Some companies manufacture locomotives, and some engineer thermoplastics for a living.

Others design high-end cooktops; still others operate national TV networks.

Not many, though, offer a full range of economy-fueling financial services on a global scale.

Fewer still make jet engines.

Or sophisticated medical scanners.

Or multi-megawatt gas-fired power turbines.

And only one company—just one—delivers on all these things.

Only GE.
BILL BANHOLZER
Vice President,
GE Plastics
Hunting new molecules for new uses

KEN BOYDA
President and CEO,
GE Interlogix
Securing the world with new technology

HENRY HUBSCHMAN
President and CEO,
GE Commercial Aviation Services
Keeping 1,100 aircraft leased and flying

OMAR ISHRAK
President and CEO, Ultrasound,
GE Medical Systems
Bringing ultrasound’s benefits to the four corners of the earth

WAYNE HEWETT
President,
GE Plastics Pacific
Leading GE in the world’s most vibrant plastics markets

DEE MELLOR
Vice President,
GE Medical Systems
Building medical devices at 40 facilities in 10 countries

STEVE SCHNEIDER
President and CEO,
GE China
Preparing the way in China for 5x5 in 2005

GEORGE OLIVER
Vice President,
GE Betz
Building a new business out of the universal solvent

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President and CEO, Ultrasound,
GE Medical Systems
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HENRY HUBSCHMAN
President and CEO,
GE Commercial Aviation Services
Keeping 1,100 aircraft leased and flying
NOW IS THE BEST TIME TO BE AT GE.

SUSAN PETERS
Vice President, Executive Development
Grooming the leaders of GE’s future

DAN O’CONNOR
President and CEO, GE Consumer Finance Europe
Going from zero to $700 million in five years

SUSAN TOWNSEND
Advanced Technology Leader, Global Research Center
Finding fuel in earth’s most abundant element — hydrogen

LI HSI
Regional Sales Manager, GE Aircraft Engines
Winning the engines order for China’s regional jet

KATHY CASSIDY
Vice President and Treasurer
Maintaining GE’s financial strength and flexibility

RUBEN BERUMEN
President and CEO, GE Power Controls
Increasing GE’s presence in Europe

STEVE ZWOLINSKI
President and CEO, GE Wind Energy
Making power out of thin air

STEVE RAMSEY
Vice President, Environmental Programs
Fulfilling GE’s environmental, health and safety commitments

JEFF ZUCKER
President, NBC Entertainment
Spotting the next must-see TV program
However, as measured by the stock price, this was a disappointing year for GE investors—including GE employees, who own almost 10% of our stock. We had targeted higher earnings growth, but as I will explain below, we had to increase reserves at ERC (Employers Reinsurance Corporation), our reinsurance business. We had to work through the general swirl around business practices and, perhaps most important, address concerns about our future growth. Our stock was down 39% for the year, more than the S&P 500, and GE now trades near the same level it did at the end of 1997.

As managers, it is our principal job to make and sell great products and services that people need and thereby increase earnings. Since 1997, our earnings have grown more than 80%—far in excess of the S&P 500’s performance. If you have held GE stock for 10 years or more, the average total annual return on your shares has been 15%—more than one and a half times the 9% of the S&P 500. Through the cycles, your GE management team has consistently grown earnings, and I, along with our many managers, have no doubt that we will be able to continue to do this.

This was not a great year to be a rookie CEO. With a tough economy, a volatile political environment, and the impact of 9/11 and industry cycles, business challenges were plentiful. Add to that the presumption of widespread corporate fraud and there were not too many normal days in 2002.

However, I am an optimist. In many ways, this was the best time to take over a company. That is because the role of the CEO will, and should, change. And a new CEO—especially an optimistic one—can embrace change with an open mind. Let me share a few thoughts with you on how I am leading GE in this environment.

I believe that our reputation for integrity and honorable dealings is our most important asset. GE has not been immune to the fallout from recent bull and bubble markets. I hear from investors who are concerned about the quality of corporate earnings, the need for a solid balance sheet and sustainable cash flow, and the importance of responsible executive compensation and accounting standards. Let me assure you that GE will lead on all of these fronts.

As one example, a substantial portion of my compensation is linked to the performance of GE stock. Nearly 70% of my net worth is in GE stock. I hold my stock options to term (10 years), a practice I adopted when I became chairman and which I will continue. At the same time, I have asked our board’s Compensation Committee to explore best practices on linking my pay even more closely with investor interests.

I strive for openness. I am committed to putting investors inside GE every day. It will take some time to get this right, but I am committed to the process. I want investors to understand how GE grows, and that our fundamentals are real and sustainable. When you
have high-performing businesses run by talented managers, it is enjoyable to let the world know how the job is getting done. For example, in July we divided GE Capital into four distinct financial services businesses, each with its own growth strategies, leverage and balance sheet. This makes them easier to grow internally and clarifies them externally.

I believe in the GE team. I see every day just how special your GE team is. Its members are diverse and talented. They have unceasing curiosity and relentless drive. They understand the magic of GE… that what we imagine, we can make happen. Leading this group is the honor of my life. We are committed to work together, to deliver and always to put the company first.

Your GE team believes in high standards, and believes that strong integrity is the foundation of great performance. I hold myself to a high standard, and I know you will do the same.

Here is how we performed in 2002:

- Earnings before required accounting changes grew 7% to a record $15.1 billion. Earnings were on track to grow 17% to $16.5 billion, but we recorded a $1.4 billion charge for increasing ERC’s reserves.
- Revenues grew 5% to $132 billion. Industrial sales grew 8%, more than twice the GDP and exceeding our 2001 growth rate. Financial services revenues were flat, reflecting lower interest rates. However, net revenues (revenues less interest costs) of Commercial Finance, Consumer Finance and Equipment Management grew a more robust 15%.
- Cash flow from operating activities (excluding progress collections) reached $15.2 billion, up 10%. Operating margin and return on average total capital remained near historic highs at 19% and 24%, respectively.
- We raised our dividend 6% in December, our 27th consecutive annual increase. Our yield is a very strong 3.1%, the highest at GE in nearly a decade. Overall, we returned $9 billion to our investors in 2002 through dividends and stock buybacks.

There is a job that belongs to you and your fellow investors, and not to me. That is setting a value on our future prospects in the form of a stock price. Last year, despite what we saw as a lot of progress in the face of headwinds, the market revised downward its perception of our future. Maybe the market had too rosy a view of many companies, and not just GE. But that is certainly not the case now. This is a great company with great prospects. When investors fully understand that fact—and I intend to make sure they do—valuation must change.

It starts with understanding our business model, our strategy for growth and our values.

THE GE BUSINESS MODEL

CEOs don’t make the best economists. We make commitments, not forecasts. But it’s safe to say things are very different today than in the late 1990s. We seem to be in the third year of a “post-bubble” cycle, made worse by the 9/11 tragedy. This period is characterized by slow economic growth—not a double dip, but without a spark—with tough pricing, volatile capital markets, difficult industry cycles, the threat of war and low corporate trust.

We don’t see this environment as a negative. Rather, we believe this is an environment in which companies make their own success. This is the time for us to create our own growth through bold ideas and rigorous execution. And we have a business model that will enable us to grow in this economy.

Our Goal: To grow earnings 10%-plus annually with 20%-plus return on total capital…reliably, sustainably, through the cycles. Getting there depends on our solid business model:

- A diverse set of leading businesses driving performance
- Operating rigor with a focus on cash generation
- Great people in a culture of learning and accountability

A DIVERSE SET OF LEADING BUSINESSES

GE has great businesses, most of which we’ve been in for decades, some for 80 years or more. In addition to leading in their markets, these businesses have many traits in common: an unparalleled technical foundation; direct customer interfaces; multiple ways to make money through products, services and financing; global scale; and low capital intensity. The characteristics of our businesses allow us to outperform our competitors in each cycle; the combination of our businesses allows GE to perform through the cycles.

