



Conference Call Transcript

GE - GE Annual Outlook Meeting

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Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

CORPORATE PARTICIPANTS

William Cary*General Electric Company - VP of Corporate Investor Relations***Jeffrey Immelt***General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO*

PRESENTATION

William Cary - General Electric Company - VP of Corporate Investor Relations

All right. Well, welcome everybody. Thanks very much for joining us here, at Studio 8H in New York. We're very excited actually to have a chance to take you through our outlook for 2006, give you an update on the businesses in some detail. And to do that, obviously, Jeff Immelt, our Chairman and CEO, is here.

For those of you listening on the web, I need to remind you that this is a webcast. The materials that we're going to cover are available on our website, at "ge.com/investor," you can download the presentation and print it, follow along.

I'd also like to remind you that certain of the elements of today's presentation are forward-looking. They're based on our best view of the world, as we see it today. And of course, that view can change as the world changes. And so we'd ask that you interpret our comments in that light. And with that enough preamble, and Jeff Immelt, thank you.

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

Good afternoon. Welcome. It's great to have a chance to go through the Company with you. The Company is in great shape. Our theme this year is "Go Big." This is - it seems to be the theme that we used going into the annual report, from this meeting and the annual report.

When I was going through the transition with Jack, Jack said, "the job of the CEO -- the same thing Greg Jones had said to him "the job of the CEO of GE is always to make size an advantage and never make it a disadvantage." And what I want to talk about today is how a great big company operates, from a standpoint of using the breadth and depth of who we are to drive a great return for investors and continue to drive out-performance through the cycles.

So the premise of GE's out-performance, and it's financial out-performance. It's earnings growth of 10%-plus. It's cash flow equal to or greater than earnings. It's return on total capital of 20%. It's consistent, reliable, steady growth company through the cycles.

And when we talk about how to make growth an advantage and never make it a disadvantage, we, kind of, talk about four different plays or four different chapters in terms of how you use breadth and depth and scale effectively as a company.

But first, it starts with a great portfolio of businesses that are leaders in their marketplace, that can drive consistent earnings, that have competitive advantage, that drive real financial strength, and we've got that inside the Company.

The second is consistent and reliable performance with expanding margin rates, and we see that across the Company, and we use our scale and depth and breadth to get that.

The third, and very important, is the ability to take initiatives and drive those across multiple platforms at the same time, drive those with speed and certainty and this ability to drive initiatives across the portfolio leads to out performance through the cycle.

And the fourth is great people, who have broad and deep careers, who grow inside the company, who get multiple experiences and are able to drive performance overtime. And what I'm going to do this afternoon is kind of take each one of these chapters, let's say, of the book of growth, the book of big and take you through them in great detail. And I'm going to start with chapter one, which is building a great portfolio and that's really what we've got inside the company today.

Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

Over the last four or five years, we've consistently said, we're going to do two things. We're going to increase the industry growth rate and we are going to improve the returns in financial services. And we think we've accomplished that. We think that this has been very detailed, very disciplined, very focused. The growth rate of our industrial business has gone from a historic growth rate of 5% to a growth rate of 8% organically. And we've built our entertainment business, our healthcare business, we've grown in, in investment and technology and we focused on just building the long-term growth rate and reducing our exposure to slower growth low return businesses.

At the same time on the financial services, our ROE over the last few years has gone from the mid-teens to 23, 24, 25% return on equity. We've built our global consumer finance business. We've focused on financial verticals we've exited insurance. And so we think that this consistent steady performance on a strategic guideline, a strategic pathway has really improved the company and really puts us in great state.

So today we think we've got the simplest, the best, the most interrelated portfolio we've had in many years. Six great businesses, a great infrastructure business, a set of good industrial businesses, a leading healthcare business, a great entertainment business, a leader in commercial finance, a leader in consumer finance, all performing, as we sit here today, all with good returns, great earnings growth and a very balanced set of businesses. And what brings them together, if you look across this portfolio, we do in one-way, shape or form four things. We lead in the markets we're in. We have great domain expertise and demographic tailwind, we establish substantial competitive advantage and we have massive financial strength.

And you think about those four attributes of this set of businesses is very powerful. It starts with market leadership. And you can measure market leadership in two ways, you can measure in share. Dave showed you this chart when had the infrastructure presentation, just wing-to-wing leadership in every corner of the infrastructure markets, broadly across the different technologies, the different services, the different financial aspects and leadership that's based on technology, services, a global footprint that's sustainable over time. So one form of leadership is in market share.

The other form of leadership is in thought. If you look at our healthcare business, we started this business 10 years ago on the lower left hand side of that page, and have been able to build out consistently to be a broader diagnostics company -- Life Sciences, Information Technology, Medical Diagnostics, wing-to-wing diagnostics, domain expertise and staying power, which allows us to take a business that a decade ago was \$3 billion and today is \$16 billion and able to grow the top line organically close to 10%. So leadership not just in share, but also in the ability to recreate the business into a bigger platform to drive growth over time.

Now that market position is aided substantially when you pick the right businesses and position them for a long-term demographically aided tailwind. And we've got six, I would say, forms of tailwind as we sit here today. The first one is the developing country play.

This is a company that's growing and is developing the fastest growing parts of the world 20% a year -- China, India, Eastern Europe, Russia, these places as the infrastructure builds out GE wins. We're there, we're winning there, we're established, and we've got that tremendous tailwind going for us. We can play the aging population to our healthcare business. And this shows the expansion as a diagnostics company. Starting in 1996, with \$4 billion. It's going to be \$17 billion next year as the overall healthcare budgets increase around the world. GE plays and wins in that base.

The ability to grow the global consumer franchise and win as this global expansion takes place with consumer finance around the world. And this shows you the up tick of our consumer finance business in growing from \$35 billion in assets in 1996 to \$185 billion in assets 10 years later. We win based on energy shortages. And as oil goes up, our technology, which allows our customers to be more energy-efficient, gets advantaged. So our EVO locomotive sold out, our oil and gas business is growing 35% a year. And this shows you the order rates from 34 billion in '04 to \$45 billion by '06.

And we can play the installed base game and a bigger digitized game by having lots of units that are part of our installed base, and by dramatically expanding the content that we've got inside the company. So in many, many different ways, GE is positioned for above market growth, substantially above market growth, based on how we're positioned in some of the great growth industries of this day, of this year, not just a quarter or two, but for years. So we've got leadership, we've got tailwind and we've build real competitive advantage.

And this is our financial service business. And if you look across the assets, 95% of our assets in financial services do have dominant competitive advantage. If you look above 25% of our assets are in places where we have deep protocol domain expertise. This is aircraft leasing, it's energy financing, its real estate. And that's what drives high returns and competitive advantage and long-term growth.

Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

30% of our assets are in places where we have massive origination strength and low cost of funds, and again, driving very high ROEs and very high earnings growth over time. And 40% of our assets are in this global consumer finance franchise where we have brand, risk management on a global basis. And so this competitive advantage in financial services is what drives consistent high ROE, simply high ROE, and great earnings growth rate at the same time. And so we do this not just in financial services, but also across the company building massive competitive advantage.

And here is how it plays out versus lots of our competitors. If you look at our consumer and commercial finance business and compare with the top universal banks, the top credit card companies and the top diversified financial companies, this is our performance over the last five years. The highest earnings growth rate, the lowest earnings volatility, close to the highest ROE, the most global, the less leveraged to the US consumer. Again in financial services, we view this as competitive advantage to drive long-term protection and long-term financial performance over time.

And lastly, all of this adds up to massive financial strength. The GE portfolio is set up to generate cash and lots of it, lots of it. If you look at our industrial businesses, the high margin, high service content, low CapEx businesses that drives -- that have consistency overtime.

If you look at our financial service businesses, they're high ROE, with a AAA rated balance sheet. All this adds to, now that we've got parent supported debt down to zero, we had \$17 billion of free cash flow over the last three years, we'll have \$34 billion at least the free cash flow over the next three years, that's after paying for dividend, which is going to increase every year.

So massive financial strength and over funded pension AAA rated balance sheet, the capital doesn't have to go any place, but either back to our investors or back into the Company for growth. That's the foundation for the \$25 billion buyback, we've already talked about. Again very comfortable, in the framework of the free cash flow, which we are earning as a Company. And it's also going to go into investing back into the Company.

Now, we'll show you here. We invested in building these growth platforms in Oil & Gas and Security and Water, Hispanic Media, Healthcare IT \$12 billion from almost nothing, five or six years ago. And if you look more broadly across the Company, we've invested about \$60 billion, since 2000 -- in both financial services and industrial businesses. The way I think about that is, \$30 billion plus, 30 billion that we re-deployed from the insurance business back to the Company to really build world-class platforms across the Company.

But not only did we invest the money, but also we are also restoring or return on total capital. If you look at the bottom of the page, it shows our incremental return on invested capital, which is down from 3% at low point in '04, and now about 50%, about 75%. So that shows the return of total capital is coming right back like we said, we would, when we did a lot of these big deals two or three years ago.

So financially, very strong, lots of free cash flow and it's only going to go to two places. It's going to go back to investors, or it's going to go back into the Company with high standards and high discipline in terms of how we re-deploy that capital. So the first kind of chapter in our book on how you use size is, really about the portfolio. We can show you a portfolio here that has unbelievable market strength. It has real domain leadership, in terms of the kind of tailwind we've got inside the Company. It's got real competitive advantage across the platforms and awesome financial strength in terms of the free cash flow, the strength of the balance sheet and returns to investors and back into the company. So that's portfolio.

The next step -- the next chapter in Go Big is about excellent execution, both in terms of reliability and also in terms of expanding profits rates over time. And we think both these things are what GE stands for. On reliability, we thought we'd start by taking just a 15-year perspective. Over the last 15 years, we've had 11 years of double-digit earnings growth. And the average return on total capital over that time period is 21%. So pretty consistent. But how do you get consistency? I mean, I think our focus on how do you get this kind of performance over time, starts by having big pillars of earnings to have high visibility and we've got that inside the Company.

