



General Electric Company

1997

Annual Report



Financial Highlights

General Electric Company and consolidated affiliates

(Dollar amounts in millions; per-share amounts in dollars)	1997	1996	1995
Revenues	\$90,840	\$79,179	\$70,028
Net earnings	8,203	7,280	6,573
Dividends declared	3,535	3,138	2,838
Per share			
Net earnings	2.50	2.20	1.95
Dividends declared	1.08	.95	.845
GE ongoing operating margin	15.7%	14.8%	14.4%

Per-share amounts have been adjusted to reflect the 2-for-1 stock split effective on April 28, 1997.

Within this report, certain 1997 results are referred to as "ongoing." Such results exclude both the revenues and earnings associated with the Lockheed Martin transaction described in note 2 to the consolidated financial statements as well as restructuring and other special charges.

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 This entire Annual Report is printed on recycled paper.

To Our Share Owners and Employees

In 1997, your Company had a great year — a record year.

- Ongoing revenues rose to \$89.3 billion; up 13%.
- Global (non-U.S.) revenues rose to \$38.5 billion, now 42% of total revenues.
- Earnings increased to more than \$8.2 billion; up 13%.
- Earnings per share increased 14% to a record \$2.50.
- Ongoing operating margin rose to a record 15.7%, exceeding 15% for the first time in the history of our Company.
- Operating cash flow rose to a record \$9.3 billion. This, in combination with our Triple A debt rating, fueled the investment of \$17.2 billion in more than 75 industrial and financial services acquisitions in 1997.
- This record cash flow also allowed us to return \$7 billion to share owners: \$3.5 billion in dividends and \$3.5 billion for the repurchase of GE stock. Dividends were increased by 15%, our 22nd consecutive annual dividend increase.
- In April, our share owners approved a 2-for-1 stock split, the fourth in the last 15 years.



Chairman and Chief Executive Officer John F. Welch, Jr. (front) and Vice Chairmen and Executive Officers Paolo Fresco (left), John D. Opie (center) and Eugene F. Murphy (right) form GE's Corporate Executive Office.

Our share owners — including our active and retired employees, who now own more than \$12 billion in GE stock in their savings plans — were rewarded for this performance. The total return on a share of GE stock was 51% in 1997; this followed gains of 40% in 1996 and 45% in 1995.

We delivered these 1997 results by executing on our three major initiatives: globalization, a focus on product services and our drive for Six Sigma quality. Building on these same three initiatives will be critical to our future success.

The uncertainty brought about by the Asian economic difficulties creates both challenges and opportunities. For GE, Asia represents about 9% of our revenues (about half in Japan) — exposure that is by no means insignificant, but certainly manageable — and we are confident that we can minimize any impact on our existing operations.

It has been our repeated experience that business uncertainty is inevitably accompanied by opportunity. The Asian situation should be no exception; it should provide us with a unique opportunity to make the strategic moves that will increase our presence and our participation in what we know will be one of the world's great markets of the 21st Century.

We've been down this path before. In the early 1980s, we experienced a United States mired in recession, hand-wringing from the pundits and dirges being sung over American manufacturing. We didn't buy this dismal scenario; instead, we invested in both a widespread restructuring and in new businesses. We emerged into the recovery a much more competitive and productive company.

Our successful experience with U.S. business uncertainty gave us a very different view of the European malaise of the early 1990s.

To us, Europe looked a lot like the United States in the 1980s, and in need of the same remedies: restructuring, spin-offs, and the like. So, while many were "writing-off" Europe, we invested heavily, buying new companies and expanding our existing presence. Following the restructuring of its industrial and financial structure, as well as a dose of the powerful export medicine of a devalued currency, Europe is now recovering, and "GE Europe" is now a \$20.6 billion operation. Our revenues have more than doubled from 1994 to 1997; net income has tripled to more than \$1.5 billion; and this growth is accelerating as the European recovery progresses.

Mexico in the mid-1990s was a similar story: dislocation, uncertainty and turbulence. Reacting to the peso crisis of 1995 and its aftermath, GE moved, acquiring 10 companies and investing more than \$1 billion in new and existing operations. The result was revenue growth of 60% and a doubling of earnings in the two years following the crisis.

Today, we are determined, and poised, to do the same thing in Asia we have done in the United States, Europe and Mexico: invest in the future.

Globalization

Globalization is one of the engines of GE growth, now and well into the next century. There will be dislocations and speed bumps on the road to prosperity in all the world's critical markets, but one cannot afford to write off any region in difficulty. Bad business management or bad government policies that weaken competitiveness can be remedied by tough restructuring and policy change.

Today, we are determined, and poised, to do the same thing in Asia we have done in the United States, Europe and Mexico: invest in the future.

The same conditions that made restructuring and reform necessary frequently create a currency weakness that, when coupled with the increased competitiveness brought about by restructuring, leads the country out of recession, via internal growth and increased exports.

The path to greatness in Asia is irreversible, and GE will be there.

Services

Another growth engine, which we have described for you in the past, is Services. By any measure, GE is today a global service company, and in 1998 more than two-thirds of its revenues will come from financial, information and product services. Our second major initiative is focused on high-technology product services. In 1997, we achieved

a second consecutive year of double-digit growth in product service revenues and improved ongoing operating margin, while making 20 acquisitions and joint ventures, primarily in the industrial, power, medical and aircraft engine services businesses. Key among these were the \$1.5 billion Greenwich/UNC jet engine service acquisition and the recently completed \$600 million acquisition of the gas turbine-related businesses of Stewart & Stevenson Services, a global power generation equipment service company.

The opportunity for growth in product services is unlimited. We have the ability, using high-technology services, to make our customers' existing assets (e.g., power plants, locomotives, airplanes, factories, hospital equipment and the like) more productive, and by doing so reduce their capital outlays. This growing capability, much of it information technology-based, will enable us to increase our revenues from product services by more than 30% in 1998 — to \$13 billion.

Six Sigma

We have described our progress in globalization and services rather quickly so we could cover in depth something we talk to each other about all day: the centerpiece of our dreams and aspirations for this great Company — the drive for Six Sigma quality. “Six Sigma” is a disciplined methodology, led and taught by highly trained GE employees called “Master Black Belts” and “Black Belts,” that focuses on moving every process that touches our customers — every product and service — toward near-perfect quality.

Six Sigma project work consists of five basic activities: Defining, Measuring, Analyzing, Improving and then Controlling processes. These projects usually focus on improving our customers' productivity and reducing their capital outlays, while increasing the quality, speed and efficiency of our operations.

We didn't invent Six Sigma — we learned it. Motorola pioneered it and AlliedSignal successfully embraced it. The experiences of these two companies, which they shared with us, made the launch of our initiative much simpler and faster.

GE had another huge advantage that accelerated our quality effort: we had a Company that was open to change, hungry to learn and anxious to move quickly on a good idea.

This learning environment came from a decade-long, soul-transforming cultural initiative called “Work-Out.” Work-Out is a continuing effort to achieve what we call “boundaryless behavior” — business behavior that tramples or demolishes all barriers of rank, function, geography and bureaucracy in an endless pursuit of the best idea — in the cause of *engaging and involving every mind in the Company*.

After a decade of Work-Out, most of the old bureaucracy and the boundaries among us have been demolished. (We are, however, aware that bureaucracy is the Dracula of institutional behavior, and will rise again and again, requiring everyone in the organization to reflexively pound stakes through its reappearances.) But at GE today — and we are obviously proud of this — finding *the better way, the best idea*, from whomever will share it with us, has become our central focus.

Nowhere has this learning environment, this search for the better idea, been more powerfully demonstrated than in our drive for Six Sigma quality. Twenty-eight months ago, we became convinced that Six Sigma quality could play a central role in GE's future; but we believed, as well, that it would take years of consistent communication, relentless emphasis and impassioned leadership to move this big Company on this bold new course.

We were wrong!

We are the ones who now find ourselves running to *keep up* with the excited charge of tens of thousands of GE employees who have seen the transformational magic — the rejuvenation — that this combination of rigid discipline and cheerful fanaticism can achieve in our businesses. Projections of our progress in Six Sigma, no matter how optimistic, have had to be junked every few months as gross underestimates.

Six Sigma has spread like wildfire across the Company, and it is transforming everything we do.

We had our annual Operating Managers Meeting — 500 of our senior business leaders from around the globe — during the first week of January 1998, and it turned out to be a wonderful snapshot of the way this learning Company — this new GE — has come to behave; and now, with Six Sigma, how it has come to *work*.

Today, in the uncountable number of business meetings across GE — both organized and “in-the-hall” — the gates are open to the largest flood of innovative ideas in world business. These ideas are generated, improved upon and shared by 350

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business segments — or, as we think of them, 350 business *laboratories*. Today, these ideas center on spreading Six Sigma “best practices” across our business operations.

At this particular Operating Managers Meeting, about 25 speakers, from across the Company and around the world, excitedly described how Six Sigma is transforming the way their businesses work. They shared what they had learned from projects such as streamlining the back room of a credit card operation, or improving turnaround time in a jet engine overhaul shop, or “hit-rate” improvements in commercial finance transactions. Most of the presenters focused on how their process improvements were making their *customers* more competitive and productive:

- Medical Systems described how Six Sigma designs have produced a **10-fold** increase in the life of CT scanner x-ray tubes — increasing the “uptime” of these machines and the profitability and level of patient care given by hospitals and other health care providers.

- Superabrasives — our industrial diamond business — described how Six Sigma **quadrupled** its return on investment and, by improving yields, is giving it a full **decade’s** worth of capacity despite growing volume — without spending a nickel on plant and equipment capacity.
- Our railcar leasing business described a 62% reduction in turnaround time at its repair shops: an enormous productivity gain for our railroad and shipper customers and for a business that’s now **two to three** times faster than its nearest rival because of Six Sigma improvements. In the next phase, spread across the entire shop network, Black Belts and Green Belts, working with their teams, redesigned the overhaul process, resulting in a **50% further** reduction in cycle time.
- The plastics business, through rigorous Six Sigma process work, added 300 million pounds of new capacity (equivalent to a “free plant”), saved \$400 million in investment and will save another \$400 million by 2000.

At our meeting, zealot after zealot shared stories of customers made more competitive, of credit card and mortgage application processes streamlined, of inventories reduced, and of whole factories and businesses performing at levels never believed possible.

The sharing process was repeated at another level two weeks later in Paris, as 150 Master Black Belts and Black Belts, from every GE business throughout Europe, came together to share and learn quality technology. This learning is done in the boundaryless, transcultural language of Six Sigma, where “CTQ’s” (critical to quality characteristics) or “DPMO’s” (defects per million opportunities) or “SPC” (statistical process control) have exactly the same meaning at every GE operation from Tokyo to Delhi and from Budapest to Cleveland and Shanghai.

The meeting stories are anecdotal; big companies can make great presentations and impressive charts. But the cumulative impact on the Company’s numbers is **not** anecdotal, nor a product of

charts. It is the product of 276,000 people executing ... and delivering the results of Six Sigma to our bottom line.

Operating margin, a critical measure of business efficiency and profitability, hovered around the 10% level at GE for decades. With Six Sigma embedding itself deeper into Company operations, GE in 1997 went through the “impossible” 15% level — approaching 16% — and we are optimistic about the upside.

Six Sigma, even at this relatively early stage, delivered more than \$300 million to our 1997 operating income. In 1998, returns will more than double this operating profit impact.

Six Sigma is quickly becoming part of the genetic code of our future leadership. Six Sigma training is now an ironclad prerequisite for promotion to any professional or managerial position in the Company — and a requirement for any award of stock options.

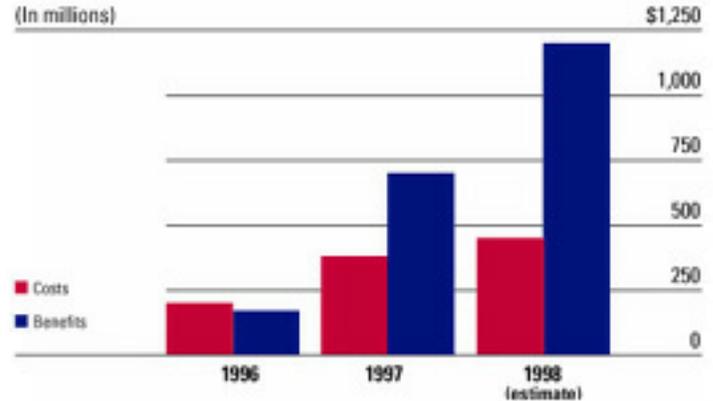
Senior executive compensation is now heavily weighted toward Six Sigma commitment and success — success now increasingly defined as “eatable” financial returns, for our customers and for us.

Six Sigma is quickly becoming part of the genetic code of our future leadership.

There are now nearly 4,000 full-time, fully trained Black Belts and Master Black Belts: Six Sigma instructors, mentors and project leaders. There are more than 60,000 Green Belt part-time project leaders who have completed at least one Six Sigma project.

Already, Black Belts and Master Black Belts who are finishing Six Sigma assignments have become the most sought-after candidates for senior leadership jobs in the Company, including vice presidents and chief financial officers at some of our businesses. Hundreds have already moved upward through the pipeline. They are true believers, speaking the language of the future, energized by successful projects under their belts, and drawing other committed zealots upward with them.

Six Sigma costs and benefits



In the early 1990s, after we had finished defining ourselves as a company of boundaryless people with a thirst for learning and a compulsion to share, it became *unthinkable* for any of us to tolerate — much less hire or promote — the tyrant, the turf defender, the autocrat, the big shot. They were simply “yesterday.”

As we move toward 2000 and beyond, with Six Sigma permeating much of what we do all day, it will be likewise unthinkable to hire into the Company, promote or tolerate those who cannot, or will not, commit to this way of work. It is simply too important to our future.

And as we “raise the bar” from three to four to five and then to Six Sigma ... we must raise, again, the bar of quality as it applies to ourselves. The reality is, we simply cannot afford to field anything but teams of “A” players.

What is an “A”? At the leadership level, an “A” is a man or woman with a vision and the ability to articulate that vision to the team, so vividly and powerfully that it also becomes their vision.

An “A” leader has enormous personal energy and, beyond that, the ability to energize others and draw out their best, usually on a global basis.

An “A” leader has “edge” as well: the instinct and the courage to make the tough calls — decisively, but with fairness and absolute integrity.

As we go forward, there will be nothing but “A’s” in every leadership position in this Company. They will be the best in the world, and they will act

to field teams consisting of nothing but “A” players. The best leaders — the “A’s” — are really coaches. What coach, with any instinct or passion for winning, would field an Olympic swimming or gymnastics team, or a Super Bowl team, that wasn’t made up of the absolute best available? In the same vein, what business leader worthy of the name would even consider fielding a team with anything other than the very best, the “A” players?

This is now the business of your Company: “A” products and “A” services delivered by “A” players around the globe.

What characterizes “A” *players*?

In finance, for example, “A’s” will be people whose talents include, but transcend, traditional controllership. The bigger role is one of full-fledged participant in driving the business to win in the marketplace — a role far bigger than the dreary and wasteful budget “drills” and bean-counting that once defined and limited the job.

In engineering, “A’s” are those who embrace the methodology of Design for Six Sigma. “A” engineers can’t stand the thought of “riding it out” in the lab, but rather relish the rapid pace of technological change and continually re-educate themselves to stay on top of it.

In manufacturing, “A” players will be people who are immersed in Six Sigma technology, who consider inventory an embarrassment, especially with a whiff of deflation in the air — people who understand how to drive asset turns and reduce inventory while at the same time increasing our readiness to serve the customer.

In sales, “A” players will use the enormous customer value that Six Sigma generates to differentiate GE from the competition, to find new accounts, and to refresh and expand the old ones — as contrasted with “C” players whose days are spent visiting “friends” on the “milk-run” circuit of customer calls.

This is now the business of your Company: “A” products and “A” services delivered by “A” players around the globe.

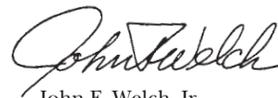
We are feverish on the subject of Six Sigma quality as it relates to products, services and people — maybe a bit unbalanced — because we see it as the ultimate way to make real our dreams of what this great Company could become.

Six Sigma has turned up the voltage in every GE business across the globe, energizing and exciting all of us and moving us closer than ever to what we have always wanted to become: more than a hundred-billion-dollar global enterprise with the agility, customer focus and fire in the belly of a small company.

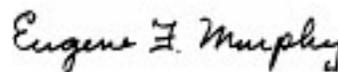
In our 1994 letter to you, we addressed the perennial question put to management teams, which is “how much more can be squeezed from the lemon?” We claimed, then, that there was in fact unlimited juice in this “lemon,” and that none of this had anything to do with “squeezing” at all. We believed there was an ocean of creativity and passion and energy in GE people that had no bottom and no shores. We believed that then, and we are convinced of it today. And when we said that there was an “infinite capacity to improve everything,” we believed that as well — viscerally — but there was no methodology or discipline attached to that belief. **There is now.** It’s Six Sigma quality, along with a culture of learning, sharing and unending excitement.

For GE, these are the best of times, and in our view they will only get better.

Thanks, as always, for your continuing support.



John F. Welch, Jr.
Chairman of the Board and
Chief Executive Officer



Eugene F. Murphy
Vice Chairman of the Board
and Executive Officer



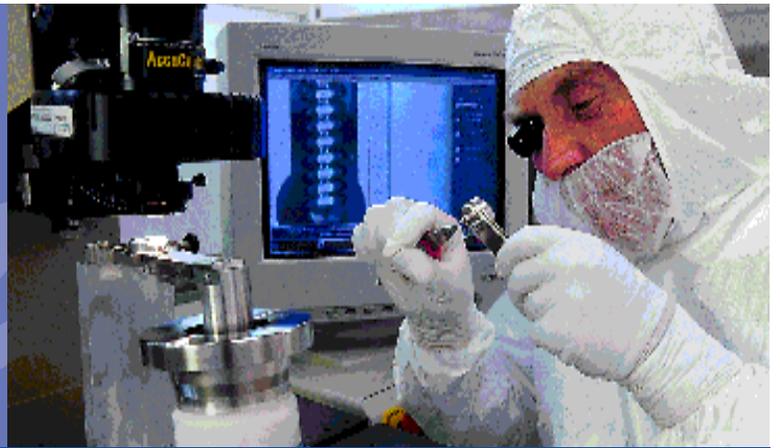
Paolo Fresco
Vice Chairman of the Board
and Executive Officer



John D. Opie
Vice Chairman of the Board
and Executive Officer

February 13, 1998

Six Sigma



Our Six Sigma quality initiative is changing the way we do everything ...



for the benefit of our customers and GE.



Matching Colors Quickly [ABOVE]

Shown here in a color lab at the GE Plastics plant in Singapore, Cindy Lee (standing) and S. Mani were part of a Six Sigma team that has reduced the lead time for matching colors of GE resins to customer requirements by 85%, a distinct competitive advantage in the fast-paced global market for plastics.

Creating a Better CT Tube [TOP RIGHT]

Using Six Sigma tools and methodology, a team from GE Medical Systems and the GE Research and Development Center has developed the new Performix™ 630 tube with key attributes that customers want. This new generation in tube technology offers dramatically longer tube life, faster patient exams and improved image quality. Here, Dave Szwedo does precision assembly of the core of a Performix™ CT tube with the aid of computer quality control checks that ensure superior image quality.

Redesigning a Refrigerator Process [CENTER]

Black Belt Frank Pennisi (center) led a Six Sigma team that improved on-time delivery, increased productivity and saved \$4 million for GE Appliances by changing the test and repair process for refrigerators. The team replaced a continuous test loop, from which refrigerators were pulled off the line for repairs and then returned, with eight test cells in which dedicated operators test refrigerators for possible mechanical problems and make any necessary adjustments before the electrical test is done. With Pennisi are test cell operator Joan Raines (left) and GE Appliances quality leader Tanya Fratto.

Making Consistency Pay Off [CENTER RIGHT]

As part of the Loan Workout Consistency Team at GE Capital Mortgage Insurance, Black Belt Marquita Webb (right) and Master Black Belt Jay DesMarteau applied Six Sigma to the process of working with delinquent borrowers to find alternatives to foreclosure. By cutting defects in the workout process by 96%, GE Capital was able to offer borrowers quicker solutions while reducing claims payments by \$8 million.

Clearing Paperwork for Customs [BOTTOM RIGHT]

Claire Bunuan, an administrative associate for GE Aircraft Engines in Canada, has used her Six Sigma training as a Green Belt on a project to make the paperwork perfect every time GE Canada imports a marine and industrial engine, parts or tooling for a Canadian customer. In addition to cutting customs costs, her project has reduced border delays by at least 50%.

Aircraft Engines



W. James McNerney, Jr.

W. James McNerney, Jr.
President and Chief
Executive Officer,
GE Aircraft Engines

Six Sigma is driving cultural change throughout our entire operation and accelerating our business results.

In a year of strategic initiatives, GE Aircraft Engines not only achieved double-digit gains in revenues and ongoing earnings, but also took bold actions to position itself for long-term profitable growth in a highly competitive global market.

Foremost among our initiatives, Six Sigma quality is driving cultural change throughout our entire operation and accelerating our business results. Six Sigma tools allow us to improve results dramatically by enhancing the value we provide to our customers. Almost one-third of our employees have been trained to lead projects and spread Six Sigma tools to co-workers, resulting in more than \$70 million in productivity gains in 1997.

