THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

GE - Q3 2012 General Electric Co. Earnings Conference Call

EVENT DATE/TIME: OCTOBER 19, 2012 / 12:30PM GMT

OVERVIEW:

GE reported 3Q12 continuing operations revenue of $36.3b, operating earnings of $3.8b, and operating EPS of $0.36. Expects 2012 total revenue growth to be about 3%.

THOMSON REUTERS

CORPORATE PARTICIPANTS

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

Jeff Immelt *General Electric Co. - Chairman & CEO*

Keith Sherin *General Electric Co. - Vice Chairman & CFO*

CONFERENCE CALL PARTICIPANTS

Scott Davis *Barclays - Analyst*

Steve Tusa *JPMorgan - Analyst*

Nigel Coe *Morgan Stanley - Analyst*

Steve Winoker *Sanford Bernstein - Analyst*

Andrew Obin *BofA Merrill Lynch - Analyst*

Deane Dray *Citi Research - Analyst*

John Inch *Deutsche Bank - Analyst*

Shannon O'Callaghan *Nomura - Analyst*

Jeff Sprague *Vertical Research - Analyst*

Julian Mitchell *Credit Suisse - Analyst*

Jason Feldman *UBS - Analyst*

Brian Langenberg *Langenberg Investments - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the General Electric third-quarter 2012 earnings conference call. At this time all participants are in a listen-only mode. My name is Chanel and 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, Trevor Schauenberg, Vice President of Investor Communications. Please proceed.

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

Thank you, Chanel. Good morning and welcome, everyone. We are pleased to host today's third-quarter 2012 earnings webcast. Regarding the materials for this webcast, we issued the press release earlier this morning, and the presentation slides are available via the webcast 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, and our Vice Chairman and CFO, Keith Sherin. Now I would like to turn it over to our Chairman and CEO, Jeff Immelt.

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

Great, Trevor, thanks. Good morning, everybody. Look, we had a good third quarter in a challenging environment. Europe is tough. Asia and resource-rich countries are okay. And the US had pockets of growth, but still some uncertainty.

Revenue growth was good in the environment, with organic growth up 8% in the quarter and 10% year-to-date. We finished the quarter with $203 billion of backlog.

Earnings were solid, growing at 13%. Both Industrial and Capital had double-digit earnings growth in the quarter. Every Industrial business had positive earnings growth for the first time since the third quarter of '05, and our simplification efforts are yielding results with corporate costs ahead of plan.

Margins grew by 70 basis points, consistent with our expectations. CFOA is up 63% year-to-date, and we have repurchased $3 billion of stock. Importantly in this environment, we remain on track for our 2012 framework.

For orders, orders were $21.5 billion. Just some context for orders, factoring in some of the big items. They were up 4% ex-Wind and excluding the impact of foreign exchange. Orders pricing was positive for the quarter and year to date.

The downcycle in Wind is as expected, and gas turbine orders were fairly strong. We saw about $1 billion of orders push out from third quarter to fourth quarter. And our backlog position is strong as we enter the fourth quarter and facing into 2013.

Our key growth engines remain on track. In fact every Industrial business had positive organic growth in the quarter.

Our growth markets expanded by 9%, including China up 23%, Africa up 22%, and Latin America up 21%. We expect six of nine growth regions to have double-digit orders growth in '12.

We had the highest services backlog in our history, with expanding margins. And we have launched successful products including the Flex 60, new subsea technology, and new appliances, and our new aircraft engines are winning high market share.

With our investments in place, we should be able to sustain a solid growth rate into the future.

Our margins are a good story, growing 70 basis points to 14.4%. We had expansion in every business, including Energy if you exclude the impact of our Wind business.

The fundamentals remain strong as we finish the year. Our value gap will be positive in both 2012 and 2013.

We remain on track for $2-billion-plus in structural cost-out through our simplification efforts. We were able to do significant restructuring in the quarter. We are on track for our 100 basis points of improvement in 2012 and 2013, in line with our plans.

Cash is a decent story, with year-to-date total of $10.7 billion, up 63%. The dividend from Capital is a positive story for investors. Our Industrial CFOA has been pressured by an unusual equipment build but should have positive growth in the fourth quarter.

We're executing our capital allocation plans. Year-to-date we have paid out $5.4 billion in dividends and bought back $3 billion of GE stock. Our balance sheet is very strong, and we end the quarter with $85 billion of consolidated cash.

Now over to Keith to review operations.

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

Thanks, Jeff. I'm going to start with the third-quarter summary. We had continuing operations revenues of $36.3 billion. That was reported up 3%; ex-FX, revenues were up 6%.

Industrial sales of $24.7 billion are up 7%; 10% ex-FX. GE Capital revenues of $11.4 billion were down 5% as we continue to reduce our assets. And our operating earnings at $3.8 billion were up 10%.

Operating earnings per share of $0.36 were up 13%. You can see the 13% excludes the impact of last year's third-quarter preferred stock redemption commitment, which you will remember was an $0.08 reduction in equity. Obviously, not having a repeat of that results in the huge Vs here.

So operating EPS is up 50%. Continuing and net EPS are up 43% and 50%. Continuing EPS includes the impact of non-operating pension, and net EPS includes the impact of discontinued operations, which I will cover on the next page.

As Jeff said, year-to-date cash of $10.7 billion was up 63%, including the dividends from GE Capital. And for taxes, the GE rate of 21% is consistent with the low 20s rate we forecast in the first two quarters; and the year-to-date rate is 22%.

The 4% GE Capital rate is consistent with the mid-single-digit rate that we forecast at the end of the second quarter. And we continue to expect to finish the year with a mid-single-digit GE Capital tax rate.

On the right side you can see the segment results, with total Industrial segment profit up 11%. And it's great to have all five Industrial segments delivering positive earnings growth.

GE Capital also had another strong quarter, with earnings up 11%. So overall, a strong segment growth quarter. I'm going to cover each of the segments in more detail in a minute.

Before I get into those business results, I will take you through the other items from Q3. As we mentioned at the Infrastructure investor meeting, we had $0.03 in one-time benefits related to the gain from NBCUniversal. The majority of the benefit was driven by the A&E transaction. NBCU sold its remaining 16% stake in A&E, and our share of the gain was $0.03 after-tax.

We also had $0.03 after-tax of restructuring and other charges in the quarter. These charges related primarily to continued cost structure improvements in Energy, Healthcare, Aviation, H&BS, and GE Capital. We also had a charge in the quarter related to the planned disposition of one of our plants, as well as costs related to the acquisitions.