Power Systems is a great example. In 2002, its earnings grew nearly 30% as shipments of gas turbines in the U.S. peaked. This business has generated an incremental $7 billion of net income for investors during the four-year gas turbine bubble. We know that Power’s 2003 earnings will be down as the demand for gas turbines declines. But Power is led by one of our most experienced teams. As a result, Power has no financial
hangover from excess capacity or risky financing, so we can give our investors a soft landing. With an installed base of turbines and a multi-year services backlog that both have grown tenfold, and investment in new platforms including Oil & Gas and Wind Energy, Power is positioned for long-term growth and high returns.

Our performance in a difficult commercial aviation market has been excellent. Our earnings in Aircraft Engines and GECAS (our leasing unit) were down only 5% in 2002, despite a near 20% decline in commercial engine shipments and the bankruptcies of two major U.S. airlines. Our businesses are extremely well managed, and their leaders have been through these cycles before. We took cost out of the Engines business while investing $700 million in R&D to develop eight new engines. We have a successful family of engines for regional jets, the only growth segment in commercial aviation. Our service and military businesses should grow more than 15%, providing earnings momentum. Meanwhile, GECAS has kept a 1,100-plus fleet productive, with only 12 planes on the ground at the end of the year. Our in-depth knowledge of these assets and our global marketing skills have allowed GECAS to grow through the turmoil. We are managing through bankruptcies at major customers and have remarshaled more than 140 aircraft. We will emerge from this cycle with strengthened customer relationships, ahead of our competition. These businesses should have double-digit earnings growth in 2003.

Medical Systems should also have an excellent 2003. Medical introduced 30 new products in 2002, the most in its history. The backlog of orders for these high-margin products is at an all-time high, and service growth continues at 11% annually. Medical’s healthcare information technology business grew orders 30% in 2002 and is well positioned for 2003. Our Medical business is the global leader in diagnostic imaging and clinical information technology, two of the fastest-growing segments in healthcare. Medical has a vibrant leadership team with deep healthcare expertise, and the business is positioned for sustained double-digit growth.

NBC continues to outpace its competition in financial performance and ratings. Earnings grew 18% in 2002, a terrific performance that we expect will continue through 2003. Our prime-time ratings in key viewing demographics (adults ages 18-49) were 29% higher than the next network’s, allowing GE to command a 50% share of the growth in the “upfront” (pre-season) advertising market. In 2002, we added the Telemundo and Bravo networks to NBC. Telemundo is well positioned to capture the growth in Hispanic advertising. Bravo’s upscale audience parallels NBC’s and creates new opportunities for content. Because of NBC’s great performance, I was delighted to present Bob Wright and his team with our annual Chairman’s Leadership Award for “best overall performance.”

Our other short cycle industrial businesses—Plastics, Consumer Products, Industrial Systems and Specialty Materials—are well positioned for the future. They have been affected by the global economy and earned less in 2002 than they did in 1999. To combat this they have lowered costs, invested in new products, built global distribution and added new growth segments. These businesses have transformed themselves during a tough cycle, and they can achieve double-digit earnings growth with only moderate economic expansion in 2003.

Commercial Finance and Consumer Finance grew earnings by more than 15% last year, with attractive returns on equity. These businesses represent more than 80% of the earnings of the old GE Capital. We grew their assets by 16% in 2002, while losses and delinquencies remained stable. We acquired new platforms that are producing exceptional returns: Deutsche Bank’s inventory financing business, ABB’s structured finance business and Security Capital’s real estate operations. Commercial and Consumer Finance have broad and deep leadership teams—people who know how to get the most from each cycle. These businesses have solid competitive advantages in low funding costs, strong risk management and global origination, and should deliver double-digit earnings growth in 2003 and beyond.

**LEARNING THE HARD WAY**

ERC stands in sharp contrast to GE’s expectations for business performance. We pride ourselves on having sound strategy with strong operating accountability. A GE business can briefly get out of balance strategically or operationally, but rarely do we get both wrong at the same time. We did with ERC.
ERC experienced more than a decade of strong performance from 1984 to 1996. However, we allowed ourselves to go into more volatile, commodity insurance lines and new geographies, and we did not manage this expansion well. Our poor underwriting in the late 1990s resulted in ERC’s losses in 2002. Although it offers little solace, our experience reflects that of the insurance industry, which has increased reserves by $25 billion to address poor underwriting during those years.

When businesses underperform, we owe investors four things: state the financial results with complete clarity; correct the issues with our best people and intense management; maximize returns for investors; and share the lessons to avoid repeating the mistakes. We are doing these things with ERC.

We have had a leadership team in place for the last two years that is fixing this business. ERC has exited its lower-return product lines, made a host of changes in operations and achieved $1 billion in price improvements in 2002—and expects to maintain this momentum in 2003. ERC is improving every day, in an industry that is heading toward stronger returns for the next few years.

As you can see, GE will post solid growth in 2003 because of our business diversity. Power Systems will be down, as expected; however, the rest of the company is positioned for double-digit growth.

OPERATING RIGOR

Strong processes are the foundation of our operating rigor. We are in the ninth year of Six Sigma at GE, and it has become a permanent initiative—Six Sigma is the way we work. During the last year we completed more than 50,000 projects, focused primarily in three areas: working with our customers on their issues; improving our internal processes to improve our customer interfaces and generate cash; and improving the flow of high-technology products and services to the marketplace.

We are in the fifth year of building a digital capability to make GE leaner and faster. Digitization is now generating $2 billion in annual productivity savings through sourcing and infrastructure. At the same time, we have used digitization to link with our customers’ workflow and improve service.

Increasingly, the focus of our operating rigor is on growing cash flow. Cash is a priority for our leadership team and represents 60% of the measurement used for their incentive compensation. Six Sigma is creating repeatable and reliable processes that allow us to reduce cash tied up in inventory and receivables. Through digitization we are getting more from our fixed assets. We plan to generate nearly $30 billion in operating cash flow ex-progress in 2002-2003.

We took several actions to strengthen our balance sheet in 2002. We improved our liquidity by reducing the commercial paper of our financial services businesses to 31% of their total debt outstanding. We also infused more than $6 billion into those businesses to increase capital and reduce leverage. GE’s Triple A rating was affirmed by the rating agencies, and our rigorous approach was recognized. We received four awards, including “Borrower of the Year” and “Best Corporate Issuer,” from bond investors and underwriters surveyed by International Finance Review.

Financial strength gives us the ability to invest in growth, and we have viewed this economic cycle as a time to invest. We have increased the number of engineers, salespeople and service resources. We will invest more than $3 billion in technology, including major investments in our global research centers. We’ve strengthened our commitment to China, increasing resources there 25% in 2002, and we’ve increased our presence in Europe, where GE should exceed $30 billion in revenues in 2003.

Acquisitions are a key form of investment for us. We have invested nearly $35 billion in acquisitions over the past two years. Acquisitions are a way to redeploy cash flow for future growth. The key is discipline: we buy the right businesses at the right price and grow them. Our acquisitions tend to be between $100 million and $2 billion in value, in industries we know. Our industrial acquisitions are companies with high margin rates and low capital requirements where GE can boost growth and cash flow. Our financial services businesses consolidate portfolios when GE can improve funding cost, risk management and growth. Our investment screen is simple: we expect a 15% cash-on-cash return by year five, or we don’t do the deal.
We strive to make GE a meritocracy, where the best-performing people get the best rewards. But everyone must operate in a system where the company comes first. We all serve under the same integrity policy and compliance program, our compensation plans are broad-based, our businesses work together, and we have one human resources system. When the company wins, we all win.