We've got big earning streams that we can look out, one, two, three, four, five years because of big installed base and service contract backlogs. By having multiple revenue streams, in terms of each business, we have financing, we have product, we have service, we have information technology and we can step into those multiple revenue streams that buffer some of the variability. By winning in the high margin segments which is really important for the company constantly launching new businesses in the domains that we understand.

And lastly, hard wiring operating benefits. Hardwiring synergies, acquisition synergies, cost best practices across the business -- these are the parameters and these are the things we do consistently to make size a platform to drive reliability and expanding returns. And GE does that, we think, better than anybody. So what do we plan for? I mean, we've read the Fed comments coming up - I'm not sure I can give you a direct translation, but maybe a little bit more volatility in terms of interest rates have gone up, there's some inflation in the market.

Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

When we look at the businesses, as we see them today, we see decent stability. The US continues to grow at a good clip. Europe seems slower. Japan seems faster. So we're, kind of, thinking that next year is going to have some momentum, as we end this year, and look a lot like this year and lots of expansion in the developing markets. China is still strong. Asia is still strong. We're still seeing good growth in the Eastern Europe and those markets.

So our operating bias, as we go into next year, is to continue to drive this global growth momentum that we've got; really focus on margin rates and risk-adjusted contributed value, because we really want to hone in on that, as we look at next year; execute the growth plans, where we already have great momentum; and then hedge any volatility by getting more structural cost out. So create a little hedge inside the Company, as we look at the potential for volatility next year in terms of how we run with financial disciplines looking into next year.

Here are some of the order rates. As you go across the Company, the flow orders are about the same in the fourth quarter versus year-to-date. Major equipment orders remains pretty strong inside the Company. Services continues to be at a double-digit clip. Commercial and consumer finance assets growth is solid. Delinquencies are trending down. We've got balance sheet in good shape. And equipment utilization is trending up. So we've had a pretty strong first three quarters of the year. The fourth quarter looks to be equally strong. And we think we're going to see good momentum going into next year.

In terms of the financials, this was what we went through with you about a month ago, in November, when we had the insurance announcement. This is on a continuing operations basis. So revenue and earnings are both up double-digit. Cash is actually a little bit higher than what we showed you last time, maybe \$1 billion-plus higher. And very broad strength, all six business segments growing revenue close to 10%, and all of them growing operating profit double-digit. So we're strong, lots of cash, good momentum, good revenue, solid orders momentum, as we end 2005 and we march on into 2006.

Then, again, we showed you the left-hand side when we got together in November. We think revenue is going to be up about 10%. We think our earnings is going to be up somewhere between 12 and 17%. Maybe, overall, when you look at that range, what drags it to the top of the range? If we do a better job in NBC, as we go through the year; as we -- if we continue to manage the price inflation targets, particularly in the industrial segments, as we go through the year; if the general economy stays strong like it is right now; and if we achieve the high end of the cost targets that we've put out as part of the organization synergies and things like that, we'll be closer to the high end of the range than the middle of the range. But overall, we've got a good solid business plan for next year, good momentum in our businesses and feel great about where we are.

So with that, I'm going to go through each business in a little bit of detail and give you a sense for each one of the six businesses. To start with Dave Calhoun's business, GE Infrastructure is 35% of the Company. We're just in a period of secular growth in this business, big backlogs, big installed base growth, leading to more than 10% revenue growth, 15%-plus operating profit growth; good segment profitability. Here are the formulas in easy way, lead technology; grow the installed base; do it everywhere in the world; be the real domain experts, so we can add financing to the industrial base; and scale businesses quickly like oil and gas, as we go through, where we go. But this is a great foundation for the Company -- a great foundation, because how not just the next quarter or two looks but how the next three or four or five years look.

Now, I know a lot about this chart on the left, because when I started, I started right -- as this -- I remember standing right here, kind of a week after 9/11 talking about where in the hell were we going to go with this commercial aviation business. And we've done okay, as you think about the transition. If you look at our orders in the engine business, this has been a stunningly good year. And so it's both the market itself, but also we are just winning big time.

The planes we're on are the favorite planes, the 777, we've won campaigns, we won at places we haven't won at in decades, like Korea, Singapore Airlines, Cathay Pacific. I mean we just have won in places, because the 777 is a great plane are positioned there. In the GENx, our win rate is pretty good. We've got the 747 -- the new 747 locked up, the A350, great position there, and we've won more than 50% share on the 787. So the engines business is in great shape.

Now, why is that so important? I think services come behind that. And this shows you, on the top part of the page, looking at our installed base, not just the engines business but across GE. So energy is up more than 2 times. Aviation is up 2.2 times. Rail is up almost twice. Healthcare has massively grown. We're growing the service revenue overtime with big service backlogs and long-term service agreements.

And the bottom just gives you sense that the best is yet to come, particularly in business like engines. It shows you, in 1990, 2005, 2015, the complete flip-flop of installed base strength. So these engines just, kind of, flow into the installed base. And so, investors, you're going to get the benefit of these big wins for years to come. I mean, the best margins and the best growth are still out there to be had.

Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

Now, again, we've always run the company with great proximity between aircraft leasing and energy financing and how the industrial businesses go. Dave now sits on top of all of those. The Aviation Financial Business is going to have another really solid year or a very good year. Energy Financial Services has become a real growth platform and continues to grow. We've kept all the GE capital disciplines in place.

Again, this is all about knowledge. This is all about information. This is not about selling more gear. We don't need financing to sell more gear quite honestly. We know we use technology to do that. This is about having industry knowledge and putting it to place to drive the best investments, the most consistent investments, and really being more aligned with our customers. And that's what we've been able to accomplish, we think, in this space.

And then just if you go to the reported segments, the statements that you follow, similar story everywhere -- really, basically, growth everywhere. Energy has settled into like, we think, a long-term pattern of double-digit revenue and 10 to 15% op profit growth. Rail, from a product standpoint, sold out, right now. We're working on getting over 900 locomotives, next year. As many as we can make, we will sell next year.

Aviation -- I've talked about. And oil and gas is just blooming. I mean every position we're in and the technologies we're in are very favored. So we're seeing great growth across this set of businesses. So that's 35% of your company right there that's in a long-term secular performance spin that, we think, is very substantial.

The next biggest part of the Company's commercial finance, 20% of your company. Here again, we think, we're going to get 10% top line growth, 10 to 15% bottom-line growth, and big ROE. If I were here probably four years ago, this was a 17, 18% ROE type business, now mid-20s. Here, we're really focused on driving global growth. We've got some great momentum outside of the United States. That's going to continue. We really lean into our great origination and risk management capability. And again, here is a place where we can see scale businesses very quickly to drive growth.

Our growth outside the United States in commercial finance is substantial. Our market share outside the United States is less than 1%. And this shows you what the progress has been over the last five years. Again, very strong, and we continue to build out our commercial finance assets across Europe. We continue to do a great job and now we're looking in areas like commercial real estate in terms of how we can go east. We've got a big opportunity to drive growth in Asia. Selective portfolio acquisitions that we think we can continue to do here, and again, we've got some linkages with consumer finance as it globalizes that we can continue to drive.

These are the segments again that you follow both real estate and capital solutions. We think we are in good shape to see some good growth in the next year. We've been very disciplined in real estate from a standpoint of when we've been a buyer, when we've been a seller and we've been able to manage very well through the cycles there. And from a capital solution standpoint, we just have great front-end origination capability, great growth capacity in capital solutions. And we think we can drive that on a global basis. Now, I just -- before I stop on commercial finance, I think there's two things to remember that we think are just big competitive advantages about the commercial finance business.

The first one is, we've got 8,500 sales people. I mean, we dwarf any bank or financial company in the world and we know how to use them. And what I gave you is just four examples of things we've done in the last couple of years to drive growth. One is, one of the things Mike is doing is driving more enterprise selling. So we've reconfigured our sales force around the top 3,000 accounts to sell more than one product. And we're already seeing great results of getting more than two products in each one of these customers, and that drives, kind of a 4x asset growth in terms of these key accounts.

About two years ago, we put a team on the ground to grow our European commercial lending operation. Basically, doing what we did in the United States, and taking us to Europe. That business will grow from making 100 million net to more than 300 million net. We talked about the healthcare vertical before but here again taking all of our organizations and consolidating member on the healthcare space in terms of ways that we can bring more expertise already driving great earnings growth and asset growth.

And then something grumpy like transportation, bringing expertise in the trailer space in terms of how we can get deep domain expertise around these 10 billion assets based. But we can continue to niche and drive growth in ways that other people can't do just because of the strength of our origination.

And the other great thing about this business is just great spread of risk. I mean we tend to have a senior secured position. We have great risk management principles. We have great spread of risk. We have low hold positions and this has served us well overtime in terms of driving consistency, high returns and we think this is a very big competitive advantage in this business.

Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

Consumer finance, 15% of our company, we've seen good solid, double-digit revenue growth and op profit growth for a long period of time. We think 2006 will be another strong year in this business. Again, our principles are going to continue to drive globalization. We use joint ventures to get ourselves established in some of the developing countries, to accelerate some of our new product development activities and again sustain risk management and this has been a very consistent pro forma and continues to have great momentum.

This just gives you a profile of our business globally. Europe is our strongest position. We continue to grow in Eastern Europe. We continue to expand south. We haven't had much presence in places like Italy and Spain, and we're growing our presence in some of those regions. But again, our market shares in Europe remain very small.

In the Americas, we've been traditionally a B2B player. We've been in the store card business, the co-brand business. We continue to drive that. Meanwhile, we're looking to places like Central America and, maybe, South America for future growth. And in Asia, again, where we've got a big position there, but this is just wide-open space. We've done well in Japan, but we're leveraging that to get platforms going in India and China. We've grown in Korea in the last year, and we have new emerging markets, and we think we can expand it. So we're very diversified from a globalization standpoint. And that has been a very good way to grow in this business over time.

The other thing we've been able to do is do partnerships to enter into new markets, to be able to hedge risk, to be able to really use partners to grow quickly. We did Korea last year. That business will make \$100 million this year. We did a joint venture with a bank in Spain last year, small but growing. We announced an acquisition with an intention to buy majority share of the biggest bank in Central America. We bought into the third or fourth biggest bank in Turkey, one that's growing immensely. But you add all this stuff, you get a \$200 million of growth. More importantly, you get the platforms that are going to be able to grow substantially over time and that, again, we think is a great strength of this business.

