

ANNUAL SHAREOWNERS MEETING

4/27/05

Jeff Immelt

I'm Jeff Immelt, Chairman of the Board of GE. And here with me are Keith Sherin, senior vice president and GE's chief financial officer, and Ben Heinemann, our senior vice president for law and public affairs. It's a real pleasure to be here in Cincinnati. It's the home of GE Transportation, one of our strongest businesses and important to our future. Cincinnati's also my home. My father worked for GE for 38 years in this town. So again, today has special meaning to me.

GE has an important presence in Cincinnati. We employ 7,000 people here with a payroll of \$500 million. We have more than 16,000 shareholders in the greater Cincinnati area. We purchased close to \$800 million from Ohio companies. The company and our people contribute more than \$8 million every year to the community. Thousands of GE employees and retirees contribute countless hours to important local programs, such as mentoring at Aiken High School.

Now, Cincinnati's gone through rough periods over the past couple of years, and GE has responded. We're working with companies like P&G to address some of the recent conflicts by promoting the strengths of the city. Just yesterday I had the opportunity to take part in an event called "Celebrate Cincinnati" at the National Underground Railroad Freedom Center and I was proud to present a one million dollar donation to Better Together Cincinnati, which will help to sustain lasting change. GE and Cincinnati have had a great partnership over many years and I want to say thanks for decades of your support. We will continue to be a good citizen.

It's now my privilege to introduce the members of your Board of Directors who are with us today. I'm going to ask each director to stand briefly as I introduce them so that you can see who they are; then I'll ask them to stand again as a group to be recognized.

- Sandy Warner, former chairman of the board, JPMorganChase & Company, a director since 1992. Sandy is chairman of the Audit Committee.

- Claudio Gonzales, chairman and chief executive officer of Kimberly-Clarke of Mexico. He's been a director since 1993 and Claudio is chairman of the Nominating and Corporate Governance Committee.
- Dennis Dammerman, vice chairman of the GE Board and chairman of the GE Capital Service, a GE director since 1994.
- Roger Penske, chairman of the board, Penske Corporation, Penske Truck Leasing Corporate, United Auto Group, a director since 1994.
- Sam Nunn, former four term Senator from Georgia, chief executive officer of the Nuclear Threat Initiative, a director since 1997.
- Jim Cash, retired James E. Robertson professor of business administration, Harvard Graduate School of Business, a director since 1997.
- Andrea Jung, chairman and chief executive officer of Avon Products, a director since 1998.
- Ann Fudge, chairman and chief executive officer, Young & Rubicam, a director since 1999.
- Shelley Lazarus, chairman and chief executive officer, Ogilvy & Mather Worldwide, a director since 2000.
- Ralph Larsen, former chairman and chief executive officer, Johnson & Johnson, a director since 2002. Ralph is presiding director and chairman of the Management Development and Compensation Committee.
- Bob Swearinga, dean and professor of accounting, Johnson Graduate School of Management, Cornell University, a director since 2002.
- A.G. Lafley, chairman of the board, president, chief executive, Procter & Gamble, a director since 2002.
- Bill Castell, vice chairman of GE and president of GE Healthcare, a director since 2004.

- Bob Wright, vice chairman of GE and chairman of NBC-Universal. Had back surgery this week and is unable to attend.
- And Ken Langone, who has been a GE director since 1999, has decided not to stand for reelection this year. I want to thank Ken for his energy, insight, and great service to the shareowners of GE.
- Would you all please stand once more so we can recognize you with a nice round of applause.

