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EDITED TRANSCRIPT

GE - Q2 2014 General Electric Co. Earnings Conference Call

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OVERVIEW:

GE reported 2Q14 revenues of $36.2b, operating earnings of $3.9b and operating EPS of $0.39.

Forward-Looking Statements:
This document contains “forward-looking statements” – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and financial condition, and often contain words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “see,” “will,” or “would.” Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include: current economic and financial conditions, including volatility in interest and exchange rates, commodity and equity prices and the value of financial assets; potential market disruptions or other impacts arising in the United States or Europe from developments in sovereign debt situations; the impact of conditions in the financial and credit markets on the availability and cost of General Electric Capital Corporation’s (GECC) funding and on our ability to reduce GECC’s asset levels as planned; the impact of conditions in the housing market and unemployment rates on the level of commercial and consumer credit defaults; pending and future mortgage securitization claims and litigation in connection with WMC, which may affect our estimates of liability, including possible loss estimates; our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so; the adequacy of our cash flows and earnings and other conditions which may affect our ability to pay our quarterly dividend at the planned level or to repurchase shares at planned levels; GECC’s ability to pay dividends to GE at the planned level, which may be affected by GECC's cash flows and earnings, financial services regulation and oversight, and other factors; our ability to convert pre-order commitments/wins into orders; the price we realize on orders since commitments/wins are stated at list prices; the level of demand and financial performance of the major industries we serve, including, without limitation, air and rail transportation, power generation, oil and gas production, real estate and healthcare; the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks, including the impact of financial services regulation; our capital allocation plans, as such plans may change including with respect to the timing and size of share repurchases, acquisitions, joint ventures, dispositions and other strategic actions; our success in completing announced transactions and integrating acquired businesses; adverse market conditions, timing of and ability to obtain required bank regulatory approvals, or other factors relating to us or Synchrony Financial could prevent us from completing the Synchrony IPO and split-off as planned; our ability to complete the proposed transactions and alliances with Alstom and realize anticipated earnings and savings; the impact of potential information technology or data security breaches; and numerous other matters of national, regional and global scale, including those of a political, economic, business and competitive nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.
This document includes certain forward-looking projected financial information that is based on current estimates and forecasts. Actual results could differ materially.
“This document may also contain non-GAAP financial information. Management uses this information in its internal analysis of results and believes that this information may be informative to investors in gauging the quality of our financial performance, identifying trends in our results and providing meaningful period-to-period comparisons. For a reconciliation of non-GAAP measures presented in this document, see the accompanying supplemental information posted to the investor relations section of our website at www.ge.com.”
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PRESENTATION

Operator

Good day, ladies and gentlemen and welcome to the General Electric second-quarter 2014 earnings conference call. (Operator Instructions). As a reminder, this conference is being recorded. I would now like to turn the program over to your host for today's conference, Matt Cribbins, Vice President of Investor Communications. Please proceed.

Matt Cribbins - ***General Electric Co. - VP, Corporate Investor Communications***

Thank you, Christine. Good morning and welcome, everyone. We are pleased to host today's second-quarter webcast. Regarding the materials for this webcast, we issued the press release, presentation and GE supplemental earlier this morning on our website at www.ge.com/investor. As always, elements of this presentation are forward-looking and are based on our best view of the world and our businesses as we see them today. Those elements can change as the world changes. Please interpret them in that light.

For today's webcast, we have our Chairman and CEO, Jeff Immelt; our Senior Vice President and CFO, Jeff Bornstein; and our Senior Vice President, Power & Water, Steve Bolze. We have asked Steve to join today to talk about the Alstom deal. Now I'd like to turn it over to our Chairman and CEO, Jeff Immelt.

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

Great, Matt. Thanks, good morning, everyone. GE had a good quarter in a generally improving environment. We saw solid economic growth across most of our segments. Some economic indicators are really quite strong like rail loadings, revenue pass-through miles, demand for commercial credit and the appliance market strengthened during the quarter. Global markets were also generally positive. GE ended the quarter with a record backlog of $246 billion.

A particular highlight was the payback of our investments in technology. We recorded $36 billion of wins at the Farnborough Airshow, Transportation is prospering because of our commitment to push ahead with the Tier 4 locomotive. Healthcare is gaining share behind several big product launches and Oil & Gas is seeing broad interest in new Subsea innovations.

There is still a few tough markets like US Healthcare and Mining, but the economic trend is positive. At the half, execution is in line with our key goals. Industrial segment growth is up 10% with 6% organic revenue growth and margin expansion of 30 basis points. We are on track for $7 billion of Capital earnings with a $3 billion dividend. Capital allocation remains balanced and disciplined. We have returned $5.9 billion to investors through dividends and buyback. We are improving the GE portfolio as well. The Alstom acquisition will generate attractive growth in returns while helping GE to accelerate our achievement of 75% Industrial earnings. Retail Finance remains on track for an IPO by the end of July. The GE team is executing both operationally and strategically.

Orders grew by 4% with slightly positive pricing. Backlog is at a record high, as I said, of $246 billion, up $23 billion from last year. This was the strongest service performance in several years with growth of 14%. Aviation spares grew by 16% and Power Gen Services grew by 13%. Most of our service businesses are expanding. Transportation orders were up close to 40% overall and we have positioned the business to succeed in the future. We experienced some equipment order push outs, particularly in Wind, Oil & Gas and Subsea; however, our rolling four-quarter equipment growth is up 7%. And growth markets remain a highlight with 14% order expansion and growth in six of nine regions. Our orders and backlog give us confidence in the second half and 2015.

Our operating execution was good. We had 7% revenue growth in the quarter with 20 basis points of margin expansion. We are gaining share. Farnborough made a statement about GE's position in Aviation with $36 billion in wins. We won nearly 90% of all next-gen narrowbody announcements. As was reported earlier in the week, GE remains substantially ahead on the Tier 4 locomotive. We have 264 Tier 4 locos in backlog for 2015 and 2016, with more on the way and granted, this was zero in the first quarter, so our momentum is growing. We have nine high-efficiency large block H turbines in backlog with many more in the pipeline.

In Oil & Gas, we sold the first 20k-psi drilling system to Maersk. We have a $55 million backlog for the industry-leading Revolution CT scanner. For the quarter, our equipment revenue grew by 8% and service revenue grew by 5%, and six of nine growth regions expanded in the quarter. In addition, a few of our adjacencies are performing quite well. Life Sciences had order growth of 10% while Water grew by 11%, and we now expect $1.3 billion of Predictivity revenue for 2014, slightly ahead of our operating plan.

