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EDITED TRANSCRIPT

GE - Q1 2014 General Electric Co. Earnings Conference Call

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OVERVIEW:

Co. reported 1Q14 continuing operations revenues of $34.2b, operating earnings of $3.3b and net EPS of $0.30.

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

Operator

Good day, ladies and gentlemen, and welcome to the General Electric first-quarter 2014 earnings conference call. (Operator Instructions) My name is Ellen; I will be your conference coordinator today. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the program over to your host for today's conference, Matt Cribbins, Vice President of Investor Communications. Please proceed.

Matt Cribbins - ***General Electric Company - VP Corporate Investor Communications***

Thank you, Ellen. Good morning and welcome, everyone. We are pleased to host today's first-quarter webcast.

Regarding the materials for this webcast, we issued the press release and presentation earlier this morning on our website at www.ge.com/investor.

As always, elements of this presentation are forward-looking and are based on our best view of the world and our businesses as we see them today. Those elements can change as the world changes. Please interpret them in that light.

For today's webcast, we have our Chairman and CEO, Jeff Immelt; our Senior Vice President and CFO, Jeff Bornstein; and our Vice President, Subsea Systems, Rod Christie. We listened to your feedback and thought we'd try something new.

To drive a more strategic discussion on the call, we will be inviting business leaders to participate, to talk about their business, markets, new product introductions, and major initiatives. We have asked Rod to join today to talk about Subsea.

Now I would like to turn it over to our Chairman and CEO, Jeff Immelt.

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

Thanks, Matt, and good morning, everybody. Hey, look: the GE team had a good quarter in a volatile but improving environment. US gets a little bit better every day; Europe is improving; and growth markets continue to expand and will provide growth during the year, even with volatility.

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We had strength across most of our portfolio as global infrastructure markets remain solid. We continue to benefit in Energy, Oil & Gas, and Aviation sectors, and we saw some improvement in the demand for credit.

At the same time, we encountered a few headwinds in the quarter. Weather impacted our Appliances business, but improved in March. Transportation was impacted by Mining inventory corrections; and the US healthcare market continued to experience volatility. Some of this improved as the quarter progressed.

Our execution was strong. Industrial segment growth was up 12%, above our 10% goal. Organic growth was up 8%, above our 4% to 7% goal. Margin growth was 50 basis points, and we are on track to meet our goal of 17% margins by 2016.

Our Capital earnings and cash were in line with our expectations for the year. We returned $3.4 billion to investors in dividends and buyback, and announced $2 billion of bolt-on acquisitions.

And finally, we submitted our SEC filing for Synchrony, the RFS spinoff. This is an important step as we head for our 70% Industrial goal.

We delivered $0.33 of operating EPS, up 9%, excluding the impact of NBCU gains in 2013 and restructuring. This is the kind of quarter GE investors should like. The environment was not perfect, but we were able to deliver strong results due to the breadth of our portfolio.

Orders were flat overall. Backlog grew to $245 billion, and orders pricing was up 0.4 points.

While equipment orders can be lumpy, service orders -- things like Aviation spares -- tend to be a good gauge of the underlying economy. And we saw broad strength in our service businesses, with four of six segments up double digits.

Six of nine growth regions grew orders by double digits in the quarter. Equipment orders were down in Aviation and Oil & Gas versus tough comps in 2013; but we have a great backlog and position in each market and feel good about their long-term growth. In Transportation, we see a strengthening market for North American locomotives, and we won a very large order for kits for South Africa.

I would like to point out two other factors on orders. First, we see the pipeline building; so we feel good about growth during the year.

Second, we have grown backlog by $29 billion from the first quarter of 2013, with growth in every segment. This fortifies our ability to hit goals this year and in the future.

The company executed well in the first quarter. Industrial operating profit growth of 12% is a good start to the year.

Organic growth was up 8%. Growth markets continue to provide momentum, with five of nine up double digits and 7% growth overall.

We made great progress in services with Aviation spares up 22%, and 17 Advanced Gas Paths, up from two last year. Equipment revenue grew by 12%.

Our products are winning in the market, with excellent growth in Power, Oil & Gas, and Aviation. For instance, we are well positioned throughout our gas turbine product line, extending to the H turbine, which has more than 61% efficiency and more than 400 megawatts of output.

Our Revolution CT just received FDA approval and should drive positive growth for the year. Europe grew by 14% in the first quarter, so we are starting to get stabilization in that market as well.

Our target is to grow margins this year, and we're off to a good start. This is our fourth consecutive quarter of expansion, with 50 basis points of growth.

We are driving simplification throughout the Company, and our restructuring efforts are paying off. We generated about $250 million of structural costs out of the quarter. And value gap had a positive 50 basis point impact on margins.

We are getting traction with our FastWorks initiative, which is improving R&D efficiency. Mix was a headwind, but our productivity programs more than offset.

Finally, we expect broader business participation in the future. Healthcare, Energy Management, and Appliances & Lighting should have positive margin and operating profit expansion for the rest of 2014, based on improving markets and restructuring.

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Our CFOA is off to a good start and on track for the year. We generated $1.7 billion, up from $200 million last year.

The Company has substantial financial strength, with $87 billion of consolidated cash and close to $12 billion at the Parent. As you know, we issued $3 billion of debt in the quarter. GE Capital remains in great shape, with a Tier 1 common ratio of 11.4%.

And meanwhile, commercial paper was at a very low level of $25 billion. The total ENI of $374 billion was down 7%.

We have allocated capital in a disciplined and balanced way. We continue to invest in plant and equipment to grow the Company globally.

Our dividend is up 16% year-over-year. We plan to reduce the float in 2014, and we are on track to reduce share count to 9 million to 9.5 million shares by the end of 2015, including the retail spend.

We will continue to do bolt-on acquisitions like the three we announced so far this year. Our target remains $1 billion to $4 billion; but we have gone above on opportunistic deals that have excellent values, strong synergies, fit our growth strategies, and are immediately accretive. For instance, Avio was above our range and accretive to investors.

At the same time we have planned for about $4 billion of dispositions this year.

Now I will turn it over to Rod Christie, who runs our Subsea business, as Matt said earlier. We plan to review an important segment or initiative each quarter. As the year goes on, we plan to cover topics like heavy-duty gas turbine technology, Healthcare and Life Sciences, China, or other important operating initiatives or organic growth opportunities. So now I will turn it over to Rod.

