

GE Update

May 6, 2005

"This document contains "forward-looking statements" – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties arise from the behavior of financial markets, including fluctuations in interest rates and commodity prices; from future integration of acquired businesses; from future financial performance of major industries which we serve including, without limitation, the air and rail transportation, energy generation, media, real estate and healthcare industries; from unanticipated loss development in our insurance businesses; and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive and regulatory nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements."

This presentation includes certain non-GAAP financial measures as defined by SEC rules. As required by SEC rules, we have provided a reconciliation of those measures to the most directly comparable GAAP measures, which is available in our Supplemental Information file on our investor relations website at www.ge.com/investor.



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Key messages

- ✓ **GE is in great shape ... businesses performing as we expected**
 - Economic activity looks solid ... orders up 11% quarter-to-date
 - Executing on Insurance strategy ... freeing capital at Insurance Solutions
- ✓ **GE believes in transparency & strong controllership**
- ✓ **We will restate our earnings ... \$381MM positive cumulative impact for 2001 – 1Q'05**
 - We conducted a regularly scheduled Corporate Audit Staff review of Treasury operations & derivatives
 - We found that certain transactions do not meet the SFAS 133 standard
 - We will restate GE's 2004 10K and we have taken actions to ensure no impact going forward
 - The amount of these adjustments are immaterial to annual earnings (<1.6% of earnings in any year); however, given the quarterly volatility we will restate
 - There is no economic or cash impact from these adjustments

GE's business outlook is unaffected by this development & remains robust

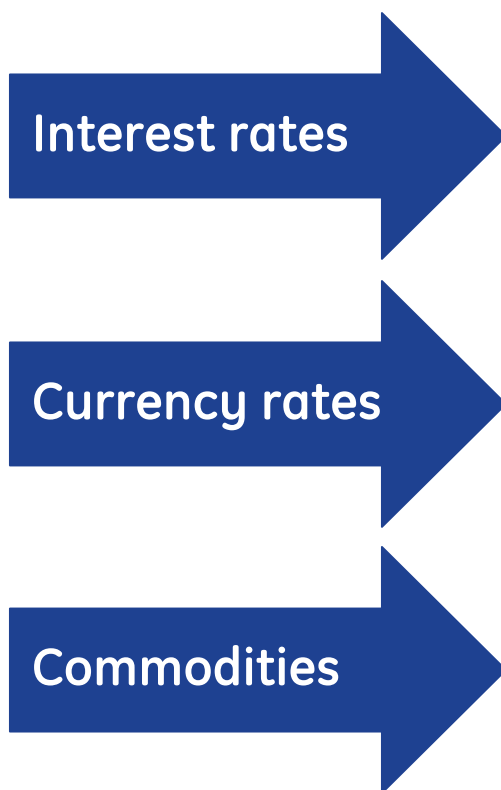
- TY 2005 EPS guidance is reaffirmed at \$1.78-1.83
- Raising 2Q 2005 EPS from \$.42-.44 to \$.43-.45



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Why we use derivatives

Potential sources of volatility



Instrument

- Swaps
- Options
- Forwards

Criteria

- No speculation
- Counter-party A rated or better
- Centrally managed & controlled

Mitigate risks

- ✓ Mitigate interest rate risks
- ✓ Mitigate currency risks
- ✓ Lock in material costs

GE uses “plain vanilla” derivatives to mitigate risks

Implementation of SFAS 133

SFAS 133 – Accounting for Derivative Instruments & Hedging Activities

- ✓ Effective 1/1/2001
- ✓ Derivatives are assets & liabilities & changes in their fair values should generally be reflected in financial statements
- ✓ Hedge accounting is elective – strict criteria to qualify
 - Reduces P&L volatility & reflects intended economics
- ✓ Hedge criteria
 - Formal designation & documentation at inception
 - Quarterly testing of effectiveness unless very strict terms are met

GE's implementation of SFAS 133

- ✓ Massive project effort in 1999 & 2000
- ✓ Reviewed 100% of hedging activity
- ✓ Detailed implementation guidelines
- ✓ Implemented 1Q '01
- ✓ Corporate Audit review of implementation
- ✓ Guidelines & implementation reviewed by KPMG

GE undertook massive effort to comply with SFAS 133



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Application of hedge accounting – example