One of the things that Dave Nissen and his team has done is really been able to drive good organic growth. The organic earnings growth associated with, really, organic asset growth. It's been in excess of 20% a year for a long period of time. This is a business that, primarily, has been about organic growth. We've done it by broadening distribution in terms of branches around the world, but we also do it in terms of introducing a lot of new financial service products overtime, and this is very successful for this operation.

10% of the company's healthcare, and again, healthcare, we play in a big market. We play it in a great growth space, and we play it from a leadership position. And this is a business that next year will be about 17 billion in revenue. We'll continue to get 15% plus operating profit growth. You saw it out on Chicago a couple of weeks ago. They lead in technology, they continue to build new platforms like healthcare IT and Ultrasound. We're winning around the world. We continue to globalize in an aggressive way. We're working with our customers to create value, and I think we really have to stake a claim on what's called early health that we think is going to help transform the business from a technology standpoint.

This is a business that starts with technology, and there's really three principles or three areas in technology that we really want to lead in. The first one is in the future of imaging. And when you think about it from a radiologist's standpoint, there are two places that are particularly important right now. One is called molecular imaging, which is the ability to image and find disease earlier. And so that's where things like PET/CT come to the fore. The other one is what I would call radiologists' productivity, high throughput imaging. And this gives you an example on MR and oncology, how we use both hardware and software to help make our customers more productive.

The second big area is this merger of imaging and therapy, which is, again, a place where we think we can grow. It's the unique association between Amersham and GE Healthcare that we think helps us get there. This just shows the positioning of VCT and Visipaque to do non-invasive cardiac screening. Our intention is to have 500 VCT and cardiologists, a brand new channel that hasn't been available to us in the past that we've really opened up. And the lower part shows you the ability to do some Parkinson's in neuroimaging, which we think is going to be important stuff for the future.

And lastly clinical productivity, as we get through convergence, Omar Ishrak talked about this in terms of the care station and the electronic medical record. So you know we're playing in some of the best parts of healthcare. We play it as a leader, and we think, again, this gives us great staying power in this business overtime.

Healthcare is just like infrastructure. It can be globalized and there are tremendous service revenues. So our global revenues are double digits. The developing market play in healthcare is very strong, and so we are seeing growth around the world in this area. And from a service standpoint, we see the same trajectory around the installed base, and on selling software in the healthcare business that we see in the long cycle business. So again, we think this gives us tremendous capability overtime.

Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

One of things we do in Healthcare, one of things we've done in the infrastructure is very important, is we scale businesses. We can pick areas to compete. We can do a combination of organic growth in acquisition to build positions quickly. Now, I can tell you in 1998 our sales in this space were exactly zero. And there was nobody in the industry that could ever conceptualize us being anything but zero.

And today we're close to \$2 billion in revenue. We are either "the leader" or among the leaders in the industry. We build out all the spaces as it pertains to productivity tools clinical software suits, work flow tools, electronic medical record, I think the acquisition of IDX helps us finish that. But these are the things GE can do and a domain that we understand, we can do over and over again. We've done it in financial services. We've done it in oil & gas. We've done it in a lot of different places security, water, places like that. And healthcare just happens to have lots of niches where you can build space quickly.

And so this has been, I think, again, a long-term secular story for the company. It's got a big market, a big serve market for us. And if you look back over the last 5, 10, 15 years, we've been able to kind of hive off spaces, build position, get profitability, drive returns and now you know, we have broadened diagnostics. And we still see lots of opportunities for this business to grow in the future.

The industrial business is about 10% of the Company. And this is the business that's being expanding margin rates, free cash flow, good position in the cycle where we are right now, expanding return on total capital, again based on some of the pricing and cost positions. And again, you know, this is one that's going to be a little bit more cyclical than the other parts of Company given with the way economy goes, but we'll have tremendous expansion in this cycle and a tremendous amount of cash.

We lead in the high-end segment. I would say across these set of businesses, our focus has been to lead in high-end segments, develop a competitive cost position, so we can play anywhere in the world. To create real value through distribution, to really do a better job of consolidating our offerings in front of a Wal-Mart or Home Depot people like that drive margin disciplines, because again in these businesses what's most important to me is profit, profit and cash. That's how we drive these businesses and drive overtime.

Now, I think a great story here is the appliance business. Okay. Great story is the appliance business. If you look at '03 through '05, you're taking the operating profit from 9% to 11% -- the return to the capital in this business is in excess of 50%. Appreciate it, it's a great -- the appliance business generally is more than \$1 billion of cash. And we drive in you know pretty consistent strategy. We own the high-end throughout their gaining share against people Sub Zero, people on the high-end. And if you look at our profile and monogram profitability, it's extraordinary.

And every year we take more products and source it from China. This shows, this is not a low-end product, this is a high-end product from China. They were sourcing several washing machines with a lower -- 15% lower landed cost, than we can make it in the United States. This is--this ain't a bad game in terms of where we go with it and what we do with it. That's because of who we are as a company these are the things that we can do pretty consistently over time.

The other thing we've done, and John leads this, John Rice, is we've now connected all the dots in front of our biggest customers. We go to Wal-Mart, we go to Lowe's, we go to Home Depot as one company to sell lighting, appliances, security products, industrial products and that's had a big impact on the company. We've increased our growth rate at these big accounts. We still do consumer financing at these accounts. That's grown as well. And this ability to put the pieces together has really improved our positioning as it pertains to this set of businesses in a pretty substantial way.

If you look at the segments, the report externally, again plastics and C&I, different businesses but kind of a similar story. In the case of plastics we continue to see good growth globally. China continues to be very strong. And as we go into 2006 we're just going to manage the price volume/cost trade off. I mean these are things we've done for decades. It's where is benzene, where is capacity utilization, how much volume do we want, how do you manage that? And that's where all the margin is. But I'd say we've done a lot of the heavy lifting in terms of where the pricing is right now and now we can manage it from a position of strength.

In the case of Consumer and Industrial it's just a question of getting more cost out, and continuing to drive the high end of the portfolio. But make no mistakes. We run this set of businesses for cash, and they generate a ton of cash. \$4 billion from operations, we'll continue--you know, we've have a strategy for a long period of time that's resulted in us selling in the GXs business, the Super Abrasives business, the Motors business. And we look at the low end of this portfolio as time goes on, and we'll continue to look to see where we could get better returns and look at it in a very aggressive way.

So we'll expand the earnings in the cycle. We'll continue to differentiate at the high end. And again, there's a lot of liquidity out there and we can look at the low end of this set of businesses, and find the optimal way to improve returns to investors. And it just gives us a lot of latitude. But think about the appliance example in terms of ways we've really changed the game in terms of--in terms of what we do.

Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

NBCU is going to get good top line growth next year really driven by the Olympics. We're guiding the operating profit to be about flat year-over-year. This is a story about content. This is a story about content. And let me tell you, we believe as much today in the future of content as we ever have. We've got to improve plant time. That's Job One for Bob and me and the team. And we'll continue to work on how we sell that content into a dramatically different distribution environment. We think that's critical as well.

Diversification works. I mean diversification has been a part of our strategy. I've talked to you about that as we acquired Universal. And if you at the legacy business, Solid 2000 (ph) and where we stand today, the ability to have a good growing film business, a great entertainment cable business, a very solid news business and local markets. We've been able to diversify away from just an ad-based business into a direct-to-consumer concept business. And really across the portfolio we're seeing great performance and great execution, and this diversification has really helped us.

There's just one exception. When I'm with the NBCU team and I'm trying to be encouraging I say, "Guys we're doing great. Except for one thing," and that's on this page. It's our prime time line up. And look, Bob and me and Jeff Zucker and Kevin Reilly and Randy Falco and the team are working on this, and this is going to get better. And this has got to be Job 1 for this business.

You know this slide well. That's where we are. We've stabilized now. We feel good about kind of where some of the traction we're getting. But we've got some work ahead of us as it goes to the schedule. We've got a lot to work on. We've got a good solid base of shows we think we can count on. We've got a couple good performing shows. I mean Earl has been a good show. Office has been an overachiever that builds each and every week. And we've got four new shows that we're going to launch in the first part of '06. We've got the NFL. It's going to take one night off the table. Takes the pressure off the programming, and we think that's very strategic. And I've got to tell you we've got the best pipeline we've had in many years. You know I would say we've probably double or tripled the pipeline that we've got in development.

Look at, none of us want to go through these cycles and we know you don't want us to go through these cycles, but I've got to tell you we've responded and we'll come out of it a better business, and I feel pretty good about that in terms of what I'm seeing right now. Now meanwhile a lot of the parts of the portfolio, and I would say again most of the portfolio is doing pretty well.

Our entertainment cable business -- if you look at USA, Sci-Fi, Bravo, these are doing very well. We're getting price increases. Our ratings are solid. We've got high-end consumers and we feel great about the positioning here. And our movie business is going to have a very solid 2006. We're seeing good DVD sales consistent with plan and so we think the rest of the portfolio is in good shape.

But this game is about content. This game is about content and so what we've done is just increase the content that we're producing both in terms of movies and TV hours. We've got multiple platforms that we're producing it on, and we're taking this out to as many different digital bases as we can and seeing some good -- some good success.

We still see lots of ways to grow in this business. I mean I think if you really look at the fundamentals we still see a lot of room for growth. We still win with good content, and I think King Kong is going to be a great example of how you can win with great content. We can still win with more content, and so as we develop more movies, as we have more platforms in areas like cable services, we find new ways to sell that.

We still win because of the competition between cable and satellite. As we can offer differentiated services we're able to get pricing increases and a lot of those big package deals. And we think again in digital world content is more highly valued than ever. We can still win in market share. Telemundo is a great example of that where we're a distant Number 2 but having a good season and seeing that pay off in revenues. We can still win in new distribution. The Office since it's been introduced is the Number 1 daily download on an annualized basis, a couple of million dollars of revenue. I mean it's not an earth beater but it's a beginning. And these are incremental earnings streams and revenue streams that we think we can get. And we think we can still get lots of good growth in new markets globally.

