FINAL TRANSCRIPT

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GE - GE Energy Investor Meeting

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PRESENTATION

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

Good afternoon, and welcome, everyone, to the GE Energy Investor Meeting and webcast. Today's meeting is being recorded and will be available for replay later today on our website, www.ge.com/investor. We have about 80 analysts and investors here in the audience here in Crotonville, so a pretty good turn out on a very rainy day.

The presentation today will be hosted by our GE Vice Chairman and President and CEO of GE Energy, John Krenicki, and his leadership team -- several members of his leadership team. As usual we'll go through the deck and then have a good amount of time for Q&A at the end.

As I always have to say, elements of this presentation are forward-looking. And based on the world as we see it today those elements can change, so please interpret them in that light. And let's get started. I want to turn it over to John Krenicki.

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

Thanks, Trevor. Thanks, again, for taking the time to spend the afternoon with us here in Crotonville. We're excited to update you on the Energy business and the exciting initiatives and changes we've made over the last couple of years and changes we're going to make, initiatives we're going to drive going forward.

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You'll hear from Steve Bolze who runs our Power and Water business, Dan Heintzelman and his team on oil and gas, and then two very exciting areas. Jim Suciu, who runs our sales and marketing group, talking about expanding our customer base which we see as the next frontier beyond localization and regionalization. And then, Dan Janki with exciting new P&L he's running. And then, we'll wrap it up.

Some news today, we announced $3 billion in new agreements consistent with some of the big themes that you saw outside in the regional displays and some of the questions and dialogue we had. We're operating in difficult places. We've been in these places for a long period of time. And we are winning relative to our competitors, winning in Egypt right after the revolution, picking up the first floating LNG project with Shell, our testimony to the execution capability and the long-term presence of GE Energy in some of these growth markets.

We dispatched our top salesmen to Russia last week to ink a deal for gas turbines. This is going to be a multi-billion dollar deal for GE. It positions us in the pole position in Russia. And if you think about the Energy business and natural gas, you need to be in Russia. We had our Russian team here today. But we're building upon a great foundation there, and this deal is really a big accelerator.

And also, in some emerging markets we announced a deal with Eike Batista's business in Brazil. We've built out great capability. We have more than 10,000 employees now in Latin America. Mass global -- continuing to build-out presence in Iraq which is the next Saudi Arabia for us in the Middle East. And we continue to win in wind turbines with our 1.6-100. We won big in Brazil. We're winning big in the United States. We're winning around the world. We also swept the gas auction in Brazil, so this team has lots of momentum.

If I think about the context of the environment we're operating in, it's a multi-speed world. We don't operate in one economy. We're an emerging markets business, we're a developed markets business, and we're in between as well. So mixed bag there, some good news, bad news, but lots to work with.

On commodities, if I think about the business today versus three, four or five months ago, we were more concerned about inflation a few months ago than we are today. It's moderating. So we don't see inflation as a headwind in 2012. And that's something Dan and I will talk about at the end.

One of the greatest advantages of the Energy business is we've got terrific customers. Our technology makes them lots of money. They are financially strong. And we have many other customers in metals, in mining, in marine who are energy intensive. Now that we think about the new acquisitions that we've made we've got a great opportunity to replicate our oil and gas vertical success in five or six other spaces. And Jim Suciu's going to talk about that.

I'd say if I could leave you with one point today more than any is we've been investing heavily in new product innovation, investing heavily in localization. We are well-positioned technically to win in the up cycles ahead. GE took advantage of the last two big cycles in the energy space which was a gas turbine cycle in the 2002 timeframe, and the wind cycle. We are positioning for what's ahead organically and inorganically as the technical innovation leader.

And on public policy, again, a mixed bag. I'd also say, in an environment where public policy is paralyzed, all roads lead to natural gas. And we are the natural gas technology Company. So we are, I'd say in, in general, a favorable external environment for the Energy business.

This business has changed a lot in a decade. We had a great business in 2001 but it was a narrow business. It was gas turbines. Heavy duty in aeroderivative, we were the number one player and we ran that business well. 70% of our business came from these products sold to US customers, and then it went away.

In the meantime, we built the premier wind franchise, the premier gas reciprocating engine franchise. We've entered into the oil and gas business, subsea business from nowhere. We've built-out a great process solutions business that we're going to

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show you today. And we're a leader in smart grid. So we've retained our leadership position in the gas turbines. We've globalized it. We've added these new businesses. And just over the last 12 months we've fortified our position. We're even stronger in gas engines now in compression.

Flow technologies we see as a great synergy area for our gas infrastructure business and a lot of internal synergies. Electrification is a big trend, and Dan Janki is going to take you through how that applies to the oil patch. And we continue to build upon our Drilling and Riser business.

So a great franchise selling to customers we know well, utilities, oil and gas, with great upside selling to other industries. But our strategy is we're going to be the technological leader in every business we compete in. We're retained what we had in 2001, and have built upon that and the businesses is much more diverse.

At the same time, we're building an emerging markets company. You saw some of that in the product displays. But it's not just a commercial force, it's bricks and mortars. We've built world scale manufacturing and servicing facilities. We have a COE, a center of excellence, in the Energy business that just builds new facilities and we build them for scale. We want to have 1,000 employees -- ultra-low cost.

So in China, in Vietnam, in Australia, in Saudi Arabia, two-thirds of our business is now outside the US, even more so will be in the future. The business has flip-flopped 180 degrees from where it was in 2001, 2002. So, we're an emerging markets company. And these bricks and mortars are commercial investments. We curry favor from the local governments.

In Vietnam we make wind turbine generators in this facility. We're winning the wind turbine orders in Vietnam today at an early stage. In Saudi Arabia, we're going to employ 1,000 people in Dammam. Aramco's headquarters is in Dammam. So these are commercial investments, low cost and give us tremendous speed and flexibility relative to our competitors.

We pride our business on execution and a strong track record. What I'd like to draw your attention to is if you look at the number of gas turbines in 2010, at 114 it's roughly the same order of magnitude as 1995. And the business is not a single business anymore. We've built out our install base in the products we were strong in, and we've built out all these other businesses.

So we still have the world's leading gas turbine franchise. Volume is lower than it was in 2002 so we view volume as an upside for the business. But look at all the other stuff we've added to the portfolio. This is a much more stable, much more diversified business.

But if you look at 2010 in gas turbines only it's 1995 in terms of volume and we're making more than tenfold the operating profit. So, we view the gas turbine volume as an upside going forward. All roads lead to gas. And we've invested ahead of the curve in our M&A strategy to build out that gas franchise in the broadest sense.

I get a lot of questions on acquisitions. We haven't batted 1,000 on acquisitions in the Energy business, but I'd say we've batted 700 over the last decade. We've spent $11 billion of capital. We've grown the business double-digit, and we've generated return about 20%, well in excess of our cost of capital.

This is over 90 deals since 2001, but we've got most of them right. And the ones we didn't get right we haven't let go of, and we're still trying to work those and bring them to a better state. But the capability to integrate acquisitions, the DNA, the discipline is in this room. And what we're looking at on a go-forward basis is roughly the same amount of money, about $11 billion or $12 billion deployed in business that are high tech.

The growth rates here are the kind of the next three years' growth rate assumptions that we have in our models. But with Dresser they've built upon our gas franchise, very synergistic. In Wellstream and Well Support it positions us as the leader in subsea and also onshore equipment manufacturing and aftermarket services, so the next frontier that our customers in the oil and gas space want us in.

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And then Converteam and Lineage put us in a pole position in terms of electrification for our portfolio. And Dan's going to take you through that in great detail. But we love the deal. They're tight spaces technologically, fast growth.

Think about the product displays in the global regions. A lot of these businesses we bought from private equity. They were underinvested in in terms of geographic expansion. They get instant scale. For our teams in Russia, in Vietnam, in the Middle East, we've got acquisition leaders on the ground in all these emerging markets that are going to blow these businesses out in a global way.

So, we're going to make them work on the top line. We'll have good bottom line as well. But we're going to invest in NPI, globalizing these businesses, and do with these acquisitions what we did with the previous 90 over the last decade. We'll basically run the same play going forward; selling to customers we know well and have CEO access day one. That's something else these companies didn't have before GE showed up.

We've been investing heavily in product line competiveness and our portfolio is in better shape today than it's been in any time in history. We've been setting world records in heavy duty gas turbines, in aeroderivatives, in solar, in wind. And this is just over the last four or five months.

So our investment in R&D, organic investment in the business, is paying off with the best products. So we're looking at level loading this on a go-forward basis. We think we got the right run rate here. But the investment in organic growth is paying off with great products.

And we see the future as gas. So we were narrow 10 years ago just around turbines. Look what we've built-out today, a very strong drilling and production business, the world's leading LNG franchise, and a growing process solutions business that Brian Palmer's going to talk about that allows us to tap into the broader gas infrastructure and storage. Because this is not just a US gas dynamic. It's China gas. It's Europe.

We are the gas technology company. We call it [fast blue] in GE in terms of policy and where we see things going over the next 20 to 25 years. But we want to have the pole position in gas because we think there's going to be fewer government subsidies, that things are going to have to stand on their own two feet economically and it leads to gas. So, how do we stake out high tech positions in a broader sense in the gas -- on the gas playing field?

Dan Heintzelman's going to take you through oil and gas in detail, so I'll be brief here. But basically our strategy is simple. We make stuff. We make high tech products. We want to be the premier manufacturer for oil and gas customers. They want aviation quality and reliability and dependability in the oil and gas base. We started there in turbomachinery. We've built out a great LNG franchise. And now, we're going to take you through the subsea and surface and shale gas.

And Process Solutions is a business we haven't spent that much time with investors on. But I think you'll like what we see and what we've been building over the last few years with Brian Palmer at the helm.

This is something that I'm really excited about. If I think about leadership products, globalizing the business, the next upside in terms of growth with investors is there's other energy intensive customers out there that we haven't spent a lot of time with, in food and beverage, in unconventional fuels, places like the oil sands in Canada, petrochemical companies, big metals companies, mining, marine.

And the acquisitions we did recently, Converteam being a great example, give us more scale, more stuff for our market basket. These customers are just like oil and gas, very capital intensive, value technology. And we have an open invitation at the highest levels with all of these customers to talk about how we can make them more profitable, more successful. So this is upside in terms of where we're going to take our business.

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Also on the upside of the equation, Dan Janki's leading the business in Energy Management which pulls together power, electronics, conversion, automation, software. This is a space we've underwhelmed. This is one thing we didn't get right looking back 10 years ago. Now we're going to take a hard run at it. Big growth space, it's been a very good business for others. We now have critical mass. And I think Dan's got probably the most exciting job on the Energy team in terms of how he can grow this business going forward.

So, I'm going to turn it over to Steve and his team. But we're going to punch through the Power and Water and talk about the status of our portfolio, how we stack up relative to the competition, how we see the cycle in gas and wind. Then we'll go through oil and gas.

Dan and Jim will talk about two new areas for us in terms of where we can grow from positions of relatively low share but great technology solutions for our customers. And then, we'll wrap it up with the financial. So, let me turn it over to Steve.

Steve Bolze - *GE Energy - President and CEO, Power & Water*

Great. John, thanks. As John mentioned, I have the privilege of leading our $25 billion Power and Water franchise. And what I'd like to do is give you a perspective on updated look at our breadth and diversity of our offering. And talk to you about the impact that our increased technology spending over the last 10 years is having on really improving our product competitiveness and launching what I think is the best product lineup and the most exciting NPI stream -- new product stream I've seen in my 18 years with GE.

So with that, this is all about winning in the improving energy cycle. First, is stepping off of John's chart earlier on our portfolio evolution. This is for the Power and Water franchise. If we go back to 2001 we had leadership positions globally in a number of segments. But if we step to 2011, we're still global leaders in those segments, combined cycle steam, gas, aero, etc.

But we've also added two new segments, gas engines as well as wind. And we rival now anybody in the industry with leadership position. And if you fast forward to the next decade we're looking at continuing to invest to keep those leadership positions and build out even new spaces. And Vic will talk a little more about solar today.

But our Power and Water franchise today is responsible for generating 25% of the world's electrical generation today. So that's a big footprint and a big area for us to continue to expand. And we're all about day to day execution as we continue to build out new businesses.

Now John talked about global market cycle, and I got a lot of questions at this outside as part of the discussion in the various booths. My message to you is overall the global market cycle is improving. And why is that? Primarily around our improved product competitiveness and the improved demand in the world has positioned us for more volume.

We stepped through some of the segments, gas turbines. In '11 we're going to ship actually more gas turbines than we thought in the beginning of this year. And as we look to 2012 we're looking at more gas turbine shipping in 2012. International growth -- you saw some additional announcements today, as well as gas being an attractive alternative for coal, nuclear, as well as the various EPA standards that are coming out.

If we step down to renewables, the dynamics as we go into '12 will improve in terms of volume. That's driven by not only the production tax credits in the US, but also 50% of our orders this year, approximately, are outside of the US. So, we have globalized this business. And with the economics of this is the Wind business is now a more competitive cost of electricity compared to various alternatives.

The last of which is in distributed energy. We have the largest franchise today of distributed energy in the world. And I'll talk about some of those offerings today. The businesses are growing double digit this year. They're positioned to grow double

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digit next year. And this is all about providing power where they don't have established grids, where they need emergency power, and also how we're expanding now with Waukesha in a pipeline compression.