Simplification and value gap continue to drive margins. We're reducing the structural cost of GE. For the year, simplification, value gap and R&D efficiency should continue to be positive. In addition, we saw a nice margin turnaround in Energy Management and Appliances and Lighting, while Transportation and Healthcare are growing margins despite tough markets. We will continue to be negatively impacted by equipment mix for the year, but we are on track for solid margin improvement in 2014 overall, with expansion in most of our businesses and in the quarter, six of our seven Industrial segments had earnings growth. So really a good execution quarter.

Capital allocation is in-line with plan. Total CFOA is $3.4 billion, down 9% year to date. Industrial CFOA is above last year in total, but below if you add back the impact of the NBCU taxes last year. CFOA is impacted by timing and long cycle orders in Wind, driven by the lack of PTC clarity, and in Oil & Gas. Additionally, we have more inventory for second-half shipments given the substantially higher organic revenue growth we expect in 2014 versus 2013. We will see strong improvement in working capital in the third quarter and second half.

As previously communicated, we expect the Capital dividend to be about $3 billion in 2014. We ended the quarter with $87 billion of cash and we expect CFOA for 2014 to be in the $14 billion to $17 billion range as outlined in our 2014 framework. We have a similar first half/second half profile that we had in 2013. Capital allocation continues to be disciplined and balanced. We have raised the dividend by 16% for 2014. We filed the red herring for RFS today, targeting a late July IPO, and this should raise roughly $3.1 billion at the midpoint price for 15% of the Company. And we are targeting $4 billion of dispositions for the year.

In an important move for GE, the Alstom deal was announced and signed targeting a 2015 close. This is an exciting opportunity for GE and our investors. By 2016, we expect this will add $0.06 to $0.09 per share and allow the Company to have 75% of our earnings from Industrial. The synergies and returns are excellent. And Steve Bolze is here this morning to give you an update on Alstom, so let me turn it over to Steve.

Steve Bolze - ***General Electric Co. - President & CEO, GE Power & Water***

Thanks, Jeff. We've had a lot going on with respect to the Alstom transaction and I wanted to update you on the deal, our revised structure and our execution plans. As you recall from our initial announcement on April 30, the acquisition of Alstom's Power & Grid businesses would represent the largest single acquisition in GE's history. At the time, we said it was subject to several reviews, including our discussions with the French government. Those discussions have led now to our revised offer. We are happy with the outcome and have the unanimous recommendation of the Alstom Board and the endorsement of the French government.

A key point that I would like to stress is the deal economics remain the same and the price did not go up. Our deal is $13.5 billion of enterprise value at 7.9 times EBITDA and Alstom still retains its Transport business. We have, however, revised the initial deal structure and payment terms. We will be selling our Signaling business to Alstom Transport and creating three joint ventures. GE will have operational control in these joint ventures and Alstom will be investing about $3.5 billion for its stakes. I will give further details on the ventures in a moment.

Although the structure has been modified, our strategic rationale has not changed. The Power sector is core to GE's future and it has excellent long-term growth prospects. Alstom Power & Grid are businesses we know and like, and are being acquired at a good time in the cycle. What we like the most about Alstom is it complements us in technology, geography and they have great talent. It brings us broader scope in Power, a larger installed base for services growth and larger presence in emerging markets. Together with GE, this creates opportunities to improve our combined performance and it's in our sweet spot. Also, we continue to see good cost synergy opportunities and our plans remain intact. Overall, this is an attractive investment in a core business, which expands our competitive capabilities, and is accretive to GE earnings in year one with high teens IRR.

On the next page, I want to ground you on the new deal structure. First, the changes do not impact the core businesses, which are Alstom's Thermal assets. We will still own close to 100% of Alstom's gas and steam equipment and service businesses. About 86% of our synergies are in these businesses.

With respect to the joint ventures, Alstom will be the investor, but GE will have operational control and we still have clear visibility to the remaining synergies. The first JV is Renewables. It's made up of Alstom's Offshore Wind and leading Hydro business, as well as some of their new renewable technologies. GE and Alstom will each own 50% of this joint venture. Onshore Wind from Alstom will go directly into GE at 100%.

The second JV is the combination of GE's Digital Energy business and Alstom's Grid business. GE and Alstom will each own 50% of the joint venture. And the third joint venture is Global Nuclear and French Steam. We knew all along that with the majority of electricity generation in France being from nuclear power, there would be nuclear sovereignty issues. This venture includes Alstom's production and servicing equipment for conventional island of nuclear power plants, and development and sales of related new equipment globally. It also includes Alstom's Steam Turbine equipment and servicing applications for France.

In this joint venture, GE will own 80% of the economics and Alstom 20%, but Alstom will still have 50% of the voting interest. The sovereignty issues are addressed through a preferred share held by the French state with certain governance rights. In each JV, GE has control, will appoint the CEO and expects to consolidate. Alstom will have standard minority governance rights and will have put options with a minimum floor value at defined times. These joint ventures will not impact our ability to achieve our synergies.

On top of these ventures, one additional transaction is that we agreed to sell our Signaling business, a part of GE Transportation. It is a good deal for both parties. We got a good price for it, a market multiple, and it is a business that will do better as part of a larger Signaling business that Alstom has. In addition to that, we will enter into a collaboration agreement for both services and commercial activities that should make both GE and Alstom's Transportation businesses more successful.

As for our presence in France and Europe, after Alstom's businesses joined the GE family, we expect to have over 100,000 employees in Europe. We have agreed to add 1,000 new jobs in France and have factored this commitment into our financial plans. In addition, we have committed to keeping Grid, Hydro, Offshore Wind and Steam Turbine headquarters in France. In summary, the deal returns remain unchanged. There will be $3.5 billion less cash invested upfront and a $0.01 to $0.02 reduction in EPS accretion.

So now let's look at our plans for execution. We still see $300 million in year one synergies, growing to $1.2 billion in year five. We expect to realize 80% of the $1.2 billion in synergies by the third year. There are four main categories for synergies. The first is optimizing the manufacturing and services footprints. The combined businesses have 16 major manufacturing sites and many more feeder sites, and about 70 service sites across the globe. We estimate roughly $400 million of our savings here over the period.

