GROWING IN AN UNCERTAIN WORLD

GENERAL ELECTRIC 2003 ANNUAL REPORT

Through the cycles, GE's long-term financial goals are: revenue growth of twice the U.S. Gross Domestic Product (GDP); 10%-plus annual earnings growth; operating cash flow growth greater than earnings; and a return on total capital exceeding 20%.

Here is how GE performed in 2003:

- Revenues grew 1% to $134.2 billion. Excluding Power Systems and the expected impact of the decline in U.S. gas turbine shipments, revenue grew 6%, about twice GDP growth.
- Earnings before required accounting changes grew 3% to $15.6 billion, or $1.55 per share. Excluding Power Systems, earnings grew 17%.
- Cash flow from operating activities was $12.9 billion, up 28%, reflecting a $2.2 billion improvement from inventory, receivables and payables. Return on average total capital remained strong at 19.9%.
- The Board of Directors increased the dividend 5% for GE's 28th consecutive annual increase. At year-end, GE's yield was 2.5%, a 40% premium to the S&P 500. GE returned $8 billion to investors in 2003, primarily through dividends.
- GE remained one of only seven triple-A rated industrial companies. The Company continued to reduce "parent-supported debt" at GE Capital, with total reductions of more than $9 billion over 2002–03. Commercial paper as a percentage of total debt remained below 30%.
- Total return for GE shareholders (stock price appreciation assuming reinvested dividends) was 31% versus the S&P 500's total return of 29%. At year-end, GE traded at a price/earnings ratio (P/E) of 20, a slight discount to the S&P 500.
- GE continued to earn the respect of the business world. For the sixth consecutive year, GE was named "The World's Most Respected Company" in the *Financial Times* annual global survey of CEOs. GE was ranked first for governance and integrity.

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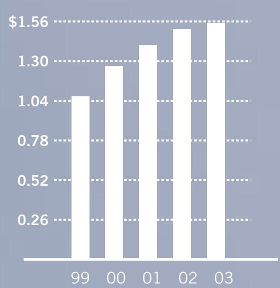
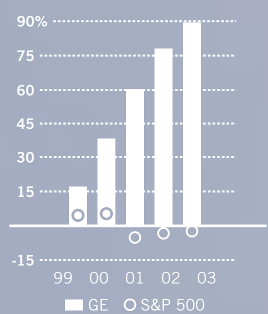
CONSOLIDATED REVENUES
(In billions)

EARNINGS PER SHARE BEFORE ACCOUNTING CHANGES
(In dollars)



GE/S&P CUMULATIVE DIVIDEND GROWTH SINCE 1998



Dear Fellow Stakeholders,

We made GE a stronger Company in 2003. Our businesses performed solidly despite downturns in aviation and energy, high oil prices and slack industrial demand. We grew operating cash flow 28% and strengthened our balance sheet. We invested more than $4 billion in technology and launched dozens of leading-edge products. We grew our services revenues 10% and global revenues 14%. We reorganized our businesses around markets to simplify our operations and deepen our relationships with customers. And we committed more than $30 billion to portfolio moves to create faster-growth industrial businesses and improve our returns from financial services.

Overall, we made tremendous progress on the strategy for long-term growth that I outlined in our last annual report. As you will see in this report, our actions in 2003 addressed the key question investors asked us last year:

How will you grow in an uncertain world?

Our earnings in 2003 trailed our long-term goal of double-digit growth. We will have another challenging year in 2004 as we go through the final year of the U.S. gas turbine decline, lower non-cash pension earnings and the impact of portfolio moves. But this is a great time for your company. The GE team, working with the support of your Board of Directors, is completing a dramatic strategic repositioning of GE while continuing to execute at a high level. We have put together all of the major pieces to generate consistent double-digit growth starting in 2005.

Two important CEO lessons were reinforced for me last year: the value of context, and the importance of driving change. By "context" I mean understanding important global trends and their impact on GE. I believe we are going through a time of rapid and meaningful changes to the economic environment. My belief has only increased my desire to accelerate change at GE. GE must look different … act different … *be* different … to excel in the years ahead.