So in the market cycle we're in, how do you continue to win? It's all about having the best product, being in the right places, and having the best cost position, which John talked about. What I want to spend my time on is the best products. And to give you a sense, that investment is 2X in technology spending in the last five years. And our sales, from new product development, is up 2X as a percent of our sales versus it was five years ago. Let's talk about some of those new products that are shaking the industry.

The first of which is the FlexEfficiency 50 Combined Cycle Power Plant. We had it outside. We announced this in May. This is a result of a $0.5 billion investment. What's unique about this? The world has always wanted efficient baseload generation. Now, if you go back 10 years ago, 70% of the gas turbines in the world ran baseload. If you go to today's grids they run more like 40% baseload. Why is that? Intermittent power needs that cycles much more in these countries, as well as with more renewable penetration, you now need flexibility.

What this FlexEfficiency 50 Combined Cycle Plant is all about, 510 megawatts world class baseload efficiency, 61%. But at the same time, if those customers that need flexibility, it has world class flexibility. So in this case zero to full load, 28 minutes, that's 50% faster than anything in the marketplace.

And also if they want run it, what's called, part load. We can now drop the loading to 40% from peak and that allows them to stay within the emissions parameters, and that's 50% better than anything on the market.

Tremendous amount of interest in this. You know we already announced $300 million in commitments. That was not only in Turkey, but some opportunities in China. And what we're doing also is going to be flowing down this technology to the 60 hertz world, which would be North America. Other spots of the world we are in discussions today. And this is going to continue to build out the franchise here. So, 510 megawatts.

Outside of the big utility industrial world, there is a huge opportunity in the world for distributed power. Think about 1.4 billion people in the world still don't have access to electricity. This is a huge opportunity to go forward, 85% of it in rural areas.

So what John talked about in building out our global footprint is these are in areas like Indonesia, Africa, China, India. This is a huge opportunity for us. And our franchise amongst aeroderivatives, the Jenbacher business, Waukesha, and now our emerging Solar business positions us ideally to play in this trend. Let's talk about it. By the way, this space, $30 billion-plus.

We talk about aeroderivatives. These, as many of you know, are our jet engines packaged in the marketplace. We have over 2,000 units in the world today. What we announced last Wednesday was, again, a result of about four years worth of work.

This was a FlexAero. What's so unique about that? It's now 50 megawatts, not 500 megawatts like the FlexEfficiency 50. So smaller size -- one-tenth the size, but same thing; world class combined cycle efficiency and also world class flexibility.

In this case, you're talking from start up to full load in five minutes not 28 minutes. And by the way part loads, same sort of industry benchmarks -- and by the way for needs of emergency power around the world from when this comes to site to when it comes up full running you're talking about 70 days, which is 50% faster in terms of installation, than any other unit in its class in the marketplace.

So ideally suited for emergency power application, as well as additional renewables on the grid. We're seeing a tremendous amount of demand for this, and we start to see our first units of this ship at the backside of 2012. So right product, right time for this space.

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The other side of the equation on distributive power is our Gas Engine business. And as I mentioned, we weren't in this business 10 years ago. We entered the left-hand side of this chart with our Jenbacher acquisition. That business has scaled fourfold to over $1 billion now. And by the way, this business eight years ago was about 10%, 15 % of the engines burned non-natural gases, now it's 50%. So think about areas in the world that don't have natural gas, but they have biogases. They burn this.

And what we just announced about nine months ago was a bigger unit. These are now going to be 9 megawatts versus 1 megawatt to 4 megawatts that's been the core offering in this space. And then, on the right-hand side is part of the Dresser acquisition, we now take the same business model of gas engines from power generation to the world of mechanical drives and power compression -- pipeline compression.

The business has only been with GE seven months. In the second quarter, it turned in its most profitable quarter in its history. We are seeing strong synergies in talking to the customer base in oil and gas. And we just launched this engine, and I'll be with the distributor set tonight in Milwaukee, and this is two points of efficiency in that space and, again, reliability in emissions level. So, great platform we can continue to scale.

Now, the other side of this is what you know well, which is strong product positions allow you to continue to scale out service franchise. So if we think about our service franchise today, gas turbines over 8,000, aeroderivatives now close to 2,500, but wind 17,000 units in the world now. And now, with our gas business with Waukesha, close to 34,000 units in the world. We have a huge [entitlement] going forward to help support our customers, and over $40 billion of contractual service backlog.

We think about the right-hand side of this is, I think you're familiar with (inaudible) solution. The point I'd like to leave you with over the last five years, we've invested $6 billion across our product and service technology areas to bring about upgrades, additional offerings in our contractual services and life extension so that --.

By the way, if you think about it, we want to make sure that those units operate better later in their life -- actually better than the day they ship from the factory, better efficiency, better performance, better life. And by the way, what this translates into is we generate a tremendous amount of value for our customers, and we capture a fair share of that value in terms of GE's earnings growth.

And if we think about that over the course of the last 10 years, the service component of our Power and Water business has scaled from $5 billion to $13 billion. And if you think about it as a mix of our business, it's gone from 26% to almost double, 50%. So the service franchise continues to get stronger with the leadership platform, and this continues to sustain double digit earnings growth as we step forward.

So with that, what I'm going to do is turn it over to Vic, and then I'll come back and round it out.

Vic Abate - *GE Energy - VP, Renewables*

Great. Steve, thanks. Hi, good afternoon, everybody. It's terrific to be here, and as Steve said my name is Vic Abate. I head the Renewables business in Energy. I've been in Energy now 21 years, all with GE here, and the last six I've been running this business. And prior to that I came from engineering. I was the Vice President of Technology in core power gen.

And the reason I walk you through that is that really illustrates the core of our strategy for renewables is -- you look back in the 2000, 2002 timeframe, we felt this was something we could make really big with an introduction of technology.

You look back in 2002, we acquired Enron's bankrupt wind assets for about $250 million, and today with the interjection of $2 billion of R&D and some disciplines from core GE technology platforms, we now have a $6 billion differentiated franchise with the world's most efficient and reliable fleet out there.

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Today, we have 17,000 units running at 98.5% availability. If you look back just five years ago, that number was 85%, so this is continuing to drive the differentiation and the value proposition for our customers. And in our view we're just getting started. And I'll show you some of the plays that we have on the horizon, as well as some of the activity with our new products and the bullishness we have there.

We're going to run that same play in solar. We announced in May the intention to build a 400 megawatt -- this country's largest solar factory. We'll talk a little more about that. But we've broken the record on thin film efficiency. And many of you have read the solar industry's had some very trying times as of late. I think that illustrates if you don't have the right technology and the right strategy, you're not going to be sustainable.

And clearly, you look back in '07, you could sell solar modules for $4 a watt. Today, if you don't have a cost position well under $1 a watt you're not going to be sustainable. And we believe with thin film and our acquisition of PrimeStar, plus 250 GE scientists, we are on the path to have a differentiated position, and now we're building to scale with our focus on a new factory.

Just on renewables, let's just take a look at the market. If anybody tells you they believe renewables are a niche play, they're just not looking at the data. The fact is, to the left here you can see this industry really driven by wind, but if you look at wind and solar in aggregate has doubled every three years for a decade.

And over the past three years 40% of all new electrical generation that plugged into the US and Europe grid has been wind power. And over the next three years, we see that continuing with a $200 billion-plus opportunity. And if you look globally -- take all the economies around the world, wind is made up 20% of all installations. So, this is a massive market.

Now, the flip side is today on a terawatt-hour basis, less than 3% of all electricity comes from wind and solar. So tremendous upside with targets of 20% in Europe, 150 gigawatts in China and 119 countries have clear goals and objectives to get the double digit penetration of renewables.

And just to put it in perspective, every point the world wants to go more renewable, if you do it with wind, you need 40,000 wind turbines. If you want to move a point with solar you need 600 million solar panels. So the demand profile for this is massive in our view, and we see it as a multi-generational build out. Today, we have a $6 billion platform with about 3,000 units a year. So, that gives you a sense for the upside that we see long term and why we're so bullish on this space.

Now, this hasn't happened by accident. The fact is John talked about the challenges with subsidies and how we see the dynamic in government. We've navigated through that in the last decade, but really the prevailing position here, and I think the key around the core technology play, is how do we get renewables to stand on their own two feet and become more and more competitive with time. And the chart on the right shows exactly what's happened with wind.

If you look in 2012, unsubsidized wind landing in the United States is $0.05 a kilowatt hour. If you take -- put the PTC on that, there's utilities signing up contracts for 2012 for $30 a megawatt hour for the next 20 years. So this is competitive power, and it's really only capable with the latest technology that we have here at GE relative to meeting some of those targets.

And this chart shows you the one that we're currently the most excited about which is the 1.6-100. This machine was built off of the legacy of the 17,000 1.5 megawatt machines we have running today. And in May we introduced what we call game changing technology, and our customers have talked about it as a game changing capacity factor machine, into the market.

It currently is 7% more efficient than any machine out there -- its nearest competitor. And from the original Enron machine, it's 50% more power and 35% more efficient than the machines that we were shipping in 2005.

So based on that, what does it mean? If you take the 1.6-100 and bring it to the market against the next competitor, your project has two points of IRR advantage over the nearest competitor product out there. And as a result, we've been running the table.

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We introduced this in May. The fact is we have over 1,250 machines under contract and currently the customers are seeing this open up applications that they just couldn't see the economics working without technology like this.

The 2.75-103 is our multi-megawatt platform. That's off of the 2.5 megawatt machine. We've expanded that. We've upgraded it 10%, increased the rotor diameter. It can still fit within the permitting applications that the European customers have. What you talk about size and scale, we're currently shipping 25 units a month. We'll do that for about two years, out to Oregon, building the world's largest wind farm, which is nearly the size of a nuclear plant at about 850 megawatts. That's in the US.

In Europe, in Romania this first quarter, we just commissioned 300 megawatt wind farm in Romania. That's expanding to 600 megawatts. So we have Europe's largest wind farm in Eastern Europe, which is one of the fastest growth segments. So, extremely well-positioned there.

And the chart on the left, what that shows you, is really how technology is making a difference. When you look at renewable industry, the fuel's free. So, the economics are pretty straightforward. How do you take that free fuel and convert it into megawatts and do more of that over time? Back in 2005, our 1.5 megawatt machine was about 420 homes. Today with the latest 1.6-100 technology in Class III wind it's 700 homes. So, that's value that we're able monetize and get the value for it.

Just one last point just to put it in perspective, how fast this industry's changing. If you take Germany which has about 30 gigawatts of wind installed, and that country really led a lot of the development of this technology, today their capacity factor of their site, the efficiency of the country is about 20%.

If you took and installed 1.6-100s in Germany in place of what's there today, you'd double the terawatt hours that went to the grid in that country with this technology. So, that's how fast and how aggressive we've been able to move the needle with taking our core technology and moving it forward.

What do these great product launches do for you? It gives you a great opportunity to mine the installed base. Today we have 17,000 wind turbines, when we acquired the business there was less than 1,000. This number will be 20,000 in the near term, and we see it being 30,000 just in a couple of years. So, this is a great opportunity.

The CAGR has been 40% on our installed base. And when you actually look at what the value is, a one point change in output is worth $300 million of value to our customers. So just an example, if you take -- for us we have a software improvement we call WindBOOST. You take the 1.6-100 technology in some of the controls that allow that machine to be efficient, we apply that to existing wind farms. You can get 3.5% to 4% more production. That's a $1 billion idea.

Today our engineers have 52 of these ideas in the hopper, and customers are coming to us to look to how do they get more out of their wind farms. So when you think about a risk-adjusted return, the development risk is gone. The wind risk is gone. The weather risk is gone. You know the PPA, so the economics are pretty well understood. If you bring this to market, it's a very easy discussion with a customer, especially with advancements that we just talked about.

One other point which is extremely important is the distributed nature of wind. You don't have a nuclear plant sitting in one spot. These are all over the countryside, so the ability to work electronically from a control center has huge productivity advantages. If I was to ask every customer to put a sticker inside the 17,000 wind turbines that they own that said I was here, the cost to do that is $20 million.

Now the fact is, I can do that electronically every day, and turbines come off line. They trip. Instead of dispatching people to the site, you need three people when you do it because two to climb for OSHA, confined space and all that. Four out of five issues that happen on wind farms today, we solve in less than ten minutes from either Schenectady, New York or Salzburg in Germany with control centers.

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And so, customers are seeing that capability as a huge advantage on productivity. And this is also how we've been able to get to the world's leading reliability of 98.5% which that will rival, steam, nuclear, gas, any mature power generation technology out there. And that's been our goal from day one.

A lot of discussion on quality, and I don't have a pointer, so I'll try to explain that. But the fact is now that the industry is accustomed to 98 traditional thermal power generation reliability levels, the risk of getting it wrong is extremely high. If you take a wind farm that's running at 98.5% and have it drop to 85% to 90% availability, you'll lose 80% of that investment. It'll drop the IRR by four points. And how these are often levered, there's no money left. So, it completely can bankrupt the owner of these assets if you have a quality problem.

