high tech products that are based on the investments we've made in R&D. We've got $170 billion backlog in services and we'll have $1 billion of orders next year in analytics so we've continued to invest and grow on the service side.

Extremely strong growth rates. Since 2010, since we sent John Rice to go pursue our global destiny in the growth markets, we've grown our orders 17% on average for the past four years and we've invested in restructuring more than $3 billion to lower the cost structure of the Company. So we've really invested to improve the profitability, long-term profitability of GE. And then there's just a lot of cash around the Company.

Our CFOA growth rate is strong. GE Capital has good Tier 1 ratios and the commercial paper is going to be below $30 billion. We have very low net debt so the balance sheet is extremely strong inside the Company and this just takes you through what we've done with the capital in 2013 -- return both to investors and do M&A.

So we stand here going into 2014 as an immensely strong Company with a ton of cash, some great imperatives and objectives strategically and really knowing the portfolio and what we need to execute on and what we need to do.

Just to break down industrially, we had solid growth this year in margin expansion. We expect double-digit profit growth next year and margin expansion. The key execution items for 2014 continue to be geographic expansion, launching the new products, executing on the backlog, continue to drive product costs down and restructuring and continue to upgrade the portfolio, invest in the adjacencies, fix the low margin businesses and that's what we ought to see in the industrial businesses.

And then we just have I think positioned the Company to benefit from a number of pretty solid tailwinds. We've got good position in infrastructure markets. We've got a good position in the emerging and growth markets. We are investing in manufacturing, technology. We've invested in analytics ahead of our peers. We've got solid framework for distributed power, distributed healthcare. We've got ways to participate in this global transportation buildout.

So there's a number of other things that I think can help the Company over the long-term where we are well positioned.

Now Oil & Gas is a place where we put a lot of capital. Orders a decade ago were $2 billion. Our orders this year will be close to $20 billion. So we've really invested and built a good Oil & Gas business. Our premise here was really one of over time this industry was going to look more like the Aviation industry. When we showed this to our Board a decade ago, the Aviation industry spends about 8% of its revenue back in R&D. The Oil & Gas industry from a technology standpoint was reinvesting back less than 2% of the revenue back into R&D. The amount of regulation we saw coming in, just the amount of technical complexity we saw coming into the industry we felt was going to take it to a transition where GE could benefit and I think that's proven to be true.

We are in some fast growth segments right now like LNG and subsea and drilling and production and measurement and controls. So I think we picked the right segments. And the ways that ultimately over the coming years we are going to lead in this business really has to do with technology, the ability to launch complex systems, the ability to bring all of GE into these Oil & Gas projects from material science to diagnostics from Healthcare, to power generation from our Power & Water business. So just a fantastic framework technically.

We like interfacing with big customers so the IOCs and the NOCs, this is kind of the GE Company of the Company approach and I've spent a lot of time and invested shoe leather in building relationships personally with big Oil & Gas CEOs and leadership teams. Then execution, execution on backlog, execution on projects, execution on product structuring to drive margins up in this business. That's what we are committed to do and over time we think this is going to be much more of an Aviation looking business and we went to be a leader and participate as that transformation takes place.

GE Capital, this is a chart from Keith in November where he talked about really where the portfolio is going and the notion that we are going to spin out the retail finance business. I really have no update on the timing other than what Keith and Jeff said in November but that remains on track and then pivot the earnings and we expect GE Capital to return its cost of capital. We expect it to be able to continue to have this great franchise in some of these important midmarket segments as we look forward and return cash back to the parent. And I think the team did a good job in November of outlining where that was going to go and what we were going to do as we position GE Capital for the future.

So when you think about the portfolio, 70% industrial, 30% financial in GE Capital, a very solid industrial business and tremendous cash I would say capability and optionality around the Company.

Now just update the strategy. So really the big imperatives for the Company are more or less the same, invest in technology to build leadership, a real focus on services and analytics, having the world's best global company in globalization, and this culture of simplification that I'm going to put a little bit finer point on today that we think is going to provide the foundation for speed, margin enhancement, long-term margin growth and we are in execution mode on all of these.

The organic growth is kind of how we position for this year and where we stand going into this year. We think 4% to 7% is pretty well positioned for how GE in our backlog and some of the key businesses that we have. We are going to have margins expand off the 15.8% from this year. We should have $90 billion to allocate over the next three years and we are committed to continue to grow our return on total capital to 17% by 2016. So again, when you think about margins, we'd like to see steady growth year by year by year and by 2016 be above 17% from a margin standpoint and that's how we've positioned the Company and what we are executing on right now.

Technology is I think one of the things that distinguishes GE. We have invested more in technology differentially over the past let's say five or 10 years. I like the Company at 5% of our revenue into R&D. I think that's a good place for us to be. We have really a full pipeline of products and we are in it to win. In our core markets, we've positioned ourself technically to be in the lead, near the lead or capable of leading in the businesses that we have.

We drive a lot of synergy across the Company in technology. We talk about technologies like ceramic matrix composites that we launched in our Aviation business but will be pushed into our energy business. Some of the diagnostics and sensors that come from our Healthcare business and go to our Oil & Gas business and we are just very strong at these big systems, things like aircraft engines, gas turbines, subsea Christmas trees, MR scanners tends to be where GE does its best work. And so we are a very focused and a very strong technology player and this is the way we set both product margins and we set service margins over a long period of time is really built around these big moats we've built in our technology businesses on a global basis.

We are broad so you'll see lots of launches when you look at next year. We'll see continuing to fill key gaps in our gas turbine product line on large block and distributed power. We are the only guy in 2015 that's going to have both a diesel locomotive that is Tier 4 compliant and an LNG locomotive on the rails so we have got a pretty good position in Transportation business. We continue to enhance our power conversion business in marine and build real strength around unconventional fuels and water.

We launched the Revolution CT at RSNA. This is the next generation I think of CT leadership in that business. We have a very high-margin bioprocess manufacturing business where GE has an extremely strong product position and technology that comes from our GRC and we really have broadly refreshed our appliance product line to have higher margins and better market share. So the Company remains very broad in the technology that we introduce.

We are also incredibly deep. We had to increase our R&D inside the Company let's say starting five years ago in some ways maybe one of the worst times to have to increase your technology because we wanted to win this wave of Aviation launches and I'd say the progress of your company is pretty damn good. We have got -- all the engines we've launched are for our customers at least at a 10% fuel burn, many are more. We are better than the competition. We have got $100 billion of Aviation product and service backlog and our installed base in 20 years is going to go from 13,000 engines to almost 50,000 engines and this is built on strong proprietary technology which is good for our service capability and our long-term service margins.

And so a lot of our attention right now and a lot of our focus right now is just in the supply chain. So I look at ways to drive better manufacturing technology, things like additive manufacturing. We work hard together as a team on the learning curve around launching these new engines.

With Avio, we have a great base now to capture more of the supply chain margin which we intend to do as these engines continue to come to market. So we think in Aviation we are exceptionally well positioned from a margin and growth standpoint over the long-term.

And Healthcare is also an NPI. This is a very global business as those of you that follow the healthcare industries but there's a ton of volatility in markets like the US and Europe and this is a place where NPI and NPI margin makes a huge difference. So we launch about 80 new products a year. The products we launch have about five points in the contribution margin rate versus what they are replacing. We launch them into 100 different countries around the world. The cycle time is coming down and a lot of this is about really managing segmentation. So when I ran the business 15

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years ago, the top left is basically all we worked on was the high-end academic product line and then the features would just trickle down from there.

