

GE 2007 Annual Report

Live Webcast with GE CEO Jeff Immelt

FAQS

Below is the list of questions and our answers on those topics and issues that matter to you. These questions were submitted before and during our first retail investor Webcast hosted on Thursday, March 13, 2008 across ten sites on the Internet. The Webcast attracted one million participants and generated more than 6,000 questions. We were not able to answer all of your questions, but we did answer those that were asked most frequently.

Please take a moment to visit our 2007 Annual Report Web site. Here, you will find Chairman and CEO Jeff Immelt's letter to investors; pictorial chapters on the major growth trends; GE's businesses and leaders; a letter on our Company's compensation philosophy from the Board's Presiding Director Ralph Larsen; an overview on governance and citizenship; and a comprehensive financial section.

Thank you for your interest in GE.

Stock Price and Capital Allocation:

What are the top three actions GE is taking to improve the stock price in this down market? Mike from Florida

First, we are committed to delivering on our financial results. This year we are forecasting 10%+ earnings-per-share growth and hitting \$2.42. The S&P 500's earnings growth is projected at 3%. On a relative basis, our performance will be very strong.

Second, we need to continue smartly allocating our capital. We generate a lot of cash as a company. We invest this cash in our growth and return it to our investors in the form of our dividend and stock buyback. We pay out approximately 50% of earnings in the form of a dividend, which equated to approximately \$12 billion in 2007. Currently, the dividend yield is approximately 3.7% and we will continue to grow it in line with earnings. Last year, we bought back approximately \$14 billion worth of common shares during the year, completing our expanded \$27 billion share repurchase program one year ahead of schedule. In December 2007, we announced a new, three-year share repurchase program of \$15 billion. We also invest in our organic revenue growth capabilities. And we typically spend \$3-5 billion on industrial acquisition and retain earnings in the financial services businesses to invest in growth.

Third, we will continue strengthening our global position and winning in the emerging markets. In Jeff's letter to investors, he describes our strategy in great detail:

<http://www.ge.com/ar2007/letter.jsp>

If we execute on all three of these priorities, the market should recognize our performance.

Where will GE stock be at a year from now? Dean from Vermont

We are projected to grow earnings 10%+ for 2008. The S&P 500 is projected to grow earnings 3% (Morgan Stanley). Our stock price should grow in line with our earnings growth, and if we are able to outperform the market, we should earn a premium price to earnings (P/E) multiple that will help support an increase in the stock price. There are many external factors that will play a role, and ultimately it is up to the market to decide what our price should be, but a strong performance is ultimately recognized in the long run.

Does GE have to shed some of its financial businesses to reduce risk and increase its price to earnings (P/E) ratio?

Over the last 20 years, our financial services businesses have grown earnings on average double-digits. We like these businesses, and they create tremendous value for our shareholders. We have, however, sold financial services businesses in the past that no longer met our return profiles, including our insurance and bond insurance businesses. Most recently, we announced our plans to sell or seek strategic alternatives for our U.S. private label credit card business. Our strategy is always to drive growth by redeploying assets to faster-growth, higher returning businesses.

As for our P/E, over the past 25 years, it has expanded and contracted, driven by market dynamics and our performance. Right now, we are trading at a 14 P/E, which is close to a historic low, but our performance has been strong with average earnings growth of 14% over the past five years. Our dividend yield (dividend divided by stock price) is close to 4%. The company is 50% financial services, and there is a lot of volatility in the market right now for financial services. We don't have the same exposures as other financial services companies, and as we continue to execute our strategy in financial services in this market, we should be recognized with a higher premium.

Some analysts and investors still think GE is too big and complicated. Can you comment?

GE is a big company, but our size is our strength. In this year's annual report, we talk about the big global themes that could propel our growth for decades. These included infrastructure technology, emerging markets, environmental solutions, demographics, digital connections, and creating value from origination. Our thesis is

that each of these themes is essential in the development of the world, and that GE could create a profitable future for our investors, our customers, and society. These are big company themes, and companies such as GE are the ones positioned to capitalize. Emerging markets are going to be one of the biggest growth opportunities in our time. We expect to generate \$50 billion in emerging markets revenues by 2010, and it takes a big company to win in these markets.

While size is our strength, we are, however, not afraid to sell a business if it no longer fits our strategy. In 2007, we sold Plastics and were able to increase the stock buyback and make acquisitions of faster-growing, higher-returning businesses in areas including aviation and Oil & Gas.

Wouldn't it be prudent for GE to buy-back its shares at these low levels? Is GE too liquid?

We generate a lot of cash. With this cash, we have a number of investment and allocation options: We can buyback stock, pay a dividend, acquire companies and assets, and/or invest in our operations to generate organic growth. We are always looking at the best mix to reward investors today and in the future. Last year we bought back approximately \$14 billion worth of common shares during the year, completing our expanded \$27 billion share repurchase program one year ahead of schedule. In December 2007, we announced a new, three-year share repurchase program of \$15 billion. Also, we increased our dividend for the 32nd straight year, by 11%. We will continue to assess the best use of our cash and manage it prudently to both invest smartly in our growth and return it to our shareholders in the form of dividends and stock buybacks.