- SFAS 133 has strict criteria that can exempt entities from conducting very complex tests of hedge effectiveness for each hedge, each period
- Documentation prepared by our SFAS 133 experts and reviewed by KPMG indicated these transactions qualified for hedge accounting exception to effectiveness testing at inception
- Audit Staff audit in 2005 identified certain errors & raised to GE leadership

Simple interest rate swap example

Exempt from onerous effectiveness testing only if:

- Terms of hedge instrument and hedged item match
 - debt and hedge notional
 - maturities
 - variability in fixed payments
 - interest payment dates
 - currency
 - any optionality
- Floating leg based on a benchmark rate
- Swap fair value at inception = \$0

<u>To qualify</u>	<u>Actual</u>
Required	OK
Required	OK
Required	OK
Required	OK
Required	OK
Required	OK
Required	OK
Immaterial	Fail

Swaps actually
had value, on
average 1.3% of
face at inception

Economics matched ... technical accounting test not met



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Impact

Immaterial to annual results

	<u>TY'01</u>	<u>TY'02</u>	<u>TY'03</u>	<u>TY'04</u>	<u>1Q'05</u>	<u>Cum</u>
GE earnings (\$B) – Before accounting changes, as reported	\$14.1	\$15.1	\$15.6	\$16.6	\$4.0	\$65.4
Impact (\$MM)	(50)	49	234	226	(78)	381
Percent of earnings	(0.4)%	0.3%	1.5%	1.4%	(1.9)%	0.6%

Quarterly dynamics

- Volatility greater during some quarters
 - Would never have allowed this volatility to occur ... can make derivatives eligible for hedge accounting

Quarterly impact is material

Restatement

EPS	<u>'01</u>	<u>'02</u>	<u>'03</u>	<u>'04</u>	<u>1Q'05</u>	<u>2Q'05E</u>
Reported - Before accounting changes, as reported	\$1.41	\$1.51	\$1.55	\$1.59	\$.38	EPS \$.43-.45 +1¢ vs. last est.
Impact	(.01)	-	.02	.02	(.01)	
Restated	1.40	1.51	1.57	1.61	.37	

Summary

- ✓ Decisions made at implementation by our technical accountants and reviewed by KPMG not correct
- ✓ Cumulative impact to earnings over four years is \$381MM positive
- ✓ Restatement determined by quarterly swings that would never have happened
- ✓ Economic impacts hedged ... match funding worked
- ✓ No impact on management incentive compensation or metrics
- ✓ No impact on CFOA
- ✓ Confident in strong controls throughout the company

No change in GE fundamentals

GE process works

- ✓ Audit Staff found technical accounting issues
- ✓ Issues raised to management & fixed
- ✓ Materiality & results reviewed with the Audit Committee & Board of Directors
- ✓ Prompt disclosure to investors