Now we design products in all these different segments. We have got value products that have 50% plus contribution margins. We make local MR scanners in China, we make ultrasound products in seven different countries around the world. The products we make that go into these growth markets are very high margin and we work a lot on customer workflow, low cryogen magnets, portable ultrasound and all these are incorporated into driving long-term margin rates into the Company from an NPI standpoint.

Services has always been a key GE strength. This is a valuable, extremely valuable asset for our customers. This is a place where our -- for our investors. This is a place where our growth will continue and our margin rates will continue to grow. We have always been an innovator here and it always puts us on the same side as our customers. So you not only get a very strong aftermarket revenue stream but you also get this closeness to our customers that's very valuable.

And the next iteration of services we think is this merger of the physical and the analytical. All of our products have sensors on them now. The sensors all produce a tremendous amount of data. GE has this incredible depth in terms of domain and usage and how the products are used and now we are getting data about day in and day out usage as well that goes with that.

So our hypothesis is that industrial companies are all going to be evolving into analytics and software as time goes on and we are in the lead and we have invested, we've been thinking about this for five years. We started investing maybe three years ago. We've been talking about it for two years and we are starting to see I'd say momentum and results when you think about our installed base and in terms of where we are going.

So we view this as a tremendous competitive advantage not just in terms of value we bring for investors but also the value we bring for our customers.

So here's how I think about it. Deep domain in the physics, we have that. We have $170 billion backlog of service contracts. GE really owns this space. We know the usage, we know the customers, we know the domain. We have contracts already in place.

We have added to that investment in analytics. We have done this organically, we've done it primarily in California but each of our businesses are participating. We have got shared capabilities so we've got now a software framework called Predix that all of our software comes on. We have one platform. We've got great partners, people like AT&T and Cisco and other people that have worked with us and we are virtually on this six-week launch cycle as it pertains to new software and new analytics that can be used in our service agreements with our customers.

From our customer standpoint, small changes mean a lot. So if you just look at the GE installed base of aircraft engines, one point of fuel burn across the installed base of GE aircraft engines is worth more than $2 billion in profit to our customers. One percentage of yield or operating efficiency to our rail customers is worth almost $2 billion a year. So small changes make real differences.

We are now in the marketplace so we have launched 24 Predictivity solutions so far. We will have launched more next year here and we've got a $600 million order run rate in 2013. That will be more than $1 billion in 2014. These go basically in two buckets. They go to things that could be sold as part of service contracts or asset optimization making the GE assets operate better or things that could be sold separately to customers to make their entire enterprise work better. These are like flight management programs in Aviation, Rail 360 in our rail business.

And so for investors one point of growth incremental growth in our service business is worth $500 million of margin annually, real money and so we bury this inside our service business. So we are trying to get more dollars per installed base, increase service margins and grow our software business roughly 15% a year -- 50% over three years. So that's really when you read about services 2.0 when you think about what we are doing in industrial and Internet that's what I mean.

So let me just drill some examples. This is the advanced gas path that you've heard us talk about. We will do 50 this year, we will do more next year. These are really a combination of controls and softwares that we sell into the 7FA gas turbine units. These allow our customers based on what the needs are to get better output, to get better energy efficiency, to get better time of day use, to get better control and for our customers, this is roughly a two-year payback, high ROI investment. It basically doubles the dollars per installed base when we do this and this was part of our 2012 Predictivity launch. Already has a good uptake in making real progress.

In our locomotive business, we have what we call Rail 360. This is a business where our dollars per installed base have grown by 8% and in 2013, we are able to mitigate a very tough market because our software and our service businesses grew so robustly and our are backlog is up about $1 billion and this will be a series of offerings that can be sold as part of CSAs. So things like fuel optimizer, things like remote monitoring and diagnostics and then separate packages that can help the customer manage their dispatch, help the customer manage their rail assets in the yard and so across each node for the customers, we have offerings that can enhance our dollars per installed base and our margins in the rail business.

In the Healthcare business, it's a lot about Healthcare information technology and selling outside the installed base. So on the left-hand side is what we call Centricity 360. This is a post-processing tool so one of the things about radiology is the MR scanners and the CT scanners and the modalities, they generate more information than a radiologist can use real-time. So there's a lot of post-processing tools that need to go in. What we are basically doing is taking this and putting it on the cloud.

So we have tremendous installed base applicability. We think this is a $2 billion market and one where GE will be in the pole position because we already have an installed base of hard assets that are already out there in the marketplace.

And on the right-hand side because of meaningful use, the industry has invested in electronic medical records like it's going out of style. And now if you talk to a Hospital CEO, they are sitting there saying okay now that I have my EMR, what the hell do I do with it fundamentally? And so there's going to be a tremendous demand for applications that can sit on top of the electronic medical record and this is where the joint venture between Microsoft and GE will play in and we've got population health and productivity metrics and things like that. So this will be incremental service sales for the Healthcare business.

And then I just want to give you a sense in analytics that there is a ton of like nitty-gritty applications that come out every day and every week and every month that drive big benefits for our customers and us. So the top left is what's called iLink. It's for subsea blowout preventers and subsea products and allows our customers to watch for no unplanned downtime and cuts in operations.

In the middle is a time-on-wing tool that allows our service business to segment the fleet so that each engine basically has its own signature in a way that we could never do before and by segmenting the service that we need to do on the engines just to one customer, this can save $20 million inside that service agreement. So a tremendous savings there.

The bottom left is what we call flight efficiency services that we go into an airline and try to model their fuel performance so 1% to 3% fuel advantages for a customer is huge, it's massive.

In the physical world, we've got 50% of the parts that can be repaired. We've got IT tools with our field engineers and analytical tools with our field engineers to allow them to save 5% to 10% on productivity. And we've got controls and software that goes into fleets like our wind fleets that allow them to operate more effectively.

So I just want to give you a sense from the service standpoint that the analytics mission is real, that we're in the lead and that you can eat it right now in terms of benefits to the customer and benefits to us.

Growth regions is I think another place where GE has tremendous strength. This has seen tremendous growth over the last couple years and will continue to grow in the future. We just play in a very broad and deep fashion in these growth markets. Since John has been out there, we have seen an immense I'd say competitive advantage being formed in terms of GE's breadth and depth and so we now sell in 160 countries. We are a first mover in localization. We've got tremendous customers and partners. We've got a cost position that this investment is going to allow us to harvest as time goes on as well.

In China, we still see China in a -- in the markets we are in in a positive way. We think that some of the big economic drivers in China like conversion to gas, consumer is something that part of the 12 five-year plan which benefits the Healthcare business, the massive investments that are being made in airports and transportation all benefit GE. And we are seeing it this year and we look at our backlog in the coming years.

And then if you look out five years in this country and the businesses we are in, Healthcare, I think from a diagnostic imaging standpoint there is every likelihood that the market in China is bigger than the US over that time period in diagnostic imaging. There's every likelihood in the commercial Aviation market that China is equal to or in the same ballpark with the US commercial Aviation in terms of planes.

If the government continues to convert from coal to gas my sense is that the new gas demand in China is going to be every bit as big as the United States over the next five or six years. In Oil & Gas, there's a tremendous amount of investment going on to tap into shale gas and LNG and things like that. So we still view China as a key strategic region, a place where we are localizing and a place that's got a great capability and future.

One of the places where we've absolutely I think distinguished ourselves from what we call the resource rich countries by 2015, this set of countries will be $50 billion in annual orders by 2015. It was less than $10 billion a decade ago and it's real. I mean I could just go down a list of things, Algeria in power, Russia Rail, some of the biggest airline customers in the world are in the ASEAN region, the GRC in Brazil, the Africa distributed power, impact that we've had in Saudi Arabia at the Ministry of Health.