On the bottom of the page there was a minimal net impact from discontinued operations in the quarter. We resolved an outstanding item related to the Plastics disposition that resulted in a $0.01 gain at the Parent. And for WMC we had $1.3 billion of claims come in, in 3Q; that is significantly less than the second quarter, but higher than we had previously expected. And that resulted in an after-tax reserve impact of $78 million in the quarter.

So overall, EPS and one-time benefits and costs were relatively offsetting here.

Next I'm going to go to the businesses, and I will start with Energy. Before I get into it, this is the final quarter that we are going to be reporting Energy Infrastructure on this basis. So for the fourth quarter we will be reporting the three new businesses after the reorganization, Power & Water, Oil & Gas, and Energy Management. And later this quarter we will begin providing you with the historical data recast into these three businesses so you can be begin modeling on that basis.

Let me look at the total business. I will start with Energy first.

Orders of $6.5 billion were down 17%. We have said it before, but the impact of Wind is huge here. Ex-Wind, energy orders were flat year-over-year.

Equipment orders of $3.4 billion were down 24%. Again, ex-Wind equipment orders were up 11%.

Thermal orders of $1 billion were up over 160%, and we had orders for 29 gas turbines versus 16 last year. Renewable orders of $518 million were down 72%. We had orders for 241 Wind turbines versus 781 last year.

Total equipment order pricing was down 1.4% with Thermal down 2.6% and Renewables down 4.2%. Year to date, Thermal order pricing is positive 0.8%, and our estimate for the total year is about flat for Thermal order pricing.

Service orders of $3.1 billion were down 3% driven by the declines in Energy Management, down 8% driven by the declines in Energy Management. Power generation services of $1.7 billion were up 1%.

Revenues of $8.9 billion were up 17% driven by the strong volume growth. We had equipment revenue of $5.5 billion, which was up 30%.

We had Renewable revenue of $2.1 billion, which was up 61%. We shipped 1,014 wind turbines versus 633 last year.

Aero derivative revenues of $679 million were up 84% on higher units. We had 44 units this year versus 31 last year, and also larger units.

Thermal revenues of $1.6 billion were down 19%, driven by lower balance of plant revenues, lower pricing, and foreign exchange. Service revenues of $3.4 billion were up 1% driven by Power & Water services. And segment profit of $1.2 [billion] was up 11% as the benefits of all that strong volume and our services strength more than offset the lower pricing. Power Gen Services operating profit was up 15% in Q3.

Now, we have been breaking out the impact of Wind because it masks the remaining business performance. If you take a look in third quarter for Energy ex-Wind in total, revenues would be up 8%, segment profits up 20%, and margins would have been up 146 basis points.

On the Oil & Gas, they had another great quarter. Orders of $4.2 billion were up 7%; up 12% ex-FX. Equipment orders of $2.3 billion were up 10%, driven by growth in turbo machinery and subsea systems.

We had $300 million of orders for the Cheniere LNG project. We had over $200 million of orders for the West-East pipeline projects in China. And we also had over $500 million of order pushouts for two projects that we were working on in Angola and Brazil.

Service orders of $2 billion were up 3%; up 7% ex-FX. And the orders price index was up 1.7%, the sixth consecutive quarter of positive price for this business.

We added $500 million to the backlog in Q3. Revenues of $3.7 billion were up 4%; up 11% ex-FX. And equipment revenues of $1.9 billion were up 2%; service revenues of $1.8 billion were up 6%.

Segment profit of $534 million was up 18% driven by the strong volume growth and lower costs, which were partially offset by negative foreign exchange. Overall, that resulted in 1.7 points of op profit expansion.

So, another good quarter for the Energy and Oil & Gas and Energy Infrastructure in total. And our current estimate for the Energy Infrastructure segment is that profit growth will be about 10% for the total year 2012.

Next is Aviation. Orders of $5.2 billion were down 8%. Commercial engine orders of $918 million were down 51%. When you have backlogs of two to seven years depending on the engine model, we are going to have some quarters with tough comparisons. We also had over $500 million of commercial aviation order pushouts for two customers in Asia this quarter.

Military equipment orders of $1.1 billion were up 104%, driven by transports and Navy F-18 fighters. Service orders of $2.6 [million] were down 11%.

Our third-quarter spares average daily order rate was $22 million per day, which was down 18% versus last year. But it's up from the second quarter, and it seems to have stabilized.

We continue to get pricing on new orders, with total orders pricing up 2.3% in the quarter. Even with the tough order comparisons, overall book-to-bill was 1.09 with both equipment and service up over 1.

Revenue of $4.8 billion was down 1%. Equipment revenues of $2.3 billion and service revenues of $2.4 billion were both down 1%.

We shipped 520 commercial engines versus 565 last year. And in the quarter, we shipped 25 GEnx units versus 28 last year.

Segment profit of $924 million was up 7% as the benefits of positive value gap and lower cost more than offset the impact of the one-time gain last year from the sale of our rings business.

The business improved operating margins rate 150 basis points in the quarter. And if you exclude the impact of last year's gain, op profit would have been up 17%, and op profit rate would have been up 270 basis points.

Transportation. The Transportation business delivered another great quarter. Orders of $1.2 billion were up 21%. Orders pricing was up 0.6%.

Equipment orders of $561 million were up 28% driven by higher international locomotive kits. And service orders of $666 million were up 16%.

Revenue of $1.4 billion was up 9% on strong volume. Equipment revenues of $781 million were up 5% driven by off-highway vehicle equipment, which was up 55%, partially offset by lower locomotive revenues, which were down 13%. We shipped 146 locomotives in the quarter versus 169 last year, and we're on track for a total year estimate of 650 units.

Service revenues of $627 million were up 16%. Segment profit of $265 million was up 35%, driven by the positive value gap and also lower costs. And our op rate here increased 360 basis points in the quarter.

Next is Healthcare. The US market was a little tougher than expected in the quarter. Orders of $4.6 billion were down 1%; they were up 3% ex-FX. Equipment orders of $2.6 billion were also down 1%, up 3% ex-FX, driven by the developed markets down 5%, partially offset by the emerging markets which were up 9%.

Just some of the numbers on orders. The US was down 6%. Europe was down 11%, driven by Southern Europe. China was up 19%. Middle East/Africa/Eastern Europe were up 31%. India was down 17%.

By modality, CT was down 4%; MR was down 9%; Life Sciences was up 3%; and Ultrasound was up 1%.

Service orders of $2 billion were down 1%, also driven by Europe down 12%. And revenues of $4.3 billion were down 1%, or up 3 points FX-adjusted. Emerging markets were the strength here, up 13%, offsetting the developed markets which were down 4%.