And if you look back, gears were a nemesis of this industry back in 2000, we changed the standard with HALT testing. If you look at blades, there's been blade issues and those kinds of challenges. We've changed the game with some of our manufacturing processes and technology. And here's an example, we had for our 1.6-100 -- remember this is a 100 meter diameter rotor. You turn it vertical, fly it 25 stories in the air and you get enough power for 700 homes. That -- the loads on this while you look at it from a distance, appear to be relatively simple, I'll show you they're massive.

And inside the structure are blind connections similar to a beam on a bridge. And on the right what you can see is an I-beam, which is a structural element in the blade. And then, you have what's called a spar cap which is the top. This is made of advanced composite material. This is the structural piece. And like a weld you need to connect the two, and that's done blind in the process. You can see the GE machine with 20 year life -- that bond and that special epoxies and temperatures and process controls.

Here's a competitor OEM, a Chinese OEM, a third-party section. The bond isn't even connected. So when you look at what's the life of that blade, what's the life of that asset? And we've instituted testing where this is something we do 2 million times for every supplier, every design and every certification. And in the industry, we're setting the standard.

But we continue to do this with gears. We continue to do it with pitch drives. We continue to do it with blades. And you can see what it means for the value of the asset. And we believe customers buy quality. At the end of the day, this is going to make or break a wind farm. And you have to be with a Tier 1 supplier, in particular a GE, to be guaranteed that these kind of quality levels can be maintained over the 20-year asset.

We're investing for bold moves. We've talked a lot about the key products that are in the market today. We have an offshore platform. I'm extremely excited about that. It's a 4.1 megawatt machine with 113 meter rotor that's going to be put up this fall in Sweden. And this is part of our ScanWind acquisition. It's a direct drive platform. And to be honest the off-shore space over the last 150 gigawatts of wind that got installed, 148.5 of it was on shore.

So it's not like the offshore market was that big historically, and looking forward, if anything appears to even be slower and sliding to the right. But we are positioned, and we believe that the offshore market that will move first will be the most cost effective. And that tends to be lower, shallower water, closer to shore with monopile foundations because they are the most cost effective.

For that application, we have the most output with this machine of anybody else in the industry. And so we think we're well positioned there especially with direct drive, we have unique reliability characteristics.

We've also -- there's discussions between a 5 megawatt, a 6 megawatt, different machines. We've done studies. The only way you can really change the paradigm from a turbine perspective in our view to really change the cost in a significant way is you got to think different. And so, we've got our scientists looking at [16] megawatt concepts with advanced nanomaterial for blades, superconducting generators for improved efficiencies and the like, and we're excited about that.

And just to close, we're looking at the bold moves in wind and solar. We've been doing the same thing with, as I've said, 250 scientists. But we've been able to do, by teaming up with PrimeStar which was a thin film company out in Colorado, next to the

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National Renewable Energy Lab, is in record time the industry -- we've been able to demonstrate that we're able to move efficiency which is the top parameter for differentiated performance. So, one point change in efficiency of a solar panel changes the economics of utility scales solar by about 10%.

So, here we are with an industry that progressed at a rate of about a half a point of efficiency improvement a year. We got involved with this in 2007, 2008 timeframe and since then we've been able to move that at four times the rate with two points of efficiency a year, and broke the world's record late last year at over 12.8%.

We've since had additional modules over 13, and we're launching our factory in the US which the announcement will be within the next 30, 45 days -- we're right at the tail end of wrapping that location up -- a 14% target. And when you look at today with thin film, most of it's being shipped in the 10 to 11, 11.5 range. We feel very comfortable that we'll be differentiated and positioned well for the long term. I'm excited about the position there.

So with that, I'll turn it right back over to Steve, just to wrap it up for Power and Water.

Steve Bolze - *GE Energy - President and CEO, Power & Water*

Vic, thank you. So just to wrap up, hope you get a sense for why we're excited about this $25 billion franchise we have. And the strategy we've been running is pretty clear. And if I were just to touch on two of these, the big focus has been on leading technology and product manufacturing.

And the result of that increased investment over the course of the last decade has led to the best product lineup I've seen in this business over the last 18 years. And its position is to rival anything competitively in the market space.

And I think the second side of this, in terms of large installed base, we're positioned to continue to scale out our Service business. And as the industry shifts more to a gas cycle, remember that 50% of all land-based gas turbines in the world, are GE. So as we continue to invest, to improve that asset productivity for our customers, we can help capture some of that value within the Company.

And what that leaves us with from an investor perspective is a $25 billion franchise, which as we step forward, visible top line growth as the markets are improving, a growing backlog in a sustained high return business to General Electric.

So with that, we're going to transition here, and I'll turn it over to Dan Heintzelman, to give you an overview of Oil and Gas.

Dan Heintzelman - *GE - SVP, President & CEO, GE Energy Oil & Gas*

Thanks, Steve. Well, hello, everyone, I'm really happy to be here today, and I've got three of my team here with me, the leaders of three of our businesses. And we're going to spend the next few minutes talking about this terrific Oil and Gas franchise that we have, and talk about some of the reasons why we're so excited about the future in this business.

When I joined the Oil and Gas team just a couple of months ago, and one of the first things I saw when I joined this business was this picture. And I looked at this and I said, this is probably the most exciting opportunity of my entire career. Now, the way you look at this chart and try and interpret it for the future, today, the world is delivering about 140 million barrels of oil equivalent, per day. Over the next decade, that number is going to rise. The demand is going to rise, to about 165 million.

Now, the dynamic that's going on, though, with these existing reservoirs, is that with the supply that's producing that 140 today, it's actually going to shrink. It's actually going to shrink to somewhere in the neighborhood of 65. So we have to add supply to the tune of four new Russia equivalents, plus, five new Saudi equivalents, in order to supply the world with that 165 million of demand.

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Now we've got a technology line-up. We've got a series of businesses that is going to position us incredibly well to play across this set of challenges.

You got to remember too, that these new sources are going to be more challenging than the old sources. They're going to be deeper water, further off shore, acid, sour sources of supply. If we can deliver the technology for our customers to help them in this very, very difficult environment, we are going to have a wonderful franchise for our company and our shareholders.

I think even with the 65 -- a typical reservoir today is able to extract about 35% of the assets in that reservoir. So enhanced oil recovery, or the ability to get more out of those existing reservoirs, is another set of technologies that we have that will also play very well for the future.

So when you look at this business, this business has grown from roughly $1 billion, back in the beginning, or right around 2000 it was -- the Nuovo Pignone was the original acquisition. Great compression technology which we've built a phenomenal platform around or franchise around

Today, we have a portfolio that is going to deliver over 14 billion of orders this year. And we are positioned incredibly well across the full stream from up-stream to down-stream with threads that run through the whole thing, that are going to allow us to execute and grow, for long into the future. And we're going to talk about each of these businesses in a little bit of detail here today.

So starting with the core -- or that first thing, the LNG franchise that we have today is probably the most comprehensive in the world. We're involved in virtually every LNG project in the world at some level. This is a fast growth industry. You can see 21% annual growth.

We've got great technology. We've got a strong position with our customers. They share with us their challenges. We have delivered a number of industry firsts in this key section of our business, that are delivering on that challenge to get at these more difficult sources to bring efficient technology, that will allow them to be successful.

Now this business also has a very nice aftermarket. I've spent a lot of years in the services side of GE. And this -- I've worked with this before. This is a great services business with growth potential as well. So, a wonderful business and platform, and a huge part of our portfolio, and one with a lot of momentum.

Now, subsea systems -- and Rod's going to talk a little bit more about subsea in a moment, this is a newer piece of the portfolio. We have a comprehensive set of technologies here, that have positioned us to play across the needs of our customers. We have the ability to integrate more of the total system today. And in addition to that, we have a nice fledgling aftermarket business that we think can grow very nicely over time. This is a great growth area for us.

As you know the environment is extremely difficult that our customers are in. It's deepwater. It's high risk, safety, reliability, are crucial. And these are the things that play to our strengths. These are the things that allow us to differentiate ourselves from our competition. So this is a great piece of the business, and one that Rod will share more on in a moment.

Drilling and surface, Sam's going to talk a little bit more about this, but again, another great platform. We've got a wonderful lineup of technology. And I think the area that's most exiting, is this idea of enhanced oil recovery and some of the challenges associated with getting more out of the reservoirs.

We've got good technology, which we can make better by virtue of access to our GE Global Research organization. This is a nice sized market, again with a good aftermarket potential. So, yet, another strong piece of the portfolio.

Now Process Solutions, and Brian will talk about this in a moment as well, this is a business that we've built over time. It's roughly 20 acquisitions that we've put together. This allows us to focus on reliability of our customers' critical assets. All right? So we

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play best in the space where our customers have big investments. The reliability and performance of those investments are crucial to their economics and to their bottom line.

So, they bring our technology in. We have the ability to do monitoring and diagnostics, condition asset monitoring. We play, really, a thread across the business, including controls, that allows us to generate value for our customers. We've been very successful in this business. It has a great aftermarket component to it, and Brian will share more on this in a moment.

So if you look at the new portfolio, the new GE Oil and Gas, this business is very different than it was just a few years ago. As I've showed you, it's grown dramatically. We now have extensive coverage from upstream to downstream. We've got critical technology access. We have the ability to make it better, to enhance it for the more difficult challenges ahead for our customers. This is an area where our customers are spending a lot of money, and they want to have reliable partners, the reliable suppliers that can deliver the types of solutions for them that'll make them successful.

So, a beautiful portfolio to work with. And as I said, this process solution set of technologies that can give us access to more data, to more of the information that is important to making this equipment reliable when it's sitting on the bottom of the ocean, where you can't easily send someone out to determine what the status of something is. So more data, and more ability to remotely monitor and act upon the equipment.

I mentioned a moment ago, a number of firsts. This business we have access to customers. They talk about their difficult challenges, where they're trying to go, what they're trying to do. And as you can see here, we've got a few examples of places where we have delivered industry firsts. Where we have been able to deliver a -- in the case of the first one -- a subsea compressor, which will allow Statoil to gain more access to the assets in a reservoir, without the normal amount of investment that you would see floating on the surface.

This is an excellent -- excellent investment. It's a technology breakthrough and something that we are going to play even bigger with with the addition of a business like Converteam. This is a set of technologies that when you put them together, we can come up with some real new solutions. So, we're spending heavily in this area. We've got a strong commitment to R&D. And the idea that we can listen to customers, and put our team to work on the next generations solution, has worked very well for us.

I wanted to just spend a minute on this topic. Right? I've got -- in my portfolio I've got a number of acquisitions to integrate. And a number of things to bring together and to create value. I've been -- with 32 years with the Company, I've spent 26 of that in aviation. I've worked in the services domain, both in aviation and energy.

And I have chaired the service council for the Company, for a number of years. And when I look at -- across the portfolio I see things in value that we can get access to and create that I don't -- I can't imagine where else in the world you get -- you can make this happen.

You know, we have technology -- access to technology that is developed in aviation, composite fan blades, that keep the GE90 so successful. These are technologies that we believe can be applied to materials to make our products lighter and more competitive in the future.

The non-destructive testing. We have an inspection business that's part of Brian's portfolio. We take technology that was developed for GE Healthcare, and we apply it to the industrial space. We e think of Brian's business as healthcare for industrial assets. It's a way to determine the status of equipment in order to keep it productively working and to keep the process of managing it over time very organized.

So this is a wonderful opportunity for us to lean into the bigger company and get the kind of things we need, in order to make our business successful. So when you look at the track record here, we've built a powerhouse of a portfolio of businesses that

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have some common denominators, some things that we can run across the portfolio in order to make them all better. This is a global business.

A few years ago, it was predominately a European business. Today, it is extremely global, 33,000 people spread across the world. We have footprint in every major location where the action is. We've put up resources in Australia, in Africa, in Brazil. We are positioned where the business is, where our customers are. And we have the portfolio today, to deliver on the challenges that they are facing going forward.

So with that, I'd like to hand it off to Rod here, and let him tell you a little bit more about subsea.

Rod Christie - *GE Energy - VP, Subsea Systems*

Thanks, Dan. So like Dan, I'm new to the oil and gas space in GE. My career has always been in the energy industry, predominantly in power generation. And prior to this role, I was actually based in Eastern Europe. So, you've heard a number of things about Eastern European and Russian operations. So I'm just going to tell you a little bit about that, because I think it -- we've talked a lot about technology, our technology position, but there's something here as well that I think really plays to what GE does extremely well.

So back in 2005, Jim Suciu and John, asked me to go to Eastern Europe and really establish the operation there. And at the time, that meant that also finding an office, setting things up. It was -- our footprint extremely small. The first year of 2005, order intake was $278 million. By 2008, order intake was $2.2 billion.

Today, after really the global crisis, we see order intake this year should be north of $2.5 billion, and revenue over $2 billion. And to me, it's a great example of how GE not just brings great technology, but actually the whole organization focuses around an initiative and drives the kind of growth that you don't see in many, many other companies.

So with that, I'm just going to run you through, I think, some of the things that excite me about the subsea space coming into it afresh. And that is the first thing is it's a growing market. If you look at the chart on the left, green is on-shore. Everything else above that is offshore.

By 2030, the projection is that 40% of all of the oil produced will come from offshore resources. To give you an example, we talked about 20% growth in subsea. If you take from 2012 to 2014, the bar doesn't look like it's growing very much at all. Okay, it's investing for the future, but that represents around about $130 billion of investment, capital investment into subsea technology.

