

Companies that endure are able to reinvent themselves to stay aligned with customers and markets as they evolve.

GE has spent the last few years undergoing such a transformation.

It has been a time of anticipation as we have prepared to make our own growth in a slow-growth, more volatile world.

This is a great time for your Company.

## Dear Fellow Stakeholders:

I spent much of my youth playing sports, primarily football. I happened to be an offensive lineman in college, not a bad preparation for a CEO. One season, I dislocated my shoulder. The injury hurt enough to impair the quality of my play, but was not bad enough to keep me out of the action. I did the best I could, tried hard not to let down my teammates, and went to the training room to get better. Eventually, I felt twice as strong and enjoyed every game. From this experience, I learned that sometimes you just have to do your best without making excuses.

GE has “played hurt” for the past few years. The end of the “bubble” stock market, the recession and the 9/11 tragedy depressed the markets for our energy and transportation businesses. Our expansion into difficult insurance markets had left us with underperforming businesses and excess leverage. Pension earnings, which were a tailwind in the ‘90s, declined sharply and became a headwind.

We never offered excuses. Our performance was acceptable by any standard but our own. Our earnings should be 50% higher in 2005 than they were in 2000, and our dividend has expanded by more than 50%. But sometimes companies, like people, must go through tough periods to get better.

So we went to the “training room.” These difficult years triggered a critical review of our capabilities by the Board of Directors and the leadership team, and as a result we initiated an exciting transformation. We invested more than \$60 billion to create a faster-growing Company. We committed to divest \$15 billion of slow-growth assets. We built new capabilities, launched new

products, expanded globally and invested in the GE brand. Now the Company has begun an era of strong financial performance, starting in the fourth quarter of 2004 when our earnings grew 18%.

Throughout this period, we have benefited from your willingness to take a long-term view. We relied on your trust to implement this transformation. We asked you to wait patiently for 2005, when we expected to restore our historic performance. We issued more than 450 million shares in 2004 to improve the Company for the future. From time to time, CEOs complain about their investors’ short-term view. Not this CEO. I am indebted to your commitment.

And you will be rewarded. Because of our work and your faith in us, this is the best GE ever. We have created a high-tech, services and financial enterprise that can grow faster with expanding returns, build leadership in fast-growth markets and return cash to you. Moreover, we can sustain this performance in the slow-growth environment we see today. We’re back at full strength. *This is our time.*

(left to right)

**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*

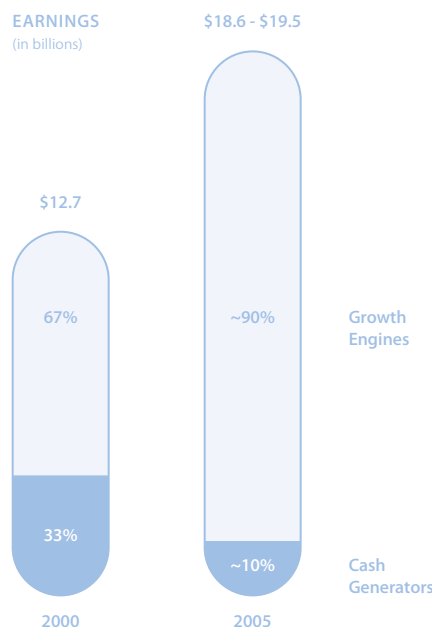
**SIR WILLIAM M. CASTELL**  
*Vice Chairman of the Board  
and Executive Officer*



## Portfolio Transformation New Growth Capabilities

GE has added more than a dozen new capabilities to its seven Growth Engines, which should generate approximately 90% of GE's earnings in 2005, substantially more than five years ago. The Growth Engines—Transportation, Energy, Healthcare, NBC Universal, Infrastructure, Commercial Finance and Consumer Finance—are robust, capital-efficient businesses with leadership positions in their industries and prospects for sustained double-digit earnings and cash flow growth.

