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Conference Call Transcript

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And just a reminder, we're going to finish -- General Electric will finish around 12:15, and there's a lunch being hosted by GE out by the pool. So we will keep it to 12:15, so you can follow-up with additional questions after. Okay, our final presentation for this year's EPG is General Electric. I'd like to welcome Jeff Immelt, Chairman and CEO of GE.

Jeff Immelt *- General Electric - Chairman, CEO*

Good morning. Thanks, John. It's great to be here. It's great to be back. Let's hope we're in better shape this year. I'm sure just for the EPG crowd. So I'm going to just, in usual form, go through an update on the Company and then we would be happy to take questions at the end. So we still see things strong, including the first couple of weeks of May being okay. And the economy is still strong. We think the Company is very well-positioned in this environment from a standpoint of how we're positioned. We're executing the strategy that we outlined about the portfolio restructuring and organic growth and we just think it's a great time for GE. We think we're very well-positioned to continue and sustain the performance in the economic environment we see and the Company I think is in the best shape we've seen it.

So current environment, we kind of say that the -- based on everything we're looking at today, the economy remains strong. We're seeing good order rate. We're seeing high customer usage. We're seeing low losses. Continued strength in China. We're seeing lots of positives. But a little bit more volatility. So things like inflation, interest rates you have to manage your way through, and we kind of call this an "operators economy." In other words, you've got to manage what you see, so we expect people to get pricing up ahead of inflation, and they have. We expect our sourcing people to keep the supply lines full, which they've done. We expect to manage the credit cycle very effectively and we expect that we know how to generate our own growth in this environment. And so we feel very good about the economic environment, and beyond that our ability to execute and perform in the type of environment that we see today.

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Here's just kind of panorama of different snapshots of the Company. Aircraft Engines spares are at a very high order rate and have been able to sustain that. The utilization in our Equipment Management Business is very high and at a position where you can raise price and get good development there. Our Flow orders are up around 10% and that's been sustained over time. And our Commercial and Consumer assets are continuing to grow. So it's a pretty good snapshot of the Company and shows pretty broad-based strength inside the Company. This just, again, gives you an update on delinquencies and losses. And, again, we see a pretty good credit environment and we're very consistent from a standpoint of what we've seen, what we're managing through, and feel good about our positioning there as well. So overall the economy really looks good.

What I'm going to do is take you through the businesses like we typically do, but what I'd remind you of is take you back in December, we really feel like the Company is operating on all cylinders right now. And beyond that, we think it's the type of company positioning that's sustainable into 2006 and beyond. So we feel good about the momentum of the Company as well. I think just to preface where we've been, if you put our performance in context, if you go from 2001 to 2004, we basically had to deal with four sources of headwinds. We had to deal with pension, we had to deal with kind of the unwind of the power bubble, we had to deal with the insurance strategy -- unwinding the insurance strategy and parent supported debt, and the investments we made in Amersham and Universal that really created $0.44 per share of headwind during that time period. That's now tailwind. I mean the energy business is now tailwind. The investments we made in the Company is now tailwind. The parent supported debt is now zero. The pension impact is going to be small. So I think if you look at what we've been doing over the last three years we've been growing earnings in the rest of the Company 20% plus, and so now we've got all that momentum and the stronger Company really feels great about how the Company is positioned right now, vis-a-vis the rest of the world and vis-a-vis some of the outside markets.

This gives you a sense of the major segments of the Company. Again, we divided the Company into five pieces when we talked about where we were in December. Its Energy and Transportation Business. That's about 25% of our earnings. Strong double-digit growth this year, but when you think about the components of it it's really driven by globalization, but most importantly services. That's going to play out for many years. I mean you just have to feel great about the positioning overall in that business. About 40 to 45% of our earnings in Commercial and Consumer Finance we still have relatively low global market shares, tremendous potential for long-term growth in that business. And so we feel very, let's say, confident about our ability to sustain the growth beyond 2005. If you look at NBC Universal, if you look at Healthcare, if you look at Infrastructure really demographically advantage businesses where the earnings will grow in excess of 20% this year, and very strong sustainable growth into the future, that's another 20% of the Company. So we basically have 90% of the Company in the first three buckets, another 6, 7% is in the Short Cycle Industrial Business -- Consumer & Industrial, Equipment Services, and Advanced Materials, will execute very well in the cycle. And then the Insurance Business, we've got an embedded gain in Genworth, pension is not as much of a drag as it used to be. So if you look across the Company we've got great strength in 2005 and beyond that as you project forward into 2006/2007 lots of momentum throughout the Company with respect to where we go.

This gives you a sense again for Energy, I think we've been pretty consistent on our execution around energy. We've got good global growth. Great services growth. Good potential to continue to build out in oil and gas. A new platform growth in wind. And so if you look at the dynamics of energy, the power generating piece is going to be slightly positive, better than what we thought. Services continues to be very strong and oil and gas will grow our profit very significantly this year. So we feel great about the positioning of energy and the whole strategy and execution is right on track from a standpoint of what we've talked about over the last three or four years. Transportation, we've got a great global position and, more importantly, a great technical position. I mean, our engines are being specified. Our engine growth has been very strong. The evolution engine in rail has been very successful. The service growth is solidly double-digit and then some, great execution around the business, winning big in China and the developing parts of the world. And, again, we see this business as being very strong and potentially on the high-end of what we've talked about as it pertains to how to think about Energy. Commercial and Consumer Finance just continued good performance. We see good asset growth in Commercial Finance. We've got great origination. Great risk management. Strong position to continue to add portfolios in that business. And in Consumer Finance we continue to see the opportunities for global growth. You saw us pick up a small acquisition in Latin America last week. Again, we can continue to plant flags, we can continue to do so properly, that business will be up to $3 billion in earnings this year. So continued strong sustained momentum as it pertains to the financial service franchise.