So tremendous I'd say growth in the resource rich regions. That should continue and we have again a very strong competitive advantage in understanding the themes, having the best partners, being able to localize, doing both the hard things in terms of investment but also the soft things in terms of culture, risk management and things like that that's built a position that we think is a great foundation for future growth.

And then globalization also gives us a great chance to build cost. From a manufacturing standpoint, there's two ways that we look at building a good cost position. One is just in areas that are very productive like India right now. We've built a multimodality facility in India. By multimodality I mean all the new businesses, all the new plants we are building outside the United States house more than one GE business. So basically the way we look at it now is when we build a factory, it's going to do Oil & Gas or Aviation packaging or other components across the entire company.

And then we've learned how to localize and the places that have local content, places like Brazil we've really I'd say improved dramatically in terms of our ability to localize.

From an engineering standpoint, we have got these very productive engineering centers in Poland and Queretaro. We are just building one in Vietnam and in Chengdu and these are good not just from an efficiency standpoint but also just from a capacity standpoint. I mean if you are in the Oil & Gas business, your bottleneck is requisition engineering and the ability to add 1000 engineers, get them up to speed quickly, you can't do it without having these big engineering centers in the future.

And shared services, you heard Jeff talk about this when you were together in November but we are making a big push in our back rooms in finance and HR and IT to really drive shared services across our footprint and that's going to add to productivity as well.

So I think the stories in technology, the stories in services, the stories in globalization are both stories of organic growth and margins, organic growth and margins. Each one has a dual benefit as we've invested, as we've grown to deliver on both of those and that's critical.

So from a simplification standpoint, this is where we want to take the Company. Again, we had growth last year, we've got growth this year. We've kind of set a target of 17% by 2016. So we will end this year at 15.8% and simplification is going to be a big driver. We plan to continue to get good cost out there. We will have more than $1.5 billion of cost out this year. We will be more than $1 billion of cost out next year. That $1 billion is already loaded in to the plans. It's already got projects associated with it. So it's very strong and real.

The value gap is going to be positive again next year. From a mix standpoint, I would say probably slightly negative on mix but we will have margin growth in both services and equipment. So we will have positive margin growth in both of those but the mix will probably be slightly negative because even though the service growth is good, the equipment growth is probably better.

As I said, I'd say R&D if anything should be a slight positive next year and then you've got core inflation, effect on payroll, things like that. And I think what makes it sustainable is really a multifaceted program to drive simplification into our cost structure, speed in terms of how we approach our product costs and our product competitiveness, an intense focus on markets and customers and the processes associated with that and a very strong IT foundation. And we think these elements of simplification are going to be what really allows us to continue to sustain this margin performance as time goes on.

I talk about the culture of simplification inside the Company. This is something we've driven around the Company for almost the last two years the last 18 months and to me it's just a different way to run the Company. If you think just of GE over the last five or 10 years, we are immensely global, we've got a different product set than we had 10 years ago, there's different technology available to us in terms of information technology and how you run it. And I think the leadership team really is focused on dramatically changing the way we run the place. And it starts with just a lean management structure.

If you have to run the Company with 5% of revenue into R&D and in 160 countries, one of the sources of productivity has to be the way you run the administration of the Company and that's why we think SG&A or G&A is so critical.

So we basically have gone through a very strong process of layering P&L structure, shared services just the way the processes work inside the Company and will in 2014 we will be 14% down from 17% and we are going to drive this place down to an extremely lean administrative structure in terms of how we think about simplification.

But if it's just restructuring alone, we're just not going to get the kind of sustainable progress we want to get inside the Company. So we've launched probably two years ago what we call FastWorks. We've done lean for 20 years. FastWorks takes some of the elements that we've gotten out of lessons from Silicon Valley and some of the faster startup companies and this is really lean with a strong IT foundation; it's a real focus on test and learn being able to pivot quickly as you implement these projects and very strong outcomes focus. We have really applied this very hard at product, product costs and product margins. We think one of the places that this can really drive tremendous capability is engineering productivity, it's product design, it's manufacturing footprint and the speed associated with how to do that. That's fitting right in with this lean structure in terms of the Company.

And then an extremely strong focus on commercial intensity. The inquiry to order process, the order to remittance process, making sure that those are incredibly strong driven by our commercial leaders, supported by the business. And we've had a series of sessions during the year and this is one of the places where I've spent a ton of time both in FastWorks and in this commercial intensity and commercial operations process because this is the way you get a lot of front-end margin that are contracting, less leakage, better project execution, better focus on global market share, better focus on global capability to make decisions around the world and this is incredibly important for us.

And then this is going to be built on a Network of fewer ERPs, more mobility from a digital standpoint and more I would say capability in the field to drive the right elements of cost and margin and customer satisfaction.

So I think about this in its entirety. Inside the Company, we say I'm in because we want all the leaders, we want 90,000 plus salaried workforce to be driving ideas and projects and the will to be successful here.

So this I think is one of the most exciting elements of where the Company is today because I think it's going to be the foundation on which we build steady margin improvement, steady speed and win both in the marketplace and the bottom line at the same time.

Lean structure, 12% SG&A, very, very strong focus on product speed, product margins, equipment capability, a very, very capable Company in the eyes of our customers and a strong digital foundation. We think again this provides a great framework for the Company going forward.

SG&A, you see it today. You see a ton of cost coming out of the Company this year. We've been able to do a lot of restructuring. We have got a full set of commitments for next year from a restructuring standpoint and SG&A standpoint. Our shared services is going up, the number of facilities is going to go down by 15%. Over time, we are going to have 80% fewer ERPs so that's going to drive a much simpler structure. Fewer P&Ls -- a year ago, we had three different P&Ls in what is called distributed power. Now we have one. It's more market focused, it moves faster, it's more capable than it was as three and having an incredible year. We've got a bunch of stories just like that.

A smaller headquarters including Fairfield in terms of how we run ourselves and where the Company is going. Everybody complains about that as you can imagine. You can ask Steve and some of the guys here today. And lowered our spend.

So we think this is sustainable. We've got a roadmap to get us to 12% of raw cost out and revenue will help a touch as time goes on but I would say early on this is really about a ton of cost out of the Company from a G&A standpoint and continuing to make good progress here.

Like I said, the value gap is going to be positive. We still see some decent pricing opportunities in the business and from an inflationary standpoint, it's pretty benign so we see a positive value gap. Not as good as this year but still pretty good. But a lot of the FastWorks teams and a lot of the simplification teams are working in the equipment margin area and I thought I would just -- there is really five big buckets of things we are doing. And every business is doing its own thing but some of the businesses are more focused on some of the areas than others.

Product structuring and simplification, this is the absolute key to the Oil & Gas business in terms of driving long-term margin improvement. It's also key in places like Healthcare & Distributed Power. But the number of change orders and the potential for margin leakage in some of these businesses is huge and a big focus on product structuring and simplification in a ton of our businesses there.

Engineering speed and productivity, look, if we can get a first engine to test cycles down, if we can get more productivity out of the engineering resources we have in the Aviation business and some of the other businesses, that just flows to the bottom line and so if you look at the cycle for the LEAP versus the GEnx, it's better faster. The economics around the key in process metrics are stronger and so engineering speed and productivity are absolutely key.

Manufacturing technology and productivity, this is -- when you think about what Steve has done in the Power & Water business around heavy-duty gas turbines, we have been able to drive real improvements in terms of product cost and competitiveness and at the same time, we are attacking structure, we are attacking the number of plants in a business like Energy Management where we've got a bunch of restructuring that's going to simplify our manufacturing footprint going forward in the future.

Sourcing competitiveness; we are a big buyer of stuff and the ability to reduce the amount of sole specs and do a better job in the supply chain is always an easy way to find money around here and just driving product reliability, better performance that's a great way, great feed into our service contract profitability.