Report on Company Operations

And now to the second item on our agenda: our report on company operations. You know, a lot has changed in the business world over the past few years. We have experienced the tragedy of 9/11, corporate scandals, a war, high oil prices, SARS, and recession. Unfortunately the only constant over this time period has been the performance of my beloved Reds. Today we face an environment of slower economic growth—it's not negative, but compared with previous years there's less tailwind. Japan and Europe have long-term challenges and there won't be any government stimulus in the United States. We must look to the developing world for rapid expansion. At the same time we're facing more volatility. We sit in the midst of high energy costs and geopolitical uncertainty. We're seeing massive growth in competition from places like China and India. Hedge funds rule the capital markets. Change happens today in uncertain ways. There's a stronger intersection of government and business. New laws and regulations are emerging around the world—there's less trust. People are afraid, governments are concerned, and more laws seem to be an answer. This is a time when companies must create their own growth and your company faces this era with massive strength.

In 2005 we should have \$165 billion of revenue, \$19 billion in earnings, and \$17 billion in cash flow. GE's reputation is strong. We were named the *Financial Times* most admired company for the seventh straight year. We were again named *Fortune's* most admired global leader in 2004. And we consistently receive the highest scores on integrity and governance. This is a great time for your company because we're outperforming in a

slow growth world. This is our time. We will sustain this performance based on the execution of a solid strategy. The foundation of our strategy is to build a great set of businesses. We've transformed the company, creating faster growth and higher returns. We've invested more than \$60 billion in acquisitions and completed \$15 billion in divestitures. We added dramatic new growth capabilities in biosciences, film and DVDs, healthcare information technology, renewable energy, coal gasification, water, security, Hispanic media, oil and gas technology, environmental services, nondestructive testing, supply chain financing, global real estate and mortgages. These new capabilities complement an already strong set of businesses. These businesses are delivering for you today. In the first quarter our revenues expanded 19% and our earnings grew 25%. Our strength is broad based. Transportation and energy are expanding simultaneously for the first time since 2000. Commercial & Consumer Finance will continue their double-digit growth. Healthcare, NBC-Universal, and Infrastructure have completed strategic acquisitions and will grow by more than 20%. Economically sensitive businesses like Materials, Lighting, Appliances, and Equipment Services are experiencing rapid growth and margin enhancement. We're executing a discipline strategy in insurance to maximize returns for shareholders. And in 2005 we should have 10 of 11 businesses growing by double digits.

You know, we're always looking for ways to improve the company but we like the way we look today. Last year I told you that we define 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 and in 2005 approximately 90% of our earnings will be in these growth engines. Now we run these great businesses with intensity. GE has two core operating processes: Six Sigma and Simplification.

Six Sigma is focused on customer satisfaction, improving returns, and cash flow. Simplification achieves dramatic reductions in our structural costs. We're in our 10th year of Six Sigma. To enhance the effort we've combined lean manufacturing, classic tools for reducing cycle time with the problem solving capability of Six Sigma. And using these processes the company's reduced working capital by \$2½ billion over the last two years. Through Simplification we'll reduce nongrowth costs by \$3 billion and we're driving reductions in anything that's not directly linked with customer satisfaction or growth.

Our Consumer & Industrial business has gone from 13 profit centers to nine, reducing costs by \$400 million while increasing new product spending by 100%. Complexity is the enemy of growth and we want to eliminate it.

The benefits of our operating disciplines are a strong balance sheet and excess cash. GE is one of six triple-A rated companies in the world. Our balance sheet is very strong today as we reduced leverage by \$17 billion. Meanwhile our pension plans continue to have a surplus of more than \$4 billion while we meet our obligations to pensioners. In the next three years we expect to generate more than \$55 billion of excess cash. This is cash after we've made substantial investments in the company. In this case this is \$55 billion after investing in technology, media programming, and capital expenditures and marketing and information technology as well as funding more than \$100 billion of financial services asset growth. We generate more cash than we need to run the company and this gives us significant financial flexibility. We plan to return 75% of this cash to you in the form of consistent dividend growth and a \$15 billion stock buyback. With the remainder we can invest in Industrial acquisitions to grow the company. These activities increase our earnings growth rate while expanding returns.