Healthcare, good solid growth. We're seeing a rebound in the U.S. diagnostic imaging market. We've got a very good technical pipeline right now both in CT and MR. We're seeing good device growth as it pertains to anesthesiology and ultrasound. Good potential for global growth. Services Business is growing high single-digits organically and strong double-digits from an operating profit standpoint. Good solid operating profit growth up more than 20% this year. We really like what we're starting to see from a standpoint of the growth synergy as it pertains to Amersham. We know the cost synergy is well underway. We'll get $250 million there this year, but you're starting to see the pieces of how we can use the combination of Amersham and GE to stimulate organic growth in the markets they are in. And I showed you a couple of examples up here on the page. The combination of Visipaque and VCTs are allowing us to really drive cardiology penetration in the CT market. We think there's an incremental $250 million from revenue as we continue to drive CT applications and cardiology in Visipaque is what helps us make that happen.

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In the MR side, this is an example of something we're working on that's going to be introduced next year which allows us to use MR more effectively in spectroscopy, in the cancer market. So a good way to combine diagnostic pharmaceuticals with imaging in that space. We've really combined the Ultrasound Businesses where we have the Diagnostic Pharmaceutical and Ultrasound sold together that's going to generate about $100 million from incremental growth. And then penetrating the pharma channel, you're starting to see both from a life sciences standpoint and, again, a diagnostic pharma standpoint working with companies like Lilly to really drive more scanning and better procedures in Alzheimer's. So it really is unlocking, I think, a lot of the incremental growth in terms of driving scans up that helps the Diagnostic Imaging Business and driving Diagnostic Pharma penetration up which allows us to drive the Amersham Business for good organic growth for the long-term.

NBC Universal on track to have another strong year in NBC Universal. I think our strategy of diversification is working this year. We're having a solid films year. We're having a great year in the cable channel/cable services and offsetting weaknesses in the prime time network schedule. But it's kind of what we've always described that we wanted to accomplish as it pertains to how we looked at NBC Universal and that's what we're really seeing as it pertains to this year. Good solid double-digit operating profit growth, we think sustained double-digit growth into 2006, even with a -- let's say a prime-time market that might be up a couple percent, and really fighting kind of a four-way share battle on the prime time side. Here just shows you what we've been talking about. What you saw if you were down at the Analyst Meeting in February, which is just a diversification of the business. It's really driven today by cable services where we're seeing lots of great growth. Film is -- continues to be strong. We still get good monetization out of the News Business. The parks has been a pleasant surprise and those have been offsetting a weaker prime time business than what we thought about. But it's a better business model and it's one that can survive a couple bumps in the road and still generate lots of cash and double-digit earnings growth.

This gives you a sense of Infrastructure. We've got the deals integrated of Ionics and InVision and Edwards have all been closed and integrated. So we see this as being very positive and really hitting all the numbers in this business. We've got a very strong Water Business. A very strong Security Business. Lots of momentum organically in this business. The organic orders rate and the water's business is between 10 and 15% right now. Probably two or three or four times the industry. So we're seeing excellent execution and performance around this space. Here's Advanced Materials and Consumer Industrial. Advanced Materials we continue to drive strong pricing in that business. We'll see excellent nonprofit growth and revenue growth in Advanced Materials this year. And we're just watching the price share trade-off in this business in a very hard way, and that's what you've got to do. At this point in the cycle you have to just watch your leverage and continue to drive price. Consumer Industrial surprising on the upside, I mean this business is getting strong pricing, really for the first time in 10 or 20 years. We're enjoying expanding margin rates and we think that story is very positive as it pertains to Consumer Industrial. So the most economically sensitive businesses are operating just kind of the way we thought they should or would. We've driven pricing. We've driven efficiency. We're hitting operating profit expansion. So, again, we see good momentum and profitability in these businesses as well.

Insurance, we've talked a little bit about this a week or so ago, but insurance is kind of on the upside of what we had talked about. Risk Management has been strong; we continue to execute the strategy. We'll have a small gain on MedPro, but we continue to work the disposition of assets and insurance over time. And we think the fundamentals of the business are very strong as it pertains to controllership and disclosure and all the things around insurance. And then Genworth continues to outperform. The Genworth stock is doing fine. We've got an embedded gain in the 52% of Genworth that we continue to own. So we continue to do a good job of executing on this play and on this strategy. Overall the year continues to look very strong the way we've talked about it. We ought to have revenue between 165 and $170 billion. We'll have earnings up 12 to 16%, $19 billion plus. We'll have very strong cash flow. Plastics, we continue to manage the price and inflation in the U.S. DI market, we think might surprise on the upside in the second half of the year. Insurance looks better. Energy is as planned and that we continue to do a good job in that business. And so we stay on the high-end of the range and we ought to have 10 of 11 businesses growing double-digit this year. And, again, we think the Company is extremely strong.

Here's cash flow. $17 billion of cash flow with a parent supported debt down to zero, ahead of plan. We've announced the buyback. That's picking up in the second quarter and through the rest of the year. We've got really excellent working capital programs, good cash disciplines, and this $17 billion ought to be close to $20 billion plus by 2006, from a standpoint of how the Company is running and where we are right now. And this all impacts where return on total capital goes. We think we'll be flattish this year, but then embedded in the business is 100 to 200 basis point improvement and return on total capital over the next three years and that shows up in the incremental return on invested capital and that's already performing the way that we thought it would. So that's the Company. That's a snapshot. We continue to be bullish on this year. It's really the expectations are based on what we see in the businesses, and the businesses across the Company are executing extremely well in this environment, and performing.

So what I'll do is just kind of shift gears on strategy and just give you an update on some of the things we talked about in December and give you a sense of where we stand. Our strategy really hasn't changed as I come here and speak to you year, after year, after year. We talked about really being a reliable growth company that's generating earnings in excess of 10% each year. Having solid operating cash flow. Having returns that are 20% plus and a steady consistent way year, after year, after year. And the levers we pull are having great businesses and great people. Having

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common operating processes across the Company in Six Sigma and Simplification. And having one initiative in the Company, which is driving organic growth; 8% organic growth. And this is what the whole management team inside the Company is really marching towards and what we're executing against and where we're focused. So I'll just give you an update on portfolio.