Over the next few pages, I want to describe the environment we see and the changes we are driving to build a company that wins in the future.

THE ENVIRONMENT WE SEE

Future economic growth will be uneven. To succeed, companies must navigate major global trends that will have significant impact on valuation. These include:

- An increasingly interdependent global economy wracked by excess manufacturing capacity and the resulting price pressure. This is why unemployment remains stubborn and margin growth is tough to achieve. Winning companies will invest in innovation and build new revenue streams from their current capabilities.
- A new economic order of global competitiveness and growth. Competition from places like China and India has evolved beyond low-cost manufacturing labor to include highly competitive engineering graduates who earn less than production workers in the developed world. Winning companies must think globally, but understand local consequences. Only competitive companies can serve investors, employees and stakeholders during this dramatic phase of globalization.
- A move to consolidate distribution channels, which creates value for consumers but makes it difficult for manufacturers to maintain margins. Winning companies will have strong direct sales forces, low costs and value propositions that tie their own profitability to their customers'.
- An opportunity to build growth platforms based on unstoppable demographics. Winning companies will sustain long-term growth by betting on high-growth markets to which they can bring unique technical and management capabilities.
- A more volatile and uncertain world. The underlying insecurity created by 9/11 and the stock market bubbles will not end soon. Winning companies will keep the confidence of customers, investors and employees by maintaining financial and cultural strength.

In this environment, GE can outperform by executing our strategic imperatives: *sustain our strong business model; strengthen our portfolio;* and *drive our growth initiatives.* These are the imperatives on which we executed in 2003.

THE GE BUSINESS MODEL

GE is a multi-business growth company bound together by common operating systems and initiatives, and a common culture with strong values. Because of these shared systems, processes and values, the whole of GE is greater than the sum of its parts.

I judge our model's success along two dimensions: broad-based financial contribution of our businesses, measured by the number of them that grow earnings at double digits; and continuous improvement of our execution, measured by cash flow growth and balance sheet strength. Along both dimensions, GE had a successful 2003.

Two-thirds of our businesses had double-digit earnings growth. Our performance leaders were Consumer Finance (+20%), NBC (+21%), Medical Systems (+10%), Specialty Materials (+35%) and, in a very tough market, Consumer Products (+13%). Our best overall performer, and winner of the Chairman's Leadership Award, was Commercial Finance. Mike Neal and his team grew earnings 18% and had an excellent strategic performance that improved both returns and market position.

Two businesses that excelled even without double-digit earnings growth were Power Systems and Aircraft Engines. Power Systems' earnings declined 35%, as demand for gas turbines in the U.S. returned to normal after five years of a "bubble." However, John Rice and his team have built powerful services, oil and gas, and renewables businesses, which together had nearly $12 billion of high-margin revenues, up 30% in 2003. While we expect one more year of declining turbine shipments in the U.S., Power Systems—now called GE Energy—is positioned for sustained double-digit growth starting in 2005.

The last three years were the worst in the history of commercial aviation, yet in 2003 Aircraft Engines still grew earnings 4%. Dave Calhoun and his team kept investing in technology, services and customers. They and their partners launched a total of six new

(right to left)

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

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

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

commercial engines, won significant new commercial engine orders and built a $28 billion multiyear services backlog. This year, Aircraft Engines is combining with our Rail business to form GE Transportation. With revenues per airline passenger mile growing, and with Charlene Begley and her Rail team expecting locomotive shipments to grow more than 20%, Transportation should see double-digit earnings growth in 2004 for the first time in three years.

Our biggest earnings issue in 2003 was Plastics, where operating profit was more than 70% below 2000 levels. In 1994, when I ran a substantial portion of Plastics, Jack Welch almost fired me because we only grew earnings 7%, nowhere near our 20% target. But we made the business better. John Krenicki, one of our best young leaders, is now running it, and he's going to improve it, too. But with industry overcapacity and high raw material prices, there are no easy answers for John and his team. They are focusing on higher-margin specialty applications and products. They lead in China, the world's fastest-growing plastics market. They are getting smarter about the way they purchase raw materials. And, in a difficult year, John and his team still generated more than $1 billion in cash flow from operating activities. I'm not sure when Plastics will get back to 2000 profit levels. However, our commitment is to get there ahead of the industry.