And lastly we have one core initiative: to generate 8% organic growth. Now this means 8% growth before the impact of acquisitions. Growth has been my passion for more than 20 years. I was convinced that we could combine our operating excellence with an exciting growth culture to boost our performance. And when I speak with investors, growth is what they look for from GE. Driving change in GE requires a combination of process, metrics, and people. And we've made growth a process focused on building capability, winning with customers, driving globalization, and commercializing innovation. Technology and services are the foundation of GE's growth and we have a rich pipeline of new products. For instance, GE leads in energy efficiency through more economical power-producing systems including those that use renewable resources. In 2004 we began feasibility studies with Synergy 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 while producing 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 tech-

nologies capable of extremely early detection of cancer, heart disease, and Alzheimer's. GE leads in advanced water technology. We have a broad array of filtration systems and membranes and we're taking this in two directions—towards the sea with desalination and into the home with advanced filtration systems. GE leads in advanced security systems. We're the only company that can combine digital surveillance, advance detection and bioscience. And we've been awarded funding by the Transportation Security Administration for the next generation of security systems, which will combine material and explosive detection. Each of these new products will add to our installed base, which has more than doubled since 2000. And built on this high tech installed base our service revenues totaled \$26 billion in 2004, growing 12%. Service represents about 30% of our Industrial sales and has the potential to grow at double-digit rates for the foreseeable future. Service is a powerful growth engine for the company because our technology's long-lived and we focus on making our customers more profitable. Customers are critical to our success. CEOs can't delegate customer satisfaction or growth. And I try to spend five days each month with customers or otherwise being involved in the selling process.

Another way I try to stay in the middle of the action is by leading a Commercial Council that we've had in place since 2002. It's composed of our best sales and marketing leaders and our mission is to drive functional excellence in sales and marketing that we need to hit our growth goals. We've used the Council to bring customers into the center of our strategy. Every business now has a value equation that links growth initiatives with customer profitability. And for the first time customer satisfaction will impact how leaders are compensated.

And we want to sell to customers everywhere in the world. Global revenues increased to \$72 billion in 2004. And the most exciting opportunities for GE are in the developing world where revenues were \$21 billion—an increase of 37%. We believe that 60% of our growth will come from developing countries. These are places like India, Eastern Europe, Russia, Middle East, South America, China. And it's important for us to win 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've won more than 70% of turbine orders in China over the past two years. And last year we won a commitment for the East-West Rail Line for

locomotives and control equipment. The Beijing 2008 Olympic Games could mean a billion dollars of business across GE.

The Middle East is another exciting growth region. We're targeting \$10 billion of revenue in Qatar by 2010. Our opportunities are broad based in Oil & Gas, Aircraft Engines, Water technology, and Healthcare. And we're approaching Qatar on a country to company basis. But maybe the most important part of any growth equation is a renewed focus on innovation. We're funding innovation through a process called *Imagination Breakthroughs*. We challenge every business to present to us ideas that can be the basis for \$100 million in incremental growth and right now we have 80 in development. Today we have *Imagination Breakthroughs* like the GE Dual Card where we combine the best features of a private label credit card with the utility of a bank card. We have 13 retailers as partners and \$3 billion in assets. We're on the verge of commercializing the digital railroad that will provide a set of information in wireless technologies that help our railroads improve service and lower cost.

And we're developing desalination, the process to turn seawater into fresh water, into a multi billion dollar business.

We're leading in technologies that will revolutionize industries like a new hybrid locomotive, consumer finance for China, and technologies to identify people at high risk for breast cancer. A few of our *Imagination Breakthroughs* will fail but more will succeed. And we'll invest about \$5 billion in *Imagination Breakthroughs* over the next four years. And we believe over that time period they could generate \$25 billion of incremental growth. Our focus on innovation also includes the way we market. In May we're launching a comprehensive multi-business campaign focused on using technology and imagination to conserve energy and reduce emissions—it's called *ecomagination*. And we will link with customers to improve the environmental performance of important industries. We will deliver the cleanest locomotives, the most energy efficient engines, power generated from renewable sources that open up new sources of clean water. It'll be unique to GE.