Segment profit of $620 million was up 2% as the benefits of the volume growth and cost reductions more than offset lower pricing and some inflation. As a result, operating profit rate was up 40 basis points in the quarter.

On the right side, Home & Business Solutions delivered positive results despite a continued tough environment. Revenues of $2.1 billion were up 1%, as appliance revenues were up 9%, offsetting the lighting revenues which were down 9%.

For appliances, we are seeing some contract channel strength. Contract channel revenues were up 22% driven by housing starts; and retail sales were up 1%.

Pricing is up, and year-to-date share is up about 1.1 points. The new products continue to be well received in the marketplace.

Lighting continued to see volume pressure in both the US and Europe. And overall for the business, segment profit of $61 million was up 61%, driven by the higher pricing, which was partially offset by the material inflation and the lower lighting volume.

Next is GE Capital. Mike Neal and the team delivered another very strong quarter. Revenues of $11.4 billion were down 5%, in line with assets which were down 7%. Net income of $1.7 billion was up 11% driven by improvements in Real Estate as well as lower marks and impairments, partially offset by higher credit costs and, of course, lower assets.

We ended the quarter with $425 billion of ending net investment, a quarter ahead of our target. And we expect ENI to continue to decline further in the fourth quarter. Our net interest margin was 4.9%, up 50 basis points. And there are more details on GE Capital and capital levels in the supplemental deck that we posted this morning.

On the right side you can see the asset quality metrics were stable in the quarter. 30-day delinquencies were down in mortgage, driven by improved collections; and they were up in our US retail business, driven by normal 3Q seasonality. Delinquencies were close to flat in both Real Estate and CLL.

Volume was up 2%, driven by consumer volume up 5%. Commercial volume was down 5% as we continue to originate strong returns. Non-core ENI was down about $6 billion in Q3 versus Q2.

We are substantially done with our 2012 long-term funding. Our capital position strengthened in the quarter. And even after paying $5.4 billion of dividends, we ended Q3 with Tier 1 common of 10.2%, up 56 basis points.

For some comments by business I will start with CLL. Commercial Lending and Leasing business assets were down 8%. We continue to reduce our non-core assets, including third-party funding for Penske and the SeaCo disposition. Commercial volume in the Americas of $7.2 billion was down 3%, while we maintained our pricing on new business to earn over 2% return on investment.

Overall, earnings of $568 million were down 17%. That is driven by lower assets. It's driven by one loss, a $32 million loss on one account in Europe. And it's driven by continued pressure in Italy, about $20 million. Even with those items, our European business earned over $40 million; and the Americas earned $545 million, which was flat with last year and up 3% from the second quarter.

For Consumer, our Consumer assets were down 3%. That is driven by runoff in Europe and Asia, partially offset by growth in US retail.

Earnings of $749 million were down 7%, driven by higher retail reserves in the US, the impact of lower assets in our non-core business, partially offset by the $80 million gain we had from selling our 7.6% of our whole stake in BAY, the bank in Thailand. The US retail business earned $445 million, which was down 4% as the benefits of higher assets and better margins were offset by the higher loss provisions due to additional segmentation of the portfolio more in line with industry standards. Our core European business earned $119 million, which was down 3% on lower assets.

For Real Estate, Real Estate continued to deliver positive performance in the quarter. Earnings of $217 million were up $300 million from last year. They were about flat with Q2. The earnings improvement was driven by lower losses and impairments, tax benefits, and higher core income.

During Q3 we sold 165 properties for $1.7 billion, realizing $121 million of after-tax gains, up $55 million from last year. We continue to shrink our Real Estate book as well. Assets of $55 billion were down 14% versus last year; they are down 4% versus Q2. And in addition we closed the business properties disposition in October, which will result in another $5 billion reduction in Q4.

Next is GECAS. GECAS had another very good quarter. Earnings of $251 million were up 21%, driven by higher core income, partially offset by slightly higher impairments year-over-year.

Net impairments this year were $135 million after-tax versus $107 million last year. Portfolio quality continues to be strong with only $15 million of non-earnings and only three aircraft on the ground.

Energy Financial Services earnings of $152 million were up 67%, driven by asset sales -- $132 million driven by asset sales. We completed $600 million of volume in Q3 at approximately 5% ROIC.

So overall another positive quarter for GE Capital. As we look at finishing the year we think the $1.7 billion net income from third quarter is a good proxy for the fourth-quarter outlook.

We expect lower GECAS impairments. We would expect not to have the BAY gain repeat, and we will continue to have loss of earnings from the shrinking assets ahead of schedule. So that is kind of our view for third-quarter look at run rate into fourth quarter.

With that, let me turn it back to Jeff.

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

Great, Keith. Thanks. Look, on the operating framework we really have no material changes for the 2012 operating framework. We are on track for double-digit earnings growth in total and for both Industrial and Financial Services earnings.

Our outlook for the Industrial segments remain in line with our September meeting. You can see in the corporate costs line that our simplification efforts are working and sustainable, and we are lowering our estimate for the year to $2.8 billion based on third-quarter performance.

CFOA is on track. Industrial organic revenue growth has been about 10% year-to-date, and we expect it to be about 10% for the year.

We believe that Capital revenue will decline about 10% based on ENI reduction ahead of plan. So total revenue for the entire Company will be up about 3% in 2012.

So to summarize, let's recap the big factors for our investors and how we performed against those objectives. Industrial earnings growth results remain positive; this is fueled by good organic growth and momentum and margin enhancement. As I have said earlier, the simplification efforts really are generating results.

We are executing our plan with GE Capital, making it smaller, more profitable, and restoring the dividend to the Parent. We have returned $8.4 billion to investors year-to-date through dividend and buyback. We are executing a balanced capital allocation plan of growing dividends in line with earnings, value-creating buybacks, and bolt-on acquisitions in the $1 billion to $3 billion range.

The GE team continues to execute in a volatile environment. We expect to continue to outperform in 2012 and 2013. Now, back to Trevor for questions.

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

Great. Thanks, Jeff. Thanks, Keith. Chanel, why don't we open up the phone lines for questions?

QUESTION AND ANSWER

Operator

(Operator Instructions) Scott Davis, Barclays.

Scott Davis *- Barclays - Analyst*

Hi, good morning, guys. One of the things when we try to model out margins and sustainable margin expansion going forward, can you help us understand if there is any way to think about the 70 basis points? How much of that was value gap? How much of that is from past restructuring? Any way to carve that up a bit?

Keith Sherin *- General Electric Co. - Vice Chairman & CFO*

Sure. If you look in the third quarter, Scott, value gap was about a $50 million drag actually in the quarter. That was 2/10 of a point of drag.

