Conference Call Transcript

GE - GE Healthcare Analyst Meeting

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PRESENTATION

Trevor Schauenberg - ***General Electric - VP of Investor Communications***

Great, good afternoon and welcome everyone to our GE Healthcare Analyst's Meeting and Webcast.

Today for the folks that are on the phone for the webcast, we have the slides available at our website at www.ge.com/investor. We'll be recording today's event so you'll be able to see the replay probably starting tomorrow. We'll put information about that up on our website.

I'm really pleased today to have here our CEO and President, John Dineen and several members of his leadership team. John is about a 25 year veteran in General Electric and several different businesses. I've had the pleasure of actually working for John back in the days of transportation. He has been leading the healthcare business for a little over two years and we're real excited to share our current year results and where we're going in the future with this business today.

We're going to present for about two hours and then we'll have time for Q&A at the end. And because as always, this large room, we're going to hand out the mic so that we can record it for the webcast and we'll have plenty of time for definitely questions and answers.

So, as I always have to say, elements of this presentation are forward looking and based on the world and businesses as we see them today. As you know, those events can change so please interpret them in that light So without further ado, I'd really like to introduce John Dineen.

John Dineen - ***GE Healthcare - President, CEO***

I'm going to talk a little bit about the healthcare business, give you some background for those of you that might be new to it, talk a little bit about the healthcare environment and then I'm going to talk a little bit about our strategy.

So my day in the healthcare business is an interesting day. I'll have a discussion on CAT scans and MRIs, and then I'll move on to a discussion on EMR systems and how we digitize healthcare IT in hospitals and then we'll talk about stem cell therapies, because our life sciences business is building out capabilities to support stem cell therapies around the world. And then we go over to Pascale's business and we talk about molecular diagnostics and precision diagnostics for cancer therapies and then I work with Jan on how we schedule hospital ORs. So at the end of any given day my head can hurt and today you're going to have my kind of day.

You're going to be able to walk through and see the incredible technologies in this portfolio. We are a very deep and broad healthcare portfolio. We bring diagnostic and imaging equipment and HCS, information technology, our life sciences where we really provide tools and technologies

to the biopharma industry and the medical diagnostic, so it's a very broad portfolio, very global portfolio but this is a high tech portfolio. We have to continue investing, these are leadership products and we don't sell to consumers, we sell to craftsmen, doctors around the world respect and need technology to do their craft. So this is some -- this is a really high tech portfolio.

This is also a very global business. Over the years we've built an incredibly global footprint in this business. If you look at the distribution of revenues, employees, factories, research and development, we play in every part of the world. Because the fact of the matter is everybody has a healthcare system and everybody is trying to improve their healthcare system and we've seen that really kick off in a big way lately.

The thing about the business model is that there are some great levers in it. It's predicated on high tech infrastructure spending, so it's an infrastructure business. There's low protectionism. People ask me all the time, how do you compete in China. We compete in China, that's how. You know you're not up against a state owned darling in this industry. So you have relatively unimpaired access in going after this market and China and every other developing market around the world, or country, every government is interested in building out their healthcare system, modernizing their healthcare system. Much more interested in that than trying to sort of rebuild an industrial base in this particular area.

There's low manufacturing capital investment. We can put new factories up very quickly in a market and justify that and become local and we'll talk about what that means. It's globally translatable technology. I don't have to rebuild it or reengineering it as I do in some other industries. There are also some barriers to entry here. There's high technology and IP, very high across this business. It's also highly regulated, FDA, SFDA in China, the operations are precision operations, both from a manufacturing and an engineering standpoint. If you fall behind in this area you're shut down. So it's not easy to become -- to just set up camp and move into the healthcare space.

And the other thing that's really important is clinical domain is important. You can't move from electronics into healthcare electronics. You can't just move from IT into healthcare IT. You've got to understand the clinical domain. You have to understand healthcare. So on one side, there are some things that allow you to broaden your base, to access new markets, but there are also some important barriers to entry and that really crates an innate global model in our case, particularly when we have such a big and broad business structure.

A little bit more background on just performance and where we are with the business. Listen, we want to be predictable. We want to deliver results and we want to be operationally excellent in this business. A year ago I stood up in front of you and told you that we'd probably see revenues in the [three to five] category. We're pretty close to that range here on the revenue and we thought all profit would be in the [10] range, we're actually doing a little bit better. We're getting better leverage than we thought there due to better contribution margins. So, listen developing markets are booming 20% to 30% and that's just going to continue.

The US has snapped back, not because of health reform, because we're done talking about healthcare reform. Really the fact that the rules could change, the fact that people didn't know where the healthcare was going, that coupled with an economic recession really slowed down in the US market. Now we're sort of back to normal in some ways.

We're adding heads in emerging markets. As I said, contribution margin up. You know we're doing a good job on our variable cost structure and we're tightly managing pricing in the marketplace and that's giving us some great lift there. We've got a strong product portfolio. Our commercial teams feel like they got better products to fight the game this year and that's really helping.

We're investing in a big way. You're going to see in healthcare IT we're investing in Colibria, in life sciences, in stem cell capability and medical diagnostics, molecular diagnostics, in HCS home health. So in every one of our businesses we're making big, big break out investments as well as making sure that our product lines from next year and the year after that are much stronger.

You get good leverage on the growth in this business, 3X and listen, we had great cash performance last year and that just continues. We're going to continue to work our working capital performance. We've got a great opportunity to work lean logistics, our distribution process and we're going to continue to do that. So say/do is important to me and this business team and I think we're going to be able to continue to drive good solid operating performance in this business and more importantly, do what we say we're going to do.

I'm going to take a -- just step back and talk a little bit about the environment. People were asking me about what's going on in healthcare generally, but I'm talking about consumers. I'm going to talk a little bit about governments and I'm going to talk about technology.

In healthcare you start with a patient. Every discussion starts with a patient and in this discussion we got to stand back and look at the patients around the world and say what's going on from a demographic standpoint in healthcare. So here's what's going on, people are getting older and people are getting sicker.

Okay, if you look at population -- at population in developing and developed markets, people over 65 are increasing 140% and 51% respectively. People spend money on healthcare in their later years. A lot of money. So you're just seeing this huge mix shift in the population dynamics to people that are older.

Chronic diseases are also exploding, not just in developed markets, but in the developing markets around the world. So you'll see chronic disease as being cardiac disease, cancer, diabetes, obesity are just exploding and that's making people frankly sicker and these chronic diseases are diseases where people stay sick for a long time and require a lot of assistance. So when you look at the fundamental demand drivers in developed and developing markets, the consumer, the patient, we've got a lot of sick people out there and more on the way and healthcare systems have to figure out how they deal with that.

Now, if you look at the politics of healthcare. You get very different scenarios in different parts of the world as typified by these three countries. And in the US if you really have a healthcare system that's high service, good results, but very, very expensive. We've gone through healthcare reform, we've added more people to that healthcare system.

So healthcare system is spending 15%, 16% of GDP just got more people in it. So there's going to be more demand for healthcare here, but at the same time, the US has to figure out how it makes healthcare more productive and I think you're going to see hospitals investing more in productivity tools. HCS tools that can get more throughput, solutions businesses like Jan's going to talk about. Healthcare IT. Things that can make healthcare much more productivity and I tell you there's a tremendous amount of opportunity and we'll give you a feel for where that is.

China is a flat out build out, just a build out. India, build out. Russia, build out. They have real inequalities in healthcare, geographic inequalities in healthcare and healthcare is an enormous political and social issue. Governments have to pay attention to it. So most of these developing countries are undergoing huge investments in their healthcare systems and it's all about access. Getting more -- getting healthcare to people that really didn't have it. And then in what we call public healthcare systems, particularly in Europe, Japan, it's about quality. Everybody gets healthcare, but you have to make sure that there aren't long waiting lines or quality problems.

So they're really focused on quality, but those are the three variables that every government is trying to manage; cost, access and quality. And politically you can trade these variables off, lower the cost, but I might get a little lower quality or lower access. Or you can invest in technologies to change your healthcare and move both variables at the same time. Invest in healthcare IT. Doing things that really change the curve or bend the curve as they say. And focusing on those three variables, cost, quality and access is something that we do in this business.

Now the third trend is really around technology. What's changing from a technology out standpoint that's going to impact healthcare? The first is both diagnostics, our world and therapies are moving to the biological world, molecular biology.

You look at the pharma companies, they're moving to biopharma. They're investing, they're buying, they're going to biopharma. Diagnostics is going to do the same thing. And we're going to show you what that means to us but we've got to move from just physiology and radiology into molecular medicine.

Industrialization of healthcare. That's one of the things that healthcare reform around the world is doing, it's putting pressure on providers to get productive and you might say finally putting pressure because they've lived in a cost press world for a long time. So now as they are more challenged, they're interested in technologies that will bring more efficiencies, they're becoming more industrial.

We like that. We may be a healthcare company, but we're still GE and GE knows the infrastructure business. These guys are going to need the same types of tools and capabilities that we've brought to the railroads, to the airlines, to the utilities. This is our type of game. As they -- as our customers have cost challenges, we know how to expand our service model to help them solve these problems.

Innovation is -- innovation that is clinically and economically relevant. The healthcare industry -- players like us have been allowed to operate on just take the technology to the next level. Double the slides and [see through]. It's really -- you could just take the technology to the next level, whatever it was, and you really didn't have to think much more about it. Now, you've got to have a good clinical proposition and a good economic proposition. We've really got to be thinking about the investment.

It's got to be more practical at every level and we've launched Healthymagination -- I'll talk about what that means, but it's really to make sure that we're not just going after the next great technology. There's going to be more discipline to go after and then the digitization of healthcare. You can't pick up a newspaper without reading about this in the morning. Healthcare is way behind most other industries from a digitization standpoint. We'll show you where they have been successful and where we've been successful and where we think they're going to go.

Because this is going to start to break open with the changes to healthcare reform and the finally -- the definitions of meaningful use and we're going to see some action in this space. So these are the macro trends on the supply side that are driving changes in healthcare. So given who we are and what's going on in the environment, I'll talk a little bit about what you should expect from us and where we're investing, and where we think we can make a difference with this business.

You know from a long term performance standpoint, we think this is a business that -- and the types of markets we're starting at today ought to be able to go at 5% to 10%, ought to be able to deliver double digit out profit and ought to be able to approach a return on total capital 15%.

So we're going to stay focused on these types of returns and in order to do that, we're going to focus on the strategies below, Healthymagination, developing markets, adding growth platforms for our services, making that a bigger business, delivering products with clinical and economic relevance, investing in IT, broadening life sciences and then molecular diagnostics, which I'm sure you have a lot of questions about. So I'll walk you through each one of these and then the team's going to take you on a deeper dive of all of those technologies.

The first is Healthymagination. I get a lot of questions from different audiences as to what is Healthymagination, what does it mean? Healthymagination means one thing to our employees, it means another thing to our customers. But you guys are investors, so what does Healthymagination mean to an investor? It means that we have much tougher screenings and much more practical screenings on our investment dollars and our NPIs. Anything that we do in Omar's portfolios or Pascale's portfolio, we've got to think about what's this going to do clinically, how's this going to work with the treatment, and what are the overall economics going to be? What's the impact going to be on the healthcare system?

So I think you're going to see very disciplined investment here in products and technologies that have a relevant value proposition. Different value proposition. And that's a lot more discipline than I think the industry's had to work on in the past. And so we really look at products and we say cost, quality and access. You know how's it going to impact the cost -- can we reduce the cost of a therapy or a procedure? Can we improve the quality, i.e. lower the dose of the CT scan.

Or can we get access -- can we provide access that no one's ever had. Can we get a CT to a small hospital in China that never could afford a CT. So if we make that CT one third the cost maybe we can do that. People say will that cannibalize your CT business, no it's going to cannibalize somebody else's x-ray business is what's going to happen. So we're really focusing on these three levers and we make the product teams come back and tell us how they're' going to make a difference here and that's what Healthymagination means to investors, which is discipline.

How are you going to compete in the developing markets? How do you compete in China, how do you compete in India? Well, you don't sit in Milwaukee or London and compete in China or India. In order to compete, we've got to be a great global company with all the strength, all the technology, the broad portfolio that we've talked about, and we've got to be a local company. And being local isn't just a -- it's not a buzz world. Being local means you have to invest in your footprint. You have to invest in your capabilities and that's what we've been doing in these developing markets.

We've doubled the number of engineers, the manufacturing team, the total heads, the sales people. You're going to see what we're doing from a sales and distribution standpoint in China in a little while. The number of plants, our supply chain is expanding and probably more importantly, the in country -- ICSEs in country, for country products so the products that are designed by the engineers in that country for that market. Because the closer I get my engineers to my customers, the better my results tend to be in a market like this. And that's giving us -- we're getting results.

But it's about having a great global technology base. Different types of technologies to pick and choose from, and then to be able to execute those technologies locally and that gives us a tremendous advantage. People all the time bring up small $50 million companies in China and India and ask me how I'm going to compete with them. And it's I'm going to be a $17 billion company on the ground in China or India, that's how I'm going to compete with them. If you couple it with the points I said earlier about markets and access and the clear shot that you get, this is a very powerful combination.