So again, like I said earlier, we are intent on improving our product margins inside the Company and FastWorks is a big part of how we do that.

Just a couple FastWorks projects inside the Company. The top left is an NPI one, this is in our Distributed Power business. We will launch a diesel powered generation product next year. It's going to be done in 18 months at 30% lower cost to get in the marketplace. This is a product launch that would have taken three or four years in the past. So get in the market fast with less cost.

Like I said, engineering productivity, this is a FastWorks product in Aviation. It's all about how to get more output out of our engineers. There's a lot of key in process metrics that these guys measure in terms of time to get drawings certified and things like that that just allows for better output and that's going to improve the cycle times there.

The Oil & Gas business is all about impacting leadtimes, customer availability. So our FastWorks teams in the Oil & Gas business are all about ITO cycles, inquiry to order cycles, order to remittance, reducing the cycle times, improving the margins as delivered -- lot of progress there.

And then from a systems capability standpoint, we are going to take a business like Transportation and by 2016 probably have it down to one ERP for the entire business and this just drives a ton of productivity as it pertains to IT and where we go.

So I think we've got very specific programmatic margin plans for the Company that's sustainable year in and year out and you will see a good year in 2013 and a good year in 2014 and just steady progress for the Company. And then we think at least with the portfolio we have today that 17% -- somewhere above 17% by 2016 is a pretty good margin of performance for the Company going forward. And we've got the programs in place to do that.

Every now and then around GE, there's interest in capital allocation I've noticed. So I thought I'd spend a little bit of time just talking about capital allocation. First maybe in a look back on what we've done since 2010 and this just goes around the horn.

We feed the Company on CapEx, IT, stuff like that but those of you that know the Company, have been following us a long time, this is not just a capital -- we are just not big capital-intensive businesses. So we can run the Company and feed the kind of growth we need and the CapEx is plenty and then the dividends have been $26 billion. That has been about a 43% payout looking backwards. We have done $19 billion of buyback over the last few years. And we have done about $23 billion of acquisitions but we've done about $24 billion of divestitures. So that's kind of what's happened if you will over the past three or four years.

So if you just kind of think out loud, I'd sit there and say when we sat here four years ago right, it's all about GE Capital safe -- I mean GE Capital is very strong today so first and foremost, start with the financial service business that's very strong.

From a CapEx discipline standpoint, I think the notion we have today of strong investments in information technology which we think liberate our capacity and a very strong focus on multi-modality facilities so that you can get the most out of the capital that you are investing. We've always been disciplined but I think we've got a pretty good handle on our capital expenditures and what we need to do.

The dividend remains a great source of benefits to our investors and so we continue to prioritize them and you heard what I said earlier about letting the payout ratio drift up. We are going to make steady progress on the share count. We are still on track to be below 9.5 billion shares by 2015. We will make steady progress year-by-year on share count reduction between 2012 and 2015. That will be down 10% in share count.

And then acquisitions, I think sometimes when I talk about 1 to 4, the context that I give you is that's more the output function than the input function for the Company. In other words, when I look at the deals I think work best for the companies today, they are single point technologies where we are the one that adds the distribution value, the service value, the globalization value, the systems integration value. We are the one that adds that -- we are not where the one who buys that and then try to stay away from buying rollups and companies that have a lot of inherent goodwill and things like that.

And as you go through that process, that leads you to transactions that have been in the $1 billion to $4 billion range and we just don't plan to change that. We like the kind of deals we are looking at. We see a lot of good deals that seem to make sense in that context and so that's where we are and we're not afraid to make portfolio moves.

We've sold plastics and we sold NBC and we've sold the North American retail finance business, we sold the reinsurance business, the insurance business, the bond insurance business. So we are always looking at the portfolio in terms of ways to make it better and good trades, smart trades and things like that.

So that's kind of where the Company has been and then kind of looking forward the next three years, we ought to have $90 billion of cash to allocate and that's the retail finance, the GE Capital dividends, it's the industrial CFOA. As I said earlier, we have just no net debt fundamentally in the Company so there's maybe some opportunities around the balance sheet. There's always going to be the need for some parent cash and when you look at the right-hand side, this is kind of the ways that we think about spending it.

So we will continue to invest organically. We will continue to do the dividend and I've talked about that. We will continue to reduce the share count and we think the retail financial transaction is a capital efficient transaction. We will continue to do acquisitions in a capital efficient way in the $1 billion to $4 billion range and that is kind of the tale of the tape.

So I think from an investor standpoint, there's a tremendous amount of cash that the Company can deploy in good ways for you and for all of us and I feel good about where that is in terms of the Company's financial strength looking forward.

So now to the business. So I have kind of gone through the portfolio, big initiatives, capital allocation, now just take a quick tour. This is kind of your cheat sheet. I am going to go through each one of the businesses but this just kind of gives you the lay of the land from a segment standpoint year-over-year and kind of how we think about it and where we go. So I'm just going to track you through this.

Power & Water, you are going to have a better year in wind next year. We're not counting on much from a standpoint of Europe. We still think Europe is going to be tough. We've got a good product line. We will probably finish the year I would say we talked about heavy-duty gas turbine orders being between 100 and 115. Now we think it's probably going to be between 110 and 120 for the year.

Good service model, the team has done I think -- Steve and the team have done a very good job in a difficult market this year and the service team has done a nice job. Steve and the team have done -- they've basically taken out almost 20% of the SG&A over the last couple years. So these guys have done a hell of a job from an SG&A standpoint over the last couple years, Distributed Power & Water executing, and then the mix of an impact a little bit on the Wind side. And Europe remains tough, but this is a good competitive business and there is some opportunities out there we think maybe in 2014, places like China. And the team, if you compare them to their peers, has executed in 2013 very well, very well.

In the Oil & Gas business, we expect to see good revenue growth, good margin growth, still a pretty good market. You know, we see again the basic thesis around technical intensity is still intact, and people are just trying to get -- customers are trying to get these projects executed as time goes on. So we continue to invest in project execution, globalization, technology.

And the real focus I would say in this business is execution and building up a global footprint. But the team continues to improve there, and I think that is going to continue to be a good business and a good business for us here as we grow margins and operating profit as time goes on.

Energy Management has been a mixed market, I would say, this year. The utility-based stuff has been tough, but some of the end-use markets have been a little bit better around Oil & Gas, and some of the renewables have been better. And, you know, we continue to have a very strong backlog. I would say our execution could have been better this year in this space.

We are going to do a ton of restructuring in this business next year. So we are going to -- we are basically going to do a ton around the footprint, the manufacturing base, to just make us more competitive. We are still smaller than a lot of the head-to-head competitors. I'd say in power conversion we are quite competitive, but some of the others are smaller. And we are going to really focus on simplification and try to drive this business and make it more competitive in 2014.

The Appliance & Lighting business actually has done a pretty good job in 2013, particularly appliances. And we will continue to do a good job in 2014 in both businesses, but the Appliance business is in a nice position right now with good products, a better market, expanding margins.

So our product line is very competitive, we are following the same LED conversion lots of other people are following, and it is still a competitive market. So this is -- even though we are expanding margins, this is still a sub-10 margin business, although the returns are better. So this is the Appliances & Lighting business for 2014.

The Transportation business, I would say the market, particularly in North America this market is tough with the reduction in coal. It has been, I would say, a more competitive North American market for our customers. We think the revenue is going to be flat to down slightly and margins will probably be down slightly next year in this business and operating profit as well, even though the business will do a fantastic job.

And we'll earn more next year than any other year than this year. So the business is still going to operate well; it is just the market is going to be tougher. We've got good products. I would say our Tier 4 is going to be world-class and first-to-market. We've got a good LNG business.