Besides GE having already left the mortgage market, you noted in your letter yesterday (2007 annual report letter to investors) to investors that "we can invest while others pull back." Is there any chance that GE would look into creating a business entity alone or in a group to buy distressed financial assets with an amount that wouldn't put up any rating agency concern? Jon Ogg from 247WallSt.com

Our financial services businesses retain 60% of their earnings to invest in organic growth capabilities and for M&A activity. We see a lot of opportunities for investment in this environment. At the beginning of the year, we acquired Merrill Lynch's commercial finance business, and our business development team has a full pipeline of opportunities. There are over \$150 billion of assets in the market that meet our investment criteria. We will continue to evaluate deals and maximize the value of our strong balance sheet and Triple-A rating.

**What would influence GE maintaining, increasing or decreasing their dividend?
Randy from Wisconsin**

We are a safe and reliable growth company. We have paid a dividend every year since 1899. For 32 straight years, we have increased our dividend. This year we increased the dividend 11% to \$1.24 per share. Our current dividend yield is approximately 3.7%, which is very strong. Our philosophy is to grow our dividend in line with earnings growth, and we will continue to return cash to investors in the form of dividends and stock buybacks.

Business Performance:

Why do you own NBC Universal?

NBC Universal (NBCU) is a solid business with 20% operating profit margins and high returns. NBCU benefits from GE's global footprint, financial strength, and human resource skills. And, NBCU provides us with a leading perspective on digital transformation. NBCU adds value to GE, and GE adds value to NBCU. This is true now, and it will be true in the long term, as well.

How much exposure does/did GE Capital have to sub-prime, CDOs and auction bonds? Victor from Honduras

We have strict risk discipline, and as a result, have no exposure to losses from Collateralized Debt Obligations (CDOs) and Structured Investment Vehicles (SIVs). We have retained a Triple-A-rated balance sheet and generate substantial cash flow, so we can invest while others pull back. Here is a link to our annual report section that describes our investment holdings: http://www.ge.com/ar2007/mda_frl_sfp.jsp

What is the future of GE's nuclear business? Gary from California

GE-Hitachi has the most advanced nuclear energy technology available – the Economic Simplified Boiling Water Reactor. This is a growing business for GE, however, policy questions remain on important issues like spent fuel reprocessing and storage. GE will work with governments and industry to explore the best solutions.

How do you keep profits up with rising commodity costs on products and an economic slowdown on their sales? Scott from Pennsylvania

For GE, the most critical area of focus in these inflationary times is on reducing material cost. GE purchases about \$40 billion of material each year. Despite inflationary pressure, we are planning to reduce our material cost by \$1 billion in 2008. To accomplish this goal, we have formed the Operating Council. Members

include our best manufacturing, sourcing, engineering, and product management leaders from across the Company who share ideas and compete on results. Our goals are to expand operating profit margin to 18% by 2010 — up 140 basis points from 2007 — improve working capital performance, and achieve returns of 20%. To do this, we focus on product management, material cost out, simplification, Lean Six Sigma, and capital allocation.

What is GE's strategy for expanding the market for LED lighting?

We're focused on lighting applications that leverage the benefits of LEDs to drive real value for customers. We remain committed to delivering best-in-class LED lighting solutions in key segments such as signage, architecture, transportation signals and retail display, while also setting our sights on global distinction in the emerging general lighting market segment.

U.S. and Global Economies:

How do you see the current economy shaking out in the U.S. and around the world?

We really see three things going on in the global economy. The first is the US consumer is being driven by the housing prices and the housing bubble. The second is the re-pricing of risk, based on the synthetic financing vehicles that commercial banks used, and the third is booming emerging markets causing inflation. However, we do not see Europe really slowing, we do not see consumers there under stress. It is not as severe there as in the US, but it is something we think about.

In this economy, how are you positioning to keep up growth? Through diversification or internal penny-pinching? Chris from Florida

In an environment like this, you have to do a little bit of both. Productivity is always important and is important in a time like this, but at the same time, this is the right time to reinvest in the company and turn up the heat on our competitors. We will expand our R&D and drive productivity. Now is the time when financially strong companies can keep investing.

What do you think are the most important qualities to become a CEO? GE Consumer from Ohio

At GE, our leaders embrace innovation and globalization and possess the capability to drive change. Confidence, initiative and a commitment to the highest quality are what best define winners at GE. Our leaders must also have passion and curiosity — and a desire to learn. We spend \$1 billion a year on training making great leaders even better. Some of these individuals are already the best in the world at what they do, but they have the relentless drive to be better.

We have always believed that building strong leaders is a strategic imperative. When times are easy, leadership can be taken for granted. When the world is turbulent, you appreciate great people. Ultimately, we want to develop people who are guardians of GE's culture, champions of our legacy, and protectors of our reputation. They must perform with integrity, be disciplined and aggressive — and at the same time, be able to solve problems with global ingenuity. These are high-level concepts. On a practical level, this means that our people must be experienced and motivated. They must understand their industries and GE's expectations for their performance. Our teams must be willing to learn and change. Personal growth is key to a successful career at GE. And we must always have a deep bench.

