GARY L. ROGERS
Vice Chairman of the Board
and Executive Officer

ROBERT C. WRIGHT
Vice Chairman of the Board
and Executive Officer

JEFFREY R. IMMELT
Chairman of the Board
and Chief Executive Officer

DENNIS D. DAMMERMAN
Vice Chairman of the Board
and Executive Officer

DEAR STAKEHOLDERS:

GE is strong. In 2002, we grew earnings 7% and cash 10% in a tough economy, and our businesses improved their global positions with investments in technology and customer focus. We maintained our financial strength, remaining one of only seven Triple A-rated industrial companies, and GE's terrific people prepared your company for success in the 21st century. There is much to be proud of.

However, as measured by the stock price, this was a disappointing year for GE investors — including GE employees, who own almost 10% of our stock. We had targeted higher earnings growth, but as I will explain below, we had to increase reserves at ERC (Employers Reinsurance Corporation), our reinsurance business. We had to work through the general swirl around business practices and, perhaps most important, address concerns about our future growth. Our stock was down 39% for the year, more than the S&P 500, and GE now trades near the same level it did at the end of 1997.

As managers, it is our principal job to make and sell great products and services that people need and thereby increase earnings. Since 1997, our earnings have grown more than 80%... far in excess of the S&P 500's performance. If you have held GE stock for 10 years or more, the average total annual return on your shares has been 15% — more than one and a half times the 9% of the S&P 500. Through the cycles, your GE management team has consistently grown earnings, and I, along with our many managers, have no doubt that we will be able to continue to do this.

This was not a great year to be a rookie CEO. With a tough economy, a volatile political environment, and the impact of 9/11 and industry cycles, business challenges were plentiful. Add to that the presumption of widespread corporate fraud and there were not too many normal days in 2002.

However, I am an optimist. In many ways, this was the best time to take over a company. That is because the role of the CEO will, and should, change. And a new CEO — especially an optimistic one — can embrace change with an open mind. Let me share a few thoughts with you on how I am leading GE in this environment.

I believe that our reputation for integrity and honorable dealings is our most important asset. GE has not been immune to the fallout from recent bull and bubble markets. I hear from investors who are concerned about the quality of corporate earnings, the need for a solid balance sheet and sustainable cash flow, and the importance of responsible executive compensation and accounting standards. Let me assure you that GE will lead on all of these fronts.

As one example, a substantial portion of my compensation is linked to the performance of GE stock. Nearly 70% of my net worth is in GE stock. I hold my stock options to term (10 years), a practice I adopted when I became chairman and which I will continue. At the same time, I have asked our board's Compensation Committee to explore best practices on linking my pay even more closely with investor interests.

I strive for openness. I am committed to putting investors inside GE every day. It will take some time to get this right, but I am committed to the process. I want investors to understand how GE grows, and that our fundamentals are real and sustainable. When you have high-performing businesses run by talented managers, it is enjoyable to let the world know how the job is getting done. For example, in July we divided GE Capital into four distinct financial services businesses, each with its own growth strategies, leverage and balance sheet. This makes them easier to grow internally and clarifies them externally.

I believe in the GE team. I see every day just how special your GE team is. Its members are diverse and talented. They have unceasing curiosity and relentless drive. They understand the magic of GE … that what we imagine, we can make happen. Leading this group is the honor of my life. We are committed to work together, to deliver and always to put the company first.

Your GE team believes in high standards, and believes that strong integrity is the foundation of great performance. I hold myself to a high standard, and I know you will do the same.

Here is how we performed in 2002:

- Earnings before required accounting changes grew 7% to a record $15.1 billion. Earnings were on track to grow 17% to $16.5 billion, but we recorded a $1.4 billion charge for increasing ERC's reserves.
- Revenues grew 5% to $132 billion. Industrial sales grew 8%, more than twice the GDP and exceeding our 2001 growth rate. Financial services revenues were flat, reflecting lower interest rates. However, net revenues (revenues less interest costs) of Commercial Finance, Consumer Finance and Equipment Management grew a more robust 15%.
- Cash flow from operating activities (excluding progress collections) reached $15.2 billion, up 10%. Operating margin and return on average total capital remained near historic highs at 19% and 24%, respectively.
- We raised our dividend 6% in December, our 27th consecutive annual increase. Our yield is a very strong 3.1%, the highest at GE in nearly a decade. Overall, we returned $9 billion to our investors in 2002 through dividends and stock buybacks.