There is proof that you can get out of the "GE Doghouse." Last year, I wrote about our disappointment with Employers Reinsurance Corporation (ERC), and I raised questions about the reinsurance industry and our ability to execute. However, I like the way Ron Pressman and his team are executing. They have exited unprofitable lines and written disciplined, high-return new business. Their balance sheet and investment returns are strong. ERC is now a much more stable business with multiple strategic options.

Cash is the best reflection of operating discipline, and in 2003, our cash flow from operating activities (CFOA) grew 28%, including a $2.2 billion improvement from inventory, receivables and payables. This and other actions helped keep our balance sheet strong and maintain our triple-A ratings. We have improved our financial flexibility by reducing "parent-supported debt" at GE Capital by more than $9 billion over the past two years. We increased our U.S. pension surplus, now at $6 billion, and we expect to be able to meet our obligations to our pensioners without having to contribute cash to the GE Pension Plan for the foreseeable future. By 2005, we should be generating approximately $5 billion of free cash flow.

About one-third of our Six Sigma specialists are now working on a new initiative called "cash entitlement." This is the difference between our performance in a process — for example, inventory turnover at Plastics — versus being twice as good as our competition. Reaching cash entitlement in all of our businesses would free up an additional $7 billion in cash.

GE has operating momentum. Our markets are more favorable than they have been since 2000. Energy has one more down year, but is positioned for years of double-digit growth thereafter. In 2004, we should have double-digit earnings growth at nine of 11 businesses, with CFOA growing in double digits as well.

BUILDING A STRONGER PORTFOLIO

In 2003, we announced three transformational moves: Amersham, NBC Universal, and Genworth. Each of these moves addresses our future in a different way.

We agreed to acquire Amersham for about $10 billion, extending our Medical Systems business into diagnostic pharmaceuticals and life sciences. The addition of Amersham will create a $15 billion Healthcare business in 2005, up from $4 billion in 1996. Our traditional leadership in diagnostic imaging, services and healthcare information technology has long been supported by an excellent leadership team with a strong reputation among our customers. Now, with Amersham's Sir William Castell, our Joe Hogan, and their teams, we will have the talent in place to develop an extraordinary new era in medicine.

The context of healthcare is compelling. In the emerging era of biotechnology, advanced diagnostics and targeted therapies are moving to the forefront of healthcare delivery. The combination of our imaging technology and Amersham's pharmaceutical biomarkers will allow us to uncover genetic tendencies toward diseases such as breast cancer or Alzheimer's; the combination of our high-tech services and Amersham's drug discovery business opens up new ways to support pharmaceutical customers; the combination of our healthcare information technology with Amersham's predictive therapeutic capabilities builds a bridge to personalized medicine. The combination of Medical Systems with Amersham will make GE the most comprehensive diagnostic company in healthcare and create the potential for decades of profitable growth.

The merger of NBC with Vivendi Universal Entertainment (VUE) will create a media company positioned for a digital future. Over the years, we have built a strong NBC franchise. However, broadcast television will be impacted by changes in entertainment technology and distribution, and we felt that NBC could not stand still. VUE adds tremendous assets to NBC, including great content, attractive cable services, a leading film studio, diversified revenue streams and an excellent management team.

We structured an effective deal for our investors and Vivendi's. NBC Universal, as the venture will be called, builds on the value we have created in NBC and requires a limited amount of upfront consideration — $5.5 billion compared to a $14 billion value for VUE's assets. Our partner expects to realize a potentially greater value as NBC Universal performs over time. Bob Wright is a proven industry leader and has a strong team in place. Bob has a track record of creating tremendous value for GE investors. He and his team will do the same with NBC Universal.

Under the leadership of Dennis Dammerman, we began the disposition of a substantial portion of our insurance businesses in 2003. We freed up $4.5 billion of cash through the sales of Financial Guaranty Insurance Company, GE Edison Life in Japan and our auto insurance business, and we began the process for an initial public offering of our principal life and mortgage insurance businesses through a new company called Genworth Financial. We plan to sell 30% in the IPO and expect to sell down our stake in the next few years. These actions will reduce our investment in insurance by 65%.