- Biosciences
- Film + DVD
- Healthcare Information Technology
- Renewable Energy (Wind, Solar, Biomass)
- Coal Gasification
- Water
- Security
- Hispanic Television
- Oil & Gas Exploration Technology
- Services (Asset Optimization, Environmental Services, Non-Destructive Testing)
- "Verticals" Financing
- Full Supply-Chain Financing
- Real Estate Operations
- Global Mortgage



### The Future is Now

GE has a vibrant business model. By business model, I mean the imperatives we drive to sustain excellent performance over time. They include:

- A portfolio of strong businesses
- Processes that generate cash and achieve low cost
- Capability to achieve 8% organic revenue growth

We believe that our consistent focus on these imperatives, backed by strong execution, is the key to excellent long-term performance.

### A Portfolio of Strong Businesses

Our portfolio is set to deliver double-digit earnings growth in 2005. To achieve this, we invested in fast-growth businesses such as healthcare and entertainment that can accelerate our industrial growth rate. We built new platforms in fast-growth industries like oil and gas, security and water. We exited lower-return insurance businesses and redeployed assets into higher-returning GE Commercial Finance and GE Consumer Finance.

Even during this substantial portfolio reshaping, our performance was exceptional. Nine of our 11 businesses grew earnings by double digits in 2004. We have great momentum as we head into 2005, based on the following factors.

**GE TRANSPORTATION AND GE ENERGY** should both achieve consistent double-digit earnings growth. Transportation rebounded from the post-9/11 aviation cycle with revenue growth of 15% and earnings growth of 21% in 2004. Aviation services grew revenues

16% and now has a backlog of contractual services agreements totaling \$28 billion. The Rail business had a spectacular year, with revenue growth of 18%. Transportation's technical leadership expanded in 2004. The GENx™ engine was chosen for both the Boeing 787 and the Airbus A350, and the business has orders for more than 1,200 GE Evolution™ locomotives. This team, led by Dave Calhoun, won our Chairman's Leadership Award for the best overall performance.

Energy's earnings dropped 31% in 2004, as its shipments of gas turbines declined as expected. However, the turbine business has stabilized in the U.S. and is expanding globally, so shipments should grow more than 20% in 2005. The balance of Energy performed well in 2004, with services revenues up 11% and Oil & Gas revenues exceeding \$3 billion, up 10%. As turbine shipments rebound, services expand and Oil & Gas continues to grow, Energy is poised for a sustained period of double-digit earnings growth. John Rice and his team have exceeded every commitment we made to investors.

These two businesses, representing about 30% of GE's earnings, are expanding simultaneously for the first time since 2000. Because of their technical leadership and strong service capabilities, we expect them to grow earnings 10–15% in 2005 and beyond.

**GE HEALTHCARE, NBC UNIVERSAL AND GE INFRASTRUCTURE** have integrated substantial acquisitions and are positioned to grow earnings at least 20% in 2005. Healthcare grew earnings 34% in 2004. We completed the Amersham acquisition and it is performing ahead of plan. Sir William Castell and his team have all of the pieces of "personalized healthcare" and will be able to

move down clinical pathways with leadership technology that can predict, diagnose, inform patients and treat disease. We have created a \$15 billion growth engine, a leader in diagnostics, that is well positioned for the major trends of healthcare.

NBC Universal had earnings growth of 28% in 2004, including a great performance from Universal. Under the leadership of Bob Wright, the cultures have blended well and the teams are working together creatively. When we decided to pursue Universal, our primary interest was to diversify NBC's revenue stream. Beyond this, the combination has benefited both NBC and Universal strategically by giving them new ways to market and distribute each other's content. This has already resulted in improved earnings from their cable properties. In addition, Universal has brought NBC a worldwide distribution channel. We have created a \$15 billion content leader positioned for long-term growth.