From a service standpoint, it's how do we grow our service business. We've had -- and have a wonderful great fix maintenance model that's really focused on uptime and up time is very important. If you go visit a clinic in Ghana and these guys have spent money on $1 million on a CT or an MR and it's only available half the days out of the year, that's a real problem. They respect and need somebody that can keep that machine up and running because it's a significant investment for a small clinic or a small hospital. So we've got a great global business here and we continue to focus on our capabilities for the customer as well as the returns for the shareholder and the CM here.

We've decided that we can probably do that for products outside of our portfolio. So we started to expand our capabilities to focus on all of the assets in the hospital or the clinical setting and we've been able to build a $1 billion business that's growing even faster here that's focused on asset optimization in the entire hospital and now we've added a third platform and this is about knowledge solutions.

And this is us bringing IT capabilities, industrial process capabilities and consulting skills to the hospital environment to help them deal with the new challenges of healthcare, to get them more efficient, to help them explore their databases to understand where they're performing well, where they're not performing well from a clinical and economic standpoint. So, we've got a real opportunity to do what we've done in many of the other infrastructure businesses in terms of expanding our service portfolio. What's different now is what customers want. They want -- in a cost plus world, everybody's had interest in productivity. When people have cost problems, they get interested in productivity.

When you look at each one of our businesses, and HES is a great example, we really expect two things. The first is we want to have the broadest portfolio in the game. Much broader portfolio than any of our customers and in HCS, imaging and clinical systems product groups, we have the broadest portfolio in the world and we continue to extend that portfolio. We're just starting to move that portfolio into an area on the far right, which is home health and we've gone from the hospital setting to the clinical setting and now we're starting to move into the home setting.

Which more important, is that in each one of these categories, in each one of these product lines, we have to make sure that we have leadership product, leadership product where we can gain share all over the world and how do we define that? We define it a couple of different ways and Omar's really going to take you through this in some detail. But in the core of the segment, in a 1.5 magnet in MR, it's having a great wide war product with superior image quality and make sure that we've got a leadership product in the heart of the lineup.

In developing markets we have to make sure that the portfolio has the economics to work in a China and India. So how do we do an MR at half the price, or a third of the price? So we're broadening the portfolio to make sure not only do you have leadership product, but you have a broad product from a geographic standpoint.

And then finally, how do you change the game? How do you get disruptive? How do you redefine that product category like MR and it's doing things like specialty MR. you'll see it on the page, you'll also see it over to your right. These are products that say you don't have to go through the tube, maybe we can sit you in a chair and put your arm or your leg in this extremity MR. Perhaps we can do it at a much lower cost than a traditional and actually get a better image at the same time. So we're looking at being disruptive in these product categories and redefining them. That ought to get us to a leadership position in growth in all these categories.

Healthcare IT. Healthcare IT is a lot of things. Let me break it down for you first. Healthcare IT is specialties, and those are department solutions. The best example in the past has been radiology and [packs]. We've built $650 million packs business by focusing on that specialty or that department and we've got it in prenatal and preoperative and other areas.

Then there's the -- what they call the EMRs, people call that electronic medical record. That's actually an MRP system for a hospital, for those of you that are familiar with a manufacturing environment. Now, that does the clinical work flows. It does the revenues, it does the billing, it does group management. It's the MRP system. Those have been deployed over the last five or six years in big hospitals. The small clinics, the ambulatories, the primary care physicians, it hasn't been deployed there yet. And they've been waiting. Now we have finally worked through, in healthcare IT, the definition of meaningful use. People like us have certified products now for meaningful use and that market's going to open up. So we're going to see the deployment of EMR clinical business solutions in that space.

And then there's the next generation which is connecting hospitals with -- connecting information, health information exchanges and Colibria, which is really providing clinical decision support. So allowing a doctor to know real time what the standard of care is for therapy or for a diagnostic.

So we've built a business here in the specialty side of the game and in the large hospital EMRs. We're also very well positioned for what I would call stage two and stage three. Stage two is taking EMRs into this ambulatory primary care network and Vishal's going to talk about how we're doing that with products like Centricity Advance.

There are departmentals out there that haven't been digitized yet. Pathology is one of them. Pathology is still microscopes and paper and slides and we've invested in a product to digitize pathology. And then finally, over on the right hand side, we're investing in products that are really going to be the next level of digital reform in healthcare, which is Colibria and health information exchanges.

Then there's the life sciences portfolio and this is the part of our portfolio where we actually play on the therapy side. But we do it one step removed. We are the supplier of research tools and manufacturing technologies to the biopharma industry. So the Am Gen, Genentech, Lilly,

Merck. All these guys that are doing next generation of therapies use our products and technologies to develop and manufacture those therapies. So it's a great business model focused on a very, very high growth segment, which is a biopharmaceutical segment and that's really where pharma's going. If you -- if you read the papers, if you watch the acquisitions, this is the place to be from a therapy standpoint and we've got a great -- really a business with a great heritage of supplying to this space.

We're a leader in the traditional recombinant technology. That is where you take a gene, insert it in a cell, a gene for insulin, put it in a cell, breed the cells, the cells produce insulin, then you isolate the insulin, that's the manufacturing process. We've been a leader there. We are now a leader in technologies related to monoclonal antibodies, those are the new cancer drugs. And what we're investing in now are the technologies that support the development propagation of stem cells for therapies. So great track record in the old world, the recombinant, in today's world the monoclonal antibodies and in tomorrow's world of stem cell therapies.

This is a terrific business model, a very valuable part of the portfolio if you're looking for a mark to market reference here. It's twin sibling is a [milipore] and you might have saw the valuations in that transaction over the summer. That's that business that we're talking about here. And then finally, there's a piece of our diagnostics business that's also predicated in the biological sciences and that's molecular diagnostics.

As I said on a prior page, most of the pharma companies are moving to biotherapies. They're wonderful because they're extremely powerful, the challenge they have is they're very precise. These are rifle shots, not shotguns. And what you see is the way we look at disease from a diagnostic standpoint is changing. Radiology will tell you that it's a tumor. In the world of molecular diagnostics, we interrogate that tissue both in the body and outside of the body to get its fingerprint.

To know what kind of tumor this is, so we can match that tumor with the appropriate treatment. Because today in the world of bio pharmas, we can't afford to give a treatment to a population of 100 people and only have ten respond. Clinically that doesn't work, economically that doesn't work. If we know the ten beforehand the treatments are going to be much more effective from a clinical standpoint and the economics are going to be ten times better. And that's why we're investing in this space. It's -- diagnostics has to move in the same direction that the therapies are moving and that's at to a molecular level.

We've assembled a -- quietly assembled a very powerful portfolio here in the medical diagnostics business with strong in vivo diagnostics. At GRC we've developed some molecular pathology tools that Lilly and some of the other pharmaceutical companies are using. I've talked about digital pathology, and then we've added to that an operations and commercial vehicle, a mechanism to take these technologies to market, which is Clarion and when you put this together, it gives us an opportunity to be a very strong player in really the field that diagnostics is going. This is where diagnostics is going. We think we've got the capability to be a leader in that space and we think it's going to be a big space from a monetary standpoint.

So that's the vision. That's where we're going with the business. Those are the investments that we're making in the business. You know its Healthymagination, it's how we think about the products that we're investing in. I think it's going to give us some great discipline. We think we can win in the developing markets. Everybody's afraid of China, we love it. Marcelo is going to tell you why.

We're adding growth platforms to our service business, we know that model. We're developing products that are relevant. We think we've got a great healthcare IT portfolio. We have a wonderful asset in life sciences that we're going to continue to expand and we're investing in molecular diagnostics. So each one of the speakers today is going to take you a little bit deeper on every one of these areas and we're going to start with Marcelo who's going to talk about winning in China. Marcelo?

Marcelo Mosci - ***GE Healthcare - President - China***

Thanks, John. Hi, ni hao. It's a pleasure to be in front of you today and John talked a little bit about the investment and the focus we have on the developing markets and how we are differentiating ourselves by being global and local at the same time. And I'm just going to give you the piece from China of that approach that we are taking to the developing markets there. So I'm going to start by saying we are in quarter three about $900 million of revenue in China, but most important is we have a vision that we can double or even triple that business in the coming years in China. And we are very confident that this is possible, first because the market is going in the right direction there.

The top hospitals that you see on urban cities are -- or urban areas of China, they are continuing to invest to upgrade their technology and bring it to universal healthcare level. But also, at the same time, the government is very concerned about bringing 300 million people that are outside the healthcare system into the system. For that they are doing what is called the healthcare reform, that's nothing but $123 billion investment on the first wave of three years to equip and develop 80,000 clinics and hospitals located in the [Hudo] area. So the market is going the right direction.

We've been applying exactly what John said, we are leveraging our global strength and capabilities on technology process and capital and lending that in China, localizing that through people, factories, distribution systems, and specific products developed for China.

So when you look at our footprint, and that's why we called ourselves local. It's not that we arrived there for the summer. We've been therefore decades, we've been participating in the system for decades, helping the government shape this new era of healthcare in China and as you can see by the numbers on this page here. This is a very strong presence. You know we not only have people, but we have factories, we have research centers, we have design engineers, a very good install base in place and actually we have a scale of $1 billion playing as a global company and a local company at the same time in china.

So when you look at the overall situation in China, you have two Chinas. You probably went to Shanghai, Beijing, [Gwanjo] and you see the infrastructure that is shown on the right side of this chart. And if you go to western China or even Hudo areas close to the eastern side, you're going to see a different reality. And healthcare is not different. you can see top hospitals in urban areas that are second to none and they are linked to Johns Hopkins, to Mayo Clinic, but also the Hudo clinics there are in need to be equipped so they can serve this new wave of 300 million people that's going to be brought to healthcare.

The good news is the government is doing a heck of a good job. If you drive -- or if you travel throughout China today, it's a construction camp everywhere. So they're building the infrastructure, they are building the country and with healthcare it's not different. What is called healthcare reform in my opinion is a healthcare investment because I can't find anywhere somebody investing $123 billion to improve the situation of healthcare. And the government is doing that on the first three years of the first wave, but if you see how they're spending the money, you can see that this is not a three year investment.

Half of that money is going to insurance. It's basically giving money to the patients on their pockets so they can purchase the clinical services. 25% going to public health. It's from sewers to vaccinations, to education of doctors that they need to do and then the third topic there, there is building infrastructure. They are building 2000 county hospitals and investing heavily on the existing infrastructure below the urban area, the 80,000 hospitals to bring them up to a certain base condition that they can provide primary care to this new population coming into the system. So it's the largest healthcare investment in the world and we are prepared to champion that by both being aligned with the government and being aligned with our customers in China.

So, what is our strategy? You know? There are two major spaces in China, the urban space with 3,600 hospitals. This is where the global players play and then there is this space that is the Hudo space with around 80,000 institutions that up until now they didn't have enough money to buy much. They have probably good stethoscopes and some 1950s x-rays there. But in order to serve this all population that come in, they need to be equipped. So this is the space that usually he local players go and we feel that we are equipped and we are already starting to win in both spaces there.

And we are doing that by focusing on the four topics that you see on the page there that are basically developing the right products for China. Having the right coverage and distribution, have the adequate supply chain so we can produce locally those products, and most important, have a good after sales support. Because after they do that investment that's heavy for them, they need to maintain those machines running for a certain period of time to have their returns.

So we can win in both and not with the sacrifice of profit as John start to tell you and Omar is going to tell you later. Margin is not something we are sacrificing. So let me start with products. We have 700 engineers in China, design engineers. I'm not talking about field engineers to fix machines. We have strong manufacturing standards that I'm going to show you there. We work very closely with the government, not only to help them shape those policies, but we also know which direction the healthcare is going, and therefore we can say what type of workflow and solutions are needed to the market.

But here is how we differentiate ourselves. We're capable by having the right footprint in China to produce hardware in a very competitive basis. But we are also capable to bring algorithms and software from all over the world and translate in the same machine into advanced clinical applications. That's the desired state. Competitive machine that can also deliver advanced clinical applications.

So we are expanding our portfolio with dedicated products for this market here. It's a little bit of our footprint in terms of manufacturing China. You can see that this is very diverse, it's geographically spread and brings a lot of capabilities for us. But the way we play this, we bring technology and processes that are proven in GE throughout the world to this plant so we can gain productivity at this same time delivering quality products at a global standard levels to China, no matter which segment of the market you will play.

On the distribution, as we expand our presence to the Hudo market, we've been hiring heavily this year to improve our coverage to this market. It's our target this year to have 500 new people in those Hudo markets actually 425 of them are in place, trained and operating and we plan to conclude those 500 by the end of the year. What this group of people is going to give us is coverage to 12,000 hospitals and clinics that were not before able to purchase equipment. Now, with the healthcare reform they are starting to do investments and since the first person came on board in February to now, we are already able to have first business 6,000 of these accounts there.

And more important, when you go to Hudo area, sometimes the purchase is not made directly by the clinic or hospital but those are bought by province and county level and if you didn't have this presence, we wouldn't have that visibility. What we do today. So this is moving in the right direction. It's strengthening our presence in China and when we call ourselves local, it's not local in China, its local at the village level or Hudo clinic level there.