Second, leveraging the combined sourcing buy to increase productivity, we have approximately $5 billion in common spend that we believe we can realize about 5% savings on. This is very consistent with our experience when we bought EGT from Alstom in 1999.

The third area is combining our R&D efforts across the product lines. Then, lastly, by consolidating supporting functions across SG&A, we see the ability to get about 10% synergy here across the combined businesses. We expect to spend approximately $900 million over the first five years to realize the $1.2 billion of cost savings. Beyond the $1.2 billion, we have assumed some modest revenue synergies, but see the potential for more upside. The teams have started to work to develop these additional growth opportunities. The current plan should drive $0.06 to $0.09 of EPS accretion in 2016, assuming a mid-2015 close. We have now kicked off our integration planning with Alstom, so we can hit the ground running when the approval process is complete. This will be a broad GE effort spanning many parts of the Company.

We have appointed Mark Hutchinson our overall GE integration leader. Mark is a GE officer with broad global experience and was most recently our CEO of China. We have formed a joint GE-Alstom steering committee and had our first meeting last week in Paris. From here, the process for closing will include Works Council consultations, Alstom shareholder approval and customary regulatory reviews driving an expected closing in mid-2015.

Overall, we are excited about the acquisition. We are confident in our ability to execute and we have a proven and experienced integration team now in place to ensure success. With that, I want to hand it over to Jeff Bornstein.

Jeff Bornstein - ***General Electric Co. - SVP & CFO***

Thanks, Steve. I will start with a second-quarter summary here. We had revenues of $36.2 billion, up 3% from the second quarter of 2013. Industrial sales of $26.2 billion were up 7% and GE Capital revenues of $10.2 billion were down 6%. Operating earnings of $3.9 billion were up 7% and operating earnings per share of $0.39 were up 8%. Continuing EPS of $0.35 includes the impact of non-operating pension and net EPS includes the impact of discontinued operations. We had $41 million of charges in the quarter in disc ops, primarily $30 million from WMC. WMC pending claims were down $700 million in the quarter and litigation claims were $1.3 billion higher. Reserves of $550 million are essentially flat versus the prior quarter with a slightly higher coverage of potential losses.

As Jeff said, CFOA year to date was $3.4 billion. We had Industrial CFOA of $2 billion and received $1.4 billion of dividends from GE Capital. Industrial CFOA was up 12% reported and down 41%, excluding the impact of 2013 NBCU tax payments. This was driven by timing of orders and inventory build and we're still on track for the $14 billion to $17 billion CFOA range that we guided for the year.

The GE tax rate for the quarter was 19%, up from 17% last year, bringing the year-to-date rate to 21%. As previously communicated, we expect the full-year Industrial rate to be about 20%. The GE Capital tax rate of a negative 13% was principally driven by the announced consumer Nordics disposition. The tax benefits from this transaction are anticipated to be higher than what we had planned for and with that, we now expect a low single-digit tax rate for the full year. We recorded roughly $260 million of tax benefits in the second quarter to bring the year-to-date rate in line with the expected lower full-year rate.

On the right side, you can see the segment results. Strong top-line growth of the Industrial segments revenues up 7% and operating profit growth of 9%. GE Capital earnings were down 5% in the quarter on lower assets. Per our previous communication, the GE Capital results now include the impact of preferred stock dividends. For the quarter, that was approximately $160 million versus $135 million in 2Q of 2013. I will cover the dynamics of each of the segments on the following pages.

First, I'll cover other items for the quarter. We had $0.03 of restructuring and other charges at Corporate. About $0.02 of that related to ongoing Industrial restructuring and other items as we continue to invest in simplification to improve the Industrial cost structure. The spend was broad-based with projects in every business in Corporate. We are executing on approximately 145 projects that average 1.5 years payback. We also had a $0.01 one-time charge related to the write-off of an asset in our consolidated Nuclear joint venture. We took 51% of the impact related to that write-off and our partners took the remainder.

Offsetting the restructuring, we booked a gain related to the disposition of Wayne fuel dispensers business in Oil & Gas. We recorded a pretax gain at Corporate of $90 million related to that transaction. The net impact of these two items was a $0.02 charge. So to give some context, the gain came in about $100 million lower than expected. Our restructuring spend of $300 million pretax also came in about $100 million lower than planned. This was due to lower spend of about $70 million needed to execute the existing projects and some delays attributable to Works Councils for roughly $35 million. In addition to the ongoing restructuring spend, we had the one-time charge related to the Nuclear asset write-off. So restructuring and other charges net of gains of $0.02 ended up being a higher expense than we planned in the quarter.

Now I will take you through the segments starting with Power & Water. Orders of $6.3 billion were up 6%, equipment orders were down 1% with Distributed Power down 32%, Thermal down 9% and Renewables up 16%. The decrease in Distributed Power was attributable to the timing of orders in the emerging markets that we expect to close in the second half. Thermal orders were lower on gas turbine orders, 10 versus 24 a year ago, partially offset by more BOP orders for balance of plant. First-half gas turbine orders were 41 versus 32 a year ago. No change to our framework for 125 gas turbine orders for the year. In the second quarter, we booked our first H gas turbine order for a co-gen application in Russia and we expect to ship that unit in 2015.

Service orders were up 12% driven by PGS up 13% on strong demand for upgrades and parts. We expect a reasonably strong transactional outage season in the second half of the year. We booked 19 AGPs in the quarter versus 12 a year ago. Revenue in the quarter was higher by 10% to $6.3 billion. Growth was driven by equipment up 20% and services up 2%. Equipment revenue was driven by Thermal up 38% on two more gas turbines versus last year and higher BOP, up 38%. Wind equipment revenues were up 30% with 159 more wind turbines year over year. Thermal and Wind growth was partly offset by lower Distributed Power growth, which shipped 41 units this year versus 55 a year ago. Op profit of $1.1 billion was up 4% driven by volume and simplification benefits offset by negative mix, principally higher BOP and Wind shipments. Product line mix was 2.4 points of a margin drag in the quarter. SG&A was down 7% in the quarter.

Our outlook for the business for the total year has not changed. At the moment, we are likely to be stronger on AGPs than we planned, but may see some Distributed Power volume push. Gas and wind turbines remain within the framework we have shared with you.