OUR STRATEGY FOR GROWTH
The best strategies create value for customers and investors. For customers, we can improve their profitability in tough environments. For investors, we can create sustainable and valuable growth through the cycles. We believe that GE can do both. We are taking the company to a place where few can follow—big, fundamental, high-technology infrastructure industries in which GE can have enormous competitive advantage.

We are creating a better company—a global Technology, Services and Financial enterprise capable of expanding growth, cash, and returns on capital through the cycles. Our strategy for growth is based on five key elements:

- **Technical leadership** that expands margins and grows the installed base
- **Services acceleration** that improves returns, competitiveness and customer satisfaction
- **Enduring customer relationships** that are unbreakable because we win together over the long term
- **Globalization** as a way to grow faster and be more competitive
- **Resource reallocation** to build positions in new markets where we can achieve superior growth and returns

In 2002, we saw just how this strategy can work. We acquired Betz Dearborn, an industry leader in water services. This business has a powerful asset: 2,000 sales engineers who are so committed to their customers that they practically live on site, creating powerful relationships and new cross-selling opportunities. Another acquisition, Interlogix, is a medium-sized player in security systems. It has excellent technology that, when combined with our services capability, will create new opportunities. At year-end, we announced the acquisition of Instrumentarium, a leading provider of medical equipment and services for the operating room. We view this as a new platform in the operating room, where GE can add services and integrate technology.

Throughout our history, making smart bets at the right point in the cycle has improved share owner returns. This is an excellent time to invest for long-term growth. Assets are fairly priced, and with our financial strength we can move ahead of the competition.

PEOPLE AND CULTURE
My job is to attract and keep talented and loyal people who work together as a team. During a volatile year, our voluntary attrition among the top 600 leaders was less than 3%. We named 22 new officers, 41% of whom are global and diverse. We continued our $1 billion investment in training, and our Welch Learning Center at Crotonville remains a vital part of the GE culture. As some companies stopped hiring, we increased on-campus recruiting and launched a Commercial Leadership Program aimed at growing a new generation of customer-focused leaders.

At the same time, we continue to build a culture based on performance, compliance and teamwork. The GE people appearing throughout this report represent the best of this culture. They imagine, they lead and they perform.

They exemplify our new slogan, *Imagination at Work*. GE has a rich century-old tradition of great brand campaigns, and *Imagination at Work* upholds the standard. But the best thing about it is that it tells the world about the spirit and passion of GE employees—their curiosity, drive, hard work, warmth and humor. For GE employees, *Imagination at Work* is a daily rallying cry to say: “what we imagine, we can make happen.”

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TECHNICAL LEADERSHIP
Technology is the heart of the strategy, because it drives valuable growth. Great products are the antidote to deflation—customers will pay a premium to GE for them because they make customers more profitable. The GE Evolution™ Series locomotive we announced in December offers customers 40% lower emissions and improved fuel efficiency and reliability—all of which lowers the cost of ownership.

Technology is a total company capability. New product introductions grew by 25% in 2002 and came from all 13 businesses. Some create demand in high-tech markets, like Medical’s Innova® 4100. This is the
industry’s only digital flat-panel interventional cardiac imaging system; it is expected to generate $150 million of revenue in year one, and it has no competitors. Other products create demand in old industries. In 2003, our Consumer Products business will introduce high-end cooktops and ovens, refrigerators, dishwashers, washers and dryers that can lead their categories.

GE leverages technology in unique ways through our Global Research organization. Our first Global Research Center, opened more than 100 years ago in Schenectady, N.Y., was the birthplace of corporate research and development. Today we’re extending our reach with centers in India, Germany and China. Global Research has become a hub for change because it allows us to invent new technologies and discover new applications across our businesses.

Renewable energy is a great example. In March 2002, we acquired Enron’s wind power assets for $180 million. We knew their customers, but not their expertise. But through Global Research, in nine months we infused technology from around GE, from materials to controls to generators. As a result, we have improved the performance of the existing fleet, given the business the means to produce more efficient and powerful new turbines, and added a business that should generate revenues in excess of $1 billion in 2003 with solid profitability. We have become a global leader in wind energy in less than a year because of our diverse businesses and Global Research. In two years, GE Wind will pay for itself. Only GE can do this.

Technology leadership expands the capability of every GE business. But its most important benefit is the creation of a huge installed base of long-lived, proprietary technology, and opportunities to provide that base with services for years to come.

SERVICES ACCELERATION
Services leadership accelerates high-margin growth and creates competitive advantage. When you own the technology, there is never excess capacity. Our advantage lies in a high-tech installed base of jet engines, power turbines, locomotives and medical devices. This base has grown fourfold since the mid-1990s, and it remains one of our most valuable assets. Our multi-year services backlog is $75 billion today, nearly as big as all of GE in 1996. In 2003, we expect services revenues of $23 billion, growing at double digits, with margins of more than 25%.

Many people assume that high margins mean that the customer is getting a bad deal. The opposite is true. Services put GE on the same side as the customer and bring us closer. We win together. Customers like Southwest and KLM have found that we make them more profitable by delivering more fuel efficiency, more time on wing and better service.

In the railroad industry, the key customer metric is asset utilization—the time a train is working. We have a set of information technology services that can increase asset utilization by two percentage points. This represents a substantial potential savings for the industry and approximately $350 million in revenues for our Transportation business.

Services by definition keep you focused on your customers. And when you are solving customers’ problems, your potential for growth is endless.

ENDURING RELATIONSHIPS
We want GE to have enduring relationships with customers. This has been my passion for many years. I admit that when I discuss it inside the company or among investors, eyes can glaze over. Talking about customers seems too soft.

Let me put it as simply as I can. Customers win when we provide better products; they win when we provide better service; they win when we can generate productivity through information management; they win when we can provide needed capital.

GE operates in huge, global, fundamental industries: airlines, railroads, hospitals, utilities, retailers and midmarket businesses. A company that provides products and services and information and financing in markets it’s been in for decades can have enduring relationships. The challenge I have set out for GE is to be innovative, productive and competitive so that we can do this again and again and again.

Healthcare is a great example of what I mean. This is a $4 trillion global industry, growing more than 10% each year. It’s also filled with challenges. Healthcare affordability is a social issue, with costs heading toward 20% of the U.S. GDP by the end of the decade. Only 50% of our customers are profitable. GE can help.
We have broad technical expertise and a huge installed base in important parts of a hospital—radiology, cardiology, and surgery. Our technology can improve patient treatment, which makes hospitals more profitable. Through our healthcare services agreements, we are the hospital's productivity partner. We completed more than 4,000 Six Sigma projects with healthcare providers in 2002, and these projects are improving the quality of patient care and lowering costs. We have clinical information technology that addresses our hospital customers' digital needs. We created a Healthcare Financial Services business in 2002 to solve customers' financing problems across a variety of platforms. Because of this depth and diversity, we can sit in a CEO's office or with a radiology technician and help a hospital create a better future.

The phrase “solutions provider” is so overused, it makes us all snore. I want GE to be essential to those whom we serve…a critical part of the profit equation…a long-term partner…a friend.

GLOBALIZATION
Globalization multiplies growth by taking our capabilities everywhere. Global strategies also create faster growth and reduce costs by distributing market and engineering resources. We believe that the two most important markets for GE in the next few years are China and Europe.