Three years ago I stood here and said we were going to create a higher, faster-growth Industrial Business, a higher-returning Financial Service Business at EPG in 2002, and that's really what we've done. That's really what we've worked hard to create. On the Industrial side we've got the fastest growing set of industrial businesses we've had in really in decades that's really capable of 8% organic growth rate of about 95 billion in revenue this year. Very strong solid growth. And expanding percentage of services that's part of that, and we've gone from 25 to 30% in services. That number is going to be between 35 and 40% by 2010. We've got great momentum going there. And the industrial growth engine's percentage of our industrial revenue is going to be north of 80% and growing each and every year. So we've added a bunch of capability in organically that now helps boost the growth rate organically. That's what we said we're going to do and that's what we've done. And so I think if you sit back and look at the industrial businesses, we got gig. You got tremendous earnings power, great industrial businesses, and a set of businesses that's really capable of driving high single-digit, mid double-digit -- high single-digit revenue, mid double-digit earnings for a long period of time, particularly powered by services.

Financial Services similarly. We went from 2002 where Consumer and Commercial were 57%. Lots of insurance where we're taking Insurance and Equipment Services down very close to zero from an earnings power standpoint. And it shows you the increase in return on equity as we've done that, and just having a much higher efficient Financial Services Business. And, again, we've added a lot to capability, and Consumer Finance on a global basis and Commercial Finance and businesses where we can have very strong competitive positions and continue to grow over time. So, again, we like our Financial Service businesses as well because you get very capital efficient growth with high ROEs as you look at the future here as well. On Insurance, again, we've done exactly what we said we were going to do. We started with about $25 billion in equity. In 2003 and 2004 we did Edison, we did FGIC, we did the first run of Genworth. 2005-to-date we did the Genworth secondary and MedPro. Additional actions we envision as taking the rest of Genworth out on an orderly basis and taking really the primary insurance lines -- we're going to end up selling most, if not all of those, over time similarly to what we've done with MedPro. Ending us back with what was the original ERC and we think we've got lots of strategic flexibility as we go through this process over time in a way that we'll continue to grow earnings. We've got very strong reserves. We've got very strong controllership in these businesses. And I think it just gives us tremendous strategic flexibility as we look at these businesses over time.

If you think about Financial Services, and again, I always talk about the fact that we've got great businesses in Commercial and Consumer Finance that have had good earnings over time, have had low losses, high return on equity, and again, I just want to nail a couple points today to say, solid AAAs. Tremendous transparency as it pertains to the businesses. Real reallocation of resources. We've done a great job of product line leverage. We're reallocating financial investments from Insurance into Commercial and Consumer Finance. All the disciplines of the buyback and high dividend provide tremendous financial disciplines. And what I would say, tremendous flexibility that we're creating. I mean I think when you think about a set of financial services businesses that now have 23 to 25% return on equity, very good spread of risk, very good inherent growth rates, it gives us real flexibility as we look at the GE capital dividend rate. I mean we've gone from 32% historically, we went down to 10% during the era of parent supported debt, we're back to 40% today. I think we've got flexibility over time to look and see, do we want to increase that? What do we want to do? How do we want to redeploy capital? Without really impairing the earnings. Some how we grow the earnings 10 to 15% a year. So we think what we've accomplished in terms of our strategic execution and financial services gives us tremendous strategic and financial flexibility as we look forward in the future.

And just lots of drivers we think in valuation. Best industrial growth rate we've had in a long time. Expanding return on total capital that you can really look out and see 100 to 200 basis points each and every year. Financial Service businesses not because the financial service businesses are weak. In fact, our Consumer and Commercial Finance businesses we want to continue to grow exponentially, but because we have faster-growth industrial businesses and we're taking insurance out of the portfolio you're going to get a natural lift on the industrial percentage of earnings. Financial Services ROE -- the businesses we're in, I mean Commercial Finance passed -- is up to about 21%, Consumer Finance is up to 30%. We're heading towards the 25% ROE, and free cash flow 7 to $10 billion a year which gives us a chance to extend the buyback, do industrial acquisitions, and continue to drive growth. So we like the portfolio. We like the portfolio. I mean nothing's ever forever. You're never done getting better, but I would say a lot of the large chunks are behind us and give us a great platform for the future.

So when you have the great set of businesses we're still driving operating excellence and process excellence inside the Company. We really have two major, what I would call "operating initiatives" inside the Company. We're on our 11th year of Six Sigma and we're in our third year of what we call "simplification," and we just keep pouring it on. I mean Six Sigma is really about cash and margins. Simplification is really about taking G&A expense, structural cost out of the business. And what it allows us to do is do a better job for customers, generate more cash, and improve margins and returns and still fund growth. We don't ask anybody and any of our investors to sacrifice as we're driving core incremental growth higher. We're able to really free up resources internally as we continue to drive strong operating practices. What that means, I think, is continue

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expansion of operating profit rates. I think in the cycle we're in with energy, with the rest of the Company performing, we're going to get operating profit rates up at least 100 basis points this year, probably 150 basis points this year. And then we see an extension of 100 basis points a year. Again, on the other side of the power bubble with services as the bigger percentage of the total we feel great about our potential to do more in this activity. Taking about a billion dollars of working capital out each and every year, that's what we've done the last few years. We did again, Six Sigma gives us some of the momentum in order to drive that into the future.

Some of the other operating details inside the Company, we are positive on the price inflation mix this year to the tune of $300 million. That was a $600 million negative last year as we got the original rounds of steel and benzene and weren't able to price fast enough to get on top of that. We've now crossed that line and this usually, what happens is materials crest and head down, the pricing doesn't move as quickly, and this is usually our sweet spot. Particularly in the flow businesses where we are right now, so we feel very strong about that. We still get 4% productivity each and every year, 4% total cost productivity, and that's something we continue to do year, after year, after year, and then we measure G&A as a percentage of revenue. We'll take about a 100 basis points out of that. That's worth about a billion dollars as we continue to drive that. So again, we've got operating processes going throughout the Company that continue to allow us to generate cash, improve margins rates and that's a real positive.