Rod Christie - ***General Electric Company - VP and CEO - GE Oil & Gas Subsea Systems***

Thanks, Jeff. Starting on the left side of the page, I want to give you a flavor of how we see the long-term prospects for the oil and gas industry before we drill into the Subsea sector specifically.

The forecast is for global oil and gas demand to continue to grow through 2018, with oil mainly driven by the ongoing industrialization in emerging economies and the rise of living standards, while gas emerges across mainly all of the economies as a cleaner fuel source. In addition to the increasing demand, the other dynamic to consider here is well decline rates on existing operations of around 3% to 4% onshore and 6% to 10% offshore. The combination of both these factors makes ongoing investment necessary to develop new reserves and enhance the recovery in existing assets.

Moving to the top right of the page, we see these dynamics driving 4% and 2% CAGRs in production rates for oil and gas, respectively, through 2018. The expectation is for stronger growth in subsea and unconventional production.

Translating all of this into total industry spend, we expect to see continued growth as IOCs, NOCs, and independents work to recover more hydrocarbons from existing assets and bring on new reserves to meet the growing demand.

With respect to the subsea sector, the expectation for long-term development of deepwater reserves is supported by the robust activity we see in drilling and front-end engineering design through the cycle. Given this expectation, our Subsea Systems business is well positioned to serve customers with both technology and life-of-field services across the globe.

Our extensive capabilities enable us to provide everything from discrete components to full subsea production systems. We are also uniquely placed against our competitors in that we can leverage technology from other GE businesses and run joint technology programs specific to the critical need.

To give you a couple examples here, we cooperate with GE's Monitoring and Controls business in the area of subsea integrity management and leverage their sensory and diagnostics technologies specifically developed for our own space. We are also running a joint technology program with GE's Power Conversion business for subsea power and drive. This really enables us to develop value-added solutions under one roof wherever the core competency actually exists inside GE.

Likewise, GE gives us the ability to scale up. As many of you'd be aware, localization is often a mandatory requirement in our industry.

When we move into new geographies, it is not unusual to find other GE businesses are already there. Usually it is either Power & Water or another Oil & Gas business. This means we can leverage their relationships, their knowledge, and potentially their footprint.

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Additionally, we have been working with GE's Global Growth & Operations team to accelerate development in countries like Nigeria and Angola, where we can benefit from their high-level relationships and the back-office support to get things up and running very quickly. Today we are present in all the major deepwater basins around the world such as Brazil, sub-Saharan Africa, Asia, and Australia, while still retaining significant capability around both the UK and Norwegian continental shelves.

Our experience in extreme cold water and long step-out capabilities for controls and for power solutions position us well for future activity. A sector that is going to require really no topsides and has the added complexity really of an icebound environment.

Two years ago, a major subsea industry survey took feedback from 135 customers and ranked each supplier against the top priorities of the subsea oil and gas operators. The chart on the left of this page details how GE was rated against our competitors back in 2012.

As you can see, we performed well in the key areas like EHS, reliability, and technology; however, we were mid-pack when it came to on-time delivery. In fact, really none of the suppliers are performing consistently to an acceptable level in this critical requirement.

This is one of the main risks to both the supplier and the customer in this industry. And a significant number of large-scale subsea developments have experienced both schedule and cost overruns.

Given that the timing and carrying costs for initial CapEx outlay on these projects is a key driver in overall returns, we have focused investments to differentiate performance around cycle and on-time delivery. As of today we offer a suite of structured products that offer modular customization to our customers.

Let me expand a little bit on modularization. What that really means is we can provide exactly what a customer wants, and we do it with less engineering and less supply chain risk as we use a standard module to do so.

We have also completed significant process reengineering to drive speed and transparency across our business operations. We have created a global projects COE that interfaces directly to all of our sites and suppliers, and supports our project teams wherever they are operating in the world.

To underpin this, we have also invested in an integrated IT infrastructure that enables us to scale the organization through industry cycles without losing either capability or impacting our operational excellence.

The final piece of this jigsaw really has been the investments we have made in creating new capacity and unlocking latent capacity in a number of our factories. Today, using Lean manufacturing disciplines, we have increased capacity for trees, controls, wellheads, and manifolds. In general, we have been able to realize capacity increases between 30% and 100% in our existing facilities, and have commissioned new capacity in Indonesia and Brazil.

In short, we feel we are very well placed to take on new commitments. Growth in the deepwater oil and gas sector looks strong over the long term, and we feel very confident about our competitiveness with both our existing product lines and the technologies we have in development. The investments we have made in capacity and capability also put us in a great position to support our customers wherever they operate in the world.

Just to give you some context on the evolution of the Subsea Systems business, in 2011 we were executing a handful of small projects and two subsea production EPC projects, the largest of which was around $600 million. Today we are executing eight EPC projects, the largest of which exceeds $1.3 billion.

The programs we have undertaken to structure our products and lean our supply chain and project operations are yielding results in cycle-time reduction and cost reduction. We expect to see further benefits come from these as we drive these deeper into our business.

Just to give you some context here, 1Q revenue we saw a 37% increase year-over-year and a 3X increase in both margin and in rate. On top of this, our global footprint really makes us local and capable in the main deepwater basins today, and GE's reach means we can move quickly and at scale in any of the developing geographies.

Overall, we really feel very good about the fundamentals of this business. And I really have to say that I'm very excited about the way this moves in the future.

So with that, I will pass it over to Jeff.

Jeff Bornstein *- General Electric Company - SVP, CFO*

Great. Thanks, Rod. I'm going to start with operations in the quarter, then we will move through the segments.

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We had continuing operations revenues of $34.2 billion, down 2% from the first quarter of 2013. Industrial sales of $24 billion were up 8%. GE Capital revenues of $10.5 billion were down 8%.

Operating earnings of $3.3 billion were down 18%. And operational earnings per share of $0.33 were down 15%, principally driven by NBCU, as Jeff mentioned earlier.

On the next page, I will take you through more detail on the normalized EPS walk versus last year. Continuing EPS of $0.29 includes the impact of nonoperating pension; and net earnings per share of $0.30 includes the impact of discontinued operations.

