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EDITED TRANSCRIPT

GE - General Electric Co. Analyst Meeting

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PRESENTATION

Trevor Schauenberg - ***General Electric Co. - VP - Corporate Investor Communications***

Great, good afternoon and welcome everyone to our annual GE Investor outlook meeting. Today's meeting is being recorded and webcast and all that information could be found on our website at www.ge.com/investor.

We will have a Q&A after Jeff's presentation and as always, this room is pretty big and we'll try to record everything for the webcast, so please raise your hand and [Paige] will bring you a microphone and then fire away.

After Jeff's Q&A, we will have a leadership reception hosted by Jeff and the leadership team, so plenty of time to get more questions answered in that session as well. As always, elements of this presentation are forward looking based on the world we see today, and those elements can change as the world changes, please interpret them in that light.

And I would like to directly turn over to our chairman and CEO, Jeff Immelt.

Jeffrey Immelt - ***General Electric Co. - CEO***

Good afternoon, everybody.

I guess we will just dig right in. again, I think what you will hear today from us is probably similar to what you have heard with some of the other companies that have had outlook meetings so I would say, we still have a fair amount of economic uncertainty but we feel like we faced this with a lot of liquidity and big backlog, good competitive position and we've got great momentum on margin rates.

We feel good about how we are positioned both in 2012 and 2013, we have invested in organic growth and so we wanted to see that trend continue. We continue to make progress on the industrial and financial services split, we made good progress in '12, we see that continue in the future and you have seen kind of our capital allocation balance between buybacks and dividends, we have another big announcement last week.

So, we continue to execute on the capital allocation play the way we have outlined it.

we always talked about a mosaic, when we think about GE, that we always have in this environment any how, we have tailwinds and things in the mix and headwinds. So I would say, we still like the gas, oil, split and in terms of tailwinds, we still see tremendous demand in our oil and gas business and aviation and things like that behind new products.

I would say mixed is the demand for credit, the amount of investment I would say demand for investment certainly in the US in the fourth quarter was slower and the headwinds are areas like wind, PTC, we're just not counting on having that going forward in the future.

If you took a look at the macro, we see China getting better in the resource rich places that are the GE hub, the GE core if you will is still pretty strong. Mix, we think the US consumer continues to be stronger and housing gets better. But there is no doubt that the fiscal uncertainty slowed activity in the fourth quarter of the year.

And then, we think Europe and Japan will remain slow but stable, I think we have all kind of adjusted and continue to adjust to those markets.

In terms of the 2012 framework, we really have no change to the earnings framework for 2012, we will have positive earnings growth in each one of our industrial segments, it's been a while since we have seen that. I think a tougher macro environment but still see good outstanding performance.

When I stood here a year ago, we said organic growth between 5% and 10%, in September, we said 10%, I think we see right now, organic growth at 8% with a slightly tougher macro environment in the fourth quarter but still 8% is 2 or 3 times than most of our peers, pretty strong organic growth performance. And we feel like 2012 is turning out to be a good year for the Company and positions us well for the future.

We set forth last year, five goals for the Company, this year, strong industrial earnings growth, we see that continuing, we still see good, strong, industrial earnings growth, margin enhancement, we still are on track for the 30 basis points of improvement this year. Getting cash from GE Capital, $6 billion of cash from GE Capital in the year, making GE capital smaller, GE Capital would be less than $420 billion of net investment and returning cash to investors, we will return more than $12 billion of cash to investors this year through dividends and buyback.

So basically on the five key goals we set out for ourselves in 2012, we basically have hit -- had pretty good accomplishments along each one of those.

So just turning to kind of give you an update on where we stand from a strategy standpoint and a portfolio standpoint, our strategy really hasn't changed, I'd say it is all about the portfolio, strong infrastructure industrial portfolio, a very valuable specialty finance, key initiatives and technology services growing in emerging markets and running a lean cost structure and productivity.

Having a lot of cash to invest and investing it in a disciplined way and continue to have core enablers across the Company that drive core strengths and using our scale and financial strength, and this is basically the play we have been running over the last four or five years and continue to do that today.

When I think about the portfolio, I really think about it in a couple of different -- couple of different ways, we continue to grow the industrial and financial earnings split, we see that progressing each year, we've said -- say on the chart here, our goal is 70%. We see getting to 65% by 2015 and that doesn't assume any big disruptive actions that we could still accelerate this if we saw good opportunities but this does -- this just assumes in our own control what we can do over the next few years.

We want our earnings and cash to be ahead of our peers, we want to be in the top quartile in margins and returns, we want to have valuable capital allocations from the standpoint of dividends and buybacks, focused and disciplined execution on the portfolio. So we see making general progress on the portfolio every year, we have laid out here, things that are just in our control as we think about how to get the industrial earnings continuing to accelerate and grow.

And I would say in this cycle or for the things I talk about vis-a-vis the portfolio is really a focus on being in good markets, with some economic tailwind, focus on really driving key investments to grow infrastructure, continuing to make our businesses more valuable and really laying out kind of what are the some of the ideas we have for the next iteration of GE Capital strategy.

So why are we in the businesses we are in or how are business is positioned? I would say that we have been -- really created a portfolio that is able to capitalize on some of the big secular tailwinds and infrastructure. There continues to be good growth in the infrastructure world and we continue to capitalize on that. We're positioned in countries where there is strong investment and incentives to continue to grow infrastructure, places like Africa, China, Russia, Middle East and Africa, Latin America, there continues to be good investment there and we just have some big themes where the Company has a leadership position.

The natural gas revolution, we can play there from an extraction or power generation standpoint. Growth in China and the resource rich regions, we have very strong footprints that can capitalize there. In the area of advanced analytics, I'll talk a little bit more about how we are combining that with our service businesses and how it can drive more -- both more efficiency and growth. We are positioned around healthcare and energy efficiencies and some of the big productivity themes that are going to drive the next few years and added manufacturing, simplification and things like that.

And so we try to position our company at scale to be able to capitalize on infrastructure, grow in big growth regions and have some real tailwinds as it pertains to how we think about the Company going forward.

Now we've invested to build some big franchises, this just gives you an idea of one of the places where we have done some capital allocation in the last decade in building about a $15 billion oil and gas business, one that is growing in margins. We're well positioned in the faster growth segments, places like subsea drilling and production, unconditional fuels, LNG and we kind of think about how GE eyes a business like this.

I mean, I think the core strength is technology, we have an opportunity to really differentiate our technology in this field, very strong focus on customers who we know on a global basis, adding services into the mix in terms of how we do CSAs and use sensors and activities like that. Supply chain execution, this business is really driven by how well you have manage these big projects and then just how you develop the team and the talent and the bench. And I think when you look at all these areas, this is a place where GE can continue to invest and build strong leadership over time. So oil and gas, I think has been a pretty good story.

Now the acquisitions that we did as we redeploy capital from NBC Universal into energy have all really done fairly well, so you see the segment profit we have, the core of these acquisitions is growing about 20% a year, we are a couple hundred million dollars above pro-forma and this just give you a sense of how they have done and we have used the formula I've talked about in terms of the ability to drive a differentiation.

I'd say an artificial lift which was a business we acquired from the Wood Group. We are seeing the opportunity to take the global research center and drive innovations and we can gain market share in that area.

In the case of Converteam which is a power conversion business, we will get $600 million of orders in Converteam in Brazil this year. This is a business that didn't really have much of a footprint in a place like Latin America so that is a key synergy.