On Simplification, I just gave you a couple of examples here of what the businesses are doing from a drill down standpoint. I've got Commercial Finance and on this page it shows you, they'll get $200 million out of simplification this year. This is really roof-top reduction, and it's common data bases, it's common systems, and strong activity there. In the Healthcare Business we'll get $140 million of cost out. And, again, just like we do everything else really drilling down on the methods and the metrics and the details about how to drive that. The last point I'd make that is something that we're trying to do very hard right now is take lean Six Sigma and really associate that with market share gains, customer fulfillment and real wins in the marketplace. Each one of our 11 businesses has what we call a "Lean Six Sigma" showcase. Where we really are taking quantum leaps out of the cycle time, quantum leaps out of the customer fulfillment and try to match that with the growth we see. So we see it in component repair, in the MR Business, Equipment Finance in Europe, digital surveillance, plastics, and this is really aligning the key operating processes with the ability to drive real customer performance and gain market share. And we're sharing lots of ideas around these activities. So really Six Sigma, simplification, operating excellence is alive and well inside the Company. It really gives us a platform on which we think we can drive consistent 8% organic growth.

That's what I want to talk about next is just really the activities and you don't get growth without creating a process for growth. And I would say our whole management team is -- takes a historic strength of really operating excellence, cross-company operating excellence that we've done to get productivity, and translate that into cross-company leverage to drive more revenue, more organic growth outside the Company and we think that's the magic. Our 5 to 8 is the goal. The way I think about going from 5 to 8 is a GDP growth of about 3%, the set of businesses that will give us another 3%, so our foundation is 5 to 6%. And then the initiatives of services, globalization, imagination breakthroughs, gives us an incremental 2 to 3 points of growth each and every year. And that's how we really think about driving each and every year 8% organic growth. And the process that we use really starts with great businesses, so you've seen us invest in the portfolio. Great capabilities as it pertains to technology and services. Customer fulfillment, the Six Sigma projects I talked about earlier. Globalization, a real sense of pulling innovation through the Company and thinking about leaders, how we train leaders and how we're positioned for the future. And we have metrics in place for all these. We've been working on many of them for four or five years. So they're not just the last six months. We've got a lot of momentum as we think about them. And we think we're in very strong position as you look at the Company today.

So I'm going to start off just by talking about the growth platforms, the portfolio. And what I thought I would do is just put in reference, we've got five industrial growth portfolios, growth platforms, Oil and Gas, Healthcare, IT, Water, Security, businesses like that. And what I thought I'd do just for perspective is compare them today to the two industrial cash generators, Consumer Industrial and Advance Materials. It's about half the revenue, almost an equal amount from a nonprofit standpoint. The advantage we have is we're generating cash in the Appliances Business, the Plastic Business, it gives us a chance to redeploy that cash in the faster-growth businesses. But what we can create just in the last five years are businesses that have strong organic growth rates, high single-digit, 10% organic growth rate, 15% operating profit and expanding, pretty cash efficient, more stable earnings flow over time because they have more flow revenue streams, and so I think the power of what I can talk to you about is our ability to go from small to big relatively quickly. Do it in a capital-efficient high-margin way, and so this is what we've really built with the redeployment of resources from the cash generators to the growth engines and with some of these growth platforms.

Since I know you haven't talked at all about water this week I thought I'd share a couple ideas on the Water Business and I just wanted to put one frame of reference to it is, we've got scale, okay? We got into the business, we got into the market fast, and we've got scale. So we're a $2.1 billion business, we're growing organically 10% plus, we're going nonprofit in excess, and we basically covered all the capabilities we need as I stand hear today. We might do more, but I've got everything I need. But the whole trick to a market like this isn't getting in its current state. It's transforming the business in the different business models. I mean that's -- I mean I said that to you two years ago. That the whole notion of it was [a], picking faster-growth markets, but [b], the transformation on GE's terms. And so I think what you can see here is the transformation to a

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service business, an Industrial Water Outsource Business, that this year has $400 million in revenue this year; embedded, high margin, shipping out of backlog. The transformation and transforming it to an Industrial Infrastructure Business called "Desalination" that has $4 billion of backlog right now. Right now. And that's the action. I mean that's the action. It's picking the space that's big. Launching in a substantial way, but then the transformation is what we've got going in the Water business. And I love the space. I've got to tell you, I love this space. Mainly because I see Aircraft Engines parts stream. Big -- big China deals, big Middle East deals. That's what I smell. That's what we see. And that's where we're going in this business that we think is tremendously exciting.

Technology, again, we've been talking about this now for four years. Our spin on products is about $5 billion. We think we're in the right spaces. Whether it's personalized medicine, predictive health, environmental energy technology, security, water, we just talked about. I mean we think our products are in the right space and really the notion of stitching together these technologies is what we did last week in Washington with Ecomagination. In other words, we've got the rest of the Company on our side. We can connect the dots between energy, transportation, water, rail, and we can really get ourselves in an advantage way. I mean in Ecomagination what it really did was put a punctuation mark on the stuff we're already doing because we're already 10 billion in revenue. And we think we can position ourselves to really double that in a relatively short period of time. And we've got the goods. And we've got the H Turbine that's going to generate more energy efficiency. The GEnx engine, the evolution engine that just then goes to the hybrid engine and the rail space. The Cleaner Coal Technology of which we're getting specifications and new plants that will be launched in the second half of this year. So we think what we did in Ecomagination is a way to -- in a marketplace play a big GE game. And look, it has great residence in this country. Let me tell you, when you go to places like China, other places around the world, this plays huge. This plays huge. So it's connecting the dots in the marketplace that we think is very important for the Company as well.