Infrastructure's 2004 earnings increased 22% and we continued to strengthen its businesses. We committed \$3.4 billion to enhance our capabilities in security and water. We acquired InVision to build a leadership position in homeland defense, and we agreed to acquire Edwards Systems Technology to establish a strong position in fire and integrated building management. These deals will create a \$2 billion security franchise, making it an industry leader. For Water, we agreed to acquire Ionics, a global leader in desalination, filtration systems and services. We are building a \$2 billion water business and making GE an industry leader.

These businesses represent about 25% of our earnings and are positioned for many years of rapid growth.

**COMMERCIAL FINANCE AND CONSUMER FINANCE** should continue their strong performance, with earnings growth exceeding 15% in 2005. These well-positioned financial franchises grew combined earnings 15% in 2004 and expanded assets 20%. Commercial Finance acquired consolidating platforms such as Transamerica Financial Services and today has 8,000 salespeople to drive organic growth. Mike Neal and his team are well positioned for sustained growth. Meanwhile, Consumer Finance, already our most global business, is expanding with new investments in Australia and Russia and with specialty mortgages in the U.S. Dave Nissen leads a marketing-driven team that had organic asset growth of 13% in 2004.

These market-leading financial franchises represent about 33% of our earnings. They have sustained double-digit growth for many years, and we have every reason to expect them to continue.

**GE ADVANCED MATERIALS, GE CONSUMER & INDUSTRIAL AND GE EQUIPMENT & OTHER SERVICES** are seeing excellent growth in an expanding economy. Their combined earnings more than doubled in 2004 (excluding gains), with double-digit growth expected in 2005. These economically sensitive businesses are executing consistent strategies of investing in technology and reducing structural cost. As a result, they are seeing substantial margin enhancement as the economy has strengthened. The momentum in these businesses, representing about 9% of GE earnings, should continue.

**GE INSURANCE** will continue its strategic repositioning. Dispositions, increased loss reserves and catastrophes reduced Insurance earnings more than 70% in 2004. We sold approximately 30% of Genworth Financial, our primary life and mortgage insurance businesses, in an IPO. Genworth is executing well and its investors are happy. We expect to sell down the balance of our position in Genworth over the next two years. Meanwhile, GE Insurance Solutions, our reinsurance business, continued its focused strategy to exit unprofitable product lines and improve pricing and underwriting. Insurance Solutions' net property and casualty reserves now total \$17.4 billion, up nearly 40% from 2001. Insurance generated only about 3% of our earnings in 2004, and we will continue to reduce our exposure in this industry.

We are always looking for ways to improve the Company, but this period of heavy transaction activity will subside. We like the way the Company looks. Last year, I told you that we defined GE in two groups, Growth Engines and Cash Generators. Our aspiration was to increase the Growth Engines. These are highly competitive businesses with multiple ways to grow. Since 1999, earnings growth from these businesses has averaged 15% annually. In 2005, we expect approximately 90% of GE's earnings to come from the Growth Engines.

We never shy away from investing in your Company because we are pretty good at it. The fact is that there are very few "great" deals ever done, that is, deals that enrich investors on the day they are complete. But there are a lot of good deals that become great, where you pay a fair price and then generate excellent returns through smart integration and strong execution. We have been disciplined with your money and are committed to generating great returns for you.

We have created a more valuable Company. We can consistently grow our industrial earnings faster than our financial services earnings for the first time in 20 years. The returns of our financial services businesses have expanded so they will be able to dividend 40% of their earnings to GE and maintain their growth rate. This portfolio is poised to begin a prolonged period of double-digit growth, with expanding returns.

### Cash Generation and Low Cost

We run this portfolio with intensity. In 2004, our cash flow from operating activities (CFOA) grew 18%, powered by a 27% expansion in industrial cash flow. CFOA growth and other actions helped keep our balance sheet strong and maintain our "Triple-A" ratings. Since November 2002, we have improved our financial flexibility by reducing "parent-supported" debt of the financial services businesses by about \$14 billion. Our pension plans in total continue to have a surplus of more than \$4 billion, and we expect to meet our obligations to pensioners with no significant increase in funding for the foreseeable future.