In the case of services and solutions, we have been able to package a lot of these products and services in the unconventional fuel space, being able to drive big benefits in business like Walkershaw and all of them can benefit from our supply chain, all of them can benefit from our manufacturing base.

So we really have been able to generate a lot of acquisition value ahead of plan and we see that continuing in the future. Now, our adjacencies all are at various stages and continue to make good progress, these businesses are growing in excess of 10%, it's a variety of a different investment types from Life Sciences where we did an acquisition, are now adding mainly through organic growth, the same way with distributed energy, with purely organic activities in areas like energy storage where we have a leading sodium battery technology.

So we continue to find ways to invest these investment scale over time and we think over the long term, the combination of small, focused acquisitions in organic and organic build will continue to allow us to build out this adjacency space which is quite substantial and growing quickly.

Now, we also continue to invest in our core businesses, this is an example of aviation which is a big successful business from a margin and return standpoint and we have always led with technology and the ability to solve big customer problems and focus on globalization.

One of the big opportunities we think to create competitive value and shareholder value over the next few years is just we have about a multi-year backlog, given these big engine wars and the success that the businesses had. And we have set an internal goal over the next few years to take 25% out of the running rate, the cost rate of our manufacturing base in terms of how we look at materials and manufacturing going forward.

And we are going to do that by launching a new technologies, these ceramic matrix composites, we have invested hundreds of millions of dollars already, these make the engines lighter and able to run it at higher rates and higher heat. We have created value around fuel nozzles and electronics and we are investing in manufacturing like additive manufacturing and things like that. So we see a real opportunity to continue to drive margins and returns as we invest in the supply chain and continue to drive growth that way as well. So that is aviation.

Capital from, the last four or five years has been going through the change in the tougher markets. Mike and his team have done a great job of really change the portfolio and changing the structure of the business. I'd say if you go to the top left of this chart, this is just a much safer and much different operation than it's ever been before and it's got less commercial paper, more liquidity, less leverage, it is structurally very strong.

If you look at our performance versus peer banks on just about any metric from operating expense to net interest margin, to Basel I strength to cumulative losses, GE Capital has been really at the top of the list and has done a very good job as we have gone through here.

We purposely said -- going back to 2008 and 2009 that we were only going to do those things which were in our control and so we have step by step by step, been able to run off the assets that weren't going to be a part of the Company going forward and reinvest back into the core capability of the business.

And the earnings have been good as we have gone through the cycle, we have written new business that have 2% ROI, we have continued to stay focused on places we have a competitive advantage. So I think the team has done a good job of positioning us in terms of where we are and positioning us for the future.

And kind of the way we stand today, will be probably less than $425 billion of any net investments, there is probably $75 billion that are continue to be in runoff. We've got a nice set of core assets which are big lending and leasing franchises, mid market franchises where we think we've got a strong competitive advantage. And then we've got a set of businesses in what we call value maximizing which are the European banks in retail, finance which we are just going to try to drive shareholder value and make good decisions around those assets as time goes on.

So basically, what we want to do is keep shrinking the non-value or the places that are non-core, we want to keep investing in the core which in the mid-market assets, we think that GE Capital will generate about $20 billion or more than $20 billion over the next three years of cash that will go back to the parent. We think we will get our returns between 11% to 14%, so above our cost of capital, and continue to execute kind of step by step on changing the portfolio and adding value.

The key strategic imperatives are to lead in the mid market, write business in excess of 2% ROI, have very strong tier 1 Basel III metrics that facilitate getting a dividend to have less commercial paper and long term debt. The big bolus of really long term debt was this year if you look out into 2013, 2014 and beyond, the funding profile for the business is very different looking out there. They didn't grow alternative funding so have and we have -- are kind of in the throes of completing MetLife now which gives us more alternatives and continue to have good risk management as we go forward.

So I think this is a business that's in our control, that's going to be a good earnings provider and cash provider for the Company going forward where we have good solid competitive positions. And we will continue to over time, keep this between $300 billion and $400 billion of any net investment so that's the goal.

From a capital allocation standpoint, again, we continue to want to focus on our balanced capital allocation as we look at dividends, buybacks, focused acquisitions. We still see $100 billion of capital to allocate over the next few years, when you look at NBC Universal, we have done a pretty good trade, I think for GE investors, we've got a fast growth set of assets in our oil and gas and energy space that are growing 20% a year. We still own 49% of NBC Universal which we think is going to be very valuable going forward.

Now, from an M&A standpoint, we are still focused on bolt-on acquisitions. last year, I said $1 billion to $3 billion, that's still primarily the range that we are going to keep in, I'd say it could creep up to $4 billion, in that range, I don't see a big deal. I see everything bolt-on could creep above the $3 billion on the top end and over our sweet spot and with execution.

The next -- and so -- and just finally, just on the dividend, we have had a good history of dividends, we announced 12% increase on Friday to $0.19 per share per quarter, 12% dividend growth kind of in line with earnings and how we think about the strength of the Company going forward.

So now, just kind of shift gears and talk about strategic execution and how we see the world going forward. So I'd say that when the leadership team gets together, we kind of say, we've got to win where the business is. So you got to travel the world to win in the places that are growing where the business is.

And we've got to continue to redeploy, we're going to drive efficiency really hard and continue to invest in growth and that is kind of the plan that you are going to see. You are going to see a lot of structural costs out, both in '12 and '13 and continue in '14. But you're still going to see a good pipeline of NPIs, you are going to see a good pipeline of services, you are going to see a focus on global customers and you are going to see both of those things or all those things as you go through the plan and how we think about the future.

So there is four key initiatives that drive, the Company, it's technology and the kind of the enterprise driver of technology is our global research center which is led by Mark Little. The growth market is kind of the enterprise driver there as a global growth organization led by John Rice where we try to tie it all together.

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Services, is a service counsel led by Steve Bolze who is here today, leads our Power and Water business and we have created a softer analytics COE in California and then margins and operating, we are really driving those on something called GE Advantage which is lead by Charlene Begley and those are the ways that we try to drive the enterprise strength in these four key areas

When we think about next year, we are kind of saying organic growth between 2% and 6%, wind is about 3 points and so it's translational consistent with the 5% to 10%. We think the growth markets will grow in excess of 10%, services will grow in excess of 5%, margins will be at least 70 basis points and so we've got loaded in the internal plans more than 70 basis points.

We see a positive value gap and SG&A as a percentage of revenues will be down at least 100 basis points next year. So lots of structural cost out, returns ought to be up 50 basis points, we think CFOA between industrial and capital will be $17 billion to $20 billion and we expect to return more than $12 billion back to investors by way of buyback and dividends. So that is kind of the right hand side really gets spread out around the Company and how our leaders are measured and how we think about the Company going forward.

So, technology counts, I would say we now have technology in the run rate, I would say technology as a percentage of revenue will be flat to declining as years go on, we've got it dialed in to 2013 to be flat year-over-year, same way with '12.

We've got good systems advantages, centers of excellence, real strength, and when you look at 2013, you are going to see lots of technical strength in the marketplace, you're going to see a broad array of products, investment in services and a lot of new products launched. So we've continue to invest in technology and R&D and we think that's to benefit of investors.

Some of you were in Greenville, last week -- we've got a ton of gas turbine development underway, ranging from very small industrial gas turbines at 1 to 5 megawatts up to big block gas turbines, 300 megawatts plus. So we just think gas is good, gas is going to be the place to play and both in terms of the United States but also the rest of the world and we just want to have the right product array, both off the grid and on the grid and we see that as being very important.