There is a job that belongs to you and your fellow investors, and not to me. That is setting a value on our future prospects in the form of a stock price. Last year, despite what we saw as a lot of progress in the face of headwinds, the market revised downward its perception of our future. Maybe the market had too rosy a view of many companies, and not just GE. But that is certainly not the case now. This is a great company with great prospects. When investors fully understand that fact — and I intend to make sure they do — valuation must change.

It starts with understanding our business model, our strategy for growth and our values.

THE GE BUSINESS MODEL

CEOs don't make the best economists. We make commitments, not forecasts. But it's safe to say things are very different today than in the late 1990s. We seem to be in the third year of a "post-bubble" cycle, made worse by the 9/11 tragedy. This period is characterized by slow economic growth — not a double dip, but without a spark — with tough pricing, volatile capital markets, difficult industry cycles, the threat of war and low corporate trust.

We don't see this environment as a negative. Rather, we believe this is an environment in which companies make their own success. This is the time for us to create our own growth through bold ideas and rigorous execution. And we have a business model that will enable us to grow in this economy.

Our Goal: To grow earnings 10%-plus annually with 20%-plus return on total capital … reliably, sustainably, through the cycles. Getting there depends on our solid business model:

- A diverse set of leading businesses driving performance
- Operating rigor with a focus on cash generation
- Great people in a culture of learning and accountability

A DIVERSE SET OF LEADING BUSINESSES

GE has great businesses, most of which we've been in for decades, some for 80 years or more. In addition to leading in their markets, these businesses have many traits in common: an unparalleled technical foundation; direct customer interfaces; multiple ways to make money through products, services and financing; global scale; and low capital intensity. The characteristics of our businesses allow us to outperform our competitors in each cycle; the combination of our businesses allows GE to perform through the cycles.

Power Systems is a great example. In 2002, its earnings grew nearly 30% as shipments of gas turbines in the U.S. peaked. This business has generated an incremental $7 billion of net income for investors during the four-year gas turbine bubble. We know that Power's 2003 earnings will be down as the demand for gas turbines declines. But Power is led by one of our most experienced teams. As a result, Power has no financial hangover from excess capacity or risky financing, so we can give our investors a soft landing. With an installed base of turbines and a multi-year services backlog that both have grown tenfold, and investment in new platforms including Oil & Gas and Wind Energy, Power is positioned for long-term growth and high returns.

Our performance in a difficult commercial aviation market has been excellent. Our earnings in Aircraft Engines and GECAS (our leasing unit) were down only 5% in 2002, despite a near 20% decline in commercial engine shipments and the bankruptcies of two major U.S. airlines. Our businesses are extremely well managed, and their leaders have been through these cycles before. We took cost out of the Engines business while investing $700 million in R&D to develop eight new engines. We have a successful family of engines for regional jets, the only growth segment in commercial aviation. Our service and military businesses should grow more than 15%, providing earnings momentum. Meanwhile, GECAS has kept a 1,100-plus fleet productive, with only 12 planes on the ground at the end of the year. Our in-depth knowledge of these assets and our global marketing skills have allowed GECAS to grow through the turmoil. We are managing through bankruptcies at major customers and have remarketed more than 140 aircraft. We will emerge from this cycle with strengthened customer relationships, ahead of our competition. These businesses should have double-digit earnings growth in 2003.

Medical Systems should also have an excellent 2003. Medical introduced 30 new products in 2002, the most in its history. The backlog of orders for these high-margin products is at an all-time high, and service growth continues at 11% annually. Medical's healthcare information technology business grew orders 30% in 2002 and is well positioned for 2003. Our Medical business is the global leader in diagnostic imaging and clinical information technology, two of the fastest-growing segments in healthcare. Medical has a vibrant leadership team with deep healthcare expertise, and the business is positioned for sustained double-digit growth.