Now for Oil & Gas, orders were up 5% in the quarter to $5.3 billion, equipment orders were down 9% versus a very strong second quarter in 2013 when equipment was up 42%. Turbomachinery was down 42% versus up 74% last year. Subsea was down 44% versus up 30% a year ago. Downstream Technology, up 85% on strong petrochemical demand and Drilling & Surface up 55% were strong in the quarter. Drilling received a launch order for our new 20,000 psi drilling system, the first in the industry, from Maersk and BP. The 20,000 psi capability makes ultra-deep offshore drilling possible in areas unavailable today, so we are quite excited about the progress there.

Service orders were strong, up 23% with Turbomachinery higher by 49% on increased upgrades, installations and transactional services. Downstream Technology was up 35% and M&C was up 1%. M&C was up 19%, excluding the impact of the Wayne and Sensors dispositions. Revenues of $4.8 billion were up 20% driven by equipment strength up 29% with Subsea up 51% and Turbomachinery up 15%. Service revenues were higher by 11% versus the second quarter of last year. Operating profit was up 25% on higher volume, positive value gap and strong productivity, offset partially by negative mix from Subsea growth. Margin rates in the quarter improved 50 basis points.

On the next page, Aviation. Demand for travel continues its strong growth. Year-to-date May, revenue passenger kilometers globally were up 6.2% with strength across all regions. Freight grew 4.4% May year-to-date. Orders in aviation were up 1% with equipment down 8%, driven, as we expected, by Commercial Engines down 27% on lower CFM orders and a non-repeat of the FedEx CF6 order from last year. This was partially offset by stronger international Military orders. Service orders were 13% higher with the spare parts orders rate up 16% to $28.4 million a day.

As Jeff mentioned, at the Farnborough Airshow, we won 312 LEAP engines on the Boeing MAX. We also won 520 LEAP engines on the Airbus A320neo versus 100 to the competition. For the A320neo program to-date, we have won 54% of the engines. And in 2014 year-to-date, the LEAP has won 67% of the engines on the A320neo. Overall, since the launch, the LEAP engine has won 77% of all narrowbody competitions.

Operationally, in the quarter, revenues were higher by 15%. Equipment revenues were also up 15% driven by Commercial Engines up 14% and Military Engines up 3%. We shipped 75 GEnx engines versus 33 a year ago in the quarter. Services revenue was up 58% with strength in Commercial Services partly offset by Military Services. Operating profit in the quarter was 12% driven by higher volume, positive value gap, offset by negative mix associated with the GEnx shipments and higher R&D spend in the quarter. Operating profit margins of 19.7% were down 40 basis points in the quarter. Through the half, margins are up 20 basis points. Overall, Dave Joyce and the Aviation team continue to execute and win and we expect the technology investments we have made and continue to make will sustain the momentum.

Next, Healthcare. Healthcare in the second quarter was again soft in the US as we expected. Inpatient volumes were weak, which, in conjunction with increased consumerism and the changes in the healthcare law, appear to be causing hospitals and clinics to continue to be cautious on new investments. Orders for the business of $4.8 billion were flat with emerging markets up 7% led by Latin America up 12% and China up 12%, offset by the US down 2%. Equipment orders were flat with HCS down 4% offset partially by Life Sciences, up 23%, up 5% organically. Service orders were up 1%. Backlog of $16.6 billion was 6% higher than a year ago.

Revenues were flat with developed markets down 2% and emerging markets up 7% with strength in China, Latin America and the Middle East. Operating profit was up 1% with strong cost productivity offset by negative value gap and FX. SG&A ex-acquisitions was down 8% in the second quarter. Op profit margins improved 10 basis points, up 60 basis points organically. For the second half, we expect the market dynamics to be similar to the first half with weakness in the US, but continued growth in Life Sciences and the growth regions. The business will continue to deliver on remaking their cost structure and we expect that Healthcare will grow earnings single digits for the year.

Next, talk about Transportation. The Transportation team continues to execute well in a pretty tough environment. Domestic activity continues to improve though. Carloads in the US were up 4% for the first half driven by intermodal, petroleum and very strong grain shipments, and even coal saw 30 basis points of growth as post-winter stockpiles are replenished. Higher volume in conjunction with the first-quarter weather effect have impacted velocity on the lines. As a result, parked locos are at their lowest level since 2007, 2008.

We are seeing increased orders activity in locos. At the beginning of the year, we communicated that we expected to ship about 600 units in 2014. We now expect that shipment number to be closer to 750 plus. Balancing that, Mining volume for both units and parts are weak. We guided an expectation of being down almost 50% in 2014 versus 2013, and now expect Mining to be slightly weaker than that. Orders for the quarter were up 35% with equipment growth of 40% and service growth of 32%. Equipment strength was driven by North American locomotives, including our first order for 39 Tier 4 locos for delivery in 2015. Service orders were driven by locomotive parts and a $125 million Signaling win in Singapore. Backlog of $15.9 billion grew 13% from the second quarter of last year driven by equipment up 51%.

Revenues in the quarter were down 18%. Equipment was down driven by Mining down 43% and lower loco and kit deliveries. Service revenue was down on weak mining parts, partially offset by core services and loco parts. Op profit down 14% was driven by lower volume partially offset by positive value gap and cost-out.

SG&A was down 14% in the quarter. Operating margins improved 110 basis points on strong cost management. Our total year expectations for Transportation remain in tact with better locomotive demand and deliveries offsetting slightly worse Mining experience than the 50% down we expected. We feel good about our momentum on locomotives and are experiencing high utilization of our plants in 2014. Based on the first-to-market Tier 4 solution and improved rail volumes, we are optimistic that customers will continue to place orders in and for 2015.

Now Energy Management. The business took a couple steps forward in the quarter, but still remains very much a work in progress. Orders were down 14% in the quarter, partly driven by no repeat of the big ComEd meter order last year in Digital Energy. As a result, Digital Energy orders were down 32%, but up 26% excluding the ComEd order. Industrial Solution was down 8% on slow demand in North America and the exit as part of restructuring of seven subscale international platforms. Power Conversion saw a number of Marine orders pushed to the second half.

Backlog continues to grow, up 12% year over year. Revenue in the quarter was down 6%. Op profit more than doubled from last year to $69 million and margin rates improved 210 basis points. The team is doing a great job executing their restructuring strategies, including reducing rooftops by 40%, simplifying their product structures and realigning their SG&A functions. Restructuring benefits are delivering productivity that more than offsets the negative volume. We expect Energy Management to continue its improvement trajectory.