The right hand side is a Flex 60, our priority was multi fuel and flexibility, I think that is proven to be pretty right given where renewables have been and given some of the places where we sell that have multitude of fuel. So I think we are very well positioned for the next gas cycle.

And then we just have density of products. We've got MR which we launched at RSNA, I mean, when I went to the healthcare business in 1996, I got scanned by all our products and they put me in the MR and I said, hey guys, this is broken, man, listen to this thing.

They have a big thumping sound so, I think Silent MR, G9X which is a fit for the next array of 777s if Boeing decides to go that way, bio-manufacturing where we've got really almost the best and strongest position in the world. Lots of oil and gas, Subsea Christmas trees blowout preventers, this is the battery-powered shield hauler, this is one of the mining products that we acquired with new GE guts inside so that's what we've always planned to do with that product line and some Mission 1 Appliance products.

So we've got a lot of technology coming to the Company in 2013. Now, the one place that I've talked about, I think, last year, that I'll continue to talk about is the amount we are investing in manufacturing technology. A lot of these new engines are going to be facilitated by additive manufacturing and better capabilities in our plan so we also have a lot of what I would call cycle time reduction investments and things like manufacturing analytics and process modeling. So we kind of set internal initiatives around driving cycle time and cost of these new products down and manufacturing investment and capability is one of the ways that we think we can do that.

Services are key, investors know how valuable our service franchise is. We continue to drive growth in installed base and growth in dollars per installed base and margin. So this is kind of install base growth and dollars per installed base and margin are the big investor -- are the big drivers of this business. We have a huge backlog so we have kind of this connection with our customers and one of the things that our industrial internet event -- I talked about in the case of GE is the Power of One, 1% fuel burn savings on a fleet of jet engines is $2 billion or $3 billion for the industry each year, the same way with fuel efficiency on gas turbines, 1% operating performance at a railroad.

So they use a thing called velocity, right, one mile velocity for our railroad is billions of dollars investment -- of productivity for our customers and so that is really where we focused using machines with sensors, advanced analytics and capability in terms of driving distributed work forces. This is a place where I really see internal development and not acquisitions when we think about where we are and what we need to do.

So we will have 20 offerings next year and I divide them up into three buckets. The first on the left hands size are what I call asset optimization, these are technologies that make our assets work better, so the flex efficiency is a way to get more energy output from our installed base, customers pay for that and they know how to monetize it, a real strength.

What I call facility optimization is where we can make both our products and the relevant installed base of our competitors work better, so something like fuel and carbon as a way we can go to an airline and get more fuel out of the system that they have and then network optimization is the customer's workflow. So in the case of Caradigm, this is the Microsoft joint venture, this is going to sit on top of a hospital's EMR, so it will sit on top and drive better decision and support.

So in this capability, like I said -- we are going to invest organically about $1 billion over the next three years to try to build capability and that is centered in our operations in California. And this is how you put it all together, our transportation business has a great service franchise, the transportation business will get 8% growth per installed base next year. So it is really driving real performance and it shows how we win and our customers win.

Service margins are really driven by having CSAs reducing work scope, improving performance, that is a win-win for our customers and us. Asset optimization reduces the amount of failures, again, if you run a CSA, that is a win-win for the customer and us. Operational optimization, these are things like movement planner or other yard planners where the customer uses all of our assets and their assets and we helped them run them more productively. And then just getting more out of the installed base in terms of upgrades and modifications and things like that. There are a lot of old locomotives out there so that we can grow.

So services is key, I would say we are investing more technically in our installed base right now than anytime I can remember and this is going to drive margins up, it is going to drive dollars per installed base and I think also make us stickier with our customers as we go forward. So I think this is a big -- a big deal for us.

Growth markets are key I'd say, we have always had a good global position. Putting John in Hong Kong has helped us have even a better global position, this shows our growth markets that we have identified are growing in excess of 10% in 2012, and in excess of 10% in 2013. So very strong -- great GE story.

The enterprise is really about the brand, that is about having good local partnerships, localization supply chain on down the list and again, what I talk to investors about in the past that we really like is we are diversified. We are not totally dependent on one country, we have a fleet of countries, we think it's always important to be good in China, but we think these resource rich countries that basically get pulled along as China grows, these are places where GE has a huge competitive advantage and we feel great about our position in both of those.

Now, globalization has really transformed our industrial business models, I show up here both healthcare and transportation, healthcare will have in excess of $5 billion of revenue in the growth markets this year, growing double digits. We have localized products, we have localized sales forces and capability and this is a great engine of growth for healthcare as we go forward, as the developed world restructures, the markets in US and Europe, it's great to have this balance in the business and I would say GE is very well positioned competitively along those lines.

Similarly, the transportation business is diversified in a way it's never been before. It's got basically about half the business now in growth markets that are growing rapidly and much better able to withstand the cycles that go through in the North American rail market. So real competitive advantage in these spaces

And again, GE is the partner of choice so we have got a good array of partnerships, diversified partnerships in Russia, we've got two joint ventures with state-owned enterprises in China, one with AVIC in the avionics space and one with XD in the T&D space. We've got a big realized company to country relationship in Saudi Arabia where we've got localization of some manufacturing and we can work across healthcare energy, oil and gas that gives us a competitive advantage in that space.

And we are working very hard in Nigeria and Angola which are two resource rich countries as places to drive investment capabilities. So John is busy and we continue to drive pretty decent global growth in the key growth markets.

Our margins, we talked about I think at EPG getting 30 basis points of margin growth this year, 70 basis points next year, and we feel pretty good about where we are positioned and how we are positioned. We just have more momentum going into 2013 than we have had in a while. We think the mix clearly gets better vis-a-vis wind shipments will have more GEnx shipments next year so we think mix is about equal.

Lots of strength on value gap, lots of strength on product costs, R&D even, big tailwind in simplification, big tailwind in service margins, so we see pretty good capability and momentum in margins. And then we see each business is a little bit different in a way we manage it and what their critical dimensions are, I just put up here healthcare, so we've got in each one of our businesses, a multi-year goal for margin rates and we kind of review these frequently with the businesses and the case of healthcare, it is really about simplification, product cost, service margins and value gap, and we've got very detailed programs with John, he is going to have a good 2012 and we expect more momentum as we go forward.

So we really have I think surrounded the process and accountability around margins when we think about how we are positioned for 2013. There are three big drivers in margins in the industrial businesses in GE. First one is value gap, this is our ability to price versus raw material inflation, we've got pretty good pricing in backlog as we sit here today and I would say from a sourcing standpoint, they are just better markets around the world. So we see good value gap -- maybe one of our best value gaps in '13 in recent memory. And then there is wage inflation and other inflation which will be slightly better in 2013 versus 2012.

Or there's product cost, so again, we are about $60 billion of material and conversion cost, that is where we have used our GE advantage projects to drive improvements there. Clearly, we have a big team looking at how we accelerate the learning curve on these big new engines.

You look down there and you see winning in subsea, so any of you that follow oil and gas companies, you know that one of the biggest margin detriments is how projects are -- how orders are placed and what the margin is when you begin a project and what the margin is when you end a project. So we've got 30 or 40 GE auditors that are going to -- what is called the winning in subsea team that have just focused on nothing but how you make sure you drive margins all the way through to completion and they make great progress in that business.