GROWTH ENGINES

ENERGY

GE Energy is one of the world's leading suppliers of technology to the energy industry, providing a comprehensive range of solutions for oil and gas, traditional and renewable power generation and energy management.

COMMERCIAL FINANCE

GE Commercial Finance offers businesses an array of financial services and products worldwide. With particular expertise in the mid-market segment, Commercial Finance also offers loans and financing leases for major capital assets, including aircraft fleets, industrial facilities and equipment, and energy-related facilities; real estate loans and investments; and loans to and investments in public and private entities in diverse industries.

NBC

America's first broadcast network, NBC is a diverse, international media company with the Number One-ranked U.S. television network, 29 owned and operated stations, cable channels CNBC, MSNBC and Bravo, and Spanish-language broadcaster Telemundo. NBC and Vivendi Universal Entertainment have agreed to merge and form NBC Universal, creating one of the world's fastest-growing media companies.

HEALTHCARE

GE Healthcare is a global leader in diagnostic and interventional medical imaging, information and services technology. The pending acquisition of Amersham plc, a world leader in diagnostic imaging agents and life sciences, will transform GE Healthcare into the world's most comprehensive medical diagnostics company.

CONSUMER FINANCE

GE Consumer Finance is a leading provider of credit services to consumers, retailers and auto dealers in over 38 countries around the world. The business offers a range of financial products, including private label credit cards, personal loans, bank cards, auto loans and leases, residential mortgages, corporate travel and purchasing cards, debt consolidation, home equity loans and credit insurance.

TRANSPORTATION

GE Transportation comprises Aircraft Engines and Rail, two industry-leading business units whose products and services span the aviation, rail, marine and off-highway industries with jet engines for military and civil aircraft, freight and passenger locomotives, motorized systems for mining trucks and drills, and gas turbines for marine and industrial applications.

INFRASTRUCTURE

GE Infrastructure is a high-technology platform comprising some of GE's fastest-growing businesses. They offer a set of protection and productivity solutions to some of the most pressing issues that industries face: pure water, safe facilities, plant automation and sensing applications for operating environments.

Leading with ***PORTFOLIO TRANSFORMATION***

CASH GENERATORS

CONSUMER & INDUSTRIAL

GE Consumer & Industrial serves customers in more than 100 countries with appliances, lighting products and integrated industrial equipment, systems and services sold under the Monogram®, Profile™, GE®, Hotpoint®, SmartWater™ and Reveal® consumer brands, and the Entellisys™ industrial brand.

ADVANCED MATERIALS

GE Advanced Materials is a world leader in providing customers in a wide range of industries with materials solutions through engineering thermoplastics, silicon-based products and technology platforms, and fused quartz and ceramics.

INSURANCE

GE Insurance offers a wide range of insurance and investment products. For businesses, GE Insurance provides insurance and reinsurance products to insurance companies, Fortune 1000 companies, self-insurers and healthcare providers. It helps consumers create and preserve personal wealth, protect assets and enhance their lifestyles.

EQUIPMENT SERVICES

GE Equipment Services helps medium- and large-sized businesses around the world manage, finance and operate a wide variety of business equipment. Products and services include operating leases, loans, sales and transportation asset management services.

As of January 1, 2004, GE has reorganized its 13 businesses into 11 focused on markets and customers— seven Growth Engines, which generate about 85% of earnings and are market leaders with strengths in technology, cost, services, global distribution and capital efficiency; and four Cash Generators, which consistently generate strong cash flow and grow earnings in an expanding economy.

This chart reflects the most significant changes: the combination of Aircraft Engines and Rail into GE Transportation; the combination of Industrial Systems and Consumer Products into Consumer & Industrial, with portions of Industrial Systems moving to other businesses; and the formation of Infrastructure from portions of Industrial Systems and Specialty Materials. Results for 2003 in this annual report are reported on the 13-business basis in effect in 2003.