NBC continues to outpace its competition in financial performance and ratings. Earnings grew 18% in 2002, a terrific performance that we expect will continue through 2003. Our prime-time ratings in key viewing demographics (adults ages 18-49) were 29% higher than the next network's, allowing GE to command a 50% share of the growth in the "upfront" (pre-season) advertising market. In 2002, we added the Telemundo and Bravo networks to NBC. Telemundo is well positioned to capture the growth in Hispanic advertising. Bravo's upscale audience parallels NBC's and creates new opportunities for content. Because of NBC's great performance, I was delighted to present Bob Wright and his team with our annual Chairman's Leadership Award for "best overall performance."

Our other short cycle industrial businesses—Plastics, Consumer Products, Industrial Systems and Specialty Materials—are well positioned for the future. They have been affected by the global economy and earned less in 2002 than they did in 1999. To combat this they have lowered costs, invested in new products, built global distribution and added new growth segments. These businesses have transformed themselves during a tough cycle, and they can achieve double-digit earnings growth with only moderate economic expansion in 2003.

Commercial Finance and Consumer Finance grew earnings by more than 15% last year, with attractive returns on equity. These businesses represent more than 80% of the earnings of the old GE Capital. We grew their assets by 16% in 2002, while losses and delinquencies remained stable. We acquired new platforms that are producing exceptional returns: Deutsche Bank's inventory financing business, ABB's structured finance business and Security Capital's real estate operations. Commercial and Consumer Finance have broad and deep leadership teams—people who know how to get the most from each cycle. These businesses have solid competitive advantages in low funding costs, strong risk management and global origination, and should deliver double-digit earnings growth in 2003 and beyond.

LEARNING THE HARD WAY

ERC stands in sharp contrast to GE's expectations for business performance. We pride ourselves on having sound strategy with strong operating accountability. A GE business can briefly get out of balance strategically or operationally, but rarely do we get both wrong at the same time. We did with ERC.

ERC experienced more than a decade of strong performance from 1984 to 1996. However, we allowed ourselves to go into more volatile, commodity insurance lines and new geographies, and we did not manage this expansion well. Our poor underwriting in the late 1990s resulted in ERC's losses in 2002. Although it offers little solace, our experience reflects that of the insurance industry, which has increased reserves by $25 billion to address poor underwriting during those years.

When businesses underperform, we owe investors four things: state the financial results with complete clarity; correct the issues with our best people and intense management; maximize returns for investors; and share the lessons to avoid repeating the mistakes. We are doing these things with ERC.

We have had a leadership team in place for the last two years that is fixing this business. ERC has exited its lower-return product lines, made a host of changes in operations and achieved $1 billion in price improvements in 2002 — and expects to maintain this momentum in 2003. ERC is improving every day, in an industry that is heading toward stronger returns for the next few years.

As you can see, GE will post solid growth in 2003 because of our business diversity. Power Systems will be down, as expected; however, the rest of the company is positioned for double-digit growth.

OPERATING RIGOR

Strong processes are the foundation of our operating rigor. We are in the ninth year of Six Sigma at GE, and it has become a permanent initiative — Six Sigma is the way we work. During the last year we completed more than 50,000 projects, focused primarily in three areas: working with our customers on their issues; improving our internal processes to improve our customer interfaces and generate cash; and improving the flow of high-technology products and services to the marketplace.

We are in the fifth year of building a digital capability to make GE leaner and faster. Digitization is now generating $2 billion in annual productivity savings through sourcing and infrastructure. At the same time, we have used digitization to link with our customers' workflow and improve service.

Increasingly, the focus of our operating rigor is on growing cash flow. Cash is a priority for our leadership team and represents 60% of the measurement used for their incentive compensation. Six Sigma is creating repeatable and reliable processes that allow us to reduce cash tied up in inventory and receivables. Through digitization we are getting more from our fixed assets. We plan to generate nearly $30 billion in operating cash flow ex-progress in 2002-2003.