Now, once we are there, we need to support what we put out there. So we are picking up our global strength on service and translating that into localized solutions. If that could be in terms of the type of offerings we do, labor plus parts or everything. It could be through a local repair center, the picture you see here is a real picture. We develop a local repair center, where instead of the engineer and the parts travel to the site, we have a small boxes like ECG or a [morning] who are traveling to a repair center be quickly turned around and sent back to the customer. So it's about speed and productivity.

And third, we can't have advanced engineers in every single village of China. So we leverage global technology to do that remotely. We have an advanced engineering center in Beijing and we have engineers in the field that do primary maintenance. So we lead them through the technology you are seeing there. So if that engineer cannot perform very advanced repairs on the machine, this person is linked to the advance center through this technology and the technology centers use his hands or eyes and body to fix the machine with live image. So I'm here repairing this and somebody in Beijing see exactly what I'm doing and give me instructions on how to do that work. And that shortens the cycle time of repair, gives the customer a quick return of the machine back to work and gives us productivity.

So, that's the story I have today. I just want to leave you with a message. This is a $1 billion scale business, it's not an aspiration to be double, triple during the coming years by leverage our global strength and localizing them to deliver customized solutions to China. Thank you. And with that, I want to invite Omar that's going to talk about technology.

Omar Israk - ***GE Healthcare Systems - President, CEO***

Thank you, Marcelo. Good afternoon, everyone. I'm here to talk about healthcare systems and healthcare systems by way of reminder -- as a reminder is the collection of our businesses that deal with diagnostic -- and diagnostic imaging and clinical products, stretching all the way from MRs and CTs and ultrasound scanners to anesthesia machines and even into home help.

So all the equipment and services associated with these businesses is what represents healthcare systems. The market we're looking at today is fairly positive. It's certainly on the rebound for sure. Markets which were strong remain strong in emerging markets in India, China and Latin America. Other markets like in the US are rebounding as well. Certainly positive growth this year and we see the same outlook continuing into next year.

In Europe, Middle East and Africa, in Asia pacific, it's more of a mixed bag. Simply because of the diverse nature of the economies and the different countries there. Invest in Europe we see a little bit of a slowdown, mostly because of restrictions in government spending. A lot of the healthcare there is funded by the government, which is reducing the capital expenditure in those markets.

In other markets though in the same region, such as Eastern Europe or in Russia for example, which is rebounding strongly, or the Middle East or Southeast Asia in particular there is strong growth, almost mimicking that of the emerging markets. Still, it's a mixed bag in those regions, but overall a pretty positive outlook.

Now how do we compete there and that's a story that I'll walk you through in the next few minutes. But the essence of our competitive strategies and of our overall strategies is something that John mentioned earlier is our breadth across this entire portfolio, larger than anyone else out there -- any other player out there, adept both in terms of leadership in each of our businesses, but also in terms of price points of products that we have -- so we cover a broad section of the marketplace. And finally, in terms of our global presence, that means win everywhere, with everything. That's essentially the core of our strategic -- the strategic emphasis.

Healthymagination, I'll talk to you a little more about, which again John has alluded to earlier, but I'll go into this a little more in depth. Talking about how we're operationalizing Healthymagination in the way we work and the way we design products. Talk about some of our key growth platforms and kind of put it in perspective of our competition and the markets that we participate in.

First, back to the environment that we exist in. We're a global business, we've got lots of advantages in this global business, but at the same time, we try to take those advantages and focus them in both locally as well as in niche areas. So, our competition breaks down into three major categories. First, our traditional global competitors such as Siemens and Phillips. Against whom we compete in scale and breadth and we think that our Healthymagination process is something that's new, fundamentally different and in the end will become a competitive advantage for us.

Then the niche competitors, competitors that play in only one business or one area, such as Sonasite in ultrasound or Hologic in mammography or Drager in anesthesia so these are niche players who are global players but limited to one domain. And then finally, there is regional competition -- companies such as MinRay or Shimadzu who compete in specific geographies and have local knowledge.

These two sets of competitors, the niche competitors and the regional competitors lack global scale and overall technology breadth, and we expect it to be as local and as niche ads they are in their own areas and be better because of our overall presence. Our ability to leverage technology across the board, our overall scale and at the same time, develop the same level of customer intimacy as the best.

We've had success, we've gained share this year in diagnostic imaging and MR in particular. Anesthesia is another area where we've had strong success and certainly showed that we can compete in that area as well as anybody. And regionally in China where we are biggest there. In ultrasound we have been the biggest player in China and continue to be the biggest player by a distance against both global and local competition.

So we think that the key to our success in all of these areas is by being able to leverage our global business model and apply it to these specific areas, and in that way, we're stronger than all our competition. And at the same time, our learnings from being customer intimate in these areas allow us to reverse engineer, if you like, some of these ideas back into the global markets and compete against our global competition in that way.

So let me talk a little bit about Healthymagination. Because Healthymagination is one of the foundations for our operating success going forward. It's a big thing for us, it's more than an external marketing message, if you like. It really rives the way in which we think about our business and the way we operate. As a reminder, Healthymagination focuses our business around cost, quality and access for our customers, improved cost by about 15%, a quantitative target for our customers again. Improved access that they have to their patients and improve the quality of care that they provide.

So for start, one of the main things that Healthymagination changes for us is that it forces us to think about our customer's problems first and about how we can provide solutions to them so that they can measurably improve the type of care that they're providing. And this precise method allows us to focus -- and forces us rather, to focus on creating clinical and economic value for our products, for thinking about what the economic and clinical value will be for our products and the design stage and in the concept stage and have clear targets on every new product that we do up front around what kind of cost benefit or access benefit or quality benefit that product will provide for our customers when it is launched. And that's a big change. Thinking about this up front.

At the same time, being able to do this and have evidence to show to our customers that we've actually achieved those goals, we need to have more clinical trials. And trials that demonstrate the economic value and the clinical value of the products that we've created. By doing so, we think that when we introduce the products the adoption rates will be quicker because the relevance and the benefit to our customers will be more obvious to them, because first we'll have thought about it up front. And second we'll have had evidence which we can demonstrate to them that this in fact is better for them, economically and clinically.

We think that through this process of improved evidence generation on these products, before they're launches, we can cut down the adoption rates of technology in the healthcare world. Today in healthcare in general, it takes about seven to ten years before a technology is fully adopted. Which really causes an inefficiency in the overall process, both in terms of our business group, but also in terms of the healthcare benefits that can be realized. And we expect to cut that in half, by making it more like four to five years in terms of adoption current. And we think Healthymagination and the rigor and the process that we go through are thinking about our customers and the rigor of evidence generation will be central to our ability to do that.

And finally, this in fact is very good for our business. Because it streamlines our research and development investments into products that will have a higher hit rate of success. The R&D spending will be much more efficient, a much greater balance between pure technology spending and spending aimed at clinical trials and other forms of evidence generation. So again, when products come out they will hit their revenue targets much more quickly and drive growth for our business and improve our overall profitability as an enterprise.

We're already in this process a year or so. We've had 80 -- we are planning 80 new product introductions to this methodology in the next -- in this year and next year and then there's many more products in the pipeline. So this is central again, to the way in which we do business, the way we think and the way we operate and all our new product development and essentially the way our business model works.

I'm now going to talk to you about our specific growth platforms in our core segments, in our developing markets, how we're going after adjacent markets and in fact how we're disrupting -- we plan to disrupt in the right way the business models for our customers to drive even further growth and how Healthymagination you'll see is a continuous theme through this whole process.

So let me start with our core leadership products in our core markets. These are markets that we've been in for a long time, in MR and CT and patient monitoring and ultrasound. And these are only four of ten of our overall businesses that we have within healthcare systems and just by way of example.

And in just these four segments we will have introduced products in the last year or so in late -- late 2009 and 2010 that will result in over $500 million of revenue in 2010 and we expect that the same portfolio products will provide 28% growth next year.

And what are these products doing? Well, first let's take MR as an example. You know patient access in MR has been a problem because of the bore size. Widening the bore size historically has created problems in image quality. We've come up with techniques through which our wide bore systems which we introduced late last year have almost no compromise in image quality. As a result, they've had huge customer acceptance. And again, we do this because through the Healthymagination process it tells us that that's a value to our customers in improving access.

In CT, we think that the defining parameter in CT going forward would be how low a dose that a CT machine will provide while maintaining or improving image quality concurrently. In the products that we're launching and have recently launched, we think we'll have clear leadership in this area. Our dose will be something like 50% less than we think our competition and what we have today.

And while improving image quality at the same time. It's an area where we will really go for clear leadership and we think we have a couple of years lead on our competition. In patient monitoring, connected care, the ability to provide critical patient data at all care settings in a hospital is very important and it is important if you want to install a connected and highly efficient patient monitoring across the hospital, tracking patients as they move from setting to setting.

We've launched a series of products, two major platforms in this area this year, again driving very successful business results. And finally, in ultrasound where we've had success for a fairly long time now and a strong leadership position. We're further extending that leadership through our logic E9 series and radiology and architecture which provides unique image policy way superior to anything that the market sees today and is being accepted very -- in a very positive manner in the marketplace driving a lot of growth in ultrasound.

So again, in the leadership areas, four examples, in four of our businesses, true across the board but in these four areas very specific and concrete examples of success in the last year or two and looking very positive going forward. So an area of continued focus for us.

Now, the rest of the market, the market in the emerging world, which Marcelo touched on a little bit, what's needed there? we need to win there, we will compete there, but the essential success factors in those markets are one of providing very low cost platforms, but again, without compromising quality to much by providing the right image quality, maybe without some of the frills that may not be necessary but -- or some of the added features. But basic good image quality at the lowest possible cost, easy to use products because you inherently have new users, this is a problem for access in many of these countries where you're creating new users, creating new hospitals so the ease of use of this equipment, the local language capability of this equipment is very important.

And in many of these areas, and in some of our product lines portability is extremely important too, because you're creating access in villages and rural settings and the infrastructure may not be - maybe not be available for fixed stations and portability again is an important factor. And when we've done that, like in MR for example, you know that we've -- we're now selling products in these markets which are priced 30% to 50% less than equivalent products a couple of years ago. We're doing the same thing with CT really disrupting the cost position that we can sell at.

This is a new market, so the sales are about $80 million this year, most of these products were launched this year. This will double next year and we expect this kind of doubling to continue for a few years as this market grows and we introduce more products across more of our businesses into this area. So leaderships both in terms of our core segments, in terms of our high end performance, as well as leadership in our growth markets and emerging markets with product that market wants and back to our Healthymagination and our thinking around what our customers

need, putting that filter in that product development up front really fine tunes our targeting of features of these products so that they can be a real value when they're launched.

Now, you're going to ask that well if you have so many products, especially these growth markets at such low costs that your customers really want, then are your margins going to suffer? Well, we've shown and last year in this meeting last year we elaborated the ultrasound business and let me just remind you of that. It's a story that's had continued success. But in the ultrasound market because of its rapid growth around the world. In the average price of products have come down. Not because the price of an equivalent product has come down, but because there are more products at lower price points available today than there were say ten years ago.

In fact, the average selling price of our ultrasound units has come down by 44% because of this proliferation of lower price products. It's come down by 44% in the last ten years or so. And at the same time, our contribution margin in this business has gone up by 10 points. And that's because the architectures that we've used to build these products are based on Moore's law on the electronics law which says that performance goes up and for us it comes down over time. And these changes in architecture have enabled us to build an ultrasound business that has extreme ubiquitousness if you'd like, products everywhere, high technology everywhere at low costs and yet high margins.

We've taken the same kind of methodology and apply -- started to apply it to several other businesses in our portfolio. The anesthesia business and life support has the same kind of trend, prices coming down. And yet, our contribution margins have gone up. CT business and our MR business all go into the same kind of rapid transformation as access -- as the need for access to new patients drives the need for lower costs, higher performance products. The fuel our forward looking growth and yet because of the way in which we are driving the architecture of these units, we're reducing costs at the same time.

So it's very important to realize that this growth and this huge market opportunity that we have ahead of us is actually a huge margin opportunity for us as well and we've got to demonstrate a track record in this area and we're confident that we can continue to drive margin going forward. Which will be significant in our results.

Let's change gears a little bit. We've talked more about our core areas and our core marketplace. But our business still has an overall healthcare marketplace in which there's lots of room to grow and there's adjacent spaces and let me take you a particular example of how we approach these adjacent spaces and let me take the example of our anesthesia business where we're a leader in that marketplace. We've got significant share around 50% in that marketplace and in an established position with breadth, depth globally.

Now, again, because the size of that market, our growth is inherently somewhat limited because of our share and size. But we can take key components, key technology components in anesthesia, such as the breathing circuits or the -- or what we call the flow valve which is used in aiding the patient to breath when they're under anesthesia. We can take the same technology components and apply it to the respiratory market an create ventilators and by doing some key acquisitions which give us a starting position and by introducing this technology, migrating them from the anesthesia product line into the ventilators, we've created a differentiated position for us. And then a big new market place for us to grow in.

So this is a business that is now over $100 million, grown from virtually nothing to $100 million in the last few years. So a mixture of our own organic as well as some in organic growth, but the market segment growth opportunity that it offers us is massive. It's almost a $2 billion growth segment in which we're just a $100 million. And we think that we fill this portfolio out as we continue to expand geographically, we will rapidly grow in this area and it will be one of our big growth drivers going forward.