The board and I are not selling insurance businesses out of frustration at their operating performance. Insurance is simply not the right business for us in the future. It requires significant capital to grow, and it does not fully leverage GE's capabilities. We decided that Genworth will be far better off as an independent insurance business. With Mike Fraizer leading one of the best teams in the industry, and with direct access to the capital markets, I believe that Genworth can win.

2003 was the biggest acquisition year in our history, with total commitments exceeding $30 billion. We made some big bets and we made them with confidence. We know Amersham and VUE. We operate in their markets. They mesh with our core capabilities, and we will integrate them with excellence. I have assigned vice presidents to lead integration teams totaling more than 100 people, one-third of whom are internal auditors.

We make these investments with your indulgence and we owe you a solid return. Both deals should be accretive to earnings and returns on capital by 2005. Amersham and VUE both have strong cash flow, and we can quickly generate substantial additional cash through earnings growth, working capital improvements and low reinvestment requirements. We are experienced dealmakers and operators. Both skills are needed to drive growth.

To take advantage of changing trends, we reorganized ourselves around our markets and customers. As you can see on page 5, we view GE businesses in two groups: *Growth Engines* and *Cash Generators*. The *Growth Engines* represent about 85% of GE's earnings; they can grow 15% annually through the cycles with high returns. They are market leaders with great strengths in technology, cost, services, global distribution and capital efficiency. Over the past five years, the average earnings growth of this group is 20%. Our *Cash Generators* represent about 15% of GE's earnings. These businesses are more cyclical, but in an expanding economy, they should have double-digit earnings growth. More important, they will have consistently strong cash flow.

We have created an integrated set of businesses that can achieve our financial goals. Many companies would die to have any one of these businesses. We've got them all.

GE'S GROWTH STRATEGY

The best growth strategies take companies to places where only a few can follow. We are another year along with our five-initiative strategy to create high-margin, capital-efficient growth:

- Technical Leadership
- Services
- Customer Focus
- Globalization
- Growth Platforms

The result of these initiatives will be a company that can achieve organic growth at twice the GDP with high margins and returns.

Technical Leadership

Technology and innovation are at the heart of our initiatives. Technical leadership produces high-margin products, wins competitive battles and creates new markets.

We have about 2,000 researchers in our Global Research Centers linked to market and customer needs and in constant dialogue with our businesses. In 2003, we completed several phases of a $100 million upgrade of our Global Research Center in Niskayuna, New York; opened a center in Shanghai; and broke ground for another in Germany.

Global Research continues to advance GE's technical leadership. For instance, nanotechnology plays to GE's traditional strength in materials; last year we filed 28 nanotechnology patents and made significant progress in the development of nano-metals, -ceramics and -plastics that can enable a new generation of GE products. We can now

imagine super-light alloys that could take half the weight out of some jet engine components and create substantial fuel efficiencies and cost savings.

As a company, we made great progress in energy efficiency. We introduced four leading products in 2003: the H System™ gas turbine; a 3.6-megawatt wind turbine; the GE Evolution™ Series locomotive engine; and the GE90-115B jet engine. These four products are 5–15% more energy-efficient than our current market-leading products. That is the equivalent of conserving 500 million barrels of oil each year. Such products, combined with our advanced hydrogen energy, photovoltaic and fuel cell research programs, put GE in the forefront of technical solutions to the problems of energy consumption and supply.

Services

Technical leadership has created a massive installed base of more than 100,000 long-lived GE jet engines, power turbines, locomotives and medical devices for which we can provide high-margin services for decades. In 2003, our services revenues grew to $23 billion, up 10%. Our "annuity stream" from services has the potential to total more than $200 billion of revenue and more than $60 billion of profits between now and 2010.

But services only work if they make our customers more profitable. In the energy market, we have built an asset optimization business to improve customers' energy efficiency, uptime and environmental performance. This year, our customer Norfolk Southern will begin operating with GE's Precision Dispatch System™, the rail industry's most comprehensive traffic management system, to improve locomotive availability and customer service. In Healthcare, more than 8,000 of our installed products have broadband connections. We use this technology to upgrade and repair our products remotely and proactively, creating more uptime and revenue for our customers.