5 X 5 IN CHINA
People talk about China as either an opportunity or a threat. The most successful China strategy is to capitalize on its market growth while exporting its deflationary power. We have a vision for China: $5 billion in revenue and $5 billion in sourcing—“5 x 5”—by 2005.

Four of our businesses have built service and production capabilities in China. Plastics has as many salespeople in China as it does in the U.S. We are playing there as one GE, meaning that our business diversity makes us a perfect partner for a large country like China and its complex infrastructure needs.

Our CF34® engine was selected as the sole choice for China's regional jet program, which ensures that GE will have a lead position in the Chinese aviation market when the jet (the ARJ21) is ready to fly in 2007. We accomplished this by partnering with key constituents across China and the U.S. to develop our solution. We worked with the aviation industry to expand the design and the range of our capabilities, and we worked with local technology groups to brand our engines. And we brought local leaders to Crotonville to participate in our leadership training programs. By acting as one GE—not just as an aircraft engine supplier—we secured an important point of leverage in a growing market. As a result, Plastics, Medical, Engines and Power are each heading toward $1 billion in revenue in China.

At the same time, we are building our sourcing capability. We will open the Shanghai Global Research Center in May, which will speed our sourcing qualification process. Our Consumer Products business will have 25% of its sourcing based in China by 2005, which will transform its cost base. And we are designing and manufacturing technical products like magnetic resonance (MR) and computed tomography (CT) devices in China. Keep in mind, $5 billion in sourcing from China generates $1 billion in cost savings for GE.

EUROPE: SMALL WHERE WE SHOULD BE BIG
We also believe it is a good time for GE in Europe. Europe is a big market going through significant changes of enlargement and conversion. The market is growing slowly, but GE has a massive opportunity there because we are small where we should be big. We have halfr the market share in Europe that we have in the U.S. We believe that the combination of market enlargement and regulatory convergence will help us drive a more profitable future in Europe.

Our European Consumer Finance business is a great example of what is possible. This business operates in 17 countries, with 11,500 people. In five years, we have gone from nothing to $700 million in earnings in Europe, through great marketing and business development. We are a local company with global strength and limitless growth opportunity.

RESOURCE REALLOCATION
We are allocating capital to new businesses that will increase growth with high returns. We like global markets where we can build technical leadership, interface directly with customers and develop multiple ways to make money. We favor businesses that require “human capital” (engineers, salespeople, risk managers) as opposed to “physical capital” (factories).
We are building a large presence in industries where we can lead. We have identified six new platforms that we believe can be big, each having $1 billion of operating profit within the next few years: healthcare information technology, water technology and services, oil and gas technology, security and sensors, Hispanic broadcasting, and U.S. consumer finance. I view these as our “children.” Someday each one can grow to be a full-scale GE business. Today they represent $9 billion in revenue and $2 billion in operating profit. They are generating 15% annual organic growth, with even more available through business development. All can have returns on capital in excess of 20%. With GE’s people, technology and experience, we can quickly lead in these markets.

Our entry into water technology is a good example. It is a $35 billion global industrial market, growing 8% each year with high margins. It’s a fragmented industry whose customers are outsourcing more and more of their water requirements. We acquired Betz Dearborn and agreed to acquire Osmonics, which together have a run rate of $1.5 billion in revenues going into 2003, with operating margins near 20%. Our technical, service and globalization skills go right to the core of this business, and additional acquisitions will help round out our offerings. We aim to grow it 15% annually and, by 2005, have a $4 billion global business leader.

At the same time, we have businesses that cannot generate the long-term earnings growth or returns our investors expect. In 2002, we sold GE Global eXchange Services for a gain of nearly $500 million. This was not a bad business; however, we did not believe we could grow it effectively. We also decided to wind down and exit our Equity portfolio. This is not an operating business, we lack competitive advantage, and it no longer makes sense for our investors. We will be aggressive in redeploying capital within the company in 2003.

GE VALUES
Values. Where the culture starts and stops. Where people are committed to the greater good of the company, to our customers’ success and to each other.

We feel great about GE today, and about what it means for our future. In 2002, for the fifth consecutive year, we were named “The World’s Most Respected Company” in a Financial Times survey of 1,000 global CEOs. They placed GE first for integrity.

Awards are great, but ultimately, integrity is proven by the actions and decisions—millions each day—of hundreds of thousands of people across this company. Meeting our commitments. Performing with integrity. This is the foundation from which we govern GE.

I want your company to take a leadership role in governance. So much attention has been paid in the past year to corporate trust—who has it, who doesn’t. We believe it’s about action, not about words. That’s why, in November, we outlined a set of principles and actions that strengthen GE for the future.

Our Audit Committee oversees a rigorous process that starts at the top. As CEO, I review these businesses constantly. Our business leaders report their results quarterly using standards that conform to SEC requirements. We have a 450-person internal audit staff constantly reviewing and improving our financial rigor. One-third of our business leaders has served on our audit staff. Led by our CFO, we have very strong accounting oversight and principles. We have all grown up in a culture where compliance and integrity come first. I’ve been signing letters attesting to the validity of results for years.

GE has always had a strong and independent board, and we are updating our practices for the current environment. We will go beyond the letter of the Sarbanes-Oxley Act and the New York Stock Exchange listing requirements to enforce the spirit as well. We want directors to probe with hard questions that stretch management and deal in depth with core issues confronting GE. We expect directors to have even greater involvement and participation both in understanding the company and in advising the leadership team. Directors must be our most constructive critics and our wisest counselors.

Our board has created the position of presiding director to guide its independent activities. My own role on the GE board is clear. I have two functions: lead the company as CEO with integrity, clarity and purpose, as measured by financial performance and reputation; lead the board as Chairman with vision and openness, at meetings where we energetically debate the proper strategic direction for the long-term interest of GE investors. GE is a very large, multi-business company, and the board and I believe that you are best served by having one person fill both roles.
That I have two functions means the board must trust my judgment and character. I am more than willing to be judged on the quality of my ideas and the impact of my decisions. Just to make sure I never lose my way, I work without a contract, serving meeting to meeting at the will of the board.

We have visibly aligned executive compensation with investors. We implemented a stock ownership requirement for the top 24 GE executives, which will be measured as a multiple of their salaries. We will hold this stock as long as we work for GE.

On top of this, we have instituted a one-year holding period for GE shares that top executives acquire through option exercises. We want to eliminate any concern that our leaders would cause a short-term increase in the stock price for personal gain.

And we are voluntarily expensing stock options to improve the spirit of transparency. We will continue to distribute stock options because they align managers with investors and retain our best talent.

We have increased communication with investors. We have significantly increased the quantity and quality of our financial disclosures and investor interfaces, including webcasts on quarterly results, 25% more investor meetings, and much fuller SEC-required reports. We reorganized GE Capital and gave greater clarity to our financial services businesses.

Despite all the good work done by the New York Stock Exchange and Sarbanes-Oxley, there are no sets of laws or rules that can stop a bad culture. All the public failures have one thing in common: phony heroes in weak cultures who were allowed to operate outside the system.

One concern that keeps me up at night is that among the 300,000-plus GE employees worldwide, there are a handful who choose to ignore our code of ethics. I would be naïve to assume that a few bad apples don’t exist in our midst. We spend billions each year on improving our training, enforcing our compliance with ethical norms and reinforcing our values, all to preserve our culture and protect one of our most valuable assets—our reputation.

The one truth I know—and know absolutely—is that the right people are in GE’s boardroom and on our leadership team.

I want you to know that this company has world-class standards for governance and compliance. GE will take a leadership position at any time to restore public trust in corporations. The strength of this company is deeply ingrained in our culture and values.