We had $12 million benefit in the quarter in discontinued operations with no material impact from WMC. Pending claims for WMC declined to $4.5 billion, reflecting $1.2 billion of resolutions, with reserves declining in line with expectations. New pending claims in the quarter were negligible.

As Jeff said, first-quarter CFOA was $1.7 billion. We had Industrial cash flow of $1.2 billion and received $500 million of dividends from GE Capital.

The GE tax rate for the quarter was 24% and the GE Capital rate was 9%. For the year, we are still expecting the GE rate to be around 20% and the GE Capital rate to be in the single digits.

On the right side you can see the segment results. As Jeff mentioned, performance was mixed by business but overall pretty good, with Industrial segment revenues up 8% and operating profit up 12%.

GE Capital earnings were flat in the quarter on lower assets. I will take you through the dynamics of each of the segments on the pages that follow.

First, on the other items page I will start with the adjusted EPS walk. Last year, as you will recall, we had operating EPS of $0.39 in the first quarter. This included $0.10 of gains and income from NBC that was offset by $0.04 of Industrial restructuring and other items.

We also had a $0.05 gain at GE Capital from the sale of 30 Rock that was offset by other charges as well. That walk gets you to an adjusted operating EPS of $0.33 last year.

This quarter we had $0.03 of Industrial restructuring and other items. Making the same adjustment for 2014 gets you to $0.36; and that is up 9% on an adjusted basis. That is how we are thinking about operating performance in the quarter.

On the right side, as I mentioned, we had $0.03 of charges related to Industrial restructuring and other items as we continue to invest in simplification to improve the Company's cost structure. The spend was broad-based, with projects in every business and Corporate.

We are executing more than 150 projects that average about a year-and-a-half payback. The projects relate to everything from manufacturing footprint reductions, service shop consolidations, SG&A actions, and exiting low-margin product lines, primarily in developed markets.

We are continuing to work through timing of European work council approvals. And on the positive side, some of the projects are coming in below our original cost estimates with no downgrade in benefits.

For the year we still anticipate $1 billion to $1.5 billion of restructuring, with about 60% of that in the first half. We are still planning on delivering more than $1 billion of Industrial's cost-out for the year.

As we told you in November, we expect to have some dispositions in our Industrial portfolio in 2014. We are currently working on a transaction related to a non-core asset that may result in a small gain, likely in the second quarter, potentially in the third quarter.

Now I will take you through each of the segments, starting with Power & Water. Orders of $5.7 billion were up 9%. Equipment orders of $2.6 billion were down 3%, driven by Renewables down 13%. That was partially offset by Distributed Power, which was up 9%; and Thermal was up 3%.

Wind orders totaled 422 turbines versus 584 in the first quarter of 2013. Our view of Wind orders for the year has not changed; we still expect strong growth.

We took orders for 31 gas turbines in the first quarter of this year versus eight a year ago.

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Service orders were $3.1 billion, higher by 23%. The growth was primarily driven by PGS, up 32%; up 43% ex-Europe. The business had orders for 17 AGPs versus two a year ago, as well as a large $330 million upgrade order in Japan. Europe continues to be very, very soft.

Backlog in Power & Water continued to grow, with equipment higher by 18% and services by 2% year-over-year. OPI in the quarter was negative 40 basis points, driven by equipment.

Revenue in the quarter of $5.5 billion was up 14%. Equipment revenues were up 41%, driven by Wind shipments of 646 units, 345 units higher than the first quarter of 2013. And Thermal was up 5 gas turbines, shipping 17 versus 12 a year ago.

We shipped all but one wind turbine, associated with a blade quality issue in the fourth quarter.

Service revenues were down 5% as AGP performance was offset by weakness in Europe. Segment operating profit was 24% higher on strong volume and simplification benefits, partly offset by negative mix associated with Wind.

SG&A in the quarter was down 9% year-over-year. The wind blade quality issues in the quarter were negligible. Margins expanded for the quarter 120 basis points.

Next is Oil & Gas. Oil & Gas orders for the quarter of $4.6 billion were down 5%, with equipment orders down 17% and service growth of 11%. Equipment orders were down versus tough comparison to last year, when orders were up 24%.

Subsea equipment was down 62%, principally on timing. As we have commented previously, orders in Oil & Gas tend to be very lumpy on a quarterly basis. And as Rod shared with you, we expect Subsea orders to be up double digits for the total year.

We continued to see good growth in Turbomachinery solutions, up 16% in the quarter, on two large wins in the US LNG space. Downstream Technology was also strong, up 48%.

Service orders of $2.2 billion were higher by 11%, led by Turbomachinery up 22%, and Downstream Technology Solutions up 20%. That was partly offset by M&C, which was down 7%.

Backlog continues to grow in Oil & Gas, with equipment up 15% and services up 4% versus prior year. Orders pricing was better by 140 basis points in the quarter.

Revenue was up 27%; up 18%, ex-Lufkin. And Subsea was up 37%; Turbomachinery up 25%; Downstream Solutions up 24%; and Drilling and Surface was up 13% while M&C was down 4%. We expect M&C to be flat for the total year.

Operating profit was strong in the quarter up 37%; up 28% ex-Lufkin. The growth was driven by volume, value gap, base cost productivity, and the absence of the FX charge we had last year in the first quarter.

This was partly offset by negative mix on lower M&C volume. Our operating profit rate improved 80 basis points in the quarter, both with and without Lufkin.

Turning to the next page on Aviation, just some context here. Air travel continued to grow strongly. Global revenue passenger kilometers grew 6.9% through February, compared to 5.2% a year ago, with a particular strength in the Middle East, Asia, Europe, and China.

Through February, freight growth was up 3.6% versus 1.4% a year ago. That growth was driven by Latin America, Europe, and the Middle East.

Orders in the quarter of $5.5 billion were down 17%, as expected, driven by equipment orders down 38% to $2.4 billion. The first quarter of 2013 we had $1.4 billion of CFM LEAP launch orders and two large China GE90 orders.

Commercial engine backlog ended the quarter at $21 billion. That is 16% higher versus last year. Military equipment orders of $421 million were up 44%, driven by demand for CT7 engines.

Service orders were $3.1 billion, up 10%. Commercial service orders were up 12%, driven by strong commercial spare parts, up 17% to $29.7 million a day. Military service orders were up 18%, driven by spare parts up 19% on strong demand for T700 spares.