Every year we find something new that leads to larger businesses. In 2003, it was Non-Destructive Testing (NDT). NDT applies the imaging technology embedded in our Healthcare business to preventive maintenance for our aviation, water, and oil and gas customers. We see tremendous growth ahead, as NDT can be included in half of our service agreements.

Customer Focus

We continue on our quest to make GE a truly great commercial company. Last year, we formed a sales and marketing council led by Beth Comstock and Dave Nissen, two of our best growth leaders. Their agenda includes: aligning our sales force with customer needs; taking Six Sigma to our customers; developing world-class marketing; driving sales force effectiveness; and serving global customers with excellence. I will remain personally involved with this effort to create a world-class commercial culture.

One of our successes is in "vertical selling," the practice of aligning our offerings in four industries that are critical to GE: healthcare, energy, transportation and retail. They represent $47 billion of industrial revenues and $169 billion of financial services assets. GE brings a unique array of capabilities to these industries, including products, services, information and financing. On this broad foundation, we can build deeper partnerships with our customers.

This transformation is under way. In 2003, we signed a multi-year agreement with New York-Presbyterian Hospital to support them clinically and help them improve their business operations. We formed a $2 billion relationship with Emirates Airlines to help modernize their aircraft and make their assets and people more productive. We continued our strong relationship with Xerox, providing our financing and operating capabilities to help them improve their marketing efforts. In every case, dealing with "one GE" makes our customers more profitable.

Globalization

We can take every growth idea and multiply its effectiveness through globalization. Globalization is a GE core competency. We have made and sold products outside the U.S. for 100 years, and one-third of our leadership team is global. Our global revenues were almost $61 billion in 2003, up 14%, and should grow 15% in 2004. We succeed because we recognize one central fact: Global growth requires more than simply shipping products. You must be equally committed to developing capabilities and relationships in the markets where you want to succeed.

This is critical to our strategy for China, where our revenues were $2.6 billion last year. China will invest $300 billion for infrastructure — energy, aviation, water and healthcare — in this decade. The 2008 Olympics in Beijing is one massive infrastructure project. GE can participate in every aspect of this growth, which makes us a particularly good partner for China. We have superior infrastructure technology at a competitive cost.

But we can also win because we have committed the breadth of GE to support Chinese customers. We have more than 1,700 sales and service people on the ground. We have built a Global Research Center in Shanghai to develop the capabilities of our Chinese suppliers and technology that we can use globally. We are training our own Chinese leaders and our customers in GE management techniques. We have local products that solve local needs. In other words, we are treating China exactly as we do developed markets such as the U.S., Japan and Europe.

This approach is also working in other developing markets. Revenues in Eastern Europe, Russia and Iraq should grow from $1.2 billion in 2003 to $5 billion in 2005. We recently signed a $700 million agreement to modernize the rail system in Russia and have an additional $2 billion of power project opportunities. Our Consumer and Commercial Finance profits in Eastern Europe are growing 30% annually. And more than half of Iraq's power grid is GE technology. GE has the capabilities that Iraq will need as it rebuilds. We received $450 million of orders in Iraq in 2003, and we could receive $3 billion over the next few years.

Globalization is controversial today. In fact, it is viewed in some quarters as un-American. I am proud to be an American CEO of an American company. But growing GE requires us to view the world as our market. GE has several responsibilities in the pursuit of global trade. First and foremost, we must set high

standards for behavior everywhere. Then we must give our customers everywhere the products and services that fit their needs. We must continue to give our employees everywhere the investments in technology and management training that make them competitive.

Will globalization result in the loss of jobs in developed economies? It probably will in low-tech industries that lack differentiation in the eyes of their customers. But in industries that are technically based and innovative, globalization will unlock decades of growth and jobs that create wealth. At GE we plan to bridge this global transition by being competitive in all of our businesses — a leader in innovation — and compassionate to employees who are impacted by change.