Services, a $30 billion annuity with high operating profit and this just takes you down each one of the businesses. Energy, everything we ever said that was going to happen in the service business is happening, and the good news is because of the expansion around the world, and our ability to sell CSAs into this expanding energy base, the service business is only going to be better. Is only going to be better. $33 billion in backlog, 3100 units in operation, $60 billion of embedded revenue, or $80 billion of embedded revenue as you look out over the next five years. Engines, $28 billion backlog. 19,000 units install based, $60 billion of embedded revenue over the next five years in the Aircraft Engines Business. In Rail, same story. Big install base, $15 billion. Healthcare, again, huge installed base. They don't do as long of CSAs, their CSAs tend to be only three or four years in duration. But every one of the businesses has a tremendous position, tremendous backlog, and again, I think good credibility as you look at this capability going forward this is really what helps drive both the cash and a margin rate and revenue that doesn't have to be resold. And, again, very prone to technology. Very prone to new technology. We had a small environmental service businesses. We added a small acquisition last year. We think there's a number of good small in-organic plays in this space; $500 million growing 15 to 20% revenue; non-destructive testing; did a small deal as part of the Aircraft Engines Business, again, growing 15 to 20% in revenue. Water CSAs, a way to drive the service business into the water industry. And, again, common user interface in healthcare was called " Advantage Workstations." Really tremendous services growth there. So new technology continues to infuse the service businesses as well.

Globalization, we'll hit $80 billion this year. Average annual growth rate 16% in this space. Our strategy is to continue to gain market share in Japan and Europe. Continue to win big in China. It will cost $5 billion. We'll be about $5.2 billion in revenue in China this year. Continue to drive technology and sourcing on a global basis. As I outlined in December and, again, in the shareowners' report, a real focus on developing markets. $25 billion in developing markets today. And really think about the GE play of Infrastructure and Consumer Finance. So it's Energy; it's Rail; it's Transportation; it's Healthcare; it's Consumer Finance. Five or six business play and they tend to play broadly in each one of these countries and this just gives you a sense of the developing market growth. I mean Energy's got growth everywhere. India is now kicking in. Middle East is big. China remains strong.

Transportation, big, big aircraft deals in India going on right now. China remains strong. Qatar Airways, Emirate Airlines, healthcare, we're seeing growth everywhere. Water growth just exploding on a global basis. Consumer Finance, you continue to see our opportunities to grow. We did a deal on Russia last year, we're seeing great organic growth in the Consumer Finance Business. So we think this is a unique GE play. There is just not many companies that can have a country-to-company presence the way that we can to continue to go in and drive the strong growth, gain market share, do it the right way, do it with transparency, good risk management the way that we can. And a great example of that is in Qatar. Which has got the biggest natural gas field on earth. This is a big place for Exxon and people like that. Tremendous growth. This is going to have $5 billion of revenue for us over the next probably three, four or five years just in Qatar. Between oil and gas, between energy, between transportation and healthcare, and this is a way we can call on a country as a company and do a better job of leveraging what we have going on and really gaining market share and doing it with high margins and continuing to drive growth. So globalization is strong.

The imagination breakthroughs we talked about in December, 80 projects each one we thought could drive $100 million in incremental revenue. We thought the potential was $25 billion in incremental revenue. We've got 35 that are driving revenue this year, that range from kind of new -- brand-new products like the VCT in Healthcare or the Evolution Engine down to other segmentation strategies that we have in the Aircraft Engines Business. And we always have a backlog -- kind of a pipeline of new launches. We've got another 10 new launches that will launch in

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the second half of this year. And, again, I go back to our whole thesis is that we can make growth an ongoing process that is as strong as anything we've ever done internally in productivity and we can continue to get it year, after year, after year. And that -- we're seeing it. We're seeing it. We don't have to wait for it. We're getting those results right now. Again, this just gives you a sense. The Evolution Engine, we've got about 85% market share since its launch. We're sold out. It's a 15% price premium versus what it replaced because it takes emissions down 40% with more fuel efficiency, so our customers can pay for it, in a very short period of time on the fuel savings it has.

And, again, so its real incremental revenue that's in the bag of what we've already done, and then new growth. I mean a little bit of technology in Consumer Finance targeted after the unbanked. These are stations that will go in a Wal-Mart or a 7-Eleven that have to do with people that are in the unbanked. A huge growing opportunity. GE is in the lead. We've got real technology. We've got real retail and partnerships. We think this could generate 50 to $100 million of earnings in the next few years. So again the imagination breakthroughs are coming at us all the time and really driving even more growth. And I just want to nail one more time our whole notion behind value creation of a multibusiness company is about sharing ideas across the Company. It's about sharing ideals. Building a foundation. Building a culture across the Company. We've always been able to do that from a productivity and from a human resources standpoint and from a financial standpoint. None of that is going to go away. And I think what investors are going to get in addition to that is building that capability in terms of how we approach markets. How we approach technology. How we approach services. How we approach growth. And the combination of this operating excellence, expanding returns, generation of cash, with the strong, solid, topline growth is really a dynamite combination. So, again, about portfolio, about operating excellence, about growth initiative.

I just wanted to end and talk a little bit about great people and the focus on talent and people and the things we're doing across the Company. And really, the four things I'd reflect on is a deep bench. Always working hard on retention as it pertains to the Company. Really grooming a new generation of leaders and always driving strong alignment with top leaders, and where and how investors are positioned. We've got a deep bench. We invest in people. We invest a lot of people. We still invest a billion dollars in training each and every year. We tend to hire people out of college. We groom them in the system and through a long period of time. We've got four people today in kind of the office of the Chairman, CEO, and Vice Chairman. We've got 10 CEOs running $10 billion businesses, plus we've got another 50 running businesses between 1 and $10 billion. We've got another 160 running businesses in excess of [$100 million.] We've got 20 Fortune 50 functional leaders, that we spent, I spent a lot of time on the next-generation, and on the pipeline. We spent a lot of time getting people the right experience, believing in jobs where they can absolutely have a context. They've got great jobs. Large operating jobs. They get them at an early age. And so I just want to give you a sense of the depth of the Company, the talent that exists in the Company, and a sense of -- that when you think about $165 billion company that we think can be twice the size, we've got the horses. I mean we got the people that know how to run a company that is bigger and better and faster and more global, growing up inside the Company each and every day.