Appliances, core industry was up 5% in the second quarter with Contract up 8% and Retail up 4%. Housing starts rebounded, up 9%, helping volumes in the quarter and single-family starts grew 5% and multifamily starts grew 18% in the quarter. Revenue in the quarter was flat with Appliances flat and Lighting down 1%. Appliance revenue was down 1 point on volume, but up 1 point on price. We ran a number of promotional events that drove improvement during the quarter with revenue down 5% in April, up 1% in May and up 5% in June, so the trajectory is correct.

Lighting revenue was down 1% with strong LED growth of 50% offset by 9% down on traditional products, as retail has continued to bleed off incandescent inventories. Op profit of $102 million was up 23% on positive value gap and productivity. SG&A in the quarter was down 4% and op profit rate improved 90 basis points in the quarter.

Next is GE Capital. Revenue of $10.2 billion was down 6% primarily from lower assets and lower gains. Assets were down 2% or $10 billion year over year. GE Capital's net income of $1.7 billion, which includes $161 million of preferred dividend payment, was down 5% on a comparable basis as impact from lower earning assets and gains more than offset lower losses, marks and impairments and higher tax benefits.

ENI of $371 billion was down $19 billion, or 5% from last year and down $2 billion sequentially. Noncore ENI was down 15% to $51 billion versus last year. Net interest margins in the quarter at 5% were essentially flat. GE Capital's liquidity and capital levels continue to be strong. We ended the quarter with $76 billion of cash and Tier 1 common ratio on a Basel 1 basis improved 28 basis points sequentially and 51 basis points year over year to 11.7%.

On the right side of the page, asset quality trends continue to be stable. The only exception being the seasonality we expect in the UK mortgage, but delinquencies in the UK mortgage portfolio are actually down 160 basis points year over year.

Now to walk through each of the segments. In CLL, Commercial Lending and Leasing, business ended the quarter with $174 billion of assets, flat to last year. On-book core volume was $11 billion, down 3% driven by the Americas, which was down 4%, but we do see pockets of strength in the US, largely in equipment financing with our Transportation business up 25%, vendor equipment leasing up 7% and our Fleet business up 6%. Volume in CLL international was up 3%. The team is staying disciplined on pricing and risk hurdles and the new business returns were about 1.8% roughly in line with the first quarter. Earnings of $541 million were down 34% driven by lower tax benefits from the non-repeat of last year's Fleet Candidate disposition and tax benefits we had in Europe, as well as lower assets. These were partially offset by improvement in losses, marks and impairments.

And the Consumer segment ended the quarter with $135 billion of assets, flat to last year. Earnings of $472 million were down 43% driven by lower international assets, which were down 12% year over year, including the impacts of the Swiss IPO and Bay Thailand sale. In the current quarter, we also recorded roughly $85 million of after-tax loss provisions as a result of recent legislation on consumer pricing in Hungary. North American retail finance earned $512 million in the quarter, down 9% driven by continued investment in its standalone capabilities partially offset by 9% growth in its earning assets.

Real Estate assets at $37 billion were down 11% versus prior year and down $1 billion sequentially. The equity book is down 26% from a year ago to $13 billion. Net income of $289 million was down 34% primarily from lower level of tax benefits and gains. In the current quarter, we sold 52 properties with a book value of about $420 million for $137 million in gains. That is down $65 million from last year.

The verticals, GECAS earned $343 million, up 13%, as lower impairments and higher gains offset the impact of lower assets, which were down 9%. New volume was $1.5 billion, up 17%, with attractive returns of about 3% ROIs, and we ended the quarter with zero aircraft on the ground. Energy Finance had a good quarter with earnings up 27% to $76 million driven by core income and lower level of marks and impairments.

As I mentioned earlier, the tax rate at GE Capital was negative for the quarter and that was driven by the planned Nordics transaction with $260 million of tax true-up being booked in the GE Capital Corporate. Excluding the tax true-up, the GE Capital tax rate would have been in the low single-digits for the quarter. As you look forward to the third quarter, we expect GE Capital to be around about $1.6 billion in earnings.

Overall, Keith and the team continue to execute the portfolio strategy and deliver solid operating results. The Nordics disposition, which we expect to complete in the third quarter, and the IPO of Retail Finance, which I'll cover on the next page, are major steps in further reducing GE Capital's consumer footprint and focusing on the commercial core.

So with that, we are announcing today that we are targeting the IPO of our North American Retail Finance business for the end of July. We will be putting out a prospectus or a red herring later this morning. We are limited to what we can say during the IPO process, but we are pleased to be at the final stages of the IPO. We are targeting a 15% offering for about $3.1 billion at the midpoint of the price range. There was a potential additional 2.25% for the greenshoe. As we've said in the past, the capital raise will remain within Synchrony to enhance its standalone capital and liquidity levels. There will be $1.5 billion of funded transitional financing from GE Capital. This is down from our previous estimate of about $3 billion. The team has been doing a lot of work to strengthen their standalone capabilities on capital liquidity and governance. You may have seen that S&P and Fitch published their investment-grade ratings earlier this week for Synchrony.

We are targeting the split-off in late 2015 subject to regulatory reviews and approvals. Assuming a $3 billion IPO for 15%, we would retain an approximately $17 billion position in Synchrony. There are a lot of variables and the GE share count reduction will be dependent on the price of GE and Synchrony shares at the time of the split. We are still targeting 9.5 billion or less shares with this transaction. The process is on track and we'll update you along the way. With that, I will pass it back to Jeff.

Jeff Immelt *- General Electric Co. - Chairman & CEO*

This is Jeff. On the 2014 framework, we have no change to the operating framework for 2014. We expect double-digit Industrial operating profit growth behind solid organic growth and margin expansion. GE Capital earnings are on track for $7 billion, excluding the impact of the preferred dividend. We will hit our simplification goals, including a $500 million reduction in Corporate expense. We plan for restructuring to exceed gains, which is a drag on 2014, but will benefit 2015 and beyond. CFOA and revenue remain on track. In fact, I would say organic growth is probably closer to the high end of the range. We continue to move the Company forward strategically. Our long-term investments in technology are really paying off with solid share gains and with the Retail Finance IPO and Alstom acquisition, we are boldly reshaping the Company.