Orders pricing was strong at 2.6% in the quarter. Revenue of $5.8 billion was up 14%; up 10% ex-Avio. Equipment revenue was higher by 14% on strong price and shipments of 646 commercial engines versus 596 last year.

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We shipped 70 GEnx engines versus 41 a year ago. And military revenues were down 3% on 31 fewer engines in the quarter.

Service revenue, $2.9 billion, was up 14% driven by commercial up 18% and military down 5%. Commercial spare shipments were $28.5 million a day; that was up 22% versus last year.

Operating profit of $1.1 billion was up 19% -- 14% ex-Avio -- on strong value gap and volume. Margin rates improve 90 basis points; 80 basis points ex-Avio. Avio continues to perform very well and overall good execution in the Aviation business in the quarter.

Next on Healthcare, the first quarter in the US was soft. Hospitals and clinics appear to be delaying purchases in response to the ACA.

Patient inflows, outpatient visits, ER, surgeries, procedures were all down 1% to 1.7% in the quarter. Preliminary NEMA data suggest the US market was down single digits, excluding one big VA bulk order from several years ago.

Our NEMA orders were down 2%, so we believe we actually gained share in the quarter, 1 point or 2. As a result of these dynamics, Healthcare's first quarter was softer than we expected.

Orders of $4.2 billion were down 1%, driven by the US, down 4%, offset by continued strength in emerging markets, which were up 10%. China was up 13%; Latin America was up 10%; and the Middle East was up 47%. Europe was also strong, up 4%.

Equipment orders of $2.3 billion were flat. In HCS, emerging market orders were higher by 13%, offset by the US, down 12%. Life Sciences orders were up 1% in the quarter.

Service orders were $1.9 billion. They were down 2% in the quarter.

First-quarter backlog was $16.3 billion, which was up 7% versus prior year. Order pricing was down 1.5%.

Revenues of $4.2 billion were down 2%, with equipment down 2% and services down 3%. Operating profit of $570 million was down 4%, driven by negative value gap, offset by strong base cost management. SG&A in our Healthcare business was down 9% in the quarter.

The business expects the US softness to probably persist in the second quarter, but expects to continue to gain share and deliver earnings growth for the year.

With that, we will move to Transportation. Transportation had a solid execution quarter, given their environment.

In terms of domestic activity, carloads were up 1% in the first quarter, driven by intermodal traffic, which was higher by 3%. Coal volume continues to be soft; it was down 1%. But petroleum products and petroleum were higher at 6.5%.

Orders for the quarter were $2.4 billion. That was up over 100%, led by equipment orders up 4 times.

We had orders for 259 locos and 299 loco kits versus 80 locos last year and 25 kits a year ago. We received a large order in South Africa for 233 kits and had orders for 176 locos in the US.

Service orders were down 18% due to weak mining and no repeat of the large Amtrak signaling order we had in the first quarter of last year. Order price index was flat and backlog grew 6% versus the first quarter of 2013.

Revenues for the quarter were down 14%, as we anticipated. Equipment was down 20% driven by mining off-highway vehicles down 76%, partly offset by locomotives up 23%. We shipped 178 locos versus 143 a year ago.

Service was down 7% on weaker mining parts demand.

Op profit was down 24%. Very strong cost and productivity performance was more than offset by volume and mix. Margins were down 230 basis points in the quarter.

On Energy Management, the business continues to be a work in progress as we made a lot of gains in restructuring and resizing the business around its cost structure and footprint, were offset by sales softness in marine startup execution. Orders were $2.2 billion; that was down 1%.

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Digital Energy was up 20% on a large domestic meter order; and Industrial Solutions was up 1%. This was offset by Power Conversion, down 16% with no repeat of first-quarter 2013 Brazilian drillship orders we took.

The business did continue to build backlog in all its segments, with the total up 17% year-over-year to $4.9 billion. Revenue was down 4% in the quarter, with Digital Energy down 20%; Industrial Solutions down 3%; and Power Conversion down 2%.

Operating profit was $5 million in the quarter. That is down from $15 million a year ago.

Despite the poor performance, we continue to get restructuring benefits and reduce SG&A cost. This was more than offset by negative volume and execution challenges. We expect this business to improve its results throughout the year, particularly in the second half.

Appliances & Lighting. Appliances & Lighting had a challenging quarter as well.

Appliance revenues were down 3%. The Appliance market was down 4% in February, but it was much stronger in March to end the quarter flat year-over-year. Housing starts were soft, with single-family down 8%, offset by multifamily strength of up 9%.

Lighting revenue was down 4%. Our traditional channels in Lighting were down 9%, partially offset by LED growth, up 33%.

Segment profit of $53 million was down 33% in the quarter. Appliance op profit was down 2%, with higher prices offset by lower volume and negative productivity. Lighting op profit was down 44%, driven by strong material deflation, more than offset by productivity, price, and foreign exchange.

For both businesses, the last few weeks in March and the first week of April were much stronger. We expect them to be back on track in the second quarter.

Next I will cover GE Capital. Revenue of $10.5 billion was down 8%, primarily from nonrepeat of the 30 Rock sale last year.

Assets were down 3% or $18 billion year-over-year. Net income of $1.9 billion was flat to prior year, as lower losses and impairments offset reduced gains, lower earning assets, and tax benefits.

ENI ended the quarter at $374 billion, and was down $28 billion or 7% from last year and down $7 billion sequentially. Non-core ENI was down 16% to $52 billion versus last year.

Net interest margins decreased 11 basis points from 2013 to 4.9%, as a slight improvement in business margins was offset by the cost from carrying higher levels of cash.

GE Capital's liquidity and capital levels continue to get stronger. We ended the quarter with $75 billion of cash and reduced our commercial paper borrowings to $25 billion in the first quarter; that is 9 months ahead of our year-end target.

Our Tier 1 common ratio on a Basel 1 basis improved 23 basis points sequentially and 32 basis points year-over-year to end at 11.4%.

On the right side of the page, asset quality trends continue to be stable. I will walk through the segment performances.

The Commercial Lending and Leasing business ended the quarter with $175 billion of assets, flat to last year. On-book core volume was $8 billion, down 2%, as we continue to stay disciplined on pricing and risk hurdles with continued excess liquidity in the market.