Mix, equipment versus services and other mix, was about a half a point of drag, $120 million or so. And cost-out is the real driver here; it's over $500 million. It's 1.4 points of improvement.

And it's across-the-board. It is lower variable costs. It is better base cost performance with this volume. And it's simplification efforts starting to kick in.

So I think -- I don't have it relative to prior restructuring, as you asked. But I think that is a pretty good framework for the third quarter. It's great that the margins have turned positive here, and our expectation is that this margin improvement will continue in the fourth quarter and will increase, obviously, from the third-quarter level to get us to our goal of the total year.

Jeff Immelt *- General Electric Co. - Chairman & CEO*

We still think value gap, Scott, will be positive for the year. It's been up more than $100 million year-to-date before Q3.

Keith Sherin *- General Electric Co. - Vice Chairman & CFO*

So for the total year it will be slightly positive.

Jeff Immelt *- General Electric Co. - Chairman & CEO*

So for the total year, it will be positive. And I expect it's going to be positive again in '13 as well.

Scott Davis *- Barclays - Analyst*

Okay. That's helpful. Jeff, going back to your beginning remarks on the macro view, it seems that looking at some of the results from your peers that things have degraded a bit in the last couple months. When you are thinking about your planning scenarios for really 2013, because I'm guessing you're in that process now, what are the -- such a wide range of outcomes out there. What are you guys planning for?

And how do you -- and I don't know how you want to comment on it, whether you dial it in by region and what kind of GDP assumptions, or whether you just want to talk about it more subjectively. But what do you plan for, I guess?

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

Well, you know, Scott, I think you've got to have pretty -- you've got to factor in a number of different scenarios. I think most people are assuming that the fiscal cliff gets resolved in some way, and I don't think we are alone on that one.

Then, I think just when I look at orders in our growth regions, we will have six growth regions that have double-digit orders growth for the year -- six of nine. That's pretty good, Scott. That gives me some comfort when I look at the resource-rich and rising Asia.

So we still see decent opportunities in China. We still see decent opportunities in the Middle East and Latin America, Russia, places like that.

And then Europe is going to be a grind. Europe is going to be -- we are not assuming that Europe gets any better.

So I think we are looking at '13 as being like '12, with the big variable being the fiscal cliff. And we are ready if it doesn't go through; but we are I think making the same assessment most people do, that somehow it gets resolved.

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

Okay. That's helpful. Thanks, guys. I will pass it on.

Operator

Steve Tusa, JPMorgan.

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

Hey, good morning. Energy Infrastructure, now I guess up 10% for the year. What was the expectation prior to this? It seems like that the growth slows pretty materially in the fourth quarter. Is that timing around Wind or something like that?

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

Yes, there is another obviously large chunk of revenue in Wind in the fourth quarter, and that is -- it is a drag on us. I think that is probably the biggest factor for us.

We still expect Energy to be up double-digit for the year. Year-to-date they're up about 12%, and for the total year it will be up about 10%. It will be up in the mid-single-digits in the fourth quarter here for us.

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

Right. So how does that make you feel heading into next year? I guess outside of Wind, the trends there.

And also you talked about orders pricing being up 8% year-to-date, but it's going to come in flat, which means you're going to have a pretty tough orders number, orders pricing number in the fourth quarter. Does that change the views at all that you presented at the Investor Day several weeks ago?

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

No. Just to clear up, that's 8/10th of a percent year-to-date through the third quarter, and we are saying we expect it to be flat or slightly positive. So it's not a big change. There is no change in the fourth quarter.

And that is our total year estimate that we have stuck to, Steve. So, no; I think if you go by business you've got to feel great about Oil & Gas.

We continue to build backlog. Our orders are strong. We had some orders slip even in the quarter. The outlook is very strong for next year as we head into the fourth quarter.

For Energy itself, you feel great about the move to gas around the world. It is certainly helping us in terms of our service outlook.

And we have got to continue to fight for every order that you have on the gas turbine side. We are going to have -- we think we will have growing megawatts (multiple speakers) gas turbines sold and the outlook.

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

So, Steve, at the end of September we said Power & Water would be up in '12 and flat in '13, and it would be up really double digits ex-Wind in '13. I think we still think that's true.

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

Sure. That's the forecast.

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

We think Oil & Gas would be up double digits this year and next. We still think that's true.

We think Energy Management would be up double-digits in '12 and '13, and we still think that's true. So I think it's pretty consistent with what we said at the Infrastructure Day.

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

Okay. Then in Aviation, the service revenues were only down 1 but the service orders were down double-digit. What is going on there?

I know there is some timing around the price increase that pulled forward some business last year. Can you maybe just talk about what you are seeing? Have things stabilized on the spares stuff? Or maybe just give a quick update there.

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

Yes, I think spares outlook seems to have stabilized. Gone from in the third quarter -- in the second quarter the spares rate was 20.6; in the third quarter it is 22. Our outlook in the fourth quarter is similar to that.

So right now in the third quarter you are dealing with the biggest negative variance year-over-year, and we are kind of lapping ourselves on that. Our expectation is that at some point -- revenue passenger miles are still positive year over year. Freight is down slightly.

But at the end of the day with all these flights going on, cycles occurring, there is going to be a pent-up demand for service here and we expect that to be positive for 2013. So in the fourth quarter we are not counting on that. We are counting on the spares orders to be about where they are today. And we think that will be a positive in '13, as I said.

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

Okay, great. Thanks.

Operator

Nigel Coe, Morgan Stanley.

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

Thanks, good morning. Yes, so Aviation margins, if we strip out the prior gain, were obviously very strong. Can you maybe talk about how the learning curve on the GEnx is impacting the comparisons?

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

Well, in the quarter, there's a couple factors going on around GEnx. First of all, you have just a few lower units, so that's a little bit positive year-over-year. We had 28 units last year, 25 units this year.

And then on a margin per unit, we continue to see good improvement. We're on track for our cost reductions as we come down the learning curve.

The other thing is that we are moving into better commercial arrangements as we get out of those launch orders for the GEnx shipments. So I think it is on track. It is positive.

In the fourth quarter we're going to have a big increase in shipments here. We're going to go up -- the total year we're expecting somewhere around 125 shipments, I think, GEnx engines.

So you are going to have -- in third quarter they are down a little; in fourth quarter we're going to go from about 35 last year to close to 60 this year.

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

Okay. But is the contribution margin materially better on the GEnx versus last year?

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

Yes, I think the learning curve is down substantially, Nigel. What Keith said is that the original launch orders are usually the most negative from a CM rate. So the combination of those two things I think builds every year, so that gets better in '13.

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

You're pricing a 10% improvement in margins year-over-year '11 to '12.