Today, based off of the business that GE has built, we can access $40 billion of that with the technologies that we have. So industry really plays, I think, as well from a technology point of view to our strengths. Just to kind of walk you through the product portfolio that we have, trees really fit to start of taking the oil and starting to manage the controls and the flow and bring it back into -- back to the surface.

The tree that you see there and the models that you saw outside, just give you an idea of the size of these. The gorgon tree, which is actually probably one of the largest gas trees ever to be manufactured, would fit or entirely fill the space that's behind me. It would fill and go through the roof. And when you put the choke module on top of that, it would double the height. It's 80 tons all-out weight, and it has to be deployed onto the seabed with precision accuracy.

So, engineering tolerances have to be extremely tight. And then once it's there, you think of the way these things operate. Shallow water tree will be somewhere in the few hundred feet. The deepwater tree will be down in some extreme cases 10,000 feet.

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The other thing to think about, when you think about this technology, is what's going through it. So you have multi-phase fluids, multi-phase flow through here. You have [waxes], gases. You have corrosive substances. You have [sera] gas. So both on the outside and the inside, these are extremely harsh environments.

Pressures and temperatures here, on the high pressure, high temperature, you're talking 10,000 psi to 15,000 psi, 350 degrees Fahrenheit. So these are areas that play to our engineering strength, our material strength, and also our ability to do life assessment and design for our 20, 25 year life of the asset in the field.

The manifold -- manifold, to give you an idea, wouldn't fit in this room, and probably wouldn't fit in two rooms this size. So these are large assets that are deployed. As I said, again, with precision accuracy on a field to make sure the field is optimized.

Power and processing is an area where it's probably the smallest part of our business today, but I think you think of Dresser -- Dan touched on this, you think of Dresser with flow control. You think of Converteam. You think of energy management, power processing turbomachinery, these are areas that we can bring together.

And with sensing, controls, diagnostics, remote monitoring, and diagnostics, we're able to actually organically grow a power and processing business that many other companies couldn't do today. And that's an area which is part of the currently [inaccessible] area for us. So we will grow that business and we'll have that [going].

Controls is a great platform. You think of being able to manage the asset -- look at the asset in the field. This is something that gives us the ability to deploy sensing and really the, kind of -- the main expertise we have from remote monitoring diagnostics that you see in the gas turbine world, and what Vic talked about with the wind area.

So thinking of these being, really, highly mission critical, these -- you deploy these you do not want to see them again. What you saw with Vic, and really, the engineering rigor that GE brought to the wind industry, we're doing the same in the subsea industry.

I would have had a picture -- like a movie of the hyperbaric chamber, but it doesn't really move very much. And trust me, you don't want it to move very much. So but the thing that we can do now, and we're the first really in the field to do so, is, we fully function test the controls module before it goes into the field.

So, it sits in there. You can see it goes down to 4,400 meters. Take 10,000 meters at 3,300 -- we can over press anything at this point and time. We can fully factory acceptance test this before it even goes in the field, and really that flows into the other side.

When you look, we have best in class reliability and operability once it's in the field. And that's something, in the short period of time I've been with the Oil and Gas business, it's something I hear very loud from our customers that they see that as a differentiation.

The other thing I'll say is if you think about this, if you had to pull one of these back, if you had to do well intervention, pull the controls module back, pull the choke module back, take a service vessel out there or a rig out there, it will cost you between $200,000 and $500,000 a day. This is something you don't want to have to do. So, it's extremely important and valued by a customer at this point in time the kind of rigor that we're bringing into this area.

Dan mentioned the aftermarket opportunity that exists today. What's on here is actually the GE installed base. So these are the things -- these are our controls. These are our trees. These are our manifolds that are out there today. If I take the European area and think of that, trees -- there's over 2,000 trees in the North Sea that have been there for nine-plus years that start to require maintenance service. That's opportunity for us to go back at.

We're already retrofitting controls and taking our competitor's controls out and putting new control models in. And we're actively doing this at this point in time. And, then if you think of the growing markets in Australia, in Africa, and in Brazil, we're

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investing there and putting a footprint that allows us to be close to the customer and allows us to make sure they get the speed and responsiveness, and also allows us to qualify where we require local content.

The other thing that you can do when you look at this is we can put a service facility into western Africa. We can put a service facility into Australia. And we can leverage it across many different parts of the organization. So, it's not the subsea by itself taking a risk on P&E that it's putting on the ground in a remote location.

This is somewhere that we can take turbomachinery, we can take the power generation business; we can take other parts of the GE industrial organization and they can use the same facilities, the same footprint that allows us to leverage, basically, that facility, minimize the cost and maximize the utilization. So, I think it's been a very short run through, but hopefully it gives you a good idea of, really, the opportunity, and I think, really why this is a space that plays to GE's strengths.

So with that, I'll pass over it over to Sam.

Sam Aquillano - *GE Energy - VP, Drilling & Surface*

Thank you, Rod. Hi, everyone. I'm Sam Aquillano. I run the Drilling and Surface business. It's a pleasure to be here and share with you about these three megatrends in the oil and -- or drilling and surface space; deepwater drilling, shale water gas and enhanced oil recovery. These are businesses that we weren't in as recent as six months ago, and as long as four years ago, so they're brand new to us.

When you think about the companies that owned these before, in terms of private companies who didn't have an infrastructure behind it or didn't have the technology behind it that GE has, this is a business and these trends we can really capitalize on.

Before I go into them a little bit deeper, I'd like to share with you and try to give you a picture like, you see the BOP up there. That's 60 feet tall. 350 tons of pretty sophisticated equipment that's one mile to two miles below the surface of the sea. So, it has to operate. The customers are looking for more reliability, more availability, more maintainability.

If you think about enhanced oil recovery, as you all know, 70% of our hydrocarbons come from assets that are 25 years or older. ESPs are the preferred solution to increasing what Dan was talking about from a 35% to trying to get to 50%. Now, again, the prior owner didn't have a technology like aviation or energy, or our global research center which can bring a ton of material sciences, rotating equipment. We have that right inside our portfolio. And I'm going to talk a little bit about shale and gas and the ability to scale business.

So first, deepwater drilling, you can see it's growing nicely. More floaters in the marketplace and you can see it growing up into the future. We think with regulation there's more service capability that we could bring as an OEM in the feedback loop through engineering. We sell to drilling contractors, the Transoceans of the world, Diamond Offshore, Ensco, Maersk Drilling.

We also see jack-ups. You can see it kind of flat there. But 70% of the jack-ups are beyond their useful life. So, we see a lot of activity happening there. We're scaling this business not only with technology, aviation-type technology, bringing in things like remote monitoring and diagnostics, drilling, data recorder, higher shearing capacity, more reliable assets using control equipment that's been proven in other industries. We have it right inside of our GE family.

So capacity adds, we're investing heavily in Brazil to be with our customers there and also a strong service presence. This is a business where we've doubled the service business in the last four years. And we look like we can double that again in the next three to four years. So activity's picking up for this business. As you can see, $1 billion of orders year-to-date. That's 3X what we've had in the past, and we think there's more to come.

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If we think about shale gas, you saw that we acquired the Wood Group Pressure Control business. We actually had a business in that space with the acquisition of VetcoGray. These are perfectly complementary businesses, not only geographically, but customers. They served a lot of the independents. We served a lot of the NOCs and IOCs.

Technology-wise we've got everything from standard equipment to custom equipment. You know that majors are investing heavily in the US with the shale play. Those assets are expected to grow 16% a year. And gas, as John and others have said, will be a bigger and bigger piece of the manufacturing in US economy.

The bigger play here is now we have the infrastructure and the footprint to bring more of GE to our customers. You can see it up there. What my business supplies is track valves, wellheads, but what we can bring is we can bring flow measurement. We can bring water management; a key issue in the industry and one that we can solve.

Compression. We can bring power. Mobile power to the field to power anything from the pumps that I'm going to talk about here on ESP. So, this is a business that we can scale up significantly as this market continues to grow.

Now, we're excited about all these spaces, but enhanced oil recovery is one that I think we can do a lot with. I mean, here is equipment that, strung together, is about 100 feet long. We're working inside a wellbore that's less than 6 inches in diameter. Okay? You're working in a very corrosive environment, high abrasion, so things like coatings.

And you look at the products that we sell, that are in that picture. These are not foreign to GE. We know how to do pumps. We know how to do motors. We know how to do variable speed drives. And I think when you have to have to have this equipment working and you put that technology behind it, mean time between failures is going to be a big driver here.

We can also scale this business. For example, in Iraq we estimate that over 1,000 ESPs will be required in the next two to three years. And when we talk about scaling geographically, you heard others talk about how we're getting into Iraq. You saw it in the booths outside. We can go there with an infrastructure and get there faster and broader and better than anybody else.

So this is a business that we're really excited about. Every point of recovery that we help our customers get -- eight years worth of production out of the Middle East. This is a business that we should be able to double in the next three years, really terrific opportunity.

And then, lastly, services, you've heard others talk about it. But we're adding that also to our own business, anywhere from knowledge services, providing more information to drillers. More information about what's happening on this equipment like ESPs in the wellbore is an advantage to our customer. Repair technologies, scaling that across the globe. Going where they are is going to be a big deal. And then, certainly providing all of the ancillary services that our customers need to give them a full-scale solution is what we're all about.

So with that, I'd like to turn it over to Brian.

Brian Palmer - *GE Energy - VP, Process Solutions*

Thank you, Sam. Well, good afternoon. I'm pleased to be here as well. I'm Brian Palmer. I lead the Process Solution business for Energy. Unlike some of my predecessors, I'm not new to the Process Solution business. In fact, I've spent the last 10 years both building and integrating a portfolio of acquisitions that we've built into a nearly $4 billion platform that is high technology, very good returns for our customer, all focused on control monitoring and life extension of our customers' most critical assets. Like Dan said, healthcare for our customers' industrial assets.

The way we've done this and our philosophy has been, and really, take the best competitive underlying technology that many of these acquisitions bring to us. Couple that with the domain knowledge in the verticals and in the equipment that GE either

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operates or manages. And, as John mentioned, bring the scale -- bring the global scale that GE brings to bear in operating in 75-plus different countries around the world. And we can bring access to customers at the right level and at regions around the world that these companies never had before.

So, it's a pretty exciting business that we've been able to grow here. I want to Bently, Nevada as an example. In 2001, we acquired a company that was sort of the industry standard in condition monitoring for rotating equipment -- turbomachinery. Bently was $190 million in revenue when bought them in 2001. And we did just that, is applied what GE had as domain knowledge around rotating equipment and domain knowledge around the oil and gas and power generation industry.

Bently was 75% revenue in the US, and the rest around the world. We've changed that to 75% revenue outside of the US, and have leveraged the global scale to GE brings to this company. And Bently product line, for our business was over $600 million in revenue in 2010. So we've been able to build a portfolio with -- that's great value to customers and great returns and great, great return on capital for our shareholders.

One example of the value that we bring to customers. Nowhere is the need for real-time information around health, productivity and operation equipment but more important than in the offshore production environment. So we work with both national and international companies around the world to bring a view of condition monitoring, control and health of their assets in some of the toughest environments in the world.

An example of this is Nexen. Nexen operates a number of offshore platforms in the North Sea. About four years ago, we partnered with them to provide both on platform and remote monitoring diagnostics. And are able to drive a level of reliability and a level of uptime for Nexen by giving them a view of the operation of their equipment and anticipate issues with their equipment.

For example, just to keep it in perspective, the output of one of Nexen's platforms in the North Sea generates about $2 million of oil revenues a day. So, if we're able to give Nexen the ability to either save an hour of downtime or predict a failure and mobilize the crews and parts, etc., etc., for, say, a bearing in one of their turbines, we've been able to cut their outage time and downtime in half, sometimes in two-thirds. And at $2 million a day, that's a significant savings for the customer.

Another example and, John talked about gas quite a bit, and our solution for one of our customers in the UK, National Grid, where National Grid operates a gas utility that ranges from buying product from -- at custody transfer from an LNG plant or other, through to the transmission of that product right through to their end user, either industrial or consumer customers. What we've been able to do with National Grid is modernize the condition monitoring, the measurement and custody transfer meters, as well as the control and regulation of gas, right down to the consumer level.

And again, keep it in perspective, the output of a typical LNG plant, if you looked at one point of 1% of accuracy in the custody transfer flow into that system, it's worth about $200,000 a day. So taking our technology around ultrasound and ultrasonic flow meters and putting it into those custody transfer meters and give that level of accuracy, helps National Grid plan their business, operate their business more efficiently and more accurately and manage their bottom line.

So look, this is a business that we're extremely proud of, we've built over the last 10 years, and continue to add value to both our customers' operation and value to the shareholders. We plan to continue to build out the portfolio of technology and the portfolio of solutions, and build a process solution business that's second to none.

Now, with that, I'd like to turn it over to Dan to wrap up on the Oil and Gas business.

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Dan Heintzelman - *GE - SVP, President & CEO, GE Energy Oil & Gas*

So, you can get a sense for this terrific portfolio we have to work with. It was assembled through acquisition and organic investment. It's a great set of technologies from upstream to downstream. We're playing in industries or segments that have strong growth prospects in front of us.