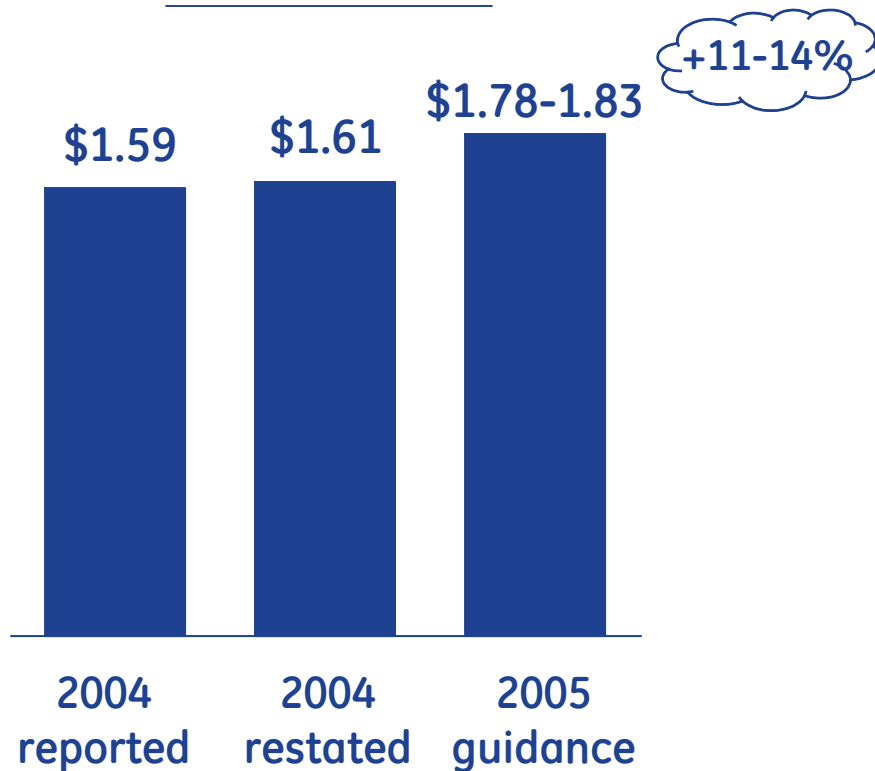
Business update



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2005 GE earnings

EPS (\$/share)



Factors

- ✓ Momentum is strong ... April orders are robust
- ✓ Broad-based growth ... 10/11 businesses growing double-digit
- ✓ Excellent organic growth initiative
- ✓ Insurance strategy progressing

Company is in great shape

2005 first quarter final

(\$ in billions – except EPS)

	Revenue		Segment profit ^{a)}	
	\$	V%	\$	V%
Energy	\$4,502	16%	\$597	(8)%
Transportation	3,733	10	744	17
Healthcare	3,321	33	409	21
Infrastructure	965	24	147	30
NBC Universal	3,601	F	709	80
Commercial Finance	6,040	12	1,151	21
Consumer Finance	4,689	31	735	22
Consumer & Industrial	3,261	5	165	11
Advanced Materials	2,227	18	275	61
Equipment & Other Services	2,004	/	77	-
	1,919	(15)	(1)	
Insurance	6,333	6	383	(7)

(a- Financial Services on an after-tax basis)

Before restatement		
	1Q'05	V%
Revenues	\$39.8	19%
Net earnings	4.0	25
EPS	.38	19

After restatement		
	1Q'05	V%
Revenues	\$39.7	18%
Net earnings	4.0	18
EPS	.37	12

Business performance & capability unaffected by restatement



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2005 guidance

1Q conference call



1Q	\$.38
2Q	\$.42-.44
2H	\$.98-1.01

Current outlook



1Q	\$.37
2Q	\$.43-.45
2H	\$.98-1.01

- ✓ Reaffirm total year guidance
 - Business remains strong
 - Some upside in Insurance

Insurance update

Net income



Factors

- ✓ Execution of strategy ... reduce capital
 - Selling MedPro to Berkshire Hathaway
 - Proceeds \$825MM ... 112% of book
 - After tax gain in 2Q of ~\$75MM
- ✓ Business fundamentals strong
 - Underwriting & pricing
 - Trends improving
- ✓ Strong controllership

GE second quarter operations outlook

	<u>Revenue V%</u>	<u>Segment profit V%-a)</u>
Energy	~10%	5-10%
Transportation	~10	~15
Healthcare	10-15	15-20
Infrastructure	40+	40+
NBC Universal	20+	15-20
Commercial Finance	~10	15+
Consumer Finance	~20	~20
Consumer & Industrial	0-5	~10
Advanced Materials	~20	50+
Equipment & Other Services	10+	F
Insurance	~5	F

(a- Financial Services on an after-tax basis)

