

2007 Annual Meeting of Shareowners

REPORT ON COMPANY OPERATIONS



The 2007 annual meeting of GE shareowners was held on April 25, 2007, in Greenville, South Carolina. This report on Company operations (presented here as prepared) was delivered by Jeffrey R. Immelt, GE Chairman and CEO.

Five years ago, your Company took a big swing.

We invested \$250 million in a business few knew much about and from a seller few wanted to deal with. The business was wind; the seller was Enron.

Through the years, GE has thrived by making smart investments to ensure future growth. We believed that a strong tailwind would begin to drive investment in—and profit from—alternative energy sources.

In 2007, that strong wind is at your Company's back, driving production right here in Greenville, where GE builds ten wind turbines every day.



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

What is more remarkable is that we turned a modest venture into a booming business.

Last year, we sold more than 2,000 turbines—80% more than the year before. Our investment is delivering over \$4 billion in revenue, and 3¢ per share to the bottom line. That number could double in the next few years.

GE is a Reliable Growth Company

We lead this Company to grow earnings and increase cash flow with high returns. And over time, consistent earnings and cash flow growth, with expanding returns, increase shareholder value.

Being a reliable growth company requires two things: the courage to invest; and the discipline to deliver.

It took courage to invest more than \$1 billion in a new engine like the GE90. A short-term investor wouldn't have understood this. And a private equity company couldn't do it. The returns were small for more than a decade. But our vision has made the GE90 the world's most powerful engine, one that will deliver \$40 billion in revenue for your Company over the next 30 years.

At the same time, it takes discipline to achieve the consistent financial results expected by our investors. Many of our mornings begin by reviewing working capital or pricing. We sweat the details required to run a successful company.

And we delivered record results, across the board, for you in 2006. Revenue grew 10% to \$163 billion, with an organic growth rate of 9%. Earnings grew 12% to \$20.5 billion, while EPS grew 15% to \$1.99 per share. Cash expanded 14% to almost \$25 billion. And we expanded profit rates and returns.

Let me put our performance in perspective. We grew by \$13 billion ... in other words, our growth was equivalent to creating a new company the size of Nike. Our earnings growth exceeded the S&P 500 average. And our earnings of \$20.5 billion would equal the earnings from 75 companies ... the *FORTUNE* 425 through 500 ... combined!

Our performance was broad-based. Infrastructure grew earnings 16%; Healthcare grew 18%; Commercial Finance grew 17% and GE Money grew 15%. We made

progress across the Company, including NBC Universal, where the business will generate positive earnings growth in 2007.

For the eighth time in the last 25 years, GE was voted *FORTUNE*'s "Most Admired Company." Our strong performance continued in the 1Q '07 where revenue grew 6% and earnings grew 10%. We believe that 2007 will be another excellent year for GE.

Your Company is in great shape. Over the past five years we have grown revenue by 60%, while doubling profit and cash flow. More importantly, we have positioned your Company to reap even stronger growth in the future.

The Future is Important to GE

One of the criticisms of big companies is that they cannot grow. GE defies the laws of size, because we use our scale to grow. We constantly look to the future for big trends that will grow at multiples of the global economy. Then we build leadership positions, using our unique size and scope, to drive growth.

We see \$4 trillion invested globally in infrastructure technology in the next decade. To put that in context, that's one-third of the entire U.S. Gross Domestic Product, invested by 2015.

Today, GE has the broadest array of infrastructure products, services and financing in the world. Our portfolio encompasses everything from aviation to transportation to water to oil and gas. When governments or customers consider making a multi-billion dollar investment in infrastructure, they know that GE has the strongest arsenal of products of any company in the world.

Right now, we have more than \$120 billion of infrastructure products and services in our backlog, with another \$60 billion of infrastructure financing assets that are generating returns for you.

We are leading in emerging markets. These markets include China, India, Eastern Europe, Russia, Middle East, Africa, Latin American and Southeast Asia. They are growing at three times GDP.