The one thing that Universal gave us was a great international distribution mechanism. They were trying to put more content through that. So our view on NBCU that in normal, not Olympic years, we ought to be able to get 5 to 10% organic revenue growth, and we believe that that is in the cards for the business.

And on digital, again we still see more upside than downside. Again, if you step back and think about it three big business segments. From a film standpoint digital gives us more ways to sell content. It gives us more platforms to sell content on. If I showed you the Bourne Supremacy that was introduced in 2004 and compared it to Apollo 13 that was introduced in 1995, they had roughly the same box office. We made a lot more money on the Bourne Supremacy than we did on Apollo 13 because we could sell it more in DVD.

Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

We had more video on demand. There are more revenue streams. For film I think the big issue is piracy. Bob has been a leader in piracy. It's something we have to guard against but when you think about viewership and ways to see things, film's going to do fine in a digital world. When you think about cable, let me tell you. Because of additional distribution, because of the satellite cable competition this is going to do fine. There's lots of ways to monetize content on cable and we'll continue to find those. And the TV stations have already found ways to grow in terms of their local market. We're already working on download-to-own models and different things like that.

There you've got to wrestle with fragmentation. Advertisers have new ways they want to advertise. We have to be able to do that but I've got to tell you, we've been fighting fragmentation for 15, 20 years. And so when we look at just the purely digital model we think it's a growth model for us in terms of incremental revenue, and that's the way we're going to--going to treat it.

So those are the six big businesses, all in good shape, all winning in their marketplace, all with multiple ways to grow. And giving us that reliable performance. Now we don't just want reliable performance here. We want to get expanding returns. We want to get expanding margin, and so we work hard on that as well. And again in a time period with raw material price increases, with interest rates going up, we really work hard on price versus inflation. We work very hard on variable cost productivity and low cost country sourcing. We work very hard on risk adjusted contributed value risk management in a very strong way, and then you've got to take restructuring and simplification and things like that and get it into overdrive. And we're doing all those things. And that's going to add to about 100 basis point, a little bit less than 100 basis point improvement and operating profit rate, and a stable to up slightly risk adjusted contributed value.

So again we see even in this environment the ability to get a little bit more profitability out of our assets. From a price versus inflation standpoint, 2004 when I was here was kind of a low point. Again, we got the first thrust of inflation. We weren't able to capture it in pricing yet. We crossed that line towards the end of last year, going into this year. This year was positive, a couple of hundred million bucks, and when we look at 2006 we see probably \$400 million of difference between price and inflation based on the world that we--that we see today.

So we think we've caught it. We ought to see some decent expansion during this year. Now at the same time we're saying, look we've got to get more out of our sourcing. We've got to get more out of our sourcing organization and sourcing theme, and the lever we always pull for that is low cost country sourcing. We try to get another \$2 billion out of low cost country sourcing. It's getting close to 20% of our total buy. That's all with big discounts versus what we buy in the developed world and we need to accelerate that as we look forward into--into next year.

Six Sigma and simplification, we get to get more cost out. So we've working very hard on variable cost productivity, material productivity, activities throughout the company. We're going to get probably 3 to 4% of variable cost productivity. And then I'll talk to you about simplification, which is really looking at G&A, G&A as a percent of sales. So overhead, buildings, IT systems, all the non-growth costs. And we're beating that out of the company. I mean we started at 11.3% to sales. We'll be down to 10. We think we can get somewhere between 8 and 9, and maybe then still have some room to go.

We've had all the programs that we had going on before. And then the integration of the businesses, that Dave and John and other people have talked about are going to get us an incremental 300 or \$400 million bucks next year. That goes into 2007 and beyond. So we ought to be a \$1 billion plus run rate as we go into--go into the future on that.

And then lastly from a standpoint of risk it's very important that we continue to watch this. And again we're seeing good stable, on delinquencies where we're seeing low losses, not earning assets, and so the balance sheet is in good shape, and we feel very solid about the operating margin, operating profit and risk adjusted contributed value.

So just to kind of put it into context. What we did here is looked at '90 and 2000 and then 2005 and 2006. So if you look at margin '90 to 2000 we ran at 14%. '05 we've going to end at about 15%. '06 we've going to end up at about 16% with, I think, very good momentum throughout the company. EPS growth '90 to 2000 it was 12%. 2005 we returned to double digit at 10%. 2006, 12 to 17% we think with lots of secular stories driving that, behind that that's going to keep that going into time.

RTC we ran at 21% through the decade of the '90s. We dropped down to a low of 16% in 2004 to 2005. We'll be back to 18% in 2006 again expanding 100 to 200 basis points. So all the levers, if you think about traditionally, how you've thought about GE, what you've counted on in GE, the things that you've wanted to see in us are all coming in the right direction and heading up.

So again when you think about how to use size we've got a great portfolio, a great platform. We've got reliability and expanding margins in terms of the company. And then the third chapter of this Go Big book is the ability to scale big ideas quickly. And we think it's this ability to scale big ideas across the enterprise quickly again that differentiates our company from other companies.

Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

You've seen this from us in the past. You've seen Six Sigma, work out, digitization, globalization services. You've seen us do this before. And the flag that we're kind of driving inside the company right now is organic growth. We're driving organic growth as a process. And I think the first thing you ask yourself is this is the right initiative? And I say in kind of in a maybe a slower growth world or one that's more volatile, or you pick the environment, I think this is the best initiative a company can have.

So we feel like we've picked the right one that we can drive that's going to have a real pay-off for investors and a focus on the future. The second question is how are we doing? Well, last year I talked about 8. Well, we're doing 8. It's funny how that happens, I guess. We knew that we could achieve this kind of run rate. We knew we could drive growth. It's about twice our Industrial peers, about twice our Financial Service peers, and we think that's kind of good positioning. We think 8% is about two to three times GDP. Why 8? I'd say when I think about 8% I think it's aspirational. We look at a bottoms-up. If I look our growth play book over the next three years we saw a bottoms up that's probably 9 or 10. We think we ought to be able to grow at two to three times GDP based on the portfolio and the tailwinds we have.

I think we feel like we did it in 2005, we can do it again in 2006. There's going to be quarters that we're not going to do it but over time we think we can achieve this kind of results consistently. But I give you a different perspective on it. There's no initiative that's worth doing that doesn't have a metric. We started putting together the pieces of the growth initiative in 2001, 2002. We probably studied 30 companies and each one of them had a metric, percentage of revenue, the products introduced in the last three years or something else.

We threw all the metrics out because, I don't know, if you have a growth initiative it seems like you ought to measure growth as your target. And so we plugged that into the equation as well in terms of how we picked it and why we drive it. And what's key for us is making growth a process. The way you drive something consistently inside a company like GE is by making growth a process, by spreading best practice across the company and that's what we're doing.

Starting with technology, then going to the ways that we interface with customers, and finding kind of sales and marketing campaigns that we can drive, doing it everywhere in the world, making innovation a core competency and developing growth of people. That's really how you drive growth consistently inside the company. It starts with a commitment to intellect. What I would say is we spend more than \$5 billion a year in R&D. We spend probably \$2 billion to \$3 billion in market, and we spend \$4 billion in content in Bob's business. This is the intellectual content of our company, 13, 14, 15 billion a year that really is the foundation that sets margin rates with a history. This is very important in terms of how we think about things. And the value of what we do is we have staying power in terms of how we invest and where we invest.

Our size and scale allows us to lead in very important areas like eco imagination or early health or places that we think we can own for a long period of time. We can use our size to leverage ideas across the portfolio so again that's another place that that is very important, and we can take some swings. And this combination in technology and R&D and content is very important for the future growth of the company.

The first one is staying power. We invested \$1 billion a year in the aircraft engines business every year post 9/11. We couldn't have done that unless we were a big multi-business growth company. It gave us the latitude to launch eight or nine new engines, more than any time in our history. And this investment is going to give us 25 years of leadership.

The decision to continue to invest when things were tough that only a company with scale can do is going to buy us, you and me, 25 years of leadership in this industry. That's what growth and size and scale can do. Infrastructure is a place we want to lead. Dave Calhoun's business is a place we want to lead. We just have broad and deep technology.

We're already one generation ahead in the locomotive business. Pretty soon we're going to be two generations ahead in the locomotive business. Working on the next generation nuclear reactor. We've got desalination, ownership and leadership around the world. Our LNG Super Train is the best that -- working with some of the major gas producers in the world. We have great technical strength across the company.

We use technology to drive margin rates. This shows you some of the businesses from John Rice's organization. We lead again high CM rates in the security business, high CM rates, this is plastics for the healthcare business. Monogram is a place we picked off to say, why can't GE compete with Viking, Sub-Zero, all the other appliance companies on the high end? That's the turf we really want to get. And our sensors business in embedded controls, all high CM rates based on technology, based on doing things that very few people can do.

Services continue to get a lot of our R&D and continue to be a great source of strength and growth. Environmental services, healthcare productivity in the electronic health record, water service agreements, which is a place that we've taken technology from the aircraft engines business and done it in water. Engine upgrades, this gives you an example from Southwest but there are others in terms of the ability to sell back into the install base.

Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

So again technology gives us the ability to take swings, to drive consistent growth, to really own places that nobody else can own, and then take a -- take a swing every now and then. \$200 million in a movie that we think could do \$1 billion as it pertains to box office and future growth. And I saw it last night and it is a fabulous movie, so just a shameless advertisement for the King Kong. But it is a great movie.

But again it's the ability to use size and scale and market knowledge to build protected generation after generation leadership that has high margin rates that very people can do. That's what GE can do. Now we also take our focus on size and process to our customers. And we think we're building unique relationship with our customers, again thinking about process and what we do. It starts by having unique sessions where we can listen to what our customers say.

And then we take historic process capabilities like Lean and Six Sigma to improve their operations either in terms of how we improve our operations or how we improve their operations. And then we have a new way to track ourselves called Net Promoter Score that we're driving across the company. So at every step creating kind of a unique tie with our customers that we can drive over time.

It starts with listening sessions. I'm going to take you through a healthcare example, but this is what we call Healthcare 2015. It shows you the attendee list. We've done similar things. I've done about a dozen of these in the rail business, the water business, in the energy business, and this is a place where we can get the thought leaders in an industry to quote and grow for a day to talk about what's next. Where should be investing R&D? Now these are things that not everybody can do. But it's the way that we can use the scale and the size and the scope of who we are to draw this very unique proximity to our customers.