We made progress in other areas as well.

Consistent with our marketplace success this decade, GE Aircraft Engines and CFM International, our joint company with Snecma of France, again won a significant majority of the world's large commercial engine orders. Key 1997 wins included American Airlines, the Civil Aviation Administration of China, Continental Airlines, Delta Air Lines, Finnair, Northwest Airlines, THY and US Airways.

GE Engine Services is growing dramatically, with 1998 revenues expected to pass \$4 billion. We have multiyear service contracts with Federal Express, Southwest Airlines, UPS and US Airways. The acquisition of Greenwich Air Services and UNC Incorporated broadens our capacity and capabilities worldwide and gives us a strong presence in servicing business jet engines and aircraft accessories. We also are forming joint ventures with global airlines and maintenance providers.

CFM International's new CFM56-7 is commercial aviation's best-selling engine, with more than 1,500 ordered for Boeing's Next-Generation 737 series. The first CFM56-powered 737-700 aircraft was delivered to Southwest Airlines in 1997, while Alaska Airlines launched Boeing's new CFM56-powered 737-900. The CFM56-5 engine, which powers Airbus Industrie's successful A320 aircraft family, increased its leadership position, and the fuel-saving CFM56-5B/P derivative engine maintained its industry-leading reliability.

The GE90 engine is demonstrating outstanding fuel burn, noise, emissions and reliability powering the Boeing 777. While market conditions have not warranted developing higher-thrust versions, we are investing significantly in the GE90 to further provide the best solution to 777 customers who require up to 92,000 pounds of thrust.

Our best-selling CF6-80C2 engine, selected by Delta to launch the new Boeing 767-400ER, won several strategic orders. The CF6-80E1A4, launch engine for the new Airbus A330-200 twinjet, was certified by the Federal Aviation Administration.

The CF34 engine showed strong growth powering the Canadair Regional Jet, the best seller in its class. Development continues on the CF34-8C engine for Canadair's new Regional Jet Series 700, which was launched in 1997 by American Eagle.

In military programs, our F414 fighter engine received initial production orders for the U.S. Navy's new F/A-18E/F Super Hornet. Our T700 helicopter engine received contracts from the U.S. government through the year 2000. The Republic of Korea selected our F404 engine for its advanced trainer/light combat aircraft. The team of GE, Allison and Rolls-Royce received a four-year development contract for the Alternate Engine Program for the U.S. Joint Strike Fighter.

Our investment in more powerful, more efficient and lower-emission engines for the marine and industrial sector, such as the uprated LM6000 and an improved LM2500 derivative engine, further enhances our leadership in that market.



The CF34 engine has become a favorite among regional airlines like Cincinnati-based Comair, which ordered another 30 Canadair Regional Jets powered by the popular GE engine.

Appliances



We continued to drive our four business themes of growth, brand, productivity and Six Sigma.

David M. Cote

David M. Cote
President and Chief
Executive Officer,
GE Appliances

We achieved record levels of revenues and ongoing earnings in 1997 while facing a turbulent year in the intensely competitive appliance industry. Our revenues advanced to \$6.7 billion and ongoing earnings were higher despite the biggest U.S. industry price decline in over 30 years.

During 1997, GE Appliances continued to drive its four business themes of growth, brand, productivity and Six Sigma.

We made great progress with our growth programs by introducing new products, including the GE SmartWater™ filtration and softening systems; broadening our Service Management capabilities; and expanding our global presence. We launched a new line of dishwashers, upgraded existing products, enhanced our ultra-high-end Monogram® line and added outdoor grills to it, and introduced a stainless steel built-in refrigerator.

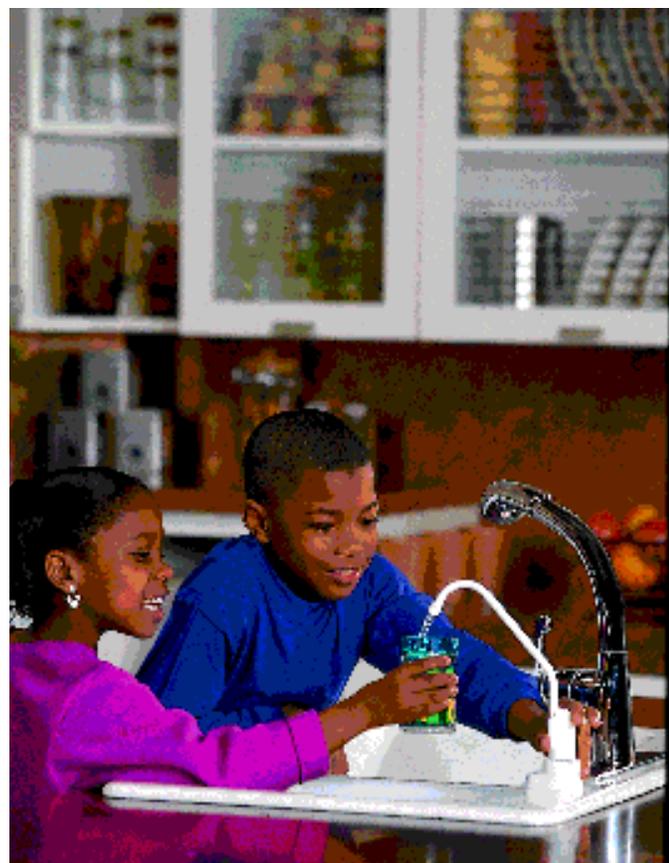
Responding to consumer demand for softer, cleaner, better tasting water, our GE SmartWater line is off to a terrific start. GE Service Management, which provides warranty administration, risk management and expanded service plans to retailers, builders and OEMs, completed a joint venture with National Tech Team to bring our personal computer services to new heights. Globally, our strategy of highly selective investments based on expanding brand recognition has paid off in Europe, Asia and South America, particularly in Brazil with our 1996 acquisition of DAKO.

Capitalizing on our brand — our most valuable asset — we focused on the growing high-end segment by introducing the GE Profile Performance™ series, a step up from our highly successful GE Profile™ line. Each Profile Performance product has unique and value-added features for sophisticated consumers. For example, we added a Water by Culligan™ filtration system to refrigerators with ice and water dispensers. Our new TrueTemp™ oven offers consistent oven temperatures, making it the most accurate oven in America. A new microwave oven, with its sensor combination, blends the benefits of microwave and convection cooking. Our SureClean™ dishwasher has a special china and crystal cycle and StemSafe™ glassware

holder. Profile Performance laundry products include our newest washer, with outstanding performance in gentleness and temperature control, and our quietest dryer ever, with an electronic sensor to help dry clothes more evenly.

Our record level of variable cost reduction was aided significantly by Six Sigma projects aimed at improving process efficiency, reducing scrap and rework, and getting better factory output for ourselves and our suppliers. We now have 40 suppliers, representing a third of our total purchases, participating in Six Sigma.

A defect-free mindset has become part of the culture at GE Appliances through the efforts of some 1,000 employees trained in applying Six Sigma methodology to every aspect of our operation, including design, manufacturing, sales and service. Consumers are benefiting from a stream of new quality products designed for Six Sigma, while Six Sigma projects in manufacturing are lowering costs and reducing working capital. Six Sigma, which accounted for \$44 million in savings in 1997, will continue to provide the foundation for our growth, brand and productivity initiatives.



Part of the new high-end GE Profile Performance™ series, the GE SmartWater™ faucet provides high-quality, clean water for drinking or cooking.

Capital Services



Our unique balance of large-company strength with small-company vigor and flexibility continues to set us apart.

Gary C. Wendt

Gary C. Wendt
Chairman, President and
Chief Executive Officer,
General Electric
Capital Services, Inc.



Denis J. Nayden

Denis J. Nayden
President and
Chief Operating Officer,
GE Capital Corporation

With each of our 27 diversified businesses focusing on completely satisfying our customers' needs profitably, GE Capital Services achieved record net earnings of \$3.3 billion. That translates into a \$439 million, 16% increase over 1996 levels and is the 23rd consecutive year of increased profits from continuing operations.

Our ability to deliver strong, steady and predictable earnings in a highly competitive global environment is predicated on a three-pronged strategic focus: continued globalization of our revenue stream, dedication to providing value-added services and a commitment to Six Sigma quality that is unequaled in the financial services world.

GE Capital's overseas operations continue to expand at a dynamic pace, with assets outside the United States constituting more than 30% of our total assets. Net income from non-U.S. operations grew to \$1 billion in 1997.

Our European presence increased as a result of several important acquisitions coupled with operating enhancements in existing businesses and effective integration of companies into the GE Capital family. The addition of Woodchester, one of Ireland's largest financial services companies, was a 1997 milestone, expanding our auto

and equipment leasing reach in Ireland, Britain, Denmark and Portugal. In addition, Railcar Services made its European debut with the acquisition of pan-European Cargowagon.

In a major privatization effort in Spain, our Structured Finance Group lent capital and expertise to Cableuropa, one of that country's largest cable TV operators and a leading telephone operator, to help finance a modernization program. In Hungary, we provided advisory services and equity to allow Magyar Telecom to triple the number of telephone lines in its service area by the year 2000.

Japan and Australia form the cornerstones of our operations in the Asia-Pacific region, with Japan continuing to build on its strong consumer business and GE Capital Australia gaining leadership in credit cards, fleet services and four other operating areas. In China, we were the first foreign-owned company to receive a finance license. Despite currency turmoil in Southeast Asia in 1997, GE Capital's prudent hedging policies prevented losses due to foreign exchange rate fluctuations in the operations we control.

Throughout the Asia-Pacific and Latin America regions, our small but solid presence has us well positioned to take advantage if opportunities in the commercial and consumer financial services markets arise from the 1997 turmoil.

Providing innovative, value-added services to our customers means differentiating ourselves in a competitive marketplace, enhancing our value to customers and increasing our profitability. We strive to do this in each of our 27 businesses.



Steve Moore of GE Railcar Services, a global leader in railcar leasing and related services, uses a hand-held computer to record repairs to a leased car before its return to the customer.



GE Capital Australia has become a financial services leader in Australia, where it handles the private-label credit card business of Coles Myer Ltd, the country's leading retailer.

During 1997, GE Capital took several steps to grow the types of services we provide to businesses and individuals around the globe.

IT Solutions, for example, now focuses on supplying full life-cycle services that provide customers with cost-effective management of their information technology on a global basis.

With 1997's launch of the GE-1E satellite and the planned 1998 launch of an Asian satellite, Americom's fleet of 11 satellites will provide services reaching about 80% of the world's population.

TIP, our over-the-road trailer leasing business, added a U.S. customer service center for easy, toll-free customer access to its branch network across the country. TIP also established an emergency breakdown service that allows customers to call for help, day or night, 365 days a year, in the United States and Canada.

Americom and TIP are working together on advanced satellite and terrestrial communications to help companies monitor, track and collect data on fixed and mobile assets in the field.

FGIC, a leading provider of municipal bond insurance and other financial services to state and local governments, expanded its capabilities in investment contracts, revenue management, and property and casualty insurance for public entities.

To better serve our individual customers, we organized the way we help people accumulate, preserve and transfer wealth under the GE Financial Assurance umbrella while consolidating back-room operations to reduce costs.

During the year, GE Capital also serviced \$104 billion of home mortgages, financed half a million

automobiles in the United States, wrote \$5.2 billion in reinsurance premiums and serviced 73 million credit card accounts.

Our Six Sigma initiative continues to produce significant benefits in the form of increased revenues and lower costs. Our basic approach is to reduce "defects" by focusing on customer needs, improving processes and involving all employees.

Commercial Finance, for example, used Six Sigma tools to win more deals by better understanding customer requirements. It developed a Customer Expectations Pact that has contributed to a 160% increase in new transactions won.

Mortgage Insurance developed a flexible new billing system that contributed not only to customer retention but also was instrumental in winning \$60 million in new insurance written from one customer. In Japan, Global Consumer Finance helped customers overcome payment difficulties associated with limited banking hours and saved money by establishing an alternate payment method through a network of 25,000 convenience stores, now used by 40% of its customers.

While our employee commitment to Six Sigma is substantial — more than 16,000 associates involved and more than 2,000 projects under way — the benefits to our competitive position are tremendous. Customers are enjoying the results of Six Sigma as our overall responsiveness to their business needs improves dramatically.

Looking ahead, our unique balance of large-company strength with small-company vigor and flexibility continues to set GE Capital apart on an increasingly competitive global playing field.

Equipment Management

- Americom
- Aviation Services
- Fleet Services
- Genstar Container
- IT Solutions
- Modular Space
- Penske Truck Leasing
- Railcar Services
- TIP

Specialty Insurance

- Consolidated Financial Insurance
- Employers Reinsurance Corporation
- Financial Guaranty Insurance Company
- Mortgage Insurance

Consumer Services

- Auto Financial Services
- Consumer Financial Services
- GE Capital Australia
- GE Financial Assurance
- Global Consumer Finance
- Mortgage Services
- Retailer Financial Services

Specialized Financing

- Commercial Finance
- Commercial Real Estate Financing and Services
- Equity Capital Group
- Structured Finance Group

Mid-Market Financing

- Commercial Equipment Financing
- GE Capital Hawaii
- Vendor Financial Services



Global Consumer Finance uses telemarketers at this center in Leeds, England, to successfully sell consumer loans, credit card insurance and payment protection insurance to U.K. customers.



Penske Truck Leasing operates more than 100,000 vehicles in North America, while Penske Logistics and Penske Logistics Europe provide global supply chain management solutions.

Lighting



David Calhoun

David L. Calhoun
President and Chief
Executive Officer,
GE Lighting

We had our best year ever as Six Sigma showed us new ways to improve quality, service and productivity.

By posting a double-digit gain in ongoing earnings and improving our overall service to customers, GE Lighting had its best year ever. The Six Sigma initiative continued to show us new ways to improve our quality and service delivery, increase our total cost productivity and improve our capital efficiency.

Six Sigma represents a massive change in the way we approach our work — more deliberate, more measured, more disciplined. In 1997 alone, we invested \$33 million, provided extensive training to more than 2,600 employees and added our second 100 Black Belts — experts in Six Sigma methodology — to our business. The return was \$47 million in benefits. In addition, Six Sigma drove us to invest more in equipment maintenance and control hardware in order to gain free capacity from our existing plants. Overall, our capital efficiency has improved 15% annually.

We made great progress on our other major initiative — globalization. We continued to organize and invest in the development of “global brains” to achieve better operating performance from our worldwide enterprise. Our new-product managers

are now responsible for the global operating performance of their respective product lines. We also introduced more than 400 new products around the world in 1997; and of our total global sales for the year, almost 30% resulted from products produced on one continent and sold on another.

Our technology organization, which manages projects across the globe, now has more than half its engineers outside the United States, with outstanding talent in Hungary and China. Our sourcing organization continues to capitalize on GE Lighting’s worldwide presence to attain the best products, price and service available.

The North America business expanded in 1997 with the signing of an agreement with MagneTek, Inc., that gives GE Lighting exclusive sales responsibility for electronic ballasts in North America. This should increase our ballast sales significantly and make GE Lighting a force in this rapidly changing industry. We also implemented a supply chain organization to improve our inventory management and service to customers.

In Asia, GE Lighting continued to invest for growth. Hitachi GE Lighting, Ltd. consolidated all marketing and sales into one business, resulting in increased sales through this joint venture and, more importantly, a simpler approach to our customers. This action positions us for strong growth in Japan, the world’s second-largest lighting market. Throughout Asia, we introduced more than 80 new products, increased sales by 25%, grew market share in GE-branded lighting products and achieved 10% factory productivity.

Our European business continued to make gains in customer service, as customer satisfaction improved by 20% and fill rates improved by eight points. In addition, the European operations increased factory productivity by 7%. Our businesses in Eastern Europe and Turkey again generated about a 20% increase in sales volume. We also acquired selected assets of Flame Electrical Ltd., a commercial, industrial and consumer lighting products distributor in South Africa.

The GE Quartz business had another strong year as it continued to diversify and invest globally while gaining share with its traditional customers. Approximately one-third of sales was from new products, and non-U.S. sales accounted for more than 50% of the total.

For GE Lighting, 1997 proved to be another strong operating year in which we continued to make improvements and investments toward a bright future for our global business.



John Brelus (right) and fellow product managers Jonathan Qu and Clare Frissora discuss ways to grow the GE name in lighting around the world via packaging, advertising and promotions.

Medical Systems



We outpaced the market in all regions with new product and service offerings for the health care industry.

J.R. Immelt

Jeffrey R. Immelt
President and Chief
Executive Officer,
GE Medical Systems

We posted record ongoing earnings during 1997 despite continued price erosion in a slow-growing worldwide diagnostic imaging market. Our year was highlighted by the successful integration of several global ventures, an unprecedented investment to achieve Six Sigma quality, and a commitment to deliver technology, productivity and economic solutions to the health care industry.

GE Medical Systems outpaced the market in all regions with new product and service offerings, expanded distribution coverage, and new efforts to drive customer value and productivity. We continued our strong momentum in the service area. Part of the growth came from GE HealthCare Services, our multi-vendor services group, which surpassed \$200 million in revenues for the first time. We also extended our InSite™ remote diagnostic service capability to the servicing of non-GE equipment.

Information technology is spurring growth across the business. Our acquisitions of Lockheed Martin Medical Systems and Innomed of Germany, as well as a 20% stake in ALI, a leader in ultrasound

image archiving, have given us a strong global position in the rapidly expanding medical image information segment.

GE technology leadership was reinforced with the announcement of a first-of-its-kind multiple-purpose digital x-ray detector, which offers the potential for better, faster and more cost-effective x-ray examinations. The new detector, which will be manufactured exclusively for GE by EG&G, Inc., is the result of a 10-year, \$100 million R&D effort. It will replace conventional x-ray film and processing chemicals with computer images that can be stored and transmitted electronically.

Product introductions in 1997 strengthened our entire product line. Among the more exciting, the new Signa® Horizon™ LX MRI system is the first to combine advanced imaging technology with a high-performance, lightweight magnet for lower operating costs and easier installation. The new Signa® Profile™ Platinum system is our latest generation of open MRI systems that maximize patient comfort.

With the introduction of SmartView™ software, GE's computed tomography systems have been enhanced to provide real-time monitoring of interventional procedures. Our position in vascular x-ray was enhanced with the introduction of the Advantx® LC+ cardiac system as well as the GEMnet™ 2000 digital networking and archiving system.

Our leadership in women's health care was extended by the introduction of the Senovision™ Digital Spot and Stereotactic Mammography System, our first digital product in this key segment.

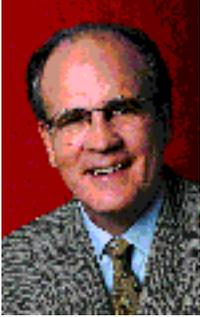
In ultrasound, GE's global position has been strengthened by the LOGIQ® 700 system, a breakthrough product that delivers leading quality in 3D imaging applications.

GE Medical Systems is utilizing Six Sigma to improve customer benefits and reduce costs. We recorded \$42 million in productivity benefits during 1997, and we have completed more than 600 projects to date. One example: using Six Sigma methodology, the new Performix™ 630 x-ray tube has yielded a 10-fold increase in tube life expectancy and performance.

Looking forward, we are optimistic that GE's investment in technology, quality and information systems will help us grow as "the total solutions company" to health care providers worldwide.



With its open design, GE's new Signa® Profile™ Platinum MRI system can make patients more comfortable and relaxed and give technologists more room to monitor patients.



Robert C. Wright

Robert C. Wright
President and Chief
Executive Officer,
National Broadcasting
Company, Inc.

The Peacock network led prime-time ratings for a second straight year.

The National Broadcasting Company registered its fifth consecutive year of double-digit gains in ongoing earnings in 1997 and led the prime-time ratings for a second straight year. We also had impressive growth in our primary cable properties, CNBC and MSNBC. In addition, the year 1997 marked the launch of NBC's Six Sigma quality initiative.

We finished the 1996-97 season as the nation's most-watched network, winning the prime-time ratings battle by more than 25% in the prized adult age 18-49 demographic with regular programming. Led by "must-see" series such as *ER*, the Peacock network had the top six prime-time shows, was number one across the board in late-night programs, and with *Days of Our Lives* had the number one daytime drama in advertisers' target female demographic.

NBC News enjoyed its fifth straight year of record profits. *NBC Nightly News with Tom Brokaw* surged ahead in the evening news ratings race to become the top-rated broadcast, *Today* beat the competition by an average margin of 67% and celebrated more than 100 weeks in first place, and

the award-winning *Dateline NBC* added a fourth night to its multi-night franchise. *Meet the Press*, the longest-running program on network television, marked a television milestone in 1997 with the celebration of its 50th anniversary.

NBC Sports has secured long-term relationships with organizations such as the International Olympic Committee, the NBA and the USGA. NBC Sports will be the exclusive over-the-air broadcaster of the NBA through the 2002 season, and the network will present the USGA's major golf championships through the year 2003. Moreover, after the 1998 Winter Games, every Olympics through 2008 will be broadcast on NBC, which will solidify our position as a broadcast leader well into the next century.

NBC Stations had record revenues and profits in 1997. In December, WVIT in Hartford became NBC's 12th owned-and-operated station, and NBC will soon take a majority ownership position in KXAS in Dallas, the nation's eighth-largest market. Expected to be finalized in the first half of 1998, this innovative partnership with Hicks, Muse, Tate & Furst will bring the reach of our owned stations to 27% of U.S. households.