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

Yes, okay. Then, switching to Thermal energy service, I think that was up 1%. To what extent is that number being impacted by deferrals on some of the regular maintenance schedules because of the low gas price?

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

If you look at the -- the actual business in Q3 had revenue -- I think, Keith -- up 11% and earnings up 15%; something like that?

Keith Sherin *- General Electric Co. - Vice Chairman & CFO*

The service, PGS Power Gen Services, yes.

Jeff Immelt *- General Electric Co. - Chairman & CEO*

So, the run rate is not -- it is still a little bit lumpy, but the run rate is not bad. Then on the ongoing order rate it was up 1%. And we still think that some of those are really based on how hard the units are running, and that unwinds itself.

Then Europe, we have a relatively big installed base in Europe. That has, to a certain extent, the opposite issue of units not running. But I think in the US there will be decent growth as time goes on.

Keith Sherin *- General Electric Co. - Vice Chairman & CFO*

I think the performance in the quarter of power gen services with profit of 15 --

---

Jeff Immelt *- General Electric Co. - Chairman & CEO*

Pretty good.

Keith Sherin *- General Electric Co. - Vice Chairman & CFO*

-- was a pretty good quarter.

Nigel Coe *- Morgan Stanley - Analyst*

Right, right. Then just finally you mentioned -- you called out a couple of order deferrals, pushouts into 4Q. To what extent is that just normal lumpiness in the business, and to what extent do you think that is being impacted by some concerns around the macro?

Keith Sherin *- General Electric Co. - Vice Chairman & CFO*

Well, I just think you are always going to have some of that with some of the large orders we are dealing with. I mean there was really nothing on the Asia Aviation orders other than just timing of approvals. It just didn't happen in the quarter that we originally estimated it.

I think on some of the Oil & Gas orders, those involve a lot of parties with the large energy contractors and government approvals, and so I think that may be more typical that you're always going to have something pushing around. But for us, over $1 billion seemed to really push out of the quarter.

There were other orders that pushed that seem like normal quarterly things to us. But there were over $1 billion that we would have called out as pushing out.

Nigel Coe *- Morgan Stanley - Analyst*

That's great. Thank you very much.

Operator

Steven Winoker, Sanford Bernstein.

Steve Winoker *- Sanford Bernstein - Analyst*

Thanks and good morning. Hey, can I just switch over to GE Capital first? Just help me understand again; you mentioned the Thai gain. What other gains were in there, and how much again was that Thai gain? And were there any other gains baked into the GE Capital reporting numbers as a normal course of business?

Keith Sherin *- General Electric Co. - Vice Chairman & CFO*

Yes. The Thai gain was $80 million from the sale of some of our shares in BAY. We also had the gains in Real Estate that I talked about from selling properties.

And we had one other gain that was over $50 million in the quarter. It was the sale of a pipeline in EFS. So in the EFS results that was the large driver of the earnings year-over-year.

Steve Winoker *- Sanford Bernstein - Analyst*

Was that 15 or 50?

Keith Sherin *- General Electric Co. - Vice Chairman & CFO*

Those would be the ones. $58 million.

Steve Winoker *- Sanford Bernstein - Analyst*

Oh, $58 million. Okay.

Keith Sherin *- General Electric Co. - Vice Chairman & CFO*

$58 million after-tax gain.

Steve Winoker *- Sanford Bernstein - Analyst*

Okay. Then was there -- there wasn't anything -- I had heard something about the Irish mortgage bank. There was nothing on that?

Keith Sherin *- General Electric Co. - Vice Chairman & CFO*

I don't have anything on Irish mortgage. I think it was closed with the deal that we previously announced.

Steve Winoker *- Sanford Bernstein - Analyst*

Okay, great. Then the Consumer reserve, I just saw it go up from $3.1 billion to $3.4 billion. I'm looking at the credits metrics that you are showing in the supplemental -- sorry, in the regular. I don't -- I am not quite sure I see the connection.

Can you just give me some -- give us some color for the overall increase in reserving and provisioning, and what was driving some of that?

Keith Sherin *- General Electric Co. - Vice Chairman & CFO*

Sure. As I mentioned on the reserves in Consumer, we did update our reserve practice for some more granular segmentation of loss types. Essentially what we're doing is we're doing a more detailed look to determine the period of time from the loss event to the writeoff; the incurred loss period, it is called.

So we did some of that work in the third quarter. The incurred loss period was a little longer using that segmentation. It increased our reserves about $200 million in the US retail finance business in the quarter.

Outside of that, we had the normal seasonality, which did contribute. And we had asset growth which contributed to reserve growth quarter-over-quarter and also year-over-year on asset growth.

So if you look, though, in total, assets were up 10 on retail finance; volumes up 10.

The charge-off rates are down, Steve. They're down 24 basis points year-over-year, 36 basis points quarter-over-quarter. Delinquencies are down 36 basis points year-over-year.

So the fundamentals of this business are still very good. It really is a detailed segmentation of the portfolio that added a couple hundred million dollars to the reserves as opposed to anything to do with asset quality.

Steve Winoker *- Sanford Bernstein - Analyst*

Okay. And any impairments on GECAS?

Keith Sherin *- General Electric Co. - Vice Chairman & CFO*

Yes, in GECAS we had impairments. The total number is about $135 [million] after-tax in the quarter. I think in general I would say that some classic 737s were in there; some A320s, old A320s, older A320s; as well as some 50-seat regional jets are probably the three things that would make up that number.

Steve Winoker *- Sanford Bernstein - Analyst*

Okay. Last, let me just sneak in one Industrial question. On the 29 gas turbines, what countries?

And that's I know a gross number. Any cancellations or deferrals of just the turbine side too?

Keith Sherin *- General Electric Co. - Vice Chairman & CFO*

Yes, there were no cancellations in the quarter. In terms of where the turbines were, there were quite a few from Saudi Arabia. Hang on one second here.

Steve Winoker *- Sanford Bernstein - Analyst*

I'm mostly interested in the US.

Keith Sherin *- General Electric Co. - Vice Chairman & CFO*

I have zero in the US. We had a five in China; eight in Saudi; two in Algeria; two in Turkey; seven in Iraq; two in Egypt.

Steve Winoker *- Sanford Bernstein - Analyst*

Okay. All right. Thanks, guys.

Operator

Andrew Obin, Bank of America Merrill Lynch.

Andrew Obin *- BofA Merrill Lynch - Analyst*

Good morning. Just a question on GE Capital. As we look at ROI on new business, what is the sequential trend by business within GE Capital?

Keith Sherin *- General Electric Co. - Vice Chairman & CFO*

Well, I will give you a few of them. If you look at the Americas for the Commercial business, second quarter was 2.4, third quarter was 2.3.