The demographics -- the oil and gas demographics looking forward are playing really to our strengths, both in terms of the growth as well as the technology challenges involved. So, we've great visibility. We've got a very strong backlog today. We clearly have a lot of work to do in integrating these acquisitions. There is no question about it. This is hard work, and we're -- we have line of sight to the things we need to do in order to deliver on that -- deliver on that value creation.

And very exciting for me was a real opportunity on the services front. We have businesses that -- if you really look across my portfolio today, it's roughly 40% some type of service-related activity already. And we think we can grow this by focusing on the things that we've done in other parts of the Company, leveraging some things we've learned elsewhere. So we have a terrific franchise. We're positioned for strong growth. And I'm very excited to be given the opportunity to work with that.

So I'm going to hand it off to Jim next, and he'll take you through some new things.

Jim Suciu - *GE Energy - President, Global Sales and Marketing*

Thanks, Dan. So let me add my welcome. I'm Jim Suciu. I've 30 years at GE, and all of it dedicated to the front end of the Energy business. You know what you've heard from the team so far is about a business that has a broad portfolio of world class technology, industry leading products and value-added services. And we've been growing around the world with a pretty simple but robust model.

It's all about building adjacencies within that strong base that we have in the developed markets, like wind and services. And then we take the opportunity to leverage our ability to be successful with our core businesses in the fast growth markets all around the world. And then, we build out the capacity and the capability to execute locally. And then, we take that capacity and capability and globalize those adjacencies, and then it is sort of rinse and repeat.

And we've been doing that for a very long time. And as you walk around the booth upstairs, you see all the examples of that capacity and capability. And you meet all the examples of capacity and capability that we built out over the last decade. Then you can see that we have truly expanded not only our people, but our footprint all around the world. And we are positioned to continue to do that.

When John showed you this chart, I know what you all said, what the heck do all these customers really have in common? So, I'll tell you. They're not only energy intensive, and everybody in GE thinks I'm only after the food and beverage industry to get to the wine, the beer and the chips, which is only partially true. But the way I think about these industries are a little bit different.

One thing is they're big. Right? These are large industries. They have big capital and operational budgets, and they are growing, every one of them, faster than the base market. The other thing is that they really have similar challenges. If you talk to the CEOs of all these industries, they'll tell you their largest challenge is around energy. It's the availability of energy. It's the efficiency of energy.

They'll tell you they have challenges around water and water stewardship. And they'll tell you they have challenges around productivity because they have to be a low cost producer to be successful. So, they are very similar industries when you come to look at how GE's core portfolio of technology and services can add value.

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The third thing that's similar is I'm telling you, is that they're global. These industries are building out in the same emerging parts of the world where we're building out. And so, they truly appreciate and value the footprint that the GE Energy business has.

And the fourth thing that's very similar about all these industries is the new acquisition adds tremendous value. Just a quick example that, just take Converteam and a steel mill -- a greenfield steel mill. Converteam doubles our participation in a greenfield steel mill. Just that one acquisition. And so, if you take a look at these industries, they are a lot more similar than it may look like when you look at the chart.

So, we really love this space. And when we go talk to customers in these industries, it's immediate that they can see the value that the Energy portfolio can bring. They are very processed related industries. Right? So the only way you can add value is you have to get involved in the customer process, so I think you can appreciate how sensitive and complicated that is.

It doesn't matter whether you're brewing beer or if you're making steel, you have a process and when somebody comes in and messes with that process, you have to have high quality, high technology and high credibility on your ability to execute so we're creating strategic alliances.

So some of those you'll see in the press kit today. AB InBev, they have challenges where they're building breweries out in Asia, specifically China, they have a lot of challenges around water. You take a look at Foster Wheeler in Chile, there's a lot of mining investment going on in Chile. These mines are at the top of the mountain so getting water up there, taking care of the water and the environmental sensitivity is a huge challenge to them. All the way through to people like Suncor, where you're looking at the oil sands.

And so the thing about these industries is, again, you have to prove your ability to add value to these processes. So we talk about that in the form of pilots. So we're creating these strategic alliances so we can create pilot projects and then through those pilot projects we can show and demonstrate the value that we can bring.

And when we think about the pilots we really think of them in simple ways. We look for things where we can add real value to the customer. And obviously, then with GE we try to capture our fair share of that value. And we want them to be scalable and these industries are very scalable, and these processes are very scalable.

So, what I'd like to do last is give you a couple examples of some of these pilots that we've been through already. So, they're operating. These are real pilots that are in play. So Dubal Aluminum, the Dubai Aluminum Company. So, aluminum is a very fast growing industry. I think you all know that. And it's extremely energy intensive. And so, if you're the Dubal Aluminum Company you know you have to continue to be competitive with new smelters that are being built all over the world.

And so, what we were able to do here was to bring new technology into the gas turbines, automation into the electrical switch gear, and truly improve the efficiency and the economics of the smelter to keep them being competitive in a very, very tough but growing global market.

Wuhan Steel Company, 10 years ago, steel -- 15% of the world's steel was produced in China. Today about 50% of the world's steel is produced in China. Same thing -- the government is putting pressure on these steel mills to be competitive on a global basis. They're putting laws in place to drive the efficiencies of these mills. This was a deal that was negotiated directly with the CEO of Wuhan.

What we did here is take blast furnace gas, so this is the off-gas from the blast furnace process. It's a very low quality fuel. That means it has very little BTU content. It doesn't have a lot of energy, but because of our great combustion technology and the engineers we have in Greenville about fuel flexibility, we were able to take the lowest quality fuel we've ever burned before in a gas turbine.

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And we were able to, because of our Nuovo Pignone acquisition, compress the fuel, burn it in the gas turbine, create energy and efficiency for the mill. And this is a big project. This was over a $100 million of investment for this mill and obviously we have an opportunity to take that now all around China.

If you take a look at this, this is a North America mine. In many developed parts of the world the mines want to expand or even operate, but they have challenges from an environmental perspective, so this particular copper mine was actually curtailed. They could only operate 10 months out of the year.

So by making -- changing over their coal boilers into gas turbines, we were able to get them not only to be able to run 12 months out of the year, but now they have the ability to invest and expand underneath their existing environmental permit. This is happening all over the world for existing mines as they have to, again, expand to take advantage of the growing market, but also be competitive against new mines that are going in.

And lastly, Grizzly Oil Sands. Canada has a third of the known -- third number -- country of resources with oil, but almost all that oil is trapped in the oil sands. The only way to get it out, they use what they called SAGDs. So this is steam blown into the ground, and then comes out with an oily mixture that they separate the oil and the water. That water didn't use to be able to be treated, so there's a lot of focus in Canada. You can see it in the papers every day about these tailing ponds, which is this water that was allowed to evaporate.

We are now cleaning up that water so it can be reused. And this is going to be something that not only will expand in Canada. Canada is investing to double the production of the oil sands over the next 10 to 15 years. But this will help us in the shale gas markets that Sam talked about. And we're also using similar technologies to deal with coal seam methane water when you saw some of the announcements on that in Australia.

So, this is what I see as a tremendous ability for us to take this large business of technologies, products and services in a global footprint and to bring it into other similar industries to add value, day one, and be able to execute with our existing infrastructure. And the support we get from the leadership of these industries is tremendous because we can add value to them and value to us.

And with that, I'm going to turn you over to Dan Janki to talk about the EM business.

Dan Janki - *GE Energy - VP*

Great. Great, thanks, Jimmy. It's great to be here, see so many old faces and friends over time. It's hard to believe that it's been over three years that -- since I sat in Trevor's job. I'm going to talk about two things today, first of all, the role I'm moving into, which is running the Energy Management business. And then once I complete that, I'll move over to the financial framework as we wrap.

So with that, a couple things I want to cover. One, is just give you a view on the industry. As John mentioned, this is a big industry. It's one that we've historically underwhelmed and we can play a lot bigger in. There are some great underlying trends when you look at these sub-segments here. They're all growing 5%, 8%, 7%, 9%, the solid growth driven by trends that you know well.

And it's really also being driven by this electrification -- the advancements in power conversion, power electric and what you can do with that. And also, as Jim talked about, our customers are demanding it. They want greater efficiency. They want to get more use out of their productive assets. So, this is an industry we like and we can get a lot bigger in.

So, who are we at Energy Management? It's about a $6 billion business. We've been investing. We've invested over $4 billion over the last two years in the business and some of the capabilities that we have. Think about smart grid. We talk about that in

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concept, but what is it? Steve talked about distributed power and what's going on with that. Vic talked about renewables. That's putting pressure on the grid.

Well, we -- in smart grid, we have products that allow for substation automation, distribution automation and then give the utilities software to put in their operating centers to better manage that data and better manage their grids. So, these are all things that are evolving here that we can do more in.

The other area I'd like to highlight here is Lineage. This is a business that we bought that's in the power electronics space. Direct current to direct current, they play big with telecom, data centers. They're also in the embedded power business. So they're a critical power business, a UPS business and also an embedded power business.

And then the most recent acquisition is Converteam, and that gives us real capability in motors and drives. So we think we've assembled a competitive business here, one that we can make a lot bigger over time.

So with that, I'd like to highlight a little bit about Converteam. It's our most recent acquisition that we closed. We closed it in September here, and there's three things that really excite us about this business. First, their product and their technology, this is one that's deep in motors, variable speed drives, power electronics around that.

Secondly, it's their application engineering capability. They're able to take that technology, design systems that meet customers' needs. So things that Jim was talking about, his examples in metal and mining.

And then lastly, the domains that they focus in and that they're big in. They're big in oil and gas. They're big in renewables. They're big in metal and mining. These are areas that we know well. They align very well with GE Energy and GE across the board in what we do.

So, let me give you an example. We went extensively through the Oil and Gas business. We talked a lot about being a leader in the gas industry. Here's one in gas processing where you take the oil and gas compression technology with Converteam and what a combination you get.

Here are three examples, two of which Dan talked about regarding Petrobras and Statoil, in regards to how they are advancing on the compression technology. In all three of these you have high pressure compression, but with that you have a Converteam motor and power electronic system.

And this isn't -- you're solving complicated things as we talked about on the subsea compression we went through. This stuff gets deployed on the seabed. It has to be highly efficient, highly reliable. It's not something you can bring up off the floor and you can maintain. So, the high speed motor with the power electronics combined with how you power that high pressure compressor is critical here.

So, these are just three examples of where we started to put Converteam together with our core businesses. We can do this in renewables, relate it to solar, relate it to wind, and other places around the GE portfolio. So we're very excited about the combination.

So, what does Converteam bring to us? It's a $30 billion market that's growing nicely. This whole collaboration and fit hand and glove between our businesses and Converteam not only on the product collaboration that I just talked about, but also things, like, in-sourcing. We have identified over $500 million that we can in-source from Converteam.

Even at modest [CM] rates, that's significant value creation to GE and significantly enhances the returns on the deal. And then also, they're still small in services. Less than 10 -- just over 10% of their revenue is related to services. In this industry you should be closer to 20%, 30%. That's again -- you heard that today. We can build that out and that capability and build a broader, deeper service franchise.

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So, we're excited about Converteam. We're excited about Energy Management and what it brings to us, and our challenge is to make it a lot bigger here over time. So, I will look forward to doing that.

I will transition here to the financials and just give you little bit -- what I want to do is frame the financials around four principal categories. Okay, the first is you heard a lot of stuff around growth. What's or foundation block for visible growth going forward? We think, at least as we go into next year, 8%-plus.

I want to talk about margins. We see margins bottoming in 2011, stabilizing, and then growing over time. We run the business to generate high returns, and we're targeting double digit earnings growth as we go into '12. So, those are the four pillars that I want to talk about as we go through here.

So first, as it relates to growth, we talked about diversification of the business. We talked about it from a geographic perspective. But many of you that were around in '02, you remember just under 50% of the business was one product, one market. Today that one product, heavy duty gas turbine, in the US is less than 10% of our business.

So, we transformed it. How did we do it? Two levers, first of all organic growth, and we did that around three categories. First, investing in technology, product competitiveness and breadth, that's number one. Number two, it's what Jim talked about, global reach. Number three, building off the strong service franchise that we have. Those three things, as we've grown organically, have contributed to two-thirds of the growth of going from $24 billion to $45 billion.

The other third that we execute is about acquisitions. You saw many of them today. They give you foot holds in new markets that allow us to grow and build these businesses over time. So this is about doing both. It's about doing great organic growth, also executing on acquisitions. You do that, we've got a much broader and diverse energy company today than we did 5, 10 years ago.

So I'd like to hit on the pillars on organic growth, and start with -- here on this slide. There's four pillars that we talk about. First of all, you heard a lot about product competitiveness. It all starts with technology and it starts with our 16,000 engineers. How do we deploy them, on what products, on what domain capabilities to get the most out of and ensure that we stay ahead in our product capability?

The second area of organic growth is around commercial capability, as Jim talked about being close to the customer. We have over 10,000 feet on the street that are embedded with our customers, helping sell our product.

The third element is around low cost competitiveness. We not only have to have a low cost supply chain, we've got to have a flexible supply chain as you've seen because you know we have cycles. We go up. We go down. That supply chain's got to be able to flex over time. We do that by ensuring that we're positioned around the globe, that we're making investments ahead of growth in places like Vietnam and China. And that we're not only taking advantage of low cost labor, but also lower cost materials.