CNBC enhanced its position as the world leader in business television journalism in 1997, delivering a record year by every measurement. Ongoing earnings were up more than 40% and business news audience was up 76% in the fourth quarter compared with the same period a year ago. In a move that will expand the global value of CNBC, we entered into a strategic alliance with Dow Jones to merge our European and Asian business news services under the CNBC banner and to utilize the Dow Jones editorial resources for CNBC in the United States.

After its first full year of operation, MSNBC, the 24-hour cable and Internet news service, now reaches 36 million households, and it has commitments in place to reach 56 million by the year 2001. Since coverage of the death of Princess Diana on August 31, MSNBC has considerably narrowed the ratings gap with CNN in several major television markets. Ad sales and subscriber fees more than tripled in 1997.

Finally, one of NBC's most significant accomplishments in 1997 was the rollout of Six Sigma, which will play a crucial role in helping us maintain our leadership position in the broadcast industry. In 1998, we expect to have quality projects under way in every area of our business.



CNBC has become the "must-see" channel for business news at stock exchanges, in shops and homes, and on Broadway, where the giant Astrovision™ screen looms over Times Square.

Plastics



Our successful sales growth is tied to our customers' focus on market development.

We achieved record ongoing earnings on revenues of \$6.7 billion in 1997 as double-digit volume growth and total cost productivity more than offset selling price erosion. In addition, cash flow of more than \$800 million was due to improved working capital management.

A highlight for GE Plastics was our Six Sigma efforts, which reached targets for quality improvement, cost-out and, most importantly, customer satisfaction. Our Superabrasives business is a model of Six Sigma implementation where a totally integrated quality focus has made double-digit improvements in total cost productivity and yielded free capacity equal to the existing plant.

More than 2,200 GE Plastics employees have been trained in Six Sigma during the past two years, and we have more than 3,000 projects completed or currently in process. Total benefit for 1997 was about \$137 million.

During 1997, we continued to take the steps necessary to expand our global reach.

We are entering into two joint ventures with Bayer AG of Germany that are expected to be finalized during the first half of 1998. The first is an automotive glazing joint venture designed to develop polycarbonate and coatings technology to improve the impact resistance and safety of automotive side and rear windows. Successful development of polycarbonate glazing technology represents an enormous additional growth opportunity for our products.

The second joint venture will combine the manufacturing, technological and commercial resources of GE Silicones and Bayer's silicones operations in Europe to serve customers in Europe, Africa and the Middle East.

GE Plastics expanded its portfolio of products by acquiring Resinmec, a nylon resin compounder with two plants in Italy, and Polimeros Argentinos S.A. of Buenos Aires, a compounder and distributor of a wide range of engineering thermoplastics.

In addition, we continued to invest in our world-class facilities. Our Structured Products business completed capacity expansions for sheet and film products in Brazil and China, and our

Cyclocac[®] resin business continued work on capacity expansions at Ottawa, Illinois, and Bay St. Louis, Mississippi, to meet future needs of the automotive and building and construction industries. Construction also continued on the 130,000-ton polycarbonate resin plant in Cartagena, Spain.

Our successful sales growth is tied to our customers' focus on market development. Key customers include manufacturers of computers, CD-ROMs, compact discs and digital videodiscs. Also, continuing efforts to bring productivity to our automotive customers through weight reduction and parts consolidation have led to increased sales.

Environmental and safety excellence have always been hallmarks of our business. We continue to invest resources to improve process safety management. We're also working in close partnership with our plant communities to communicate our capabilities in safety and environmental stewardship.

Aided by our focus on Six Sigma quality and a business-wide passion to bring value and productivity to our customers, GE Plastics is well positioned to have another strong year in 1998 as our customers continue to grow around the world.



Howard Yu of GE Plastics inspects the quality of engineering plastics strands at the Nansha, China, plant, which is being expanded to better serve Chinese and export markets.

Gary L. Rogers

Gary L. Rogers
President and Chief
Executive Officer,
GE Plastics

Power Systems



Bob Nardelli

Robert L. Nardelli
President and Chief
Executive Officer,
GE Power Systems

We have expanded our participation in the global energy market with a portfolio of innovative services and products.

A steady stream of energy product and service innovations helped GE Power Systems reach record revenues of \$7.5 billion in 1997 despite continuing price pressure driven in part by deregulation of the energy industry. We also had a double-digit gain in ongoing earnings.

We continued expanding our view of the global energy market during 1997 and increased our participation in it by adding to our portfolio of services and products that reach from the well-head to the consumer. This included investing more than \$250 million in programs, joint ventures and acquisitions to meet growing customer needs in the deregulated energy industry.

Another year of solid growth at Nuovo Pignone included almost \$2 billion in orders, successfully building a backlog to replace work completed on the Gazprom pipeline project in Russia. Nuovo Pignone also strengthened its worldwide leadership in gas compression technology by winning key pipeline and offshore platform orders, including projects in Oman, Algeria and Canada. A major 550-megawatt low-BTU gas power project in southern Italy also went into full operation.

Power Systems achieved \$94 million in savings from 2,500 Six Sigma quality projects in 1997, with resources in place to more than double that savings in 1998. Customer dashboards for nearly 50 major global accounts are driving the benefits of our quality efforts directly to the marketplace.

Revenues from operation and maintenance (O&M) and long-term service agreements grew 40% in 1997. Customer commitments now total \$1.2 billion through nearly 50 O&M and long-term service agreements now in place at power plants around the world.

GE power-generating technology remained the preferred choice around the globe in 1997 as sales increased 5% in an extremely competitive market.

GE Nuclear Energy completed work on the second Advanced Boiling Water Reactor power station for Tokyo Electric Power Company in Japan and began work on a two-unit project in Taiwan.

Our fleet of "F" technology gas turbines reached an important milestone in 1997, surpassing one million fired hours of operation in power plants worldwide. The "F" technology machines have compiled two times as many fired hours as all the competition combined.

We also continued development of our "H" gas turbine technology, which has the potential to break the 60% thermal efficiency barrier and lead the next generation of advanced combined-cycle turbines.

GE Harris Energy Control Systems, our joint venture with Harris Corporation, grew more than 30% in its first year. It won several key contracts for monitoring systems and devices that automate power distribution, including one of the industry's largest awards for remote terminal units.

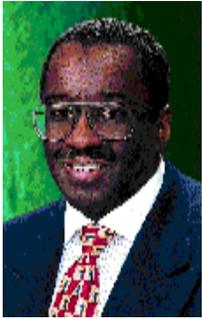
The recently completed acquisition of the gas turbine division of Stewart & Stevenson Services, Inc. will greatly enhance our business by providing additional product and service offerings to an expanded customer base. Stewart & Stevenson has an outstanding reputation for packaging gas turbines for use in industrial power generation markets.

During 1998, we will continue expanding our participation in the broader energy market with innovative service initiatives, and we will continue pursuing joint ventures and acquisitions that increase our product offerings. We also will use our Six Sigma quality initiatives as a competitive advantage to help our global customers succeed.



Christine Laskowski of Minnesota Power uses the XA/21™ control system from GE Harris to automatically monitor and control the electric power grid across the northern tier of Minnesota.

Electrical Distribution and Control



Lloyd Trotter

Lloyd G. Trotter
President and Chief
Executive Officer,
GE Electrical Distribution
and Control

Investment in information technology and advanced electronics is bringing value-added solutions to our customers.

The year 1997 marked one of the best in the history of GE Electrical Distribution and Control as we achieved record ongoing earnings and significantly higher ongoing operating margins, although revenues were flat.

We continued to invest in new product development, focusing on information technology and advanced electronics to provide new value for our customers. Sales of value-added systems, like our energy management system, have jumped dramatically as customers look to ED&C for solutions that improve productivity and facility uptime.

Globally, Multilin of Canada has quadrupled earnings and maintained double-digit revenue growth annually since being acquired in 1995. In Europe, our AEG low voltage business experienced steady growth, while expansion efforts in



Dennis Balickie (right) of GE, shown here with Philadelphia projects engineer Thomas Varughese, designed this new power management system for the Philadelphia International Airport.

Mexico and Brazil are expected to deliver benefits in 1998. In addition, the Americas business was realigned in order to leverage product and commercial synergies.

Our Six Sigma quality efforts drove strong productivity gains during 1997 that resulted in about \$35 million in financial benefits for our business while improving customer satisfaction. More than half of our employees are engaged in Six Sigma; the rest should be trained by the end of 1998.

By focusing on quality, global growth and new products, we anticipate another successful year.

Industrial Control Systems



Customer satisfaction, top-line results, operating margins and cash flow are all improved by Six Sigma.

It was another year of strategic and operational progress for GE Industrial Control Systems, which symbolically changed its name from Motors and Industrial Systems in 1997. Sales and ongoing earnings were both up modestly despite soft market conditions in the heating, ventilation and air conditioning (HVAC) industries.

Six Sigma took center stage, becoming the driving force of our transformation from a set of internally focused product businesses to an externally focused system solution business. More than 4,300 employees have been through Six Sigma training, and our results to date have been terrific. Customer satisfaction, top-line results, operating margins and cash flow are all improved by this initiative.

As a system solution provider, we now offer customers a coordinated set of globally competi-



Ernest Linn of GE uses a multimeter to check the firing circuit on a new Innovation™ Series AC Drive, which provides customers with more power and reliability for their industrial processes.

tive hardware, software, project integration and post-installation engineering services. In addition, we introduced several products, including the Innovation™ Series AC Drive, new PLC-based control systems, advanced CIMPLICITY® software and a global 95mm HVAC motor.

As we enter 1998, we are stronger operationally and better positioned strategically to deliver on our goals of creating real customer value and generating sound financial returns.

James W. Rogers

James W. Rogers
President and Chief
Executive Officer,
GE Industrial Control
Systems

Information Services

We are 'internetworking' global enterprises with their trading partners to reduce costs and increase quality.

Ongoing earnings were much improved at GE Information Services as our Six Sigma initiatives contributed to a 9% increase in operational productivity. Revenues from contemporary electronic commerce solutions grew nearly 20% despite weakened currencies in overseas markets and an increasingly competitive marketplace.

We secured a number of important new electronic data interchange (EDI) customers, including Kmart, the Association of American Railroads and Chrysler Corporation. We also expanded our transition toward Internet services, with open technology solutions becoming almost half of our 1997 revenues.

Chrysler, for example, is dramatically reducing cycle times, costs and transaction errors through electronic commerce on the Internet. Using our

Transportation Systems

Our new AC6000 locomotives will enter full-scale production in 1998.

With orders surging to a record level in 1997 and creating an unprecedented backlog, GE Transportation Systems delivered a double-digit increase in cash flow and improved earnings. Shipments to Canada and Mexico will exceed 450 units from 1997 to 1999, underscoring the growing importance of these trading partners.

Thirteen new AC6000™ prototype locomotives have completed 80,000 hours of reliability testing on the CSX and Union Pacific railroads in preparation for full-scale production in 1998. More than 365 of the AC6000-horsepower units already are on order from U.S. and Australian railroads.

Global service grew 44% in 1997 and will account for almost one-third of our total global revenue in 1998. Maintenance service and parts are expanding, and we are implementing new



Chrysler Corporation's Ken Horn (left) discusses the benefits of GE TradeWeb™, a revolutionary Internet-based EDI service, with GE's Gene Frantz (center) and Tim Tegeger.

Internet EDI service, Chrysler has shortened invoice processing cycles with some suppliers from 30 days to 24 hours, saving millions of dollars in purchasing costs annually. Others are achieving similar results as the Internet brings more and more companies into the world of on-line commerce.

We increased our global alliances during 1997, continuing to build the world's largest electronic trading community. New joint ventures in Brazil, Hong Kong, Israel and Japan expanded our presence in these countries and will electronically link their trading communities on a global scale.



Two new AC6000™ locomotives from GE pull a Union Pacific train at the Bailey Yard in North Platte, Nebraska, the largest railroad yard in the world.

service contracts in Canada, Australia and Kenya. Our GE-Harris Railway Electronics joint venture won contracts from Union Pacific and Norfolk Southern to install its Foresight™ advanced planning technology for train dispatching.

Six Sigma is becoming a way of life, bringing \$34 million in productivity savings in 1997 and involving more than 1,000 employees in projects. In addition, our suppliers have undertaken more than 175 projects to improve their own quality.



Harvey F. Seegers

Harvey F. Seegers
President and Chief
Executive Officer,
GE Information Services



John G. Rice

John G. Rice
President and Chief
Executive Officer,
GE Transportation
Systems

Community Service



GE volunteers, GE businesses and the GE Fund are helping to make the world



a better place every day.



Sprucing Up a Wildlife Sanctuary [ABOVE]

Led by Elfuns from GE Plastics in Pittsfield, Massachusetts, some 230 volunteers transformed the Pleasant Valley Wildlife Sanctuary during a "Share-To-Gain" project. In one day, they constructed a maintenance building, renovated two other buildings, landscaped the area, built 320 bluebird houses and installed 680 feet of causeway trails such as this boardwalk shown here between Bob Young and Sue Walter.

Mentoring Students in Milwaukee [TOP RIGHT]

Tony McGraw is one of many volunteers from GE Medical Systems who are mentoring students like Lakeisha Jackson at Clarke Street School, an elementary school in Milwaukee. In addition to reading and helping with homework, the GE volunteers filled backpacks purchased by GE with school supplies for each student. A marketing manager at GE, McGraw is chairman of the Milwaukee Chapter of Elfun, a worldwide volunteer organization of GE leaders.

Throwing Out the First Ball [CENTER]

Shomari Dailey, a senior at the University of Illinois at Urbana-Champaign and recipient of a four-year Jackie Robinson Foundation/GE Fund scholarship, threw out the ceremonial first ball at baseball's 1997 World Series Opening Game. The GE Fund contributed more than \$14 million to higher education in 1997.

Creating Original Opera [CENTER RIGHT]

Third- and fourth-grade students at Farland Elementary School in Rockville, Maryland, are learning about opera and a whole lot more through a unique program developed by the Metropolitan Opera Guild and funded by the GE Fund. Shown here with members of the La Cleve Kids Opera Company are Grant Hunter (foreground) and Jeremy Irish (at the keyboard), two of the GE Information Services volunteers who have helped the students in many ways, including development of an award-winning Web site.

Sponsoring a Scientific Study [BOTTOM RIGHT]

Students and teachers from nine high schools in the GE College Bound program spent a week during the summer of 1997 at the Northeastern University Marine Biology Lab in Massachusetts, where they collected scientific data and specimens from the local marine environment for review with students at home. Started in 1989, the award-winning \$20 million College Bound program combines grants from the GE Fund with GE volunteer mentors in a focused, multi-year attempt to double or significantly increase the college-going rate at selected rural or inner-city schools near GE facilities.

Board of Directors (As of February 13, 1998)

Two Directors were added to the GE Board in mid-1997, while another is retiring from the Board in 1998.

Barbara Scott Preiskel, a Director since 1982, will retire from the Board in April. A former Senior Vice President of the Motion Picture Associations of America, Mrs. Preiskel chaired the Operations Committee for the past six years. Drawing on her extensive background in law and business and her commitment to public service, Mrs. Preiskel has provided broad-gauged and thoughtful advice to the Company. GE will miss her humane and wise counsel.

Joining the Board were James I. Cash, Jr. and Eugene F. Murphy.

Dr. Cash, who was elected to the Board in August, is James E. Robison Professor of Business Administration at the Harvard Graduate School of Business. A member of the school's faculty since 1976, he has taught in all of its major programs and served as chairman of the MBA program from 1992 to 1995.

Mr. Murphy joined the Board as a Vice Chairman in August after guiding GE Aircraft Engines for the past four years. A former Executive Vice President of RCA, he became a GE Senior Vice President in 1986 when RCA merged with GE and later served as President of GE Aerospace until its 1993 transfer to Martin Marietta Corporation.

There were 11 meetings of the GE Board during 1997.

In December, the Directors voted to increase GE's quarterly dividend by 15%, from 26¢ to 30¢ per share, marking the 22nd consecutive year of GE dividend increases. The Board also increased GE's share repurchase program by \$4 billion, bringing the total authorized to \$17 billion, and extended the program through 1999. It also approved a direct stock purchase plan, effective June 1, 1998, that will allow investors to buy Company stock directly from GE.

Board committees addressed a variety of matters during 1997.

The *Audit Committee*, which consists entirely of outside Directors, met four times. It reviewed the activities and independence of GE's independent auditors and the activities of GE's internal audit staff as well as the Company's financial reporting process, internal financial controls and compliance with key GE policies and applicable laws.

The *Finance Committee*, at its four meetings, reviewed GE's pension trust and retirement plans, foreign exchange exposure, airline industry financing and other matters involving major uses of GE funds.

The *Management Development and Compensation Committee*, which consists entirely of outside Directors, held nine meetings. Its activities included all executive compensation plans, policies and practices, all changes in executive assignments and responsibilities, and succession plans for key positions.

The *Nominating Committee*, at its three meetings, reviewed candidates for the Board and recommended the structure and membership of Board committees for the ensuing year.

The *Operations Committee*, which met four times, reviewed the Company's operating plan and various operational matters.

The *Public Responsibilities Committee* held two meetings at which it evaluated environmental and other public responsibility issues as well as the activities of the GE Fund.

The *Technology and Science Committee* participated in one meeting at which it reviewed GE Medical Systems products and services.

Audit Committee

Gertrude G. Michelson, Chairman
Silas S. Cathcart
Roger S. Penske
Barbara Scott Preiskel
Frank H.T. Rhodes

Finance Committee

Claudio X. Gonzalez, Chairman
John F. Welch, Jr., Vice Chairman
Roger S. Penske
Frank H.T. Rhodes
Douglas A. Warner III

Management Development and Compensation Committee

Silas S. Cathcart, Chairman
Claudio X. Gonzalez
Gertrude G. Michelson
Frank H.T. Rhodes
Andrew C. Sigler

Nominating Committee

Andrew C. Sigler, Chairman
D. Wayne Calloway
Silas S. Cathcart
Gertrude G. Michelson
Douglas A. Warner III

Operations Committee

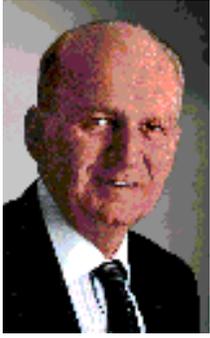
Barbara Scott Preiskel, Chairman
D. Wayne Calloway
James I. Cash, Jr.
Silas S. Cathcart
Dennis D. Dammerman
Paolo Fresco
Claudio X. Gonzalez
Eugene F. Murphy
Sam Nunn
John D. Opie
Roger S. Penske
Andrew C. Sigler
Douglas A. Warner III

Public Responsibilities Committee

D. Wayne Calloway, Chairman
John F. Welch, Jr., Vice Chairman
James I. Cash, Jr.
Dennis D. Dammerman
Claudio X. Gonzalez
Gertrude G. Michelson
Eugene F. Murphy
Sam Nunn
John D. Opie
Roger S. Penske
Barbara Scott Preiskel
Andrew C. Sigler
Douglas A. Warner III

Technology and Science Committee

Frank H.T. Rhodes, Chairman
Paolo Fresco
Eugene F. Murphy
John D. Opie
Roger S. Penske
Andrew C. Sigler



D. Wayne Calloway
Director and retired Chairman of the Board and Chief Executive Officer, PepsiCo, Inc., beverages, snack foods and restaurants, Purchase, N.Y. Director since 1991.



James I. Cash, Jr.
James E. Robison Professor of Business Administration, Harvard Graduate School of Business, Cambridge, Mass. Director since 1997.



Silas S. Cathcart
Retired Chairman of the Board and Chief Executive Officer, Illinois Tool Works, Inc., diversified products, Chicago, Ill. Director 1972-1987 and since 1990.



Dennis D. Dammerman
Senior Vice President, Finance, and Chief Financial Officer, General Electric Company. Director since 1994.



Paolo Fresco
Vice Chairman of the Board and Executive Officer, General Electric Company. Director since 1990.



Claudio X. Gonzalez
Chairman of the Board and Chief Executive Officer, Kimberly-Clark de Mexico, S.A. de C.V., Mexico City, and Director, Kimberly-Clark Corporation, consumer and paper products. Director since 1993.



Gertrude G. Michelson
Former Senior Vice President – External Affairs and former Director, R.H. Macy & Co., Inc., retailers, New York, N.Y. Director since 1976.



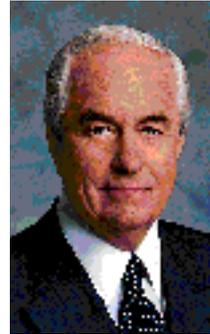
Eugene F. Murphy
Vice Chairman of the Board and Executive Officer, General Electric Company. Director since 1997.



Sam Nunn
Former U.S. Senator from the State of Georgia and Partner, King & Spalding, law firm, Atlanta, Ga. Director since 1997.



John D. Opie
Vice Chairman of the Board and Executive Officer, General Electric Company. Director since 1995.



Roger S. Penske
Chairman of the Board, Penske Corporation, Penske Motorsports, Inc., Detroit Diesel Corporation and Penske Truck Leasing Corporation, transportation and automotive services, Detroit, Mich. Director since 1994.