New business returns remain reasonably strong at about 1.8% ROI. Earnings of $564 million were up 42%, as a result of not repeating a specific impairment we had last year in the first quarter, as well as from asset sales.

On Consumer, the Consumer segment ended the quarter with $132 billion of assets, down 3% from last year, but were up 8% in North American Retail Finance business. Earnings of $786 million were up 47% as a result of not repeating $300 million impact from the reserve modeling changes we implemented in the first quarter of 2013.

North American Retail Finance earned $590 million in the quarter. That is up 54%; again, largely driven by not repeating the reserving changes and on strong asset growth of 8% year-over-year.

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Real Estate had another solid quarter. Assets at $38 billion were down 11% versus prior year and down $1 billion sequentially.

The equity book is down 29% from a year ago to $13 billion. Net income of $239 million was down 65%, primarily from not repeating the 30 Rock gain.

In the current quarter we sold 165 properties with a book value of $1 billion for about $117 million in gains. The debt business earned $120 million in the quarter and originated almost $2 billion of volume at attractive ROIs.

In terms of verticals, GECAS earned $352 million, up 1%, as higher core income offset the impact of lower assets, which were down 8%. The new volume was $1.5 billion, 36% higher year-over-year, with very attractive returns, north of 3% ROIs. We ended the quarter with zero aircraft on the ground.

EFS had a solid quarter, with earnings up 84% to $153 million, driven by strong core income and gains, partially offset by impairments. So the team continues to perform well here; and as we look forward to the second quarter we expect the run rate for GE Capital to be around $1.8 billion of earnings.

With that, I will turn it back to Jeff.

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

Great, Jeff, thanks. Finally on the framework, look: we are reaffirming the framework for the year. We feel good, really, about our progress on the Industrial side. And we think what you saw in the first quarter in terms of organic growth, solid organic growth, and good margin expansion should continue in the second quarter and throughout the year.

Capital is on track for its plan, and CFOA remains on track as well with the framework. There is a lot going on in Corporate, and you understand our goals for restructuring. We will give you frequent updates on our progress.

And, look, with underlying EPS up 9% in the quarter and strong Industrial segment profit growth, we think we are off to a good start. So, Matt, let me turn it back over to you and let's take some questions.

Matt Cribbins - ***General Electric Company - VP Corporate Investor Communications***

Yes. Thanks, Jeff, Jeff, and Rod. Ellen, why don't we open it up for questions?

QUESTION AND ANSWER

Operator

(Operator Instructions) Scott Davis, Barclays.

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

Hi, good morning, guys. 8% core growth is a pretty big number. How do you think about the sustainability of those levels? It's probably about 2X the sector overall.

And then I want to ask a follow-up on margins. But let's just talk about core growth first.

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

Jeff, you want to start?

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Jeff Bornstein - ***General Electric Company - SVP, CFO***

Yes. Listen, I think we are very happy with the level of growth in the quarter. It reflects a lot of the order activity we had in 2013.

As we said, the short-cycle businesses were definitely impacted by weather in the first quarter; and we expect Industrial Solutions, Appliances & Lighting to get better as we move into the second quarter of the year.

We are still on framework. We think -- we expect organic growth for the year to be between 4% and 7%. And I think we are pleased that we are off to a strong start here.

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

You know, Scott, I would just add, I think Wind always adds a little bit of noise, plus or minus, around each quarter. It was more on the plus side this quarter.

Like I said at the outlook meeting in December, we have an internal plan that adds up to more than the range. And that is how we run the businesses, and that's -- I think we still believe in the framework for the year, but we have an internal plan that adds up to more than that.

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

Okay, fair enough. The 50 bps of margins, just back of the envelope, 8% core growth should get you there already. But you also talked about having value gap and cost-out.

Is there any way to parse out the 50 bps and how you guys think about it via fixed-cost coverage from the volume leverage and the cost-out? How (technical difficulty) to break down to the 50 bps?

Jeff Bornstein - ***General Electric Company - SVP, CFO***

Well, yes. Mix was a bit of a headwind for us in the quarter, more than 100 basis points in the quarter. And that is the strength in Wind; the strength you heard Rod talk about, with 37% sales growth in Subsea, while M%C volume was down 7%.

So mix for us in the quarter was about 100 to 120 basis points of headwind. And that was offset with strong value gap, a little bit of favorability in R&D, but principally by simplification. We had 160 basis points of favorability in structural cost and getting at -- delivering on both the structural cost initiative and delivering on the restructuring investments we have made.

That was partially offset by base cost inflation, that generally reflects increases in salary. So I think we feel very good about the construct in the quarter.

It's more or less how we thought about the year and what we described to you at year-end. We know that we are going to grow equipment and revenue faster than services this year, and so mix will be an item for the year. We have to deliver on simplification, overcome that, and grow margins.

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

That's helpful. Just a quick clarification, guys. I haven't heard you mention the 8 series turbine in a long time. Do you actually have a commercially viable product at this point?

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

Oh, yes. No, I think, Scott, this is -- we've gotten a couple commitments and we're in the process of rolling that out as we speak. So we think this is going to be a great product at really a good time.

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Scott Davis *- Barclays Capital - Analyst*

Perfect. Okay. Thanks, guys.

Operator

Deane Dray, Citi Research.

Deane Dray *- Citigroup - Analyst*

Thank you. Good morning, everyone. Hey, Jeff, I was hoping you could expand on your comments on the bolt-on acquisition outlook. You all have been operating on a self-imposed investor-friendly range of -- it was $1 billion to $3 billion and then got inched up for Avio, $1 billion to $4 billion. And you are clearly signaling a willingness to go a bit higher than that for the right acquisition.

That's the same language you used when you -- just before you got Avio. So maybe you could expand for us; how much higher above $4 billion? What kind of applications or markets look interesting? It likely sounds like you've got something close.

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

Yes, I wouldn't read too much into it, Deane, other than this is the way we answer the question typically, from a standpoint of -- we do the vast majority of our acquisitions in that range. People ask: if you saw something that was strategic, added to the growth rate, bolt-on well-priced, accretive, would you go above that?

And clearly when we did Avio, that was $4.2 billion, and we had $1 billion to $3 billion type of range. So it is typically the way we answer the question and -- in investor meetings and at the outlook meeting and things like that.