Then what we have to do is use our process capability to improve de-levering for our customers. Now we've done Six Sigma for a decade, and we've done Lean for about three years. We learned Six Sigma from Motorola and we learned Lean from Toyota. And what we said as a management team -- Dave, and John and Mike and Bob, and the rest of us, Keith, is we said, "Look, we've got to apply these process tools to grow. We've got to find ways to apply these process tools to grow."

So what we did is we created 20 what we call Lean showcases. And what these do is they take the principles of Lean and Six Sigma, the 20 sub segments around our company, each with the guise of getting \$50 million from incremental growth by achieving new performance standards, new ways to think about the business. And really relying in every way because what good is it to have process unless you see output? And it's just a way to be more disciplined inside our company about the ways in which we apply process to get great output as part of this growth initiative.

And so that's what we've done. We've launched these 20 activities. Here's one on MR that just shows you install time, configuration time measured in days from 52 days down to 10, from 162 days down to 20. Working on reducing cycle times, market share, speed to market, new products, and just all the things that kind of ripple through the business. So what we try to do is take process and drive it into how we think about growth.

And then the last step is how we measure success, and this is something we've taken across the company called Net Promoter Score. And what we've basically, it's the simplest of all metrics that you can possibly have. It's a surveying tool that you take to your customers. They rate you on a scale of 1 to 10 based on repurchase intent. A 9 and 10 is a promoter. A 1 through 6 is a detractor. You take promoters minus detractors. That gives you net promoter score. We're doing it in commercial finance, consumer finance, healthcare, NBCU, every business. And what's really important is how you use it to drive change.

For instance, Toyota this is a very good company, it's at 50. So they would have 75% promoters, 25% detractors, that's a pretty good benchmark. 50 is a very good score. But what I can really do across the company now is have a common metric that we can use to drive change. Again, this gives you the healthcare example. Year-to-date performance is about 30. We want to get up to 31. Five or six-point improvements is really important. It tells us what to work on in terms of responsiveness. But the most important thing is we tie this back into specific customers to see who's buying more. So it's not just a kind of a metric for the sake of having a metric. It gets embedded into the culture in terms of how we interface with customers.

So again we own the technology. We want to own the customer interface and do a good job there as well. The third part of the growth wheel is just selling and marketing as one GE. Using the scale of who we are in an effective way to drive change. Now again there are not too many companies on Earth that can combine 26,000 sales people with the fourth most valuable brand the way that GE can. And what we try to do is parlay that into how we approach customers, how we do marketing inside the company, how we try to invest strategically around the world. And again, here again we're seeing good results.

Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

If you think about the way we've been able to bundle the Olympics. I mean one of the ways that we envisage the Olympics was we got a sponsorship agreement as part of the last rights deal. We valued it at about \$200 million, something like that. We'll do \$1 billion of revenue in Beijing -- \$1 billion, okay? So -- so it's a way to take this GE brand and leverage it in a meaningful way.

Enterprise selling we're doing across the company but this example of country to company approach. I mean we treat the regions of the world, the countries particularly in the developing world as a company. And they treat us in the totality of the company, and allow us to be more effective from a selling standpoint. So these are examples of how we sell better. But eco imagination is an example of how we can market better by again connecting the dots of GE. Now look I would say this, if you were a group of NGOs, I could give you the same speech about this, this is a marketing campaign. This is a marketing campaign.

This is about how to position technology. It's about how to position a marketplace approach. It's about how to position change in a way that's going to drive incremental growth over time. And so we set very hard targets in terms of the revenue, the brand and the things we're going to do. And again we're seeing great progress in terms of customer activation and advanced materials we've got a big agreement with the Chinese Minister of Agriculture, and one of the silicon products there. We've got an unbelievable pipeline in terms of desalination projects. We continue make great progress on our fuel savings technologies in aviation. Energy we're seeing interest in coal gasification around the world. C&I we're developing relationships with Home Depot and Wal-Mart as it pertains to energy efficiency.

Rail again is leading in generations. We started with 17 products. Now we have 21. We've got about a \$4 billion backlog. We're well on our way to a \$20 billion goal as it pertains to eco imagination. So that's what that's about. So again we start with technology. We go to owning the customer interface. We want to have great sales and marketing behind the power of one GE and then the fourth we drive is great globalization. And globalization is a big company play. Globalization is about scale and speed and breadth and diversity.

And so you see a GE today that's about half outside the United States where we're growing our global revenue at about 10% a year, and we're growing our developing market revenue about twice that. And again if you look at the industry segments that are growing outside the United States, they're growing very fast, energy, aviation, consumer finance. And we play the big GE card in this place. We play the big GE card. We play infrastructure, we play consumer, we play relationships, we play credibility.

We just opened--Dave opened a global research center branch in Doha. Okay, so we can take the assets we've got and move them around the world not just the technical assets but to be marketing assets at the same time. And so last we've shown you China a bunch of times. I said, let's show a different region of the world, and here we show you the Middle East, and we had a bunch of different charts on the Middle East but I thought that the gruntest one was the best one. If you look at the bottom of the page it shows our orders. 2004, 2005, 2006, so 4.5 billion to 8 billion to 10 billion. This is kind of the money story as it pertains to oil money being reinvested back into infrastructure.

I couldn't give you all this stuff. But these are the guys -- this the target list, the orders. It's United Arab Emirates, Qatar, Algeria, Nigeria, Saudi Arabia -- Saudi is huge, Qatar, Ethiopia, Iraq, Kenya, Morocco, Kuwait, Oman, engine orders, energy orders, desalination orders, rail orders, healthcare orders, across the board. Big numbers, big leadership and so that's where the world is going. These are the global plays, again things that take scale and speed and agility and culture. That's what GE brings and that's what we can do.

So again technology, own the customer, commercial strength everywhere in the world, and then the fifth piece is driving innovation. And we've talked--we've been working now for about two years on what we call imagination breakthroughs. These are about 90 projects that each have the opportunity to drive \$100 million of incremental growth. And we divide them up into commercial innovations which are new ways to market, new ways to restructure your sales forces, things like that, and technical innovations which are either brand new products or new product supply in a different way.

And so we've got kind of rigor around the process. We've got about 25 or 35 that achieved revenue in 2006, about \$3 billion in revenue. They're things like VCT itself wouldn't be enough to be an imagination breakthrough but VCT in cardiac is a brand new application of a different technology. That is incremental. We view that as being incremental vis-à-vis how we treat it. And another 25 products going into--going into sales in 2006.

And we've got peer review on these. We have best practice sharing that we go to on these. I review probably ten of these every month, and we really try to track how the innovation is going and the ways that we can drive, again, 3, 4, \$5 billion for incremental growth every year, and now we've got a pipeline. We've been doing it now two years. We've got new ideas that are coming in all the time.

And just, I gave you two examples. One is what we call On Point. We did detailed service segmentation and changed our service offering in our aircraft engines business. And then we measured incremental price and incremental share and that will be about \$100 million this year. This is

Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

one that took a year to maybe plan, could be implemented very simply, and we got a bunch of them that are just like that. In other words they don't all to be moon shots. Some of these can be small steps that we can take quickly that boost incremental revenue. That's great, and these can be imagination breakthroughs, that's great.

And then the right-hand side is a tougher product. It's coal gasification. It's getting 20% of the cost out of the technology. It's getting the technology uniform. But let me tell you the pipeline is massive in this thing. We've got two customers already. We'll probably take -- I don't know--probably five to 10 projects in China in the next 12 to 18 months and this is -- this is new. This is new technology, new application. It's harder than the one on the left but the pay out is bigger.

And I want to just give you two examples again of how we can use our size and our scale and our speed to help drive that kind of incremental growth. So again we try to think about organic growth as a process. We have metrics, we have programs. We have accountability that drive some of the -- that's what we think is important. So here's, you know, here's the tale of the tape. The metric is the metric. We'll do 8% this year. We think we can do 8% next year. It's different in different parts of the organization. Infrastructure, ought to do a lot more than 8. Infrastructure is probably going to do 12 and revenue is out there to be had right now.

NBC we don't include the Olympics in here because of its lumpiness. We've got to work harder on ratings and things like that and everywhere in between. But the view I give you is that we use our size both in terms of breadth and depth and process advantage to really make this happen. I mean we use size as the foundation for growth, not as an impediment to growth.

And technology, I mean we have global resources. We have great risk management. We can do both product and service and we can share practices across the company in terms of customers. We have unique access to our customers. That our breadth and scale give us and we can leverage that in a meaningful way, in terms of commercial, we can use enterprise and brand in ways that no body else can do. In terms of global, no body can play the global card better than we can with speed, and certainty, and intensity that is a massive advantage.

In terms of innovation, the ability to manage risk and do it on a consistent basis and share best practices. So we think size is a great platform for growth.

So, we've gone through three chapters on the book of big here. We've gone through the portfolio, reliable performance, the ability to grab initiatives and drive those across the company, and the last one, but probably the most important is the ability to retain and grow a great team. And we think here again we are advantaged because of the breadth and depth of what we do.

If you start again with who's on the team? We've got about 600 people who are kind of senior executive band and officers. So that's the two highest bands inside the company and the turn over there is less than 3%. These are people that have spent various times in their career, a lot of people straight from school but through the system. And the average age of this group is probably about 50. The average time with the company is probably about 20 years, somewhere in that time period.

So we've got a good group of people that have been around the company for a long time. The top 180 is one that really leads the company. I really think about the top - the officers of the company almost like a partnership. These are folks that could work anywhere in the world, they've chosen to work at GE and I think it's a very dynamic group. In other words, I've had the chance - since I've been chairman to name 85 of the 180.

So its - through retirements and things like that and it's a different team. It's a more global, its more customer facing, it's a more innovative team. We've matched the leadership with what the task is and we've worked hard to simplify the organization, we've worked from multiple segments and bubbles, if you include financial services down to 11 businesses, meanwhile we've integrated lots of acquisitions, down to what I think are kind of six market facing organizations that make a lot of sense, both inside the company and outside of the company in terms of transition. So we've got a very strong and stable organization in place structurally.