Barbara Scott Preiskel
Former Senior Vice President, Motion Picture Associations of America, New York, N.Y. Director since 1982.



Frank H.T. Rhodes
President Emeritus, Cornell University, Ithaca, N.Y. Director since 1984.



Andrew C. Sigler
Retired Chairman of the Board and Chief Executive Officer, Champion International Corporation, paper and forest products, Stamford, Conn. Director since 1984.



Douglas A. Warner III
Chairman of the Board, Chief Executive Officer and President, J.P. Morgan & Co. Inc. and Morgan Guaranty Trust Company, New York, N.Y. Director since 1992.



John F. Welch, Jr.
Chairman of the Board and Chief Executive Officer, General Electric Company. Director since 1980.

Management

(As of February 13, 1998)

Senior Executive Officers

John F. Welch, Jr.
Chairman of the Board and
Chief Executive Officer

Paolo Fresco
Vice Chairman of the Board
and Executive Officer

Eugene F. Murphy
Vice Chairman of the Board
and Executive Officer

John D. Opie
Vice Chairman of the Board
and Executive Officer

Senior Corporate Officers



William J. Conaty
Senior Vice President,
Human Resources



Dennis D. Dammerman
Senior Vice President,
Finance, and Chief
Financial Officer



Lewis S. Edelheit
Senior Vice President,
Research and
Development



Benjamin W. Heineman, Jr.
Senior Vice President,
General Counsel and
Secretary



Göran S. Malm
Senior Vice President
and President, GE Asia-
Pacific



Gary M. Reiner
Senior Vice President
and Chief Information
Officer

Corporate Staff Officers

Philip D. Ameen
Vice President and Comptroller

Mark W. Begor
Vice President, Investor Communications

James R. Bunt
Vice President and Treasurer

Alberto F. Cerruti
Vice President, Mergers and Acquisitions
and International Finance

Pamela Daley
Vice President and Senior Counsel,
Transactions

Brackett B. Denniston III
Vice President and Senior Counsel,
Litigation and Legal Policy

Patrick Dupuis
Vice President, Audit Staff

R. Michael Gadbow
Vice President and Senior Counsel,
International Law and Policy

Joyce Hergenhan
Vice President, Public Relations

Steven Kerr
Vice President, Leadership Development

William J. Lansing
Vice President, Business Development

John H. Myers
President, GE Investments

Robert W. Nelson
Vice President, Financial Planning
and Analysis

Charles E. Okosky
Vice President, Executive Development

Stephen D. Ramsey
Vice President, Environmental Programs

John M. Samuels
Vice President and Senior Counsel, Taxes

Ronald A. Stern
Vice President and Senior Counsel,
Antitrust

Susan M. Walter
Vice President, Government Relations

Operating Management

(As of February 13, 1998)

Aircraft Engines

W. James McMerney, Jr.
President and Chief Executive Officer, GE Aircraft Engines

Corbett D. Caudill
Vice President, Engineering

Charles L. Chadwell
Vice President, Commercial Engines

Robert L. Colman
Vice President, Human Resources

Herbert D. Depp
Vice President, Marketing and Sales

John J. Falconi
Vice President, Finance and Information Technology

Dennis R. Little
Vice President, Military Engines

David L. Lloyd, Jr.
Vice President and General Counsel

Robert G. Stiber
Vice President, Production and Procurement

William J. Vareschi
Vice President, Engine Services

Russell F. Sparks
Vice President, Engine Services Product Management

Theodore R. Torbeck
Vice President, Engine Services Operations

Appliances

David M. Cote
President and Chief Executive Officer, GE Appliances

Bruce R. Albertson
Vice President, Marketing

Craig Arnold
President and Regional Executive, Asia

Brian P. Kelley
Vice President, Sales

Happy R. Perkins
General Counsel and Vice President, Public Affairs

Susan P. Peters
Vice President, Human Resources

Paul A. Raymont
Vice President, Technology

Stephen J. Sedita
Vice President, Finance

Richard F. Segalini
Vice President, Purchasing and Manufacturing

Capital Services

Gary C. Wendt
Chairman, President and Chief Executive Officer, General Electric Capital Services, Inc.; and Chairman and Chief Executive Officer, GE Capital Corporation

Denis J. Nayden
President and Chief Operating Officer, GE Capital Corporation

Nigel D.T. Andrews
Executive Vice President, GE Capital Components

Robert W. Speetzen
President and Chief Executive Officer, GE Railcar Services

James A. Colica
Senior Vice President, Global Risk Management

Sandra L. Derickson
President, GE Capital Auto Financial Services

Henry A. Hubschman
President, GE Capital Aviation Services

Robert L. Lewis
President, Structured Finance Group

Michael A. Neal
Executive Vice President, GE Capital Components

Stephen M. Bennett
Vice President, Vendor Financial Services

Christopher H. Richmond
Vice President, Commercial Equipment Financing

Ronald R. Pressman
President, GE Capital Real Estate

Edward D. Stewart
Executive Vice President, GE Capital Corporation; and President, Retailer Financial Services

Kaj Ahlmann
Chairman, President and Chief Executive Officer, Employers Reinsurance Corporation

Robert J. Dellinger
Senior Vice President, Finance

Nancy E. Barton
Senior Vice President, General Counsel and Secretary

Michael D. Fraizer
President and Chief Executive Officer, GE Financial Assurance

Christopher A.A.E. Mackenzie
President, GE Capital Europe

Thomas H. Mann
President and Chief Executive Officer, GE Capital Mortgage Corporation

David R. Nissen
President, Global Consumer Finance

James A. Parke
Senior Vice President, Finance

Richard D'Avino
Vice President and Senior Tax Counsel

Jeffrey S. Werner
Senior Vice President, Corporate Treasury and Global Funding

Daniel W. Porter
President, Consumer Projects

Lawrence J. Toole
Senior Vice President, Human Resources

Lighting

David L. Calhoun
President and Chief Executive Officer, GE Lighting

William F. Banholzer
Vice President, Technology

Paul T. Bossidy
Vice President, North America

Joseph S. Barranco
Vice President, Production

Robert J. Herbolich
Vice President, Sales

John E. Breen
Vice President and Chief Technologist

Kirk S. Hachigian
Vice President, Asia-Pacific

Richard M. Jackson, Jr.
Vice President and General Counsel

James E. Mohn
Vice President, Finance

George E. Murphy
Vice President, Worldwide Product Management

David L. Pawl
President, GE Quartz, Inc.

Mike S. Zafirovski
President and Chief Executive Officer, GE Lighting Europe

Stanley F. Davis
Vice President, Sales

Medical Systems

Jeffrey R. Immelt
President and Chief Executive Officer, GE Medical Systems

Scott C. Donnelly
Vice President, Global Technology

Thomas E. Dunham
Vice President, Americas Service

Yoshiaki Fujimori
President and Chief Executive Officer, GE Medical Systems Asia Ltd.; and Chairman and Chief Executive Officer, Yokogawa Medical Systems

Serge Huot
Vice President, Global Manufacturing

Lawrence R. Johnston
President and Chief Executive Officer, GE Medical Systems Europe

Paul J. Mirabella
Vice President, Americas Sales and Marketing

James G. Del Mauro
Vice President, Corporate Accounts

J. Keith Morgan
Vice President and General Counsel

Keith S. Sherin
Vice President, Finance and Financial Services

NBC

Robert C. Wright
President and Chief Executive Officer, National Broadcasting Company, Inc.

William Bolster
President, NBC

Neil Braun
President, Television Network

Richard Cotton
Executive Vice President and General Counsel

Dick Ebersol
President, Sports

Randel Falco
President, Broadcast and Network Operations

Warren C. Jensen
Senior Vice President, Finance

Andrew R. Lack
President, News

Donald W. Ohlmeyer, Jr.
President, NBC-West Coast

Thomas S. Rogers
President, NBC Cable and Business Development

Scott M. Sassa
President, Television Stations

Edward L. Scanlon
Executive Vice President, Employee Relations

Operating Management (Continued)

Plastics

Gary L. Rogers
President and Chief Executive Officer, GE Plastics

Ferdinando F. Beccalli
Vice President, GE Plastics–Americas

Charles E. Crew, Jr.
Vice President, Sales

Matthew J. Espe
President and Representative Director, GE Plastics–Pacific

Jean M. Heuschen
Vice President, Worldwide Technology

James W. Ireland III
Vice President, Finance

Paul F. McBride
Vice President, GE Silicones

Robert E. Muir, Jr.
Vice President, Human Resources

Uwe S. Wascher
Senior Managing Director, GE Plastics–Europe

Piet C. van Abeelen
Vice President, Europe Manufacturing

William A. Woodburn
Vice President, GE Superabrasives

Power Systems

Robert L. Nardelli
President and Chief Executive Officer, GE Power Systems

Ricardo Artigas
Vice President, Global Parts and Service

Ernest H. Gault
Vice President, Global Services Operations

Francis S. Blake
General Counsel and Vice President, Business Development

Stephen B. Bransfield
Vice President, Power Generation Production

Dennis M. Donovan
Vice President, Human Resources

Jon A. Ebacher
Vice President, Power Generation Technology

Mark M. Little
Vice President, Global Power Plants

Thomas P. Saddle mire
Vice President, Finance

Steven R. Specker
Vice President, Nuclear Energy

Richard R. Stewart
President, S&S Energy Products

Dennis K. Williams
President and Chief Executive Officer, Nuovo Pignone

Pier Luigi Ferrara
Deputy Chief Executive, Nuovo Pignone

Delbert L. Williamson
President, Global Sales

William G. Wert
Vice President, Global Sales

Electrical Distribution and Control

Lloyd G. Trotter
President and Chief Executive Officer, GE Electrical Distribution and Control

Joaquim Agut
President and Chief Executive Officer, GE Power Controls B.V.

Richard L. Pease
Vice President, Power Equipment

J. Jeffrey Schaper
Vice President, Sales

Industrial Control Systems

James W. Rogers
President and Chief Executive Officer, GE Industrial Control Systems

Randy E. Dobbs
Vice President, Engineering Services

Joseph M. Hogan
President and Chief Executive Officer, GE Fanuc Automation North America, Inc.

Robert P. Mozgala
Vice President, Production and Sourcing

Russell L. Shade, Jr.
Vice President, Systems Integration

Information Services

Gary M. Reiner
Chairman, GE Information Services; and Senior Vice President and Chief Information Officer, General Electric

Harvey F. Seegers
President and Chief Executive Officer, GE Information Services

Transportation Systems

John G. Rice
President and Chief Executive Officer, GE Transportation Systems

International

Scott R. Bayman
President and Chief Executive Officer, GE India

Arno Bohn
President and Chief Executive Officer, GE Germany

Kenneth C. Brown
President, GE Southeast Asia

Ugo Draetta
Vice President and Senior Counsel

Jay F. Lapin
President and Chief Executive Officer, GE Japan

John T. McCarter
President and Chief Executive Officer, GE Latin America

Alistair C. Stewart
President, GE Middle East, Africa, Central and Eastern Europe

GE Supply

William L. Meddaugh
President and Chief Executive Officer, GE Supply

Licensing/Trading

Stuart A. Fisher
President and Chief Executive Officer, GE and RCA Licensing Management Operation, Inc. and GE Trading Company

Marketing and Sales

Thomas E. Cooper
Vice President, Washington Operations

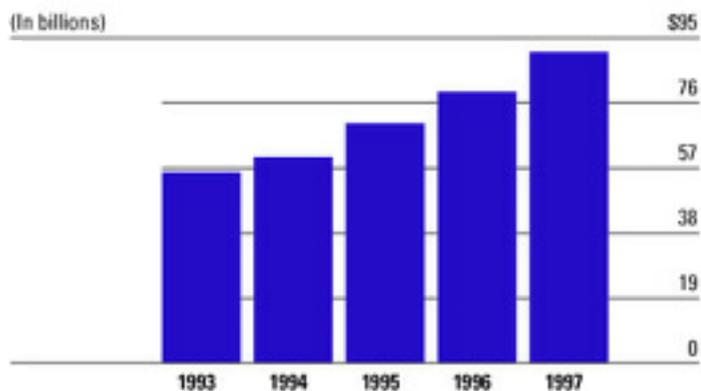
Albert J. Febbo
Vice President, GE Automotive and Corporate Marketing

Financial Section

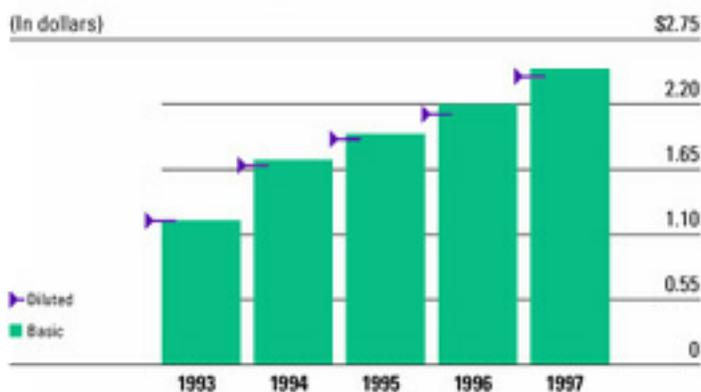
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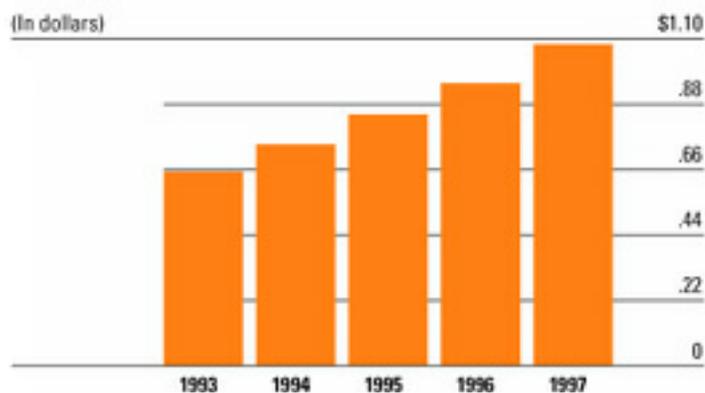
Consolidated revenues



Earnings per share from continuing operations before accounting change



Dividends per share



Statement of Earnings

General Electric Company
and consolidated affiliates

For the years ended December 31 (In millions)

	1997	1996	1995
Revenues			
Sales of goods	\$ 40,675	\$ 36,106	\$ 33,624
Sales of services	12,729	11,791	9,733
Other income (note 2)	2,300	638	752
Earnings of GECS	—	—	—
GECS revenues from services (note 3)	35,136	30,644	25,919
Total revenues	90,840	79,179	70,028
Costs and expenses (note 4)			
Cost of goods sold	30,889	26,298	24,703
Cost of services sold	9,199	8,293	6,682
Interest and other financial charges	8,384	7,904	7,286
Insurance losses and policyholder and annuity benefits	8,278	6,678	5,285
Provision for losses on financing receivables (note 7)	1,421	1,033	1,117
Other costs and expenses	21,250	17,898	15,014
Minority interest in net earnings of consolidated affiliates	240	269	204
Total costs and expenses	79,661	68,373	60,291
Earnings before income taxes	11,179	10,806	9,737
Provision for income taxes (note 8)	(2,976)	(3,526)	(3,164)
Net earnings	\$ 8,203	\$ 7,280	\$ 6,573
Per-share amounts (in dollars)			
Basic earnings per share (note 9)	\$ 2.50	\$ 2.20	\$ 1.95
Diluted earnings per share (note 9)	\$ 2.46	\$ 2.16	\$ 1.93
Dividends declared per share (in dollars)	\$ 1.08	\$ 0.95	\$ 0.845

The notes to consolidated financial statements on pages 47-66 are an integral part of this statement. Per-share amounts have been adjusted for the 2-for-1 stock split effective on April 28, 1997.

GE			GECS		
1997	1996	1995	1997	1996	1995
\$ 36,059	\$ 34,196	\$ 33,177	\$ 4,622	\$ 1,926	\$ 467
12,893	11,923	9,836	—	—	—
2,307	629	753	—	—	—
3,256	2,817	2,415	—	—	—
—	—	—	35,309	30,787	26,025
54,515	49,565	46,181	39,931	32,713	26,492
26,747	24,594	24,308	4,147	1,720	415
9,363	8,425	6,785	—	—	—
797	595	649	7,649	7,326	6,661
—	—	—	8,278	6,678	5,285
—	—	—	1,421	1,033	1,117
7,476	6,274	5,743	13,893	11,741	9,354
119	102	64	121	167	140
44,502	39,990	37,549	35,509	28,665	22,972
10,013	9,575	8,632	4,422	4,048	3,520
(1,810)	(2,295)	(2,059)	(1,166)	(1,231)	(1,105)
\$ 8,203	\$ 7,280	\$ 6,573	\$ 3,256	\$ 2,817	\$ 2,415

In the consolidating data on this page, "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. and all of its affiliates and associated companies. Transactions between GE and GECS have been eliminated from the "General Electric Company and consolidated affiliates" columns on page 26.

1997 restructuring and other special charges are included in the following GE captions: "Cost of goods sold" — \$1,364 million; "Cost of services sold" — \$250 million; and "Other costs and expenses" — \$708 million.

Statement of Financial Position

General Electric Company
and consolidated affiliates

At December 31 (In millions)

	1997	1996
Assets		
Cash and equivalents	\$ 5,861	\$ 4,191
Investment securities (note 10)	70,621	59,889
Current receivables (note 11)	8,924	8,704
Inventories (note 12)	5,895	4,849
Financing receivables (investments in time sales, loans and financing leases) — net (notes 7 and 13)	103,799	99,714
Other GECS receivables (note 14)	17,655	15,418
Property, plant and equipment (including equipment leased to others) — net (note 15)	32,316	28,795
Investment in GECS	—	—
Intangible assets (note 16)	19,121	16,007
All other assets (note 17)	39,820	34,835
Total assets	\$ 304,012	\$ 272,402
Liabilities and equity		
Short-term borrowings (note 19)	\$ 98,075	\$ 80,200
Accounts payable, principally trade accounts	10,407	10,205
Progress collections and price adjustments accrued	2,316	2,161
Dividends payable	979	855
All other GE current costs and expenses accrued (note 18)	8,891	7,086
Long-term borrowings (note 19)	46,603	49,246
Insurance liabilities, reserves and annuity benefits (note 20)	67,270	61,327
All other liabilities (note 21)	22,700	18,917
Deferred income taxes (note 22)	8,651	8,273
Total liabilities	265,892	238,270
Minority interest in equity of consolidated affiliates (note 23)	3,682	3,007
Common stock (3,714,026,000 shares issued)	594	594
Unrealized gains on investment securities — net	2,138	671
Other capital	3,636	2,498
Retained earnings	43,338	38,670
Less common stock held in treasury	(15,268)	(11,308)
Total share owners' equity (notes 25 and 26)	34,438	31,125
Total liabilities and equity	\$ 304,012	\$ 272,402

The notes to consolidated financial statements on pages 47-66 are an integral part of this statement. Share data have been adjusted for the 2-for-1 stock split effective on April 28, 1997.

GE		GECS	
1997	1996	1997	1996
\$ 1,157	\$ 957	\$ 4,904	\$ 3,234
265	17	70,356	59,872
9,054	8,826	—	—
5,109	4,473	786	376
—	—	103,799	99,714
—	—	18,332	15,962
11,118	10,832	21,198	17,963
17,239	14,276	—	—
8,755	7,367	10,366	8,640
14,729	13,177	25,667	21,658
\$ 67,426	\$ 59,925	\$ 255,408	\$ 227,419
\$ 3,629	\$ 2,339	\$ 95,274	\$ 77,945
4,779	4,195	6,490	6,787
2,316	2,161	—	—
979	855	—	—
8,763	6,870	—	—
729	1,710	45,989	47,676
—	—	67,270	61,327
11,539	9,660	11,067	9,138
(315)	533	8,966	7,740
32,419	28,323	235,056	210,613
569	477	3,113	2,530
594	594	1	1
2,138	671	2,135	668
3,636	2,498	2,152	2,253
43,338	38,670	12,951	11,354
(15,268)	(11,308)	—	—
34,438	31,125	17,239	14,276
\$ 67,426	\$ 59,925	\$ 255,408	\$ 227,419

In the consolidating data on this page, "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. and all of its affiliates and associated companies. Transactions between GE and GECS have been eliminated from the "General Electric Company and consolidated affiliates" columns on page 28.