You look at Asia in CLL, 1.9, 1.9. You look at Asia Consumer 3.6, 3.4.

You look at Europe, CLL was 2.1 in the second quarter; it was 1.7 in the third quarter.

You look at Retail for us in the US, 4.7 in the second quarter; 5.3. So overall, as I showed you, the net interest margins were up 50 basis points and our new business ROIs are still hanging in there on new business volume.

Andrew Obin *- BofA Merrill Lynch - Analyst*

Sure. Just also on GE Capital, as you extract more capital out of GE Capital, what should we expect for the pace of share buybacks relative to what we saw in the quarter?

Keith Sherin *- General Electric Co. - Vice Chairman & CFO*

Well, we liked the buyback pace in the quarter, a little over $2 billion. Our objective as we have said is to continue to prioritize the dividend and grow that in line with earnings. We continue to have that point.

The buyback, our objective is to retire the shares that we issued before the financial crisis over the next several years. And we're doing a pretty good job on getting after that.

And the cash from GE Capital obviously is a big help. So if we can continue to get the cash -- although this year we have already gotten all the special dividends; now we are just getting the regular dividend on orders -- or on earnings, that is going to help us a lot with the buyback.

Based on the market we will see what happens in the fourth quarter. We expect to retire somewhere between 125 million and 150 million shares this year.

Andrew Obin *- BofA Merrill Lynch - Analyst*

Thank you very much.

Operator

Deane Dray, Citi Research.

Deane Dray *- Citi Research - Analyst*

Thank you, good morning, everyone. Hey, just a clarification first. There are some headlines coming up about the revenue guidance, Total revenue guidance going from 5% to 3%.

So we already -- you told us that GE Capital revenues are down. Maybe there is some FX. But just if you could parse out for us what the delta is.

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

That was the biggest change.

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

It's really GE Capital.

Deane Dray - ***Citi Research - Analyst***

Okay, that --

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

I don't know if anybody is really forecasting FX. Obviously FX had a big impact on us in the quarter, certainly industrially. But the change on the framework that we showed you was what Jeff said, the GE Capital total year revenue is going to be down closer to 10 than 5, and we thought that was worth updating.

Deane Dray - ***Citi Research - Analyst***

Good. Just wanted to make sure, because there's a couple headlines out there and that clears that up.

Then on the cash flow you said there was some equipment build in the third quarter. That gets resolved. What is the business? Any color there regarding the size?

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

Sure. Obviously we have built up some working capital to support our fourth-quarter shipments. You look at -- it's mostly in Energy, Energy's working capital bill was $1.3 billion through the third quarter.

And we are expecting a big fourth quarter in terms of deliveries. If you look at the profile last year, third quarter to fourth quarter we had a big revenue increase between the quarters. We also had a significant increase in cash flow between third quarter and fourth quarter. Fourth quarter will be our biggest cash flow period for the year, and we are expecting a profile similar to last year, a little higher than last year in terms of cash coming out of Industrial in the fourth quarter.

Deane Dray - ***Citi Research - Analyst***

And progress on the red assets at GE Capital?

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

I don't have a specific number. I know in total we are down about $6 billion -- how much? $6 billion on quarter-over-quarter, yes. And there is about $70 billion on balance sheet today on the red assets.

So in the quarter we felt great about it. You look at the runoff we had, I can just give you some numbers on some things that are down.

Year-over-year, UK home lending is down $1 billion, Deane. France is down $1.5 billion. Poland is down $1.3 billion. Spain is down $1 billion. Those are all non-core assets that we are running off here at a pretty good pace.

Deane Dray *- Citi Research - Analyst*

Great. Just last question for me is maybe some commentary regarding the debt issue for the Parent, because that certainly doesn't happen often and it's never a better time to issue debt when you don't really need the financing.

But just give us a context. There is $7 billion. You did it in three tranches. What are the use of the proceeds?

Keith Sherin *- General Electric Co. - Vice Chairman & CFO*

Yes. It kind of goes back to the first question about -- what do you think about the environment? As we look forward we have a $5 billion debt in GE that matures February. So we decided that we really didn't want to be trying to replace that debt in an environment where the fiscal cliff may be a disruptor or not.

So we decided to go in the fourth quarter. We like the rates. As you said, we did $7 billion.

We will have a big interest savings. If you look on that debt, we will probably have annual savings around $70 million at the rates that we did that debt at, with a mix of 5, 10, and 30 years, as you know.

So we decided to get that out of the way. We know we have to do it. We didn't want to do it in a disrupted environment.

We like the rates where they are. It creates a savings for us. Now, we do have a little higher interest cost in the fourth quarter because of that, but for us it just seemed like the right thing to do.

Deane Dray *- Citi Research - Analyst*

That's real helpful, thank you.

Jeff Immelt *- General Electric Co. - Chairman & CEO*

Deane, are you clear on the revenue point?

Deane Dray *- Citi Research - Analyst*

Absolutely.

Jeff Immelt *- General Electric Co. - Chairman & CEO*

Just want to make sure it's clear to everybody.

Deane Dray *- Citi Research - Analyst*

Appreciate it. Thanks.

Operator

John Inch, Deutsche Bank.

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

Thank you. Good morning, everyone. Keith, maybe a question for you. It's really on the Buffet warrants.

With your stock price where it is I am just wondering, what are you thinking of in terms of possibly maybe buying them in advance? And if you don't do that is there a dilutionary impact on a net basis to this that provides for a headwind that maybe we should be thinking about?

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

Yes, John, if you think about it, the dilution is on amounts above $22.25.

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

Right.

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

It is de minimis even if you -- we would love to have the stock go up to $25.25. It is still -- that would be less than $400 million of dilution. I think it's 135 million shares that you are talking about the dilution on.

So I am thrilled that we are in the money on them, and yet we are going to have to deal with the dilution. But I don't think it's a big deal for investors.

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

Okay, good. That clears that up.

With zero US gas turbine orders, can you just remind us? What is your latest thought toward the timing of a US gas turbine cycle recovery? Kind of years, and maybe you could blend that in with a little bit of your pricing, what you are seeing on the pricing side, that sort of thing.

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

You know, John, I would just go back to what Steve basically said in September. I think -- we think there is activity right now that is going on that will turn into commitments next year. So I think as you go into '13 and into '14 those commitments will go into orders, and I think that pace will grow as each year goes by.

So we are seeing quoting activity right now. We expect to book some orders next year, and we think that will grow over time.

I think the good news is that gas is the fuel of choice. And as new capacity comes in it's going to be gas turbines.