Now, we care about what they think. If you look at the top 600 people in the Company the voluntary attrition is less than 3%. The average age is about 48. 17 years of service, strong robust talent. Every year we do a CEO survey. This survey gets filled out by 100,000 people inside the Company. 100,000 people. It attracts values, openness, and ethics. Team effectiveness and playing engagements. Strategy for growth, basically things over 60% are strong. Negatives above 25% are issues, we're not perfect, but we continue to drive great culture inside the Company really around and surrounding people. How they feel about the Company and where they are. We're teaching leaders new things, the metrics are still earnings, cash, returns and strategic objectives, but we are very solid around organic growth and some of the new initiatives. And it's very much my thesis that you've got to train a new generation of leaders that can drive sustained growth in a slow growth world. So the five leadership traits that I talk about up here are the ways that people get evaluated on an internal basis to have external focus. To be able to be smart risktakers, to have real decisiveness, can connect and be inclusive with building teams, connecting with customers and suppliers, and more domain experts, people that actually know industries and customers. And so we're very much engaged in the culture, the values, the leadership and all the things that you've always known us for are as important today as they've ever been.

And lastly, when you think about the top 30, people in our Company, the top 30 people in the Company are very aligned with what investors think about. There is a strong sense of ownership, of teamwork, of partnership that exists among the top people in the Company today. These are people that have huge jobs and have great jobs. With respect to what they do and what they've done. They all have deep experience. They're all compensated very strongly from a standpoint of equity, having stockholding requirements, very strongly aligned with what investors see, and we continue to build pipeline. We continue to build pipeline right behind them. So if you think about the leadership team, deep morale, good values, strong leadership changing, and at the top of the Company, a very strong sense of purpose and focus and values from a standpoint of, we all win when the Company wins. We all win when the Company wins. So that's really the Company. I mean, you think about portfolio, I think strong. I think team, strong. initiatives, very strong. Operating mechanisms, very strong. And I think you sit back at the Company and just to reiterate, good performance. I mean, I stood here for a couple of years and talked about wait until 2005. This is a lot more fun. I'll be -- this is a lot more fun because it's here, and beyond being here I think you can look into the future and say there's a lot of action here. Transportation and Energy really you have got to feel good about the backlog of services going forward. Consumer and Commercial Finance, you have to feel pretty good about our track record there and potential for the future. Healthcare, NBC Universal, and Infrastructure, very strong momentum. And the more

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economically sensitive businesses that are less than 10% of our earnings today, in a pretty good point of the cycle, and we think is being run pretty well. So the outlook is very strong, is what I would say.

And then if you look at just what's sustainable. I think in a world that has solid growth but maybe not robust growth if you look out in the future, it's more volatile. A company that can deliver a pretty good sustainable, high single-digit revenue growth in high margin businesses is worth a lot. Especially one that generates a lot of cash. I mean, again, I come back to $20 billion plus of CFOA and CapEx of $3 billion. Somewhere between 20 and 3, lots of good things happen. And that's what the Company -- that's what GE has, very capital efficient, great people and culture, and all the disciplines around AAA, around the high ROE, around capital allocation remain intact. So lots to like. And just to recap, portfolio transformed, environment remains strong, excellent momentum from a standpoint of where we are, good initiatives inside the Company in terms of organic growth and operating processes and operating momentum, and so that's where the Company is. We feel very solid. The environment we see is very encouraging, and we like how the businesses are positioned. So with that let me start. I'll start right up front with Nicole.

QUESTION AND ANSWER

Nicole ***Analyst***

Jeff, you mentioned the U.S. Diagnostic Imaging market [inaudible] the back half of the year. Could you talk a little bit about that and I guess just as a non-related follow-up why are the TSAs in healthcare so much shorter than the rest of the business?

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

You know, Nicole, the market we saw in the first quarter was very solid. The orders we're seeing in the second quarter in the U.S. continue to be very solid. I think the real trick is always transferring it into revenue, particularly since we're going into some big product transitions, BCT, 3T MR. You know, we're sold out on both of those right now. So, again, I think for the year we're going to have very solid revenue and we're seeing pretty good order growth.

And, again, I think I've said to this room maybe a year ago or in December, a lot of what we saw, the sluggishness in the U.S. DI market was more in the clinic side of the business, not in the primary hospital. And so I think that's always been good. And because of the technology, let's say the technology cycles, you know, Nicole, for an MR scanner are just much faster than a gas turbine. And so we've almost never been able to get customers to do longer than five-year service agreements. And so that's really explains the difference there. Yes, Cliff?

Cliff ***Analyst***

Can you talk a little bit about how you apply the discipline of GE to Universal? When I talk to them, I say, well, what's Six Sigma done for you? And they say, "Oh, well, that's not going to apply to us what." What is the intention?

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

Well, what I would say, Cliff, on Universal is really -- in the entertainment business more broadly. Is the aspects of strategic planning, picking people, having a real sense of taking the businesses outside of programmer, the [flex] outside of programmer like sales. Sales uses Six Sigma with respect to how we interface with ad agencies and that's been very effective for us. If I was going to tell you here the development of a movie was identical to developing a jet engine, it's just not true. It's just much harder to apply all the classic tools.

Now, what I would say, Cliff, what I've learned about the movie business is in many ways it is more easily researched and in many ways the distribution is a simpler task than the prime time entertainment business has been. So with the DVD streams, with the way they do consumer research and things like that there are a fair amount of operating disciplines you can bring to Universal that has been a pleasant surprise.

Cliff ***Analyst***

[inaudible] -- typically overstaffed and piles of people --.

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Jeff Immelt *- General Electric - Chairman, CEO*

Yes, I think we're going to work around the edges there and do so pretty effectively. But the fact is that when you launch Cinderella Man, the research around how to launch and things like that is very effective and very efficient. Right here, Jeff.

Jeff *Analyst*

Yes, certainly you're not starving the cast generators, per se, but it is a big chunk of business that really is not in GE's future if you look at where you're really devoting your resources. How long is that a viable strategy, in your view to -- I hate to use the word milk, that's overstating it. But to pull cash out of those businesses and allocate it elsewhere and not really feed those businesses maybe the way you could?