GE is filled with "capital-efficient" and "high-intellect" businesses. In other words, we get growth without building factories and we allocate capital to maximize returns. We run these businesses with a clear focus on reducing working capital and improving return on equity.

We have a new area of focus that we call **Lean Six Sigma**. We have leveraged Lean manufacturing's classic tools for reducing cycle time with the problem-solving capability of Six Sigma. In the last two years, Transportation improved inventory turns from

seven to nine, and Advanced Materials improved receivables by six turns. We achieved \$2.7 billion of improvements in working capital in 2003–04 and intend to continue this progress. The same focus on capital efficiency exists in our financial services businesses. Commercial Finance has expanded its returns through a “Lean Six Sigma”-like focus on margin expansion, risk management and lower cost.

In 2005–07, GE expects to generate more than \$60 billion of CFOA. Remember, CFOA is what is left over *after* we have made substantial investments in the Company. In our case, this is \$60-plus billion after investing \$15 billion in technology, \$10 billion in media programming, and \$12 billion in marketing and information technology (IT), as well as funding more than \$100 billion of financial services asset growth. Simply put, we generate a lot more cash than we need to grow your Company.

This gives GE substantial financial flexibility. We plan to return about 75% of this cash to you in the form of consistent dividend growth and up to \$15 billion in stock buybacks through 2007. With the remainder, we can invest \$3–5 billion in industrial acquisitions each year. These activities strengthen our earnings growth rate while expanding returns.

At the same time, we remain committed to reducing cost by generating \$4 billion of productivity each year. We want to achieve this target without compromising our investments in growth. This requires new ways to run the Company.

We have a broad operating initiative called **Simplification**. We are targeting a reduction in “non-growth cost” of \$3 billion over three years. We are measuring reductions in legal entities, headquarters, “rooftops,” computer systems ... anything that is not directly linked with customer satisfaction and growth. We are creating “Centers of Excellence” to share best practices and reduce cost. We are outsourcing common systems. The fact is that complexity is the enemy of growth and we want to eliminate it.

The results are significant. Commercial Finance is consolidating its \$232 billion-asset business into three customer service/operations centers. This will save \$300 million over the next three years while adding more than 1,000 salespeople. Consumer & Industrial consolidated three headquarters into one. This saved more than \$100 million in structural cost, two-thirds of which was redeployed into new products. Energy organized its separate technologies into one global product company. In addition, Transportation and Energy are sharing some IT and operational assets. These moves will allow Energy to reduce structural cost by \$300 million annually and increase the number of new product launches.

We have built a fast-growth portfolio. We run our businesses with intensity, creating low-cost operations and generating excess cash. On this foundation we are building a dynamic growth process that will transform GE.

### Increasing Organic Revenue Growth

For more than 20 years, I have wondered what GE would do when we applied our operating disciplines to generating growth. I was convinced that the combination of operating excellence with an exciting growth culture could propel GE to new levels of valuation.

GE's historic organic revenue growth rate has been 5% per year. This is a respectable number, above the growth of the broader economy. But I realized from my first day as CEO that

investors wanted to see a faster-growing GE. The changes we have made in our portfolio will boost our growth, but achieving our potential will require us to treat growth as a process.

For many years, GE's process disciplines, like Six Sigma and digitization, were operationally based. Today we are bringing these GE strengths to bear on organic growth. We have invested in broad capability in technology and services. We have enhanced our approach to customers around the world through commercial excellence. We have built a Company-wide process for innovation called Imagination Breakthroughs. Each of these process steps leverages the totality of GE to accelerate results.

Based on this, we are increasing our aspirations for organic revenue growth to 8% per year. We are aiming to hit this rate in 2005.

### Capability in Technology and Services

Technology is the foundation of GE's growth. Today we invest considerably more in technology than we did in 2000. We have a rich pipeline of new products, based on key market trends, that can win.