So again, I think we have discipline on capital allocation. We are committed to dividend growth, the buyback that we talked about.

But if we saw unique value in the marketplace, like we did with Avio, we would do transactions like that.

Deane Dray *- Citigroup - Analyst*

Great. That makes lots of sense. Then since we have Rod on the call today, I would love to hear from you about -- if you could frame for us how much of the portfolio you have in place today.

The whole idea that GE was able to take a lot of the proceeds from NBC and very quickly add some strategic assets into Oil & Gas and then you would stop and see: how is the portfolio? Where are the gaps?

From your perspective, how much of your portfolio do you have today in order to be effective? Are you half? Do you have three-quarters?

I am not asking you specific gaps. But maybe just frame for us how complete the portfolio is.

Rod Christie *- General Electric Company - VP and CEO - GE Oil & Gas Subsea Systems*

Sure. I think when I look at the portfolio that we have today for Subsea, we feel very good about it. We can compete pretty much anywhere that we choose to.

I think what you have seen over the last six months around us moving more into the subsea power and processing really gives you an idea of the breadth that we can bring from GE broadly. So Power Conversion, turbomachinery, water, realize it's a step into those spaces.

So at this point in time I feel very good about where we are. And anything going forward is really a discussion about internal versus external, with a bit more scale. So it's really about timing.

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So very similar to what Jeff has talked about with -- if we see something that looks very attractive to us then potentially. But we don't feel like there is any major miss at this point in time.

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

Great, thank you.

Operator

Steve Tusa, JPMorgan.

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

Hey, good morning. Can you maybe just talk about -- you talked about the 50 bps continuing throughout the year. Anything you guys have -- I guess every company has become kind of seasonal, with bigger quarters in the back half of the year.

Anything lumpy in the second quarter that we need to be aware of -- whether it's timing of some of these Advanced Gas Path stuff or Wind -- that we have to consider when thinking about the second quarter?

Jeff Bornstein - ***General Electric Company - SVP, CFO***

I don't think so, Steve. I don't think Jeff said he was carrying the 50 basis points all year. But (laughter) thank you for that.

We will have slightly higher restructuring charges in the second quarter. I said we are still on track for the $1 billion to $1.5 billion; and we are going to spend 60% of that spend in the first half of the year. So the second quarter will be a little bit bigger than the first quarter.

We will ship more GEnx engines in the second quarter than we shipped in the first quarter. But other than that, not a lot of -- I did mention that we are working on one disposition; not sure whether that is going to be second or third quarter yet, quite yet; but not that big a deal.

So other than that, I don't have a lot of other items to call out for you.

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

Okay. Then just on the organic growth calc, can we get the contribution from the deals and then ForEx -- or the negative from ForEx -- for the quarter? Total deals, revenue contribution, and then ForEx.

I know they are in the back of the supplement or whatever, or in the press release. But just the data.

Jeff Bornstein - ***General Electric Company - SVP, CFO***

Yes, sure, Steve. Reported revenue up 8%. Acquisitions added 2 points. Dispositions were -- had a 1.4 point impact.

And then foreign exchange was 0.5 point. And that is how you go from 8% to 8%.

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

Okay.

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Jeff Bornstein *- General Electric Company - SVP, CFO*

So 2 --

Steve Tusa *- JPMorgan - Analyst*

All right. That's great. Thanks.

Operator

Jeff Sprague, Vertical Research Partners.

Jeff Sprague *- Vertical Research Partners - Analyst*

Thank you. Good morning, everyone. Just a question on the Industrial balance sheet, I guess dovetailing with maybe opening the aperture a little bit on deals. You did do the $3 billion debt raise on the Industrial balance sheet.

How would you size that relative to the capacity that you have? You kind of teased us a little bit in December with some juice there. Is $3 billion the number, or is it something larger than that?

Jeff Bornstein *- General Electric Company - SVP, CFO*

The $3 billion was in the context of the capital allocation plan that we put together for 2014. We saw the first quarter where markets were very opportunistic; we issued the $3 billion; we were immensely oversubscribed and were very pleased with the rates that we took the $3 billion at -- well inside, on an after-tax basis, our dividend yield.

But that is how we size it within the context of our capital allocation game plan for the year. We are constantly reevaluating the capital allocation game plan with the team and the Board, and we will continue to do that.

Jeff Sprague *- Vertical Research Partners - Analyst*

But that is roughly the comfortable number relative to the commitments, cross-commitments to capital and everything?

Jeff Bornstein *- General Electric Company - SVP, CFO*

Well, no. It's the relevant comfortable number within the context of the capital allocation plan we pulled together for the year.

Jeff Sprague *- Vertical Research Partners - Analyst*

Okay. Then, can you just size for us the gains that you had in CLL and Energy Financial Services?

Jeff Bornstein *- General Electric Company - SVP, CFO*

Yes. So CLL, we did sell about 18,000 boxcars per diems, meaning daily rental boxcars in the quarter. That was worth a little north of $100 million.

We did sell some private equity investments that we do reasonably routinely; and that's a little bit of Volcker driven in the first quarter. That was a much smaller gain.

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Then Energy Finance, it's pretty routine for us. We had about, I don't know, $150 million of gains associated with properties that we sold in Energy Finance in the first quarter.

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

Great. Thank you very much.

Operator

John Inch, Deutsche Bank.

John Inch - ***Deutsche Bank - Analyst***

Thank you. Good morning, everyone. Morning, guys. Jeff, could we flesh out a little bit of the playbook for Energy, the Energy Management business?

It looks like you guys made a leadership change there. How are you thinking about really just the portfolio?

And maybe as, Jeff Bornstein, you've gotten into further the restructuring, how that maybe complements that segment or your focus on it. Just something that might provide us a little bit more color.

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

Yes, you know, John, here is the way I would look at it. First from a technical standpoint, there are pieces of the Energy Management business that are great fits for the rest of the Company, like Power Conversion. As Rod said, that is a great complement to Oil & Gas and some of the other things we are doing.

So technically, these are industries we understand and can compete in. Our relevant competitors have margin rates that are 10%-plus. Some of that is scale and some of that is our own complexity.

What Jeff Bornstein said today is that we are committed to restructure, and that is going to provide some big margin lift in that business. And then I just think we can execute better.