I think its structure for growth. I mean, again, we have a company in place where we've got people that can, and organizations that can continue to scale, so I think if you look across the top line you've got leaders that have been with the company, that have served in a multitude of different jobs through long careers that have great domain expertise, that have the passion and the energy to continue to drive change and will continue to evolve that and grow over time. So I feel like, when I look at the top leaders of this company, we've got a structure that can double the size of the company.

In other words, we can lay onto this more, better, different, faster, global stuff. It's just a great team, from a standpoint of talent and leadership. And then in the pipeline we've got another 50 P&L leaders that are being developed, that are having different career experiences, that are being groomed, that are seeing different cycles at different times and it's diverse and global and getting expansions - 50 of the - something like 43 or 44

Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

of the people either have non-US passports or have lived around the world. So tremendously diverse of these 50 people, almost all of them worked in more than one business.

So we just got great depth and so we've got experience. I think the last thing we've done because of the structure of the organization. We used to share best practices, we always share best practices, we share best practices today and that's important. Now we hardwire. In other words, basically all this stuff that's kind of in the same neighborhood of infrastructure, Dave owns them all now. And so move - the movement of people and synergy and ideas - it used - it would always happen but it might take a month or six months or a year. Now we can do all that in a staff meeting. It's - I could give you examples from every business, but Dave decides we're going to do - we're going to combine the energy and the aircraft engines, information technology organizations because they have similar platforms, they have common spend and by doing that we can save \$20, \$30, \$40, \$50 million.

Now, that would take six months before, that takes six minutes now and so things like that I think are big advantages vis-a-vis the company.

And then, just breadth and depth in terms of the pipeline of people below this that are coming up through the system. I just show you the top four or five layers in the company but we tend to recruit aggressive, we recruit on campus, the executive band is 4,300 people, it's less than 6% turn over. These are the people that are kind of 30, 32 years old that have been on a finance program or a commercial program coming up that learn performance and values and things like that.

Then they enter the senior executive band -- if you look at the red bar - the red bar and on up, I know every one of these people. I approve their compensation, the stock options, everything that they - we know them all, we know them in detail. We coach them, we know them, and we decide which jobs they get. The businesses just rent them. They're owned by all of us in the corporation so we work that very hard.

And then this just gives you a sense of how you come up through the organization and the turn over and the ability to do it. And then, then I always say look, you can't hit the blue bar if you don't know how to perform with integrity. In other words, but the time you're a middle manager in the company, you've got to know how to perform with integrity or the system is going to have weeded you out by then. And then I look at each step. To be in the senior exec band you got to know how to drive change. Make vice president you got to not only know how to drive change but you've got to be able to conceptualize change. And to be really at the top you've got to build culture. So again, we build this pipeline because of who we are, because of the scale, because of the breadth, because of the experiences people get and we drive this consistently throughout the company.

Now, we're always teaching people different things. In other words, we never get stale from our curriculum and we said, hey if we -- if we're going to drive a growth initiative we've got to have growth leaders in place. So we went out and studied, probably 10 or 20 companies that had organic growth at 3 times GDP over a sustained period of time. So what do they do, what can we learn from companies like Dell or companies like that and saw that they had five traits.

They had almost institutional external focus -- almost institutional external focus, which I think is fine - in other words, every initiative ended by beating a competitor. No initiative ended in a conference room somewhere. So we learned that. We can institute that inside. They were very decisive, they made very clear yes and no decisions, very clear calls and we thought that was good. Imagination, they knew how to take smart risks in terms of the company. Inclusiveness, they knew how to build teams with customers, suppliers internally and they were domain experts, they moved their people less frequently. They gave people a real sense for time and career and things to do that.

And we plugged that into now how we measure people. So as we go through our Session C process, which is our annual review process, we're now plugging these growth leadership traits into how we assess and how we develop and how we coach and how we communicate and so its not enough to have great talent, we cant let them get stale. What we try to do is continue to transform talent.

And the last thing is how they get paid. And this is as important as anything else we talked about. There's four levers we basically pull vis-a-vis the GE leadership team. It starts with a salary that's competitive and that's what it takes to attract people into the company. And then we have an annual incentive comp program that's really based both on how the company does but also how your business does and that's used to incent people to make their numbers and that's important. So we have that part of it.

Then we have a three year long term incentive plan and the three-year long term incentive plan basically goes every three years, it doesn't roll. It starts and ends in a three-year segment and that's purely financially driven. In other words, there is a return on total capital target, there is a cash target, there is an EPS target and a revenue target and those four things determine, and it's a one-company plan. It's we all win or we all lose together on a one-company plan and then we have equity and that goes for the top, basically the top 600 people. And then we have equity for - it goes broader than the top 5,000 but the top 5,000 are really the people that have equity that counts and that's for alignment.

Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

And again, what we try to do are pick the metrics that you care the most about. We've got financial metrics of ROTC, of cash, of EPS and revenue. We have strategic criteria about what customers are seeing, about the initiatives, about the business imperatives and then we have cultural aspects about leadership and compliance and things like that, so we, in every way, try to drive those results. So, our book of how over time we've used size as an advantage to perform is about the portfolio, it's about reliable and proving performance. It's about the ability to spread initiatives in an aggressive way and it's about having a great team, about having a great team. Those are the four aspects, the four pillars.

This other good book has an epilogue or a sequel in our case and thought I'd just wrap up. And that is, the environment is something you can speculate about. I think everybody in this room is probably at least as smart as I am about what the economy is going to be and I'd say we could be looking - 2005 could be the blueprint of what 2006, 2007, 2008 is. In other words we could be in this kind of same cycle and I think you could make a good case for that. I really do. It could be slower because interest rates are incrementally higher and the economy could slow down because of that but still be positive and you can pick that one too. I'm not going to be the oracle on that, I'm going to let you pick that one. Or it could be a lot more volatile. But I think, this company, is in great shape regardless of which one you pick. If you think about infrastructure 35% of the company, long-term secular growth story that's growing 2, 3 and 4 times GDP, 2, 3, 4 times GDP. Not just for a quarter or two but on a great stretch run, great stretch run here.

Commercial and consumer finance, another 35% of the company, long term growth stories that are at least equal to what we see today. Why should you believe that? Because that's what the last 25 years have been and again, we've been able to perform through the cycles pretty well and we - our market shares are still less than 3% in almost every segment. So we feel that that 35%, so that's up to 70. Healthcare, we think like infrastructure is in a long-term secular story of organic growth, 3, 4 times GDP. Lots of opportunities to grow both organically and inorganically on a global basis. Tremendous performance over time.

Industrials probably the most volatile, probably the most sensitive to an economic story but what I tell you it's a different industrial business. It's a higher margin, it's a lower cost, its being run by a guy that's been in every one of the businesses and knows how to maximize all of them, lots of cash, tremendous cycle that we're in right now and so I feel pretty good about that business.

And lastly we're going to - 2006 is going to be a turn around story for us in NBCU and we feel like we've got, we're going to have momentum coming through the year in better over time. It's a better business model in healthcare -- or in NBCU is a more diversified business model in NBCU. And again, we think the digital world, if you're in content is very important. So when you step back and say, think about beyond a quarter or two and think about a world that's got this kind of parameters as it pertains to the economy, this is a winning hand, this is a winning hand.

So, just to wrap up. I think we're in great position to deliver, double digit earnings growth, expanding return on total capital. Cash flow greater than earnings, solid organic revenue growth. And again the big drivers are a strong portfolio, great team, reliable performance and the growth initiative that we're driving in every corner of the company. So that's it, a best seller, Go Big. And that's what we have. So with that I'd like to turn it over to you and talk about anything that's on your mind. Yes Nicole. Right here, are we going to do mikes? Do we have mikes? Yes great.

QUESTION AND ANSWER

Unidentified Audience Member

(inaudible - microphone inaccessible) John's industrial business. You talked about selling into liquidity, could you define the low end? I guess particularly in the context of your fairly favorable appliance industry example. And then how we should think about the magnitude and timing of any potential dispositions over the course of the next five years?

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

What I would say, Nicole, is I think that when I talk about that, it's pretty much what we've been doing. And so, when you think about a motors, a GXS, a super abrasives, I think what you would say is it's going to be steady, 1 to 2 billion a year. It's going to be logical. It's going to be reflected in the guidance that we give you -- in other words, it won't detract from where the company is financially from and earnings standpoint. And kind of slow and steady -- slow and steady.

Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

Unidentified Audience Member

And just one, I guess one other question on kind of develop - you focused a lot on globalization in your pitch and I think, how should we think about the invested capital as you look abroad in the developing regions relative to revenues? And are you partnering more as opposed to investing in some of the regions, like you've done with appliances?

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

You know what I would say Nicole is if you look at the globalization, investment always lags substantially behind the revenue growth and it always will in those regions. So what I would say is we go in first from a customer stand point, then we go in with light investments, whether it's in the intellect center or an assembly center and then we expand over there and financial services almost always is a lagging indicator versus the industrial set of businesses.

And partnerships, I think if you think about financial services, we do a lot with partnerships, what we did in Turkey is a great example -- great example there. Other than that, on partnerships it really depends on the position we are in the country and the point of time. I would say when we first started in China, they were all partnerships. Everything we did was a partnership. Today we don't need partnerships in China, we can go it alone. And I think when you go to Turkey and say, I'm going to make a big investment in Turkey it's going to be with a partner. It's just a place we don't know quite as well and we're going to build that knowledge base over -- over time.

Other questions? Yes, Jeff. Right here.

Unidentified Audience Member

Thanks Jeff. I was wondering if you could elaborate a little bit more on company to country, it was laced a little bit into your comments and the domain expertise comments, but a lot of what you're doing in middle eastern Africa, you had the size you probably would have been winning a lot of that anyhow, are there real big tangible differences yet in how you're really going to market and things that have swung your way that really would have maybe gone the other way?

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

I think Jeff, if you look at - I think in every country it's a little bit different. For instance I would say China is a great company to country approach. India, not as much so. So they tend to be places that have big infrastructure markets and where the government is a big consumer of the goods.