Jeff Immelt *- General Electric - Chairman, CEO*

You know, Jeff, the point I'd make, is that the only way we're not really, let's say reinvesting those businesses is from a standpoint of no acquisitions. In other words, we still invest in growing the businesses. Our product line is the best in the industry whether you look at plastics or any other ones, and we'll continue to run them that way. I think for us, look, we're not going to do more acquisitions we're not going to go do other things in that space. And we think as long as we can run the businesses better than our peers in the industry we can have a relatively long run. But I look at it from a standpoint of investors.

In other words, for us to exit any of those businesses somebody would have to pay us what they're worth, and that's a challenge, because we generate a ton of cash, and we run them very well. And so I think what you guys ought to count on is the fact that we're going to run them to accrete shareholder value, that they're not going to be burning franchise -- they're not burning platforms in any stretch of the imagination, and they provide a good cash-rich environment for the Company. Now, the best part about our Company is our growth engine generating that cash also. And, so you add, you put the two of them together. Now, the one caveat on that is insurance, where I'm going to keep on the strategy of smaller, smaller, smaller, do it in an orderly way, do it in a way that's accretive to investors, and that's one that is clearly going to be whittling down over time.

Scott *Analyst*

Thanks, Jeff. Obviously things are going very well for you right now. What are the issues that kind of keep you up at night and your biggest concerns right now?

Jeff Immelt *- General Electric - Chairman, CEO*

You know, I think, Scott, anything that took the American consumer out of the market right now, whether it was run-away oil prices or another 9/11 or things like that is a structurally something I always worry about, in some ways. Now, again, a lot of that appears to be stabilizing right now. But so much of this economy is dependent on the consumer today -- of this economy in the U.S. is dependent on the consumer, those are things that concern me. And then, look, I always think a lot about people. I always think a lot about, how do we keep the best people in this Company? How do we attract and retain the world's best people? And that is critical for us vis-a-vis where we go.

Other things, Scott, that you normally think about -- look, we're counting -- we had always counted on higher interest rates. We always think about China, whether the [R&B] revalues are not. I mean we're always thinking about things that could happen but we don't view any of them as being -- things that would keep us up at night from a standpoint of being able to maneuver, grow earnings, or other things. So I think it's something around the U.S. consumer. Don?

Don *Analyst*

Jeff, you noted in your presentation that you see the potential to increase the GE capital dividend to 50%. Is there any trigger that you're going to use to make that decision, i.e., a certain ROE threshold, maybe a sense on timing? And should we think about that payout ratio as a way that you govern the growth rate of GE capital, or is it a reflection of you're not seeing as many attractive return opportunities in their end market?

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

The way I think about, Don, is I think if you look at Commercial and Consumer Finance we think we're small in a big market and can grow those earnings 10 to 15% a year. I think it's a dividend that accretes really fundamentally because we're running the business better from an ROE standpoint. So as the ROE continues to go where we think it can go we can keep the earnings up 10 to 15% and we can increase the dividend in a substantial way, and I think it's just a good business discipline. I think it's a good business discipline. Not so much to govern the earnings, but to say in that business we ought to have high return earnings. We ought to have 20% plus ROE earnings, and I think that's a very good discipline, vis-a-vis financial services.

Now, deep down inside I think Commercial and Consumer Finance are dynamite businesses. They've grown earnings 15% for 20 years. They've got a big spread of risks. They've got great origination. They've got great competitive advantage. And so I want to keep growing those as well. But I'd say the other good news for everybody is the industrial businesses are just a lot better today than they've been in the long time. But I do think high ROE is a very good business discipline in Financial Services because the markets are endless. The markets are endless. Asset growth is extremely possible all the time, but you've got to do it with good risk management and high ROE in our Company. Dean?

Dean ***Analyst***

Thank you. Jeff, last week we had the opportunity to go down to Washington and see your presentations around Ecomagination, but we're more interested in hearing your presentation at George Washington University where we characterize your presentation as probably the most political activist we've heard in a long time. So just give us a sence of what your role or what GE's role is as you see it in shaping policy? You were calling for new energy legislation for wind and carbon, but going forward where, do you pick your spots and what do you see as GE's role?

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

You know, Dean, I think we are a big player in energy similar to where we are in healthcare. And my view is that the country benefits, and GE benefits, when we've got a strategy around energy that stimulates technology because that's going to be what bridges the gap between carbon emissions and energy efficiency and things like that. So I would say it's more a cry for the environment here where technology is valued, where technology gets investment because at the end of the day, look, we've got a great business today. It is booming around the world, and there's no reason why a lot of these technologies shouldn't be applied more rapidly in the United States as well. Again, we didn't back any specific legislation as much as really speaking out from a standpoint of we think that in the space of energy we have a long way to go. We have a long way to go. I'll go right here and then Bob.

Unidentified Audience Member ***Analyst***

You have the strength of your bench, and you mentioned doubling the size of the Company. A couple of years down the road is there a large industrial acquisition out there that you'd be interested in to get there, or are you just talking about all organically with the businesses you have now?

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

We never rule out doing deals, but we're not in a position right now of having to do deals. And so I -- what I would count on is us doing by and large the growth organically and then doing kind of the -- our standard types of a billion dollars here, a couple hundred million dollars there, those kinds of industrial bolt-on deals in the spaces we're in as being the vast majority of the strategy. So that's really what we'd like to keep focused on. Look, we have the luxury of having a lot of cash, and the cash gives us some strategic flexibility, but we don't envision today as I look out two or three years we don't build any of our plans based on doing big transactions. By and large it's based on doing organic growth. Bob?

Bob ***Analyst***

Yes, well, you mentioned how the strong the economy is, GE's great, so forth and so on. You've got the swing factors, Consumer & Industrial surprise on the upside, insurance doing better than expected, and price cost is a tailwind. And when are you going to feel comfortable guiding to the high-end of the 11 to 14% range and what's holding you back?

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Jeff Immelt *- General Electric - Chairman, CEO*

Oh, you know, Bob, you always get right to it, man. [Laughter]. Again, I think we feel good about where the -- we feel good about the range, where it is right now. And we're just going to keep executing well and we think that there's more tailwind than headwind. So other than that, that's the answer. That's the answer. There's more tailwind than headwind, and we feel great about where the Company is. Right here. And then we'll step down.