Mark Begor is a guy that is well known inside the company of being a great recruiter and an extremely experienced operator, turnaround guy, and he is in place. And we are hiring people from the industry.

My intent is to run this business and make it better and make it accretive to investors and drive earnings in it. Could there be a couple segments in there that aren't long-term fits for GE? Could be.

We will sort that out and be very tough-minded about it. But this segment can do better than what you are seeing right now.

And that is our commitment to you, is to make it better, both from a cost standpoint and from a market standpoint.

Jeff Bornstein - ***General Electric Company - SVP, CFO***

Just on that front, I would just add that they actually -- you can't see it in the results yet. It is getting eaten up in operations.

But they are making progress in restructuring. We had close to $25 million of benefits in restructuring in the first quarter, and we expect that to accelerate throughout the year.

There is some progress here. Our manufacturing delinquencies are down 50% versus year-end, and so we are making progress.

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I understand, completely understand, you can't see it in results yet. But our expectations are this business is going to improve dramatically from an operating earnings perspective over the balance of the year.

John Inch *- Deutsche Bank - Analyst*

Okay. That was my other part of the other question. So sequential improvement; and it sounds like, Jeff Immelt, there is no reason this business can't be running at double-digit margins. Is that fair?

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

Well, if everybody -- I think, John, everybody else -- unlike our other businesses where our margins are ahead of our peers, this is one where we trail our peers and we can do better.

John Inch *- Deutsche Bank - Analyst*

Can I just ask about the Oil & Gas business for a second? There is a broad-level concern in the industry about flattish CapEx budgets for the integrateds and obviously just the global economy is still not particularly helpful; price of oil doesn't seem to be going anywhere.

Maybe you could provide a little bit more color, given that you featured Oil & Gas on the call. How does that context of these big integrated companies with flat if not even maybe declining CapEx budgets, how does that dovetail with your own business? And why is your own business either more or less impervious to that?

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

Rod, why don't you take a crack?

Rod Christie *- General Electric Company - VP and CEO - GE Oil & Gas Subsea Systems*

Sure. I think -- and I am going to talk specifically around what I am seeing in Subsea today. Really what I see is a lot more front-end engagement.

So the customers that I am talking to aren't really looking at dialing back the number of projects. They are looking at: how do they get better capital efficiency?

So we see more front-end engagement around technology, the selection of that technology configuration. And how can we deploy with less risk, shorter cycle, and potentially at a lower cost?

So in many cases, what I talked about, with that structuring, our product really plays to that. We have taken cycle out, which obviously means a shorter carrying period for any capital investment in the Subsea area, from my perspective.

So I think most of the customers are looking to continue to drive as many of the projects as they can. It is making it much easier for us, from a point of view of actually early engagement, early dialogue, early engineering so we can take more risk out.

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

John, can I -- I would add to that the reinforcement of the way we have built our Oil & Gas business, by really investing in very specific segments that had faster growth rates than the industry itself. So things like Subsea, Turbomachinery, in the LNG train, some of our downstream technologies. We really are in the places where there is going to be a lot of capital continued to be spent.

John Inch *- Deutsche Bank - Analyst*

Okay. So looking at Shell's CapEx deployment is not really the correct proxy, in other words, is what you are saying?

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

Exactly. Yes.

John Inch - ***Deutsche Bank - Analyst***

Thanks very much.

Operator

Julian Mitchell, Credit Suisse.

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

Hi, thanks. I just had a couple of questions on the margin bridge. I think, firstly, value gap was maybe what, about a $100 million tailwind in Q1. Just wanted to check that.

And back in January you talked about a $200 million tailwind for the year in value gap. Is that still the case? Or have you updated those assumptions?

Jeff Bornstein - ***General Electric Company - SVP, CFO***

Yes. No, I think that is what we guided at year-end, that we expected the value gap for the year to be $100 million to $200 million. In the quarter, you're not too far off the mark here in terms of value gap.

I think what you got to bear in mind is within our value gap this quarter Power & Water was negative but not extraordinarily negative. And we expect price, particularly in Thermal to be much tougher as we work through the backlog for the balance of the year.

So you are correct. The framework was up to $200 million, and you're not far off the mark on the impact in the quarter.

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

Okay. Then just on the mix effect, can you just remind us, I guess, what the view is now on wind deliveries for the year and how much more those are ramping up in the back half?

Jeff Bornstein - ***General Electric Company - SVP, CFO***

Yes. No change on the framework that I gave you at year-end on Wind deliveries. I said that we would do about 3,000 units and that is still what we expect to do.

In terms of first half/second half it is a little bit heavier weighted to the second half of the year. We will do, I don't know, about 1,800 of those 3,000 in the third and fourth quarter.

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

Got it. Thanks. Lastly, just quickly, I guess for Jeff Immelt. On the divestments in Industrial, you talked a little bit about that in the slides, and also in the annual report there was some kind of a commitment or comment around targeting a minimum 10% margin for the Industrial businesses.

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I just wondered what -- was that equipment plus service combined, and what the time frame for that 10% minimum threshold was? Because I guess you have some businesses that have never been at 10%.

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

I think, Julian, what I would focus on is the $4 billion number. I think it's our expectation that we are more active on the divestiture front this year; and kind of leave it at that.

We continue to be tough-minded around the portfolio, and I would expect our divestitures to be a little bit more active this year than they were last.

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

Great. Thank you.

Operator

Steven Winoker, Sanford Bernstein.

Steven Winoker - ***Sanford C. Bernstein & Company - Analyst***

Thanks and good morning, everybody. Hey, just, Rod, while I've got you here -- and I really appreciate the focus in on the business unit during the call. I guess one of the primary debates around Subsea is that production tree order trend starting to rise again in 2015.

You addressed your mix benefit. But this emerging capital discipline by the majors, I guess, is a real question of, even in those more attractive subsegments, to what extent do you think that risks the growth? And to what extent also are you seeing the outlook for production tree pricing deteriorate in any way?

Rod Christie - ***General Electric Company - VP and CEO - GE Oil & Gas Subsea Systems***

If you look at the forecast this year for trees, overall globally it is down. But you have to look at the mix between Brazil and the rest of the world.