And then the transportation business, what we called the disruptive cost workout where we really tear-apart our products all the time and cut in the new lower cost systems and so we see lots of good momentum on the product cost side as well. And then last year, I talked about simplification, I think in the September meeting, we talked about $700 million to $1 billion of cost out, I think our goal is going to be higher than that -- in excess of $1 billion going into next year.

We see -- we set a goal of 16% SG&A as a percentage of revenue by 2014, that is down 250 basis points, we are well on our way to getting there. We ought to be about 17% plus or minus in 2013 and then making progress from there. So that is about addressing European cost structure, it's fewer P&Ls, it's fewer headquarters, it's just driving a different and leaner structure inside the Company and we've got a ton of good restructuring projects as we look at the future. So, we are upping our targets on simplification when we look at next year and into the future. That's simplification.

Lastly on cash, we've got with the restoring of the GE Capital dividend, and good industrial performance, and good momentum and cash flow, again, we expect returns to continue to improve year after year and we are going to reinvest at in our industrial growth, we've got good returns on our industrial business and so we will continue to grow in excess of 15% over the next few years, continue to work on margins, return more than $12 billion to investors and drive working capital performance.

So this is another big way that the leadership team is measured and again, we've got good momentum going into 2013 in terms of increasing returns. So again, that is kind of stepping through technology, services, globalization, margins, operations, how we are lining up as we think about 2013 and going forward.

So now, 2013, like I said, modest growth outlooks of -- organic growth up 2% to 6% and that includes the detriment of wind. And we are running the industrial businesses and at a lower cost base with trying to create a cost hedge if you will, when we think about next year.

And so there is still a lot of macro volatility and we are running the businesses at a lower cost rate than what we need to make our plan and we plan to fund it -- we've got a lot of good restructuring projects when we think about next year and so we plan to do restructuring and right now, we are planning to do some restructuring that is not covered by gains but the base case is that the tax laws are extended while tax reformers debate, we are no smarter about that, we will see where that goes.

And we are just prepared, we've got low cost, we have invested back in organic growth and we've got a lot of cash so we are prepared, I think, as the Company looks forward into 2013.

So here is the framework, for 2013, just a couple of comments on the framework, and so the way I would think about this is industrial, we are forecasting a very strong solid industrial earnings outlook for 2013 and we created a cost base that is lower than what we need to achieve that goal and so we try to create a cost momentum, if you will, and so that is industrial.

GE Capital, continues to be able to reinvest at very high returns, our core businesses will continue to grow, and this just reflects that ENI maybe smaller as time goes on and we are reflecting the fact that we are able to shrink our GE capital book faster and that could continue next year so we kind of say earnings flat to maybe up in GE capital.

And the corporate this year will be $2.8 billion in corporate, next year, we are saying $3 billion, planning on $3 billion in corporate but I just -- it's just a different walk, I would say on an apples to apples basis, to this year, it's $2.4 billion and then we add $300 million that is the financing of the GE preferred dividend and then we have added another $300 million that is restructuring ahead of gains, restructuring ahead of gains. So basically, what I'm saying is we've got good restructuring projects and we are going to continue to drive costs out and maybe we will get gains next year that will make this number better but we are not going to count on it as we look at next year.

And so good solid industrial earnings growth, GE capital still performing very well but on an ENI that might shrink faster, and a corporate number that includes the preferred dividend and incremental restructuring.

Cash will be good as it pertains to both industrial CFOA and Capital dividends, and again, we see revenue up zero to 5% with 2% to 6% organic, we think wind is about 3 points so ex wind, it would be let's say 5% to 9% somewhere in that range and then capital will continue to reflect a shrinking book. So that is the way we think about the segments and the operations going into 2013.

So power and water, again, no real change from what we said in September and we see less revenue earnings about flat, better margins and the way I would think about the energy business or the power and water business from an overall standpoint, I would say that good operations and taking cost out and good service model and Steve and the team have to manage this thing through the wind cycle as we go through it.

And so again, we don't have a lot baked in for wind next year and that will be a couple of billion dollars less revenue and so the team is going to have to execute through that but that is basically what we said about power and water in September.

Oil and gas, we think is -- has got a good backlog, the markets continue to be pretty strong and we are kind of launching good products, we've got good momentum in areas like subsea and unconventional and pretty good services growth behind this and I think the trick for Dan Heintzelman and the team really is executing on the projects and continue to drive margins in this growing market. So again, not much different than what you heard in September.

Energy management, we see decent revenue and good earnings growth. This business has a lot of runway to catch its direct peers and we feel like the power conversion business is very strong and that the business that was called Converteam, we saw good opportunities and I think the trick here is to drive a leaner cost base and we've got some good opportunities for restructuring and continue to grow the power conversion business and again, this is very comparable to what you heard when we were together in September.

Aviation, good organic revenue growth, I would say between up high single digits and maybe double digit earnings growth and we look at next year and continued growth in passenger freight, continued growth in freight and the team has got to execute on new products and we are counting on a little bit of a snapback in the spares rate and we've got to manage through wherever the military spend ends up going but the team has got good momentum in a market place and a big install base and a huge backlog and that is what Dave and the team will be managing here.

Home and business solutions which is basically appliances and lighting, and stronger housing and have very -- pretty good value gap and have good products and I think this is just really about trying to gain a little bit of market share behind a new product and maintaining a positive value gap and as housing gets -- continues to get better, this business is one that we expect the earnings to accelerate if we think about the 2013.

Healthcare, again, I would say, we are not counting on much out of Europe and we are not counting on much out of the US and the team has got a good product backlog and the team has got a good momentum in growth markets and they have taken a lot of cost down and I would say if we've got any US demand at all, this business will grow double digits, and we are not counting on that but that is probably the difference between single digit and double digits growth for the healthcare business we can be looking forward.

And again, we are not counting on much coming out of the markets. At transportation, we will have a full year of the Industrea and the mining acquisitions, we are counting on a slower North America because of whole shipments, solid growth in the growth markets and we are counting on being able to integrate the mining acquisitions going forward.

And so again, I would say this business has a reasonably good outlook coming off good momentum in 2012 and looking forward, really driven by growth markets and driven by the mining acquisitions looking forward.

At GE Capital, we are seeing flat to up slightly and the core will grow and the non-core will shrink and the value maximizing will probably grow as well and we think that the commercial lending and leasing business will have good positive earnings growth, the consumer will have a good positive earnings growth and commercial real estate and we will have decent earnings growth and we are counting on the verticals being flat and the difference between really being up and being flat is just a run off of more ENI and run off of more of the red assets as we look at next year and we think this team will continue to have a really good franchise going forward.

Look, we continue to work really respectfully with the Fed and we are investing in markets where we think GE capital is competitively advantaged, we are not counting on any recovery in Europe and the capital ratios are strong and losses are low and we just think that there is going to be less funding required as we go forward and we are going to do more alternative funding, and we just think this is a valuable franchise that is going to be able to continue to drive good earnings performance and competitive advantage in the core assets and continue to generate cash for the Company to redeploy into industrial or other shareholder friendly activities and that is how I would look at GE Capital going forward.

So just to summarize, on the businesses, '12 is a pretty good year, and I think if you look at power and water and it is positive earnings and next year, we think with wind, will be flat earnings, we are investing for gas turbine technology through the cycle and Steve and the team have done a nice job of executing the performance versus their direct peers is quite robust I would say and this has been a well run business.

Oil and gas, strong growth in 2012 that we think will continue into 2013 and we think this is a good business to invest and build and we think we can differentiate with technology and project execution as time goes on.