Unidentified Audience Member ***Analyst***

I actually have a similar question, you had a new slide, I think it's a new slide that showed the accumulating tailwinds that you had over the last three years, $0.44 worth. And if you take out the pension and you take out the $0.02 on acquisitions that's $0.30 over three years; it should be $0.10 a year. That gets you up to about $1.71 before you even start talking about growth, right? And if you add 8% growth and no margins [strength] you get way over $1.81. Just --.

Jeff Immelt *- General Electric - Chairman, CEO*

[Laughter]. I mean you guys are the smart ones. I'm just a humble business guy. [Laughter]. But look, I think it's the point of context is, look over those three years we grew earnings 5% a year. And it was subpar for us. It wasn't what any of us expected -- how much you expect of us. But look we went through the energy transitions. We really just didn't belong where we were in insurance. We got out I think in as elegant away as we could. And Genworth is running well and the balance sheet is great and we feel great about where we are. And that's kind of behind us now. Pension is what it is. We said upfront we were going to make some investments in Amersham and Universal, we've done that. We like what we got.

So I think if you stand back now and just kind of look at the Company I mean, I think you sit and say -- I mean, I think, you guys have followed us for a long time and you all know a lot about the Company, okay? You sit back and say look, energy, transportation, 25% of our earnings, you bet long or short? I sit there and say, I bet long. That's -- those things have great backlogs of stuff we don't even have to resell. You feel great about those. Of course, in Consumer Finance, again, you all have watched this for a long time. We just had a good way through the cycles of generating -- that's another 45% of the earnings. The other 20% are NBC Universal, Healthcare, Infrastructure. I think a lot of tailwind in those businesses. The one drag is probably prime time network, but in a much more diversified way to do. That's like 91% of our earnings in those three buckets. You've got to feel pretty good about the structure with the AAA, with a lot of cash. So what leverage you pull vis-a-vis acquisition versus buyback and things like that, that's more in our control now versus where it was the last couple of years. So, yes?

Unidentified Audience Member ***Analyst***

What are the teams seeing in terms of raw material costs and is there any relief in sight?

Jeff Immelt *- General Electric - Chairman, CEO*

It's a great question. I mean, I look at it a lot, as you can imagine. I would say things are cresting, but too soon to call down yet, but not increasing any more. And so we're still pushing price in the marketplace, and there's a few outliers. Like there's a material we buy called [malithium] that goes into some of the high heat stuff. It's through the roof still. But some of the more commodity pieces of steel are starting to crest a little bit. And so that's the thing. So I would say it stopped increasing, some are peaking over, but it's too soon to declare victory and so we continue to push on the price side. Jack?

Jack ***Analyst***

[inaudible question - microphone inaccessible].

Jeff Immelt *- General Electric - Chairman, CEO*

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Either way, Jack, I think what I would say, it just builds in the ammo chest. It builds the ammo chest and gives us even more financial flexibility to go either way. It's available cash that we can use for buyback or do an industrial deal if we like the dynamics.

Jack ***Analyst***

What's the killer next thing out there? [inaudible question - microphone inaccessible].

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

Across the Company, what I would say, is if you look at --.

Jack ***Analyst***

[inaudible question - microphone inaccessible].

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

I think if you looked at energy I think the cleaner coal is going to be a great play and just the whole LNG technologies is going to be huge. In transportation it's been going from the evolution to the hybrid. That's going to be really exciting. In healthcare I think it continues to be around PET and PET scanning and marrying that with the markers. I think in the water business it's desalination. In the security business we've got this contract with the D.O.T. on what's called the "tunnel of truth" which is a combo scanner and shoe sniffer kind of product line. That is really hot.

If you look at Consumer & Industrial we're going to introduce a product in the fourth quarter of this year that's a single cut-off in somebody's basement that does water filtration in somebody's basement, that combines the technology of the water business with the distribution of the appliance business. That's going to be really -- that's a killer. I love the unbanked technologies. I think those are really fun in Consumer Finance. And I think King Kong is going to be hot when it comes out in December. [Laughter]. So there's something for everyone in the world of GE. One last one I guess back in the back. Okay. Should we take it? I want to make sure I get asked back next year. [Laughter]. So I don't want to be a rude guest.

Unidentified Audience Member ***Analyst***

Okay. You've made several references to your "green" initiative. Can you elaborate on why it's important and how it will allow you to drive sustained competitive advantage?

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

You know, I -- a year ago, when we were doing our strategic plans, we looked across the Company and between Energy, Rail, Aircraft Engines, Appliances, and Plastics, we asked each business to go through what are the big drivers to shaping your technology and where's it going? All of them had regulatory energy -- fuel avoidance, energy efficiency and emissions reduction. All five businesses. And so like Jack did before me I'm always looking for a way to connect the dots across the Company, because the real power of this Company is when you go across businesses and do something unique. And by doing research, not just -- not with green folks, but really with utilities and really outside the United States, and with other customers. Our sense was we were at a tipping point vis-a-vis really being able to monetize energy efficiency and environmental regulation in a way that really allows us to sell more things faster. Sell more things faster.

And so that's my job in many ways. That's really what we do is try to find ways. So really I think it happens to be good socially or environmentally, I think it's a real winner with our customers. It's a real winner with our customers and if you went to Washington D.C. we had AEP, Synergy, Boeing, Delphi, Homebuilder, Canadian Pacific. So we were lined up with six customers and our message resonates with them. So ultimately it's an only-GE activity and ultimately it's going to drive growth. Ultimately it's going to drive growth and that's what we do. That's what personalized medicine is about. That's what betting on water is about. It's what the unbanked is about. I mean it's what a lot of the things we do are really all about. John, I'll turn it back over to you. Thanks very much. Look forward to lunch. [Applause].

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Operator

Okay, that wraps up the EPG Conference for this year. Thank you for coming. Again, it will be this time next year. And for those of you who can stick around there's lunch sponsored by General Electric out by the pool.

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