But I would say if you look at Qatar, with Qatar we actually have a - what I would say a broad MOU that covers more than one product. It covers oil and gas, covers development, covers technology, things like that. The same basic ruling structure governs the aircraft engines business, the oil and gas business, different parts of the country. So we've got basically the same customer base. So we're able to combine what I would call commercial understanding with these great deep relationships we can have with whoever the customers are.

In the case of China, it's called the NDRC. And the same people, when I go to China or Dave Calhoun goes to China, we see the same people and they'll go through a laundry list of rail, or engines and so look its not like you have one package deal but they know who we are and they know the totality of how we do things so it just gives us leverage against demons or UTC or anybody else that's in the game. And we play it. Yes, John?

Unidentified Audience Member

Jeff, NBCU, just by the improvement, still seems to fit the least within the portfolio. Considering what's going on the competitive landscape, some of the breaking up of some of these conglomerates, you guys always shunned that approach - the conglomeratization approach but now that's coming around. Why wouldn't you seek to monetize some piece of this business to perhaps the stock or recognize some of the value of NBCU in the marketplace.

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

John, I think we ought to always run NBCU in a pro-investor way. And so we're not in it just to be in it. I like the content angle. I think it fits probably 70 or 80% of how we think about the company from a standpoint of a developmental, globalization, picking people, types of business. We've always thought that the financial aspects and return on total capital have fit very well inside the company and our pathway so far John has been successful. In other words if you start in 1987 and go to today, there's been value created for this GE investors that's part of it.

Now, if it ever became apparent that there was some break-apart that would create extraordinary shareholder value, we'd be crazy not to look at it, but I don't see that today. In other words, I think most of what's been done in the marketplace, I don't know what it's doing necessarily and so it - that's the way I would look at it. in the meantime, what I think we can drive is consistent earnings growth, consistent returns, but I would tell you, straight out, we are investor friendly in this whole game and we'll continue to see are there better ways to run it as an enterprise.

Unidentified Audience Member

(inaudible - microphone inaccessible) But you don't see any thing prospectively coming in any of the - any of the landscape -

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

I really don't -

Unidentified Audience Member

-- that cause you to think a little bit differently with any kind of definable topic?

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

I really don't John. What I believe is that content is worth a boatload. I think in the world we're in content is worth a ton and that people that own our stock are smart enough to see that and pay us for it. And - because they always have been. Have been smart enough to see it and pay for it. Scott?

Unidentified Audience Member

Jeff, in looking at your infrastructure outlook, three of the four businesses are showing pretty good operating leverage. One, the energy business is showing still moderate leverage next year in spite of your comments that pricing appears to have stabilized, or is in the process of stabilizing and services growth remains strong. Could you give us maybe a little elaboration on that? Is that just rapid original equipment sales? Are services margins declining? What's that dynamic?

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

If you think about it Don, with oil and gas out, so just talking about specifically the energy business, I'd put it in three parts. One is the service business is everything we said it was going to be. It's expanding, the proper rates are expanding, it is as advertised and will continue to be. The product business, we're actually, if I stood here three or four years ago, we're actually selling more units today than we ever thought we would sell. The pricing is tougher, although it's stabilized, it's at a lower level than we would have predicted three or four years ago and so its still basically a break even business. It's still basically a break-even business and it is in a stable level.

And then I think the key thing on driving leverage is going to be an improvement in wind. I mean wind is going to be \$3 to 4 billion next year. It's been about a break even business, it ought to make a 100, maybe \$200 million next year and that is a big chunk of revenue that has very low margins right now. So that's the piece we've got to get on a different level and that's what Dave and John Krenicki are working on. And that's what you see reflected in the numbers.

Unidentified Audience Member

Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

Question. If I look at this year, I would say your acquisitions on the industrial side of the company are below maybe where I thought they would have been and I think they're below what your \$3 to 5 billion placeholder is. Is that a reflection of valuations, just not finding the right properties or lack of interest in M&A?

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

I think, Don what happens on deals, and you know, you've seen this a lot of times, is what I would say is there's as much activity right now then there's ever been. It's just these things happen on their own cycle, you can't plan one a quarter, sometimes you get two in a month and so they're lumpier by definition. But I would say the activity level inside the company is as good today as it's ever been but it's disciplined. It's disciplined. And so I think you'll continue to see us do deals like IDX or other deals like that and we want to keep reinvesting back in the company. Over here, yes sir.

Unidentified Audience Member

(inaudible - microphone inaccessible) Thanks. You mentioned that you're long term profitability ventures, and you used return on capital, is going to be about 20% or so. But in a subsequent chart you have 2005 expected use ROE and then you use 2000 use the ROE and in 2000 I have the nominal ROE of like 27% and GE has 15%.

I guess my first question is, are you using ROE in return on total capital interchangeably and if you're not, what is 2005 return on capital going to be in your '04 annual, you have return on capital for 15%, if your capital base is probably going to at least mirror what your long term earnings growth is going to be, that's going to be about 10% compound rate. I mean, what's the odds of GE return - return on total capital or ROTC of 20% in your head, which -

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

No, I think you've got a combination of two things, you've got buy back which is reducing the capital base, so you got more RO and less C. and so you're going to get, we'll get 200 basis points next year and then we'll get 100 to 200 basis points in the future as buy back goes and R grows.

Unidentified Audience Member

Oh, okay, well that leads to the next question, I mean what's the main driver behind buying back your stock? Is it because you think it's cheap or you just want to reduce your capital base?

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

I mean, I think it's - we generate more capital than we need to grow the company and when we look at buying back stock we think it's a good return right now. And so, I mean - you get into a circular argument with RO - if you improved your ROTC does your stock price go up or how to look at it. But we've got free cash flow of a certain amount and we believe that the stock is a good investment for us to buy it back right now and that has an impact on ROTC which again we think makes it even more attractive in the future.

And as a company, we've always worked on dividend, buyback and investing back in the company and the luxury we have is that we can do a buyback and keep doing \$5 billion worth of industrial acquisitions every year. So I think the company is pretty well balance right now in terms of where we are. Yes? Scott?

Unidentified Audience Member

Jeff, you made a number of acquisitions in water and also the security business the last few years but you didn't really spend much time in the presentation talking about those businesses. Is there anything -- as you've gotten to know those businesses better -- is there anything that's changed your perception or the outlook of the potential growth rates there?

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

You know Scott, I still look at security and water as two great growth platforms and they're still a place that we want to put capital. The security business when we look at it this year, we've integrated the Edwards business. We've had probably six or seven acquisitions in the last few years. We like the dynamics of the security business and continue to feel very strongly about that and we'll continue to put capital there.

The water business, basically has been in two segments. We've had the big global infrastructure business through desalination and the industrial outsourcing business. The desalination business is almost as big as we want it to be. In other words we have more projects than we can probably handle right now and it's being choosier on that.

And the industrial outsourcing business is taken a big investment over the last two years to kind of get the service business in place but its one we still believe in. so those are both places we'll continue to put capital in the future. Yes?

Unidentified Audience Member

Thank you Jeff. Two questions about energy. First of all, on the nuclear part, maybe take us from timing from power point to power plant, how far are we away where I can walk up to you at the check booth say, sell me a nuclear power plant, you can deliver that new generation plant?

My second question, about a month or so ago, one of your finance business dropped about \$25 million some electrical transmission assets on South America, I'm assuming it wasn't an accident. Can you talk a little bit about, was there any kind of conversation between energy, finance, lots of stable business and kind of a strategic link or is that somebody in finance saying this is a good place to put some money?

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

Nuclear is, if somebody in the US decided to build a plant tomorrow let's say, it's eight to 10 years before it would be complete. So it's that kind of cycle. So when you think about nuclear, our strategy in energy has been to be a diversified player. So we're - we've got coal, gas, wind, nuclear, oil and gas and that served us well. And in nuclear we've got a great service business, it's a very strong service business and the unit business, the new unit business looks interesting.

I mean, there's more conversation in the US today than there's been in a long time. But the business outside the United States is going to boom. In other words China is going to spend \$50 billion, Finland, France, lots of Asia, lots of Europe. Nuclear power, in terms of the reactor business is going to be a growing business, but it's not one that sneaks up on you. It's one, you've got a lot of activity and I would say the T&D investment we made in South America was purely opportunistic. In other words, we've got an energy financial service business that knows the space because its got proximity to the industrial business but they - most of what they do is opportunistic, it's a good deal, we've done a lot of investing in T&D and have made a lot of money on it and that's how the \$25 million investment.

Unidentified Audience Member

I want to buy a nuclear power plant from you, do you have that design ready, almost ready, you've signed it you better -

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

We saw this program this ESBWR. So that's the next generation reactor, boiling water reactor that we're doing. Its smaller, its on a different footprint. What it is is kind of like 25 years of thought on how you'd do it better and that's what we're working on right now, probably half the funding from that comes from the government so its about a \$400 million program and we're able to offload it through partners and government funding to put us in position, so that's the technology that would go into that. Yes Scott?

Unidentified Audience Member

A bit of a related question. I mean there's talk now that there's going to be a big boom in transmission spending out of the energy bill and some of that's talk percolating around. Does GE see any of that, I mean are you aware of this, you see any activity in that area and how well positioned are you to pick up on it if it does happen?

Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

You know Bob, we've never been, we've never been - as a product sales, as a financier, we like financing T&D frequently, but on the product side we've always been cautious on T&D because its always talked about but its tough to deliver on because of environmental and things like that. We've always been a bigger believer in distributed power than in T&D investment. It's the call we've made and I would say we're - we trail people like ADB and other people in that business and so that's - that's why. I mean we've never thought it was a great bet.

Unidentified Audience Member

Unrelated question, but maybe up GE's alley more. I was struck again at how much of the consumer earnings are non-US and not in the Americas, only 30% are in the Americas, I mean remind us structurally what is it about the consumer business outside the states that makes it more attractive to GE and can you drive that business or back in the Americas?

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

You know Bob, I think, I think what we're able to do kind of early on in our development was get in places outside of the united states early and build real competitive advantage and credit cards and personal loans and establishing platforms outside the united states and get there, we like the returns, we like the practices. We have been able to transfer some back in the United States, but I think we've just been able to get to certain markets faster than we could inside the United States. And so here we compete with Citi or BofA or certain players that we're just not going to take on head to head. Outside the United States the markets are nichier and we're able to come in with a platform with 6 products and do very well and do it quickly.