Our service business is going to be very good next year. And then the wheels business, which is associated with mining, is going to be weak next year, in line with the mining business. But we will drive good cost out, and this team has done a fantastic job of execution through this cycle, and we will continue to do a good job next year.

Healthcare business, you know, we see single digit revenue growth. We see margin enhancement in this business going into next year. So a good strong product pipeline, good rebound in services. I would say Europe has stabilized. The US is okay; it is not gang busters, but it is not terrible. It is okay. And this business has some ways to go. A very good emerging market platform in the Healthcare business, a very good sustainable simplification program in the Healthcare business.

I think when you look at the Affordable Care Act and stuff like that, when I talk to hospital CEOs, most of what I hear are more procedures and lower reimbursement. So we see more volume, tougher price in there. So we've kind adjusted our footprint accordingly in the product mix that we have. And so we are quite, I think, ready for the kind of market that we are in today from a healthcare standpoint, and this business continues to execute pretty well in this environment.

Aviation, great market, great business, great execution. You know, going to see decent revenue growth, going to see margin enhancement, going to see good operating profit growth. Military is the headwind in terms of how to think about 2014. But the commercial engine backlog is strong, and the services have been very strong in terms of spares and service profitability and things like that.

Avio, so far we like what we have been able to do and like what we see from a supply chain standpoint, and just good technology. So we are driving product cost, product launches, service captures, pricing productivity. But I think the Aviation business is in full execution mode with a really good team, a really capable team, in terms of how they are positioned and where they think about where they go.

GE Capital, this is really from a month ago in terms of what Keith presented, we kind of talked about earnings being around $7 billion this year and around $5 billion in 2015 as we complete retail finance spend. And just a good industrial lending business able to return incremental cash to the parent, good solid strength on the balance sheet, the ability to return us cost of capital and deliver -- become a strong deliverer of earnings as they go forward. And this is the plan we are implementing to really focus on the mid-market companies and where we go.

So that is kind of the segments I would say. Industrial, a pretty good breadth of earnings and margin enhancement this year. And GE Capital, you kind of kind of know the puts and takes as it pertains to 2014 versus 2013.

And look, I would say we have always talked about GE Capital in terms of things that are under our control. And I think that has been a pretty good -- that has been a pretty good play. I look at 70/30 as being what is under our control. I think there's still going to be non-core assets even when we are at 70/30.

And so we will continue to think about the business from an optionality standpoint and things like that. But 70/30 is what we can control with retail finance in terms of where we stand here today.

So you add that all up and this is the framework, and you have gotten a lot of this already. You get industrial, good organic growth, 4% to 7% organic growth in margin enhancement. You've got GE Capital earning about $7 billion. That is kind of what we talked about in November.

The way to think about Corporate is we are going to basically have less corporate cost, and that is going to offset the loss of the NBC earnings that we had in the first quarter of this year. So those two basically offset. And the drag in corporate is just restructuring ahead of gains.

So we're counting on doing a fair amount of restructuring. We have got a little bit of gains built in the plan but not much. And look, if we can do better on asset dispositions or other things, we can chew into that, but that is basically the negative.

And then we will have fewer shares. So you will have a benefit in EPS from having less shares. And that is really what is in the Corporate line, which is very consistent with what Jeff told you about at the ongoing SG&A reduction, the ongoing restructuring and how we manage that going forward.

A good cash year. And then we talked about organic growth already. We expect capital to continue to have less revenue, but the industrial businesses will be fine in that context. So that is really the operating framework for the Company.

So maybe just close on some ways to think about the Company, and then I would be happy to take your questions. First, think about performance. What is sustainable in the performance of the Company? I would say from a portfolio standpoint, a strong portfolio, growing our industrial businesses, getting cash from GE Capital; growing EPS every year as we go through this portfolio transition to get to 70/30. So 70/30, a lot of cash, grow EPS every year, strong industrial.

That is how I would think about where the portfolio is positioned and what we can execute on and what you should count on from us.

Sustainable organic growth, big initiatives in full flight, right? Good technology, good services, right global footprint. I would say these are places that we have invested in the good times and bad. They are delivering; they're going to continue to deliver. They are well-positioned; they continue to drive good sustainable organic growth.

A simpler way to run the Company in terms of investing and restructuring. Getting SG&A cost down -- $1.5 billion cost out this year, another $1 billion plus next year; continue to drive good efficiency structurally inside the Company. So portfolio, organic growth, investment and structure, which then delivers expanding margins. So start with high 15%s this year, 15.8%, go to 17% over the next few years, make progress every year.

Allocate capital in a smart way. $90 billion is a lot over three years that we can allocate in a disciplined and balanced way to reduce the share count continuously, continue to have a great dividend and do acquisitions that make sense from a return on capital and long-term growth and strategic standpoint. And then expand returns.

So we will be above 15% this year industrially, and we think we ought to be able to expand returns over the next couple of years as we continue to make progress. So that is the performance. And the team kind of gets paid as they execute on that plan. That is kind of the big metrics that we have. And the next long-term incentive plan for the team is EPS growth, cash generation, growing the percentage of industrial revenues and increasing ROTC in margins.

And these are meant to be linked, right? So if you can grow EPS and grow your industrial percentage, that is a good thing. Higher value earnings, you grow both at the same time, guys do well.

Grow cash and ROTC; again, those two are linked. So lots of cash and lots of cash optionality, but also disciplined in terms of the way we invest it. Thos are linked. And then culturally, basically the leadership team all, of the people in the Company and every corner of the Company are focused on this culture of simplification.

Lean management, process speed, very strong focus on commercial excellence, commercial execution, and a very, very strong IT backbone that facilitates that and lets us play it in. We call it I'm in inside the Company. On November 20th, we stood down the Company for the day and had everybody focus just on customer execution for a day around the world.

And this is a way to kind of -- and again, encroach on culture and change and long-term sustainability. And we think that sustainability is really what facilitates good organic growth and margin enhancement at the same time.

So that is really the story, and now I am happy to take questions.

And as is my custom, I always start with Cliff every year. So I am superstitious, Cliff, and I hate to break this trend. So I'm going to start with you.

QUESTIONS AND ANSWERS

Cliff Ransom

Of course, we all know the real reason you start with me, but we won't go into that. Thank you.

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

You got your hair cut today.

Cliff Ransom

Yes. I would like to posit a one sentence case and ask you what you can do about it. My sense is that the world is awash in cash, but there is a tremendous amount of what I will call, for want of a better adjective, political lack of will of corporate leaders to spend it.

They see opportunities, they want to hire people, they want to expand their businesses, but they won't do it because of indecision at the upper levels of our society.

What can GE do to unlock that latency?

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

If I knew you going to start there, Cliff, I would have kept this for tomorrow or something like that. Look guys, we are in the aircraft engine, gas turbine, healthcare product, appliance business. We play to win in all of those businesses, play to win, every day.

Now, I view that as my charter working for you guys. In other words, we have invested in R&D and aviation. We haven't shirked one ounce on anything as it pertains to that. We have never -- do you think I can call Jim McNerney and say, you know what, Jimmy, I've got to hold off on my GE9X development for a while because I'm just not sure what Washington is going to do. Do you think McNerney would say, okay, Jeff, I am with you, buddy?

So look, I'd say Cliff, look, we have invested; we keep investing to win. And I think that is okay. And we just happen to do it and generate a lot of excess cash at the same time.

Unidentified Audience Member

(inaudible - microphone inaccessible)?

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

Look, I think there is no case that could be made for not investing in future growth. You have to. Other questions? Yes.

Steve Winoker

A couple of questions. Thanks, Jeff. The first one is, you mentioned 20 years of lean inside the Company and all of the efforts that you have gone to. And we have these huge simplification targets, and it's something that I am certainly facing with investors is believability about why now.