We took several actions to strengthen our balance sheet in 2002. We improved our liquidity by reducing the commercial paper of our financial services businesses to 31% of their total debt outstanding. We also infused more than $6 billion into those businesses to increase capital and reduce leverage. GE's Triple A rating was affirmed by the rating agencies, and our rigorous approach was recognized. We received four awards, including "Borrower of the Year" and "Best Corporate Issuer," from bond investors and underwriters surveyed by *International Finance Review*.

Financial strength gives us the ability to invest in growth, and we have viewed this economic cycle as a time to invest. We have increased the number of engineers, salespeople and service resources. We will invest more than $3 billion in technology, including major investments in our global research centers. We've strengthened our commitment to China, increasing resources there 25% in 2002, and we've increased our presence in Europe, where GE should exceed $30 billion in revenues in 2003.

Acquisitions are a key form of investment for us. We have invested nearly $35 billion in acquisitions over the past two years. Acquisitions are a way to redeploy cash flow for future growth. The key is discipline: we buy the right businesses at the right price and grow them. Our acquisitions tend to be between $100 million and $2 billion in value, in industries we know. Our industrial acquisitions are companies with high margin rates and low capital requirements where GE can boost growth and cash flow. Our financial services businesses consolidate portfolios when GE can improve funding cost, risk management and growth. Our investment screen is simple: we expect a 15% cash-on-cash return by year five, or we don't do the deal.

TECHNICAL LEADERSHIP that expands margins and grows the installed base

SERVICES ACCELERATION that improves returns, competitiveness and customer satisfaction

ENDURING CUSTOMER RELATIONSHIPS that are unbreakable because we win together over the long term

GLOBALIZATION as a way to grow faster and be more competitive

RESOURCE REALLOCATION to build positions in new markets where we can achieve superior growth and returns

In 2002, we saw just how this strategy can work. We acquired Betz Dearborn, an industry leader in water services. This business has a powerful asset: 2,000 sales engineers who are so committed to their customers that they practically live on site, creating powerful relationships and new cross-selling opportunities. Another acquisition, Interlogix, is a medium-sized player in security systems. It has excellent technology that, when combined with our services capability, will create new opportunities. At year-end, we announced the acquisition of Instrumentarium, a leading provider of medical equipment and services for the operating room. We view this as a new platform in the operating room, where GE can add services and integrate technology.

Throughout our history, making smart bets at the right point in the cycle has improved share owner returns. This is an excellent time to invest for long-term growth. Assets are fairly priced, and with our financial strength we can move ahead of the competition.

PEOPLE AND CULTURE

My job is to attract and keep talented and loyal people who work together as a team. During a volatile year, our voluntary attrition among the top 600 leaders was less than 3%. We named 22 new officers, 41% of whom are global and diverse. We continued our $1 billion investment in training, and our Welch Learning Center at Crotonville remains a vital part of the GE culture. As some companies stopped hiring, we increased on-campus recruiting and launched a Commercial Leadership Program aimed at growing a new generation of customer-focused leaders.

At the same time, we continue to build a culture based on performance, compliance and teamwork. The GE people appearing throughout this report represent the best of this culture. They imagine, they lead and they perform.

They exemplify our new slogan, *Imagination at Work*. GE has a rich century-old tradition of great brand campaigns, and *Imagination at Work* upholds the standard. But the best thing about it is that it tells the world about the spirit and passion of GE employees — their curiosity, drive, hard work, warmth and humor. For GE employees, *Imagination at Work* is a daily rallying cry to say: "what we imagine, we can make happen."

We strive to make GE a meritocracy, where the best-performing people get the best rewards. But everyone must operate in a system where the company comes first. We all serve under the same integrity policy and compliance program, our compensation plans are broad-based, our businesses work together, and we have one human resources system. When the company wins, we all win.

OUR STRATEGY FOR GROWTH

The best strategies create value for customers and investors. For customers, we can improve their profitability in tough environments. For investors, we can create sustainable and valuable growth through the cycles. We believe that GE can do both. We are taking the company to a place where few can follow … big, fundamental, high-technology infrastructure industries in which GE can have enormous competitive advantage.