Growth Platforms

A key GE strength is our ability to conceptualize the future, identify "unstoppable" trends and develop new ways to grow. Last year, I told you about our thrusts in water, security and sensing, oil and gas, healthcare information technologies, Hispanic media and U.S. consumer finance. These are markets that have above-average growth rates and can uniquely benefit from GE's capabilities.

We have built our industrial platforms to $7.7 billion of revenues in 2003 with an organic growth rate of 14%. We follow a disciplined process for growth. First, we segment broad markets and launch with a small platform acquisition. Then we transform the business model using our growth initiatives, such as services and globalization. Finally, we apply our financial strength to invest in organic growth or acquisitions. We can get big quickly while generating solid returns.

Our experience in Hispanic media is a great example. In 2002 we acquired Telemundo, a distant No. 2 in a fast-growing entertainment segment. We believed in the Hispanic demographic and felt the market would give us time to fix Telemundo's business model. In 2002–03, we applied NBC's management and programming expertise, and Telemundo went from purchasing 80% to producing two-thirds of its content. Telemundo underperformed while we were making these changes, but in the second half of 2003 we launched six new programs, and Telemundo's ratings grew 50% over the first half of the year. Telemundo is now capturing more than 25% of the Hispanic ad market, and we see it growing revenues more than 20% in 2004.

In 2005, our industrial growth platforms should generate close to $10 billion of revenues with $1.5 billion of operating profit. Because they can grow at multiples of the GDP, they can increase the growth rate of the entire company by 1 to 2 percentage points.

Growth is *the* initiative, *the* core competency we are building at GE. To achieve this, we are developing a different kind of GE leader.

THE GE TEAM

I am very proud of your team. They are passionate and committed. I spend about one-third of my time on people with my partner Bill Conaty, GE's Human Resources leader. We recruit, we train, we develop, we improve, we think about people constantly. I am happy to report that retention remains high, with voluntary turnover among our leaders of less than 3%.

Historically, we have been known as a company that developed *professional managers*. These are broad problem-solvers with experience in multiple businesses or functions. However, I want to raise a generation of *growth leaders* — people with market depth, customer touch and technical understanding. This change emphasizes depth.

We are expecting people to spend more time in a business or a job. We think this will help our team develop "market instincts," so important for growth, and the confidence to grow global businesses. Ultimately, careers should be broad *and* deep, giving our leaders the confidence to solve problems and the experience to drive growth. But today, to get the right balance, we are emphasizing depth.

About a year ago, one of our executive development classes suggested that we reformulate our values to capture the spirit of GE as a growth company. Values can't just be

(left to right)

BEN HEINEMAN
Senior Vice President, Law and Public Affairs

GARY REINER
Senior Vice President and Chief Information Officer

KEITH SHERIN
Senior Vice President, Finance and Chief Financial Officer

BETH COMSTOCK
Vice President and Chief Marketing Officer

BILL CONATY
Senior Vice President, Human Resources

BOB JEFFE
Senior Vice President, Corporate Business Development

BRACKETT DENNISTON
Vice President and General Counsel

words on a page. To be effective, they must shape action. We looked to make them simpler, more inclusive and aspirational.

With this in mind, we reshaped GE values around four core actions: *Imagine, Solve, Build* and *Lead*. *Imagine* at GE is the freedom to dream and the power to make it real. This requires the values of passion and curiosity. *Solve* reflects GE's unique ability to tackle the world's toughest problems and expresses our values of resourcefulness and accountability. *Build* requires a performance culture that creates customer and shareowner value, and the word captures our values of teamwork and commitment. *Lead* reflects our spirit of optimism that embraces change, and our values of openness and energy; it's what it will take to win.

Jim Campbell, who led our Consumer Products business in 2003, is a great example of GE values. In 2003, we asked Jim to grow earnings by double digits, generate $1 billion in cash, restore GE as a clear leader in innovation, rebuild relationships with our customers, reduce structural cost by integrating Lighting with Appliances and persuade his production associates to ratify a new contract. He hit them all.