I'm proud of the GE team's ability to execute so well strategic and operationally on so many fronts and we are well-positioned for the future. So Matt, now back to you and let's take some questions.

Matt Cribbins *- General Electric Co. - VP, Corporate Investor Communications*

Great, Christine, let's open it up for questions.

QUESTION AND ANSWER

Operator

(Operator Instructions). Scott Davis, Barclays.

Scott Davis *- Barclays Capital - Analyst*

Hi, good morning, guys. A thorough presentation, so I appreciate that. I guess since we have got Steve there, I think just some logistical questions on Alstom. Do they still -- how do you keep the place from falling apart, I guess, from now until you close it? I mean do they still bid on projects and compete against you till you close? Do you have some -- any control or oversight of how operations -- how things are run between now and then because it is going to be a little while till everything gets approved?

Steve Bolze - ***General Electric Co. - President & CEO, GE Power & Water***

Scott, listen, we are two separate companies and will be through closing. As we said, we have an integration planning effort that we have now kicked off, but we have a process that we have to go through, Works Council approvals, they have a shareholder review and we have all the various regulatory steps to go through. So at this point, Scott, they are separate. In some areas, we do compete, but, as I mentioned earlier, these companies are largely complementary. Complementary in terms of geography, technology and it is a company we obviously know and as you know, Scott, back in 1999, we bought the packaging business. That was EGT that came to us and some of our best leaders came from that. But in the short term, we are separate and they are under their control.

Scott Davis - ***Barclays Capital - Analyst***

Okay, understood. And then a couple other nits here. When you think about Synchrony, and this is for Jeff and Jeff, but are there any structural or tax reasons why this business can't be sold in the process or post the IPO versus spun?

Jeff Bornstein - ***General Electric Co. - SVP & CFO***

Scott, the reason we focus and we are heading down a path on the split is it's very tax-efficient for shareholders. So there is real value creation in doing the split-off for our shares versus selling the business outright.

Scott Davis - ***Barclays Capital - Analyst***

Okay. Fair enough. And then just lastly, there is a lot of chatter on the M&A space. There's press reports out there on Siemens and Dresser. Does Alstom really cut you guys out of being able to go after some of the stuff if it becomes opportunistic and you have a white knight type scenario with Dresser? I mean it's a fairly unique asset. I don't think I'm asking you to comment specifically on Dresser, but on an overall basis, does Alstom really keep you out of the market or do you feel like you could still go in there and if need be issue equity or be creative about how to finance it?

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

Scott, what I would say is, in our Oil & Gas business, we feel like we've got a great coverage in terms of where we are right now. We really don't have any changes today on how we think about capital allocation and things like that, but, look, we are always looking at the portfolio in terms of additional divestitures and things that we can do progressively inside the Company. We are not done with that yet and that could open up new capital allocation options, but we are really not -- we really today -- our focus is on -- our near-term focus is on the Alstom integration and doing a great job with that.

Scott Davis - ***Barclays Capital - Analyst***

Okay, good answer. Thanks guys, and good luck.

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

Thanks.

Operator

Julian Mitchell, Credit Suisse.

Julian Mitchell - ***Credit Suisse - Analyst***

Hi, thanks. I just had a question on the Healthcare business. You talked back in December about how you might get close to a 10% profit growth this year in Healthcare. First half, I think profits are down. So just maybe a quick update on your thoughts there.

Jeff Bornstein - ***General Electric Co. - SVP & CFO***

Yes, Julian, I think what we talked about was Healthcare profit growth of high single digits, low double digits. I think given how we've started the year particularly in the US and particularly in HCS, our expectations as of now are that we are going to grow operating profit in Healthcare single digits this year.

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

I would say, Julian, the US market continues to be tough. Outside the US, I think the team is executing pretty well overall. I would agree with Jeff's assessment on where Healthcare will come in on the year and I think the good part about GE is we have other segments that will be higher than our original expectations, so that in total we still feel good about the overall framework of double-digit operating profit growth, Industrial operating profit growth.

Jeff Bornstein - ***General Electric Co. - SVP & CFO***

And within Healthcare. I mean we still expect -- we have expectations the growth markets will continue to grow for us, most of them double digits. Life Sciences will have a great year, but the US is going to be a real headwind.

Julian Mitchell - ***Credit Suisse - Analyst***

Thanks. And then just on the kind of GE-wide EBIT margin bridge, I think in the first half you've had a value gap benefit to EBIT of about $200 million. I think in January you talked about a $200 million benefit for the year as a whole. So what should we expect for value gap in the second half as an EBIT driver?

Jeff Bornstein - ***General Electric Co. - SVP & CFO***

Yes, so I think the guidance we gave is a couple hundred million for the year. We are in very good shape through the first half. We still expect value gap to contract a bit in the second half as it relates to prices we ship backlog, particularly in Power & Water. But there is a chance we could be a little bit better for the year on value gap, but I wouldn't expect it to be markedly different than what we have shared with you previously.

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

I think simplification is still on track for $1 billion plus for the year.

Julian Mitchell - ***Credit Suisse - Analyst***

Great. And then just lastly for Steve, on the Grid business, Chinese competitors have made very big inroads there even on areas like HVDC in the last decade. How confident are you about the ability to bring up the Grid margins given the competitive landscape is so different now?

Steve Bolze - ***General Electric Co. - President & CEO, GE Power & Water***

I think what you saw from the results in the quarter is that team is making progress and one of the things that business also needs long term is scale and that is one of the things we talked about with Alstom in our integration planning is one of the joint ventures we have is right in that space. We'll be putting our Digital Energy business with the Alstom Grid business to have more scale globally and be able to compete with people like ABB and Siemens. So I think we are on the right track.

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

Julian, if you look in the industry, ABB is 15 plus, Siemens is double digits. Our combined business will be 5 to 6. If we can get from 5 to 6 to 10, we are going to create a bunch of shareholder value here in terms of where we need to go and I think that is our -- that is our game plan in terms of how do you be a more competitive enterprise on a combined basis.

Julian Mitchell - ***Credit Suisse - Analyst***

Great, thank you.

Operator

Nigel Coe, Morgan Stanley.

Nigel Coe - ***Morgan Stanley - Analyst***

Thanks, good morning. Just a quick question on Synchrony. Obviously, you are pushing the button today on the roadshow, but once that IPOs, what happens to the accounting for the Retail Funds business? Does that move as an investment or does it qualify for discontinuation?