We are creating a better company — a global Technology, Services and Financial enterprise capable of expanding growth, cash, and returns on capital through the cycles. Our strategy for growth is based on five key elements:

- Technical leadership that expands margins and grows the installed base
- Services acceleration that improves returns, competitiveness and customer satisfaction
- Enduring customer relationships that are unbreakable because we win together over the long term
- Globalization as a way to grow faster and be more competitive
- Resource reallocation to build positions in new markets where we can achieve superior growth and returns

TECHNICAL LEADERSHIP

Technology is the heart of the strategy, because it drives valuable growth. Great products are the antidote to deflation — customers will pay a premium to GE for them because they make customers more profitable. The GE Evolution™ Series locomotive we announced in December offers customers 40% lower emissions and improved fuel efficiency and reliability — all of which lowers the cost of ownership.

Technology is a total company capability. New product introductions grew by 25% in 2002 and came from all 13 businesses. Some create demand in high-tech markets, like Medical's Innova® 4100. This is the

THE GE LEADERSHIP TEAM

Representatives of GE's operating and corporate management… united by curiosity, drive and imagination

industry's only digital flat-panel interventional cardiac imaging system; it is expected to generate $150 million of revenue in year one, and it has no competitors. Other products create demand in old industries. In 2003, our Consumer Products business will introduce high-end cooktops and ovens, refrigerators, dishwashers, washers and dryers that can lead their categories.

GE leverages technology in unique ways through our Global Research organization. Our first Global Research Center, opened more than 100 years ago in Schenectady, N.Y., was the birthplace of corporate research and development. Today we're extending our reach with centers in India, Germany and China. Global Research has become a hub for change because it allows us to invent new technologies and discover new applications across our businesses.

Renewable energy is a great example. In March 2002, we acquired Enron's wind power assets for $180 million. We knew their customers, but not their expertise. But through Global Research, in nine months we infused technology from around GE, from materials to controls to generators. As a result, we have improved the performance of the existing fleet, given the business the means to produce more efficient and powerful new turbines, and added a business that should generate revenues in excess of $1 billion in 2003 with solid profitability. We have become a global leader in wind energy in less than a year because of our diverse businesses and Global Research. In two years, GE Wind will pay for itself. Only GE can do this.

Technology leadership expands the capability of every GE business. But its most important benefit is the creation of a huge installed base of long-lived, proprietary technology, and opportunities to provide that base with services for years to come.

SERVICES ACCELERATION

Services leadership accelerates high-margin growth and creates competitive advantage. When you own the technology, there is never excess capacity. Our advantage lies in a high-tech installed base of jet engines, power turbines, locomotives and medical devices. This base has grown fourfold since the mid-1990s, and it remains one of our most valuable assets. Our multi-year services backlog is $75 billion today, nearly as big as all of GE in 1996. In 2003, we expect services revenues of $23 billion, growing at double digits, with margins of more than 25%.

Many people assume that high margins mean that the customer is getting a bad deal. The opposite is true. Services put GE on the same side as the customer and bring us closer. We win together. Customers like Southwest and KLM have found that we make them more profitable by delivering more fuel efficiency, more time on wing and better service.

In the railroad industry, the key customer metric is asset utilization — the time a train is working. We have a set of information technology services that can increase asset utilization by two percentage points. This represents a substantial potential savings for the industry and approximately $350 million in revenues for our Transportation business.

Services by definition keep you focused on your customers. And when you are solving customers' problems, your potential for growth is endless.

ENDURING RELATIONSHIPS

We want GE to have enduring relationships with customers. This has been my passion for many years. I admit that when I discuss it inside the company or among investors, eyes can glaze over. Talking about customers seems too soft.

Let me put it as simply as I can. Customers win when we provide better products; they win when we provide better service; they win when we can generate productivity through information management; they win when we can provide needed capital.