In order to deliver on our growth aspirations we must continue to evolve what it means to be a GE leader. Our team must understand growth and have the leadership capabilities to deliver it. Our leaders must be externally focused, meaning that they know that our

only success takes place in the marketplace. Leaders must be decisive. They have to take action quickly and communicate clearly. Leaders must bring expertise having deep domain knowledge that's necessary to drive growth. Leaders must be inclusive, meaning they know how to build and run teams. And leaders must have imagination and courage. They know you have to take risks to grow. Our team's excited by the change and committed to perform. Over the last 15 years our organic growth rate has been 5%. We've raised our targets to 8%. This represents more than \$10 billion of growth each year. There are cynics who think that big companies can't grow, but they don't know GE. We use our size as a strength and we know how to deliver. And our organic growth in the first quarter was 10%.

So your company's strong. We think all the elements are in place for a sustained run of value creation. We have a better portfolio with higher growth industrial businesses and higher returning financial franchises. We will deliver consistent double-digit earnings growth while returning cash to investors. And we've built capability for strong organic growth. Investors are supporting the strategy. Of 20 analysts who cover GE, 19 have us as a buy. Our stock performance has been solid over three years. Our total shareholder return is 8% versus 4% for the S&P 500. And in the last 12 months our returns are 21% versus 4% for the S&P 500.

But we know that performance alone is not enough. GE must lead in building investor trust by implementing a consistent standard for good governance. We have a strong and independent board led by Ralph Larsen, our presiding director. We've aligned executive compensation with investor interests. We've increased transparency through more investor meetings in an award winning investor relations team. We have intensity around controllership led by our Audit Committee, our Corporate Audit Staff, and a strong finance function. Our governance practices have been recognized by external experts. Governance Metrics, an independent evaluation firm, gave GE a perfect score of 10 for governance. And we believe that high standards are good for investors and ultimately facilitate growth.

Now I want to conclude today by recognizing the excellent performance of our Aircraft Engines business. I'm sure that people in this room were happy when the 2004 Presidential elections ended. Ohio was a battleground state and you saw a political ad about every 15 minutes. This was great for those of us in the TV business but I'm not sure it

was much fun for you. In Ohio the debate was about jobs. Politicians believe that someone was stealing jobs from Ohio. In fact, there was a fear that people in Ohio could no longer compete for jobs in a global marketplace. But I want to tell you a story about a business right here in Cincinnati that conquered fear. They did it through innovation, a profound focus on global customers, and the power of positive leadership. On September 11th, 2001, I was in Seattle with Dave Calhoun, the CEO of GE Transportation, on a visit to Boeing. At 5:30 a.m. I was on a treadmill at the hotel when I watched the tragedy unfold. And you know what? I was concerned. For our country and for GE and for the Engines business in particular. Aviation was already heading into a down cycle but 9/11 made things much rougher and for a longer period of time. No planes flew for four days and the number of passengers flying dropped for months. Then on top of 9/11 came SARS, a war, a recession, rising fuel costs, and many of our customers in the U.S. have been in or close to bankruptcy. In tough times fear is not a strategy and spreading fear is not leadership. Too many people count on GE to lead—in the industry, with our investors, and especially our employees. So Dave and his team went to work. They decided to increase investments in innovation. They committed to beat the competition in every corner of the world. They relied on positive leadership. They told every employee that no matter how long this crisis lasted, not to worry, we would come out on top. Now investing in innovation always takes courage. But during this cycle it was particularly risky. Yet our investment in technology was a billion dollars each year and today it's more than \$1½ billion. Meanwhile our competition was putting their money in the bank. And as a result we'll have 12 new engine launches this decade, the most in GE's history—six commercial and six military. Maybe the best example is a revolutionary new engine called the GENX, which will power both the Boeing 787 Dreamliner and the Airbus A350. GENX engines will have the power to carry 250 passengers 8300 nautical miles. They will do that on 20% less fuel than a comparably sized plane uses today. The GENX has a revolutionary new design using new materials that give it advantages over our engines, both economically and environmentally.