**GE leads in energy efficiency** through more economical power-producing systems, including those that use renewable resources. In 2004, we and Bechtel began feasibility studies with Cinergy Corp. and American Electric Power for coal gasification power plants. This “Cleaner Coal” technology will generate power in a cost-effective way using abundant coal resources, with dramatically fewer emissions than traditional coal plants.

**GE leads in personalized healthcare** through a technical focus on prediction, diagnosis and information linked to treatment. In our product pipeline today are advanced technologies capable of extremely early detection of cancer, heart disease and Alzheimer's disease.

**GE leads in advanced water technology.** With Ionics, we will have a broad array of filtration systems and membranes. We are taking this in two directions: toward the sea with desalination projects and into the home with advanced filtration systems.

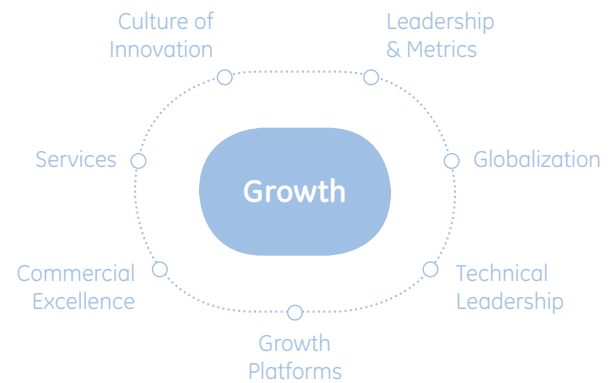
**GE leads in advanced security systems.** We are the only company that can combine digital surveillance, advanced detection and bioscience. We have been awarded funding by the U.S. Transportation Security Administration for the next generation of security systems, which will combine material and explosives detection.

Our technical leadership is supported by four Global Research Centers where we can spread ideas across the GE businesses. Good examples are the transfer of our leading medical imaging technology to new uses in homeland defense and the leveraging of our materials technologies across our locomotives, aircraft engines and turbines. Global Research filed for more than 450 patents in 2004, including 25 for nanotechnology.

Each of these new products will add to our installed base, which has more than doubled since 2000.

Built on this high-tech installed base, our services revenues totaled \$26 billion in 2004, growing 12%. Services represent about 30% of our industrial sales and have the potential to grow

## Growth Process Culture and Rhythm



at double-digit rates for the foreseeable future. Services are a powerful growth engine because our technology is long-lived and we focus on making the customer more profitable.

Services drive energy efficiency. Transportation now offers upgrade programs that save up to 10% on fuel. Energy's service packages can improve the efficiency of the installed base by up to 10%.

The most exciting services growth opportunities we are driving today focus on our customers' workflow. We expect about \$1 billion of orders in healthcare clinical workflow, energy grid decongestion, aircraft engine control technology and railroad movement planning. A good example is our work with Indiana Heart Hospital. This all-digital hospital has used our technology extensively to improve its clinical workflow. We are sharing our knowledge across our businesses so that our customers can realize considerable productivity gains.

### Commercial Excellence Around the World

We match our capabilities with great teams that can create value for customers. Over the last four years I have spent more time with our sales and marketing teams than with any other group in GE.

CEOs cannot delegate growth or customer satisfaction. I try to spend at least five days each month with customers or being otherwise involved in the selling process. I get involved with important new growth activities, such as the partnership we formed with Dillard's on its consumer credit card. And twice each month I do "town hall meetings" with several hundred customers to share ideas on the direction of GE and listen to their thoughts on what we can do better.

One of the more enjoyable parts of my job is holding "dreaming sessions" with key customer groups, trying to think about where our businesses will be in five or ten years. Charlene Begley and I recently spent an afternoon with the CEOs of the North American rail industry. The purpose was to apply GE solutions to the issue of rail network capacity. GE can bring an entire array of solutions to our rail customers, from more reliable locomotives to information that improves network velocity to intelligent yard systems to financial capacity.