NOW IS THE BEST TIME FOR GE

Your company enters 2003 with momentum and the confidence that performing in a tough environment can bring.

We are prepared to win in a slow-growth, volatile, global economy. With our proven operating model, we get the most from each of our businesses and offer investors safe growth and reliable returns.

Our strategy is in place. We are making GE a better company. We are creating a global Technology, Services and Financial enterprise capable of expanding growth, cash and returns on capital throughout cycles. We are crafting new platforms for growth in new markets. We are forging tighter, more enduring bonds with our customers so that we both win. And we are committed to meaningful governance.

We are a company that does what few others can do and goes where very few can follow. We are a company you can believe in.

I thank you on behalf of the GE team for your continuing support. I hope you believe, as I do, that our best days are ahead.
For 125 years breakthroughs have grown our business.

**Power Systems**
- **DYNAMO**
  Edison and team develop first dynamos capable of powering neighborhood-wide lighting systems.
  2002 Power Systems revenues: $22.9 billion

**Plastics and Specialty Materials**
- **FILAMENTS AND INSULATION**
  Edison searches for materials for practical filaments for light bulbs, begins quest for insulating materials for electrical wires.
  2002 Plastics and Specialty Materials revenues: $7.6 billion

**Transportation Systems**
- **ELECTRIFIED RAILWAYS**
  Edison colleague Frank Sprague develops first successful urban electric railway technology. Sprague Electric Motor later becomes part of GE.
  2002 Transportation Systems revenues: $2.3 billion

**Consumer Products**
- **LIGHTING**
  Edison invents the first carbon-filament incandescent lamp.
  2002 Consumer Products revenues: $8.5 billion

**Industrial Systems**
- **REGULATORS**
  Edison develops regulator to keep light bulb filaments burning evenly. Over the next decade, Edison-associated companies manufacture fixtures, meters, motors, fuses, wiring and other electrical system components.
  2002 Industrial Systems revenues: $9.0 billion

**Consumer Finance**
- **FINANCIAL SERVICES**
  The Electric Bond and Share Co. is organized to provide financing to small utilities; precursor of Commercial Finance.
  2002 Commercial Finance revenues: $16.0 billion

**Medical Systems**
- **X-RAYS**
  GE’s Elihu Thomson builds electrical equipment for production of X-rays; in 1913, GE’s William D. Coolidge develops hot cathode, high vacuum X-ray tube, enabling first modern X-ray tube.
  2002 Medical Systems revenues: $9.0 billion

**Global Research**
- **CORPORATE LAB**
  GE Research Laboratory, prototype of corporate R&D center, is established with a 3-person staff.
  2002 Global Research scientists and technical resources: 15,000

**Commercial Finance**
- **FINANCIAL SERVICES**
  The Electric Bond and Share Co. is organized to provide financing to small utilities; precursor of Commercial Finance.
  2002 Commercial Finance revenues: $16.0 billion

**Aircraft Engines**
- **LIBERTY ENGINE**
  Ground tests of Liberty airplane engine equipped with a supercharger designed by GE researcher Sanford Moss. Moss’s principles lead to GE’s development of first jet engine and GE’s leadership in power turbines.
  2002 Aircraft Engines revenues: $11.1 billion

**NBC**
- **BROADCASTING**
  GE organizes its radio and other communications resources into the independent Radio Corporation of America, parent company of NBC. GE purchases RCA in 1986.
  2002 NBC revenues: $71 billion

**RADIO**
- **GE radio station WGY, Schenectady begins operation; four years later NBC establishes the nation’s first permanent radio network.**

**TELEVISION**
- **First home television reception takes place at a Schenectady, N.Y. residence with signal from GE’s WGY. In 1928, WGY initiates thrice-weekly TV programming.**

**LIGHTING**
- **GE announces commercial availability of first fluorescent lamps.**

**GLARELESS GLASS**
- **GE researcher Katherine B. Blodgett develops the prototype for the coatings used on virtually all camera lenses and optical devices.**

**Resins**
- **Molding of plastic parts is begun using phenolic resins; GE forms Plastics Department in 1930.**

**Wireless**
- **World’s first voice radio broadcast is made possible by GE engineer Ernst F.W. Alexanderson’s development of a high-frequency alternator.**

**Nobel Prize**
- **GE researcher Irving Langmuir is first industrial scientist in U.S. to win a Nobel Prize. Langmuir’s innovations at GE included the development of vacuum tubes, high-intensity incandescent lamps and electrical controls. In 1913, physicist Ivar Giaever became the second GE scientist to win a Nobel Prize.**
The 126th year won't be any different...

By the numbers

<table>
<thead>
<tr>
<th>Category</th>
<th>Figure</th>
</tr>
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<tbody>
<tr>
<td>Patents</td>
<td>70,000</td>
</tr>
<tr>
<td>Aircraft engines made</td>
<td>120,000</td>
</tr>
<tr>
<td>Locomotives made</td>
<td>37,000</td>
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<tr>
<td>Power turbines made</td>
<td>25,000</td>
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<tr>
<td>Pounds of LEXAN shipped</td>
<td>21 billion</td>
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<tr>
<td>Light bulbs made (U.S.)</td>
<td>60 billion</td>
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<tr>
<td>Refrigerators manufactured</td>
<td>150 million</td>
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<tr>
<td>X-rays taken</td>
<td>2.5 billion</td>
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<tr>
<td>Loans to businesses (since 1982)</td>
<td>$780 million</td>
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<tr>
<td>Credit cards active</td>
<td>100 million</td>
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<tr>
<td>Long-term care policies sold</td>
<td>1 million</td>
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<tr>
<td>Today shows broadcast</td>
<td>13,000</td>
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<tr>
<td>Tonight shows broadcast</td>
<td>12,000</td>
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<tr>
<td>Meet the Press broadcasts</td>
<td>2,500</td>
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<tr>
<td>People employed (1860-2002)</td>
<td>2.25 million</td>
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<tr>
<td>Net income generated</td>
<td>$230 billion *</td>
</tr>
<tr>
<td>Dividends to share owners</td>
<td>$110 billion *</td>
</tr>
</tbody>
</table>

*In today’s dollars. All figures are best estimates from available historical data.
The GE90-115B is the most powerful jet engine ever flown. As early as April 2004, 350 passengers will be able to travel non-stop from New York to Hong Kong, or Seattle to Singapore, on a 115B-powered Boeing 777-300ER. GE Aircraft Engines is developing eight new engine models, including the 115B.
127,900 POUNDS OF THRUST.
TWO WINGS.
A SUDDENLY SMALLER WORLD.
GE is helping healthcare providers save lives and maintain their own financial health. GE imaging technologies scan the body with unprecedented speed and precision. GE-programmed tablets enable hospitals to put information at the doctor’s fingertips. And GE services and financing help healthcare administrators manage costs and focus on patients. For global spending on healthcare of $4 trillion a year, GE offers a powerful prescription.
Shanghai is one of GE’s key manufacturing and technology bases in China, and will be home to GE’s third Global Research Center, opening in 2003. GE plans to generate $5 billion in revenues and $5 billion in sourcing in China by 2005.
Money doesn’t make the world go round. Access to it does.

Nearly half a billion individuals and businesses worldwide benefit from dozens of forms of financing—and advice on how to use it effectively—from GE Commercial Finance and GE Consumer Finance.

THIS IS A MODEL TRAIN. A model for the industry.

GE Transportation Systems’ new Evolution Series locomotives meet 2005 United States environmental emissions regulations two years ahead of schedule, cutting emissions 40% and improving fuel efficiency.
MADE IN GREENVILLE.