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

Yes. So if the trajectory holds, presumably the price, though, doesn't start to meaningfully kick in until what? '14? If the timeline (multiple speakers)

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

Look, I think the good news, John, is that we have been kind of firming a bottom right now. So I think you could see some positive OPI into '13, not great but some positive. Just because I think we have been troughing for the last period of time.

So, I think that will start improving. And then I think it accelerates as time goes on.

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

Just lastly, Jeff, with the cash and the cash position in pretty robust shape, what are your thoughts toward maybe upping your M&A spend targets? Just even given the macro sluggish environment that might be perhaps prompting more companies to consider selling, or make more properties available, what are your thoughts there?

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

I go back, John, to our disciplines. I think dividend in line with earnings, we think the dividend is really importantly. Continuing to buy back stock with an eye on getting back to 10 billion shares at some point and the $1 billion to $3 billion.

So if we see a good acquisition in that range that meets our hurdle rates, we will go for it. But it's not burning a hole in our pocket, and we don't think we need it to do what we need to do in '13.

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

Thanks very much.

Operator

Shannon O'Callaghan, Nomura.

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

Morning, guys. Hey, so just back on the re-segmentation of the US retail business, what was the thought process behind making that choice?

And then the extra provision in the quarter, was that sort of a catch-up? Or what is the normalized annual hit to earnings relative to the way you used to segment it?

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

Yes, I think we are going through a process in the retail finance business to take a look at our reserve practices and our segmentation relative to industry standards. In the quarter, we did a couple of factors; we did aged accounts and we did fraudulent accounts. We are basically trying to identify individual events, and then go back and say -- how long is the incurred loss period for that type of event?

And there will be -- there are other categories we are still looking at. If people pass away, if people reach settlements, if people have bankruptcies. So we are basically trying to segment that book into very detailed and more conservative, realistically more conservative look at reserve positions, based on when the incurred loss period actually started.

So I think in the quarter there is no more to come from those categories. I think we are going to continue to look at these other categories.

To us, we are just trying to make sure that we are in line with industry practices and it is something that we are going to do through fourth quarter and first quarter, I believe.

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

Okay. So any estimate of sort of what the more conservative method is in terms of a dollar amount on the earnings impact for a year?

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

I don't. I would say the one thing I would look is if I think about the outlook from third quarter to fourth quarter, I think retail finance probably has an outlook that is similar in the fourth quarter to what they had in the third quarter.

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

Okay.

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

So even though they've had this one-time thing, I think if you look at the outlook it is probably going to be -- based on volume growth and based on whatever we are doing with reserves, our outlook is probably close to what we had in the third quarter.

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

Okay. Then just Energy into 4Q, can you give us a little more feel on the number of wind turbine units and the pressure you're expecting? The margin this quarter was like 13.6% for the pure Energy business. preview normally have this seasonal uptick, but you've got this pressure. Can you maybe gauge where you see those going?

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

You know, I gave you the total number. If the total year is going to be up 10%, and you look at where we are third quarter to date, I think you can get a pretty good estimate of what we think the margin is for Energy for the fourth quarter. I don't have the exact dollars, but I mean that math is pretty clear.

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

Then what are you thinking for wind turbine units?

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

It's 750 or so. 750 or so units.

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

Okay. All right. Thanks, guys.

Operator

Jeff Sprague, Vertical Research.

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

Thank you. Good morning, gentlemen. I wanted to drill a little bit farther into Power Service if we could. Just some color on what you're actually seeing your customers do?

So you're running at higher utilization. I wonder if there is some dynamic, though, that we are running more baseload as opposed to peaking cycles and that's -- is that playing into what seems to be softer orders there than I guess we would all guess given the trends in the business right now?

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

I think you heard some of this from Steve Bolze at the Infrastructure meeting, Jeff. Basically you're absolutely right. I mean, people are running the gas turbines a lot more and they are running them as baseload.

That is ultimately good news, and I think the idea is going to be you're going to have either sooner maintenance needs or maybe there will be a little deeper overhaul when you get in to fix and repair these units when they do have an overhaul.

But Steve's message was that these are going to pull in. Running these things at full baseload power at this point is maybe pulling in overhauls by three months, six months, in the out years. These overhauls are pretty well scheduled based on times the units are going to run.

So I think it's a positive. I think it is all a positive. But I think it's a little further out there. But right now they are definitely running gas turbine units a lot more, and they are running them as baseload.

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

You know, Jeff, we said, I think in September that we expected good earnings growth from Power Gen Services in '13, and we don't see anything that changes that assessment.

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

Yes, I thought the comment was actually was flattish for '13 on Services. No?

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

Flattish overall for the Power(multiple speakers)

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

Flattish for the Power & Water business.

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

Power & Water business.

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

Power & Water business. But for Services we expect growth. We expect Wind to be negative.

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

As we get closer to this Wind downturn, is it actually playing the way you thought In terms of the magnitude of drop next year?

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

You know, Jeff, it is. I think we expect revenues will be down probably 40%, something like that next year. We have always said that it would be about $0.03 of headwind next year.

And that really assumes kind of no market in the US. There is some discussion about whether or not there is a production tax credit as you do some kind of tax deal at the end of the year. And if there is one, I think that would be good for the business, but it's not something we are counting on.

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

Then finally, just thinking about cash flow, it does look like a challenge in Q4. The idea of the working capital draw is understandable.

But does that cash flow forecast, is it also predicated on particular order strength in the fourth quarter that would drive deposits or progress payments? Is that any part of the equation?

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

Not really, Jeff. I think progress remains a headwind.

It is an unusual year just because of the spike in Wind and stuff like that. So this has just been an unusual year from that standpoint.

But I think we see the working capital levers to -- for cash. So pretty similar profile to last year in the fourth quarter.

I think the one difference is you do have the Wind progress coming down, and we factored that in, Jeff. We don't have any replenishment of the Wind progress in the forecast. And basically we are shipping that in the fourth quarter.

So I think we are taking that into account. But it's a big fourth quarter, and we've got to execute.

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

All right. Thank you very much.

Operator

Julian Mitchell, Credit Suisse.

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

Hi, good morning. Yes, firstly on Aviation, I just wanted to follow up on your comments around some push outs at some Asian carriers. Also in the segment profit growth, you call out the value gap and productivity driving up EBIT year on year.

I just wanted to check what the latest thoughts were on R&D, around the headwinds there, in light of the LEAP-1A and 1B designs being frozen. Are you still on track for R&D to start moving flat to down in '13?

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

Yes, we are on track for the R&D. If you look at the margins in the quarter, stronger pricing was a big part of it, and cost productivity was the other part that Aviation got. And we expect those two factors to continue.