Another way I try to stay in the middle of the action is by leading the Commercial Council that we have had in place since 2002. It is composed of our best sales and marketing leaders. Our mission is to drive the functional excellence in sales and marketing that we need to hit our growth goals.

For the first time, we have Company-wide commercial leadership programs where we take college recruits and experienced new hires and put them on a sales or marketing career path as we've done for years with other functions like finance or engineering. We have also added more than 1,000 marketing professionals across the Company, making marketing a critical "line function" to drive growth.

We have used the Council to bring customers into the center of our strategies. Every business now has a value equation that links growth initiatives with customer profitability. For the first time, customer satisfaction will impact how leaders are compensated.

We are using the Council to create cross-Company capability for driving growth. We now have "vertical" teams in Healthcare, Energy, Water and Rail. Through enterprise selling, we can create far-reaching collaborations with customers and better serve them as "one GE."

Mike Neal at Commercial Finance is a thought leader in this activity. Mike has GE's largest marketing and sales team. He has 11 commercial experiments under way, all testing new ways to structure sales forces to satisfy our customers and grow faster. For example, he has unified his lending and leasing sales forces in Chicago so they can offer customers complete solutions.

The breadth of GE has helped us accelerate our globalization. Global revenues grew 18% and reached \$72 billion in 2004. The most exciting global opportunities for GE are in the developing world, where our 2004 revenues were \$21 billion, a 37% increase.

We believe that 60% of our growth will come from developing countries in the next decade versus about 20% for the past 10 years. It is important for us to understand future customers, suppliers and competitors in these regions, where we believe GE has a meaningful competitive advantage.

China remains important, and revenues there should exceed \$5 billion in 2005, another year of strong double-digit growth. We have won more than 70% of commitments for turbines in China over the past two years. Advanced Materials grew revenues 40% in 2004 and is the second-largest GE business in China today. Last year we won a commitment from the East-West Rail line for almost 80 locomotives and control equipment. The Beijing 2008 Olympic Games are a great multi-business opportunity for GE.

Our opportunities also stretch into Russia, India, eastern Europe, southeast Asia, the Middle East and South America. GE is a great infrastructure company, virtually alone in the breadth of

(left to right)

**BEN HEINEMAN**  
*Senior Vice President,  
Law and Public Affairs*

**GARY REINER**  
*Senior Vice President and  
Chief Information Officer*

**BETH COMSTOCK**  
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**KEITH SHERIN**  
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**PAM DALEY**  
*Vice President,  
Corporate Business  
Development*

**BILL CONATY**  
*Senior Vice President,  
Human Resources*



world-class technology in energy, transportation, healthcare, water and security that we can offer. Beyond that, we bring the capabilities that help these regions develop, including financing, compliance structure and leadership development. We have changed our approach to look at countries as customers.

Qatar is a great example. GE has landed portions of Qatar's liquid natural gas projects. We are pursuing a major order from Qatar Airways. We plan to help develop desalination capability in the country. We will invest in service technology and people development there. Under the leadership of Nabil Habayeb, our new president and CEO for the Middle East and Africa, we will develop a "company-to-country" relationship that generates growth over the long term.

### Funding Innovation

We have launched a process for innovation called Imagination Breakthroughs. Each Imagination Breakthrough (IB) project has the potential for at least \$100 million of incremental growth. Today, we have 80 IBs in four categories: technical innovations; ideas that create value for customers and GE; opportunities to expand markets; and projects that make great ideas commercial products. They are funded and supported by great teams. Some will happen this year and others may take 10 years to reach full commercialization. Some just may not fly. Over the next four years, we plan to invest about \$5 billion in Imagination Breakthroughs, and they could deliver \$25 billion of incremental revenue growth in that time.