Energy management, again, we've got a big runway here in terms of if you guys look at our margin rates versus our peers, usually the shoe is on the other foot and just when -- I think we've got opportunity, Dan Janki and the team, we've got some good products, better products today, an opportunity for -- to drive that business.

Aviation look, I think if you think about the narrow body competition, if you think about the 787 competition, if you think about the new competitions yet to come, this business is very well positioned -- extremely well positioned from a market share and install based standpoint and we've got some good opportunity for margin enhancements as time goes on.

Healthcare, up single digits this year, I'd say -- like I said before, the difference between double digits and single digit is just getting some growth in the US market next year but our cost are good, our competitive position is strong and we are really doing a great job in the emerging markets, developing markets, growth markets.

Transportation, good solid earnings growth this year, good solid earnings growth next year, we've got a good runway in the growth markets and with mining and we were counting on a slower North American market next year.

H&BS you called this a housing cycle for a reason because some days, it does go up and if it goes up this business is going to make a fair amount of money, our product line is better, our cost positions are pretty good. GE Capital, good solid earnings growth in '12, more like flat or up slightly next year and continues to do well in the next phase of its strategy as we look forward. So I think there is some economic uncertainty, some volatility to be sure but we still see good opportunities for the Company to grow and we are going to drive a lot of cost out to keep investing in places where we think we can win over the long term.

And so that is really the operations and the framework and how we see the Company going forward and I thought they would then just like we did last year and here are five goals that will give you a report out on how we did against these a year from now.

A double digit earnings growth for GE Industrial, we think that is important for the Company and like I said, we've got a cost driven plan, so we are making, I think a good estimate on organic growth. A significant cash returned to the parent from GE Capital, we'd like to be positioned to get almost the same amount of cash out of GE Capital next year that we did this year.

A 70 basis points of improvement in margin so we think margins are a key part of the plan and we've got good momentum going forward. I'd say our organic growth is pretty good in the environment -- I think pretty realistic in the environment and you know kind of reflects the plus -- plus it takes around when then we expect to return more than $12 billion of cash back to investors through the dividend and buyback in 2013.

And then over the long term, we want to get the industrial earnings mix up to 70%, we think that is the best way to think about the Company going forward. We'd like to have long-term earnings and cash growth ahead of peers, we want to be in the top quartile of margins and organic growth and returns versus other industrial companies that you look at and admire, both direct competitors and some that are in the industry that you cover that maybe aren't direct competitors.

And value capital allocation, continue to be balanced around dividends and buyback and bolt-on acquisitions that are smart and that is really the Company. So on this page, is really the combination of my goals and objectives and the goals and objectives, how we get paid as a leadership team and the senior leaders, the same way.

So that is the Company and I'm willing to take some questions.

QUESTION AND ANSWER

Jeffrey Immelt - ***General Electric Co. - CEO***

Yes, Cliff?

Cliff Ransom - ***Ransom Associates Inc. - Analyst***

Thanks, it is Cliff Ransom. So that we can understand your thought process on the idea of new infrastructure platforms, not looking for names, but are there any areas that you have considered and eliminated and why?

Jeffrey Immelt - ***General Electric Co. - CEO***

You have a friend that is interested on this stuff?

Cliff Ransom - ***Ransom Associates Inc. - Analyst***

No.

Jeffrey Immelt - ***General Electric Co. - CEO***

Now, like I think we like businesses that have technology, that have kind of multiple revenue streams that are global in nature, that have big services around those. We've looked at -- look far field businesses. We've looked at electronic manufacturing, all kinds of stuff [coil] all the time.

I just think it is -- that has been the footprint, I think we have made choices as time goes on. We made a choice a decade ago to pursue oil and gas, really hard at that time, because we felt it did the best at leveraging the Company's strengths. And then we've got a pipeline of other things that we can ramp as time goes on.

I think the advantage that I have got is that we can take time and build things over time. So I think that is what we did in oil and gas. But look, we always look at stuff that we throw away as well.

Cliff Ransom - ***Ransom Associates Inc. - Analyst***

One or two considerations that make you back away or is it just the absence of technology --?

Jeffrey Immelt - ***General Electric Co. - CEO***

Look, I look hard at the customers and competitors really, I look hard at do we know the customer, does the customer leverage the value that we can create? And I'm not looking to pick a fight with Intel, right? Or, I like shying away from like really big rich companies, I'd rather focus on the ones that aren't our size, don't have our R&D spend, don't have our brand, don't have our footprint, so that is how I think about competitors and customers tend to be the big decision makers in terms of how we go and, again, I can't say this enough, we can pick a market like mining and we can do it over time.

We can -- we now got probably 40% of the mining product line, right, between the acquisitions we did last year. And so between Industrea and Fairfax, we've got like 40% of the product line. All of those can be upgraded -- doing a new mining product, right? Doing a brand new long wall scoop, it's like $15 million of program expense.

It's not like you have to raid the king's castle to fund stuff like that. And so that is the advantage we've got. We've got the guys, the capabilities and we can drive it.

Yes hey.

Steve Winoker - ***Sanford Bernstein - Analyst***

So I know you talked about not being a mind reader on tax policy going forward but maybe you can talk a little bit especially in light of the dividend as well and how you are seeing about what is best and what would be best for GE and how do you think about how that debate is playing out and how you are participating in that and where -- from a shareholder perspective, what we should be hoping for?

Jeffrey Immelt - ***General Electric Co. - CEO***

So Steve, again I think you got, my communications guys back there are cringing right now saying be careful and --.

Unidentified Audience Member

Be always careful.

Jeffrey Immelt - ***General Electric Co. - CEO***

There is -- you got the immediate stuff right and then you got a debt limit then you've got long-term corporate tax reform. I think GE along with every member really of the business round table wants corporate tax reform, that is lower the rates, takeaway deductions and give us the same basic policy that Siemens has -- every Japanese company, Rolls Royce, Toshiba, and Siemens, all have territorial. I think if you could give us that, I think that is the broad sweep.

And then on dividends, I think, Steve, there are some big portion, probably in excess of 50% of our shareowners have owned the shares and some tax advantaged account where their dividend is going to be more or less safe -- and we will just see the way it goes.

I still believe, Steve, that the vast majority of investors like the dividend. And it will still like it even with tax policy but I wouldn't even speculate on where that could go.

So okay? Yes, good. Shannon?

Shannon O'Callaghan - ***Nomura Securities International - Analyst***

Yes, Jeff, can you talk about, why you picked 2015 as the year for the GE Capital target down to 35% of earnings? And I know you said you didn't bake in any transformational things but it's kind of tough to make that kind of a swing in that period of time without something, can you talk about how you get --?

Jeffrey Immelt - ***General Electric Co. - CEO***

Look, I think that one of the smart things we did in 2008 and 2009 was we basically set a pathway to I don't know, $440 billion of net investment -- we picked $440 billion of net investment and the way we kind of looked at it, Shannon, was we could do that with everything still in our control.

And in other words, we could manage through commercial real estate, we could -- but we didn't have to do a burn out at this economic burnout and get there and I think what we have tried to say -- we have tried to signal, look, we are going to continue to invest and grow our industrial business and we are going to try to keep GE capital more or less -- and we will finish this year in GE capital at $420-ish billion, something like that, ENI. We will continue to take the $75 billion and the runoff book will continue to be lower maybe much -- I mean if you think about how much smaller we are in commercial real estate, it has burned off a lot faster than we ever thought and so we basically without doing anything radical, and we can kind of hit those goals.