GE operates in huge, global, fundamental industries: airlines, railroads, hospitals, utilities, retailers and mid-market businesses. A company that provides products and services and information and financing in markets it's been in for decades can have enduring relationships. The challenge I have set out for GE is to be innovative, productive and competitive so that we can do this again and again and again.

Healthcare is a great example of what I mean. This is a $4 trillion global industry, growing more than 10% each year. It's also filled with challenges. Healthcare affordability is a social issue, with costs heading toward 20% of the U.S. GDP by the end of the decade. Only 50% of our customers are profitable. GE can help.

(top) **DAVE CALHOUN**
President and CEO,
GE Aircraft Engines

BEN HEINEMAN
Senior Vice President,
General Counsel and Secretary

JOHN RICE
President and CEO,
GE Power Systems

BILL CONATY
Senior Vice President,
Human Resources

KEITH SHERIN
Senior Vice President, Finance,
and Chief Financial Officer

CHARLENE BEGLEY
President and CEO,
GE Transportation Systems

MIKE NEAL
President and CEO,
GE Commercial Finance

(bottom) **SCOTT DONNELLY**
Senior Vice President,
Global Research

DAVE NISSEN
President and CEO,
GE Consumer Finance

JOE HOGAN
President and CEO,
GE Medical Systems

LLOYD TROTTER
President and CEO,
GE Industrial Systems

LYNN CALPETER
Vice President,
Audit Staff

FERDINANDO BECCALLI
President and CEO,
GE Europe

(top) **BILL WOODBURN**
President and CEO,
GE Specialty Materials

MIKE FRAIZER
President and CEO,
GE Insurance

BILL CARY
Vice President,
Financial Planning and Analysis

GARY REINER
Senior Vice President and
Chief Information Officer

BETH COMSTOCK
Vice President,
Corporate Communications

JOHN KRENICKI
President and CEO,
GE Plastics

(bottom) **JIM CAMPBELL**
President and CEO,
GE Consumer Products

ART HARPER
President and CEO,
GE Equipment Management

BOB JEFFE
Senior Vice President,
Corporate Business Development

JIM PARKE
Senior Vice President, GE, and
Vice Chairman, GE Capital Services

YOSHIAKI FUJIMORI
President and CEO,
GE Asia

RON PRESSMAN
Chairman, President and CEO,
Employers Reinsurance Corporation

RICH WACKER
Vice President,
Corporate Investor Relations

We have broad technical expertise and a huge installed base in important parts of a hospital — radiology, cardiology, and surgery. Our technology can improve patient treatment, which makes hospitals more profitable. Through our healthcare services agreements, we are the hospital's productivity partner. We completed more than 4,000 Six Sigma projects with healthcare providers in 2002, and these projects are improving the quality of patient care and lowering costs. We have clinical information technology that addresses our hospital customers' digital needs. We created a Healthcare Financial Services business in 2002 to solve customers' financing problems across a variety of platforms. Because of this depth and diversity, we can sit in a CEO's office or with a radiology technician and help a hospital create a better future.

The phrase "solutions provider" is so overused, it makes us all snore. I want GE to be essential to those whom we serve … a critical part of the profit equation … a long-term partner … a friend.

GLOBALIZATION

Globalization multiplies growth by taking our capabilities everywhere. Global strategies also create faster growth and reduce costs by distributing market and engineering resources. We believe that the two most important markets for GE in the next few years are China and Europe.

5 X 5 IN CHINA

People talk about China as either an opportunity or a threat. The most successful China strategy is to capitalize on its market growth while exporting its deflationary power. We have a vision for China: $5 billion in revenue and $5 billion in sourcing — "5 x 5" — by 2005.

Four of our businesses have built service and production capabilities in China. Plastics has as many salespeople in China as it does in the U.S. We are playing there as one GE, meaning that our business diversity makes us a perfect partner for a large country like China and its complex infrastructure needs.

Our CF34® engine was selected as the sole choice for China's regional jet program, which ensures that GE will have a lead position in the Chinese aviation market when the jet (the ARJ21) is ready to fly in 2007. We accomplished this by partnering with key constituents across China and the U.S. to develop our solution. We worked with the aviation industry to expand the design and the range of our capabilities, and we worked with local technology groups to brand our engines. And we brought local leaders to Crotonville to participate in our leadership training programs. By acting as one GE— not just as an aircraft engine supplier — we secured an important point of leverage in a growing market. As a result, Plastics, Medical, Engines and Power are each heading toward $1 billion in revenue in China.