All of the Breakthroughs represent unique GE solutions. The Dual Card was launched in 2004 and combines store cards with consumer credit. It is a win for retailers and their consumers. The portable ultrasound, Vivid™ *i*, also was launched in 2004. It combines advanced imaging technology with ease of use. Vivid *i* could be the next stethoscope, improving healthcare globally with advanced diagnostics. The Hybrid Locomotive could save up to 15% over our Evolution locomotive's fuel consumption, and we are working toward achieving a commercial partnership in 2006.

You can see examples of our Imagination Breakthroughs throughout this report. They are bringing GE discipline to the innovation process as a way to accelerate growth.

### New Benchmarks for Growth

There are pure "numerologists" in the world who say that a company like GE is too big to grow. Our job is to turn this around and prove that size will spur GE's growth. We have used our financial strength to build a fast-growth portfolio. Now we are using our breadth and depth to create unique GE solutions in technology, services, commercial excellence and globalization. We are using our process skills to make innovation more reliable. Our 11 businesses will grow one customer at a time.

Is 8% too lofty an aspiration? We are in markets that are growing faster than the overall economy. We have robust initiatives in services and globalization that represent a substantial portion of the Company's future revenues. Our technical pipeline and our approach to customers have great momentum. We have a series of innovative breakthroughs that are fully funded and that leverage GE process rigor. We can do this.

Most importantly, we have developed a new generation of growth leaders who are passionate about making this aspiration a reality.

### Developing a Generation of Growth Leaders

Last year, I spoke about developing "growth leaders." Since every Company initiative begins with people and metrics, we recognized that our leadership development had to change. It had to match our growth aspirations.

We studied great growth businesses at GE and in the world to develop and train leaders with new, growth-oriented leadership traits. Our leaders are now trained and evaluated against five capabilities. They must:

- Create an external focus that defines success in market terms.
- Be clear thinkers who can simplify strategy into specific actions, make decisions and communicate priorities.
- Have imagination and courage to take risks on people and ideas.
- Energize teams through inclusiveness and connection with people, building both loyalty and commitment.
- Develop expertise in a function or domain, using depth as a source of confidence to drive change.

In addition, we are changing the GE culture by changing career expectations. We expect our people to spend more time in a business or on a job. Our teams are both excited and apprehensive about these changes.

Here's how I see it. In a big company, people can be seduced by breadth. You can imagine a career where you could do, literally, everything. But then you end up accomplishing nothing.

We owe it to our talent to teach them how to lead and grow businesses. This requires knowledge and time. In each business, we are creating 20 to 30 "pillar" jobs. These are key customer-facing or change-oriented assignments where the duration should be at least four to five years. With this time horizon, a leader can make his or her own bets and live with the consequences.

We know that pillar jobs work. They have been critical in the development of our best growth businesses and leaders. If you want to run a business in GE in the future, you will have done a pillar job.

Dave Nissen, CEO of Consumer Finance, is at the top of the list of GE growth leaders. Dave took Consumer Finance global in 1993; today it has \$151 billion in assets, \$121 billion of them outside the U.S. Dave has strong external focus and is a step ahead of trends and the competition. He is a clear thinker, with simple priorities shared across a diverse global enterprise. He has imagination, and Consumer Finance is the Company's leader in marketing. He is inclusive, with more than 70% of his employees outside the U.S. And Dave knows the domain. He has had the same job for 11 years, been promoted four times as the business has grown, and is still leading and having fun.

We also learned the value of growth traits from several newcomers to GE. With Amersham, we "acquired" Sir William Castell. We made Bill the leader of our healthcare business and he has had a massive impact. Bill hit our financial targets and adopted the process skills that are part of GE. But he has taught us about setting technical priorities and creating value in the healthcare industry. Because of Bill, we are creating a more customer-focused Company.

With Universal, we “acquired” Ron Meyer and Stacey Snider. This team knows how to make hard decisions on “soft” ideas. They are keeping the best of Universal’s culture and adding GE capability to make the entire NBC Universal team more effective. As a result, the synergies between Universal and NBC are broader and deeper than we had imagined.

I am proud of the GE team. They have courage, passion and determination. They embrace change. It is the honor of my life to lead them.