Same example in terms of consumables or single use products, we did an acquisition of vital signs a couple of years ago, which was focused on the consumable market. We start to add our own technology and our own connection with say our anesthesia machines to these consumables which are used with anesthesia machines, to give us a competitive advantage.

We now have almost a $400 million business in the consumables space, but a market space which is $2.6 billion and lots of room to grow and again, we think in the mixture of our technology which we have because of the breadth of our product line, key acquisitions, our overall distribution platform globally, we're in a great position to rapidly gain share and win in this market place in spaces where we're really not present today. Our overall business in this area, what we call life support systems, is over $1 billion. So we've got good scale. And this kind of market expansion will allow us to continue growing in to the future.

So we've talked about adjacent spaces, the other exciting areas of growth and we're really excited about this because we can change the way in which healthcare is done fundamentally is completely disrupting our customers business models. You know we've got a great set of technologies that we apply in our core markets and our growth geographies. We're continually learning and using miniaturization as a fundamental lever to

drive higher margin products. But we can also use miniaturization of our technologies to package products differently. We can use lower costs and different types of packaging to disrupt the way in which the business model of our customers exist.

In the world of diagnostic imaging and MR, today MR is fundamentally done by a single type of machine. No matter what organ you're scanning, you'll use this fairly large machine. So you'll go into a big MR magnet even if you just scan your wrist. So you go in there with your wrist inside this big bore. Well, what we can do and you can see and example here is we can have a specialty MR system, which is smaller, it required much less maintenance, cheaper, and in fact better because it can be designed more for that purpose. That covers something like 12%, 13% of the total MR procedures, specialty, extremity imagery.

We have a product line today which can be used for that purpose with a cost of that product line as a third of the cost of the total MR, of the whole body MR. and the performance for that application is just as good and this year we're launching features through which it will make it better. We can do the same thing -- we can do the same thing to areas like the head. Like neural imaging and MR is one of the biggest procedures, 35% of procedures. We expect in the future to address that market, through a specialty system. So over time, over the next five years, we expect to produce offerings to which 50% of all MR procedures can be performed for a third of the cost and twice the performance.

Now, this will require -- this will clearly disrupt the marketplace. It will change the way in which our customers think about MR, change the way in which they buy the systems and change in which they manage their own business. That's business model innovation and a complete disruption in the way they do their business and we think for the better in terms of healthcare efficiency.

A very similar example of ultrasound, you've probably heard of the V scan, which is a hand held ultrasound product producing high quality images in a sort of a cell phone type of format, which you can see over there in a minute. We expect that this product will be used by primary care physicians across the world. And primary care physician will use this product to provide better referrals for more expensive imaging cases that people might need.

So the quality of these referrals, people who are normal will not get referred because this kind of technology will enable them to make better decisions. A normal patient when referred to a more expansive diagnostic test, the cost in the healthcare system is enormous because you're putting in the cost of a procedure for patient with a lot of issues to a normal patient. And if you can do that in a lower cost fashion with something like a handheld ultrasound, then obviously -- then the benefits are obvious to the overall healthcare systems in terms of overall quality of care, but also in terms of overall costs.

So these are just two examples of business model disruption that we can drive in the healthcare world that'll improve the quality of healthcare, that will improve access potentially and certainly reduce the cost of healthcare. And these are at least two platforms which we will drive aggressively in the next five years.

And then finally, in the same thought process of new businesses and new areas for growth, we have to talk about home health. If you think of the demographics and John talked about chronic care and the by wave of patients feel like approaching the need for chronic disease management. One finds that the hospital systems and the clinic systems, the infrastructure that's available worldwide is just not going to be capable of dealing with this many patients and sooner or later, care has to be provided in the home. And so we see an exciting market opportunity there. The market we think will triple in the next five years, the market opportunity, but it's a very fairly segmented marketplace with lots of different areas in which one can go into. The area that we've chosen to participate in is an area where the connectivity and the clinical skill set that's required is important and this is an area -- in the area of chronic disease management as well as in the care of the elderly in their home. We call that independent living and disease management. Which we think will become the two largest segments where we can make a difference in this marketplace.

Our connection with our healthcare providers, our relationship with luminaries in this area and our knowledge of how to make products that are good for patients, that patients will comply by, we think will be big differentiators.

In addition, this will require mass market adoption. It will require not only the relationship with providers and parents but also an architecture that's scalable so that we can deal with millions of patients in their home instead of thousands. So it will require an architecture that can be scaled up, that providers can take and then deploy in a massive fashion once the evidence is there that this is providing true value for them.

We've done a joint venture with Intel in this area and together with them we have a suite of products. Intel brings to us and architecture that's very scalable, we provide some healthcare specific technology as well as a connection to the healthcare marketplace and knowledge of how to develop products for healthcare. Again, through the same kind of Healthymagination screen because one has to be efficient as to how to invest in this area and build the right products for this marketplace.

We think that in this area we already -- we just started this un less than a year ago, into this areas, we already have an installed base for these products of over 6000 patients who we're monitoring today. This continues to grow something like 10% a month. So every month this thing is adding 5, 600 users to our overall installed base and we expect that base to accelerate as we get better at this and there's more adoption and there's more evidence for its utility.

So, in summary, look this is an exciting marketplace. It covers a wide spread of technologies, of customers, of geographies, it's a very exciting space. We think a huge opportunity for growth for us. We think we can make money doing this. We think this will be the healthcare system to be a huge growth driver into the future and we expect some really exciting results.

So with that, I'm going to introduce Vishal Wanchoo who's going to talk to us about the healthcare IT business.

Vishal Wanchoo - ***GE Healthcare IT - President, CEO***

Thank you, Omar. Good afternoon. We're going to switch from talking about hardware to software as John mentioned, there's a lot of discussion about healthcare IT over the last couple of years. It thought it'd be good to reflect back on where the markets been. What the markets done and then more importantly where the markets headed in the future.

So if you look over the last 10 to 15 years, the markets done a fairly goo d job in adopting what we call specialty solutions, an area of radiology and cardiology we've driven great productivity, great cost benefits, better quality in this area. The market's also done a reasonably good job in adopting administrative systems, hospital information systems, electronic medical records and that's typically occurred in the larger hospitals, in the larger multispecialty clinics that hasn't penetrated down to the smaller primary care physician practices.

About two years ago the US government stepped in and introduced a large stimulus, an incentive package that is going to pay through CMS, through Medicare incentives to the providers and essentially this is going to be paid over the next five to six years and the goal is twofold, one is to drive adoption of health IT where adoption has not been driven in the past, and two, for those providers that have actually adopted health IT to insure that that usage of health IT is actually going to result in meaningful improvements in terms of patient outcomes. Now, this process is going to be defined -- or is defined through three stages of what we call meaningful use. The government has been looking at meaningful use definition, we expect that actually meaningful use to be specified about a year ago. So it did create some market stall while the government worked through the meaningful use definitions. The good news is that meaningful use was fully completed, defined for stage one about a couple of months ago and we have in our products that are certified and ready to go. So we feel bullish about where this markets going to go based on this definition.

And, importantly, looking forward when you look at the further advances of meaningful use, the stage two and stage three, which will come out in the next few years, it's exactly where GE is placing its bets in terms of investments and I'm going to talk about that.

So, wherever it's been over the last two years in terms of the GE healthcare IT business, we've developed a strong portfolio in specialty solutions, in radiology and cardiology. There are large untapped areas that are going to talk about in specialty solutions where investing in EMRs where there's untapped opportunity in the primary care clinic and more importantly, we're placing long term bets in creating two things, one is connected healthcare system, its very important around the world. Healthcare systems or products don't talk to each other today and that creates a real barrier to healthcare delivery and efficiency. So we're creating health information exchanges both in this country internationally and also betting on future systems which are going to provide advanced decision support capability on top of electronic records and this is an important area that I'm going to cover.

If you look at the evolution of the - off the GE healthcare IT portfolio, we started the business roughly bout 10, 11 years ago with specialty solutions. We've developed those in radiology and cardiology. We're betting on pathology. I'll talk about that. John addressed that. We're investing in EMR systems, especially as I mentioned in the untapped area. So this was the next area that healthcare IT diversified its portfolio. And then two new bets that we're making which is the creation of Colibria, which is a partnership that we have with Intermountain Healthcare and Mayo Clinic, which I'll address, and creating this healthcare ecosystem connecting healthcare with health information exchanges and providing decisional support on top of that.

So we have a -- as you can see a much diversified portfolio. We're just not a player in electronic records. We really provide a wide variety of healthcare solutions across multiple points of care delivery.

I want to just spend a minute on a case study in the specialty care business. This is where actually we stated our business, in the area of radiology, which has been a great success for us and for the customer base. As you can see, we've driven -- digitization of radiology globally, which has

resulted in huge improvements in productivity. You can see up to 70% improvement in radiologist productivity where they've been inundated with a lot more data to take care of and this is something that we've progressively gotten better at and we'll continue on that journey.

Better costs, better quality and on the right hand side you can see we built a good GE franchise. A global business, over $6450 million and a portfolio that we can leverage over the next three years. Now while we've done this in radiology, there's a huge untapped are that we think is next, which is pathology. This is an area -- again a specialty area that hasn't changed in terms of how its -- slides are analyzed over the last 100 years. They're analyzed under a microscope. Now there has been reasons why this area hasn't been digitized, there're technology reasons. We placed a big bet, two and a half years ago we started a joint venture with University of Pittsburgh Medical Center, there were leader in terms of clinical anatomic pathology, very prominent in terms of thinking about digital pathology. We're leveraging a lot of the expertise that we have from our radiology business, there are a lot of similarities in terms of how you digitize pathology and radiology and we leverage also phenomenal capability that we had in our global research center. they had been developing technology using scanning technology to scan slides of high quality, high efficiency, high throughput and coupling of those technologies, we are actually now in four sites testing the solutions, we're going to be launching the solution in the first half of 2011 and similar to radiology, this is a global platform with global needs and a global presence that GE can leverage to grow this business and we think this is a -- it's really a $1 billion opportunity over the next -- over the next few years.

So switching from the specialty solutions business and talking about meaningful use in electronic medical records. As I mentioned, stage one meaningful use was just defined, and this is going to drive adoption of IT where its under penetrated and customers that already have IT are going to progressively use those IT systems in a -- I would say in a more advanced fashion to satisfy the government requirements.

Now, if you look on the left-hand side, I represent the physician practice market. This is -- you typically have physician practices in either large multispecialty settings, but the bulk of patient care in the physician practice market is delivered through primary care. Up to 700,000 licensed practicing physicians approximately in the US, about 500,000 physicians practice in that bottom category, in the under 10 practice size. And this practice size or this space has been highly underpenetrated over the last two years, as you can seek less than 20% penetration. So huge opportunity there. We're going to talk about what we're doing in that particular area in terms of driving adoption.

And then as we look ahead, at stage two and stage three. This is exactly where we're placing the long term bet. Because stage two and stage three become progressively more complex in terms of what providers are required to do. It's not just using an electronic record to document care, or to improve patient safety, but it's actually changing healthcare outcomes. It's actually being able to measure our protocols, how you're doing, improved based on those measurements. Put control processes in place and that's exactly the type of bet that we're making that we'll address.

So the first area of primary care, we already talked about the opportunity and the lack of penetration and there were two barriers in our opinion, one is there wasn't an incentive for physicians to change their way or to change how they practice medicine. The government now has introduced an incentive where they get monetary comparison from Medicare and Medicare over the next five to six years but more importantly there wasn't the right technology offering to actually penetrate these 500,000 physicians that are dispersed across the united states so we -- we've been investing in this technology, we launched this technology earlier this year. It utilizes the latest in cloud computing, so it is 100% delivered as a service. The software is actually delivered through the internet, hosted at the GE data center, there's actually no onsite requirements of any hardware technology, it's very simple to install, very simple to use, very simple to maintain, very simple to upgrade all of the criteria that you need to really drive adoption in these small primary care practices. And this is exactly what you have done. This product is fully certified, was actually in the first wave of certification to the government approved agencies that was a certifying body. We approved that -- or we got that certification roughly about a month and a half ago, ready to go when delivering the services is that through the internet and really tap this untapped market. And this is where a lot of healthcare change is going to occur in terms of how physicians actually practice using electronic systems. So this is something that as I said available now.

Now where we're placing our bet on the long term is as I mentioned, where we see the market going in terms of stage two and stage three meaningful use. While electronic medical records have been good for the industry, good for providers. In terms of automating legacy workloads and they're important because we have improved patient safety. We've provided things like drug, drug interaction, and drug allergy interaction. We've provided those things at the point of care to the physicians and so we have made an impact in patient safety. We have made an impact in productivity. They're more efficient because you have results available online. But that is not enough to move and change healthcare, because healthcare -- in healthcare what we have to do is we have to reduce or remove the variability that occurs in healthcare, which drives lower quality, it drives higher costs. And so we are entered into a partnership with Intermountain Healthcare and Mayo, this requires deep, deep clinical capability, a lot of knowledge. These institutions have been investing in these kinds of concepts which require high degree of understand go how you define medical terms, how you standardize medical terms. This is technology that s I mention, we've been investing for the last several years. The important thing is there is that this technology will sit on top of any electronic medical record. It's the next generational system. So we preserve the customer's investments that they are making in the electronic medial records, including GE electronic medical records and they're building a system with open architecture that can sit on top of these systems and do three important things. One is provide best practice protocols

that are known to deliver the best care into the workflow of IT systems. That reduces unintentional clinical variability. It's not that physicians want to drive variability, it's just the fact that a lot of times they don't know they have preferences that are out of date. So we want to provide the best practice care guidelines that are the latest, well understood knowledge at the point of care.