Could power South Carolina.
Lots of South Carolina. GE Power Systems’ new H System can produce 480 megawatts, enough to power more than half a million Palmetto State homes. The H System is designed to achieve 60% thermal efficiency—the power generation equivalent of the four-minute mile.
GE Betz has helped its industrial customers conserve more than 30 billion gallons of water in their manufacturing processes over the past decade, saving them more than $1 billion in costs as well. GE Betz, part of GE Specialty Materials, competes in a $35 billion industrial water market growing 8% a year.

Water might seek its own level, but we’re taking it to another one entirely.

GE Industrial Systems is transforming itself into a major provider of advanced security technology, such as the GE Ion Track EntryScan™ portal, which uses a patented ion-trapping collection process to detect traces of illegal drugs and explosives simultaneously. The market for electronic security products totals $19 billion and is growing 8% a year.
Casi 40,000,000 de americanos pueden leer este encabezamiento.

Translation: Nearly 40 million Americans can read this headline.

NBC’s Telemundo, acquired in 2002, serves the fastest-growing segment of the U.S. population with Spanish-language entertainment, news and sports, including news anchor María Celeste Arraras’s top-rated program, Al Rojo Vivo Con María Celeste.
The answer isn’t blowing in the wind.

It is the wind.

GE Wind Energy is using the talents of GE Global Research and the advanced technologies of Industrial Systems, Power Systems and Transportation Systems to develop the most energy-efficient turbines in the wind industry. GE Wind is a global leader in the most commercially feasible form of renewable energy, and is aiming for $1 billion in revenues in 2003 in an industry growing at 15-20% a year.
Wow is the endgame, and it’s not easy getting there. It takes people with unceasing curiosity and a relentless drive to perform. It takes a culture that creates the space to imagine and the focus to deliver.

And, at the end of the day, it takes a lot of hard work from exceptional people.

We are a company with a great set of businesses that are led by people with a love of ideas. Every day, these people work with the unique knowledge that at GE, what you imagine, we can make happen.
LARRY TU  
General Counsel, NBC  
Shaping communications and entertainment law

LEANNE WILKS  
Product GM, Range, GE Consumer Products  
Cooking up cooking with speed, convenience and style

KATHY MARINELLO  
President and CEO, GE Fleet Services  
Driving a 1.2 million-vehicle leasing business

REINALDO GARCIA  
President and CEO, GE Medical Systems International  
Expanding Medical Systems’ presence in world markets

ANJU TALWAR  
Chief Executive Officer, Global Process Solutions  
Making global financial services operations swift, secure and seamless

MICHAEL PRALLE  
President and CEO, GE Real Estate  
Finding the right properties with the right risks and rewards

DAN HEINTZELMAN  
Vice President and General Manager, GE Engine Services  
Managing $30 billion in multi-year aircraft engine service agreements

ALEX URQUHART  
Managing Director, GE Structured Finance  
Financing the growth of fundamental industries
GE’s 13 businesses will focus in 2003 on deepening their relationships with customers by providing them with advanced GE technology and cost-saving services that will enable them to grow. By doing so, GE’s businesses will continue their own evolution into customer-focused, high-technology, service-oriented and capital-efficient enterprises.

Aircraft Engines

PRESIDENT AND CEO: David L. Calhoun
2002 REVENUES: $11.1 billion

In the midst of a prolonged commercial aviation slump, Aircraft Engines is extending its technology leadership through the biggest R&D effort in its history. Aircraft Engines is developing eight new engine models, ranging from the next GE90, the world’s most powerful commercial engine, to new CF34s, the engine of choice for regional jets—the fastest-growing segment in commercial aviation. Aircraft Engines and CFMI (jointly owned by GE and Snecma) anticipate that customers will reward their commitment to technology by growing the fleet of GE and CFMI commercial engines from 16,000 today to more than 24,000 by 2010.

Aircraft Engines also expects several years of double-digit military growth as it develops new technology for military engines, including an engine for the U.S. Armed Forces’ Joint Strike Fighter.

Aircraft Engines’ new technologies will deliver economical performance with reduced noise and emissions for years to come. Aircraft Engines will also provide years of services to its installed base of commercial engines, generating steady revenues while enabling customers to reduce their operating costs.

The airline industry goes through multi-year cycles, and Aircraft Engines has been here before. By staying the course with a steadfast commitment to technology, Aircraft Engines will support the eventual recovery of its customers while laying the foundation for outstanding growth opportunities of its own.

www.geaircraftengines.com

Commercial Finance

PRESIDENT AND CEO: Michael A. Neal
2002 TOTAL ASSETS: $195.8 billion

With lending products, growth capital, revolving lines of credit, equipment leasing of every kind, cash flow programs, asset financing and more, Commercial Finance is playing a key role in the growth, expansion and stability of 35 countries’ major industries, including healthcare, manufacturing, communications, construction, energy, aviation, infrastructure and equipment.

In 2002, Commercial Finance used its 3,500-person sales force, a diverse portfolio and rigorous risk management to produce double-digit asset and earnings growth despite the difficult business climate. In 2003, Commercial Finance will continue to use Six Sigma to improve its own processes and productivity as well as offer solutions to customers. In particular, its “At the Customer, For the Customer” projects will continue to help clients improve their operations and accelerate their revenues.
Opportunities for growth are global in nature for all of Commercial Finance's businesses. For example, its Real Estate unit has developed a pan-European presence as well as significant reach throughout Asia and Mexico. The result: 40% of Commercial Finance's net earnings are generated outside the United States.

Although Commercial Finance is already large (among the top commercial lenders worldwide), financial markets are enormous, and Commercial Finance has plenty of room for continued growth.

www.gecommercialfinance.com

Consumer Finance
PRESIDENT AND CEO: David R. Nissen
2002 TOTAL ASSETS: $770 billion

With 100 million customers spread throughout 35 countries, Consumer Finance is diverse in terms of both geography and services. This diversity, combined with stringent risk management practices, has helped Consumer Finance generate earnings growth five years in a row while maintaining the high quality of its portfolio.

In 2003, Consumer Finance plans to continue its growth by introducing new products and services, such as personal loans in the United States. With these products and services, Consumer Finance will offer comprehensive financing solutions for consumers, including credit cards, auto loans and mortgages. Consumer Finance also expects to grow the number of private-label credit card accounts that it manages in partnership with many of the world's leading retailers, including Harrod's, Lowe's Home Improvement Warehouse®, Tesco Lotus and Wal•Mart. Consumer Finance also plans to enter several new countries, including China, and to expand in others, including the U.S., where its retail sales finance unit is exploring opportunities to offer complementary products and services through the 60,000 locations where it serves merchants and dealers. Consumer Finance is confident about delivering another year of growth in 2003.

www.geconsumerfinance.com [as of April 2003]

Consumer Products
PRESIDENT AND CEO: James P. Campbell
2002 REVENUES: $8.5 billion

In 2002, GE created one of its newest businesses—Consumer Products—by combining two of its oldest, Lighting and Appliances. With nearly two centuries of brand leadership and product innovation between them, the combined $8.5 billion enterprise is accelerating its industry leadership by becoming more efficient and competitive across all product lines.

Integration savings that are projected to total nearly $50 million are being reinvested in technology development. Funding for new products is increasing by nearly 25% across both operations, with 100 product launches planned for 2003. They include speed-cooking ovens, washers that talk to dryers, and energy-efficient lighting products.