And I would say the same thing to you that I have always said, that if we see a good -- we are very shareholder friendly in the context of those businesses, right? We are going to do things that we think are going to maximize cash to investors, funding and all the other things around how we make those decisions. So I think we can get in that bandwidth, I think we can have that earnings split and we can do it basically on our own terms as we think about the next couple of years.

Yes, right here, Scott?

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

Thanks, Jeff. Is there -- and maybe tough to comment on this but there is an acquisition that you are rumored to be looking at in Italy that I think the press is reporting on, I'm not sure whether you guys have made any comments on that or not. That would effectively bring you back in sourcing more integrated in the aviation industry. But is there a sense now with your cost of capital being coming down again and that you want to do more in-sourcing that after 20 or 30 years of outsourcing more, maybe there is less risk if you bring in-house and the way to potentially enhance margins to control your P&L a little bit better?

Jeffrey Immelt - ***General Electric Co. - CEO***

So, Scott, I have never commented about the -- so let me just handle the first part of your question first.

I would say there is not an overarching philosophy to do more in-sourcing versus outsourcing and I think what we find is in the new iterations of technology and there is a great proximity between the technology we are launching and how to manufacture which means that you either have to have a lot of knowledge about how the manufacturing takes place or own it or some combination therein, if you really wanted to drive cost down and launch these new products.

So I would say we basically -- we like good returns on total capital and we like growing margins and we like building competitive advantage, I don't think we have an overarching in-sourcing versus outsourcing but the stuff we make today is just more sophisticated and stuff we made five, 10, 15 or 20 years ago.

That is true with gas turbines. I mean if you think about the jewel of doing the leap and then you get to the 9X and things like with the ceramic natures composites guys, we are years ahead in that regard and that is the combination of the material science and manufacturing which is how you do that and that is kind of how we think about it.

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

As a follow up, if you -- once you broke out the new structure, energy management has fairly low margins and probably a little bit lower than some of us thought. I mean how do you fix that? I mean maybe talk us through why margins are so low first of all and then explain how do you fix that because that seems like it could be a pretty -- provide some pretty substantial upside in the next couple of years if you can --

Jeffrey Immelt - ***General Electric Co. - CEO***

Well, Scott, we just have an antiquated cost base and we've got lots of facilities that we haven't done really substantial restructuring, this is one of the things I would like to do in the restructuring bucket and I think the product line has to be incrementally improved and I think the -- you always learn stuff when you buy things, right? And I would say when we bought Converteam, we bought Converteam for a couple of reasons, and one was we thought it would make the rest of the Company better, right?

We knew that this -- what is called power conversion was going to help oil and gas and was going to help healthcare and was going to help lots of different parts of GE

We like the inherent growth in this space and so we invested and scaled that and that has done very well.

And I think Scott, it has given us the confidence that look, I mean, with humility in that space, we can beat [ADD] when we put our game face on, right? We can beat Siemens when we put our game face on, we can beat Emerson when we've got the right approach.

And now these guys in energy management, they all have 10%, 15% margins, good returns on total capital, we are a lagger, right? And so we are looking at this is a way to be a nice positive earnings driver and so better footprint and a little bit better product, a little bit more scale, and we think it is worth a good go.

Yes, hey, John?

John Staszak - ***Argus Research Company - Analyst***

Firstly, just in terms of you mentioned, I think, retail finance and the European financial businesses. If the opportunity were to arise, and that you felt was in the interest of shareholders and to monetize more rapidly the various aspects of the capital portfolio, would your predisposition be -- because cash flow does not seem to be a problem or cash on hand, to supplement the delusion through more aggressive share repurchase or would you think simply that let us say the improved multiple that you would get, right? Because the industrial cost are valued more highly than financial would supersede that, you could just sort of let the chips fall through?

Jeffrey Immelt - ***General Electric Co. - CEO***

I think kind of probably some combination John, again, I think we want to be smart about how we do it and then I think we would pull both levers, but we would I wouldn't see a scenario in which we wouldn't do share repurchase as part of that.

And I think it would -- like we've described it would probably be multiple levers.

John Staszak *- Argus Research Company - Analyst*

That makes sense, and then I think you had previously put a kind of a sub $10 billion share count as one of the goals and I'm doing -- it was in there. What are your thoughts just ex whether you shrink capital faster, what are your thoughts about capital deployment toward share repurchase today versus the year ago.

Given obviously the global macro environment is probably slower than we have thought, you're obviously at a different point with respect to the competition, the gas turbine cycle, a number of things, how -- do you feel you should do more of it in the future, less --?

Jeffrey Immelt *- General Electric Co. - CEO*

No we always look at where the share price is and do kind of a disciplined -- what is the best return for our shareholders? What I would say is the money is not burning a hole in my pocket, I don't feel like I have to do a big acquisition. I think our margin levers are as robust today, John, as I can remember so I don't think -- we don't have a need to do a big deal.

Margin momentum is good and we will continue to look at just kind of the trade off of investors between dividend and buyback and how that going back to Steve's question earlier on how that is viewed and how the laws change and things like that. But we are committed to what we have said to you which is getting the share cut down below $10 billion so that is how I would end it.

In the back, yes.

Ron Fisher *- US Steel & Carnegie Pension Fund - Analyst*

Yes, Jeff, Ron Fisher. You mentioned a couple of times that you are preparing for the gas cycle with turbines, I'm wondering if you can sort of talk about what you anticipate this cycle to look like in terms of duration, size? Going to make a lot of turbines in a few years, a few turbines over a long period of time --?

Jeffrey Immelt *- General Electric Co. - CEO*

Well --.

Ron Fisher *- US Steel & Carnegie Pension Fund - Analyst*

-- who your customers are have to be, that sort of thing?

Jeffrey Immelt *- General Electric Co. - CEO*

I will do my best. Here is what I would say on a macro -- on a macro stage, and I would say that shale gas has been a game changer kind of in the way people think about value so you got that. You got both the -- I would say the macro concern around nuclear but more importantly the cost of nuclear is high. You've got environmental regulations not just in the US but in places like China around coal, right?

And then you got the cycling advantages or disadvantages of renewables and so it kind of leaves gas as a -- the maybe the fuel of choice if you will. Now, we do all of the above and so we actually have a broad portfolio but I think you got to feel good about gas.

So if you just if you just did a tour of the world, Western Europe, lousy demand for electricity so we are not -- we are not counting a lot on Western Europe. Eastern Europe and Russia, good markets, going to be good markets and combined heat and power and a multitude of different turbines and things like that.

Saudi, the Kingdom has low growth of 8% a year and Algeria has low growth of 5% or 6% or 7% a year, Northern Africa -- Sub-Saharan Africa big demand, fundamentally gas is the way I look at that.

Latin America, Brazil, Peru, lots of gas available both off the grid and on the grid, lots of demand for gas.

India more coal than gas, doesn't have a lot of gas, the rest of ASEAN, Indonesia, Vietnam, Malaysia, they have gas and so they are going to be investing in gas, Korea investing in gas, Japan, likely gas. China, I would say the percentage of gas is going to grow from maybe 5% or 10% up to maybe 10% or 15%.

So you are going to get pockets of good gas growth every place around the world, Canada, Mexico. Now so the question is US right? And to me, you are going to get a robust gas cycle and it is taking longer than any of us would like because the demand for electricity is low but new units are not going to be coal probably in the US, they are going to be gas.

So I would say it's going to -- you are probably never going to see a 1998, 1999, 2000 gas, right? Where you basically have a confluence of private -- you had really deregulation plus a few places ran out of power and that created like a whoosh and like 12 months, this market tripled in size more or less. Right? I pray for that but I don't think my prayers would be answered, right?