And the third most important thing that hasn't happened in healthcare is the fact that you can actually share these best practice care guidelines. And so every time we go and we develop a guideline at the hospital, it sits at the hospital and is locked up in that hospital. So Mayo clinic protocol can translate to a community hospital. And so we've actually developed -- are developing an architecture that allows the transportability of these protocols, which is crucial to migrating this at a rapid pace. Because you can't afford to change software or customize this at every hospital setting or every physician practice.

Where we are with this broad solution is we will be in pilots -- in four pilots, specifically, including Intermountain Healthcare and Mayo Clinic obviously in 2011 with a full launch of the product at the end of next year. Well positioned, as I said, to take into account where customer are thinking about how they're going to get to the advanced stages of meaningful use as they're hit with that over the next four to five years.

So with that, hopefully you can see we have a broad healthcare IT portfolio. It's not focused just on electronic records. We have a broad set of specialty solutions and radiology and cardiology where we've proven great success. Similarly we're going to do that in pathology, which is a huge untapped area. Well positioned to tap into the untapped market of electronic records. Especially in the primary care setting.

And very importantly, betting on future platforms. It's a long term important bet which is exactly where healthcare is headed and we're well positioned to capitalize on those long term bets.

So with that I'd like to turn it over to Pascale Witz who will talk about molecular diagnostics. Thanks.

Pascale Witz - ***GE Healthcare Medical Diagnostics - President, CEO***

This must be the easy part. Molecular diagnostics. So since we recently announced our intention to acquire Clarient, I have to start with a disclaimer, since it's a public company. And the deal is not closed.

So for the sake of time I will let you read it rather than go through it here.

And I will talk about the medical diagnostics business first, which what we currently have is a portfolio of products that are imaging agents that are used to be injected in the body to see better organs of vessels when you do imaging procedures. So the procedures that we do with our equipment, CT, MR, ultrasound sometimes, nuclear medicine in paid are using imaging agents that is what composed the business. The business is rooted in contrast media which is a very mature and developed market. Now the good news is that the emerging markets are growing. We see some markets that have tremendous growth like China, which is this year between 25 and 30% and we will obviously continue to drive that and expand into these markets.

We have new (inaudible) agents that are actually showing very nice growth in the markets where they are approved and we will work on getting approval in new markets so that we can expand the geographical coverage. We also have a very exciting in vivo [pat] imaging agents pipeline with agents that are progressing nicely through the clinical trial phases with some very nice future that I will talk a little bit more about.

And then, actually the acquisition of Clarient is a great fit to build a very strong molecular diagnostics business and establish leadership combining our current capabilities with Clarient's capabilities.

So in order to understand the importance of molecular diagnostics, let me start with stepping back and how we look at cancer. The way we used to look at cancer was to define it by its geography. You have breast cancer, lung cancer, colon cancer and actually as we understand cancer better and better, we also understand that it's a lot more complex than we thought. It's a very complex disease and nowadays we understand that there are very different type of cancers. And the cancer as defined by their molecular profile, this is really what we call the fingerprint of the cancer and the molecular profile of the cancer itself will determine first of all the prognosis of the patient, but also the treatment that is going to be used for this very type of cancer.

For example a patient that is a [her] two positive will have [herceptine] as part of the treatment. A patient that has a cancer that expressing a hormone receptor positive will be treated with a different type of drug and drugs are getting more and more targeted, they are very focused because it's important to really attack the disease very precisely. Which we are now in an era when we need targeted therapies and we need to

find the right therapy for the right patient. This is what will increase the quality of the healthcare but also will reduce the overall healthcare costs because you don't need to use treatment that are not really effective.

And if you look at the landscape, this is where the pharma industry has been going. When you look at what is happening in terms of sales and investments, you can see the transition to the bio therapeutic. The traditional pharmaceutical sales have been going down, the investments are going down and the sales in the bio therapeutics are increasing so these are bigger molecules, more complex and actually more difficult and more complex to handle too.

You can actually see that actually this is a market that is -- that has some very nice growth prospects, 8% calculated estimated between now and 2014. And you can see that the big pharmaceutical companies have had heavy M&A activity to access this type of content over the past couple years.

So why is that? It's because the pharma model is changing. The era of big blockbusters the work with all the patients is over, I mean the world of starting is certainly over and now we have this more complex therapies that are more focused more targeted, more personalized, if you like, but you also need much more powerful diagnostics that can tell you which patient population is going to respond to every specified drug.

So this targeted drugs do require this powerful diagnostics to pinpoint the populations of patients that is going to respond to the drug.

So this is where actually combining in vivo and in vitro capabilities will enable us to be on this powerful diagnostic solution.

So what do I mean by that? In vivo diagnostics, this is what you do in the patient, this is imaging. You have the patient and you use equipment and imaging agents to see in the patient. And this is where we have --we have been establishing very strong leadership position and we do have already molecular diagnostics products and a solution pipeline. What Clarient brings is this in vitro molecular diagnostics, so in vitro means you take tissue or cells out of blood from the patients and you analyze that out of the patients and this is what allows you to grow at the level of the molecular footprint of the fingerprint of the type of cancer. It's also an advantage in terms of developing this type of test is bringing advantage in terms of access, development time and development costs.

So combining these in vivo diagnostics with in vitro molecular diagnostics gives us the ability to build these sophisticated diagnostic solutions that will actually improve the patient care and improve the ability to make more confident medical decisions.

So if I go back to the example of breast cancer, well breast cancer, you know this is a huge disease, 250,000 plus new patients every year US only. The traditional diagnostics is pretty simple. is x-ray mostly, mammography trying to identify and find out the cancer, then trying to confirm if the suspicion is right or not by using either another mammography or ultrasound or MR, and then you go through a biopsy to define whether it's a cancer or not and you adjust the therapy and then the patient will go into a patient monitoring.

Molecular diagnostics are going to play an increasing role in different stage and different steps here in this continuum. Once you have the -- I mean once something is suspected, using in vitro diagnostic can help you reduce the recall rate. When you do the biopsy, and this is really where Clarient is focused, for example, is really taking the tissue out of the tumor, analyzing it and actually the complexity and the sophistication of the test is going to increase so that we understand the molecular profile better and better. And this will help adjust and choose the therapy.

And then moving into the treatment monitoring. We have a portfolio of imaging agents that are going to be critical in understanding whether the patient is responding or understanding fast whether the patient is responding or not to the drug.

So, overall, combining the in vivo imaging information with the in vitro molecular diagnostics information is really going to improve the patient outcome, while it's going to save costs of the overall patient treatment.

So if I dig a little bit more into the in vivo diagnostics, as I said, this is what we have today. We have a pipeline of imaging agents in PETs that we are combining actually with the expertise we have developed with our PETs imaging business and equipment.

So on the imaging agent's side, the molecules, we have two molecules that are pretty far down through the clinical trial phases, and they're actually measuring tumor growth, tumor activity. Why is that important? You can see here a list -- a couple of targeted therapies that actually target tumor growth. They try to inhibit tumor growth and you can see the market size -- or the business size of these drugs. So the ability to have an agent that can tell you earlier on whether the patient is responding or not to the drug is really important. The ability to tell pretty quickly whether the patients stopped responding to the drug is also very important so that you can adjust the treatment. That's one typical challenge you have in cancer is the drug works for a certain period of time and then the body fights it back and it stops working.

So this targeted therapeutics actually would benefit tremendously from having targeted diagnosis that really have adjust and select the right therapy.

Now, the other thing that we have actually in this space of in vivo molecular diagnostics is the fact that we have the imaging agents and the equipment allows us to define diagnostic solutions.

So for example, one of these imaging agents, which is a molecular market for the therapy response, while we are developing it, we also developing advanced and sophisticated software tools that will automate the assessment of the responded from the patient to the drug. So you can see two images where you can see the baseline before the treatment and the image after the treatment and we're developing this sophisticated software solution that has the doctor assess and read the images to have his diagnosis or his assessment done.

So that's really the therapy monitoring and in oncologies is where the in vivo molecular diagnostics is going to be extremely helpful.

Now, of course the other big piece of this molecular diagnostics is in vitro diagnostics. This is really where Clarient is playing. So Clarient is playing in this in vitro diagnostic world which is analyzing tissue that has been taken out of the tumor. This is the test that will help choose the therapy. So Clarient today is a well established and recognized leader of oncology, diagnostics tests that characterize and assess cancer. They have a very broad menu of tests, 350 plus, and they also have a large pipeline of proprietary tests that will be use full for breast, lungs, cancer and prostate cancer. They are covering the whole US, very strong customer base in the pathology with -- pathologists and they also have a strong integration capabilities so that actually they can bring on more content to increase the menu that they have. And at the same time, they're also working early on with pharma to help them develop companion diagnostics, which is diagnostics tests that we'll actually be used hand in hand with targeted therapy to make sure that the drugs are effective.

So we have here a business that is doing well, 68% [cag] rate for the past five years -- over the past five years, which is also scaleable and that will continue to do well. And combining this one with the existing in vivo molecular business that we have brings us a wide pipeline of products that will guide therapy decisions. We have a wide coverage for these products in vivo and in vitro in oncology and neurology.

So for example, Clarient bring pulmotype which is a test that helps you - that helps select lung cancer therapy. They have a test that is -- that has just been launched last week for the risk of breast cancer recurrence, and the have another one to identify responders to specific therapies.

In the meantime our in vivo pipeline ahs some very exciting agents and actually, I will highlight here, although I have talked mostly about oncology, we have some agents in neurology and the same can apply in neurology. We have [pleutometomol] which is an Alzheimer's disease market and you may have heard that actually yesterday Ely Lilly announced their intention to acquire a product that is very similar to this one and pretty much the same state of development for $300 million of upfront payment and $500 million of milestone payments, just to give you a sense of the value of this type of diagnostics in the overall patient management.

So we feel that with the strong in vivo and in vitro molecular diagnostics pipeline and with these two businesses combined together we really are in a great position to lead in molecular diagnostics. We are going to leverage our existing molecular imaging agents and the equipment to develop the sophisticated solutions. We're going to leverage technologies that we're developing at the global research center in molecular pathology that are going to enable efficiency of the pathology lab but also help us develop more content.

Vishal talked about digital pathology, which will enable workflow, and you can see here that actually Clarient is a great fit to all these different elements to have this very strong molecular diagnostics business.

And with that, I'll transition to Jan De Witte who will speak about solutions.

Jan De Witte *- GE Healthcare - VP - Services International*

Thank you, Pascale. As John flagged in his intro, this industry is at the beginning of a very significant shift that in the end will dramatically transform how healthcare systems and hospitals operate.

Now, this shift revolves about one key driver, which is waste. Waste and that fact that no healthcare system in the world can still afford its own levels of inefficiency and quality defects. I'm sure that each of you individually have your own experience, encounters with waste and inefficiently in healthcare.

My most recent favorite one, in fact happened to my spouse a couple of months ago when she had to go in for a relatively minor surgery and what was planned to a be one day, one night procedure ended up being a three day, two night procedure. Okay, now not because something went wrong in surgery, but what went wrong was the whole back management and the discharge plan. Okay? The processes of this hospital just weren't capable to get my wife out of the hospital on time.

Now a couple of years ago, when the cost plus world, it was nice to have -- to work on this type of waste. Today, it's a matter of survival and what's going to take to bring this industry at a different level of performance is big change management and technology and the is where our service business and our service DNA and specifically our solutions business is that we built on top of that service business are very well positioned.

This picture shows our service business and I think like many of you know, this is a fantastic business, has shown great growth, great financials over time. Okay and what you see in the blue is our core service franchise. Our maintenance business, our (inaudible) business. Solid growth in line with our install base. What you see in green is our asset management business. Okay, this is a new platform that we start building less than a decade ago that aims after equipment capital expenditure and operating expense optimization. And then in orange you see a new platform, our collections business -- our performing solutions business where we look into whole hospital optimization. It's a small platform, relatively new platform today, okay, but great growth prospects given the huge potential of driving efficiency in this industry.

Now let me go one step deeper into asset management. Asset management is essentially a business where we take the full install base, equipment install base of a hospital under our wings. GE install base and other OEM installed base. We provide full maintenance capability, but on top of that, we bring in technologies to track assets and to drive assets availability. We couple it with advisory around capital planning within hospital. Okay? And these three together our maintenance capability optimization technologies and advisory allow the hospital to make a step change in its performance on operating expense and capital expenditure. How this is one example of waste in the industry and how to deal with it. Now the waste that I talked about in the beginning goes way further than asset optimization.