Statement of Cash Flows

General Electric Company
and consolidated affiliates

For the years ended December 31 (In millions)

	1997	1996	1995
Cash flows from operating activities			
Net earnings	\$ 8,203	\$ 7,280	\$ 6,573
Adjustments to reconcile net earnings to cash provided from operating activities			
Depreciation and amortization	4,082	3,785	3,594
Earnings retained by GECS	—	—	—
Deferred income taxes	284	1,145	1,047
Decrease (increase) in GE current receivables	250	118	(632)
Decrease (increase) in inventories	(386)	(134)	40
Increase (decrease) in accounts payable	200	641	244
Increase in insurance liabilities, reserves and annuity benefits	1,669	1,491	2,490
Provision for losses on financing receivables	1,421	1,033	1,117
All other operating activities	(1,483)	2,492	473
Cash from operating activities	14,240	17,851	14,946
Cash flows from investing activities			
Additions to property, plant and equipment	(8,388)	(7,760)	(6,447)
Dispositions of property, plant and equipment	2,251	1,363	1,542
Net increase in GECS financing receivables	(1,898)	(2,278)	(11,309)
Payments for principal businesses purchased	(5,245)	(5,516)	(5,641)
All other investing activities	(4,995)	(6,021)	(3,362)
Cash used for investing activities	(18,275)	(20,212)	(25,217)
Cash flows from financing activities			
Net change in borrowings (maturities of 90 days or less)	13,684	11,827	(3,487)
Newly issued debt (maturities longer than 90 days)	21,249	23,153	37,604
Repayments and other reductions (maturities longer than 90 days)	(23,787)	(25,906)	(18,580)
Net purchase of GE shares for treasury	(2,815)	(2,323)	(2,523)
Dividends paid to share owners	(3,411)	(3,050)	(2,770)
All other financing activities	785	28	259
Cash from (used for) financing activities	5,705	3,729	10,503
Increase (decrease) in cash and equivalents during year	1,670	1,368	232
Cash and equivalents at beginning of year	4,191	2,823	2,591
Cash and equivalents at end of year	\$ 5,861	\$ 4,191	\$ 2,823
Supplemental disclosure of cash flows information			
Cash paid during the year for interest	\$ (8,264)	\$ (7,874)	\$ (6,645)
Cash recovered (paid) during the year for income taxes	(1,937)	(1,392)	(1,483)

The notes to consolidated financial statements on pages 47-66 are an integral part of this statement.

GE			GECS		
1997	1996	1995	1997	1996	1995
\$ 8,203	\$ 7,280	\$ 6,573	\$ 3,256	\$ 2,817	\$ 2,415
1,622	1,635	1,581	2,460	2,150	2,013
(1,597)	(1,836)	(1,324)	—	—	—
(514)	68	369	798	1,077	678
215	152	(739)	—	—	—
(145)	(76)	55	(244)	(58)	(15)
237	197	462	(64)	318	418
—	—	—	1,669	1,491	2,490
—	—	—	1,421	1,033	1,117
1,296	1,647	(912)	(3,071)	939	961
9,317	9,067	6,065	6,225	9,767	10,077
(2,191)	(2,389)	(1,831)	(6,197)	(5,371)	(4,616)
39	30	38	2,212	1,333	1,504
—	—	—	(1,898)	(2,278)	(11,309)
(1,425)	(1,122)	(238)	(3,820)	(4,394)	(5,403)
483	(106)	408	(5,646)	(6,090)	(3,913)
(3,094)	(3,587)	(1,623)	(15,349)	(16,800)	(23,737)
809	974	1,061	13,594	11,026	(4,510)
424	252	826	20,825	22,901	36,778
(1,030)	(1,250)	(1,535)	(22,757)	(24,656)	(17,045)
(2,815)	(2,323)	(2,523)	—	—	—
(3,411)	(3,050)	(2,770)	(1,653)	(981)	(1,091)
—	—	—	785	28	259
(6,023)	(5,397)	(4,941)	10,794	8,318	14,391
200	83	(499)	1,670	1,285	731
957	874	1,373	3,234	1,949	1,218
\$ 1,157	\$ 957	\$ 874	\$ 4,904	\$ 3,234	\$ 1,949
\$ (467)	\$ (411)	\$ (468)	\$ (7,797)	\$ (7,463)	\$ (6,177)
(1,596)	(1,286)	(1,651)	(341)	(106)	168

In the consolidating data on this page, "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. and all of its affiliates and associated companies. Transactions between GE and GECS have been eliminated from the "General Electric Company and consolidated affiliates" columns on page 30.

Management's Discussion of Operations

Overview

General Electric Company's consolidated financial statements represent the combination of the Company's manufacturing and nonfinancial services businesses ("GE") and the accounts of General Electric Capital Services, Inc. ("GECS"). See note 1 to the consolidated financial statements, which explains how the various financial data are presented.

Management's Discussion of Operations is presented in four parts: Consolidated Operations; GE Operations, including Industry Segments; GECS Operations; and International Operations.

Consolidated Operations

GE achieved record revenues, earnings and cash generation in 1997. This year's performance again demonstrated the ability of GE's diverse mix of leading global businesses to deliver top-line growth and increased margins.

Revenues, including acquisitions, rose to a record \$90.8 billion in 1997, up 15% from 1996. This increase was primarily attributable to increased global activities, particularly at GECS, stronger aircraft engine shipments, and higher sales of spare parts and services by GE's equipment businesses. Revenues increased at ten of GE's twelve businesses, led by double-digit growth at GE Capital Services, Aircraft Engines and Transportation Systems. Revenues in 1996 were \$79.2 billion, a 13% increase attributable primarily to increased international activities. In 1996, nine of GE's twelve businesses increased revenues, with GE Capital Services, NBC and Power Systems reporting double-digit increases.

Basic earnings per share increased to \$2.50 during 1997, up 14% from the prior year's \$2.20. On a diluted basis, earnings per share also increased 14%, to \$2.46 from \$2.16. Earnings increased 13% to a record \$8.203 billion. In 1996, basic earnings per share increased 13% from \$1.95 per share in 1995 (12% from \$1.93 on a diluted basis). For 1996, earnings of \$7.280 billion were up 11% from \$6.573 billion in 1995. Growth rates in earnings per share exceeded growth rates in earnings as a result of the ongoing repurchase of shares under the five-year, \$17 billion share repurchase plan initiated in December 1994.

In 1997, GE realized an after-tax gain of \$1,538 million from exchanging preferred stock in Lockheed Martin Corporation (Lockheed Martin) for the stock of a newly formed subsidiary as described in note 2.

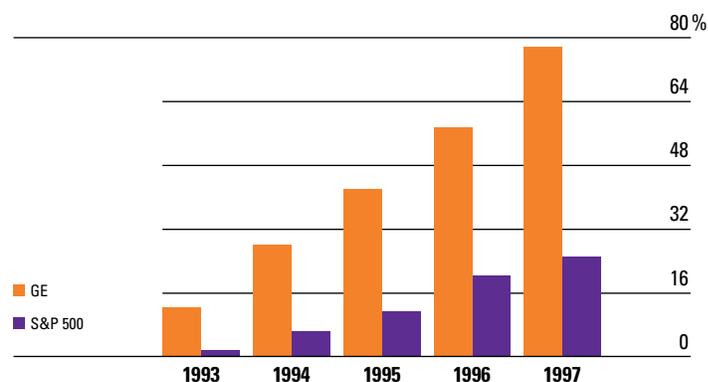
Also in 1997, GE recorded restructuring and other special charges amounting to \$2,322 million, which are included in costs and expenses in the following captions: "Cost of goods sold" — \$1,364 million; "Cost of services sold" — \$250 million; and "Other costs and expenses" — \$708 million. These charges are discussed below and, as relevant, in Industry

Segments beginning on page 34. Aggregate restructuring charges of \$1,243 million cover certain costs of plans that will enhance GE's global competitiveness through rationalization of certain production, service and administration activities of its worldwide industrial businesses; among these charges is \$577 million of special early retirement pension, health and life benefit costs, including a fourth-quarter, one-time voluntary early retirement program that was provided to the U.S. work force in the 1997 labor contracts. Also included in restructuring charges are other severance costs as well as certain costs of exiting affected properties, including site demolitions, asset write-offs and expected losses on subleases. Future cash outlays, including capital expenditures, amounting to approximately \$555 million will be incurred in order to execute these restructuring programs. Other special charges amounting to \$1,079 million were also recorded in 1997, principally associated with strategic decisions to enhance the long-term competitiveness of certain industrial businesses and fourth-quarter developments arising from past activities at several current and former manufacturing sites not associated with any current business segments. The largest such special charge related to contracts on existing orders for an aircraft engine program and is discussed on page 34.

New accounting standards issued in 1997 are described below. Neither of these standards will have any effect on the financial position or results of operations of GE or GECS.

The Financial Accounting Standards Board issued two Statements of Financial Accounting Standards (SFAS) that will affect presentation in GE's 1998 Annual Report to Share Owners. SFAS No. 130, *Reporting Comprehensive Income*, will require display of certain information about adjustments to equity — most notably, adjustments arising from market value changes in marketable securities. SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, will require additional information about industry segments.

GE/S&P cumulative dividend growth since 1992



Dividends declared in 1997 amounted to \$3.535 billion. Per-share dividends of \$1.08 were up 14% from 1996, following a 12% increase from the preceding year. GE has rewarded its share owners with 22 consecutive years of dividend growth. The chart on the previous page illustrates that GE's dividend growth for the past five years has significantly outpaced dividend growth of companies in the Standard & Poor's 500 stock index.

Return on average share owners' equity reached 25.0% in 1997, up from 24.0% and 23.5% in 1996 and 1995, respectively.

GE Operations

GE total revenues were \$54.5 billion in 1997, compared with \$49.6 billion in 1996 and \$46.2 billion in 1995.

- GE sales of goods and services were \$49.0 billion in 1997, an increase of 6% from 1996, which in turn was 7% higher than in 1995. The improvement in 1997 was led by Aircraft Engines, Transportation Systems and Power Systems. Volume was about 9% higher in 1997, reflecting growth in most businesses during the year. While overall selling prices were down slightly in 1997, the effects of selling prices on sales in various businesses differed markedly. Revenues were also negatively affected by exchange rates for sales denominated in other than U.S. dollars. Volume in 1996 was about 9% higher than in 1995, with selling price and currency effects both slightly negative.

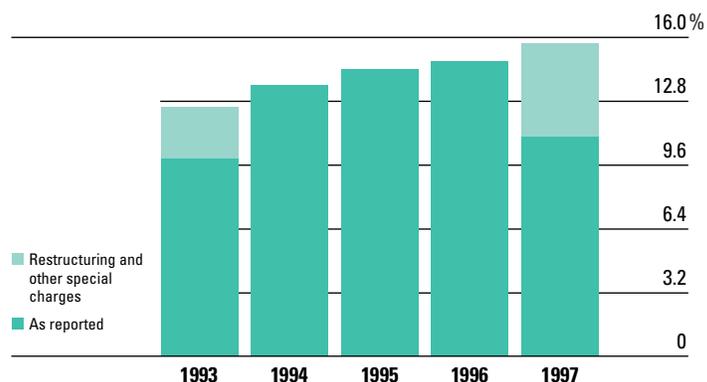
For purposes of the required financial statement display of GE sales and costs of sales on pages 26 and 27, "goods" refers to tangible products, and "services" refers to all other sales, including broadcasting and information services activities. An increasingly important element of GE sales relates to product services, including both spare parts (goods) as well as repair services. Such product services sales amounted to \$9.7 billion in 1997 and were up 16% from 1996, which was 11% higher than 1995.

- GE other income, earned from a wide variety of sources, was \$2.3 billion in 1997, \$0.6 billion in 1996 and \$0.8 billion in 1995. The increase in other income in 1997 was primarily attributable to the Lockheed Martin transaction described in note 2, which provides details of GE other income.
- Earnings of GECS were up 16% in 1997, following a 17% increase the year before. See page 36 for an analysis of these earnings.

Principal costs and expenses for GE are those classified as costs of goods and services sold, and selling, general and administrative expenses.

Operating margin is sales of goods and services less the costs of goods and services sold, and selling, general and adminis-

GE operating margin as a percentage of sales



trative expenses. GE reported operating margin as 11.0% of sales in 1997, after the effects of restructuring and other special charges. GE ongoing operating margin (before such charges) reached a record 15.7% of sales, up from 14.8% in 1996 and 14.4% in 1995. The improvement in operating margin in 1997 — with ten businesses, led by Power Systems, Aircraft Engines, Medical Systems and NBC, reporting higher operating margins — showed the increasing benefits from GE's product services and Six Sigma quality initiatives.

Total cost productivity (sales in relation to costs, both on a constant dollar basis) has paralleled recent significant improvement in GE's ongoing operating margin and accelerated over the period. Productivity in 1997 was 4.2%, reflecting sharp improvements associated with variable costs, largely attributable to the Six Sigma quality program, as well as base costs, associated largely with higher volume. Four businesses — Power Systems, NBC, Plastics and Information Services — achieved productivity in excess of 5%. Total productivity was 2.9% in 1996, principally on the positive effects of higher volume. In 1996, three businesses — Power Systems, NBC and Aircraft Engines — reported productivity in excess of 5%. The total contribution of productivity in the last two years offset not only the negative effects of cost inflation, but also the effects of selling price decreases.

GE interest and other financial charges in 1997 amounted to \$797 million, compared with \$595 million in 1996 and \$649 million in 1995, as interest rates trended lower over the period. Lower rates in 1997 were more than offset by higher levels of average borrowings and other interest-bearing obligations.

Income taxes on a consolidated basis were 26.6% of pretax earnings in 1997, compared with 32.6% in 1996 and 32.5% in 1995. The 1997 decrease in effective tax rate was primarily attributable to the realized gain on the tax-free exchange of

Lockheed Martin preferred stock. That gain accounted for 4.8% of the difference between the expected and actual tax rates shown in note 8. A more detailed analysis of the differences between the U.S. federal statutory rate and the consolidated rate, as well as other information about income tax provisions, is also provided in note 8.

GE industry segment revenues and operating profit for the past five years are shown in the table on page 35. For additional information, including a description of the products and services included in each segment, see note 28.

Aircraft Engines achieved a 24% increase in revenues in 1997, following a 3% increase in 1996, on higher volume in commercial engines and product services. Operating profit decreased 14% in 1997, primarily as a result of \$342 million of charges. The largest charge followed Boeing Co.'s fourth-quarter announcement that development of longer-range derivatives of the 777 jetliner would be slowed. It was concluded at that time that development of a higher-thrust derivative of the GE90 engine was not justified, resulting in charges of \$275 million to reflect higher estimated manufacturing costs to fill firm customer orders. An additional charge of \$67 million was recorded for restructuring, covering costs associated with closing certain redundant manufacturing and warehousing facilities. Excluding these charges, operating profit increased 14%, reflecting the effects of volume increases in commercial engines and product services and improved product services pricing, the combination of which more than offset cost increases. Operating profit increased by 4% in 1996 as a result of improvements in the product services business and productivity, offset somewhat by reduced selling prices and cost inflation.

In 1997, \$1.5 billion of revenues were from sales to the U.S. government, down \$0.3 billion from 1996, which was \$0.1 billion higher than in 1995.

Aircraft Engines received orders of \$8.9 billion in 1997, up \$1.8 billion from 1996. The backlog at year-end 1997 was \$9.8 billion (\$9.0 billion at the end of 1996). Of the total, \$7.5 billion related to products, about 50% of which was scheduled for delivery in 1998, and the remainder related to 1998 product services.

Appliances revenues were 6% higher than a year ago, reflecting primarily acquisition-related volume. Operating profit decreased 39%, primarily as a result of restructuring and other special charges of \$330 million, principally for severance costs related to work force reductions and facility closing costs. Excluding such charges, operating profit increased 5%, reflecting productivity and improved volume, partially offset by lower selling prices. Revenues in 1996 were 7% higher

than in 1995, reflecting industry growth and U.S. market share gains across core product lines. Operating profit increased 8% in 1996, primarily as a result of productivity and higher volume, partially offset by lower selling prices.

Broadcasting revenues decreased 2% in 1997 as a strong advertising marketplace was more than offset by the absence of a current-year counterpart to NBC's broadcast of the 1996 Summer Olympic Games. Operating profit increased 5% in 1997, despite restructuring charges of \$161 million associated with certain broadcast properties, primarily international properties, and including asset write-offs, expected losses on subleases and severance costs. Excluding the effects of such charges, operating profit increased 22%, reflecting improved prime-time pricing, strong growth in both owned-and-operated stations and cable programming services, and increased international distribution of programming, the combination of which more than offset the absence of a current-year counterpart to the Olympics broadcast and higher license fees for certain prime-time programs that were renewed. Revenues increased 34% in 1996, reflecting a strong advertising market, excellent ratings, strong growth in the owned-and-operated stations and the Olympics broadcast. Operating profit increased 29% in 1996 as the combination of excellent ratings, sharply higher results in owned-and-operated stations and profitable Olympics coverage more than offset higher license fees for certain prime-time programs that were renewed.

Industrial Products and Systems revenues rose 5% in 1997, with improved volume more than offsetting weaker pricing across all businesses in the segment. Operating profit declined 8%, reflecting \$352 million of charges, essentially all of which were related to restructuring — mostly for severance costs related to work force reductions and for facility closing costs. Excluding these charges, operating profit increased 14% in 1997, the result of Six Sigma-based productivity and volume improvements across the segment, which more than offset the effects of lower selling prices. Revenues increased 2% in 1996, reflecting volume increases in Lighting, Electrical Distribution and Control, and Industrial Control Systems. Operating profit increased 6% as productivity improvements across the segment more than offset the effects of cost inflation and lower selling prices for certain products.

Transportation Systems received orders of \$2.4 billion in 1997, an increase of 20% from 1996. The backlog at year-end 1997 was \$2.0 billion, an increase of \$0.5 billion from 1996. Of the total, \$1.8 billion related to products, about 82% of which was scheduled for shipment in 1998, and the remainder related to 1998 product services.

Summary of Industry Segments

General Electric Company and consolidated affiliates

For the years ended December 31 (In millions)	1997	1996	1995	1994	1993
Revenues					
GE					
Aircraft Engines	\$ 7,799	\$ 6,302	\$ 6,098	\$ 5,714	\$ 6,580
Appliances	6,745	6,375	5,933	5,965	5,555
Broadcasting	5,153	5,232	3,919	3,361	3,102
Industrial Products and Systems	10,954	10,412	10,194	9,406	8,575
Materials	6,695	6,509	6,647	5,681	5,042
Power Generation	7,495	7,257	6,545	5,933	5,530
Technical Products and Services	4,917	4,692	4,424	4,285	4,174
All Other	3,564	3,108	2,707	2,348	1,803
Corporate items and eliminations	1,193	(322)	(286)	(195)	(242)
Total GE	54,515	49,565	46,181	42,498	40,119
GECS					
Financing	31,165	24,554	19,446	15,064	12,454
Specialty Insurance	8,844	8,155	7,042	4,794	4,807
All Other	(78)	4	4	17	15
Total GECS	39,931	32,713	26,492	19,875	17,276
Eliminations	(3,606)	(3,099)	(2,645)	(2,264)	(1,694)
Consolidated revenues	\$ 90,840	\$ 79,179	\$ 70,028	\$ 60,109	\$ 55,701
Operating profit (a)					
GE					
Aircraft Engines	\$ 1,051	\$ 1,225	\$ 1,176	\$ 935	\$ 798
Appliances	458	750	697	683	372
Broadcasting	1,002	953	738	500	264
Industrial Products and Systems	1,490	1,617	1,519	1,328	901
Materials	1,476	1,466	1,465	967	834
Power Generation	758	1,068	769	1,238	1,024
Technical Products and Services	828	849	801	787	706
All Other	3,558	3,088	2,683	2,309	1,725
Total GE	10,621	11,016	9,848	8,747	6,624
GECS					
Financing	3,736	3,460	3,062	2,671	1,733
Specialty Insurance	1,293	1,238	1,002	580	764
All Other	(607)	(650)	(544)	(302)	(288)
Total GECS	4,422	4,048	3,520	2,949	2,209
Eliminations	(3,209)	(2,795)	(2,396)	(2,072)	(1,554)
Consolidated operating profit	11,834	12,269	10,972	9,624	7,279
GE interest and other financial charges — net of eliminations	(782)	(600)	(644)	(417)	(529)
GE items not traceable to segments	127	(863)	(591)	(546)	(614)
Earnings from continuing operations before income taxes and accounting change	\$ 11,179	\$ 10,806	\$ 9,737	\$ 8,661	\$ 6,136

(a) Operating profit for 1997 and 1993 included significant restructuring and other special charges. The 1997 effects for individual segments are discussed on pages 34 and 36.

The notes to consolidated financial statements on pages 47-66 are an integral part of this statement. "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. and all of its affiliates and associated companies. Operating profit of GE segments excludes "Interest and other financial charges"; operating profit of GECS includes "Interest and other financial charges," which is one of the largest elements of GECS' operating costs. The 1993 accounting change represents adoption of Statement of Financial Accounting Standards (SFAS) No. 112, *Employers' Accounting for Postemployment Benefits*.

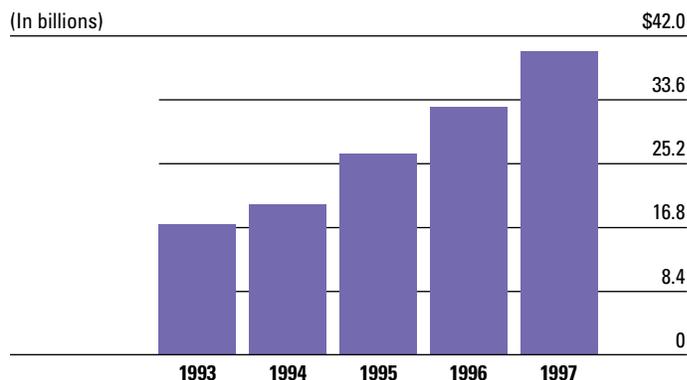
Materials revenues grew 3% in 1997, reflecting an increase in volume that was largely offset by lower selling prices and adverse currency exchange rates. Operating profit increased by 1%, including restructuring charges amounting to \$63 million for severance costs related to work force reductions and outsourcing. Excluding such charges, operating profit increased 5%, as Six Sigma-based productivity and higher volume more than offset lower selling prices. Materials revenues decreased 2% in 1996 and operating profit was about the same as the previous year, primarily as a result of lower selling prices. The adverse effects of lower selling prices on operating profit were offset in part by reductions in material costs, volume improvements and productivity.