I'm just not -- I'm not counting on that and so I think it's going to be a slow steady increase in demand and probably the larger megawatt units so fewer units, larger megawatt, and I think we are kind of thinking that in some way, shape, or form, these are going to be both peakers and base load plants and that is the -- that would be the way I would describe it and I would go see Steve Bolze afterwards because he could probably give you an even better answer than I can give you on that.

Yes, Nick? Why don't you go ahead and I will repeat it?

Nicholas Heymann *- William Blair & Company - Analyst*

Okay, I have this question about [capital], you talk about $20 billion (technical difficulty).

Jeffrey Immelt *- General Electric Co. - CEO*

Yes.

Nicholas Heymann *- William Blair & Company - Analyst*

And the question was would that basically be in excess of dividend of $8 billion to $10 billion, would you be looking for dividend similar to what you received in May?

And then the second one was I guess the relativity test, in terms of the scope and size of homes and buildings, and if you look at just the swing year over year, and GE real estate earnings, it is almost equal to the full year earnings of homes and business solutions. So I'm just curious about how you think about that.

Jeffrey Immelt *- General Electric Co. - CEO*

Yes, so the first one is what we are basically talking about is the next few years kind of looking the way this year looked vis-a-vis GE Capital.

And so you got a basically a percentage of earnings that is a normal dividend and then we are capitalized in excess to what Basel III or just about any other metric and so in theory, some of that should come back. Some came back this year and we are basically saying that the next couple of years cold look like this year with a combination of special and again, this is subject to fed approval et cetera, et cetera.

And so this is not something that I would we unilaterally decide, it's but that is kind of what we are saying is that the next three years could look like 2012 look like, right?

And common business -- we are going to get a cycle and we are going to make money in the cycle and we are going to look strategically at the business through the cycle and we are -- our job is to make it better and make it look better and make it earn more money and blend it in a smart way and we will see where the cycle goes.

Yes, Deane ? Go ahead and I will repeat it.

Deane Dray *- Citigroup - Analyst*

Okay. (technical difficulty).

Jeffrey Immelt *- General Electric Co. - CEO*

So two questions, one was how we think about restructuring next year and the other was the length of time for MetLife. And so what I would say -- Deane is as we go through simplification efforts and stuff like that, we just have a good long list of relatively short payback projects.

We always find gains, as time goes on but I think that when I don't want to lose our momentum and these are all good economic trades for investors and so I would like to just kind of keep going on SG&A and just kind of put that in the base plan and if we get some we things always tend to happen that we don't plan and if that happens, then we will have offsets to those. But I just kind of want to keep the momentum going.

And I just -- each one of these approvals has its own lifetime and cadence and I would say, this one took longer than we would have preferred and for a deal that size but it is what it is and in the end, we just worked constructively with the regulators and it got done. So I think that is how these things work, yes.

Yes?

Julian Mitchell *- Credit Suisse - Analyst*

As it turns out, kind of energy management is the one that hit the jackpot or the one that you view as perhaps being worth spinning out in a way that maybe renewables and water, there are reasons why they stayed inside power and water.

So could you talk a little bit about what you see as different why you think your chances of winning are much higher in energy management versus the other two platforms that I mentioned?

Jeffrey Immelt *- General Electric Co. - CEO*

Yes, I looked at renewables, we will probably make more money this year than the rest of the industry combined than renewables and so this is a cycle we can't control on how the PTC works or doesn't work and blah, blah, blah, but we have a very strong competitive wind business that basically has done the job.

On water, I would say, chemicals is an okay business and the industrial water reuse is a good business and we do well in the industrial water reuse business and we do as well as anybody else does in that space.

Energy management is a place where we don't do as well as our competition, I think extra attention on that business is good and it's having Dan work straight for me and I have the ultimate checkbook and resource book and so I can kind of help him think through some of the things there.

And so I view it as being -- I think wind and water -- or renewables and water have their own cadence but those are the ones where we are basically be leading the pack or in the front of the pack. This is one where I think we've got some incremental opportunities.

Julian Mitchell *- Credit Suisse - Analyst*

I guess just a follow up, I mean if you look at the business, maybe 60% of it is power and water plus GE Capital, there is no real growth in 2013 so why wouldn't that make in terms of earnings growth, across those two combined? So why wouldn't that make you more aggressive on M&A when you look at the next year?

Jeffrey Immelt *- General Electric Co. - CEO*

I think the power and water business is going to be -- generate a lot of cash and be investing back in the footprint, the rest of the businesses are operating really well and capital is kind of our choice, I would say, generate a lot of cash. And so I think I think the plan I have outlined up there is pretty reflective of the environment and pretty realistic in the environment. Yes, Jeff?

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

Yes, can you just post us up a little bit more on what is going on in Q4, to go from 10% organic growth to 8% implies a 2%-ish I guess in Q4. So all of us in the room are trying to figure out fiscal cliff and all that and have you really seen just the works and the gears get gummed up across your platform and what is your view looking into the first quarter if that is the case, is there a little bit of spring loading that maybe could happen?

Jeffrey Immelt - ***General Electric Co. - CEO***

So what I would say, Jeff, is that orders are probably ex wind and FX and probably up a smidge in the first quarter and fourth quarter last year but again, wind was such a huge spike and stuff like that. I think we definitely have seen a slowdown in the fourth quarter businesses like healthcare and businesses demand for credit and appliance industry is flattish and stuff like that.

And so, what we have seen coming through the summer -- the fourth quarter is definitely slower but my hunch, Jeff is we will build a couple of billion dollars of backlog in the quarter so we've got a nice backlog position going into next year and clearly there has been an investment, pods, let us say, and certain industries in Q4.

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

And I was just wondering on M&A, just to follow up a little bit more on that. A point very clear that the money is not burning a hole in your pocket to do something but you actually had a pretty quiet year this year and maybe this [obvious] happening or other things. But what is -- what is your appetite on an annual basis and you gave us the size of the deals but if a few things came together, what do you think the organization is kind of willing to do and your comfort level?

Jeffrey Immelt - ***General Electric Co. - CEO***

Jeff, again, I don't - I always hate to predict because you just never know what is going to happen or what is going to -- what is going to come across your doorway.

I would say our experience of 2010 and 2011 was that doing a certain sized deal with a certain kind of internal capability is really the best way to generate good focus and good shareholder value and so I think we are going to stay true to that and but we always have a big game board where we are always working a lot of stuff and again, execution and execution counts.

And I think that is where the focus is, what can the organization, what kind of appetite do we have and what is our execution skill and things like that, but yes.

Unidentified Audience Member

Just a question on GE Capital.

Given where the tier one ratio is, and your dividend plans, can you ramp up the leverage and the absence of the final word from the fed on where you stand on safety and final capital requirements?

Jeffrey Immelt - ***General Electric Co. - CEO***

Again, I think we are still going to kind of see where all those -- you are talking about the leverage of 4 to 1 --?

Unidentified Audience Member

Right, right.

Jeffrey Immelt - ***General Electric Co. - CEO***

Look, I don't think there is any big appetite to do that right now, I think our plans are really built around that staying more or less where it is and we will continue to see where we fit in the overall capital structure vis-a-vis capital requirements and things like that. But our strength today is a couple of hundred basis points in excess of kind of we are anywhere -- where we see realistic pick point for where we should be placed vis-a-vis our peers.