And then, the fourth element is a key element in building out the service footprint. We have to have capabilities that are close to our customers. We have to be embedded with them, not only field service engineers, but repair shops and things like that. And you saw a number of those examples today. So, those are the four pillars. When we think about allocating organic dollars for growth, we focus them around those four areas.

On acquisitions, John gave you a retrospective. What did we do the past 10 years with $11 billion? We have to run that same play with the $11 billion that we put out here in 2011. These, as you saw today, these are good businesses. They're technology-driven. They're things that we can scale. It gives us over $6 billion of revenue. That revenue's growing over 10%. There's good synergies, as I talked about.

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Even with Converteam, you've got big revenue synergies. You've got big cost synergies that we can execute on -- over $1 billion of revenue, $500 million of costs just between the '12 and '14 time period. And these are things that we can scale in the context of energy.

So with that, when you think about organic, when you think about acquisitions, we're building momentum. You saw the orders numbers through the first half of double digit. Even without the deals, they were up 13%. You know, as Keith and Jeff shared with you, we have -- we're backend loaded this year in regards to shipment volume.

Our services, installed base and CSA backlog continue to grow. But one of the most important points is our equipment backlog will finally grow here in 2011. It'll be up about 9%. That's the first time it has grown since the end of 2008. So, I think that's an inflection point for us to think about. So the elements, going back to it, of visible top line growth, a more diverse Company today, one that's based on organic and inorganic activities, that provides a foundation.

So shifting gears from growth to margin, in 2010 we peaked margins, 19%. We did that with revenue down operating profit up. In 2011, we're going through a margin reset. They're going to be down about 400 basis points, right around 15% for the year is where we believe they're going to land. That's driven by -- over 50% of that is driven by dynamics in the Wind business. The other contributors to that is the acquisition dilution, and also the decisions we made around organic growth around the business.

In 2012, we see a different dynamic; it's more balanced. As you know, we're going to continue to have pricing pressure. You see it quarterly in our OPI. That's going to come through selling price into next year. We're also going to have some negative wind mix.

But, offsetting that we feel good about the variable costs and base cost leverage that we're going to get in the system, and the acquisitions are going to start to contribute. So when we -- in summary, I'd say that I see margins here bottoming, down 400 basis points here in '11, 200 basis points above the trough in '05 and '06, and these will expand over time.

So, we covered top line growth. We covered margins. Shareholder returns. We run a place to generate high returns. We do that through the balanced growth agenda both on organic and inorganic. We're going to finish this year and go into next year around 20%. That's even with the dilutions from the acquisitions, and we'll grow it over time from there. So hey, not only do we want to grow earnings, we want to grow returns for you.

So when you think about '12, what are the pieces and dynamic? We talked a lot about product line competitiveness in the markets that are going on here. When you think about that, that puts a good backdrop for volume. That will be a positive. You know we will have pricing headwinds. That'll be a negative. That will be offset by productivity. And the breadth of the portfolio in services and acquisitions will deliver growth.

So with that, when you put it all back together what should you be thinking about? At least 8% growth going forward, margins bottoming here in '11, expanding over time, at least double digit growth in 2012, and we're going to run the business for high returns.

So with that, I'd like to turn it back over to John for the wrap-up.

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

Thanks, Dan. Come back to this chart, multi-speed world, we've got a lot of geographies to work. So we are an emerging markets company with huge capability. As Dan showed you, we've added over 50,000 employees outside the US just over the last couple of years.

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Commodities, less inflation than probably what we saw three, four months ago, great customers and I think Jim's story says we're just getting started. We traditionally have done very well with utilities in oil and gas, but there's five or six other sets of customers that look a lot like oil and gas. And with the new acquisitions and the products and solutions we have, we've got a great, great set of strong customers that we can help them be more successful in the future.

The product lineup, we've been investing organically in the business, but the acquisitions that we've bought have all been high tech. The thing that we steer away from is we do not buy commodity businesses. We like high tech businesses with strong service franchises that we can build upon.

And on public policy we're positioned for pretty much any outcome. In an environment where governments have less money, we think things are going to have to stand on their own two feet economically. Gas being a very, very strong dynamic, fast blue, no company's better positioned for future for gas than GE.

So wrapping up on areas of investor interest, double digit earnings growth in 2012, margins stabilizing. Volume is our friend going forward. As we continue to build volume momentum that will be good for margins. It will buy us time to build productivity, to take out cost and supply demand volume is our friend as well.

In terms of macroeconomics, product line competitiveness first and foremost. Hopefully, we clarified things on oil and gas. We are a high tech equipment manufacturer with aftermarket services for our customers. The wind business will see stronger volume in 2012. It's been a high return business. GE's in a very low capital [way].

And we see our way in -- to $60 billion in a relatively short term in terms of top line. This business is growing fast. I'd summarize in terms of long-term financials. $50 billion is around the corner. It wasn't that long ago that this business was half the size that it is today. Driving towards $100 billion is our objective.

That's where we want to take the business with basically the same playbook we have today. Mostly organic, complemented by some inorganic that builds around businesses we know how to run. With margins above our competitive peers for the business units we're operating in, with high returns and expanding really franchise value.

We're not the same business we were a decade ago. We won't be the same business five or 10 years in the future. Diversification is our strength. We've built out these franchises. We're much more diversified with customers all over the world. I think we've laid out a great gas franchise that is broader than just power generation. It's pipeline compression. It's oil and gas from wellhead to the consumers.

And in renewables, we're going to do in solar what we did in wind. Best efficiency, best products, material sciences synergies across GE, and we're just getting started there. Clear oil and gas strategy, Dan Janki and Jim Suciu talked about energy management and expanding our customer base. These are upsides for investors.

We have relatively low share there. We've got a great set of product solutions. I think Jim showed some great examples of where we have traction today. These customers want lower costs. They want higher productivity. GE's going to be part of that equation. We generated decent returns looking back on 90 acquisitions. We need to do it again based on the $11 billion we're investing in the business.

I'll tell you, this leadership team's been through the mill. Most people have been through tough business cycles and we are going to put our nose to the grindstone and get a return on the acquisitions we've put in place.

So with that, what I'd like to do is, thank you for your time and now we're going to just take a minute here and gear up for some Q&A.

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QUESTIONS AND ANSWERS

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

Before we jump into questions, because we are on webcast, the -- we're going to bring a couple of members of the leadership team up. We'll take about 45 minutes for Q&A in the webcast, then obviously we have an hour or so mixer with the leadership so you can get to any of the questions and dialogue with the team afterwards for the people here in Crotonville.

Because we're webcast, if you ask a question, before you ask your question please tap the button on your microphone. It'll light up a little red ring around it and we'll make sure it's recorded for the webcast. There's two rows in the top that don't have microphones and if you ask a question we'll repeat it up here so it's captured by the webcast. So if the -- John, you want to have your guys come up and we'll get started?

Unidentified Audience Member

Just a couple questions on the financial outlook. Can you just talk about how bifurcated the two subdivisions are in the kind of 2012 guidance? I assume that oil and gas is above the 10% and the kind of core Energy businesses maybe below, not leveraging quite as much.

And then, on the longer term outlook, you give a nice revenue number for 2014. How long before you get back to that kind of peak 19% margin or is that even possible going forward? And then one last question after that on strategic.

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

Okay, I'll let Dan take a shot at it, and then I'll --

Dan Janki - *GE Energy - VP*

Yes, I think on the financial outlook we're giving you the context of the total piece and the oil and gas will have a little bit more from acquisition, but I would say that the context was 10%-plus the total energy infrastructure.

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

And most of the price pressure on backlog's concentrated in Steve Bolze's power business. That's been the headwind this year, and we'll still have -- carry some price -- a lot I say significant price challenge into '12 that we need to offset with volume and productivity.

Unidentified Audience Member

And then 19% margins, any chance of that in the next, like, three to five years?

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

We've done it before. Right? We had the capability to do it. What we're managed -- what we don't want to do is sacrifice a very, very high return business and optimize around that number. I think volume is a good thing.

We've had a number of markets that have not been part of the equation the last couple of years, like, the US hasn't done anything really on the gas side. So, if we see some snap back there that'd be good for margins. And with time we're going to get these

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acquisitions certainly at higher margins. So as Dan said, we think margins bottom here, roughly at this 15% range, and we're going to build onto that.

Unidentified Audience Member

And then, one last question, did this process solutions platform that you have out there -- you throw out Honeywell as a kind of a peer I guess. Do you need a more robust I guess controls platform to kind of unify these pieces, or are you kind of comfortable competing against those guys in a little bit of different way like the Emersons and the ABBs and those guys?

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

I'll let Dan Heintzelman answer that and --

Dan Heintzelman - *GE - SVP, President & CEO, GE Energy Oil & Gas*

Okay. Well, I think that we have a controls business. It's utilized across our portfolio today. We like the idea of more field devices and more intelligent field devices in the future. We've built a nice portfolio of this type of product. Controls is a piece of the strategy but we don't think it's the only piece.

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

I mean you could make a case on controls, too, that if we're open, right, so we can work with Yokogawa and ABB and others. We like what we have at the moment. We want to build what we have.

Unidentified Audience Member

Guys, if you shipped 114 gas units last year, can you give us maybe a little bit of an idea of how you're planning the next five years? I mean, what's kind of a new normal, if you will, if we get back into you talk about the future being gas, but is there such a thing as 150-unit, 175-unit market that's sustainable over a course of 10 or 20 years? How do you think about that I guess?

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

I'll offer a couple of comments, and then I'll turn it over to Steve. I'd say what's different now than four or five years ago is the lack of alternatives. So there's not a lot of conversation around building new nuclear or coal. And so I think that dynamic -- and there's been a technology shift on the supply side in gas.

It's more about starting in the United States, but it's migrating -- China's going to have shale gas as well. So we're seeing interest in gas-fired power generations in more places and lack of alternatives. So it really depends on the global economy. The business is economically sensitive in terms of electricity demand.

If the economy's in decent shape, we've got the pole position. I just -- it's different now than it was. Five years ago it was place overwhelmingly supports a rush to gas-fired power generation. Steve?

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Steve Bolze - *GE Energy - President and CEO, Power & Water*

Maybe just some additional dynamics, you mentioned in the -- tactically 114? As I mentioned earlier in the market cycle chart, we are seeing a little more of that. This year we'll be 120th, and I think going forward as we think about '12 we're probably be seeing at least 10% up from there.

Is there a world in which where -- I mean we've done 150, 180. We did way more than that if we go back 10 years ago. Right? So capacity is not the issue. And I think it goes back to John's comment on dynamics. More of the market is shifting towards gas as the all attractive alternative.

If we go to North America which is still a very small percent of our volume, as you look at what could play out sometime in the next five years, 10 years, you have a huge chunk of gigawatts tied up in coal in the US and what's going to happen with the regulations there and coal retirements.

So, right now is -- what we're planning on is kind of a steady increase. But it's going to be very much driven more by power and electrical demand growth because still in some markets of the world you still have a good bit of reserve capacity.

Unidentified Audience Member

And if I could just follow-up on that Steve, I think you're a good person to ask this question. He didn't specifically call out the H Series turbine or any particular baseload. But where do you see the market going? Is it more towards a large baseload like an H, or is it more in context of --?

Steve Bolze - *GE Energy - President and CEO, Power & Water*

Good, great question. And again, if you go back 10 years ago, probably 70% of the heavy duty gas turbines were baseloaded. If you look at today, it's closer to 40%. So the market wants not only baseload efficiency but flexibility. I think the second thing is if you hear about the FlexEfficiency 50 at 510 megawatts, that's only about 5%, 7% smaller than the H.

So, you have a lot of the H technology over time has embedded itself in the FlexEfficiency 50. And now you have 95% of the output of the H, but now you have 61% combined cycle efficiency plus now you have all the flexibility the market wants. So some of the announcements we made on the initial commitments on the FlexEfficiency 50, they were evaluating H technology.

So they get the efficiency now, but they also get the flexibility, and size-wise you're 95%. And when our technology team looked through developing the FlexEfficiency 50, they could -- we looked at all different sizes, some of which were higher than 510 megawatts and this was kind of an ideal size. If you're not going to run baseload as a customer, that extra 5% more megawatts means less than when we're -- when you're running a baseload.

Unidentified Audience Member

Thank you.

Cliff Ransom - - *Analyst*

John, I don't want -- this is [Cliff Ransom]. I don't want this to sound like one of those when did you stop beating your wife questions, but when you talk about your customer expectations and the full green circle on customer attitudes, how do you reconcile that with the attitude by much of the investment community? Most of the press and an awful lot of our politicians said the world was going to end sometime shortly after breakfast tomorrow.

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John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

I would just -- the way we put the circle is in a financial context. Most of our customers are extremely credit worthy, have hard assets, sovereign customers like national oil companies. So in an ugly scenario, we have a terrific set of customers. And they're profitable and --

Unidentified Corporate Representative

And they make investment decisions over a long term horizon.

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

Long term, yes. That's what we meant by the green circle. And they're used to managing through cycles. Yes, sir?

Unidentified Audience Member

Thanks, I just want to come back to margins and pricing a little bit. You talked about first of all, productivity and volume offsetting the pricing declines and need to get that inside the business unit. If you take out the volume leverage question and just look at productivity, what kind of productivity year-on-year are you driving through the business to offset the headwinds that you're facing as you look out into 2012 and 2013?