Jim had to *imagine* new approaches for innovative products in an old industry. He had to *solve* real problems in our Lighting business, where we have underperformed. He had to *build* new relationships with customers like Home Depot, Lowe's and Wal-Mart. He had to *lead* in a difficult market … one in which tough actions like restructuring were required to fund growth. He did all this with a remarkable feel for the market and our team. He is both a learner and a winner. He lives the GE values.

I love your GE team. I am thankful for their loyalty, commitment and hard work. It is an honor to lead them.

RESTORING INVESTOR TRUST

Despite a good year in the equity markets, investor trust has been slow to return. Each new event that creates cynicism means that good companies must raise the bar even higher to set standards that rebuild trust. In 2002, under the leadership of Ben Heineman, our board took major steps to lead in governance, and we continued to build on those actions in 2003.

Our approach begins with the bedrock principle of performance with integrity. Keith Sherin, our CFO, leads a world-class financial team who ensure that we honor our financial commitments, adhere to high standards of controllership, and lead in disclosure and transparency. We have significantly increased our communication to all investors — shareowners and bondholders, institutional and retail — with the goal of talking about GE externally the way we run it internally.

We have built a strong and independent Board of Directors that is working harder than ever. We are in our second year with a presiding director helping to set the board's agenda and guiding the board's independent activity. Based on the board's input, we have changed our meetings to cover fewer topics with deeper interaction.

Our directors have access to the company at all levels, and I insist that they use it. I want our board to experience the culture. They do this by visiting our businesses on their own, in informal settings with our managers; by reviewing in detail employee issues brought to them by our ombudsperson's office; and by teaching at the Welch Center in Crotonville, New York.

Our board can also rely on a 370-person Corporate Audit Staff, which reports jointly to the Audit Committee and our CFO. Every Audit Committee meeting ends with Katy McCarthy, the leader of the Audit Staff, giving our independent directors her assessment without management present.

One of the areas where I asked for the board's help last year was executive compensation, particularly my own. Like most CEOs, I love my job because I love my company. I hate the controversy around CEO pay, because it takes attention away from the more important elements of strategy and teamwork.

Working with the board, we established a few principles about my pay. Namely, it should be transparent, performance-based and aligned with investors. To reinforce this alignment, I will no longer receive stock options or restricted stock. Instead, I will receive "performance share units." These units vest in five years based on two metrics: I receive half if GE's total shareowner return meets or exceeds that of the S&P 500, and the other half if our average annual operating cash flow growth over the vesting period exceeds 10%. If these metrics are not achieved, the performance share units are cancelled. Success will require sustained excellent performance in the long-term interests of GE investors.

I trust the board. I work without a contract and plan to do so as long as I am chairman. There are no targets or commitments for my total compensation. I leave that to the board's judgment of my performance and the value I create by leading GE.

I work for you. You set my pay, through the judgment of your board.

THE FUTURE

We are well positioned in 2004. We should have double-digit earnings growth at nine of 11 businesses. In addition, we should have double-digit expansion of CFOA. As Energy and Transportation rebound and we complete our portfolio moves this year, we are set for a prolonged period of double-digit growth. We have built a company that wins in the future:

- If you believe the world will continue to have excess capacity and price pressure ... *GE wins.* Your company is a technical and services leader capable of delivering organic growth and margin expansion.
- If you believe that globalization is both an opportunity and a risk ... *GE wins.* GE is one of the few companies that can view China as a profit driver from both selling and sourcing, and that has growth opportunities worldwide.
- If you believe that consolidating distribution channels will impact value ... *GE wins.* GE receives 90% of its revenues through direct customer contacts, and we have deep industry expertise that makes us more competitive and our customers more profitable.
- If you believe that identifying businesses with unstoppable demographics will drive long-term industry growth rates ... *GE wins.* We have expanded our Healthcare business. We are growing in Hispanic media. We will be big in China. In developing markets, we are the global infrastructure leader. We are a leader in security and energy efficiency.
- If you are worried about a more volatile world ... *GE wins.* This is a financially strong, triple-A rated company with a strong culture and values. We will not let you down.

GE is better positioned than ever. As in the past, GE has changed ahead of the times. Our investors will be the beneficiaries.

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

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

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

February 13, 2004