Unidentified Audience Member

What about some of the loans that come out of the GMAC portfolio in that context?

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

Again, what I would say is the - I would never comment about the specific situation, but we'll use -- continue to review whatever happens there and using the disciplines and the way we would do anything we'd evaluate inside the commercial finance space. Dean (ph)?

Unidentified Audience Member

Thank you, Jeff. GE has taken the lead in lowering greenhouse gas emissions, much more aggressive than anything setup for the U.N. Kyoto treaty. Could you just take us through what the strategy was behind that decision? What the economics are, and perhaps how that ties into the eco-imagination platform?

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

You know, Dean, when we started eco, again, we started to think about it in the middle of 2004, and what we really saw as part of our strategic planning was that energy, aircraft engines, plastics, appliances, rail, water, were all working on technologies that lowered emissions, improved fuel efficiency, and you know, utilize more water, so that was the thinking behind ecomagination.

When we did ecomagination, we really thought about it in terms of customer association, driving incremental growth, lowering our own emissions, and public policy aspect, those four things. The way -- and Steve Ramsey, who runs EHS for us, was a part of the team. The way that we've always looked at it inside the company was first we knew we could lower you know kind of our emissions by 1%, with the run rate we were on because we'd been working on it for long time, but the second way we thought about it was if you take plastics, plastics basically is about 30% of our greenhouse gas emissions as a business.

What we're going to do is make our plastics business the model site. In other words, when I look at plastics, when somebody is going to look at plastics, we're going to be able to take Alcoa through there, Dupont through there, all the people that John Kenichi (ph) is trying to sell energy

Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

and environmental services to, they're going to be able to see it in practice in two or three or four of our sites inside the company. So I've always thought about it in terms of creating it as a platform that would both, again, improve our own performance, which is important, but would also be a great marketing tool in terms of showing what is possible and doing that on a consistent basis.

So that's how we've kind of thought about it inside the company. Now we meet with customers all the time and again, I think it's just smart for every business to think about a world where there's going to be restrictions on greenhouse gas emissions. And so we are going to be ready. I don't know if that's going to be four years away or 10 years away or whatever, but I do think it's going to be here someday. So we want to get ahead of it and do it and make a buck at the same time. Yes? Got a mike up here?

Unidentified Audience Member

Yes Jeff, when we think of GE, we think about an engineering driven organization. I mean even a lot of your presentation focused on technical leadership and R&D spending. I'm curious, in order to achieve your 8% organic growth, will you have to transform the organization and the organization structure into one that's a more nimble sales marketing driven organization? And if so, what does that do to kind of -- how you think about hiring people, and rewarding people? And where are you in that process? I'm sure you've thought about it.

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

I mean I think if you look at some of the things I've talked about from a human resource standpoint, these growth leadership traits, one of the things we've done is we initiate -- you know, for instance, we've got a financial management program that is 80 years old, and so if I look at my team right here, Dave Calhoun is from the audit staff. John Rice, from the audit staff. Keith was on the audit staff for eight years, worked for Dave, when Dave ran it.

This was the premier way to grow inside GE, and what we launched a couple, three or four years ago, was a commercial leadership program. And so we will develop not only great finance teams, but great commercial guys people -- men and women, people that can go across the company. So functional expertise, more training, the growth leadership traits I showed you, the funding -- what I would say is we kind of increased the funding in R&D here 50% without you really noticing it.

In other words, our R&D funding is 50% higher today than it was four or five years ago, so we now have the run rate we wanted. We now have the run rate, and see we never asked anybody here to pay for it, we found other ways to pay for it, so we got a great pipeline, the imagination breakthroughs were all hand selected people, so the 90 people running those organizations are all hands selected zealots from inside the company that are going to help drive that culture change and growth inside the company, so lots of different ways we work on it over time, in terms of changing the culture.

And the -- the other thing I'd say though, in the end, I think one of the things that certainly is my philosophy, and I think everybody -- part of the GE team agrees on it, is the best thing you can do to drive growth in a company is fund it. And so what we've done in terms of Dave and John and Mike and the organizations we've got there, is we've got organizations that can protect hybrid locomotive.

And what I would tell you is that that would be a hard thing for just one business. A \$2 or \$3 billion business couldn't pull that off. A \$42 billion business can do that -- can make that happen, can make the right trade-offs, can fund it and let it grow. So I do think it's a way that the new organization can help fund growth as well. In the back, yes?

Unidentified Audience Member

Jeff, GE Capital has been pretty active internationally buying minority stakes in a number of banks in Turkey, Latin America, Korea, Taiwan, amongst other markets, and I'm curious as to what the end plan is and why you're buying minority stakes -- would you consider just buying a bank here? And the second question, as it relates to the first, is on a longer-term basis, how do you compete against these big financial institutions, like Citigroup and Bank of America, just to name a few, which have hundreds of billions of dollars of low-cost deposits sitting out there, the guys who put money in the savings account at 1%, and I have to believe on a long-term basis that that's going to be some kind of competitive issue for GE Capital.

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

Dec. 13. 2005 / 3:00PM, GE - GE Annual Outlook Meeting

The answer to your first question is I think that we don't have necessarily a minority strategy per se. I think there are two reasons why we do it. One is because we can't do it any other way. In other words, if you look at Korea, we'd love to have the majority stake when we went to Korea, we just couldn't? So we invested where we could, we put in the CFO and the risk manager and we can grow a platform over time, with a partner - in this case Hyundai -- that we are going to have for longtime in Korea -- decades, long time.

And then there's another strategy, like BAC in Central America, where we started like 50, but the intent is to go to 100 in a staged plan over time, so we've got partners that got skin in the game, there is an earn out, we can learn a space that wasn't there that we knew much about, and we can build that can grow over time. So that's the reason why we started, either because we can't -- we knew a lot about Korea before we did Hyundai. We had been there a long time; it was just the only way we could learn.

Central America, we wanted a partner, we wanted to learn, we wanted to invest, we wanted to grow. I think in financial services -- this is one you could always sit and talk about for a long period of time. It's a massive market. I mean massively huge to the 10th power, in terms of where it goes. There are -- our commercial finance business is a couple hundred billion dollars in assets and 3% market share. We've always been able to out hustle and out niche and out execute banks.

AAA is very important, having deposits someday may be important as we look forward in the future in terms of cost of funds, and things to do -- like that. I mean those are things we have to look at. But, if you analyze in a detailed away every money centered acquisition that's been done in the last 10 or 15 years, not one of them has grown organically. In other words not one of them has led to better performance in the marketplace, not one. Not one. So it doesn't concern me, from a marketplace standpoint and having the AAA gives us good enough funding that we can continue to grow pretty aggressively on a global basis. Other questions? Way over on the side. You're always the guy that sits in the back.

Unidentified Audience Member

I know. It's a safe place to be. You said it before, that you felt that the structure you have in place now can support 2X GE. I mean is a doubling of the company -- I mean in the way the numbers work, this company gets double -- the earnings are like \$5.00, I mean no splits or anything, in seven or eight years. (A) is that the right type of thought process that you guys are thinking about? And second of all, if that's correct, right now you're solving basically for cash, between the buyback and the dividend you're not accreting any cash on to the balance sheet over the next two to three years. Is that more of a long-term strategy that we should see going out for any particular length of time?

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

Well, I think again, I think it's not size for the sake of size, but if you look at the company over a 30-year time period, over a long time period, and say what was the time period where the company had the best valuation, the best investor valuation, it was at a time period of stability, and growth. It was a time period of consistency, stability, and expanding returns. So when you say is doubling necessarily the right way to think about it, what I would say is I don't think about it necessarily been twice the size for the sake of being twice the size, what I say is 15% earnings growth, we're expanding ROTC, 8% organic.

If I look over 30 years history, that ought to be good for us, in this room, you and me, because that has worked historically, and that's as smart as I am, or as dumb on one face. I mean only cash side I'm not sure I have as good an answer as you had a good question. I mean what I would say is we've got a portfolio that's setup to generate a lot of cash, and we're confident that that cash is generated not for a year or two, but for years. In other words, we've got high ROE financial service business, we've got -- for Dave to grow to fulfill the engine order might be \$400 million of CapEx in a \$20 billion business a year?

So it's not like we're sitting here saying, oh my God, in 2008 we're going to have to put \$5 billion in the aircraft engines business, it's going to be \$400 million. So we know that year after year after year, so we say okay, now what's the best use of the cash, it's to give it back or to reinvest it or do deals and stuff like that. So I mean I think that's the way we think about it, I think.

Unidentified Audience Member

But the point is it's not going to let -- there is under no likely circumstance are you going to probably collect cash accrete on the balance sheet in a material away, which would therefore have -- which would therefore reduce the returns --

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I can't see it. I just can't see it. I just can't see it. One more, Bill? One more question. Right here, right in the middle.

Unidentified Audience Member

From a portfolio perspective, by country, is there a limit that you would have on investments or capital exposure in any one country?

Jeffrey Immelt - General Electric Company - Chairman of the Board, Member of Public Responsibilities Committee & CEO

It is something that we always look at. When there is a -- we do a GE Capital meeting once a month, that's all the people basically up at that table here, and we review exposures, not just financially, but industrially, and we look at countries and we talk about do it. And then we do it on a granular -- so we look at the total company and we do it on a granule basis. We look at do we have too much commercial real estate in Paris? And how does Budapest look? And so we look at it not just as a company basis, but also on an asset basis.

Now, you can have all that information, the question is what do you do about it. In other words, do you talk about -- but what I would say is something we always are thinking about, and something we are always kind of gaming in our own mind you reach a certain point of too much exposure and too high a risk. I would say we more think about it in terms of asset classes, but we also do look at it in terms of total company exposure.

Well, I think -- Bill, do I turn it back over to you now?

William Cary - General Electric Company - VP of Corporate Investor Relations

Great Jeff, thank you very much. Thanks everybody for your time and attention. We actually have a reception here, if you'd like to stick around. We've got a bunch of just out reports and business leaders, here to talk with you as well and again, thanks very much for coming.

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