Dan Janki - *GE Energy - VP*

I would just say we wouldn't want to break it down into all the pieces from this perspective I'd say. When you think about our cost base, base costs as a percent of revenue is about just over 20%. That piece you get leverage on.

The other 60% cost is variable cost and that we attack through direct material productivity and other programs where we really try to drive that variable cost productivity. So we work both of those and --

Unidentified Audience Member

But if you -- if I look at GE as a whole on productivity over the last decade, right, it's hard to sort of see because so much is hidden in the lack of top line growth that you don't really see the productivity come through that I know is out there in the business.

So that's what I'm just looking for, any kind of productivity proxies or anything that you look at and say okay, in Energy, we've actually been able to do it differently and we've hit the following productivity. And that's why going forward we think whatever the number is, 3%, 4%, 5%, this range is reasonable range.

Dan Janki - *GE Energy - VP*

If you --- when you think about it, I would say we range, around variable cost productivity I think the teams range right around 2%. Thereabouts plus or minus given the cycle that you're in. And you're always working on base cost productivity.

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Unidentified Audience Member

Okay, thanks, Dan. And then, secondly, on pricing, just strategically, right, obviously I -- so it's true I've heard that pricing is sort of stabilizing out there in turbines particularly, gas, not so sure about wind, but can you maybe comment on that? And then why should we believe investors, given the global competitive dynamics, that pricing is going to improve? Is it all just a question of volume you think that's coming back?

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

Here's what I would say is a lot of it depends on having the right types of products. So we had a period of positive pricing on relatively low volume because we had the right product mix. We had tri-fuel capable gas turbines that were needed in a rush.

We don't know when the next slug of emergency power going to be required. We've shipped quite a bit to Japan this year. Those things happen. Given our supply chains size and flexibility, GE's got pole position to capture those types of opportunities. So, there's ways to extract value that are just not totally units related, but certainly having more units is a good underpinning.

But if you look back in the last couple of years, we had a reasonably good pricing dynamic on light volume. We hope we can do that again in the future. I don't know when that opportunity will emerge, but that capability exists inside GE.

Unidentified Audience Member

And you're seeing higher pricing given all -- I mean, most of this presentation was a lot about the deep technology and the differentiated position there. So are you at least getting pricing in --

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John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

Having the best product extracts the maximum value. And we've seen that that's a truism throughout history, so we just never want to lose that capability. So, fuel flexibility carried the day. Kind of looking back through the Middle Eastern cycle, we've done very well there.

And Steve's point on operational flexibility we think is going to carry the day in an uncertain world probably for the next five years. So we just want to make sure we've staked out a position there to have the best product lineup to meet that demand.

Steve Bolze - *GE Energy - President and CEO, Power & Water*

Could I tack just maybe, John, on that?

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

Yes.

Steve Bolze - *GE Energy - President and CEO, Power & Water*

I have just a couple of things, as John said, product, the best product, it's not just efficiency as we talked about. Operational fuel flexibility, very critical, a lot different than we were 10 years ago as John pointed, the business is a lot different than it was 10 years ago. The ability to deliver locally is a huge competitive differentiator.

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But as you touched on, the history of this business is as volume turns up, prices recover. And what I would say is on that one is we are seeing borders quote activity pick up so there's more interest.

I think what we have to see is, and we're seeing quoting pricing is in line with volume being up, we got to see how those translate into final negotiations and mix, etc. But at this point if history repeats itself that's why we feel come of the leading indicators are in the right direction.

Unidentified Audience Member

Thank you, just a couple questions, just first on technology, it was a highlight of the presentation. Just a little color on how you actually protect it and maybe one example comes to mind. You had this JV just a couple weeks ago in China in aeroderivatives and you guys actually took the 49% spot. It seems a little unusual for you. Could you just kind of discuss that and how you protect the technology?

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

I'll talk technology broadly, and I'll let Steve talk about the Huadian JV. We try to patent everything possible. So the Energy business certainly leads GE in patent filings. We have patent engineers embedded in all our businesses, and I think if you look at our patent filings that's something we probably can do a follow-up, Trevor, is show the trend on patent filings in Energy.

I think it's a good forward indicator of the way the technology in the market has been very, very, very strong. It's something we infuse into the new acquisitions immediately to get IP. We're careful on how we set up joint ventures to protect our IP.

And a lot of our joint ventures are set up in a way where they're commercial in nature in terms of go-to-market, but a lot of the core technology resides outside of the joint venture. It's just a technique we've used successfully over the last decade, and I'll let Steve talk about the aero deal.

Steve Bolze - *GE Energy - President and CEO, Power & Water*

So if I can just build off of that theme which is the core technology, we're always focused on retaining that within GE. In the case of the China joint venture, that's with Huadian, who's the largest single combined cycle gas turbine customer in China. And the venture there is to help develop the combined heat and power market in China, which is a $5 billion space. So if you're going to get bigger in China, you have to be with the local partner.

To your point on is, how do you set that up right is, it's set up as a packaging joint venture. So we actually -- the aeroderivative gas turbines will come through as [kits] from GE. And then the packaging is done within country, and we build out from there. And it's a customer also -- when you think about successful partnerships, it's a customer we worked for many years together.

So that's how we manage that and this is a pretty big space, but again, the core technology of that is really still with GE as we handle the -- not only the kits but also the parts stream and services will still come from GE.

Unidentified Audience Member

Second unrelated question, and maybe it doesn't matter because you get them coming and going but if you think about kind of this wind firming or other type activities as renewables get bigger and now you've got to have a gas turbine in case the wind doesn't blow or a gas turbine in case the sun doesn't shine, how is that actually undermining the economics of renewables?

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And again, maybe it's a net-net for you anyhow because you sell the stuff all around, but has that had any impact on people's investment philosophy yet, on any of these projects?

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

Vic, what do you think about that? Do you think --?

Vic Abate - *GE Energy - VP, Renewables*

Yes, not right now, I think it's early. I'd say, relative to firming, that's really maybe from regional perspectives in certain markets. But in general, if you look at the situation today about -- if you take the US for example, 40% capacity factors for gas, so there's a lot of surge capacity.

I think the real question is if you're positioning for the long term, what's the play in 2020 and 2030 as these markets mature? And having the capability in these long-term investments is a hedge for going more renewable and vice versa.

So relative to today, not really seeing a huge concern there in planning, and I think there's a lot of debate on how the markets play out long term relative to the impact of (inaudible) penetrations on grid relative to renewables and other technologies.

Unidentified Audience Member

Then, just one last --

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

Well, I'd just add on that, too, is back on the IP question, that's an area where we've been very active, is the interactions between wind and gas. Because we see the capability to manage that as a big competitive advantage in the future.

Unidentified Audience Member

Then just one final one for me on oil and gas, I think Rod said, kind of the package you guys have today is you can serve a $40 billion out a $130 billion market. Was that -- did I interpret that correctly? And is that your sweet spot, or should we expect that there's more that you want to do there over time?

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

Dan?

Dan Heintzelman - *GE - SVP, President & CEO, GE Energy Oil & Gas*

Well, I'd say we like the portfolio we have today. There's clear organic investments we can make with that portfolio. I'm not going to rule out other things that we may want to do in the future, but I'd say right now we're very happy with the portfolio we have, and we have plenty of work ahead in developing the technology and in integrating. So we feel good about it, and I'd say that's the hand we're going to play for awhile.

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John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

I'd also say, [Jack], this. If we execute well and run this like Aviation, and Dan ran Energy Services, we won't have a demand issue. Customers in the oil and gas space just want meat and potatoes, on-time delivery. There's an opportunity here in what we bought to make it a lot better. So our best marketing will be execution. That's what we're looking for, Rod and Dan to do.

Martin?

Unidentified Audience Member

Back in 2008, GE made a public commitment to stand ready to finance Energy projects in case the banks were unavailable to provide funding. As we -- could you speak to how much that requirement was used? And rolling forward, as we go into a period where many European banks look like they're on tenuous ground, I understand you have company customers that are generally very liquid and can pay for what they have.

But there's also the issue of letters of credit, GE likes to be paid up front for a lot of what they do, and just in general, how do you view the financial system as impacting upon your business? And then how are you going to use Energy Financial Services as a strategic partner for your business going forward?

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

Well, I'll answer the first part, and I'll let maybe Dan kick in. If I look back to the financial crisis, Energy Financial Services played a very small role. I can't even really think of any examples. So it wasn't required by our customer base, looking backwards.

On a go-forward basis, a lot of our customers tap into export credit agencies, so we're big with USX and big with Coface, big with the Canadians. So the opportunity for GE Capital Energy Financial Services perhaps plays more around the edges here. They invest in good projects.

We help them trying to fortify their synergies to say, how does this plan operate relative to average? Is there a technology infusion we can do to make it more profitable? But back to this green dot, most of our customers are pretty financially sound. I don't --

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Dan Janki - *GE Energy - VP*

Yes, I think that's right.

Unidentified Audience Member

Thank you, and hoping you could comment on a couple businesses that did not get a lot of air time today, your nuclear business and your Water business. Now, both of those clearly are smaller players in the mix, but both have their unique reasons why they would be scaled back at this time. But if you'd give us an update of where you are in the market today, who you want to be, what some of the competitive positioning are for each of those businesses?

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

Okay, I'll take a quick stab, and then I'll turn it over to Steve. In the Nuclear business, I think our nuclear business, well, I'd say for the next five years, is going to look a lot like it did for the last five years, primarily fuel and service, a pretty small piece of our mix. But we've got a great nuclear business.

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We don't have bad projects. Right? It is a business that we've been in for 60 years. It's important to our customers. I think what we've done proactively is our ESBWR reactor is the furthest along in terms of licensing with the NRC, so we basically have the best product on the shelf, if the nuclear market comes back.

And this is a relative business. If hydrocarbons surge or things change, nuclear is important business for our customers. So we're in it, but it's less than 3% of my business and will be even smaller in the future.

On the Water business, we've regrouped around -- when GE first got into the business, we were focused on being big, and going after large desal projects, and things of that nature. Today we're focused on our industrial customers, utilities, oil and gas, mining, crack water. So perhaps smaller operations in terms of just absolute size, but more differentiated, more technologically sustainable, more synergistic with the rest of the portfolio.

And it's probably the one thing, we came out of the last 10 years as a work in progress that we haven't given up. We think water will be more meaningful in the future. We can already see it in places like China. But it's going to be more high tech, more differentiated, more patents and quality versus quantity. Steve?

Steve Bolze - *GE Energy - President and CEO, Power & Water*

Maybe I'll just touch on a couple of other things for water. In addition to focusing less on desal and less on core chemicals, the big focus is on some of the same themes you've heard today, the oil sands, shale gas, some of the big mining operations. And those are big, difficult water situation projects.

And the technology we have within membrane technology, we have unique evaporators that are currently being deployed at some of these big shale gas sites that allow not only the pre-treatment of water but post-treatment of water. That's a good space to be in. We know how to -- it's equipment business, so product leadership. It's also services.

And I think it's one, too, where it's, especially as you look at water reuse regulation going forward there's going to be more of that. 30% of the world today is water constrained. So as we tap into those, Australia, Israel, places like that is, there's a big opportunity for those equipment-oriented projects, and what you'll see from us is more product differentiation and service growth.

I would say, back on the nuclear, the only thing I would add is that, to John's point, it's not really a shift in strategy. We've always had a heavily fuel and services-oriented business. We're very cautious on a new contract, based on you've got to get all those terms and conditions right, and those are 3X, 4X the size of a big gas turbine contract.

You got to get those contracts right, and in this environment, I think most of the customers are extremely cautious. So if anything, we're shifting more of our technology spending to support the service and fuel business. But both those businesses are a relatively small portion of our total revenue base, and that's where we're focused.

Unidentified Audience Member

Yes, I guess if you split power, crudely, into three pieces so distributed power, the power grid and centralized kind of power plants, I guess your bet has been on the centralized power plants and distributed power.

I guess if you look at some of your competitors on the centralized plant, like a Siemens or an Alstom, they've obviously done deals in the last 10 years on the power grid side of things. So I understand that in a lot of countries like China, the grid and the plant operators are different customers.

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But do you see the grid losing out long term as distributed power takes a bigger share, therefore there's less need for transmission lines, and that's your bet? Or, do you feel that in the grid you actually do need to build out your position because it is an advantage versus Siemens?

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

Well, I think we want to build out our grid capabilities in a non-commodity way. So high tech automation sensors, and not necessarily jump into space where's there multiple Asian suppliers who could do that. So there's commodity risk in that space, and we're careful around allocation of capital and resources and things that could be commoditized.

For things that are differentiated, like Dan talked about smart grid, and automation, we'll all in. So we may be -- there's room for growth. They're fast growth businesses. We like those spaces a lot. I don't think it's a bad -- it hurts us, in terms of our capability to sell power generation equipment at all.

There are some advantages to distributed power like solar, to be on the other side of the meter. A lot of those advantages are in developed markets where it's a not in my back yard phenomenon. So people don't want to build the power lines, but I'd say in our case, we're not encumbered. We're free to operate in distributed power, high tech, smart grid, central power generation. We've got to put these in (inaudible).