Look at this dollar. Now for every dollar spent on healthcare today, more than $0.20 is wasted and the waste comes in essentially three flavors. Okay, the first one resource under utilization. Right now a typical hospital in the US runs today at about 60 to 65% of its capacity. Now despite this low utilization of capacity, most hospitals still feel full or clogged up. Okay? These are types of performance levels that 20 years ago almost smacked the airline industry.

Second type of waste, clinical variation. Okay? If any of you would go today into a hospital with a given set of symptoms and you would go to a second hospital. Okay? Same person, same symptoms. The chances are that you will get a very different treatment with different cost picture and probably different outcomes. Okay? Now, one of this difference is justified by any clinical evidence, its driven by the preferences and the practices of that specific hospital.

Studies like the Dartmouth [Atla] study have shown that if across the industry best practice care pathways would be utilized, Okay? You can pull tens of billions of dollars of cost out of the system and at the same time, improve the quality.

And then the third type of waste, fragmented care. Okay? A patient, and specifically a patient with a chronic disease will over the course of the disease go through different providers within the system. Okay? Now, the reality is that the left hand in the system doesn't know what the right hand is doing. Okay? This leads to duplication. Okay? And even more important, to lack of prevention. Okay?

Pilots over the past five years in Europe and in US have shown that if you enable providers in healthcare system to better coordinate and cooperation, you can again pull 15 to 20% of costs out of the system. Okay? In a five to 10 year period. And drive better quality. So half a billion or half a trillion of waste. Okay? And this is in the US system alone.

Now, a bit more than a year ago, when we stated to see the urgency of dealing with this problem of inefficiency in the industry -- a year and a half ago we decided to take this performance solutions platform and turn it into a dedicated global P&L that's fully focused on going after this inefficiency opportunity and we do it with a strategy that's built on three key [polars]. The first one in the lower left is healthcare operations optimization. Okay? This is where we bring in process technology and advisory to help a hospital run efficient and safe at 90% capacity utilization [alibat]. Okay?

Second, clinical care delivery optimization. This about helping hospitals to adopt best practice care properties and put systems and process in place where you measure clinical performance, analyze, learn from it, and improve. Okay?

Now this is also where it starts to link to what Vishal was saying about Colibria, because Colibria is one great system, one great technology that in the end is a great sustained phase to drive clinical quality and drive out non intended or non value added clinical variation in the system.

And then the third aspect of the strategy is enabling integrated health organization. This is about combining advisory around cap of waste with health technology to enable a system, to enable providers in the system to better coordinate and cooperate across the care continuum of a patient.

So three drivers of our strategy but let me go into a few examples to give you a feel of what we do.

First example, Moffitt Cancer Center in Florida. Okay? This is where we tackled one of the toughest problems inside a hospital, which is the scheduling of an operating room block. Okay, the OR block in a hospital is the engine room of the hospital. It influences all the processes the patient flow that goes on before it, it influences even more the bad management and the discharge management in the hospital. And what we did at Moffitt is we totally redesigned the way that they schedule the operating rooms and how that interfaces with the rest of the hospital. Now key in that was our block optimizer technology, which is a software tool that we developed together with our global research center in upstate New York that and -- I mean state of the art optimization algorithms that allow us to take on this very complex scheduling problem in hospital.

Now as a results in Moffitt, we increased inpatient capacity throughput through the OR by about 15%. Okay? That's about 1000 procedures a year. That's a lot of money in terms of revenues and a lot of money in terms of hospital efficiency.

Second example of their (inaudible) health system in New Orleans. Here is a great success story of a multiyear engagement where we work with [Exner] driving their strategic planning processes, their leadership systems, get lean optimization. Okay? In the end, I mean very significant bottom line impact for the Exner system. And today we're working with them on next set of engagement, one specific is focused on patient safety where we use our smart room technology to again develop through our global research center, but to go after things like hand hygiene compliance and prevention of patient falls. Okay?

These are just two examples. Okay? I could give you ten more but I wanted to show you some of these because it shows one, what types and what amount of value you can generate for hospital or hospital system by starting to go after these inefficiencies and waste. But second, it also illustrates the three key capabilities that we can bring together right? And I think GE healthcare is distinctive in being able to bring together strong pragmatic change management. Okay? Using our GE toolkit. Okay?

Second, technology. Okay? We know how to do technology, we know how to link it to process we design and we have our GRC that really has some fantastic brains when it comes to atomization algorithms. Okay?

And then third, healthcare dats. Okay? Healthcare is what we do every day that we have privileged access to clients. We have great access to partnership. Okay?

So where are we going to take this? Okay? In the end, okay, key messages are this is a great opportunity. This is an emerging market, the market of going after inefficiency in the industry. We as performance solutions in GE healthcare are very well paled with a set of distinctive capabilities and a number -- large number of repeatable success cases, and a strong investment from GE and enhancing, broadening our footprint and further investing into new technologies and solutions capabilities. Okay? And with this that we're going to be part of the companies that are going to shape this new market and create a great growth platform as a result like we did with our asset management business.

And with that, I'm going to hand it back to John for the closing.

John Dineen *- GE Healthcare - President, CEO*

Thanks, Jan. And I hope you got an appreciation for sort of the depth of the thinking and the depth of the strategies in the business. I mean you'll had a -- you had literally number of domain experts in front of you today. Jan has been running our services business for a long time in Europe and he's got a background in consulting from McKenzie Corporation. Pascale has worked in diagnostic imaging, the pharma company as a molecular biologist. So when she shows you all these things, she knows what she is talking about here. Vishal has had a career in IT, specifically healthcare IT, building our packs business. Omar has built a $5 billion clinical system business, an ultrasound business for the company and is how really making sure that we have a great global HCS portfolio and taking responsibility for clinical systems and DI and when you talk about Marcelo, he's a great global leader. He's worked in Brazil in developing markets. We've had him working for us in China for a while now. But you've got a number of people up here that are really domain experts in their respective field and are capability of getting into the strategies at a very, very deep level.

I hope you got an appreciation for where we want to take this business. On top is sort of the financial expression, that's our expectation of ourselves. That's what we want to do in this business and down below in the strategies that we're employing to make that happen again. Healthymagination is more than just a marketing campaign, it's a mission statement it's a way we think about the business, it's the way we invest in the business.

We think we've got a -- we've got a great clear shot at the developing markets and we are putting assets and people and investments on the ground to take full advantage of that opportunity because I respect that opportunity. You don't get it in all industries.

We've got a great service model and I think we can build that out and we're showing that we can add very productive levels to that. We know what product excellence is. We know what a great portfolio is and Omar's going to make sure that we have that in HCS.

Healthcare IT's a multi inning game. We've done well in the first couple innings, particularly in the departmental side, and I think we're positioned for where its gong in the future and we expect the next couple of years to be much more exciting in that space.

Life sciences, great asset, truly dominant in its field. We want to continue to expand that footprint and then molecular diagnostics is probably one of the more interesting and exciting things to happen to healthcare in a long time and we want to be on the front end of that change.

So with that, I will -- I'll ask the team to come up and join me on the stage and we'll field any questions or clarifications that you may need after today's discussion and apparently we have a few of them so -- are we going to do it microphone? Hand the microphone out? Okay? You want to start with Nicole?

QUESTION AND ANSWER

Unidentified Audience Member

Thanks. John, you painted a really robust outlook for the next five, ten years as you look at all the growth opportunities, can you give us a sense of what you're worried about from a challenges perspective? Is it customer pricing pressure? Is it R&C allocation? Is it technology adoption? How do you think about the biggest risk to the business?

John Dineen - *GE Healthcare - President, CEO*

You know the biggest risks out there are just -- we can't -- you don't know what's going to happen with the economies and anybody who tells you they know what's going to happen with the economies doesn't -- they don't know what they're talking about. We're really -- we're in an environment where it's tough to say what's going to happen to every independent economy over time. We do feel better about healthcare relative to that. I just - as I said, you just go back to the fundamentals of the demand and there are very strong signals.

Our biggest challenge is placing the right bets. I've never seen a business where there are so many different technologies and so many different opportunities. So we've got to have a lot of discipline on where we place our bets and which ones we pick. I think Healthymagination has helped us with that. We've made some significant investments, not just in healthcare but in the company and improving our marketing and business development operations. So we have an external view of the world. But picking the right shots is really the hardest thing because there are a lot of them in this space.

Unidentified Audience Member

Thanks, John. One thing that struck me when I was visiting the China operations, particularly was the speed of technology change that is, as you say driving in country, for country product areas and the concern I raised at the time and I still would love to get a better comfort level with it is over a longer time period, what gives you confidence that like a lot of other industries as that technology changes so rapidly and able to pace the cost side, the pricing side. So you don't face more pricing pressure, so you don't sit and face cannibalization in your core markets. That it's sort of segment specific and that as you find better ways to provide healthcare in those segments, in those locations, they don't come back to health systems under cost pressure here and elsewhere.

John Dineen - *GE Healthcare - President, CEO*

Yes, I think -- the most comforting thing to me is past experience. Because everything eels is kind of agues, and when I look back into our experiences and I say what makes us feel good about what can happen with a portfolio as we expand it and we broaden it into he lower price points, I look at the ultrasound business. That is a business that Omar's built as he showed you around the world has tripled over the last 10 years. So far the average pricing of an ultrasound unit has dropped 50% and the margin rate has improved 10 points. I like that financial expression. That works for me. I think it works for you. So there are parts of our business where we've seen that and then the other part of it is just philosophy which is -- we got to go where the market is. You get -- but we're just not going to walk into those new markets with expectations that this is a less profitable marketplace. And that's not the case with China. We see the same levels of profitability in our China business that we see in the developed markets. It often surprises people.

Unidentified Company Representative

(inaudible - multiple speakers)

John Dineen - *GE Healthcare - President, CEO*

Want to clarify?

Unidentified Company Representative

Yes, I can just add to that a little bit. In the sense that this is something we're expecting. We know that there is going to be a (inaudible) price pressure in those markets and so we're planning for it and we've got technology in our pipeline that we know today, coming out of the next five years that will take us there. So I'm close to certain that we can -- we can keep our margin rates where they have to be because we're working on it today. Our R&D activities as much around those areas of how to improve like I talked about architecture, a group performance in lower costs dramatically. At the same time, as it is about pushing the next envelope in image quality or something.

Unidentified Company Representative

Can I just say (inaudible) -- it's because we're a pretty global company we spend -- Marcelo and Omar and the product teams, they spend a lot of time looking at the new competitors. We're just paranoid of the new competitors. So we spend a lot f time at the shows in every country saying who are these new players, these new players and certain geographies that are coming out and what do they have and what's their advantage and how do we compete against them. because it'd be very easy to just stand back and look at the multinationals and think about what they're doing and miss something very disruptive in China and India, and we pay a lot of attention and say Omar's and his team are damn near paranoid. T hey spend as much time thinking about the little players as they do the big players and they don't want to get caught up there.

Unidentified Audience Member

And you talked a lot about productivity for your customers, and in driving product and services that enhance our customers economics and profitability. What about your own productivity inside the business unit? Could you talk a little bit about where that has been and where you are taking it, separate from operating leverage? Okay and --

John Dineen - *GE Healthcare - President, CEO*

There are two -- I mean two forms of productivity. On we continued to just simplify the foot print. So you have a dramatic decrease in the number of factories, warehouses, offices, I mean we're really reducing the footprint by 20 or 30%. We've gone through an enormous amount of restructuring. Last year we complete reset the bar in terms of our indirect cost structure and the run rates there and then on variable cost productivity, our labor productivity and probably more importantly, our material cost productivity on the product lines has been improving considerably. So we spend a great deal of time working the variable cost productivity side of the guide -- of the business from a product design standpoint. That's what Omar talked a lot about, but we've done a lot or reset the footprint cost structure as well.

And a lot -- some of that has been pure savings that you've seen in the leverage. A lot of that's been reinvested in building the architectures in the developing markets that Marcelo talked about.

Unidentified Audience Member

Thanks. So I want to pick up on the emerging markets and declining price point theme, right? It's clear that if you look at companies like Minray they obviously don't have our level of product sophistication, but they are driving a low but pretty broad scale level, right? A lot of product that's pretty cheap, a presumably over time that will become more sophisticated.

What are your price points relative to that sort of mass entry level of the market? Are you there?

And then I guess the other sort of [crawlery] is have you been able to derive so much price down but maintaining profitability because of technically there's so much electronic content, right? That effectively we all know you even referenced more as well. We know what happens in the electronics side. Is this going to face some sort of limiting returns type of contribution because you just benefited so much from cheaper electronics, but that just doesn't go on forever, if you could maybe tie those two things together I'd be interested in?

John Dineen - ***GE Healthcare - President, CEO***

I mean these are radically -- we can continue to radically change the architecture and it's not just beating at the rock. It's really going from an MR design like that to an MR design like that, where you just rethink the architecture completely. It's like going from a personal computer to an iPad to an iPhone. And that analogy is a good one because in our business we are an electronics player but we're also the software architect and we're able to port some of this very high end software capability form the most sophisticated designs down to the lower cost architecture so that gives us an opportunity to play at a different price point, but to bring some very sophisticated software capabilities to that price point and do things that are very, very disruptive.