Power Generation revenues were 3% higher than in 1996, reflecting higher volume in gas turbines and in product services. Operating profit decreased 29% in 1997, reflecting aggregate charges of \$437 million, including \$261 million that was principally a combination of gas turbine warranty costs and costs arising from renegotiation and resolution of certain disputes. Additionally, \$176 million was recognized for restructuring, covering costs of exiting certain facilities, including severance benefits, site demolitions and associated write-offs. Absent such charges, operating profit increased by 12%, the result of strong Six Sigma-based productivity and higher volume, which more than offset lower selling prices. Revenues increased 11% in 1996, reflecting primarily strong growth at Nuovo Pignone and higher product services volume. Operating profit increased 39% in 1996 as productivity more than offset cost inflation and lower selling prices.

Power Generation orders were \$6.6 billion for 1997, compared with \$8.0 billion in 1996. The backlog of unfilled orders at year-end 1997 was \$9.8 billion (\$10.9 billion at the end of 1996). Of the total, \$8.9 billion related to products, about 41% of which was scheduled for delivery in 1998, and the remainder related to 1998 product services.

Technical Products and Services revenues rose 5% in 1997, following a 6% increase in 1996. Medical Systems reported higher revenues in both years, reflecting higher equipment volume and continued growth in product services, partially offset by lower selling prices. Information Services revenues were up slightly in 1997 and were essentially flat in 1996, as declines in selling prices offset increased volume in electronic commerce. Operating profit for the segment decreased 2% in 1997, reflecting aggregate charges of \$157 million principally for severance costs related to work force reductions and facility closing costs. Excluding such costs, segment operating profit increased 16% as productivity and higher volume more than offset the effects of lower selling prices. Operating profit

GECS revenues



for the segment increased 6% in 1996 as productivity, growth in services at Medical Systems and volume improvements more than offset selling price decreases.

Orders received by Medical Systems in 1997 were \$4.3 billion, up \$0.4 billion from 1996. The backlog of unfilled orders at year-end 1997 was \$2.4 billion, about the same as at the end of 1996. Of the total, \$1.3 billion related to products, about 91% of which was scheduled for delivery in 1998, and the remainder related to 1998 product services.

All Other consists primarily of GECS earnings, which are discussed in the next section. Also included are revenues derived from licensing the use of GE technology to others.

GECS Operations

GECS conducts its operations in two segments — Financing and Specialty Insurance. The Financing segment includes the financing and consumer savings and insurance operations of General Electric Capital Corporation (GE Capital). The consumer savings and insurance operations, conducted primarily by GE Financial Assurance Holdings, Inc., provide consumers financial security solutions through a wide variety of insurance, investment and retirement products, primarily in the United States. The Specialty Insurance segment includes operations of GE Global Insurance Holding Corporation (GE Global Insurance), the principal subsidiary of which is Employers Reinsurance Corporation, and the other insurance businesses described on page 63.

- GECS total revenues from operations were \$39.9 billion in 1997, up 22% from 1996, which was up 23% from 1995. The 1997 increase reflected primarily the contribution of businesses acquired in 1997 and 1996.
- GECS earnings were \$3.3 billion in 1997, up 16% from 1996, which was up 17% from 1995. The improved operating results for 1997 and 1996 were attributable to continued

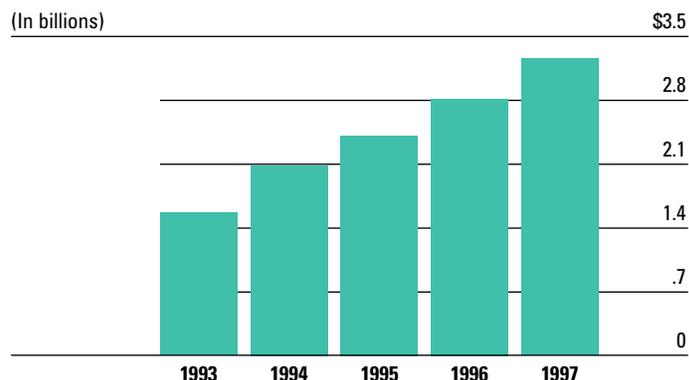
asset growth, with business and portfolio acquisitions throughout the period and higher origination volume in 1997. Earnings in 1997 were affected by higher losses associated with the investment in Montgomery Ward Holding Corp., discussed on page 38, as well as by increased automobile residual losses. These matters were more than offset by asset gains, the largest of which was \$284 million (net of tax) from a transaction that included the reduction of the GECS investment in the common stock of Paine Webber Group Inc. Increased investment income was the result of ongoing growth in the investment portfolios and a higher level of gains on investment securities.

- GECS cost of goods sold was associated with the computer equipment distribution businesses. This cost amounted to \$4.1 billion in 1997, compared with \$1.7 billion in 1996 and \$0.4 billion in 1995, the result of acquisition-related growth in 1997 and 1996.
- GECS interest on borrowings in 1997 was \$7.6 billion, 4% higher than in 1996, which was 10% higher than in 1995. The increases in 1997 and 1996 were caused by higher average borrowings used to finance asset growth, partially offset by the effects of lower average interest rates. The composite interest rate on GECS borrowings was 6.07% in 1997, compared with 6.24% in 1996 and 6.76% in 1995. See page 42 for an analysis of interest rate sensitivities.
- GECS insurance losses and policyholder and annuity benefits increased to \$8.3 billion during 1997, compared with \$6.7 billion in 1996 and \$5.3 billion in 1995, primarily because of business acquisitions and growth in originations throughout the period.
- GECS other costs and expenses increased to \$13.9 billion in 1997 from \$11.7 billion in 1996 and \$9.4 billion in 1995 on increased costs associated with acquired businesses and portfolios as well as higher investment levels.

GECS industry segment revenues and operating profit for the past five years are shown in the table on page 35. Revenues from services are detailed in note 3.

Financing segment revenues from operations increased 27% to \$31.2 billion in 1997, following a 26% increase in 1996. Significant portions of the revenue increase arose from the computer equipment distribution businesses acquired during 1997 and 1996 and from the consumer savings and insurance businesses acquired during 1996 and 1995. Asset growth contributed to increased revenues in both years, but was partially offset by lower yields. Financing segment revenues were negatively affected by higher losses associated with the investment in Montgomery Ward Holding Corp. That effect was more than offset by gains on asset transactions, including securitizations.

GECS earnings from continuing operations



Operating profit was \$3.7 billion in 1997, 8% higher than in 1996. As previously noted, 1997 operating profit included higher losses associated with the investment in Montgomery Ward Holding Corp. as well as increased automobile residual losses. These items were more than offset by acquisition and core growth as well as gains on asset transactions, including securitizations. Operating profit increased 13% in 1996, primarily because of asset growth. Financing spreads (the excess of yields over interest rates on borrowings) were essentially flat in 1997 and 1996 as the reduction in yields was offset by decreases in borrowing rates. Cost of goods sold associated with the computer equipment distribution businesses increased significantly in both years, primarily because of acquisitions. The provision for losses on financing receivables increased in 1997 on higher average receivable balances as well as increased delinquencies, consistent with industry experience, in the consumer portfolio. Higher portfolio growth from originations resulted in higher provisions in 1995 than in 1996. Insurance losses and policyholder and annuity benefits associated with the consumer savings and insurance operations increased during 1997 and 1996 as a result of acquisitions. Other costs and expenses increased in both years, the result of costs associated with acquired businesses and portfolios and higher levels of investment.

Financing receivables are the Financing segment's largest asset and its primary source of revenues. The portfolio of financing receivables, before allowance for losses, increased to \$106.6 billion at the end of 1997 from \$102.4 billion at the end of 1996, principally reflecting acquisition growth and origination volume that were partially offset by securitizations of receivables. The related allowance for losses at the end of 1997 amounted to \$2.8 billion (2.63% of receivables — the same as 1996 and 1995) and, in management's judgment, is appropriate given the risk profile of the portfolio.

A discussion of the quality of certain elements of the Financing segment portfolio follows. “Nonearning” receivables are those that are 90 days or more delinquent (or for which collection has otherwise become doubtful) and “reduced-earning” receivables are commercial receivables whose terms have been restructured to a below-market yield. The following discussion of the nonearning and reduced-earning receivable balances and write-off amounts excludes amounts related to Montgomery Ward Holding Corp. and affiliates, which are separately discussed below.

Consumer financing receivables at year-end 1997 and 1996 are shown in the following table:

(In millions)	1997	1996
Credit card and personal loans	\$ 25,773	\$ 27,127
Auto loans	8,973	5,915
Auto financing leases	13,346	13,113
Total consumer financing receivables	\$ 48,092	\$ 46,155
Nonearning	\$ 1,049	\$ 926
— As percentage of total	2.2%	2.0%
Receivable write-offs for the year	\$ 1,298	\$ 870

The decrease in credit card and personal loan portfolios primarily resulted from securitization of receivables, partially offset by portfolio acquisitions and origination volume. Both the auto loan and financing lease portfolios increased as a result of acquisition growth; however, the increase in auto financing leases was partially offset by a shift in U.S. lease volume from financing leases to operating leases. Nonearning receivables did not change significantly during 1997. A substantial amount of the nonearning consumer receivables were U.S. private-label credit card loans that were subject to various loss-sharing agreements that provide full or partial recourse to the originating retailer. Increased write-offs of consumer receivables were primarily attributable to the impact of higher delinquencies and personal bankruptcies on the credit card loan portfolios in the United States, consistent with overall industry experience, as well as higher average receivable balances worldwide.

Other financing receivables, totaling \$58.5 billion at December 31, 1997, consisted of a diverse commercial, industrial and equipment loan and lease portfolio. This portfolio increased \$2.3 billion during 1997, primarily because of increased origination volume, partially offset by sales of receivables. Related nonearning and reduced-earning receivables were \$353 million at year-end 1997, compared with \$471 million at year-end 1996.

As discussed in note 13, Montgomery Ward Holding Corp. (MWHC) filed a bankruptcy petition for reorganization in 1997. GECS’ share of the losses of MWHC and affiliates in 1997 was \$380 million (after tax). The GECS investment in MWHC and affiliates at December 31, 1997, was \$795 million (\$617 million classified as financing receivables). Income recognition had been suspended on these pre-bankruptcy investments. Subsequent to the petition, GECS committed to provide MWHC up to \$1.0 billion in debtor-in-possession financing, subject to certain conditions, in order to fund working capital requirements and general corporate expenses. A majority of this facility has been syndicated; total borrowings under this facility at December 31, 1997, were insignificant.

GECS loans and leases to commercial airlines amounted to \$9.0 billion at the end of 1997, up from \$8.2 billion at the end of 1996. GECS commercial aircraft positions also included financial guarantees, funding commitments and aircraft orders as discussed in note 17.

Specialty Insurance segment revenues from operations were \$8.8 billion in 1997, an increase of 8% from 1996, which increased 16% over 1995. The increase in 1997 resulted from increased premium and investment income associated with origination volume, acquisitions and continued growth in the investment portfolios, as well as a higher level of gains on investment securities. GE Global Insurance net premiums earned on U.S. business increased in 1997 — the result of strong growth in the life reinsurance business — while net premiums earned on European business declined, reflecting the effects of currency translation and market conditions. The increase in 1996 resulted primarily from inclusion of a full year’s results for the European property and casualty reinsurance businesses acquired in 1995. GE Global Insurance net premiums earned on U.S. business declined in 1996 on lower industry-wide pricing and the exit of certain unprofitable reinsurance contracts. Revenues from the other insurance businesses of GECS increased during 1997 and 1996 as a result of both origination volume and acquisitions.

Specialty Insurance operating profit increased 4% to \$1.3 billion in 1997 from \$1.2 billion in 1996. The increase in 1997 resulted principally from investment income on higher origination volume, acquisitions and continued growth in the investment portfolios, as well as a higher level of gains on investment securities. The segment also benefited from continued improvement in the mortgage insurance business, the result of improved market conditions. Operating profit increased 24% in 1996 as the year included a full year’s results of the European reinsurance acquisitions: higher premium and investment income, partially offset by increases in insurance losses and other costs and expenses.

International Operations

Estimated results of international operations include all exports from the United States, plus the results of GE and GECS operations located outside the United States. Certain GECS operations that cannot meaningfully be associated with specific geographic areas were classified as “other international” for this purpose.

International revenues in 1997 were \$38.5 billion (42% of consolidated revenues), compared with \$33.3 billion in 1996 and \$28.2 billion in 1995. In 1997, about 48% of GE’s revenues were international, which was about 2% higher than in 1996 and 1995. The chart below left depicts the growth in international revenues in relation to total revenues over the past five years.

International operating profit was \$4.8 billion (41% of consolidated operating profit) in 1997, compared with \$4.0 billion in 1996 and \$3.2 billion in 1995.

GE international revenues were \$24.8 billion in 1997, an increase of 14% from 1996, reflecting sales growth in operations based outside the United States and in U.S. exports. European revenues were 10% higher in 1997, reflecting increases in both local operations and in exports to the region, with particularly strong growth at Aircraft Engines. Pacific Basin revenues increased by 2% in 1997, reflecting primarily increased revenues from local operations, led by Plastics and Lighting. Revenues from the Americas increased 37%, primarily as a result of strong growth in local operations, particularly at Appliances and Aircraft Engines, and increased exports.

GECS international revenues were \$13.7 billion in 1997, an increase of 18% from \$11.6 billion in 1996, while international assets grew 21% from \$65.3 billion at December 31, 1996, to \$79.2 billion at the end of 1997. This revenue and asset growth occurred primarily in Europe and, to a lesser extent, in Canada and the Pacific Basin. These increases were attributable to continued expansion of GECS as a global provider of a wide range of services.

Financial results reported in U.S. dollars are affected by currency exchange. A number of techniques are used to manage the effects of currency exchange, including selective borrowings in local currencies and selective hedging of significant cross-currency transactions. International activity is diverse, as shown in the international revenues chart at the bottom right of this page. Principal currencies include major European currencies as well as the Japanese yen and the Canadian dollar.

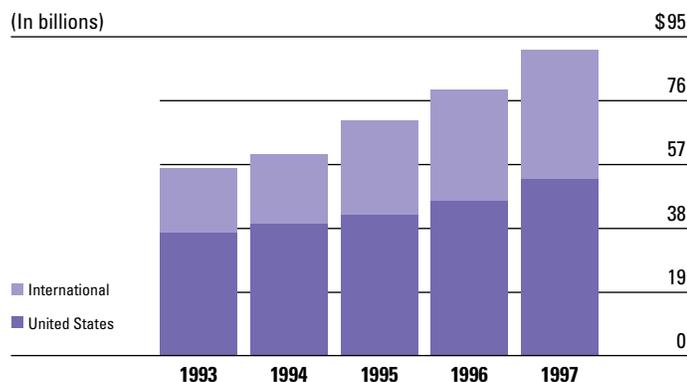
GE’s total exports from the United States follow.

GE’s total exports from the United States

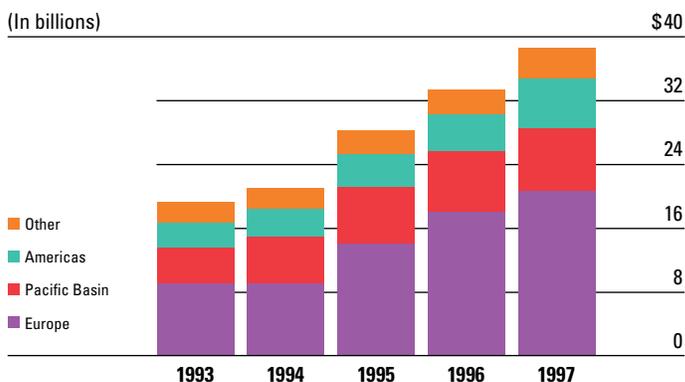
(In millions)	1997	1996	1995
Pacific Basin	\$ 3,176	\$3,180	\$3,397
Europe	2,423	2,060	1,701
Americas	1,553	1,257	1,023
Other	1,641	1,025	964
Exports to external customers	8,793	7,522	7,085
Exports to affiliates	2,471	2,292	2,123
Total exports	\$ 11,264	\$9,814	\$ 9,208

GE made a positive 1997 contribution of approximately \$6.3 billion to the U.S. balance of trade. Total exports in 1997 were \$11.3 billion, direct imports from external suppliers were \$3.0 billion and imports from GE affiliates were \$2.0 billion.

Consolidated revenues



Consolidated international revenues



Management's Discussion of Financial Resources and Liquidity

Overview

This discussion of financial resources and liquidity focuses on the Statement of Financial Position (page 28) and the Statement of Cash Flows (page 30).

Throughout the discussion, it is important to understand the differences between the businesses of GE and GECS. Although manufacturing and services activities involve a variety of GE businesses, their underlying characteristics are development, preparation for market and delivery of tangible goods and services. Risks and rewards are directly related to the ability to manage and finance those activities.

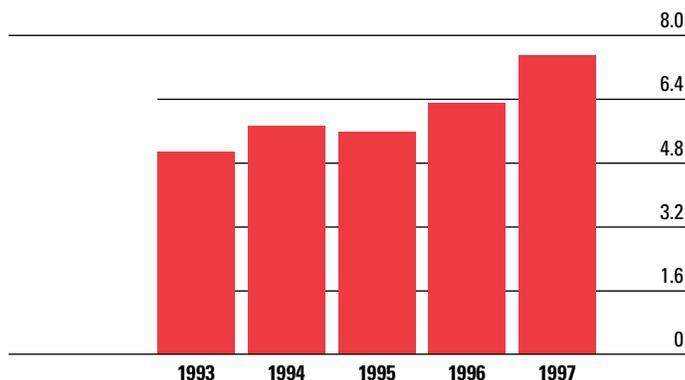
The principal businesses of GECS provide financing, asset management, consumer savings and insurance, and other insurance and services to third parties. The underlying characteristics of most of these businesses involve the management of financial risk. Risks and rewards stem from the abilities of its businesses to continue to design and provide a wide range of services in a competitive marketplace and to receive adequate compensation for such services. GECS is not a "captive finance company" or a vehicle for "off-balance-sheet financing" for GE; a small portion of GECS business is directly related to other GE operations.

Despite the different business profiles of GE and GECS, the global commercial airline industry is one significant example of an important source of business for both. GE assumes financing positions primarily in support of engine sales, whereas GECS is a significant source of lease and loan financing for the industry (see details in note 17). Management believes that these financing positions are reasonably protected by collateral values and by its ability to control assets, either by ownership or security interests.

The fundamental differences between GE and GECS are reflected in the measurements commonly used by investors, rating agencies and financial analysts. These differences will become clearer in the discussion that follows with respect to the more significant items in the financial statements.

Year 2000 compliance programs and information systems modifications have been initiated in an attempt to ensure that these systems and key processes will remain functional. This objective is expected to be achieved either by modifying present systems using existing internal and external programming resources or by installing new systems, including enterprise systems, and by monitoring supplier and other third-party interfaces. While there can be no assurance that all such modifications will be successful, management does not expect that either costs of modifications or consequences of any unsuccessful modifications should have a material adverse effect on the financial position, results of operations or liquidity of GE or GECS.

GE annual internal working capital turnover



Statement of Financial Position

Investment securities for each of the past two years comprised mainly investment-grade debt securities held by the specialty insurance and annuity and investment businesses of GECS in support of obligations to policyholders and annuitants. GE investment securities were \$265 million at year-end 1997, up \$248 million over 1996. The increase in 1997 primarily reflected an equity security acquired as part of the Lockheed Martin transaction discussed previously. The increase of \$10.5 billion at GECS during 1997 was principally related to acquisitions and increases in fair value as well as investment of premiums received. A breakdown of the investment securities portfolio is provided in note 10.

GE current receivables were \$9.1 billion at the end of 1997, an increase of \$0.2 billion from year-end 1996, and included \$6.1 billion due from customers at the end of 1997, which was \$0.5 billion lower than the amount due at the end of 1996. As a measure of asset management, customer receivables turnover was 7.7 in 1997, compared with 6.8 in 1996. Other current receivables are primarily amounts that did not originate from sales of GE goods or services, such as advances to suppliers in connection with large contracts.

GE inventories were \$5.1 billion at December 31, 1997, up \$0.6 billion from the end of 1996. Inventory turnover improved to 7.8 in 1997, compared with 7.6 in 1996, reflecting continuing improvements in inventory management. Last-in, first-out (LIFO) revaluations decreased \$119 million in 1997, compared with decreases of \$128 million in 1996 and \$87 million in 1995. Included in these changes were decreases of \$59 million, \$58 million and \$88 million in 1997, 1996 and 1995, respectively, that resulted from lower LIFO inventory levels. There were net cost decreases in 1997 and 1996, and no cost change in 1995.

Customer receivables and inventories (at FIFO) are two key components of GE's internal working capital measurement. Internal working capital turnover increased as shown in the chart on the facing page: from 5.6 turns in 1995 to 6.3 and 7.4 turns in 1996 and 1997, respectively. Internal working capital also includes trade accounts payable and progress collections.