I joined GE in 1982, when the entire Company had \$25 billion in revenue. In 2006, we sold \$29 billion to the emerging markets alone. Only GE has the breadth

to adopt a company-to-country approach to emerging markets. When we build a healthcare facility in Saudi Arabia, we build a relationship that will foster sales of engines and turbines.

We are leveraging opportunities to tap into global liquidity. Global growth has opened doors to new investment opportunities. Global liquidity is at an all time high. There is more money than there are ideas.

GE has 10,000 sales people who will originate more than \$50 billion in assets that can be sold to private equity and other investors at high returns. With our global partners, GE will accelerate infrastructure developments, such as airports and desalination facilities.

By fully utilizing our unmatched origination capability, we can increase our earnings growth and diversify our risk.

We are building digital connections with our customers. The digital revolution is not just about iPods. It is about our Electronic Medical Record that can drive waste out of healthcare and decrease hospital errors ... or our online tool to improve the fuel efficiency of our locomotive engines and cut costs and pollution. Our digital solutions are about bringing more value to customers through products that boost productivity.

Today, we have \$4 billion of fast-growth digital services. And by exploring new territory—like online loan origination through GE Money and opportunities in digital entertainment through NBC Universal—we're on target to continue to grow.

We are benefiting from changing demographics. Developed countries are aging. Soon, the first of 76 million baby boomers in the U.S. will hit the age of 65. And the population of the developing world is exploding.

Demographics will drive significant growth in healthcare. By 2015, this could be 20% of the U.S. GDP. GE has built a \$20 billion healthcare business, which is the leader in early diagnostics to prevent diseases or treat them more effectively. By so doing, GE can grow *and* make the healthcare system more efficient at the same time.

And, perhaps, the most exciting future trend: we will lead in environmental technology. In 2005, we launched a marketing campaign called ecomagination, which positioned GE to benefit from introducing technologies that addressed environmental issues and resource scarcity.

Since that time, our progress has been remarkable. We had \$12 billion of revenue of ecomagination products in 2006, up from \$5 billion in 2004. Our backlog is \$50 billion. And, every day, the need for environmental technology is endorsed by our customers around the world.

We have never had an initiative that generated better results. Since 2004, ecomagination has produced \$7 billion of incremental revenue and is on track for \$100 million of internal energy-cost savings each year. Ecomagination is producing \$1 billion of incremental profit for GE in 2007. Our focus on innovative solutions to environmental challenges is a business strategy that will create decades of future growth.

These are the prospects we see on the horizon for your Company. We are investing in your future.

But it is Also Important to Deliver Each Day

A number of companies can say that they "see the future." It's another thing to show, year after year, that you executed on opportunity.

Four principles make up the operational foundation of our Company.

- WE BUILD LEADERSHIP BUSINESSES.
- WE FOCUS ON RELIABLE EXECUTION AND FINANCIAL DISCIPLINE.
- WE DRIVE GROWTH AS A PROCESS.
- AND WE SPREAD IDEAS ACROSS GREAT PEOPLE AND TEAMS.

We expect each business to achieve earnings growth of 10% or more. In the long-term, we expect returns of 20%. We want our businesses to be leaders in market share and value creation.

Quite honestly, we have had to do a lot of heavy lifting over the past five years to accomplish this goal. In 2001, one-third of our earnings were generated by businesses that did not hit our financial targets. We had let our portfolio get "old." Since then, we have executed a disciplined portfolio strategy to create a sustainable competitive advantage. We have redeployed capital from slow growth to high growth markets.

Oil & Gas is one of our growth platforms. We entered this business ten years ago through the acquisition of a small state owned Italian company called Nuovo Pignone. Over the last ten years, we have invested in technology, globalized our customer base, and filled out our product offering. Today, we are a \$7 billion Oil & Gas market leader that is growing 15% each year. Looking forward, we have a ten-year growth horizon ahead of us based on leadership technology and favorable market dynamics.