So it's not just banging away at the fundamental electronics fest, it's really rethinking the architectures and I think you're seeing some real -- particularly in Omar's disruptive side about what we're doing in MR and what we've done with the V scan and ultrasound about changing the architecture. I'll leave it to Omar to talk a little bit about the memory point, but --

Omar Israk - ***GE Healthcare Systems - President, CEO***

Yes, I think -- look we're competing against companies like Minray at all price points. At all price points they have and in fact we intend, depending on what our customers want, we intend to set the agenda based on what our customers want, whatever price point is needed for that marketplace, we intend to compete in it and be profitable at it. Minray is a data point in that and --

Unidentified Audience Member

How many competitors do you (inaudible - multiple speakers).

Omar Israk - ***GE Healthcare Systems - President, CEO***

In China alone, there's 100 companies. There's 100 Chinese companies and they're all trying to (inaudible) and we're a leader in that. You look at the numbers, we're by far the biggest player in the lower end of the segment. Not to speak of the high end. So we think we can compete.

Now again, in some businesses we're stronger than others, and but we have an aspiration to be as good as that in every single business unit in every country in the world. So that's the way we look at it and we look at it by looking first at our customers and their needs and then look at the environment around us and what the competitors are doing.

John Dineen - ***GE Healthcare - President, CEO***

It's a competitive space. It's always been a competitive space, that doesn't -- things aren't changing structurally in a very big way.

Unidentified Company Representative

Just want to add a comment, John, and it's not just about the product. You need to think of the cost point, you need to think about after sales service that's critical for that market. They sweat to buy a machine, now they need to keep it running. The second is, there is shortage of doctors on this transformation there, so you need to be aligned with the government on the effort of educating doctors. So there are several other parameters that differentiate you and require much more than just a cost point on the product to be able to win on the market like that. And we've been positioned for that. So yes, we pay attention to the competition but we also try to be always ahead of the curve on other parameters that make us more successful in the future.

Unidentified Audience Member

(inaudible - multiple speakers)

Unidentified Company Representative

but really, let me try to address that -- give you some more specific examples to kind of embellish that point a little bit.

You know one of the main techniques that we use to do this is what we call hardware to software transformation. So an architecture may be driven by hardware at one point, but because of increased computing horsepower, a lot of that work can then be done in software. So that has two huge advantages for us. One, obviously it drives a lower cost point because the cost of the hardware is part of this. Second, which is a very important point, is that when we get to a global platform which is software driven, we can migrate algorithms and technologies that we've developed for the high end, high quality markets and bring it and lower costs in a lower cost platform for targeted use in an emerging market or equally for a niche need somewhere.

That ability to seamlessly move algorithms that are developed for sophisticated markets and target them, not just sort of broad brush, but target them for specific needs is in the end our key differentiating advantage and we think that that progression ahs a lot of runway left.

John Dineen - ***GE Healthcare - President, CEO***

And yes, I think a little -- your questions is a good one in that you always -- people worry philosophically about mixing down instead of somebody buying $1 million CT, they buy a $400,000 CT. the reality is it's the CTs aren't competing with each other, somebody's buying that low cost CT instead of buying an x-ray system. Because now they can get the power. They're really often buying up.

The other thing that happens is the people that buy up into a handheld ultrasound had nothing before. They were midwives in India -- and so we -- in essence you end up creating markets and you end up often cannibalizing what's under you, not your high end portfolio to get there and that's been the pleasant surprise with a lot of these product. It's not that you're competing against the expensive CT, its you're giving somebody an opportunity to raise the level of diagnostic performance for a few dollars more you end up taking some extra.

Yes, you pass the -- just grab the microphone next time he walks by you, you'll --

Unidentified Audience Member

Get a six sigma of this microphone hand off. John, one of the slides that you put up that really jumped out at me was the growth vision or the business overall. And it wasn't too long ago you talked about this business being a 3 to 5% top line grower and we're seeing today 5 to 10. And that's a pretty short time frame from last -- when we were at 3 to 5. So was there any under promising earlier or what is -- is this a real step function in growth, so which businesses are making the biggest contribution?

John Dineen - ***GE Healthcare - President, CEO***

Its -- and my boss reminds me of this all the time, but we've been making a lot of investments in this business. Even last year when we were in probably one of the most challenging environments we've ever been in. We've been putting a lot of money into the product lines, both in the short and midterm as well as the long term. So we really expect to do this with new products and new technologies. Its -- we're not depending a lot on a radical change in the marketplace, but frankly I don't think they're going to get much worse and they could get better. But we really think that because of the new investments, the new technologies, some of the things that we've added to the business we can grow organically.

Unidentified Audience Member

You wouldn't cite one particular business as --

John Dineen - ***GE Healthcare - President, CEO***

I think if you look at everyone of these businesses, they're showing you short term improvements to the portfolio and Omar showed you our MR portfolio is better. Our CT portfolio is better. But then we're also making some investments that we think will change the business four to five years out like Colibria and [Homel]. So we've got some good things coming midterm and some good things coming long term and that's what makes us feel more bullish is the investment in -- it's a product business. It's a technology business and if you think you've got better technologies coming, you get more bullish. That's what's driving it.

Unidentified Audience Member

And then, as a quick follow up for Omar, I was surprised you were able to get through a presentation without talking about reimbursement pressure. So where does that stand and how much of that is a driver for developing products that have lower price points and more specialty applications.

Omar Israk - ***GE Healthcare Systems - President, CEO***

I think that's a good question and actually we think a lot about that, but what's important to point out is that first we think globally and reimbursement is a local phenomena so it happens different in different countries. So our mind set is reimbursement is a factor but the bigger factor is our customers cost position and the quality of care that they're providing and the access that they provide, that they have to their patients around what we mentioned in Healthymagination.

So we zero in much more on the customer's absolute needs and then we figure out where does reimbursement play a role in that. Because in some markets, India for example, its patient paid, 98% of India is self paid. That's a market we're interested in, 98%. And so there are lots of markets which work differently. Again, reimbursement is a factor which we have to be cognizant of, but when we develop new products, we kind of try to determine up front for this product to be successful, does it require reimbursement change. And if that's required we put the money up front to do the clinical trials that are necessary to convince the authorities to change reimbursement. But we were thinking much more intelligently about that up front and putting it much more in perspective as a factor in the overall equation of our customer's business.

Unidentified Audience Member

(inaudible), I dropped the mic. So John, so just to clarify, the 5%, 10%, that's organic, that doesn't include any M&A?

John Dineen - ***GE Healthcare - President, CEO***

Yes, yes.

Unidentified Audience Member

Okay. So obviously you stressed a desire to be the leader across your portfolio. You're not quite there yet. Healthcare multiples are really cheap right now. I mean how do you think about M&A? So you see an opportunity to be a bit more aggressive with maybe one or two larger deals than maybe you've communicated in the last 12 to 24 months?

John Dineen - *GE Healthcare - President, CEO*

Yes, we could be more aggressive, but we don't have a size -- not large small, we're really looking at various technologies in the portfolios. So some of the technologies that we're building out in the molecular diagnostics side on Jan's side, there are all these opportunities in Omar's portfolio and we could have some global opportunities in Vishal's portfolio. So across the whole business there's some nice opportunities, but I'm not necessarily looking out for some big acquisition to fundamentally change the scope of the business. We like the areas we're in and we want to expand our competitiveness in those particular areas right now.

Unidentified Audience Member

And then the second -- so just follow on to that. I mean with Clarient, it clearly looks like there's good synergy between in vitro and in vivo, but what about things like bringing forward the pipeline, bringing forward that pipeline, accelerating time to market, or maybe sales force expansion. Can you maybe talk about those two areas?

John Dineen - *GE Healthcare - President, CEO*

Absolutely. I mean the things that we're excited about there is that's obviously a very domestic model. We're going to pull them in, sit down with our international teams, each one of our business leaders and say how quickly and where should our priorities be in terms of globalizing that model and with our GRC teams we want to continue to add to that pipeline and we think we're going to see some synergies between Pascale's in vivo people in because it uses some of the same components in the molecules, particular the ligands and we may be able to share some technologies between the two. So those are exactly the two areas that we think about when we look at that is how to expand that ting commercially, domestically, internationally and how do we chart that pipeline with proprietary diagnostics. This is very important that we keep that very [rick] proprietary pipeline anyone want to --

Pascale Witz - *GE Healthcare Medical Diagnostics - President, CEO*

I think that's pretty much it. Yes, I've been spending quite a lot of time on this.

John Dineen - *GE Healthcare - President, CEO*

Yes, yes. We love that asset and we think it's just going to be a wonderful complement to Pascale's business.

Pascale Witz - *GE Healthcare Medical Diagnostics - President, CEO*

Yes, I think I would just add on the technologies that we were developing, I mean Clarient was showing the important of some of the technologies that we had in development with digital pathology in Vishal's business and molecular pathology at the global research center that could actually bring a lot more efficiency in this space, AND Vishal mentioned that I didn't not insist as much, but this is really a space that is pretty much where radiology has 30 years ago and there are a lot of technologies where the abilities and the competencies that we have can actually translate pretty well, so we feel good about that. That came kind of on top of the in vivo and in vitro fit, if you'd like. But that actually works pretty well and we are pretty excited about the potential there.

John Dineen - *GE Healthcare - President, CEO*

Give this guy the microphone. He's been waiting very patiently.

Unidentified Audience Member

I have it here.

John Dineen - *GE Healthcare - President, CEO*

Okay.

Unidentified Audience Member

You're going to have waited a little more.

John Dineen - *GE Healthcare - President, CEO*

Too bad.

Unidentified Audience Member

Just a question on the op profit target, when you were at 3% to 5% on the top line, you were saying 5% to 10% op profit, and now we've gone 5% to 10% but we're at a flat 10%, I mean should I be reading in that as you get to faster top line growth you start to reinvest some or is that?

John Dineen - *GE Healthcare - President, CEO*

yes, I mean we continue on the reinvestment. This year we've gotten even more leverage to the significant amount of restructuring that last year's number. So we may do more restructuring but that's not baked in.

Unidentified Audience Member

So I mean should I -- I mean is that sort of a policy? Like we're happy with 10% and then we have all these opportunities, we'll start to plow it back in or we don't want it to flow up to 15%?

John Dineen - *GE Healthcare - President, CEO*

I'm not at all familiar with that stop at 10% policy. But that's sort of -- that's our expectation at this point. W e can do better than that, we will.

Unidentified Audience Member

(inaudible) services operations have been significant contribution to earnings, where do you see yourself, let's say going over the next few years in terms of a major contribution to earnings of the corporation? That's question number one.

And number two, it looks to me like there's a lot of poverty in the world, a lot of problems in some of the lesser developed countries, what are you doing in that area in terms of let's say making an important competitor niche in the market?

John Dineen - *GE Healthcare - President, CEO*

Well, I think -- I think the financial projects in the growth and really the size of the business now are -- allow us to make a material contribution to the industrial side of the business. I'm sure everyone will push us to do even more in the future.

You know I'd say on the -- in terms of what we can do in developing markets and poverty stricken markets around the world. I think the best story -- the best example is probably what you're doing in Bangladesh, Omar. Why don't you just --as a vignette, to talk a little bit about how we're suing our technology, micro financing to change healthcare in Bangladesh.

Omar Israk - *GE Healthcare Systems - President, CEO*

Yes. First, along those lines, our view of the -- of the -- of addressing poverty if you like or healthcare in those markets is to crate sustainable -- so economically sustainable solutions. So not just charity, in other words, take expensive equipment and dump it over there and think something will happen but instead use our technology to create solutions that are sustainable economically in that environment. So the example that John is talking about is one where we've looked at the material mortality index as a measurement. Right? So this is the survival rate of women in through the pregnancy period.

And in the developing world it's a factor of 30 lower than say in the developed world. That's the kind of gap that we're talking about. So a lot more women die from known causes during the period of pregnancy and childbirth in these areas. So one way of alleviating that is to detect who is going to have these problems early and through that manage the condition much better. A lot of these women die because they just don't have access to transportation. There's a breach baby, they don't know that the baby is going to be breach. All kinds of bleeding occurs, they need a cesarean section and someone is carrying them in a stretcher and walking for 30 miles and obviously the outcome is not good.

If you can detect that upfront you can manage that condition earlier, you got nine months to manage this thing, you can take this patient to the hospital and provide better care. So detection there is an important criteria.

So what we've done is in combination with [Grumine] microfinance who you must have heard of, using their clinics in Bangladesh as an infrastructure and their access to women as a further asset, we're developing and deploying targeted ultrasound products that will be used by community health workers to do early detection and triaging of patients during the course of their pregnancy and then these patients can be managed better.

Now, what we're also doing is with the help of Grumine, helping these community workers to in fact get a loan and buy these pieces of equipment and then charge the patients to be scanned something like less than $1 a scan to do the study. And in this way we provide better care for the patient. We pick up on the economic curve of these community workers who become educated and they earn a living, which his sustainable and we really drive the overall economy up and certainly address poverty by taking a step in that direction.

John Dineen - ***GE Healthcare - President, CEO***

(inaudible) and I'm glad you asked that question because we - it's one of the hidden beauties in this business. We often like to talk about the factories and products and technologies and the competitors and earnings enough, we save lives in this business and we do it all over the world and it's nice not to lose sight of that. So thanks for asking that.