If you look at R&D in Aviation itself, it was up about -- it was down about 7% and it's holding steady around 5% of revenue. So as a percent of revenue, as we said, we don't expect this to continue to be a drag.

We will see what happens as we get into '13, but we like the position we are in those engines. We have gone to design freeze on two of the three versions of the LEAP, and we're on track for the design freeze on schedule for the third version.

Julian Mitchell *- Credit Suisse - Analyst*

Thanks. And just the comments around some of the push outs on the OE side?

Keith Sherin *- General Electric Co. - Vice Chairman & CFO*

The push outs, yes. It's purely -- my understanding of it, it's purely a signature approval and it's not someone wondering whether they are going to take these planes. So we are highly confident that these orders are going to happen in the fourth quarter.

It's two customers and it's about $500 million now. Again, if you remember last year in the fourth quarter, I think equipment was up 20-plus%.

Jeff Immelt *- General Electric Co. - Chairman & CEO*

We had a huge orders quarter.

Keith Sherin *- General Electric Co. - Vice Chairman & CFO*

Huge order quarter in Aviation. So again with these backlogs we are going to have that type of lumpiness. But these orders, there is no -- it's not like someone worrying about their fleet planning or anything.

Julian Mitchell *- Credit Suisse - Analyst*

Got it. Then just secondly on Healthcare, the picture the past 12 months has been very good growth in emerging markets; Europe very weak; and the US kind of hanging on. Looking at the US equipment order trends the last couple of quarters, is there -- are you worried that that is starting to roll over? Maybe six months from now the numbers are looking down high-single-digit, that sort of range, as you are looking at US Healthcare specifically?

Jeff Immelt *- General Electric Co. - Chairman & CEO*

I don't see that, Julian. I think it is kind of -- it's around flat and it's going to continue to be around flat. There is nothing that our guys see that suggests it is getting materially worse as time goes on. I just think it's a tough market, but it's not like Europe.

Julian Mitchell *- Credit Suisse - Analyst*

Okay, thanks.

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

Great. Chanel, we have -- wanted to finish up by 9.30 because of some other earnings calls. Let's take a couple more then close out.

Operator

Jason Feldman, UBS.

Jason Feldman - *UBS - Analyst*

Good morning. Just wanted to follow up on the Aviation aftermarket. You talked about expectations of improvement next year. Wondering if you had any sense of what kind of impact you have had this year from the earlier than normal retirements of younger planes, and cannibalization for parts, and whether you expect that to continue or whether you really haven't seen much of that.

Keith Sherin - *General Electric Co. - Vice Chairman & CFO*

That has been part of our run rate and analysis for the business already, to take a look at where are used serviceable parts going to come from. I think the biggest impact that we have had this year really has been on the wide-body. It's -- the CF6 is down; it is down by overhauls and freights; and it's really a maintenance pressure on us while the CFM products and the GE90 products are both up. So on the more prevalent installed base narrow-body growth that we have had, you're starting to see those engines come in for overhaul; certainly the GE90 and the 777, you are seeing those engines come in for overhaul.

And we're just seeing a push out. I think a lot of it is freight. I think some of it is Europe and some of it's some of the older applications the CF6 is on. And we're really having to deal with that more than cannibalization on the narrow-body product.

Jason Feldman - *UBS - Analyst*

Okay. Thanks. And briefly on capital, we've heard a lot this earnings season about CapEx being pushed out. You have certainly alluded to the fiscal cliff and whatnot. Have you seen any impact on CLL loan demand? Or is there still sufficiently few competitors that you are still able to originate as much as you want there?

Keith Sherin - *General Electric Co. - Vice Chairman & CFO*

Well, we said the Commercial volume is down about 5%. I think a bigger part of that is this; it is uncertainty. It is people not willing to spend until they have a more certain environment around whether it is taxes or healthcare or social costs or things like that, and just the general backdrop in terms of confidence.

So I think we have seen some of that. We are seeing a nice volume in the equipment side in the CLL business. But on the CapEx side I would say that has been soft.

Jeff Immelt - *General Electric Co. - Chairman & CEO*

Soft, yes.

Jason Feldman - *UBS - Analyst*

Great, thank you.

Operator

Brian Langenberg, Langenberg Investments.

Brian Langenberg - *Langenberg Investments - Analyst*

Hey, guys. Really quick one. About the $300 million of restructuring you did, can you just layer that around the segments? Like how much impact there was in each of the Industrial segments.

Keith Sherin - ***General Electric Co. - Vice Chairman & CFO***

Sure. If you look at it by business, I'll give you after-tax numbers. Energy was $50 million; Healthcare was $27 million; GE Capital was $25 million; H&BS was $17 million; Aviation was $16 million; and about $100 million was associated with the plant exit.

Brian Langenberg - ***Langenberg Investments - Analyst***

Okay, great. All right. We'll have follow-ups for later, but thank you very much.

Jeff Immelt - ***General Electric Co. - Chairman & CEO***

Great. Just before I wrap up I just wanted to get some thoughts about the Company going forward, just with all the volatility in the environment. I think our Aviation business we're really winning in the marketplace with a massive backlog. Oil & Gas is a fast growth market with a lot of opportunity for expansion.

I think our Power & Water business is really well positioned for a gas cycle. Healthcare remains a diagnostic leader with the great growth market foundation. Our Transportation business is well positioned for growth based on new technology and global expansion. Energy Management has room to grow. And our Consumer businesses will benefit from an improving housing cycle.

At GE Capital, smaller, stronger, and more competitive. And we're operating the Company well with large backlogs, I think successful acquisitions, expanding margins, and substantial cash.

So for an investor's standpoint, while the environment is volatile I think our path for growth and execution is very well understood by the team, and we think this quarter demonstrates that. And we think we feel good about how we are positioned for the fourth quarter and 2013. So, Trevor, thanks and have a good day.

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

Great. Thanks, Jeff. A couple of items to close out the day. A replay of today's webcast will be available this afternoon. We will be distributing our quarterly supplemental data schedule for GE Capital later today.

I do have some announcements of some upcoming investor events. First, on Wednesday, December 12, Steve Bolze, our President and CEO of GE Power & Water, will host a plant tour at our manufacturing facility in Greenville, South Carolina. More details will be sent in the coming weeks about that.

Second, our annual Outlook Meeting, investor meeting with our Chairman and CEO, will be held in New York City. Likely to be at 30 Rock again. It will be held on Monday, December 17. We will send out more information regarding that event.

And finally, our fourth-quarter 2012 earnings webcast will be held on Friday, January 18. Thank you, everyone. As always we will be available today to take your questions.

Operator

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

DISCLAIMER