The new Consumer Products—rich with a legacy of product and service innovation, and resonant with the combined strengths of its operations—faces the future more focused than ever on extending its competitive leadership and improving profitability.

www.geconsumerproducts.com

Equipment Management
PRESIDENT AND CEO: Arthur H. Harper
2002 TOTAL ASSETS: $26.1 billion

Equipment Management provides full-service equipment financing and operating leases to customers around the world. With more than $26 billion of assets in 26 countries, Equipment Management helps customers finance and manage their fleets of autos, trucks, trailers, railcars and modular space units. In a weak 2002 economy, Equipment Management partially offset the impact of lower asset demand through cost reductions, trimming under-utilized assets and continuing process improvements, with contributions from acquisitions as well. In 2003, Equipment Management will continue to drive these strategies to build a high-return portfolio. Key to this effort is world-class asset
management and the continued pursuit of operational excellence through Six Sigma. In addition, Equipment Management is expanding its service offerings and launching several new high-technology products as part of its core growth strategy. These actions, and its commitment to partner with customers to solve their productivity, financial and fleet-management challenges, will position Equipment Management for strong performance in 2003.

www.geem.com (as of April 2003)

Industrial Systems

PRESIDENT AND CEO: Lloyd G. Trotter
2002 REVENUES: $5.0 billion

Industrial Systems is continuing the transformation it began in 2002 into a high-tech, faster-growth business by expanding its new platforms in sensors and security. The sensor and security markets, which are growing at two to three times GDP, do what Industrial Systems has done since the 1880s: provide peace of mind by protecting people, property and productivity.

Sensors from Industrial Systems provide monitoring, protection and control in a variety of extreme environments, from the stratosphere to the ocean floor—even inside the heart, where GE sensors are placed via catheters to help predict conditions for heart attacks and strokes.

Industrial Systems is also helping to protect the traveling public in airports with ion-based detection systems, families in their homes with award-winning wireless alert systems, and companies’ employees and assets with state-of-the-art access controls and surveillance systems. Industrial Systems is also exploring the use of advanced technologies in new fields such as healthcare and elder care, and in combination with heritage products, such as transformers and switchgear, to enhance their protective capabilities.

www.geindustrialsystems.com

Insurance

PRESIDENT AND CEO: Michael D. Fraizer
2002 TOTAL ASSETS: $182.3 billion

Insurance took bold actions in 2002 to position itself for improved returns and performance in 2003 and beyond. Employers Reinsurance Corporation is expected to improve its performance substantially through restructuring, product line exits (including the potential sale of its life reinsurance business) and continued strong gains in pricing. In the Life and Retirement segment, GE Financial will accelerate its penetration of key retirement and income protection markets—gaining strength from growing distribution alliances, introducing innovative products like the “GE Retirement Answer” and streamlining operations.

In the Credit segment, GE Mortgage Insurance continues to expand its services to lenders by leveraging smart underwriting and processing technologies and growing in international markets. FGIC (Financial Guaranty Insurance Company), which provides bond insurance, is coming off a year of double-digit volume growth in serving municipalities, which issued debt at record levels in 2002. This increased volume is expected to translate into future revenue growth. FGIC is poised to expand selectively in other credit enhancement markets as well.

Looking ahead, the focus of Insurance is on disciplined growth, strong risk management with reduced volatility, and stringent capital and return management.

www.gefinancial.com and www.ercgroup.com

Medical Systems

PRESIDENT AND CEO: Joseph M. Hogan
2002 REVENUES: $9.0 billion

With breakthrough innovations in medical diagnostics, information and services, Medical Systems is pushing the limits of medical science and affecting the lives of millions of people. Revolutionary new diagnostic imaging technologies such as Medical Systems’ LightSpeed™ multi-slice CT (computed tomography) scanner are...
providing doctors with more critical information—faster than ever—to aid in the care of their patients. GE advances in healthcare information technology are fundamentally changing the way medicine is practiced, enabling unprecedented integration among the devices and clinical systems in hospitals and other medical care facilities that will usher in a new era in clinical workflow, physician confidence and patient outcomes. Service offerings are vital to hospital competitiveness, and Medical Systems provides a unique portfolio of services to help hospitals improve their productivity, asset utilization and efficiency. With the combination of technology and service offerings, Medical Systems continues to grow as a total solutions provider to the healthcare industry.

www.gemedical.com

NBC

CHAIRMAN AND CEO: Robert C. Wright
2002 REVENUES: $7.1 billion

NBC plans to continue the double-digit growth trajectory it achieved in 2002, the best year in its history, through organic growth, continued ratings leadership and the expansion of new programming platforms, including Telemundo and entertainment cable network Bravo, both of which NBC acquired in 2002. NBC expects to maintain its significant competitive advantage in the key demographic for advertisers (adults 18-49) through quality entertainment programming such as ER, Friends, Law & Order, The West Wing and Will & Grace, and leading morning and late-night shows such as Today and The Tonight Show with Jay Leno. NBC's cable properties should see significant growth largely through sales and programming initiatives at CNBC and MSNBC. NBC’s 28 television stations see great opportunities to outpace the growth in local markets by continuing to find new sources of business, centralizing and digitizing functions, and maximizing the synergies created in the six major markets in which the network owns both NBC and Telemundo stations.

www.nbc.com

Plastics

PRESIDENT AND CEO: John Krenicki, Jr.
2002 REVENUES: $5.2 billion

In 2003, GE Plastics will celebrate the 50th anniversary of the invention of its LEXAN® polycarbonate resin by completing the introduction of more new products in a three-year span than at any other point in its history. This unprecedented focus on new technology accelerated in 2002 with the development of LEXAN® EXL and NORYL FHX® resins for a variety of applications. In 2002, Plastics’ breakthroughs excited the consumer goods industry, where XYLEX™ resin was chosen for a new line of stain-resistant food containers and new LEXAN resin technology was used in a limited-play DVD being evaluated for introduction in 2003. In the computer industry, new plastic film technology will soon bring increased screen brightness and better viewing to laptop users worldwide. Consumers will also see Plastics’ LEXAN® SLX resin in paint-free, high-gloss automotive exteriors and its new GELOY® XTW resin in highly weatherable, colorful exterior siding this year.

www.geplastics.com

Power Systems

PRESIDENT AND CEO: John G. Rice
2002 REVENUES: $22.9 billion

Power Systems will face exciting challenges in 2003. Shipments of large gas turbines in the U.S. will decline after four years of record demand, but Power Systems has positioned itself and investors for a soft landing by expanding other businesses—services, oil and gas, distributed generation and wind energy—that will generate new growth in current and previously untapped markets.

Today, Power Systems has an enormous installed base of more than 1,500 advanced gas turbines, and multi-year service agreements that should deliver almost $2 billion in revenues in 2003 alone. Oil & Gas will introduce new upgrade technologies to increase
the performance and efficiency of its installed base, and it will expand further into inspection and services. Power Systems’ enhanced distributed power offerings will provide low-cost energy alternatives that underscore GE’s commitment to a cleaner environment.

In addition, Power Systems is tapping the power of wind. The fastest-growing segment of the energy industry, wind is receiving strong public and regulatory support worldwide. In 2003, GE Wind is targeting $1 billion in revenue in an industry growing 15-20% annually.

Common to these businesses is Power Systems’ focus on long-term growth through technological leadership. Power Systems continues to invest aggressively in new turbine technology. In addition to launching three new turbine models in 2002, Power Systems also began test operations of its next-generation H System, which, when it goes into commercial use, will be the largest and most efficient power generating system ever.

www.gepowersystems.com

Specialty Materials
PRESIDENT AND CEO: William A. Woodburn
2002 REVENUES: $2.4 billion

Water — more than 70% of the earth is covered with it, and 65% of what we use is wasted. Specialty Materials’ newest unit, GE Betz, has the conservation of this fundamental material at its core. Using new chemistries, and drawing upon GE technologies ranging from ultrasound to remote digital sensors to advanced polymer materials, GE Specialty Materials is working to improve water quality and its efficient use while preventing corrosion and helping customers meet environmental goals.