Why is it believable for us now that GE is going to rip out corporate expense, particularly when they have been at this for so long? What was the catalyst that really, for you, is driving -- all of a sudden driving this in a way that folks can believe is going to really happen and be sustainable? That is the first question.

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

Can I hear the other one first? You know, Steve, when I took over the Company, we were 70% in the United States. We had one product; F turbines in the United States earned like 70% of our operating profit.

Today we are in 160 countries. We are across multiple platforms with multiple NPIs at the same time. It is the only way to run the place. So again, I think you have got a combination of necessity of structure, necessity of opportunity, information technology tools that are different.

And look, if you had done this before you had what John Rice has done, you would end up with bigger operations in Europe and the United States, and not in the Middle East or Latin America or China, which is where they should be. So I just think we have got a completely different global context.

The costs will come out in different places because of the investments we have made. And I'm quite excited about it. And I would just say in general, less is more today.

Steve Winoker

It wasn't revenue driven or lack of organic growth in the world market?

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

I think 4% to 7% looks pretty good, you know. I think in the world we live in, 4% to 7% looks pretty good. We have got it in backlog. We have got a real case. But I think, Steve, we are just a different Company today. And I would say in particular without John having done what we have done globally, we would've taken the costs out in the wrong place.

So I think we now have the right framework and the right structure and people like it. It is not like -- people don't see this business and sit around and say, gosh, I really miss the energy layer, Steve, so could you put that back now? People now are digging inside the Company, and it is getting momentum.

Steve Winoker

And then the second question, Oil & Gas. What is it about your business versus a lot of your peer companies that are out there taking down their margin guidance, talking about pressure, peak orders? We are hearing sort of mixed things from your peers.

What makes your business different that you're actually not communicating that to us, but communicating something much better?

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

I think we have got a pretty good, I would say, foundation. I don't think we have over executed in this business. I think we have got executional opportunities just like our peers do. We have got lots of the demand in our backlog. We've invested a lot in process reengineering in our Subsea business and our Drilling and Production business.

So again, I think we've got good opportunities to ship out of backlog, projects that have been well priced with more, I would say, reliability than we have had in the past. And that is going to be the framework.

Now, the one piece of the margins which is the Measurement and Controls business, which is higher-margin, we are not expecting that to be anything better than what we saw this year. But I think just from an execution standpoint, we think we've got lots of room for improvement inside the Company.

Yes, Scott.

Scott Davis

Thanks, Jeff. I think we know where Comcast is cutting costs; they don't pay their heat bill.

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

I asked for this, this cool -- this refrigerator treatment here.

Scott Davis

Hopefully, we can cut that short so we can all get out of here and go warm up outside.

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

Complain, complain.

Scott Davis

Jeff, your operating margin targets of 17% are admirable, although I think you could back into a little bit higher number if that SG&A really does come out, right? But you didn't talk about gross margins at all. And you have done some restructuring, but I don't think we have really seen much improvement in gross margins; and there's some other variables there, including price.

Is there any confidence that you can give us that we can see a ramp-up in gross margins from here?

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

So again, Scott, it is business by business. Like healthcare, gross margin is a business. It is really driven by the contribution margin of the business. But I think what you saw on the one page is a pretty cohesive focus on what I would call equipment margins.

So we know what we can do from a service standpoint. And when you think about things like product structuring, when you think about things like variable cost productivity, dual source initiatives, areas like that, that is right in the contribution margin line sweet spot.

So, again, I think you are just going to see us fill in more and more of the projects in those five buckets, and some will flow right through into contribution margin as you go forward in the future. And again, businesses like healthcare make a living off that.

Scott Davis

And as a follow-up, how do you think about the industrial balance sheet? As you de-risk capital, it seems you could have some potential to take on another turn of debt or something.

How do you -- I mean, that is a way to get that share countdown sooner than later. What is holding you back in thinking about that?

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

Look, I think these are -- this is clearly something that we are thinking about. You know, the industrial balance sheet is extremely strong. I think we've got ways to run it more efficiently that we are going to explore.

And the second part of your question is, it is just going to allow for more cash optionality when you look at the future. But zero net debt, lots of cash. So I think that is an opportunity for us and one that we are going to look at very hard.

Yes, Deane.

Deane Dray

Thanks, Jeff. I was hoping you could expand on your point that you said you could get to the 70/30 mix will still caring some non-core businesses. Maybe just talk through what the trade-off is about why not move faster on some of the non-core businesses, even if they are returning their cost of capital.

And we didn't see a slide today that said such and such a business, maximize value. So it didn't look like anything is imminent. But what is the plan for the non-core?

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

You know, Deane, look, I think we have got retail finance on a good pathway. That is a pretty defined -- it is a substantial asset. You saw what we were able to accomplish this year on the Swiss asset and things like that.

There is always going to be opportunities for us in GE Capital to chip away around the edges on the non-core assets. And you should expect to see more of that in the future. We don't tend to call those out because they are just around the edges, but you are going to continue to see the non-core whittle down.

And the earnings will be what -- again, there is nothing that says it has to be 30% of our earnings, that it couldn't be lower. But I think we have served ourselves well since the crisis to just talk about those things that are specifically under our control, and I'm not going to change that now. But we are not hanging onto stuff just for the hell of it. You are going to see more than retail finance.

Deane Dray

How about on the industrial side, there is still some businesses there that may have been up for sale prior to the downturn, and just how you are thinking about those?

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

I can't really think of any of those. I am just trying to remember. Look, I mean, I think we even industrially this year have sold some businesses throughout the Company. And we're going to continue to look to see what are the opportunities.

And I would say it is a very relevant question right now, just because of the cash that is available out there and where things are trading. So this is a good time to be reflective of the Company in that regard.

Yes, Steve.

Steve Tusa

Thanks. Just on the margin target for the next three years, about 40 bps a year of margin improvement. How do we look at the linearity of that? When we think about 2014, obviously mix is going to be a little bit of a negative. Is this kind of like the dynamic around what happened in 2012 and 2013? First of all, that is the linearity question.

Then on corporate, the $500 million that is coming out next year, is that coming out of GGO and R&D within corporate, or is that coming out of the pension and kind of core corporate bucket within that corporate expense line?

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

So the first question, I just don't want to do point-to-point market, kind of like year-by-year, but I think, Steve, it is going to be steady progress. I think my assessment is it is going to be steady progress.

I am not going to go 2014, 2015, 2016. But I would expect there to be steady progress, and that is the context. I think the pension kind of operating cost being lower is about $100 million in 2013, about $100 million in 2014. So that is the operating pension lower year over year.

And then in corporate, you are going to have less GRC. You're going to have some less in GGO. It is not all SG&A on the $500 million (technical difficulty).

Steve Tusa

Okay, so it is kind of split between those accounts. And then lastly, just on the balance sheet, the cash page. I mean the $90 billion is a big number, I think you put. Is the quote/unquote balance sheet efficiency lever included in some of that cash? I mean, you said balance sheet efficiency in that chart. So was that --?

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

Yes, I think the question is -- the Company has, probably from industrially, has the opportunity to be a little bit more efficient than it is today. And we haven't really pegged a number, but we think it's important that you know we think about things like that, in terms of the best way to run the Company. And that's why (multiple speakers).

Steve Tusa

Sure. So we shouldn't look at that chart as, hey, this includes some of the balance sheet efficiency and then this is what we are going to do with it. That is still very much a TBD?

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

It is going to be -- it is not going to be a huge number anyhow, Steve. But it would be in that $90 billion and would include some balance sheet efficiency, maybe not all of it but some.