GECS inventories were \$786 million and \$376 million at December 31, 1997 and 1996, respectively. The increase in 1997 primarily reflected acquisitions in the computer equipment distribution businesses.

GECS financing receivables were \$103.8 billion at year-end 1997, net of allowance for doubtful accounts, up \$4.1 billion over 1996. These receivables are discussed on pages 37 and 38 and in notes 7 and 13.

GECS other receivables were \$18.3 billion and \$16.0 billion at December 31, 1997 and 1996, respectively. Of the 1997 increase, \$1.2 billion was attributable to acquisitions and the remainder resulted from core growth.

Property, plant and equipment (including equipment leased to others) was \$32.3 billion at December 31, 1997, up \$3.5 billion from 1996. GE property, plant and equipment consists of investments for its own productive use, whereas the largest element for GECS is in equipment provided to third parties on operating leases. Details by category of investment can be found in note 15.

GE total expenditures for new plant and equipment during 1997 totaled \$2.2 billion, down \$0.2 billion from 1996. Total expenditures for the past five years were \$9.7 billion, of which 38% was investment for growth through new capacity and product development; 33% was investment in productivity through new equipment and process improvements; and 29% was investment for such other purposes as improvement of research and development facilities and safety and environmental protection.

GECS additions to equipment leased to others, including business acquisitions, were \$6.8 billion during 1997 (\$5.3 billion during 1996), principally reflecting a shift in auto lease volume from financing leases to operating leases and increased acquisitions of new aircraft.

Intangible assets were \$19.1 billion at year-end 1997, up from \$16.0 billion at year-end 1996. GE intangibles increased to \$8.8 billion from \$7.4 billion at the end of 1996, principally as a result of goodwill related to the purchase of Greenwich Air Services/UNC and a number of smaller acquisitions. The \$1.7 billion increase in GECS intangibles also related primarily to goodwill from acquisitions.

All other assets totaled \$39.8 billion at year-end 1997, an increase of \$5.0 billion from the end of 1996. GE other assets increased \$1.6 billion, principally reflecting consideration

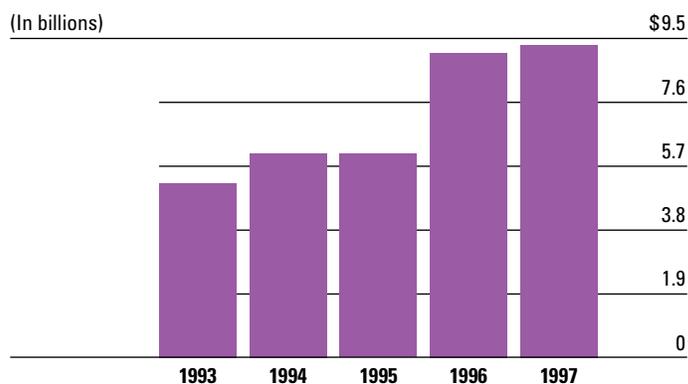
received in exchange for GE's investment in Lockheed Martin preferred stock and an increase in the prepaid pension asset. In connection with the exchange transaction, a portion of such consideration was subsequently loaned to Lockheed Martin. The increase in GECS other assets of \$4.0 billion related principally to increases in assets acquired for resale, primarily residential mortgages, and increased "separate accounts," which are investments controlled by policyholders and are associated with identical amounts reported as insurance liabilities.

Insurance liabilities, reserves and annuity benefits were \$67.3 billion, \$5.9 billion higher than in 1996. The increase was primarily attributable to acquisitions in 1997 and the increase in separate accounts. For additional information on these liabilities, see note 20.

Consolidated borrowings aggregated \$144.7 billion at December 31, 1997, compared with \$129.4 billion at the end of 1996. The major debt-rating agencies evaluate the financial condition of GE and of GE Capital (the major public borrowing entity of GECS) differently because of their distinct business characteristics. Using criteria appropriate to each and considering their combined strength, those major rating agencies continue to give the highest ratings to debt of both GE and GE Capital.

GE has committed to contribute capital to GE Capital in the event of either a decrease below a specified level in the ratio of GE Capital's earnings to fixed charges, or a failure to maintain a specified debt-to-equity ratio in the event certain GE Capital preferred stock is redeemed. GE also has guaranteed subordinated debt of GECS with a face amount of \$1.0 billion at December 31, 1997 and 1996. Management believes the likelihood that GE will be required to contribute capital under either the commitments or the guarantees is remote.

GE cash flows from operating activities



GE total borrowings were \$4.4 billion at year-end 1997 (\$3.6 billion short-term, \$0.8 billion long-term), an increase of about \$0.3 billion from year-end 1996. GE total debt at the end of 1997 equaled 11.1% of total capital, down from 11.4% at the end of 1996.

GECS total borrowings were \$141.3 billion at December 31, 1997, of which \$95.3 billion is due in 1998 and \$46.0 billion is due in subsequent years. Comparable amounts at the end of 1996 were \$125.6 billion total, \$77.9 billion due within one year and \$47.7 billion due thereafter. A large portion of GECS borrowings (\$71.2 billion and \$54.2 billion at the end of 1997 and 1996, respectively) was issued in active commercial paper markets that management believes will continue to be a reliable source of short-term financing. Most of this commercial paper was issued by GE Capital. The average remaining terms and interest rates of GE Capital commercial paper were 44 days and 5.83% at the end of 1997, compared with 42 days and 5.58% at the end of 1996. GE Capital leverage (ratio of debt to equity, excluding from equity net unrealized gains on investment securities) was 7.94 to 1 at the end of 1997 and 7.92 to 1 at the end of 1996. By comparison, including in equity net unrealized gains on investment securities, the GE Capital ratio of debt to equity was 7.45 to 1 at the end of 1997 and 7.84 to 1 at the end of 1996.

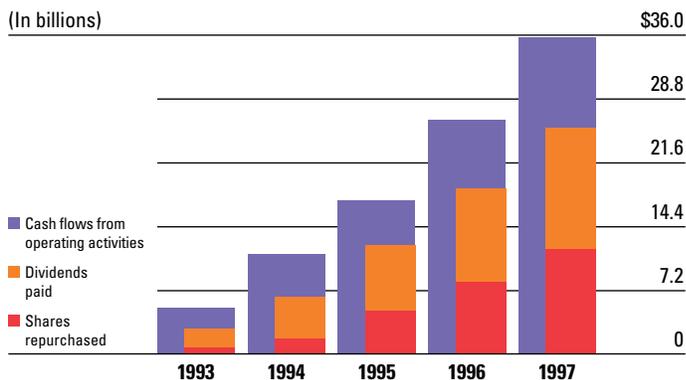
Interest rate and currency risk management

In normal operations, both GE and GECS must deal with effects of changes in interest rates and currency exchange rates. The following discussion presents an overview of how such changes are managed, a view of their potential effects, and, finally, what considerations arise from recent developments in Asia.

GE and GECS use various financial instruments, particularly interest rate and currency swaps, but also futures, options and currency forwards, to manage their respective interest rate and currency risks. GE and GECS are exclusively end users of these instruments, which are commonly referred to as derivatives; neither GE nor GECS engages in trading, market-making or other speculative activities in the derivatives markets. Established practices require that derivative financial instruments relate to specific asset, liability or equity transactions or to currency exposures. More detailed information about these financial instruments, as well as the strategies and policies for their use, is provided in notes 1, 19 and 30.

The Securities and Exchange Commission requires that registrants include information about potential effects of changes in interest rates and currency exchange in their financial statements. Although the rules offer alternatives for presenting this information, none of the alternatives is without limitations. The following discussion is based on

GE cumulative cash flows



so-called “shock tests,” which model effects of interest rate and currency shifts on the reporting company. Shock tests, while probably the most meaningful analysis permitted, are constrained by several factors, including the necessity to conduct the analysis based on a single point in time and by their inability to include the extraordinarily complex market reactions that normally would arise from the market shifts modeled. While the following results of shock tests for interest rates and currencies may have some limited use as benchmarks, they should not be viewed as forecasts.

- One means of assessing exposure to interest rate changes is a duration-based analysis that measures the potential loss in net earnings resulting from a hypothetical increase in interest rates of 100 basis points across all maturities (sometimes referred to as a “parallel shift in the yield curve”). Under this model, it is estimated that, all else constant, such an increase, including repricing effects in the securities portfolio, would reduce the 1998 net earnings of GECS based on year-end 1997 positions by approximately \$112 million; the pro forma effect for GE was insignificant.
- One means of assessing exposure to changes in currency exchange rates is to model effects on reported earnings using a sensitivity analysis. Year-end 1997 consolidated currency exposures, including financial instruments designated and effective as hedges, were analyzed to identify GE and GECS assets and liabilities denominated in other than their relevant functional currency. Net unhedged exposures in each currency were then remeasured assuming a 10% decrease (substantially greater decreases for hyperinflationary currencies) in currency exchange rates compared with the U.S. dollar. Under this model, it is estimated that, all else constant, such a decrease would reduce the 1998 net earnings of GE based on year-end 1997 positions by approximately \$10 million; the pro forma effect for GECS was insignificant.

Recent economic developments in parts of Asia have altered somewhat the risks and opportunities of the GE and GECS activities in affected economies. These activities encompass primarily manufacturing for local and export markets, import and sale of products produced outside the area, leasing of aircraft, sourcing for GE plants domiciled in other global regions and providing certain financial services within those Asian economies. As such, exposure exists to, among other things, increased receivables delinquencies and potential bad debts, delays in sales and orders principally related to power and aircraft-related equipment, and a slowdown in financial services activities. Conversely, costs of sourced goods may decline and new sourcing opportunities may arise, sales of products such as plastics to now more-competitive Asian manufacturers of products destined for export should remain strong and liberalization of financial regulations opens new opportunities to penetrate Asian financial services markets. Taken as a whole, while this situation bears close monitoring and increased management attention, the current situation is not expected to have a material adverse effect on the financial position, results of operations or liquidity of GE or GECS in 1998.

Statement of Cash Flows

Because cash management activities of GE and GECS are separate and distinct, it is more useful to review their cash flows separately.

GE

GE cash and equivalents aggregated \$1.2 billion at the end of 1997, an increase of \$0.2 billion from 1996. During 1997, GE generated a record \$9.3 billion in cash from operating activities, an increase of \$0.2 billion over 1996, principally as a result of improvements in earnings, working capital and higher dividends from GECS. The 1997 cash generation provided most of the resources needed to repurchase \$3.5 billion of GE common stock under the share repurchase program, to pay \$3.4 billion in dividends to share owners, to invest \$2.2 billion in new plant and equipment and to make \$1.4 billion in acquisitions.

Operating activities are the principal source of GE's cash flows. Over the past three years, operating activities have provided more than \$24 billion of cash. The principal application of this cash was distributions of more than \$19 billion to share owners, both through payment of dividends (\$9.2 billion) and through the share repurchase program (\$9.9 billion) described below. Other applications included investment in new plant and equipment (\$6.4 billion) and acquisitions (\$2.8 billion).

In December 1997, the GE Board of Directors increased the authorization to repurchase common stock to \$17 billion and authorized the program to continue through 1999. Funds used for the share repurchase are expected to be generated largely from free cash flow.

Based on past performance and current expectations, in combination with the financial flexibility that comes with a strong balance sheet and the highest credit ratings, management believes that GE is in a sound position to complete the share repurchase program, to grow dividends in line with earnings, and to continue making selective investments for long-term growth. Expenditures for new plant and equipment are expected to be about \$2.0 billion in 1998, principally for productivity and growth. The expected level of expenditures was moderated by the Six Sigma quality program's success in freeing capacity.

GECS

One of the primary sources of cash for GECS is financing activities involving the continued rollover of short-term borrowings and appropriate addition of borrowings with a reasonable balance of maturities. Over the past three years, GECS borrowings with maturities of 90 days or less have increased by \$20.1 billion. New borrowings of \$80.5 billion having maturities longer than 90 days were added during those years, while \$64.5 billion of such longer-term borrowings were retired. GECS also generated \$26.1 billion from continuing operating activities.

The principal use of cash by GECS has been investing in assets to grow its businesses. Of the \$55.9 billion that GECS invested over the past three years, \$15.5 billion was used for additions to financing receivables; \$16.2 billion was used to invest in new equipment, principally for lease to others; and \$13.6 billion was used for acquisitions of new businesses.

With the financial flexibility that comes with excellent credit ratings, management believes that GECS should be well positioned to meet the global needs of its customers for capital and to continue providing GE share owners with good returns.

Management's Discussion of Selected Financial Data

Selected financial data summarizes on the opposite page some data frequently requested about General Electric Company. The data are divided into three sections: upper portion — consolidated data; middle portion — GE data that reflect various conventional measurements for industrial enterprises; and lower portion — GECS data that reflect key information pertinent to financial services businesses.

GE's total research and development expenditures were \$1,891 million in 1997, about the same as in 1996 and 1995. In 1997, expenditures from GE's own funds were \$1,480 million, an increase of 4% over 1996, reflecting continuing research and development work related to new product, service and process technologies. Product technology efforts in 1997 included continuing development work on the next generation of gas turbines, further advances in state-of-the-art diagnostic imaging technologies, and development of more fuel-efficient, cost-effective aircraft engine designs. New services technologies include advances in diagnostic applications, including remote diagnostic capabilities related to repair and maintenance of medical equipment, aircraft engines, power generation equipment and locomotives. New process technologies — vital to Six Sigma quality programs — provided improved product quality and performance and increased capacity for manufacturing engineered materials. Expenditures from funds provided by customers (mainly the U.S. government) were \$411 million in 1997, down \$54 million from 1996, primarily reflecting transition of the F414 program at Aircraft Engines from development to production.

GE's total backlog of firm unfilled orders at the end of 1997 was \$26.4 billion, compared with \$26.2 billion at the end of 1996. Of the total, \$22.0 billion related to products, about 55% of which was scheduled for delivery in 1998. Services orders are included in backlog for only the succeeding 12 months; such backlog at the end of 1997 was \$4.4 billion.

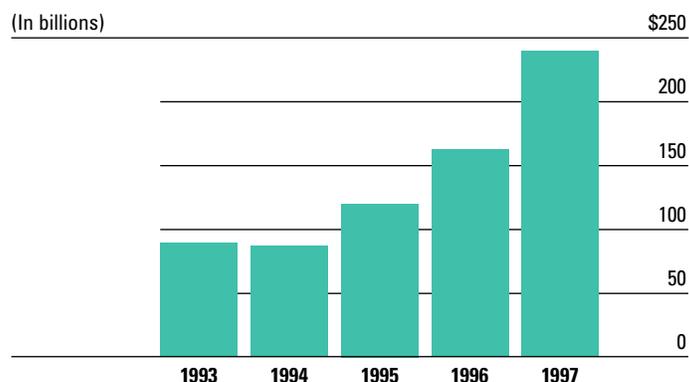
Orders constituting this backlog may be canceled or deferred by customers, subject in certain cases to cancellation penalties. See Industry Segments beginning on page 34 for further discussion on unfilled orders of relatively long-cycle manufacturing businesses.

Regarding environmental matters, GE's operations, like operations of other companies engaged in similar businesses, involve the use, disposal and cleanup of substances regulated under environmental protection laws.

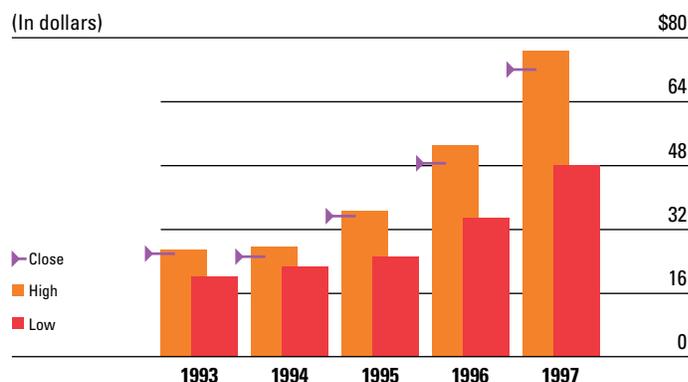
In 1997, GE expended about \$80 million for capital projects related to the environment. The comparable amount in 1996 was \$87 million. These amounts exclude expenditures for remediation actions, which are principally expensed and are discussed below. Capital expenditures for environmental purposes have included pollution control devices — such as wastewater treatment plants, groundwater monitoring devices, air strippers or separators, and incinerators — at new and existing facilities constructed or upgraded in the normal course of business. Consistent with policies stressing environmental responsibility, average annual capital expenditures other than for remediation projects are presently expected to be about \$85 million over the next two years. This level is in line with existing levels for new or expanded programs to build facilities or modify manufacturing processes to minimize waste and reduce emissions.

GE also is involved in a sizable number of remediation actions to clean up hazardous wastes as required by federal and state laws. Such statutes require that responsible parties fund remediation actions regardless of fault, legality of original disposal or ownership of a disposal site. Expenditures for site remediation actions amounted to approximately \$84 million in 1997, compared with \$76 million in 1996. It is presently expected that remediation actions will require average annual expenditures in the range of \$80 million to \$140 million over the next two years.

Year-end market capitalization



GE share price activity



Selected Financial Data

(Dollar amounts in millions; per-share amounts in dollars)

	1997	1996	1995	1994	1993
General Electric Company and consolidated affiliates					
Revenues	\$ 90,840	\$ 79,179	\$ 70,028	\$ 60,109	\$ 55,701
Earnings from continuing operations	8,203	7,280	6,573	5,915	4,184
Earnings (loss) from discontinued operations	—	—	—	(1,189)	993
Effect of accounting change	—	—	—	—	(862)
Net earnings	8,203	7,280	6,573	4,726	4,315
Dividends declared	3,535	3,138	2,838	2,546	2,229
Earned on average share owners' equity	25.0%	24.0%	23.5%	18.1%	17.5%
Per share					
Earnings from continuing operations — basic	\$ 2.50	\$ 2.20	\$ 1.95	\$ 1.73	\$ 1.22
Earnings (loss) from discontinued operations	—	—	—	(0.35)	0.29
Effect of accounting change	—	—	—	—	(0.25)
Net earnings — basic	2.50	2.20	1.95	1.38	1.26
Net earnings — diluted	2.46	2.16	1.93	1.37	1.25
Dividends declared	1.08	0.95	0.845	0.745	0.6525
Stock price range	76 ⁹ / ₁₆ -47 ¹⁵ / ₁₆	53 ¹ / ₁₆ -34 ³ / ₄	36 ⁹ / ₁₆ -24 ¹⁵ / ₁₆	27 ⁷ / ₁₆ -22 ¹ / ₂	26 ³ / ₄ -20 ³ / ₁₆
Total assets of continuing operations	304,012	272,402	228,035	185,871	166,413
Long-term borrowings	46,603	49,246	51,027	36,979	28,194
Shares outstanding — average (in thousands)	3,274,692	3,307,394	3,367,624	3,417,476	3,415,958
Share owner accounts — average	509,000	486,000	460,000	458,000	464,000
Employees at year end					
United States	165,000	155,000	150,000	156,000	157,000
Other countries	111,000	84,000	72,000	60,000	59,000
Discontinued operations (primarily U.S.)	—	—	—	5,000	6,000
Total employees	276,000	239,000	222,000	221,000	222,000
GE data					
Short-term borrowings	\$ 3,629	\$ 2,339	\$ 1,666	\$ 906	\$ 2,391
Long-term borrowings	729	1,710	2,277	2,699	2,413
Minority interest	569	477	434	382	355
Share owners' equity	34,438	31,125	29,609	26,387	25,824
Total capital invested	\$ 39,365	\$ 35,651	\$ 33,986	\$ 30,374	\$ 30,983
Return on average total capital invested	23.6%	22.2%	21.3%	15.9%	15.2%
Borrowings as a percentage of total capital invested	11.1%	11.4%	11.6%	11.9%	15.5%
Working capital	\$ (4,881)	\$ (2,147)	\$ 204	\$ 544	\$ (419)
Additions to property, plant and equipment	2,191	2,389	1,831	1,743	1,588
GECS data					
Revenues	\$ 39,931	\$ 32,713	\$ 26,492	\$ 19,875	\$ 17,276
Earnings from continuing operations	3,256	2,817	2,415	2,085	1,567
Earnings (loss) from discontinued operations	—	—	—	(1,189)	240
Net earnings	3,256	2,817	2,415	896	1,807
Share owner's equity	17,239	14,276	12,774	9,380	10,809
Minority interest	3,113	2,530	2,522	1,465	1,301
Borrowings from others	141,263	125,621	111,598	91,399	81,052
Ratio of debt to equity at GE Capital (a)	7.94:1	7.92:1	7.89:1	7.94:1	7.96:1
Total assets of GE Capital	\$ 228,777	\$ 200,816	\$ 160,825	\$ 130,904	\$ 117,939
Reserve coverage on financing receivables	2.63%	2.63%	2.63%	2.63%	2.63%
Insurance premiums written	\$ 9,396	\$ 8,185	\$ 6,158	\$ 3,962	\$ 3,956

(a) Equity excludes net unrealized gains/losses on investment securities.

Discontinued operations reflect the results of Kidder, Peabody, the discontinued GECS securities broker-dealer, in 1994 and 1993, and the results of discontinued GE Aerospace businesses in 1993. The 1993 accounting change represents the adoption of SFAS No. 112, *Employers' Accounting for Postemployment Benefits*. "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. and all of its affiliates and associated companies. Transactions between GE and GECS have been eliminated from the consolidated information. Share data and per-share amounts have been adjusted to reflect the 2-for-1 stock split effective on April 28, 1997.