To fund investments in Oil & Gas and other areas, we have exited businesses that couldn't meet our expectations. These are difficult decisions, but important for the long-term health of the Company. In the last year, we made the tough decisions to sell our Plastics, Advanced Materials and Industrial Supply businesses.

As a result, today, all of our businesses are capable of delivering our long-term financial goals.

As we work to build leadership businesses, we are committed to financial discipline. Reliable growth requires cash flow generation, margin expansion and the capital allocation necessary for high returns.

The core of our financial strength is our ability to generate cash. In 2007, we will generate \$40 billion of cash from earnings, working capital reductions and divestitures. This is cash that will be available *after* we have invested in our future growth.

Our investors are always our first priority. We are committed to returning 50% of our earnings back to you in dividends. Last year, we announced our 31st consecutive dividend increase. At the same time, we will continue to buy back stock. Our returns, at 19%, are nearing the Company target.

We are intensely focused on expanding our margins and continue to reduce costs. We've sliced \$4 billion out of overhead since 2004. We're consolidating our backrooms, restructuring businesses, and peeling away unnecessary layers of management.

We are reducing the cycle time required to make products, which improves productivity and customer service. Our Transportation business is reducing the cycle time to produce a locomotive by 70% ... to just ten days.

We are building permanent capability in the Company to drive organic growth.

Over the last two years, our organic growth has averaged 8%. That's higher than our industrial and financial peers and twice our historic average. We repeated that performance in the first quarter of 2007.

We are investing aggressively in the capabilities that drive organic growth: technology, innovation, customer value, commercial excellence, and globalization.

We will sustain this growth. We have more than 40 new products that will be introduced in the next three years, each having potential for \$1 billion in revenue. Our teams are closer to their customers than ever before. We have dramatically increased our global revenue, which is \$90 billion, growing 12% each year. While some are concerned about an economic slowdown in the U.S., GE can sustain organic growth at two-to-three times GDP into the future.

Finally, we have great people and teams that share common values.

We value leaders who perform over time. As a result, we don't have a lot of debates about short-term versus long-term performance. We have a team that is focused on building a company that has enduring value. Our culture matches the expectations of long-term investors.

GE teams get to see how the story comes to life. Can we effectively treat Alzheimer's disease? Will nuclear power have a resurgence in the world? Our teams will see it first. They are committed to deliver for you.

Social Costs

An important part of our commitment to people is in our healthcare and pension plans. If we were starting GE over today, we would have different social plans than we have supported in the past. But we aren't. We made a commitment to you in the form of a defined benefit pension plan. And we decided to have a healthcare plan that would be responsive and flexible to balance employee needs with Company competitiveness.

Let's start with pensions. For decades, GE has been a good steward of our assets and obligations. While we have made changes in pension benefits for new hires that are more consistent with industry trends, we have maintained our long-standing commitments to current employees and retirees.

Employees have contributed \$3.5 billion to the GE Pension since 1945. Over more than 60 years, retirees have received roughly \$35 billion in pension payments.

And at present we have long-term obligations of \$43 billion to our current and future retirees and their beneficiaries who receive pension benefits.

Many large companies face significant pension funding challenges. Some have terminated or modified their plans. Our pension plans have a "surplus." This is the result of managing the fund carefully to fulfill a long-term commitment. In addition to keeping that promise, the Company has provided seven voluntary improvements since 1980.

We will continue to consider changes. But we will not over-promise and we will not change our successful approach to managing the fund's commitments.

Healthcare is different. Having good healthcare benefits is incredibly important to our ability to recruit good people. But healthcare costs are an operating expense, like materials. We will continue to work with governments to modernize the healthcare system using technology. And we will continue to drive more healthcare consumerism in our retirees and employees. We are committed to controlling healthcare cost and will *never* allow it to be a burden to the future growth of GE. You will always have a good plan within the context of a competitive Company.