### Our Commitment to Investors

The board, the management team and I remain committed to performance with integrity. In other words, we believe that you can get great financial performance with the highest standards of governance and compliance. These concepts are compatible and mutually reinforcing.

Since 2002, we have stayed on a path that includes: a strong and independent board with a presiding director; increased transparency in financial reports and investor meetings; and alignment of CEO and executive compensation with investor interests. Our work has been recognized. The *Financial Times’* annual global survey of CEOs named GE the world’s most respected company for the seventh consecutive year and placed us first for corporate governance. The Dow Jones Sustainability World Index also named us to their list for our environmental, social and economic programs.

I like and respect our Board of Directors. Its presence is felt throughout the Company. Ralph Larsen, our presiding director, is an excellent sounding board for me and has strong input into the board’s agenda. The board interacts with our leaders in formal and informal settings. Roger Penske attended Commercial Finance’s annual kickoff meeting; Claudio Gonzalez meets regularly with our Latin America team; Sandy Warner regularly attends Corporate Audit Staff and Controllershship Council meetings; and Shelly Lazarus gives us great insights on our marketing campaigns. Our directors do a great job on the technical “rules of governance.” But they also “feel” the culture because they know the people.

The financial report accompanying this letter is historic in that it is our first one covered by Section 404 of The Sarbanes-Oxley Act of 2002 (SOX). Thanks to Keith Sherin, our excellent CFO, our 380-person Corporate Audit Staff and our team of global business controllers, we are compliant from day one. Our Audit Committee, led by Sandy Warner, has been at the center of this process for the last two years. I appreciate all of their hard work.

But what does it mean to you? Is it a “check-the-box” bureaucracy based on an overreaction to the market scandals of yesterday? None of us likes more regulation, but I actually think SOX 404 is helpful. It takes the process control discipline we use in our factories and applies it to our financial statements. Implementing SOX 404 cost GE \$33 million in 2004. But we think it is a good investment.

Frequently, I get asked whether new regulations and intensified scrutiny have taken the fun out of being a CEO. Sometimes I read about members of the business community fighting to reduce standards and return things to the way they were.

Investors should demand high standards of governance and great performance. Some managers failed investors in the late ‘90s. Companies were destroyed, value was lost, and billions are being paid because of fraud. This happened. SOX 404 is by no means perfect, but it is a price we are willing to pay to restore investor trust.

To me it is clear: I work for you. We live in a new day. High standards are good. At GE we embed governance and integrity in the operating culture. It starts with Ralph Larsen, our presiding director, and touches every member of the Company. Your management team is spending all of its time growing the Company with the highest integrity. We will not spend any time or resources defending the standards of yesterday.

High standards facilitate growth. They are not a burden. They are good for all of us.

### Our Time

Over the last four years I have learned a little humility. Every time I saw the word “anemic” next to our growth rate, I wanted to scream, “Yeah, but ...” Then I remembered those old offensive line days, what it felt like to “play hurt.”

Now we feel better. Because our team got better. We are a little more confident and a little less arrogant. We invested in the Company to create a faster-growth portfolio. We built consistent growth capability with technology, services, globalization and commercial excellence. We changed the culture, developing a generation of growth leaders. We played offense while others played defense. We performed.

We are greatly indebted to you, our long-term investors. You have trusted us and you believed in us. And you patiently waited for 2005, when GE would fire on all cylinders.

The future is now. GE is better positioned than ever. This is our time.



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



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and Executive Officer



**SIR WILLIAM M. CASTELL**  
Vice Chairman of the Board  
and Executive Officer

February 11, 2005

GE has the right businesses  
in the right markets.

Now GE people are using the  
Company's storied operating skills  
to realize their new portfolio's  
potential.

We're developing Imagination  
Breakthroughs through a process  
for innovation that applies GE  
rigor to the creation of products  
and services that benefit  
customers.

And that fuel growth.

Today, tomorrow and  
in our time to come.