At the same time, we are building our sourcing capability. We will open the Shanghai Global Research Center in May, which will speed our sourcing qualification process. Our Consumer Products business will have 25% of its sourcing based in China by 2005, which will transform its cost base. And we are designing and manufacturing technical products like magnetic resonance (MR) and computed tomography (CT) devices in China. Keep in mind, $5 billion in sourcing from China generates $1 billion in cost savings for GE.

EUROPE: SMALL WHERE WE SHOULD BE BIG

We also believe it is a good time for GE in Europe. Europe is a big market going through significant changes of enlargement and conversion. The market is growing slowly, but GE has a massive opportunity there because we are small where we should be big. We have half the market share in Europe that we have in the U.S. We believe that the combination of market enlargement and regulatory convergence will help us drive a more profitable future in Europe.

Our European Consumer Finance business is a great example of what is possible. This business operates in 17 countries, with 11,500 people. In five years, we have gone from nothing to $700 million in earnings in Europe, through great marketing and business development. We are a local company with global strength and limitless growth opportunity.

RESOURCE REALLOCATION

We are allocating capital to new businesses that will increase growth with high returns. We like global markets where we can build technical leadership, interface directly with customers and develop multiple ways to make money. We favor businesses that require "human capital" (engineers, salespeople, risk managers) as opposed to "physical capital" (factories).

We are building a large presence in industries where we can lead. We have identified six new platforms that we believe can be big, each having $1 billion of operating profit within the next few years: healthcare information technology, water technology and services, oil and gas technology, security and sensors, Hispanic broadcasting, and U.S. consumer finance. I view these as our "children." Someday each one can grow to be a full-scale GE business. Today they represent $9 billion in revenue and $2 billion in operating profit. They are generating 15% annual organic growth, with even more available through business development. All can have returns on capital in excess of 20%. With GE's people, technology and experience, we can quickly lead in these markets.

Our entry into water technology is a good example. It is a $35 billion global industrial market, growing 8% each year with high margins. It's a fragmented industry whose customers are outsourcing more and more of their water requirements. We acquired Betz Dearborn and agreed to acquire Osmonics, which together have a run rate of $1.5 billion in revenues going into 2003, with operating margins near 20%. Our technical, service and globalization skills go right to the core of this business, and additional acquisitions will help round out our offerings. We aim to grow it 15% annually and, by 2005, have a $4 billion global business leader.

At the same time, we have businesses that cannot generate the long-term earnings growth or returns our investors expect. In 2002, we sold GE Global eXchange Services for a gain of nearly $500 million. This was not a bad business; however, we did not believe we could grow it effectively. We also decided to wind down and exit our Equity portfolio. This is not an operating business, we lack competitive advantage, and it no longer makes sense for our investors. We will be aggressive in redeploying capital within the company in 2003.

GE VALUES

Values. Where the culture starts and stops. Where people are committed to the greater good of the company, to our customers' success and to each other.

We feel great about GE today, and about what it means for our future. In 2002, for the fifth consecutive year, we were named "The World's Most Respected Company" in a *Financial Times* survey of 1,000 global CEOs. They placed GE first for integrity.

Awards are great, but ultimately, integrity is proven by the actions and decisions — millions each day — of hundreds of thousands of people across this company. Meeting our commitments. Performing with integrity. This is the foundation from which we govern GE.

I want your company to take a leadership role in governance. So much attention has been paid in the past year to corporate trust — who has it, who doesn't. We believe it's about action, not about words. That's why, in November, we outlined a set of principles and actions that strengthen GE for the future.