Specialty Materials is living up to its name with a variety of other innovations as well. GE Silicones is focused on expanding the reach of Velvèsil™, a copolymer that helps lotion make skin feel softer and makes hair easier to comb. Pharmaceutical and medical researchers are using “labs on a chip” made of GE silicone to do rapid DNA and drug testing. GE Quartz is supporting the semiconductor industry in its quest for smaller, faster chips by supplying larger-diameter, higher-purity quartz materials. The opportunity to discover new materials, new uses and new benefits continues to motivate Specialty Materials’ 9,000-plus employees.

www.gespecialtymaterials.com

Transportation Systems
PRESIDENT AND CEO: Charlene T. Begley
2002 REVENUES: $2.3 billion

In 2003, Transportation Systems will begin delivering to its customers the cleanest diesel electric locomotives ever made.

GE Evolution Series locomotives meet 2005 U.S. environmental regulations two years ahead of schedule, cutting emissions by 40% while significantly increasing fuel efficiency. Transportation Systems’ six years of locomotive research and investment in new emissions technology has already yielded 25 U.S. patents, 13 patents pending and 18 invention disclosures. In 2003, the first 35 pre-production units will begin two years of rigorous trials with North American railroads to ensure the highest reliability when they enter active service.

Transportation Systems will also accelerate investments in advanced rail technologies such as information networks, signaling electronics, remote control locomotives and hybrid energy storage devices, all of which will enable its global customers to manage their operations with maximum efficiency.

www.getransportationsystems.com
Driven by the knowledge that a quality education ushers in a lifetime of opportunities, the GE family spearheads initiatives that enable students around the world to expand and achieve their dreams. In 2002, for example, the GE family gave more than $120 million and one million hours of volunteer time in more than 150 communities. Such investments allow GE to drive programs and projects that deliver a real impact. This “giving and doing” approach builds partnerships with educational institutions and community organizations in Atlanta, Cincinnati, Mexico City, Budapest, Shanghai and many other areas. The GE Fund, the company’s philanthropic foundation, works to improve access and achievement for students by advancing new ways of teaching and learning across the education continuum. GE Elfun, the global employee/retiree volunteer organization, leads projects ranging from tutoring students and building playgrounds to helping the homeless and restoring the environment. GE businesses undertake important community outreach efforts, such as GE Medical Systems’ donation of $6.5 million in medical equipment to hospitals in Africa. Employees and retirees also generously contribute through company matching programs and participation in local United Way campaigns.

In 2003, GE will continue to lead ambitious initiatives and sound practices across the spectrum of corporate citizenship, including its commitment to partnerships that touch the lives of students, teachers, parents and community members. After all, that’s an investment with unlimited potential.
Sound principles of corporate governance are critical to obtaining and retaining the trust of investors—and to achieving GE’s overarching goal of performance with integrity. They are also vital in securing respect from employees, recruits, customers, suppliers, GE communities, government officials and the public at large.

In 2002, our Board of Directors made changes in corporate governance designed to strengthen its oversight of management and to serve the long-term interests of share owners, employees and other stakeholders.

Some basic ideas helped shape these changes: we should communicate externally the way we run GE internally; we should satisfy the spirit, not just the letter, of the new requirements; we should act promptly to implement changes without waiting for formal effective dates that may be many months in the future.

At the core of corporate governance, of course, is the role of the board in overseeing how management serves the long-term interests of share owners and other stakeholders. An active, informed, independent and involved board is essential for ensuring GE’s integrity, transparency and long-term strength. As a result of the 2002 changes, 11 of GE’s 17 directors are “independent” under a strict definition, with a goal of two-thirds.

“Leadership is a way of life at GE, and that includes leadership in corporate governance. Management and the board moved quickly and decisively across a broad front in seeking to achieve that objective.”—RALPH LARSEN

“The company’s approach to leadership in corporate governance this past year was executed in true GE fashion—with extraordinary vision, energy and commitment to lead rather than follow. It was a privilege to be a part of an unquestioned collective commitment to be the standard bearer in this area.”—ANDREA JUNG
“You cannot separate parts of a governance system; the component parts must reinforce each other. We sought to achieve internal consistency among the design of our compensation plans, selection of board members, definition of independence, attendance policy, guidelines for evaluation and automatic resignation, and waivers of board ethics policy (there will be none). It is this combination that defines the leading edge in corporate governance today.” — JAMES CASH, JR.

“You cannot separate parts of a governance system; the component parts must reinforce each other. We sought to achieve internal consistency among the design of our compensation plans, selection of board members, definition of independence, attendance policy, guidelines for evaluation and automatic resignation, and waivers of board ethics policy (there will be none). It is this combination that defines the leading edge in corporate governance today.” — JAMES CASH, JR.
GOVERNANCE

MEETINGS

The GE board held 13 meetings in 2002. In December, the board voted to increase GE’s quarterly dividend for the 27th consecutive year. The Audit Committee, composed of outside directors, held seven meetings to review the activities and independence of GE’s external auditors and the activities of GE’s internal audit staff. It also reviewed GE’s financial reporting process, financial and disclosure controls, and compliance with key GE policies and applicable laws. The Management Development and Compensation Committee, composed of outside directors, reviewed in nine meetings all executive compensation plans, policies and practices, changes in executive assignments and responsibilities, and key succession plans. The Nominating and Corporate Governance Committee, in three meetings, developed and recommended for approval by the full board the governance principles that the board adopted, effective January 1, 2003. These principles, and related materials, are published in the Governance section of the GE website at www.ge.com. The committee also reviewed board candidates and recommended the structure and membership of board committees.

Three new independent directors — A.G. Lafley, Ralph S. Larsen and Robert J. Swieringa — joined the board in 2002. The Public Responsibilities Committee, in one meeting, evaluated environmental compliance. The board determined that the functions of its Finance, Operations, and Technology and Science committees would be most effectively performed by the full board, and therefore dissolved the committees.

KEY GOVERNANCE ACTIONS TAKEN BY GE IN 2002 INCLUDE:

• GE’s test of “independence” for members of the Management Development and Compensation Committee and the Nominating and Corporate Governance Committee is stricter than required by new regulations.

• GE has appointed a presiding director who will lead independent meetings of non-employee directors at least three times a year.

• Each non-employee director will visit two of GE’s businesses each year without the presence of corporate management so that directors can have direct exchanges with operating leadership.

• The responsibilities of the Audit Committee will increase, and it will meet at least seven times per year.

• To help further align directors’ interests with those of share owners, the equity portion of directors’ pay will be in Deferred Stock Units (DSUs), replacing stock options. DSUs will be 60% of the annual director compensation and will not pay out until one year after a director leaves the board. When directors exercise existing stock options, they will be subject to the same one-year holding period that applies to GE senior management.

PAOLO FRESCO AND SCOTT McNEALY

Paolo Fresco retired from the GE board in 2002 after more than 30 years with the company, including 12 years as director. Paolo’s vision and decisions, both as vice chairman and member of the board, were critical to GE’s growth as a global company. He has a true international view and is at home in cultures and with diverse people everywhere. His broad perspective, great judgment and worldly wisdom will be deeply missed by GE.

Scott McNealy also retired from the board in 2002. As a pioneer in information technology, Scott has helped guide the digital transformation of GE, bringing a fresh and passionate voice from his industry to our board and our business leaders. We will all miss Scott’s bluntness, irreverence, insight — and most of all, his vision.