Unidentified Audience Member

Thanks. And then, just secondly on process automation, there was a discussion earlier about you guys seem quite happy sort of from a vertical standpoint here not to be involved heavily in things like the DCS system and so on.

But if I think about, say, the verticals you put up earlier, food and beverage was one, so if you think about horizontal migration within process, does that mean that you'd be happy to move in process horizontally away from, say, oil and gas into something like food and beverage automation? Or are you talking about different products there?

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

We think the fundamental core technologies and product set is common across those verticals. There'll be some customization in application engineering required, but what we like about is it's relatively resource and capital light to build out these next set of adjacencies, just as we've done geographically.

So, we think there's common technological threads that we can take to these customers with relatively low levels of spending. And they're not mutually exclusive. I don't think we have to get smaller in oil and gas to be bigger in food and beverage. We could be bigger in both at the same time. Yes?

Unidentified Audience Member

Yes, just to follow up first on pricing on new products, I mean, the FlexEfficiency would seem to be sort of the quintessential new product that should increase the value proposition. I mean, so far on that are you actually seeing better pricing? So I mean, putting aside the when volume recovers we'll get priced better, I get that, but just on a product like that, I mean shouldn't that be better than historical pricing, and is it --?

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Steve Bolze - *GE Energy - President and CEO, Power & Water*

What I would say is that, in all new products you put significant value incremental on the table to the customers, and the question is how much of that can we monetize? Same thing in, we talked about the 1.6-100 wind turbine creating 20% more customer value. The question is, how much of that can we convert into GE?

And if we look at the FlexEfficiency 50, you got one or two points more efficiency. For the customer it depends on what their gas prices are, and in terms of what value they put on the flexibility of the unit. Our team has spent a lot of time trying to quantify that for customers.

So right now is if we look at dollars per kilowatt given the added value, we've been able to monetize some of that. But as you would expect, with all new products we got to get beyond the cost curve. But at this point, on both the wind new platforms, the aero new platforms and the big new gas platform, is that we're able to capture some of that incremental value.

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

I'd also say, time is money. So we're able to take the deals off the street quickly because we've got the best product in time. So if you look at the wind situation that Vic's facing today, the PPC expires in the next year. People are -- they want this 1.6-100, because they're going to have higher RRRs in perpetuity if they can, so they make a quick decision, versus having the things out there, rebid, renegotiated. Time is money.

Unidentified Audience Member

And just one follow-up, on public policy you mentioned that a couple of times, you said in a frozen world all roads lead to gas. What about in an unfrozen world? I mean, what do you think the other potential outcomes are which are [current view] on public policy?

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

The unfrozen world is sovereign decision making, so nuclear. And at least in the developed world today, we just don't see a lot of evidence of that at the moment. That could change and we're, given the diversity of our portfolio, I think we're reasonably well-positioned for that phenomena as well.

I just don't see it. Even in markets like China, where you have sovereign decision making, they make rational economic decisions. So they're looking at gas. They're building out wind. They're looking at self-sufficiency. They worry about water consumption. We see attractive opportunities in those countries as well.

Brazil has been a good example of a country that has changed. Historically 80% hydro, we just swept the gas auction. We took twice as much of the wind auction as our next competitor. People want the best products in any geography. Nobody wants the low tech product because they make so much more money if the equipment runs well than they would spend on the product. No one wants a low efficiency or unreliable LNG plant. They want state of the art, no matter where it is anywhere in the world.

Yes?

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Unidentified Audience Member

I'd like to talk about market position in the oil and gas side, because the names that you guys have acquired over the years, some of them we know, some of them we don't. We certainly know the competitors. And it's a pretty conservative industry you sell into. In critical stuff, people usually go back to the guy they know, whether it's a better product or it's not a better product.

So, can you talk about sort of market position shares that you're willing to share, and sort of share aspirations of what you need to be able to get to, to really sort of hit the goals and targets? You guys are great frontrunners when you have good products and leading market shares. We don't know you guys that well when you're not there.

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

Yes. I would say we're very good at taking businesses out of sick bay. It's a core competency. We bought Enron in from bankruptcy. We bought Nuovo Pignone was a sleepy state-owned enterprise. This is what we do. These businesses were good in oil and gas, that passed through multiple owners. I think the technology, as viewed by the customers, is extremely robust and reliable, under-invested in.

So we see as an upside, we bought assets in fairly narrow spaces where there wasn't a lot of alternatives. And I think if you summed up a lot of things that we did in the subsea space and Sam's space on surface, what we paid relative to buying probably the premier property, we got it all for the price of one.

Unidentified Audience Member

Right.

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

And we're going to have to run the same play there that we ran in wind and the other businesses and fix them up. But none of -- very few of the acquisitions that we've done over the last 10 years was on fire in terms of performing that well when we bought it, wind, gas engines, everything we've made better. And that's largely what we're doing in oil and gas.

I think the dynamics of that customer base is they're spending billions. Chevron on the Gorgon project is a $40 billion investment. They want stronger suppliers. They want GE in the space. I think if they look at the people we're competing against, they're too small.

So, they're on our side. They're rooting for us. We need to execute well. If we execute well on quality, delivery, all the things that Dan has done for over 30 years in GE, they're out there and they're rooting for us.

Unidentified Audience Member

Okay, thanks.

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

Yes.

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Cliff Ransom - - *Analyst*

Steve, I recognize that's it's a -- Cliff Ransom, again. I recognize that it's a -- actually it could be a rounding error -- but are you seeing any difference of opinion with respect to the issue of relicensing existing nuclear power plants that we thought perhaps five or 10 years ago would be coming to end of life? And people don't quite know how to do that, and are likely to relicense them?

Steve Bolze - *GE Energy - President and CEO, Power & Water*

It's such a -- for the customer base, it's such an attractive return on investment if they get the license extension. Clearly, the world has changed now, and those discussions are -- there's a lot of additional preparation our customers have to go through with them. But every customer I speak with that's going through that right now is all those are continuing.

But I think they would also tell you that a lot of them are, they're anticipating delays. And that's something we're just going to have to work through as an industry. From our perspective, though it is, if you think about how many gigawatts are out there for nuclear, if over time, things are not able to be relicensed, now you're back into a world where that's a lot of gigawatts to replace and, which plays back into, most likely in the short to medium term, more of a gas cycle.

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

And higher standards in general are good for us, so higher standards in nuclear, higher standards in oil and gas play to OEM technology, more services with the OEM. It's more tailwind than headwind.

Yes?

Unidentified Audience Member

Could you just speak to, kind of, the sales incentives in the business? And, I guess the gist of my question is, the comment about sweeping Brazil gas or the big share in wind, it almost makes you wonder if you're winning too much, right, if you'd be better off with a little lower share and better pricing. Is there any disconnect between the incentives of the salesman who is elephant hunting for that gas turbine versus what the guy in the factory has to deliver?

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

Here's what I would say, [Jefferson]. We have different sales forces within the businesses, so if you look at the Units business, they're not selling off a wagon. So their incentive variable comp would be minimal. We have delegations of authority, so they're not making the pricing decisions on the ground. It's all coordinated on a regional and global basis.

We have other businesses are more flow-oriented, where they have higher variable comp. So we kind of tailor each business to its dynamics. But the number one thing we look at, in terms of what I look at for the sales force is balancing share with contribution margin. Okay, so we're not interested in hollow growth. We look at CM dollars, by transaction, in an aggregate, and by region. Well, margin and share, it's a (inaudible) thing. So, we base it to those decisions consciously. Yes sir?

Unidentified Audience Member

Just in terms of capital deployment, either for organic growth or otherwise, it seemed like you spoke about, we make stuff, and then Dan spoke about the growth and the service side of the business. I guess, from that capital perspective then do you guys,

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over the next five years expect to spend more money continuing to produce more equipment, different equipment, or expand your service offering within oil and gas?

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

Well, I see them as one and the same -- right -- which is making stuff is parts, as well as the units, so because we look at organic growth opportunities, but even more important on inorganic, we look for more than one revenue stream.

So attractive targets for us are businesses that have a new unit opportunity, an aftermarket revenue stream, and increasingly more things like intelligent offerings, like Brian Palmer described, software upgrades, so more than one way to make money over time. Having aftermarkets to help us ride through down cycles is attractive but we didn't do much M&A over the last decade, nor recently where there wasn't a service component to the targets.

Dan Heintzelman - *GE - SVP, President & CEO, GE Energy Oil & Gas*

I would just add that the technology that we develop isn't unique to one or the other. They're very complementary. When we would work on our investments, our organic investments, we would evaluate it from both the service and the new unit point of view and sometimes we'd introduce the technology first in the field, and sometimes we'd introduce it first in the new units.

So, we're focused on growing both. We like the idea of more units. It gives us more service galleries, and we like the idea of improving the performance of the equipment over time. I think it keeps it working. It keeps us competitive.

Unidentified Audience Member

I just -- coming back to the Chinese competition in renewables, particularly wind, solar, etc., as you think about the technology path that those folks are on in quality, and you put up the slides that you did before, just the blades and all that. They're certainly not standing still either. Right?

And so, the question for me is the gap between GE and these guys, and relative to Siemens and also Mitsubishi, and how -- on the gas side and on the wind side and on the turbine side, just overall, how are you able to maintain that, and do you see them starting to accelerate, in terms of catching up at all? And is it just sort of back to the basics that you've talked about to try to stay ahead and try to keep pricing advantage?

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

Here's a thing we didn't talk about, which is transportation and logistics are a significant part of the cost base in the wind business. And these are assets that last a long time, so building up a service network. Utilities outside of China are going to expect these machines to be serviced over time.

So there is -- it's not just the absolute variable cost of making the machine in China. It's the logistics. It's the service network, and that being said, we're actively in China. So, we have the capability to source whatever we want out of China. We have a joint venture with Harbin, who's a big player in China. So, we're playing offense there as well.

We can't stand still on any front. We've got to have Asian cost, great service capability, a global footprint, and I think we have all those things. But at the heart of the matter is we've just got to have a better product, and that's really what Vic and the team are focused on doing in wind and solar and in gas. To all our products, we've got to have better stuff.

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Steve Bolze - *GE Energy - President and CEO, Power & Water*

There's just two things I'll add, one of which is that, again back on China, we'll deliver over 200 units in China this year. So, we're in China. We have a joint venture there. And I think the other side is, when we look at what we've gone through to make wind an attractive return business for GE -- the things you saw from Vic, quality, huge investment in quality, as well as reliability of the fleet.

Reliability of the fleet's up 10 points, over 98% reliability. Those still are two differentiating points, and those are things we kind of continually watch in terms of our differentiation, but that's where a lot of our investment goes.

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

I'd just add one other thing on China. We're in China. We're a Chinese company. We built a wind turbine facility in Vietnam. Vietnamese costs are half of China on a variable cost basis. When we cut the ribbon on the factory, we couldn't spell a supplier in Vietnam. Over 25% of our suppliers to that factory in less than a year are Vietnamese.

We're not standing still either. We're looking for low cost. Saudi Arabia is extremely lost cost manufacturing location. We've got a big footprint in Mexico. So, I think our geographic diversity, in terms of our supply chain is an advantage because things change. Chinese currency could appreciate.

Yes, last question?

Unidentified Audience Member

Question for Steve, and I've been out of the loop for a couple of months, but the FlexEfficiency 50 is something that I have not heard you really talk about before. Do you have utilities that are testing the product right now, and in the context of utilities really don't like to try new things very often. They're slow to adopt. What is the timeframe where you think you can have some real adoption of the product?

Steve Bolze - *GE Energy - President and CEO, Power & Water*

A couple things, we announced this globally in May, and we announced it out of France. And our first two customers, one of which is in Turkey, and the second of which is with Harbin in China, but another thing that we have done over the last five years is, we've put over $150 million investment into improving our internal GE test capability.

And we now have a full speed, full load test capability internally. If we go back 10 years ago, that testing of those new gas turbines will be done by the customers, like you said. Now that's done internally within GE, tremendous customer feedback on that. So quite frankly, the next customers we're talking about in terms of who are going to be the next FlexEfficiency customers, you're going to see more of those be in the utility base.

Because GE, we put the money in to improve the test [scan] capability. And by the way, that's not only 50 hertz, but that's 60 hertz. So all the gas turbines now that we've developed for the US market also go through that same test scanning capability in Greenville.

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

That's a huge change. There used to be a point where we had to sell a pilot plant. Today we've built the pilot plant in Greenville. We go right to the commercial plant.

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Steve Bolze - *GE Energy - President and CEO, Power & Water*

One other piece of that is that it probably took 18 months off the development cycle.

John Krenicki - *GE - Vice Chairman, President and CEO, GE Energy*

Yes.

Steve Bolze - *GE Energy - President and CEO, Power & Water*

Because if you think about from when you have to develop and launch the product to when customers say that's established, we can do that testing internally now and so very good feedback from that investment over the last five years.

Unidentified Audience Member

Thank you.

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

John, thank you for the presentation of the team today. Thanks to everyone in the audience for coming out. Just a couple of quick announcements before we run off, we have our next earnings release on October 21st, and we have a couple of other events we'll have in the fourth quarter.

We'll give you a view and have another GE Capital meeting, and we'll have a Company outlook to give you a good view of our growth in 2012 as we did today. So thank you everyone. This concludes today's event, and there'll be a replay available later today. Thanks.

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