Unidentified Audience Member

And can you give a --?

Jeffrey Immelt - ***General Electric Co. - CEO***

So I mean and the other flip side of your question is I think we are counting on a business that returns 11% to 14% right? So when we talk about that kind of return, it reflects a low leverage that I have reflected in the plan.

Unidentified Audience Member

Just a follow up question on GE Capital, given the MetLife deal, what is your sort of strategic path to getting sort of more sticky deposits in the GE Capital business and does -- I guess, does it mean that maybe you have to buy banks with physical infrastructure or any --

Jeffrey Immelt - ***General Electric Co. - CEO***

I think that is unlikely, I think we think that we have done a lot of testing around the GE brand and we have a very trusted brand and so that if we wanted to drive internet deposits and build a real platform there, that is kind of what we do to grow. And again, ultimately, we would like to get CP down, alternative funding up and that is kind of what the strategy is.

Yes?

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

Yes, a pretty bullish healthcare margin outlook in '14. So you mentioned productivity simplification but are you baking in a US recovery within that margin outlook?

And then maybe if you could just [end towards] 2013, and there is an option on double digits earnings growth in healthcare, does that bake in any impact at all from the device tax or do you expect that to be offset by other initiatives?

Jeffrey Immelt - ***General Electric Co. - CEO***

We think that -- so --Nigel, I would say that the -- we would like overtime to think that the US healthcare market could grow low to mid digits, right? So grow somewhere between zero and 5% and we really haven't baked that in for 2013 and we expect that the device tax to be offset by productivity next year. And so we kind of show you the numbers with that baked in.

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

And a follow on, you mentioned tax reform within the context of GE Capital and on that slide, and given the uncertainty about the tax reform, I was quite surprised to see that put in as a negative for GE Capital, so I was just wondering if maybe you can just flesh out how you see the impact of tax reform, given what you see in Washington DC around how that might impact the GE Capital tax rate?

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Jeffrey Immelt - ***General Electric Co. - CEO***

I just don't know. Again, we are just counting on maybe our tax rates being incrementally higher in 2013 versus 2012 and that is kind of what we have built in the plan I showed you kind of assumes that the tax rate might be up slightly but I don't really -- I can't really foretell kind of how all that is going to take place in the context of broader tax reform.

Yes.

Christopher Glynn - ***Oppenheimer & Co. - Analyst***

Thanks, Jeff, you have cited some real acceleration in the contribution to margin from services margins and simplification in 2013 versus '12, what is it about the timing, the execution, the implementation that was maybe not there in '12 but is now coming on?

Jeffrey Immelt - ***General Electric Co. - CEO***

So I think, Chris, again, you literally have I would say on one side, lots of assets and structures that came out during '12 like the energy layer, right? So you got some of these that are physical and structural that kind of came out in mid-year and then that will drive a couple of hundred million dollars of improvement across those ranges but you don't get those in a day and those kind of take time to get out.

And then we are on a pathway kind of lead by Keith to drive kind of 35% of the Company's back room through shared services, right? And so one part of the simplification is structural and then one part of it is literally having a dozen backroom centers and getting everybody on a common instance and IT implementation and so you got this massive shared services structural campaign going on on the other side so those roll out over time so we will see good progress this year and accelerating progress next year on those.

Yes.

Zahid Siddique - ***Gabelli Asset Management - Analyst***

Thank you. Zahid Siddique, Gabelli Asset Management. Jeff, lately we have been -- we have seen -- we are seeing companies breaking up and splitting up whether it is Newscorp or Tyco or ITT and I wanted to see what is your thought on maybe GE Capital or some other entity potentially being split up or spun off and any legal or contractual issues in -- with regards to doing that?

Jeffrey Immelt - ***General Electric Co. - CEO***

So again, I think the infrastructure businesses all tie in to the global research center, global growth organization and things like that and so I think those make a ton of sense, I think with GE Capital, what we have always said is that there is a -- a pretty strong reasons for funding and pretty strong foundation in tax benefits and things like that and that make GE Capital, GE split just not practical, I would say, right now.

a fair question but I think financially, there would be some destruction of shareholder value when you look at that.

Zahid Siddique - ***Gabelli Asset Management - Analyst***

What would be an example of destruction to shareholder value?

Jeffrey Immelt - ***General Electric Co. - CEO***

Funding for GE Capital that is really supported by the GE parent and some cost to funds and tax rate would be some --.

Zahid Siddique - ***Gabelli Asset Management - Analyst***

Thank you.

Jeffrey Immelt - ***General Electric Co. - CEO***

Yes, Steve.

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

Just back to the fourth quarter so I guess things like appliances and healthcare and I'm just having trouble kind of understanding the $2 billion in revenues from the end of September until today and last cycle, consistently revenues are in the fourth quarter, maybe with the margin here and there and healthcare and I remember had a couple of backend loaded years and they didn't make -- is there something about the your kind of visibility down the chain into your businesses that is missing?

Is -- do you feel like you are getting an appropriate dashboard on these businesses because it just seems like such a dramatic change in tone from September and I mean, most of our companies that have come out in the last three or four weeks, a couple of months, they have all cut numbers and so you guys are kind of the last to go and I would think with your -- your visibility on around the globe, you would be able to maybe call this a little bit better.

And so I would -- I just want to -- when I look at the revenue outlook for next year, tremendous absolute performance but is there something that you think you need to change about getting better visibility on your businesses to give better forecast?

Jeffrey Immelt - ***General Electric Co. - CEO***

Steve, I think the fourth quarter was slower, I think when we reflected where we were in September.

Now, again, let us put it in context, 8% organic growth is going to be very strong versus peers and even in an absolute sense. I think we have seen a different picture in the fourth quarter than what we thought we would see when we were together in September but we still see good earnings growth in the fourth quarter across the industrial platforms and very solid earnings growth, and we see all the earnings of the industrial business being up for the year.

And so again, and building a couple of billion dollars of backlog going into next year.

So...

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

And then just lastly --.

Jeffrey Immelt - ***General Electric Co. - CEO***

I don't think what we are saying though is that different than what other companies have said vis-a-vis what they have seen in the fourth quarter?

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

Well, I agree with that but I think they all made that call in October and you guys are kind of coming here in with a week left in December and making --.

Jeffrey Immelt - ***General Electric Co. - CEO***

Again, I think we said in October that it was slower and now we are kind of telling you what we see.

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

Okay. And then just lastly on the corporate line, what is the $300 million of financing cost from GE --?

Jeffrey Immelt - ***General Electric Co. - CEO***

That is on the preferred stock on GE Capital, that is $300 million that we are just holding that in corporate.

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

Okay.

Jeffrey Immelt - ***General Electric Co. - CEO***

Okay.

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

Thanks.

Jeffrey Immelt - ***General Electric Co. - CEO***

Other questions? Yes.

Unidentified Audience Member

[Terry] from (inaudible) Asset Management. Can you just expand on what you mean by alternative funding for GE Capital?

Jeffrey Immelt - ***General Electric Co. - CEO***

It's really deposits, it's really internet deposits and things like that.

Okay, Trevor, any wrap up comments?

Trevor Schauenberg - ***General Electric Co. - VP - Corporate Investor Communications***

Yes, thank you. This concludes the webcast today, our next meeting or call will be on January 18 for the fourth quarter earnings and thank you, everyone, on the phone and thank you. If you like to stay for -- we have a reception.

Thank you.

Jeffrey Immelt - ***General Electric Co. - CEO***

Thank you.

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