How is GE positioning itself in current US economic slow down and its impact on global economy? Zariab from Illinois

We have a diversified portfolio of businesses that can perform through the cycles. More than half of our revenues now come from outside the U.S. Today, the global economy is not as dependent as it once was on the U.S. economy and there is great strength in global markets. In Jeff's letter to shareholders in this year's annual report, he walks through what he sees for the year and how GE is positioned to perform in this environment: <http://www.ge.com/ar2007/letter.jsp>

Global Opportunities and Issues:

What are GE's current and future plans for expanding into Russia and/or Brazil? David from Connecticut

In 2007, we generated over 50% of our revenues outside the U.S. Global demand for our products and services helped us generate earnings growth of 18% and revenues growth of \$173 billion, including 27% global growth. The emerging markets, including Russia and Brazil, are very important to GE. We generated \$33 billion in revenues in emerging markets in 2007 and forecast approximately \$50 billion in emerging markets by 2010. Latin America is one of our fastest-growing markets. By 2010, there will be over 100 million new consumers needing to access to clean water, energy, entertainment, transportation, and healthcare. Our portfolio of products is aligned to meet these needs.

What are your India plans? Does it still feature as importantly in GE's global plans as it did earlier? Shantanu from Singapore

In 2007, we generated over 50% of our revenues outside the U.S. Global demand for our products and services helped us generate earnings growth of 18% and revenues growth of \$173 billion, including 27% global growth. The emerging markets, including India, are very important to GE. We generated \$33 billion in revenues in

emerging markets in 2007 and forecast approximately \$50 billion in emerging markets by 2010. India is a very important market for us. We are projecting \$10 billion of revenues by 2010 with demand for our energy, water, healthcare and finance products. We also recently acquired a stake in an India media company. And we have one of our four global research centers in India. There are huge opportunities in this market, and we have a long and successful position in this important market.

Why do you do business with Iran? Tom from Texas

GE ceased doing business in Iran in 2005 except to wind down previous contractual obligations and under humanitarian licenses from the U.S. government. Virtually all of our obligations are now complete. Even before we pulled out, our business in Iran was very small and in full compliance with U.S. law.

Environmental Solutions and Ecomagination:

What further emissions standards can be enacted for power plants, yet allow "fair" business goals? Scott from North Carolina

This is a question best for government bodies like the Environmental Protection Agency. However, GE makes the most advanced turbines for these kinds of applications, while also investing in "tomorrow technology" like integrated gasification combined cycle plants and carbon capture and sequestration.

Has IGCC technology development stagnated at GE? James from New York

No, we are investing heavily in IGCC and expect some plants to be sited and approved in the next few years. IGCC and the cleaner burning of coal are mandatory goals for the United States and the world, in our opinion.

Are you going to use new resources like geothermal? Axel from New Jersey

We're certainly looking at geothermal and will continue to at our global research centers.

Has or is GE developing technology to combat the rising consumer energy costs? Darryl from Pennsylvania

Our Consumer and Industrial business has been an Energy Star "Partner of the Year" for three years straight – mostly due to the efficient products we make and sell. From compact fluorescent light bulbs to hyper-efficient washers and dryers, GE helps consumers lower their power bills on a daily basis. Also, we are developing more efficient and lower emitting energy technologies, including alternative energy technologies, that will help maximize use of energy supplies.

More Questions from the Web:

I live in Brazil. I have experience in Finance. Could you, by any chance, accept my resume? Carlos from Brazil

Thank you for your interest in working for GE. We are consistently ranked one of the most respected companies in the world (e.g., *Fortune Magazine*, *Barron's*) and one of the best places to build a career (e.g., *Fortune Magazine* and *Chief Executive*). We are always looking to attract smart and dedicated people, and with more than 50% of our revenues now coming from outside the U.S., we are focused on building our global talent. With over 3,000 jobs posted daily, www.gecareers.com is a great way to keep up with our openings.

I am a retired GE employee. Can I look forward to an increase in my pension and benefits? Roger from Massachusetts

GE increased pensions for 130,000 retirees in November 2007, our eighth increase to pensioners since 1980. You can read the details here:

<http://www.genewscenter.com/Content/Detail.asp?ReleaseID=2799&NewsAreaID=2&MenuSearchCategoryID=sure>

What does your company do to promote diversity in the workplace? What are you and your company doing to make things better?

Diversity at GE has evolved over the years and the company has made many great strides. Jeff Immelt is the co-leader of the GE Diversity Council, along with Deb Elam, our vice president of diversity. They meet on a quarterly basis with the diversity leaders of each of our businesses to review our progress and goals. We have strong and proven processes in place to drive diversity hiring and promotions throughout the Company. These range from our annual talent review process called Session C where leaders are measured on our growth traits such as "inclusiveness," to our support of our "affinity networks" – employee groups which help drive and promote diversity through hiring, development, learning and retention. Our GE Women's Network just celebrated its 10th anniversary and has more than 150 "hubs" around the world. We also have an African-American Forum, Hispanic Forum and Asia Pacific American Forum – all of which have senior leadership sponsorship.

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