Steve Tusa

And that is in the slide -- in the chart on the right. That includes what you would do with that extra balance sheet efficiency that is in that slide?

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

Exactly. Yes.

Steve Tusa

Okay, thank you.

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

Fair enough, Trev, I mean I think that is right. Jeff would you --?

Jeff Bornstein - *General Electric Company - SVP and CFO*

Yes, I think the framework we gave you on capital allocation of $90 billion doesn't include incremental leverage of the Company. It includes what we see as cash flow, operating cash flow, where GE Capital fit in the framework, etc., etc.

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

Yes. Hi, Andrew.

Andrew Obin

On your growth framework report, 7%, just comparing what other people have seen, it seems that is the most robust revenue outlook. So what makes you so much more optimistic than your industrial peers? And the second question, what is the delta between 4% and 7%? what is the biggest bucket I guess to get from 4% to 7%?

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

Look, I mean I think we have got some GE specific stuff, right? So you have got probably more favorable wind comparisons, you have got across the aviation portfolio probably stronger engine shipments and CFM and across the portfolio. You have got some decent backlog. So on a relative basis the backlog of shippable stuff going into next year is above the previous years.

So we have some GE specific things. Even with that our equipment margin is going to be up, our service margin is going to be up and I mean -- so I think we just have GE specific things that are -- bolster our confidence in that number. A lot of which you can identify with, right? Aviation, wind, stuff like that.

Andrew Obin

And the biggest delta -- the biggest difference whether it is 4% or 7%, is there one business that would drive it, the biggest source of uncertainty?

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

Look, I just think it is general economic stuff. I mean the fact is we probably have an internal plan that is above both those numbers. But it is just things happen. Is that good enough? Is that scientific enough?

Andrew Obin

Yes.

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

Good, yes, Chris.

Chris Glynn

Thanks, Jeff. So maybe a year ago an 18% long-term target for Oil & Gas came out. I'm just wondering if we could start to bracket timeframe or cadence a little bit. And also if that is still the ideal way to think about the business or maybe it is not?

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

I think what we said at that time, Chris, was that we thought that the Oil & Gas margins over time would be closer to aviation than they were to where the industry was today, right? And that was where that number came from.

Now, look, I think what we're focused on today is kind of gaining a steady 50 or 100 basis points every year out of the Oil & Gas business. There are not as many -- I would say not as many rotating parts. There are some real differences in the margin capability ultimately of the Oil & Gas business and the Aviation business.

But we do think just enhanced execution, better focus on the supply chain, there is a ton of things that we can do to continue to grow the margins. And we expect good steady growth in Oil & Gas from a margin standpoint. Yes, Nick. You are not in your usual seat, is it warmer there or --?

Nick Heymann

Yes it is definitely -- it has thawed out at this end. I was curious on your FastWorks discussion. Probably one of the biggest disruptor changes in any of your businesses over the next several years could come in the Oil & Gas side where you bring processing from the surface to the seabed floor.

Can you talk a little bit about how FastWorks might change that speed at which that can be accomplished? And how much you also might have to still yet acquire? Because that could make the 18% a lot more realistic.

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

You know, what I would say, Nick, is when we did Converteam, one of the reasons why we did the power conversion acquisition was to do the subsea processing, the factory, subsea factory. I don't think we have a full set there yet. But I think we have got as much as anybody else has in terms of what has to happen.

We have got some key partnerships with people like Statoil where we are already doing some work on that. And that is a FastWorks project. So again, I think that is an important part of where the business could go as time goes on. But you are going to need to partner with extremely strong technical partners in order to get there.

Nick Heymann

(Inaudible - microphone inaccessible)?

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

I would say five-ish, you know. But again, you have got to have -- technically it is feasible, right. You have got to have the right place to do it and the right partner to do it. And you read some stories today about some work we are doing with Statoil on flare gas and things like that. They are a great technical partner and they are in the right place to be working on projects like this.

Unidentified Audience Member

(Inaudible - microphone inaccessible)?

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

Look, I think all of it is -- our enterprise risk on all of these projects is very robust -- blow out preventers, aircraft engines -- it is in the same neighborhood in terms of technically what you have to do, yes. Yes.

Unidentified Audience Member

Thanks. Can you talk a little bit about how you see the political context these days for any potential changes in the next few years in either domestic or international tax regimes that would affect kind of the GE all in tax rate and the outlook for that, whether it is changing?

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

You know, all I can tell you is just kind of the stuff we all read in the newspaper and that is probably major tax reform is probably unlikely in certainly the current Congress and we will see in the future. I mean, I don't have any better insight than that, yes. Yes, Jeff.

Unidentified Audience Member

Thank you, Jeff. Just two questions. First, if we go back to the November meeting up in Connecticut, it looked like you were kind of preparing us for mid single-digit EPS growth in 2014 and 2015 as we work through the private-label credit card dilution and that is understandable.

Just kind of rough math what you laid out for 2016 and maybe the share count is down to $9 billion by then or something. It looks like we are looking at kind of another single-digit type EPS growth year in 2016 also. I mean is that kind of the framework we should be working in, kind of three years of single-digit EPS growth?

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

Look, Jeff, I mean I think you have got the industrial businesses that ought to be able to power through, right. So you have got double-digit earnings growth industrially over that time period. If we say we are going to grow GE Capital in line with industrial over that time period, that would connote double-digit growth in capital as well. And then you are going to have share count way down, right. So I don't know, we don't tend to give guidance anymore, but I think that is a pretty good framework. Yes. But it would be 2016, let me caveat that by saying it is 2016.

Unidentified Audience Member

Right, all right. You used the term leakage when you were on that value gap slide. Just looking at kind of what has played out the last couple of years, I mean rough numbers off the 2010 base to 2013, your industrial revenues are up $18 billion, OP is up $2 billion. And there is GGO and stuff like that that actually didn't have to go through the segments, right, it went through somewhere else.

So there really hasn't been a lot of operating leverage in the business these last three years. So I wonder if you could actually speak to that idea of leakage, is it cost erosion, is it terms and conditions? Is there actually something identifiable going on in the OE part of the business that is offsetting the service growth and kind of other good news?

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

Jeff, I think the margins are what you see. Again, I would -- I am not exactly sure where you are hunting here, but I think you basically start in the high 14% the 15.2% to 15.8% to stepping up. And in each business it is going to have a slightly different story as you go through there, right, Aviation pretty good leverage, Power & Water has had this incredible wind on/wind off.

I think where we are in Power & Water now is even with the revenue of the wind turbines we've taken so much structure out of that business and so must structure out of the Company, even with let's say the higher equipment mix. So if you go back to maybe 2011 we had higher equipment mix but we didn't get a lot of margin enhancement. I think when you look at next year you have got a couple million dollars of structural cost out with the equipment mix, so you are going to get margin growth next year.

Unidentified Audience Member

Thank you.

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

So, yes. Yes, John.

John Inch

I've been sitting on my hands trying to warm them up. But, anyway. Other industrials that have tackled their cost earlier than GE had, if there was a commonality it's that the cost-benefit went on for a lot longer and was a lot stronger than anyone had anticipated. And those initiatives also blended with operational initiatives, these companies that adopt operating systems or whatever.

So I was wondering if you could talk to sort of how you think about your operational footprint and maybe almost beyond the SG&A, which seems apparent to everyone. Are there opportunities, do you think, to streamline and drive even greater sort of down the road benefits from your global production footprint? That is my first question.

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

You know, John, what I would say, let's look in the totality, right. I would start with organic growth. A big robust NPI pipeline of long-term installed base stuff. So excellent long-term capability and technology. Services, $170 billion backlog, high margin, 30% operating profit rates, fantastic margin capability, service initiative. A 160 country company that has been able to grow in China, the Middle East, Latin America, Africa, Russia, Kazakhstan, Indonesia and really do a table sweep in almost all these places.