Unidentified Audience Member

Well, the story you talked about is mainly the imaging markets growth, in infrastructure period in term soft h health care in this countries, but if you can't talk about the US and the western European markets, what contribution they would make into that 5%, 10% revenue growth numbers, which areas are the most growth worthy areas for you in that 5% to 10% from the western world?

John Dineen - ***GE Healthcare - President, CEO***

As we look around the world, we expect the developing markets again very strong and in the 20 type of range. As we look out at the US we think that markets going to continue to be strongest than it's been in the past so be about at the 5 level.

In the short term Europe's looking like something that's three or four right now. That's kind of how we see the market shaking up. But every year that sort of changes, some are up and some are down. But that's the current -- that's sort of the current look at what we've got.

I mean the other factor there is obviously your competitiveness, the competitiveness of your product line and your ability to grow the business through share because of products. We're not just doing that through - we don't have expectation of gaining share where we are not creating product advantages. So where we think we've got better products or new products or we agree to find a space we're driving considerable growth in those areas.

Unidentified Audience Member

John, on the organic this year, you're trailing the low end of that 5% to 10% range. You might have thought with the down year last year you'd have had a snap back. What's holding back the organic this year?

John Dineen - *GE Healthcare - President, CEO*

A couple of things. One of them is actually physical. We've had some challenges on the supply chain side with electronics this year on the revenue side. And as a result, we're still getting some orders but we're building backlog there and I think we'll be walking into next year with a pretty reasonable backlog on a year over year basis.

Unidentified Audience Member

So you might expect next year to be somewhere in the middle of that range, something like that?

John Dineen - *GE Healthcare - President, CEO*

You've got the range, I'm not going to change it here it's going to take -- only Jeff can change my range.

Unidentified Audience Member

I think in answer to Dean's question that was somewhat ambiguous, when you start to see that acceleration towards the 10% range, and that's what I'm trying to understand better. I mean it's not like its back end loaded.

John Dineen - *GE Healthcare - President, CEO*

I -- right now we're sort of balancing a moderate view of marketplaces and again, as some of these new products, new technologies and new markets that we're entering start to take shape, that's where we'll move to the higher end of that range.

Unidentified Audience Member

Sounds like its back end loaded towards the 2014 -- 12 to 14 area more than the near term.

John Dineen - *GE Healthcare - President, CEO*

That's our growth expectation in the short term. I'm not -- I haven't modeled it out to 2014 or 2015 yet.

Unidentified Audience Member

And the just lastly, following up on Shannon's question. I think there's a great investor sensitivity across GE generally that when the OE cycle kicks up and growth really kicks up the operating leverage just isn't there and I think your -- your response to Shannon's question I think kind of validates that. So wonder if you can just explain a little bit more detail why you lose the operating leverage at the high end of that range.

John Dineen - *GE Healthcare - President, CEO*

And I -- again, some of the leverage that we've just -- that we've just shown is due to some restructuring and cost measures that we've taken in the past year and we don't expect to be driving that same level of cost out. Still working cost out and working simplification. But not at the same level. Yes, Cole or who -- somebody.

Unidentified Audience Member

Just following up on the M&A question, it'd be interesting to hear from each of the business leaders as you think through sort of the JVs in home health or partnering with different universities in pathology versus buying Clarient, kind of how you think through the JV structure versus an outright purchase.

John Dineen - *GE Healthcare - President, CEO*

Well and I'll start philosophically. We don't have an aversion to either. We tend to -- especially in developing markets, we tend to have a more of a wholly owned bias. Unless we feel like a partner has -- it really can bring us some insights into the marketplace or some distribution advantage, but we really can fill a product gap that we have right now that we really don't feel like we have the year or two -- or basically the time to organically fill that gap. Omar, you can talk a little bit about why Intel and home health and you've got some --

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Omar Israk - *GE Healthcare Systems - President, CEO*

Well, I think John framed the reason quite well in the sense that Intel really brought technology and expertise as part of their contribution to the JV which we didn't have. We could have developed it but they accelerated that move. I mean Jeff put in -- I think four or five years worth of -- a lot of research and development in this area, both in terms of technology and in terms of what's needed in that marketplace, but they didn't really have the -- a sense for the market or a critical mass of expertise to go into the health care market which we then provided. So it really was an excellent collaboration of skill sets, very complementary and then this is a brand new space created separate JV that can really operate seamlessly and quickly to address that marketplace was also important so there was some unique factors that drove us to create that JV.

John Dineen - *GE Healthcare - President, CEO*

What I'd say is a real - what we're looking for full ownership and full control in most of them, both from a geographic or technology standpoint. JVs would be more the exception.

Unidentified Audience Member

Two additional questions before I pass it on to John behind me. We've taken over, you can have the mic back at the end.

Does -- the first one is when I asked around sort of the kind of business that defines GE, this is really reaction to the sale and divestiture of the fire and security business for example. A lot of discussion around highly scalable -- economically scalable large, highly service intensive, certainly technology intensive types of businesses and I see the technology part but I'd love to get a little more clarification if you think about biopharma and the move with Clarient etc. Particularly since in and of itself I'm not sure when I'll actually see that become accretive. Right? But how do I think about a longer term scalable business model, particularly in that area and defining how that is also GE.

John Dineen - *GE Healthcare - President, CEO*

So, I'm not sure I understand. Can we scale molecular diagnostics?

Unidentified Audience Member

Yes, so as you're talking about scaling up this business so it's meaningful and given the price you paid for it, right?

John Dineen - *GE Healthcare - President, CEO*

Yes.

Unidentified Audience Member

How do you - how do you really grow it even faster than you're talking about as sort of the 10% - 8 to 10%?

John Dineen - *GE Healthcare - President, CEO*

I'd say the first thing is this is an asset that's scaling quite quickly on its own. CAGR of 65%?

Pascale Witz - *GE Healthcare Medical Diagnostics - President, CEO*

60ish.

John Dineen - *GE Healthcare - President, CEO*

That's scaling, I think, technically. Right?

Unidentified Audience Member

Off of what base?

John Dineen - *GE Healthcare - President, CEO*

Off of small base, but its growing rather quickly. So its $100 million business. but I think the two areas that we really focus on is one to expand the market presence, again it is a very, very focused business in the US right now and we think like the rest of the technologies in the portfolio it is going to scale globally.

The second and probably more important part is by filling the pipeline with more tests. If you look at the in vitro diagnostic space, the emergence of new technologies is extraordinary there and our ability to build the leadership position in terms of the diagnostic portfolio there is going to be very, very important in scaling it up and there're going to be synergies form a technology standpoint as we do that.

Pascale Witz - *GE Healthcare Medical Diagnostics - President, CEO*

Yes, I would add to this one that this is how we had looked at the market because this Clarient really gives us access to a platform and that's really how we had the approach of the platform on which we can deal more constant. This is actually -- that answers also the question of why not the JV, why do we want to own it, because they out of that, we now have a model that just looking at the US we can actually scale up by giving more content and we can look at the globalization, but just on the content itself, adding up and this is where I did not really have time to dig into it, but this molecular pathology project that we have is actually a very nice engine that would create more content that actually several pharma we have collaboration with Ely Lilly on this one, they're entrusted in the ability to develop more content specifically for companion diagnostics because they're entrusted in the -- they're in trusting in having company in diagnostics to be developed at the same time as their targeted drugs, but then some labs will need to run the tests and actually having this collaboration in itself is a way to plan for the future growth.

The technology we have at the global research center, also, we should not undermine the fact that in terms of efficiency that will also help generate more efficiency and throughput and that in it should -- should increase the visibility of what pathology can do to the diagnostics world. So we think that this will in itself expand the market in this dimensional. So we see several dimensions on which the market itself can expand actually.

John Dineen - *GE Healthcare - President, CEO*

Two more. Two more? Okay, two more. Yes.

Unidentified Audience Member

Can I --

John Dineen - *GE Healthcare - President, CEO*

Okay --

Unidentified Audience Member

I'll be quick.

Unidentified Audience Member

All right, I was wondering, in terms of the data and clinical requirements that you're seeing to get new technologies to market, what ere the implications of the 510K regulatory reform as well as what's going on with needing more data for reimbursement and what implications does that have for the returns in margins in your business?

John Dineen - *GE Healthcare - President, CEO*

Yes, that's a great question. And we don't know the answer yet to be honest with you. I mean they're really looking at the -- FDA is really looking at changes to the 510 or PMA process and if it goes one way, it could slow down new product introductions. I don't think it's -- it could take longer to get out but I don't think it's going to change what we do or the long term economics of any of those product launches.

The other thing that we end up doing is launching some of these product technologies in other markets while we're waiting for the (inaudible). We typically used to launch them in the US and then bring them to the other markets. When things get slower from a regulatory approval process, and Pascale's seen this with the dat scan for example and with some of the ultrasound contrast products. We're getting them moving in Japan, Europe and other parts of the world while we push them through the process in the US

Unidentified Audience Member

Back to the amount of data, and the amount of sort of R&D and clinical trials. Are you having to invest more to get your therapies approved or adopted?

John Dineen - *GE Healthcare - President, CEO*

Not yet. Not yet.

Unidentified Company Representative

The only other things I'd add is part of our Healthymagination focus to the degree that we require data to be able to have the evidence that we're getting the cost benefit or the quality benefit or the access benefit. Those requirements are in fact consistent with what we're doing anyway. That we feel is necessary to provide the evidence that's required to meet our Healthymagination targets.

John Dineen - *GE Healthcare - President, CEO*

But it is part of the process, does cost a little bit more, takes a little bit more time, the [Omnix] product that Vishal's talking about is going through blind trials, FDA trials right now, that'll take roughly about how long?

Vishal Wanchoo - *GE Healthcare IT - President, CEO*

Roughly about eight months or so.

John Dineen - *GE Healthcare - President, CEO*

Eight months to go through that and what would it cost? It's not a tremendous cost to go through that process?

Vishal Wanchoo - *GE Healthcare IT - President, CEO*

No, no, no it's really the institutions that also bear the brunt of that cost.

John Dineen - *GE Healthcare - President, CEO*

yes.

Vishal Wanchoo - *GE Healthcare IT - President, CEO*

Because it's in their interest to get that kind of technology out.

John Dineen - *GE Healthcare - President, CEO*

Yes. So it's real and it's -- it hasn't completely played out yet. We haven't seen significant changes, but it's something that we've -- we do have to pay attention to in this business.

But it's also -- it's gone on all over the world. I mean you have to get clearance in every market, including China, SFDA on products.

One more? Yes, great.

Unidentified Audience Member

That was my question, let me ask another one. 3M blamed Obama care for their segment's lack luster performance. You guys have made a pretty compelling case globally why your equipment does well over time. What about your services business? Are there incremental pressures you see coming out of healthcare reform here and other countries that respectively put pressure on some of those aspects of your businesses over time? Are you seeing anything now in Obama care --

John Dineen - *GE Healthcare - President, CEO*

I'll tell you Obama care wasn't a big hit to the business, it -- it was really the premise of health care as I said, the discussion about healthcare reform was what really slowed things down because people didn't know what the rumors were going to be. But its -- as soon as there was clarity, we saw a bit of a snapback.

On the service since of the portfolio, its -- it hasn't made a big different to our -- to the core business, but in the business that Jan talked about, I think it's actually going to really be a driver of demand because in some of the other service businesses there's more pull form the customer base on productivity solutions, how do you make it more cost effective, I mean very -- a real emphasis and we haven't seen that across the healthcare provider set, with the exception of there's 5% or 10% there that are very industrial in their thinking and have been using Jan and the team's service for quite some time.

We're starting to see a lot more interest. A lot more pull on productivity tools, productivity solutions and I think it's a good thing for Jan, I think it's going to be a good thing for Vishal's business, over time because they'll be interested in -- they'll be interested in productivity technologies. What people often go by thought is its going to be very important to Pascale's business, particularly on the molecular diagnostic side, because if you walk through the economics of these cancer treatments, these are very expensive treatments.

A lot of these monoclonal antibody based treatment and if a three or five to $10,000 a month therapy is only effective in 10% or 20% of the population and you're treating 100% of the population, you're not going to have good economics. If you can for $1,000 or $2,000 recognize that 20% of the population that will respond, you've made a tremendous impact on the cost of the therapy, which is a big part of healthcare economics. And so I think you're seeing a lot more interest on the therapeutic side and we'll see more interest from a comparative effectiveness side and have diagnostics who can make a real impact on the therapy spend, because most of the money in healthcare is not spent on the diagnostic side, it's actually spent on the therapeutic side.

So where we've got better diagnostics we can be an investment and has a very high yield than the therapy side of the healthcare delivery process. so even when we're doing very high tech and seemingly expensive things in molecular diagnostics, those are real productivity tools with regard to healthcare and I think it'd make a real difference and that's why we get into that space.

So with that, we appreciate your time, your attention. I know this wasn't a high level simple discussion. You guys obviously re very familiar with the business and based on the questions, have a very good understanding of who we are and what we're doing and we appreciate you making the time to be here with us today so thank you. This meeting is adjourned.

Unidentified Audience Member

Thank you, John.