Had we put the brakes on investment when the market hit the skids, the GENX would not have been possible. Instead it represents \$30 billion of growth over the next 30 years. Technology only works if you win with customers, and we competed harder than ever to win around the world. In fact, 70% of our orders since 9/11 are for customers outside the United States. And some of our recent wins went to Emirates Airlines, Japan

Air Lines, and Singapore Air Lines. We've had great success in China, winning the vast majority of all campaigns over the last four years. China is building a transportation infrastructure almost from scratch including 50 regional airports over the next six years. Our CF-34 engine was selected by China's major airline for their brand new fleet of regional jets. This could grow to 500 planes over 20 years. And our engines will power both the 79 and 99 passenger version of China's locally manufactured regional aircraft. Our military customers have had great experience with our T700 helicopter engines. These engines flew 70% of the missions in Iraq and every day we get great comments from pilots on reliability and responsiveness. We work shoulder to shoulder with our airline customers. We offered financing proposals to the industry and we applied Six Sigma programs at more than 20 airlines. And at the time of their greatest need, GE was a partner and we will benefit from this goodwill for decades. Our success with customers has built an installed base of 18,000 engines on commercial aircraft and 26,000 engines on military aircraft. And today we have \$8 billion of service revenue based on this great installed base. We win as our customers win.

We energize our employees. Dave and his team did what great people do in a moment of crisis. They led. David Joyce and Roger Seger sold our engines around the world. Dan Heinzelman grew service backlog by \$5 billion. John Falconer, Paul McCartney and Henry Subschema worked with the airlines to give them financial flexibility while protecting GE investors. Scott Ernest and Russ Mayer ran the facilities more efficiently so Dave could fund new programs. Lorraine Ballinger improved relationships with key customers and built a vision for the future. Rick Stanley and Junior Rosario accelerated new product development. Ken Meyer made Six Sigma the way we work. Russ Sparks helped our military customers and Mark Kenney kept employees informed and believing in our mission. In 2002, at our low point, with commercial engine shipments cut in half, we made a commitment to build a learning center focused on the future so that every employee could see our commitment. This combination of innovation, focus on global customers and positive leadership worked. In 2005 this business will have \$17 billion of revenue and \$3½ billion of profits, both records. And we have won 70% of all campaigns since 9/11. Our factories are full and early this month we had the first recall of production workers in more than 20 years. We stand here today a stronger business. We turned a global crisis into a business success. GE knows what it feels like to face tough times but we conquer fear with the will to compete. And these Midwestern values of determination,

imagination, integrity, and teamwork allow us to take high tech products manufactured right here and sell them around the world.

A GE shareowner meeting is a great experiment in governance. As always we welcome a strong discussion. The company's in great shape financially but we want to listen to your concerns. So we're going to talk about PCBs and pensions and animal rights, nuclear power, governance, anything that's on your mind. But if you came here today to spread fear or by a cynic, just look around. Our Aircraft Engines business is part of the miracle of GE. It's in the brains of our engineers. It's in the determination of our manufacturing team. It's in the hearts of our customers. It's in the integrity of our leadership. It's in the souls of our workforce. This is your GE. Generation after generation in this company one thing is handed down—the will to compete. And I can promise you right now that we'll be having meetings like this for decades. We'll take on new global competitors and thrive through economic cycles. And I hope you're just a little bit proud of this 125 year old American company that is winning around the world.

How does this happen? Why do some companies thrive while others fail? Why do some companies build a reputation while others falter? Why do some businesses seize opportunity while others are afraid? And how do some teams rise to the occasion while others look for excuses? It's because of people. GE people. It's in their brains, it's in their hearts, it's in their guts. So let us celebrate today the GE Aircraft Engines business that's fought back from national crisis. Let us celebrate a great team of GE leaders that's conquered fear with innovation and hard work. And let us celebrate the magic of GE.

Thank you and now we'll present and discuss matters to be voted on in the order of their appearance in the proxy statement. Thank you very much.

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