The biggest order in the world this year in gas turbines is Algeria, we won it. The biggest aviation campaign is in ASEAN and we won them. $40 billion of orders and commitments in Dubai, the two competitors combined got five. So global, service, technical, now put that on top of a 12% SG&A and with FastWorks that's really driving product margins, equipment margins on a repetitive basis and a set of customer initiatives that are really going to improve project execution, project speed and project margins -- that is a pretty unbeatable context I think.

So I wanted to add the fullest context to say I kind of start by saying, we can get the margins higher, but we can do it and grow the organic growth at the same time and they feed one another as you look forward. So I think this is sustainable, I think it is a big change for the Company, but we build it on a 160 country footprint, 5% revenue back into R&D, huge services installed base as well.

John Inch

Almost to Jeff's question, it sounds like on that basis you are actually relatively confident in your ability to drive future operating leverage now that the footprint, whether it is GGO or whatever it is has been established. Is that a fair characterization?

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

Look, again, guys, I think we are going to get -- the 12% SG&A is highly achievable where we are today and committed to do it. But beyond that, Jeff -- or, John, it is not just that. I look at FastWorks as being also more competitive. And again, guys, stack us up against -- in gas turbines against Siemens and Alston, in healthcare Philips and Siemens, in Oil & Gas, I think we have good opportunities to outperform our competitors there.

I mean you go down company by company that are our direct competitors, I like our position right now with that totality of initiatives we have got going.

Unidentified Audience Member

Just ask you a non cost question. So the US is about to spend an enormous amount of money on petro chem, LNG infrastructure, you are now a very large global Oil & Gas player. Do you feel that your portfolio is positioned optimally in terms of the ability to kind of capture that spend that seems fairly apparent or do we have to do some more Oil & Gas bolt-ons?

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

I would say downstream we are pretty good, we just moved that business back to Houston from Europe. So we have got a -- I think we have got it very well-positioned to capitalize on the US as well. So I think there is always improvements we can make in any portfolio we have. But we think we have got a pretty good downstream portfolio. Yes. Yes.

Unidentified Audience Member

Yes, I just wanted to circle back to the industrial margin outlook, because I guess if you look at 2011 you had a bigger hit than you thought from value gap, 2012 a much bigger hit than you thought from mix. You sound very comfortable today about those two factors for next year. I just wonder what is the confidence based on versus what happened in 2011 and 2012 on value gap and mix? Is it just the length of visibility in the backlog is higher now than then or is it something else?

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

I think we've got good visibility in the backlog. We have also between 2013 and 2014 we are taking out $2.5 billion to $3 billion of cost. So you have got a tremendously different cost footprint. And then we have got I would say much better visibility in terms of where the margins are in the products and where we go. Now in the end you're going to have different shipment rates and things like that. But we just got better margin momentum.

Unidentified Audience Member

Got it. And then within kind of the theme of software and data analytics, how do you feel that you have sufficient software expertise in-house if you are really going to drive the analytics as much as you want. Or do think to accelerate that penetration of the analytics you have got to buy some software expertise to get that accelerated?

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

Look, we have done it organically. I think we can hire who we need to hire organically. The industrial Internet story is a good story for the Company. And I think that is going to be a tremendous capability. I don't really -- we have no intention of acquiring our way into strength in that business. I think organically we can build it. And that has been proven and what we have been able to accomplish with our launches so far. Yes, Jim.

Shannon O'Callaghan

Jeff, on the Power & Water revenue guidance for 2014 was just a little stronger than I would have thought. I mean you called out wind a few times here. Is there something else in there that has a good 2014 outlook in the Power & Water piece?

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

I think deliveries of gas turbines are going to be decent next year. Wind I'd say is the biggest driver, Shannon, yes.

Shannon O'Callaghan

And then just yet another margin question. You've got the big SG&A coming down like 4 points here, margins are going to go up another 120. In terms of the offsets to that, I mean equipment growing greater than services, what else is there? How would you rank order kind of some of the nature of business offsets of that?

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

I think that is the main one. I think we want to create a hedge in SG&A and -- that can accommodate different changes in mix and things like that. But, look, we are going to be working product margin, so in a 2014 we have got SG&A coming down, in our plans we have both service margin enhancement and equipment margin enhancement in 2014. So we basically have tried to cover all of the various aspects of margins and we would like to continue that going forward.

Shannon O'Callaghan

And you have assumed that out to 2016 in kind of the framework --

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

Yes.

Unidentified Audience Member

-- so that some kind of equipment pressure?

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

Yes, that is where the FastWorks goes.

Unidentified Audience Member

Got you.

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

Yes. Yes.

Nigel Coe

Thanks, Jeff. So you mentioned GE it is not a capital-intensive business, but the likes of Honeywell, UTX, 3M, you name it, are seeing CapEx increasing next year and you do have backlog building, Aviation, Oil & Gas, for example. So I'm just wondering is there some upward pressure on CapEx next year, year after?

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

Well look, Nigel, CapEx will be up a little bit. But again, in the context of our cash flow and capital allocation it is just not a lot.

Nigel Coe

Right. And then a follow on, you talked about CFOA being down a little bit next year. Strong Industrial with lower GE Capital. And I am wondering what is causing the dividends in GE Capital to come down? Is it as you go through this process for the IPO?

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

Less earnings next year mainly. That is what we are counting on. And we are just beginning the capital plan for next year. So we expect a dividend from GE Capital but lower earnings. But the Industrial CFO will be up substantially, yes. Left-hand side, you guys warmer over here? Or any -- questions? Yes. Go ahead, and I will repeat it.

Unidentified Audience Member

Jeff, talk a little bit about Oil & Gas specifically in this way -- it is an industry where you wrote some big checks, you know more about it now than you did when you bought it and it is a progression. How confident are you in customer intimacy? Not just knowing the red carpet but where people get dirty?

I mean, you can always call that guy in Chicago if you want to talk airplanes. You have been in power for generations. Just talk about the progression and how you think about making sure you are close enough to the customer, not just with great stuff but with humans that are interacting with people using your technology and products every day?

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

No, it is a great question. Look, I would say the main investments we have made in Oil & Gas have been around capability. It is around localizing in places like Brazil and Angola and Russia and Malaysia and all the places around the world. So that is where the capital goes in that business. I think we have got a good blend of Oil & Gas people and GE people. So we have got a lot of people still around from the acquisitions that we have done. And we've built out a big global footprint in terms of service and project management and capability with respect to how to execute.

And I would agree with your point that project execution, when you are investing as much as our customers invest, is critical and absolutely critical. But I would give you just -- because I think it is a great question, a totally different context. There is not one national oil company or integrated oil company that isn't rooting for GE to do well in this industry, not one. Because over the long haul they believe very much in the GE brand, how we can execute, what we can do.

And so, the combination of what we do in the field in addition to I think the notion that we know to how to execute and get things done over time is pretty appealing to the customers out there.

Any -- Trev, should we? Okay, okay, so just before we leave -- at the fourth quarter conference call, on that day Trevor is going to take a new job, he is going to run one of the big businesses in GE Capital. And so he is a little nervous on the 70/30 thing. But, Trevor, that is okay. And so Trevor has done a great job over the last five years, fantastic. And congratulations to Trevor.

And Matt Cribbins, raise your hand, Matt. And Matt runs the corporate audit staff, fantastic finance talent. And I guarantee you, he is going to have more gray hair after working with you guys than he does right now. So, Matt welcome to Matt as well. So, Trevor, thanks and, Matt, welcome and thanks very much. Thanks, everyone.