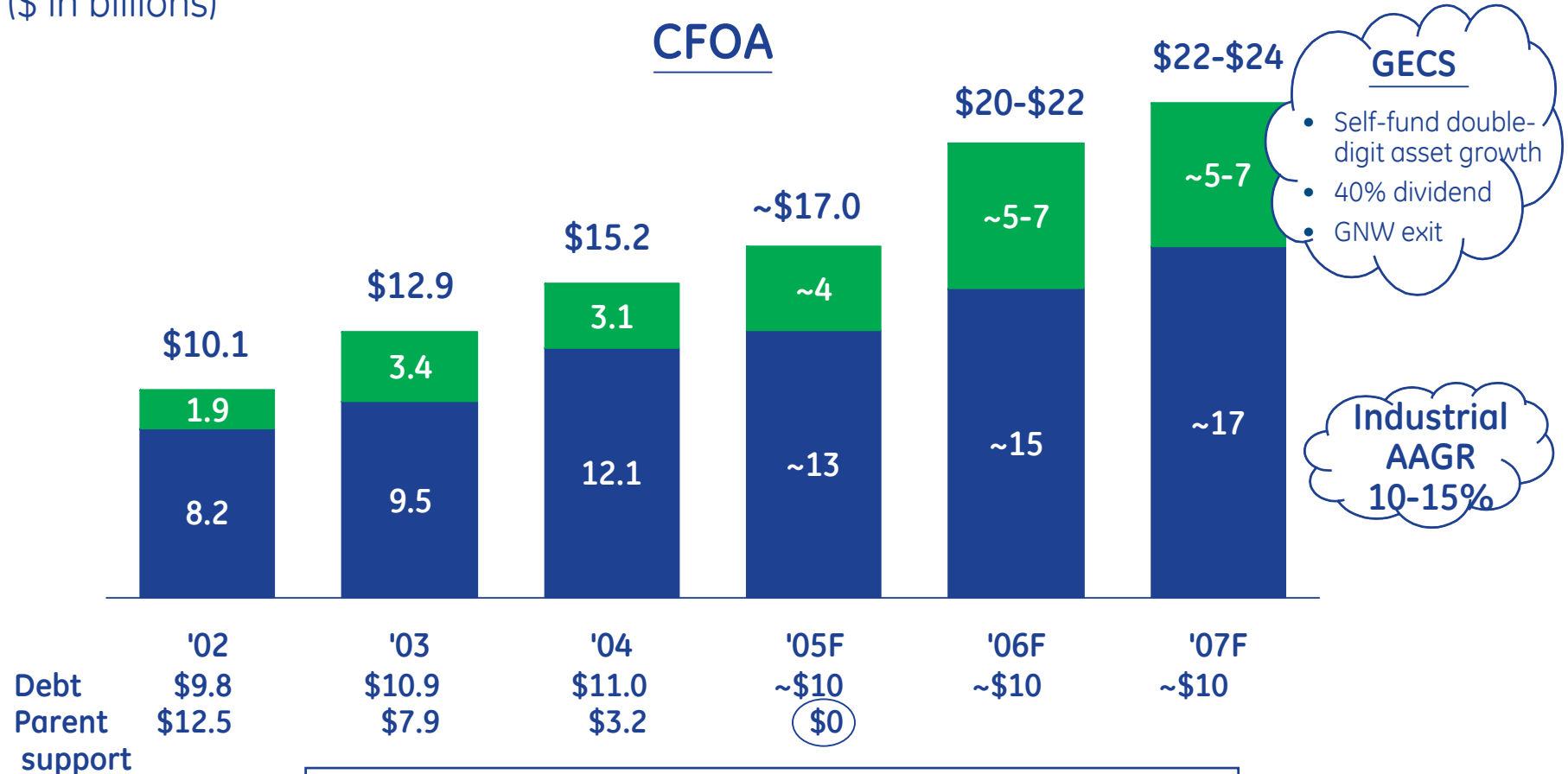
<u>Total company 2Q'05</u>			
(\$ in billions)			
	<u>\$</u>	<u>V%</u>	<u>V% before restate</u>
Revenue	\$41-42	10-13%	10-13%
Earnings	\$4.5-4.7	21-26%	16-21%

- ✓ 2Q EPS guidance of \$.43-.45
 - Up 19% to 25%
- ✓ 2Q YTD Industrial CFOA +10-15%



Cash flow outlook unchanged

(\$ in billions)



- ✓ Strong cash generation
- Grow dividends in line with earnings growth
 - Up to \$15B repurchase through '07
 - Retain flexibility to invest in growth

Summary

- Based on Audit Staff review of SFAS 133 we have to restate our results ... but believe even though the amounts are small, it's the right thing to do
 - Our controllership processes worked to identify issue and correct
- This has no impact on the underlying strength and capability of GE
- Company is in great shape
 - Business performance is strong & broad-based
 - Solid Triple A ... cash flow will expand with increasing GE Capital dividend
- Executing clear, consistent strategy
 - Portfolio changes largely complete
 - Organic growth capability much stronger
- Earnings on track ... 2005 EPS \$1.78-1.83, +11-14%