Jeff Bornstein - ***General Electric Co. - SVP & CFO***

No, no, no. We will continue to account for it in continuing operations and we will account for the public ownership, roughly 15%, as minority interest.

Nigel Coe - ***Morgan Stanley - Analyst***

Okay, that is very clear. And then just switching to the H, you've got nine units in your order book and I'm just wondering, Jeff, you mentioned at EPG, that's I think roughly 35 under proposal, I'm just wondering how that number has changed.

Jeff Bornstein - ***General Electric Co. - SVP & CFO***

Go ahead.

Steve Bolze - ***General Electric Co. - President & CEO, GE Power & Water***

The H, just to follow-up on your question there, Nigel, as we said, we have nine now in the process and our first ones ship next year and the demand is around the world and you see demand also in this high-efficiency segment continuing to move forward. A lot of focus in that area. There are multiple people in the space, but we are happy with our progress and as you heard from Jeff Bornstein, if you look at our gas turbine orders through the first half, we are 41 versus 32 last year. We are making headway towards the framework that we put out a little earlier this year of about 125 for the year.

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

How many in the bid cycle?

Steve Bolze - ***General Electric Co. - President & CEO, GE Power & Water***

In the bid cycle, H, probably north of 45, 50. So there's a lot of activity around the world.

Operator

Jeff Sprague, Vertical Research.

Jeff Sprague - ***Vertical Research Partners - Analyst***

Thank you, good morning. Just a couple kind of deal-related questions. First, just, Steve, or perhaps Jeff Bornstein, but the JV structure and the put structure as it relates to that at Alstom, can you give us a little more color on how that works and how this floor mechanism works?

Steve Bolze *- General Electric Co. - President & CEO, GE Power & Water*

Absolutely, Jeff. The mechanics, two different structures, but it's clear on how Alstom gets liquidity and in each case, Alstom would have the right to sell all of its shares in the JVs to GE at a price that would return Alstom's investment, plus an annual accretion in line approximately with our borrowing costs. Additionally, there is an opportunity for Alstom to share in some potential upside based on a predetermined EBITDA multiple. The timing of those puts are slightly different: Grid and Renewables, more in the three to four-year timeframe for the Nuclear and French Steam JV more in the end of year five, six, seven timeframe. But it is clear, we know how it works and pretty straightforward.

Jeff Sprague *- Vertical Research Partners - Analyst*

If those things go south hard, you still end up making them whole at their investment plus some accretion.

Steve Bolze *- General Electric Co. - President & CEO, GE Power & Water*

That's correct in terms of their whole and some slight return as we talked about. But at this point, we maintain operational control. We name the CEO and we know how to get after the synergies.

Jeff Sprague *- Vertical Research Partners - Analyst*

Then I was also just wondering, shifting gears, on Synchrony. I was a little surprised to hear late 2015 is kind of the split-off target given that looks like you are getting this done mid-2014. I would have thought maybe six to nine months of seasoning would have been enough and this would be kind of an early 2015 split. Can you share any thought or philosophy on that?

Jeff Bornstein *- General Electric Co. - SVP & CFO*

So we are on the timeline we talked about for the IPO. We are talking in the second half of 2015 now. I think just based on the amount of work to get to standalone ready and to get to where we need to be with regulators and get through the approval process, we think that is probably closer to the second half of 2015.

Jeff Immelt *- General Electric Co. - Chairman & CEO*

Jeff, we're not going to keep it a day longer than when we get approval to do the split. So it's just really letting it season is all we are trying to just allow for a little timeframe for that.

Operator

John Inch, Deutsche Bank.

John Inch *- Deutsche Bank - Analyst*

Thank you. Good morning, everyone. So Alstom, back to Alstom, when do we get a full handle on the EPC liability risks, bad project debts and the like, and as the corollary, do you have to wait until the deal closes to communicate that if there is something that could be material that you might have to true-up or top-up with GE funding?

Steve Bolze *- General Electric Co. - President & CEO, GE Power & Water*

Why don't I jump in on that one, John? Listen, there's nothing new to report here today. You're talking I think about the turnkey projects that they have. We did public company due diligence, so there is a certain amount of detail that we got exposure to and with that, we've accounted for that in our financial model, but there is always going to be things we find as we go through the process, but I'd say at this point this is a business we know well. We've factored that in and we have some synergies to offset as we go forward. So at this point, we think we've got it covered.

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

John, I would just add that and say really a business and an industry that we have been in for 100 years, we've done it once with Alstom so we knew a little bit from 1999. Deals like this come around infrequently, particularly at this kind of valuation, so 4.5 times EBITDA after synergies and a synergy pipeline that adds up to more than $1.2 billion. So there is always a lot of discussion around deals like this, but the overall economics are extremely compelling for investors and right in our sweet spot, vis-a-vis the ability to execute.

Operator

Steve Tusa, JPMorgan.

Steve Tusa - ***JPMorgan Chase - Analyst***

Hey, good morning. So just at a high level first, then I have a follow-up on Power & Water and mix. What offsets the Healthcare revision in the framework?

Jeff Bornstein - ***General Electric Co. - SVP & CFO***

Well, we generally expect the businesses within the framework that Jeff shared with you in December to be within that framework and --.

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

I'd say Aviation is certainly doing better and Oil & Gas is off to a good start for the year and --

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Jeff Immelt - ***General Electric Co. - Chairman & CEO***

We expect Energy Management to deliver and stuff like that.

Jeff Bornstein - ***General Electric Co. - SVP & CFO***

Across the portfolio, we think we are still within the framework we shared with you.

Steve Tusa - ***JPMorgan Chase - Analyst***

Okay, and then just on Power & Water, and I guess this kind of goes to the mix question. When you look out to the second half, I think you have -- the Thermal deliveries are going to be up. It looks like Distributed Power, it faces pretty much tougher comps and the orders aren't holding up there. So maybe that is a little bit lower. How much better are advanced gas paths going to be in the second half and is that enough to offset what would seem like ongoing negative mix when you look at Thermal and being up and Distributed Power being down?