Investors

You can only believe one thing if you run GE or own GE stock: consistent earnings and cash flow growth, with expanding returns, increase shareowner value. This is a long-term investment. There are no short-term tricks.

The last few years have been frustrating for all of us. Your Company has performed. Our five-year earnings growth rate of 11% matches our performance over the past 25 years. Our total shareholder return was 9% in 2006, 10% over the past three years and 2% over the past five years. But we have underperformed the market.

Our challenge is one of historical valuation. GE's PE ratio was 31-times in 2001, a 50% premium to the S&P 500. Today, our PE ratio is 17-times, equal to the S&P 500. This is a function of a broader market sentiment away from "safer" mega-cap stocks and investors' desire to see GE perform consistently as we changed our portfolio.

We will continue to perform. We may have been over valued at 31-times earnings, but we are not today. Our stock should reflect our double-digit earnings growth rate in the future. As we continue to execute, our valuation should improve as well. This is the best time to own GE stock.

I am compensated to meet with your expectations as long-term investors. Approximately 20% of my compensation is in base salary; 60% is at risk based on our financial performance; and 20% is at risk based on the stock price performance versus the S&P 500. I work without a contract. My objectives and compensation are set by our independent directors. My evaluation is transparent. You can read about it on page 41 of the annual report. I own 1.2 million shares of stock, including 100K shares I purchased in the open market over the past year. I will never sell a share of GE stock while I am CEO. Believe me, I am motivated.

Only GE

I want to close today by connecting this community with my Company. We are at an interesting point in our economic history. People dislike business ... or at least severely mistrust it ... for good reasons, given some of the high profile failures of the past.

But companies aren't faceless. They are inhabited by normal people and they exist in normal cities, like Greenville.

Six years ago, as the U.S. power bubble was deflating, the future of the Energy business looked uncertain. Back then, 75% of our Energy earnings came from selling one product, large gas turbines—made here in Greenville—to U.S. customers.

And then the bubble burst. Today, gas turbine sales to U.S. customers are only 2% of our earnings. If this plant had been a part of another company—or owned by private investors—it would have been severely restructured or closed

Yet the Greenville plant—and our Energy business—is booming. Today, GE Energy is a \$19 billion business, with organic growth of 16%. Productivity and on-time delivery here are the best in the Company. How did this happen? We didn't complain. We invested more!

We focused on technology, innovation, creating customer value and taking our business around the world. We moved new technologies into this site rather than losing our high-tech work force.

Today, Energy has six products with revenues greater than \$1 billion each. Our suite of renewable energy technologies is the largest in the world and we serve customers in every corner of it. We have energy outposts in China, Russia and the Middle East. Poland is now home to a coal center of excellence. And eight out of ten of the gas turbines made here in Greenville are no longer shipped to customers in Texas or New York, but to customers in São Paulo or Saudi Arabia.

The products made in Greenville are at the heart of America's energy future. We are a high tech innovator of efficient, clean technology. This town could be the Silicon Valley of energy investment.

Greenville has a great future because it is a part of a company that invests and delivers. We had the courage to invest billions in gas turbine technology in good times and bad. We had the courage to acquire wind technology long before it was popular.

The Greenville site is an American success story. This plant is the face of our competitive future. Greenville exports high tech products to the rest of the world. Greenville is what GE is all about.

Today, we will have a nice discussion about the environment, executive compensation and pension increases. These are important items, and I look forward to your point of view.

However, let's not forget the big point. Business makes a difference in this country. And for people in Greenville ... in Cincinnati ... Erie ... in Milwaukee ... and dozens of other towns in the U.S. and around the world, GE's ability to invest and deliver has given thousands of employees and investors something important. Confidence that the future will be better than the past.

This is our GE.

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A webcast of this Report on Company Operations
is available online at: www.ge.com/investor