Brazil was a large buy for -- or a large commitment made for trees in 2013. So the rest of world demand actually increases slightly year-over-year; and then you see the total demand back up again, or forecast to go back up again in 2015.

The other thing that you really see is the projects have got larger, so things have got lumpier. You look at it in total number of projects that are going for development into the future, there is less projects but more tree count per project.

So I think again the early engagement pre-feed activities and feed activities are really going to be critical to driving some of the efficiency in this area from capital deployment.

Steven Winoker - ***Sanford C. Bernstein & Company - Analyst***

Okay. And the pricing? Outlook for pricing?

Rod Christie - ***General Electric Company - VP and CEO - GE Oil & Gas Subsea Systems***

I think we still feel that pricing -- the demand for the future is still increasing. So it's really about delivery cycle at this point in time.

Steven Winoker - ***Sanford C. Bernstein & Company - Analyst***

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Okay. On Healthcare, the pricing in Healthcare. I guess, Jeff, how should we think about this? Do you see this as any kind of structural change in the industry?

Is this a function in the Americas, North America, of the transition we are all going through in hospitals? And can you maybe give us some color on how we should think about this?

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

Yes, Steve, I think it's a good question. I would say first, if you look outside the US, the markets are all normal, with Europe bouncing back and the growth markets still pretty strong. I think it is too soon to say on just the impact of the Affordable Care Act. There is just so damn much going on in the US healthcare market right now.

We are thinking about the next couple years as being flat to up slightly, so we are not really thinking much about robust growth. And more industry consolidation of hospital systems, more integration between insurers and hospitals; so there is just a ton going on in the industry.

At the same time, when you launch a new product like the Revolution CT, like we are launching in the second quarter, it's going to build a huge backlog. It is going to have positive growth.

So with all the stuff that is going on in the industry, when you have new technology you still can differentiate yourself and you still get good growth and good margin. So I think we are just going to wait and see and watch how the industry evolves.

Steven Winoker - ***Sanford C. Bernstein & Company - Analyst***

Okay. Can I just sneak one in for Jeff Bornstein? Or maybe it is two, I suppose.

This tax rate that we got this quarter, should we think about that as more normalized now? And also were the orders -- have those Algerian orders come through yet in the official order numbers?

Jeff Bornstein - ***General Electric Company - SVP, CFO***

Yes, so the tax rate, I think what I said was we still expect the Industrial tax rate to be about 20% and we still expect the GE Capital tax rate to be single digits in the year. So I don't think our view of taxes has changed at all for the total year.

The Algerian units on the mega-deal are in our orders book.

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

I think, Steve, if you look at heavy-duty gas turbine orders, I think we said in December, what, 125 or something like that?

Jeff Bornstein - ***General Electric Company - SVP, CFO***

Yes.

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

I think we are tracking at least to that. This is a slightly improving market is what I would say, broadly speaking.

Jeff Bornstein - ***General Electric Company - SVP, CFO***

I want to clean one thing up before we move on to the next question. On Energy Finance, I think Jeff Sprague asked me on gains in Energy Finance.

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I think I said $150 million. It was $120 million.

That is about $60 million higher year-over-year. That was partly offset by about $100 million of increased higher impairments this year versus last year. So I just want to make sure that is clear.

Matt Cribbins - ***General Electric Company - VP Corporate Investor Communications***

Great. We know everyone has a busy morning. Ellen, why don't we take one more question?

Operator

Nigel Coe, Morgan Stanley.

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

Thanks. Good morning and thanks for fitting me in. Jeff, you mentioned the H frame, which is obviously a very important product. You mentioned two commitments. Were they US commitments?

And then dovetailing on the back of your comments about a gradually improving market, what are you seeing in the US right now in terms of the front-log for 2015 and 2016?

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

The answer I think to the first question is no. And the answer to the second question I think is just slow improvement in the US, starting with peakers; and we haven't seen big demand for baseload units yet.

But a ton more interest in the US than we have seen in the last few years is the way I would describe it, Nigel.

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

Okay. Okay, great. Moving on to GECAS, assets are down by about 10% from early last year. I am wondering; what do you think is the right level for assets in GECAS? Is there a longer tail of decapitalization within GECAS going forward?

Jeff Bornstein - ***General Electric Company - SVP, CFO***

The GECAS business, order of magnitude, is roughly the size of, in the context of GE Capital and the Company, that it is probably going to be long-term, plus or minus. They will continue to originate. They will continue to grow.

I talked about their volume in the first quarter being very strong year-over-year, at very attractive returns. So they will continue to be very active and write new business.

At the same time, they will continue to prune the portfolio they have, and that allows them -- creates the capacity for them to continue to be in the market and write volume. Assets year-over-year I think are flat for GECAS.

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

I think they are down 8% year-over-year, but I can check that.

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Jeff Bornstein *- General Electric Company - SVP, CFO*

(inaudible - microphone inaccessible)

Nigel Coe *- Morgan Stanley - Analyst*

Then just, Jeff, on the -- you mentioned $1.8 billion run rate for GE Capital for the quarter going forward. That is actually slightly above the $7 billion placeholder for the year.

Do you think there is more of an upside bias to that $7 billion at this stage?

Jeff Bornstein *- General Electric Company - SVP, CFO*

No, I think we are still in that $7 billion framework. You've got a number of items to go here where we still plan on doing the initial IPO of Retail, so you'll lose 20% of those earnings; we will still continue to invest in that business to create the stand-alone capability around risk and governance. So that will come at some cost.

We will still do the GECAS buy impairments here in the third quarter. So I think that we are still focused on the $7 billion framework that Keith shared with you in November.

Nigel Coe *- Morgan Stanley - Analyst*

Understood. Thank you very much.

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

Great, thanks. Thanks, everybody.

Matt Cribbins *- General Electric Company - VP Corporate Investor Communications*

Thank you. The replay of today's webcast will be available this afternoon on our website. We will be distributing our quarterly supplemental data for GE Capital later today.

I have some announcements regarding upcoming investor events. Next Wednesday, April 23, is our 2014 Annual Shareowners Meeting in Chicago. We hope to see you there.

On Wednesday, May 21, Jeff Immelt will present at the 2014 EPG conference. And, finally, our second-quarter 2014 earnings webcast will be on Friday, July 18.

As always, we will be available today to take questions. Thank you.

Operator

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

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