Our Audit Committee oversees a rigorous process that starts at the top. As CEO, I review these businesses constantly. Our business leaders report their results quarterly using standards that conform to SEC requirements. We have a 450-person internal audit staff constantly reviewing and improving our financial rigor. One-third of our business leaders has served on our audit staff. Led by our CFO, we have very strong accounting oversight and principles. We have all grown up in a culture where compliance and integrity come first. I've been signing letters attesting to the validity of results for years.

GE has always had a strong and independent board, and we are updating our practices for the current environment. We will go beyond the letter of the Sarbanes-Oxley Act and the New York Stock Exchange listing requirements to enforce the spirit as well. We want directors to probe with hard questions that stretch management and deal in depth with core issues confronting GE. We expect directors to have even greater involvement and participation both in understanding the company and in advising the leadership team. Directors must be our most constructive critics and our wisest counselors.

Our board has created the position of presiding director to guide its independent activities. My own role on the GE board is clear. I have two functions: lead the company as CEO with integrity, clarity and purpose, as measured by financial performance and reputation; lead the board as Chairman with vision and openness, at meetings where we energetically debate the proper strategic direction for the long-term interest of GE investors. GE is a very large, multi-business company, and the board and I believe that you are best served by having one person fill both roles.

To grow earnings 10%-plus annually with 20%-plus return on total capital… reliably, sustainably, through the cycles

That I have two functions means the board must trust my judgment and character. I am more than willing to be judged on the quality of my ideas and the impact of my decisions. Just to make sure I never lose my way, I work without a contract, serving meeting to meeting at the will of the board.

We have visibly aligned executive compensation with investors. We implemented a stock ownership requirement for the top 24 GE executives, which will be measured as a multiple of their salaries. We will hold this stock as long as we work for GE.

On top of this, we have instituted a one-year holding period for GE shares that top executives acquire through option exercises. We want to eliminate any concern that our leaders would cause a short-term increase in the stock price for personal gain.

And we are voluntarily expensing stock options to improve the spirit of transparency. We will continue to distribute stock options because they align managers with investors and retain our best talent.

We have increased communication with investors. We have significantly increased the quantity and quality of our financial disclosures and investor interfaces, including webcasts on quarterly results, 25% more investor meetings, and much fuller SEC-required reports. We reorganized GE Capital and gave greater clarity to our financial services businesses.

Despite all the good work done by the New York Stock Exchange and Sarbanes-Oxley, there are no sets of laws or rules that can stop a bad culture. All the public failures have one thing in common: phony heroes in weak cultures who were allowed to operate outside the system.

One concern that keeps me up at night is that among the 300,000-plus GE employees worldwide, there are a handful who choose to ignore our code of ethics. I would be naïve to assume that a few bad apples don't exist in our midst. We spend billions each year on improving our training, enforcing our compliance with ethical norms and reinforcing our values, all to preserve our culture and protect one of our most valuable assets — our reputation.

The one truth I know — and know absolutely — is that the right people are in GE's boardroom and on our leadership team.

I want you to know that this company has world-class standards for governance and compliance. GE will take a leadership position at any time to restore public trust in corporations. The strength of this company is deeply ingrained in our culture and values.

NOW IS THE BEST TIME FOR GE

Your company enters 2003 with momentum and the confidence that performing in a tough environment can bring.

We are prepared to win in a slow-growth, volatile, global economy. With our proven operating model, we get the most from each of our businesses and offer investors safe growth and reliable returns.

Our strategy is in place. We are making GE a better company. We are creating a global Technology, Services and Financial enterprise capable of expanding growth, cash and returns on capital throughout cycles. We are crafting new platforms for growth in new markets. We are forging tighter, more enduring bonds with our customers so that we both win. And we are committed to meaningful governance.

We are a company that does what few others can do and goes where very few can follow. We are a company you can believe in.

I thank you on behalf of the GE team for your continuing support. I hope you believe, as I do, that our best days are ahead.

Jeffrey R. Immelt
Chairman of the Board
and Chief Executive Officer

Dennis D. Dammerman
Vice Chairman of the Board
and Executive Officer

Gary L. Rogers
Vice Chairman of the Board
and Executive Officer

Robert C. Wright
Vice Chairman of the Board
and Executive Officer

February 14, 2003