Steve Bolze - ***General Electric Co. - President & CEO, GE Power & Water***

Steve, as we look at advanced gas paths, we've got 19 shipped in the quarter, 36 year-to-date versus 14 last year. So we are clearly on a better path this year on advanced gas paths. My guess is we look at the second half of the year. We're going to see the second half kind of more level-loaded with the first half. So therefore it might be 70-ish maybe, maybe a little more. So that is why when Jeff Bornstein talked about advanced gas paths, we feel a little better, but we do have some -- probably some softness in the Distributed Power area. So that is how we -- kind of how we look at that.

Operator

Joe Ritchie, Goldman Sachs.

Joe Ritchie - ***Goldman Sachs - Analyst***

Hi, good morning, everyone. So to date, I think you have announced dispositions of roughly a little over $1 billion. I think you have got a targeted number of $4 billion. I was just wondering if you could give us any update on the timing there. And Jeff, you made a comment earlier that you like where your portfolio is today on Oil & Gas. I was wondering what areas you would be looking at specifically to add across your Industrial portfolio.

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

Well, Joe, again, I think we never like to talk about dispositions until we actually see them, but I would say we are on track for the $4 billion and we would expect additional announcements as you look at how the year unfolds, but those things happen as they happen. And on the buy side, look, we always have a list of stuff that we do. I think the question that Scott asked earlier was really more along the lines of Turbomachinery and packaging and things like that. We feel like -- in Oil & Gas -- we feel like we have got a great portfolio in that particular segment of Oil & Gas and I would just circle back to -- the big priority of the team really is the Alstom integration and that is where the main focus is right now.

Operator

Deane Dray, Citi Research.

Deane Dray - ***Citigroup - Analyst***

Thank you. Good morning, everyone. Jeff, in your opening remarks, you touched on there were some pushouts and you said Wind, Oil & Gas and Subsea. And I was hoping you could quantify a bit as to what the size of those were maybe by geographies, any reasons and is this project timing or customer confidence?

Jeff Bornstein - ***General Electric Co. - SVP & CFO***

Yes, Deane, I'll give you a few pieces of it. So within Power & Water on Wind, we had 400 or 500 wind units that moved out of the quarter, really just awaiting clarification from the Treasury Department on what constitutes start of construction to be eligible for PTC. And these are projects that involve bank financing and tax equity investors. So very tough to move those projects along until they are absolutely certain that they are going to qualify for the PTC. We expect that clarification to come from the Treasury in the next week or two. And we've seen that clarification and we think it's helpful. So that is one example. That is over $1 billion of orders.

And then in Subsea, we have a couple of big projects that we are hopeful that we'll see here certainly in the second half. As soon as possible would be great. That is well over $1 billion as well.

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

Deane, on these, there is I think three big Subsea deals. Two of them have been awarded to us, so it is just a function of getting the final project approval and stuff like that.

Jeff Bornstein - ***General Electric Co. - SVP & CFO***

We are waiting for financial close.

Jeff Immelt *- General Electric Co. - Chairman & CEO*

We are just waiting for financial close to book the order.

Operator

Andrew Obin, Bank of America.

Andrew Obin *- Bank of America Merrill Lynch - Analyst*

Yes, good morning. Just with Alstom and with Synchrony and also you guys are going to do divestitures, what is the risk that some of their restructuring actions get pushed back with active portfolio reshaping going on, just thinking about management bandwidth this year?

Jeff Bornstein *- General Electric Co. - SVP & CFO*

Zero.

Jeff Immelt *- General Electric Co. - Chairman & CEO*

Andrew, I just think zero. Our intent is to get to the 75/25 by 2016 and still do the simplification that we've got going right now and the teams are executing along that track.

Jeff Bornstein *- General Electric Co. - SVP & CFO*

I would just add, Andrew, as long as we've got a project list that looks like year and a half paybacks, those returns on investment are incredible and we will do every one of them.

Operator

Steve Winoker, Sanford Bernstein.

Steve Winoker *- Sanford Bernstein - Analyst*

Thanks. Hey, good morning, thanks for fitting me in. I appreciate the transparency and speed with which you are moving through this. A couple questions here. The first one, just clarification on GE Capital. The $3 billion of dividend, how much special is in there?

Jeff Bornstein *- General Electric Co. - SVP & CFO*

We are estimating a $2 billion income dividend and about a $1 billion special.

Steve Winoker *- Sanford Bernstein - Analyst*

Okay. And is there any room for movement around that special in your view, up or down?

Jeff Bornstein *- General Electric Co. - SVP & CFO*

Not likely.

Steve Winoker - ***Sanford Bernstein - Analyst***

Okay, all right. And then, Steve, since I have got you on Power Gen, we are looking at the Thermal rate, which is always lumpy and down again this quarter, but what headwinds are you starting to see or anticipating in the future on the Distributed Generation and Rooftop Solar front versus the impact on Power Gen? And you have got energy efficiency, you have got solar finally making inroads. Are you guys thinking about that as a headwind at all to growth in the core area?

Steve Bolze - ***General Electric Co. - President & CEO, GE Power & Water***

I think it is a great question. I'd say you are seeing the impact of less load growth, electricity load growth because of the Distributed Generation technologies, solar, energy storage, etc. But what I would say is, in aggregate, though, there is still electricity load growth and again, a lot of those technologies still are less than 1% or 2% of the total load on the system and still 70% of all new power generation new equipment purchases in the world are in developing regions. So this is something we have got to look at on a global scale. So overall, I'd say we play in pieces of that and I think you'll see us over time build out the portfolio in spaces, but -- (multiple speakers).

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

The DP business is Algeria, Brazil, Thailand. Those aren't solar places. That is where the DP business really goes.

Steve Bolze - ***General Electric Co. - President & CEO, GE Power & Water***

Right. So I'd say overall it is an opportunity for us and we go from there.

Matt Cribbins - ***General Electric Co. - VP, Corporate Investor Communications***

Okay, great. We are bumping up against 9:30. The replay of today's webcast will be available this afternoon on our website. We will also be distributing our quarterly supplemental data for GE Capital later today. A couple of announcements regarding upcoming investor events. First, on Wednesday, September 10, we will hold our Oil & Gas investor meeting in New York City. On Thursday, October 9, we will hold our Services & Industrial Internet investor meeting in conjunction with the Minds + Machines 2014 conference in New York City. We hope to see you at these events. Finally, our third quarter 2014 earnings webcast will be on Friday, October 17 and as always, we will be available today to take your questions. Thank you.

Operator

Thank you. This concludes your conference call. Thank you for your participation today. You may now disconnect.

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