Management's Discussion of Financial Responsibility

The financial data in this report, including the audited financial statements, have been prepared by management using the best available information and applying judgment. Accounting principles used in preparing the financial statements are those that are generally accepted in the United States.

Management believes that a sound, dynamic system of internal financial controls that balances benefits and costs provides a vital ingredient for the Company's Six Sigma quality program as well as the best safeguard for Company assets. Professional financial managers are responsible for implementing and overseeing the financial control system, reporting on management's stewardship of the assets entrusted to it by share owners and maintaining accurate records.

GE is dedicated to the highest standards of integrity, ethics and social responsibility. This dedication is reflected in written policy statements covering, among other subjects, environmental protection, potentially conflicting outside interests of employees, compliance with antitrust laws, proper business practices, and adherence to the highest standards of conduct and practices in transactions with the U.S. government. Management continually emphasizes to all employees that even the appearance of impropriety can erode public confidence in the Company. Ongoing education and communication

programs and review activities, such as those conducted by the Company's Policy Compliance Review Board, are designed to create a strong compliance culture — one that encourages employees to raise their policy questions and concerns and that prohibits retribution for doing so.

KPMG Peat Marwick LLP provide an objective, independent review of management's discharge of its obligations relating to the fairness of reporting operating results and financial condition. Their report for 1997 appears below.

The Audit Committee of the Board (consisting solely of Directors from outside GE) maintains an ongoing appraisal — on behalf of share owners — of the activities and independence of the Company's independent auditors, the activities of its internal audit staff, financial reporting process, internal financial controls and compliance with key Company policies.



John F. Welch, Jr.
Chairman of the Board and
Chief Executive Officer



Dennis D. Dammerman
Senior Vice President, Finance, and
Chief Financial Officer

February 13, 1998

Independent Auditors' Report

To Share Owners and Board of Directors of General Electric Company

We have audited the accompanying statement of financial position of General Electric Company and consolidated affiliates as of December 31, 1997 and 1996, and the related statements of earnings and cash flows for each of the years in the three-year period ended December 31, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing

the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements appearing on pages 26-31, 35, and 47-66 present fairly, in all material respects, the financial position of General Electric Company and consolidated affiliates at December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1997, in conformity with generally accepted accounting principles.



KPMG Peat Marwick LLP
Stamford, Connecticut

February 13, 1998

Notes to Consolidated Financial Statements

1

Summary of Significant Accounting Policies

Consolidation. The consolidated financial statements represent the adding together of all affiliates — companies that General Electric directly or indirectly controls. Results of associated companies — generally companies that are 20% to 50% owned and over which GE, directly or indirectly, has significant influence — are included in the financial statements on a “one-line” basis.

Financial statement presentation. Financial data and related measurements are presented in the following categories.

- **GE.** This represents the adding together of all affiliates other than General Electric Capital Services, Inc. (GECS), whose operations are presented on a one-line basis.
- **GECS.** This affiliate owns all of the common stock of General Electric Capital Corporation (GE Capital) and GE Global Insurance Holding Corporation (GE Global Insurance). GE Capital, GE Global Insurance and their respective affiliates are consolidated in the GECS columns and constitute its business.
- **Consolidated.** These data represent the adding together of GE and GECS.

The effects of transactions among related companies within and between each of the above-mentioned groups are eliminated. Transactions between GE and GECS are not material.

Certain prior-year amounts have been reclassified to conform to the 1997 presentation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

Sales of goods and services. A sale is recorded when title passes to the customer or when services are performed in accordance with contracts.

GECS revenues from services (earned income). Income on all loans is recognized on the interest method. Accrual of interest income is suspended at the earlier of the time at which collection of an account becomes doubtful or the account becomes 90 days delinquent. Interest income on impaired loans is recognized either as cash is collected or on a cost-recovery basis as conditions warrant.

Financing lease income is recorded on the interest method so as to produce a level yield on funds not yet recovered. Estimated unguaranteed residual values of leased assets are based primarily on periodic independent appraisals of the values of leased assets remaining at expiration of the lease terms.

Operating lease income is recognized on a straight-line basis over the terms of underlying leases.

Origination, commitment and other nonrefundable fees related to fundings are deferred and recorded in earned income on the interest method. Commitment fees related to loans not expected to be funded and line-of-credit fees are deferred and recorded in earned income on a straight-line basis over the period to which the fees relate. Syndication fees are recorded in earned income at the time related services are performed unless significant contingencies exist.

Premium income from insurance activities is discussed under GECS insurance accounting policies on page 48.

Depreciation and amortization. The cost of most of GE’s manufacturing plant and equipment is depreciated using an accelerated method based primarily on a sum-of-the-years digits formula.

The cost of GECS equipment leased to others on operating leases is amortized, principally on a straight-line basis, to estimated net salvage value over the lease term or over the estimated economic life of the equipment. Depreciation of property and equipment used by GECS is recorded on either a sum-of-the-years digits formula or a straight-line basis over the lives of the assets.

Recognition of losses on financing receivables and investments. GECS maintains an allowance for losses on financing receivables at an amount that it believes is sufficient to provide adequate protection against future losses in the portfolio.

When collateral is repossessed in satisfaction of a loan, the receivable is written down against the allowance for losses to estimated fair value less costs to sell, transferred to other assets and subsequently carried at the lower of cost or estimated fair value less costs to sell. This accounting method has been employed principally for specialized financing transactions.

Cash and equivalents. Marketable securities with original maturities of three months or less are included in cash equivalents unless designated as available for sale and classified as investment securities.

Investment securities. Investments in debt and marketable equity securities are reported at fair value. Substantially all investment securities are designated as available for sale, with unrealized gains and losses included in equity, net of applicable taxes and other adjustments. Unrealized losses that are other than temporary are recognized in earnings. Realized gains and losses are accounted for on the specific identification method.

Inventories. All inventories are stated at the lower of cost or realizable values. Cost for virtually all of GE's U.S. inventories is determined on a last-in, first-out (LIFO) basis. Cost of other GE inventories is primarily determined on a first-in, first-out (FIFO) basis.

GECS inventories consist primarily of finished products held for sale. Cost is primarily determined on a FIFO basis.

Intangible assets. Goodwill is amortized over its estimated period of benefit on a straight-line basis; other intangible assets are amortized on appropriate bases over their estimated lives. No amortization period exceeds 40 years. Goodwill in excess of associated expected operating cash flows is considered to be impaired and is written down to fair value, which is determined based on either discounted future cash flows or appraised values, depending on the nature of the asset.

Interest rate and currency risk management. As a matter of policy, neither GE nor GECS engages in derivatives trading, market-making or other speculative activities.

GE and GECS use swaps primarily to optimize funding costs. To a lesser degree, and in combination with options and limit contracts, GECS uses swaps to stabilize cash flows from mortgage-related assets.

Interest rate and currency swaps that modify borrowings or designated assets, including swaps associated with forecasted commercial paper renewals, are accounted for on an accrual basis. Both GE and GECS require all other swaps, as well as futures, options and currency forwards, to be designated and accounted for as hedges of specific assets, liabilities or committed transactions; resulting payments and receipts are recognized contemporaneously with effects of hedged transactions. A payment or receipt arising from early termination of an effective hedge is accounted for as an adjustment to the basis of the hedged transaction.

Instruments used as hedges must be effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract. Accordingly, changes in market values of hedge instruments must be highly correlated with changes in market values of underlying hedged items both at inception of the hedge and over the life of the hedge contract. Any instrument designated but ineffective as a hedge is marked to market and recognized in operations immediately.

GECS insurance accounting policies. Accounting policies for GECS insurance businesses follow.

Premium income. Insurance premiums are reported as earned income as follows:

- For short-duration insurance contracts (including property and casualty, accident and health, and financial guaranty insurance), premiums are reported as earned income, generally on a pro rata basis, over the terms of the related

agreements. For retrospectively rated reinsurance contracts, premium adjustments are recorded based on estimated losses and loss expenses, taking into consideration both case and incurred-but-not-reported reserves.

- For traditional long-duration insurance contracts (including term and whole life contracts and annuities payable for the life of the annuitant), premiums are reported as earned income when due.
- For investment contracts and universal life contracts, premiums received are reported as liabilities, not as revenues. Universal life contracts are long-duration insurance contracts with terms that are not fixed and guaranteed; for these contracts, revenues are recognized for assessments against the policyholder's account, mostly for mortality, contract initiation, administration and surrender. Investment contracts are contracts that have neither significant mortality nor significant morbidity risk, including annuities payable for a determined period; for these contracts, revenues are recognized on the associated investments and amounts credited to policyholder accounts are charged to expense.

Deferred policy acquisition costs. Costs that vary with and are primarily related to the acquisition of new and renewal insurance and investment contracts are deferred and amortized over the respective policy terms.

- For short-duration insurance contracts, these costs are amortized pro rata over the contract periods in which the related premiums are earned.
- For traditional long-duration insurance contracts, these costs are amortized over the respective contract periods in proportion to either anticipated premium income or, in the case of limited-payment contracts, estimated benefit payments.
- For investment contracts and universal life contracts, these costs are amortized on the basis of anticipated gross profits.

Periodically, deferred policy acquisition costs are reviewed for recoverability; anticipated investment income is considered in making recoverability evaluations.

Present value of future profits. The actuarially determined present value of anticipated net cash flows to be realized from insurance, annuity and investment contracts in force at the date of acquisition of life insurance enterprises is recorded as the present value of future profits (PVFP). PVFP is amortized over the respective policy terms in a manner similar to deferred policy acquisition costs; unamortized balances are adjusted to reflect experience and impairment, if any.

2 GE Other Income

(In millions)	1997	1996	1995
Royalty and technical agreements	\$ 405	\$391	\$453
Associated companies	50	50	111
Marketable securities and bank deposits	78	72	70
Customer financing	26	29	26
Other investments			
Dividends	62	79	62
Interest	1	18	18
Other items	1,685	(10)	13
	\$2,307	\$629	\$753

Included in the "Other items" caption is a gain of \$1,538 million related to a tax-free exchange between GE and Lockheed Martin Corporation (Lockheed Martin) in the fourth quarter of 1997. In exchange for its investment in Lockheed Martin Series A preferred stock, GE acquired a Lockheed Martin subsidiary containing two businesses, an equity interest and cash to the extent necessary to equalize the value of the exchange, a portion of which was subsequently loaned to Lockheed Martin.

3 GECS Revenues from Services

(In millions)	1997	1996	1995
Time sales, loan and other income	\$ 12,211	\$11,310	\$ 9,995
Operating lease rentals	4,819	4,341	4,080
Financing leases	3,499	3,485	3,176
Investment income	5,512	3,506	2,542
Premium and commission income of insurance affiliates	9,268	8,145	6,232
	\$35,309	\$30,787	\$26,025

4 Supplemental Cost Details

Total expenditures for research and development were \$1,891 million, \$1,886 million and \$1,892 million in 1997, 1996 and 1995, respectively. The Company-funded portion aggregated \$1,480 million in 1997, \$1,421 million in 1996 and \$1,299 million in 1995.

Rental expense under operating leases is shown below.

(In millions)	1997	1996	1995
GE	\$ 536	\$512	\$523
GECS	734	547	524

At December 31, 1997, minimum rental commitments under noncancelable operating leases aggregated \$2,368 million and \$5,097 million for GE and GECS, respectively. Amounts payable over the next five years are shown below.

(In millions)	1998	1999	2000	2001	2002
GE	\$433	\$360	\$260	\$213	\$166
GECS	652	574	512	487	452

GE's selling, general and administrative expense totaled \$7,476 million in 1997, \$6,274 million in 1996 and \$5,743 million in 1995. Insignificant amounts of interest were capitalized by GE and GECS in 1997, 1996 and 1995.

5 Pension Benefits

GE and its affiliates sponsor a number of pension plans. Principal pension plans are discussed below; other pension plans are not significant individually or in the aggregate.

Principal pension plans are the GE Pension Plan and the GE Supplementary Pension Plan.

The GE Pension Plan covers substantially all GE employees in the United States as well as approximately two-thirds of such GECS employees. Generally, benefits are based on the greater of a formula recognizing career earnings or a formula recognizing length of service and final average earnings. Benefit provisions are subject to collective bargaining. At the end of 1997, the GE Pension Plan covered approximately 466,000 participants, including 132,000 employees, 148,000 former employees with vested rights to future benefits, and 186,000 retirees and beneficiaries receiving benefits.

The GE Supplementary Pension Plan is an unfunded plan providing supplementary retirement benefits primarily to higher-level, longer-service U.S. employees.

Details of income for principal pension plans follow.

Pension plan income

(In millions)	1997	1996	1995
Actual return on plan assets	\$ 6,587	\$ 4,916	\$ 5,439
Unrecognized portion of return	(3,866)	(2,329)	(3,087)
Service cost for benefits earned (a)	(596)	(550)	(469)
Interest cost on benefit obligation	(1,686)	(1,593)	(1,580)
Amortization	304	265	394
Special early retirement cost	(412)	—	—
Total pension plan income	\$ 331	\$ 709	\$ 697

(a) Net of employee contributions.

Actual return on trust assets in 1997 was 19.8%, compared with the 9.5% assumed return on such assets. The effect of this higher return will be recognized in future years.

Funding policy for the GE Pension Plan is to contribute amounts sufficient to meet minimum funding requirements as set forth in employee benefit and tax laws plus such additional amounts as GE may determine to be appropriate. GE has not made contributions since 1987 because the fully funded status of the GE Pension Plan precludes current tax deduction and because any Company contribution would require payment of annual excise taxes.

Funded status of pension plans

December 31 (In millions)	1997	1996
Market-related value of assets	\$ 32,638	\$ 29,402
Projected benefit obligation	25,874	23,251

The market-related value of pension assets recognizes market appreciation or depreciation in the portfolio over five years, a method that reduces the short-term impact of market fluctuations.

Plan assets are held in trust and consist mainly of common stock and fixed-income investments. GE common stock represented about 6% and 5% of trust assets at year-end 1997 and 1996, respectively.

An analysis of amounts shown in the Statement of Financial Position is presented below.

Prepaid pension asset

December 31 (In millions)	1997	1996
Current value of trust assets	\$ 38,742	\$ 33,686
Add (deduct) unamortized balances		
SFAS No. 87 transition gain	(462)	(615)
Experience gains	(7,538)	(5,357)
Plan amendments	1,003	1,012
Projected benefit obligation	(25,874)	(23,251)
Pension liability	703	637
Prepaid pension asset	\$ 6,574	\$ 6,112

The accumulated benefit obligation was \$24,675 million and \$22,176 million at year-end 1997 and 1996, respectively; the vested benefit obligation was approximately equal to the accumulated benefit obligation at the end of both years.

Actuarial assumptions and techniques used to determine costs and benefit obligations for principal pension plans follow.

Actuarial assumptions

December 31	1997	1996
Discount rate	7.0%	7.5%
Compensation increases	4.5	4.5
Return on assets for the year	9.5	9.5

Experience gains and losses, as well as the effects of changes in actuarial assumptions and plan provisions, are amortized over employees' average future service period.

GE and its affiliates sponsor a number of retiree health and life insurance benefit plans. Principal retiree benefit plans are discussed below; other such plans are not significant individually or in the aggregate.

Principal retiree benefit plans generally provide health and life insurance benefits to employees who retire under the GE Pension Plan with 10 or more years of service. Retirees share in the cost of their health care benefits. Benefit provisions are subject to collective bargaining. At the end of 1997, these plans covered approximately 250,000 retirees and dependents.

Details of cost for principal retiree benefit plans follow.

Cost of retiree benefit plans

(In millions)	1997	1996	1995
Retiree health plans			
Service cost for benefits earned	\$ 90	\$ 77	\$ 73
Interest cost on benefit obligation	183	166	189
Amortization	13	—	(12)
Special early retirement cost	152	—	—
Retiree health plan cost	438	243	250
Retiree life plans			
Service cost for benefits earned	17	16	13
Interest cost on benefit obligation	116	106	108
Actual return on plan assets	(343)	(225)	(329)
Unrecognized portion of return	206	93	206
Amortization	8	12	1
Special early retirement cost	13	—	—
Retiree life plan cost (income)	17	2	(1)
Total cost	\$ 455	\$ 245	\$ 249

Funding policy for retiree health benefits is generally to pay covered expenses as they are incurred. GE funds retiree life insurance benefits at its discretion and within limits imposed by tax laws.

Funded status of retiree benefit plans

December 31 (In millions)	1997	1996
Market-related value of assets	\$ 1,621	\$ 1,487
Accumulated postretirement benefit obligation	4,775	3,954

The market-related value of assets of retiree life plans recognizes market appreciation or depreciation in the portfolio over five years, a method that reduces the short-term impact of market fluctuations.

Plan assets are held in trust and consist mainly of common stock and fixed-income investments. GE common stock represented about 4% and 3% of trust assets at year-end 1997 and 1996, respectively.

An analysis of amounts shown in the Statement of Financial Position is presented below.

December 31 (In millions)	Health plans		Life plans	
	1997	1996	1997	1996
Retiree benefit liability/asset				
Accumulated postretirement benefit obligation				
Retirees and dependents	\$2,445	\$1,889	\$ 1,417	\$ 1,305
Employees eligible to retire	104	86	45	45
Other employees	549	440	215	189
	3,098	2,415	1,677	1,539
Add (deduct) unamortized balances				
Experience (losses) gains	(423)	(195)	127	(41)
Plan amendments	(171)	157	55	109
Current value of trust assets	—	—	(1,917)	(1,682)
Retiree benefit liability (prepaid asset)	\$2,504	\$2,377	\$ (58)	\$ (75)

Actuarial assumptions and techniques used to determine costs and benefit obligations for principal retiree benefit plans are shown below.

Actuarial assumptions

December 31	1997	1996
Discount rate	7.0%	7.5%
Compensation increases	4.5	4.5
Health care cost trend (a)	7.8	8.0
Return on assets for the year	9.5	9.5

(a) Gradually declining to 5.0% after 2002.

Increasing the health care cost trend rates by one percentage point would not have had a material effect on the December 31, 1997, accumulated postretirement benefit obligation or the annual cost of retiree health plans.

Experience gains and losses, as well as the effects of changes in actuarial assumptions and plan provisions, are amortized over employees' average future service period.

7 GECS Allowance for Losses on Financing Receivables

The allowance for losses on small-balance receivables is determined principally on the basis of actual experience during the preceding three years. Further allowances are provided to reflect management's judgment of additional loss potential. For other receivables, principally the larger loans and leases, the allowance for losses is determined primarily on the basis of management's judgment of net loss potential, including specific allowances for known troubled accounts. The table below shows the activity in the allowance for losses on financing receivables during each of the past three years.

(In millions)	1997	1996	1995
Balance at January 1	\$ 2,693	\$2,519	\$2,062
Provisions charged to operations	1,421	1,033	1,117
Net transfers primarily related to companies acquired or sold	127	139	217
Amounts written off — net	(1,439)	(998)	(877)
Balance at December 31	\$ 2,802	\$2,693	\$2,519

All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for losses. Small-balance accounts generally are written off when 6 to 12 months delinquent, although any balance judged to be uncollectible, such as an account in bankruptcy, is written down immediately to estimated realizable value. Large-balance accounts are reviewed at least quarterly, and those accounts with amounts that are judged to be uncollectible are written down to estimated realizable value.

8 Provision for Income Taxes

(In millions)	1997	1996	1995
GE			
Estimated amounts payable	\$ 2,332	\$ 2,235	\$ 1,696
Deferred tax expense (benefit) from temporary differences	(522)	60	363
	1,810	2,295	2,059
GECS			
Estimated amounts payable	368	164	434
Deferred tax expense from temporary differences	798	1,067	671
	1,166	1,231	1,105
Consolidated			
Estimated amounts payable	2,700	2,399	2,130
Deferred tax expense from temporary differences	276	1,127	1,034
	\$ 2,976	\$ 3,526	\$ 3,164

GE includes GECS in filing a consolidated U.S. federal income tax return. The GECS provision for estimated taxes payable includes its effect on the consolidated return.

Estimated consolidated amounts payable includes amounts applicable to non-U.S. jurisdictions of \$1,298 million, \$1,204 million and \$721 million in 1997, 1996 and 1995, respectively.

Deferred income tax balances reflect the impact of temporary differences between the carrying amounts of assets and liabilities and their tax bases and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. See note 22 for details.

Except for certain earnings that GE intends to reinvest indefinitely, provision has been made for the estimated U.S. federal income tax liabilities applicable to undistributed earnings of affiliates and associated companies.

Consolidated U.S. income before taxes was \$8.2 billion in 1997, \$8.0 billion in 1996 and \$7.6 billion in 1995. The corresponding amounts for non-U.S.-based operations were \$3.0 billion in 1997, \$2.8 billion in 1996 and \$2.1 billion in 1995.

Reconciliation of U.S. federal statutory tax rate to actual rate	Consolidated			GE			GECS		
	1997	1996	1995	1997	1996	1995	1997	1996	1995
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Increase (reduction) in rate resulting from:									
Inclusion of after-tax earnings of GECS in before-tax earnings of GE	—	—	—	(11.4)	(10.3)	(9.8)	—	—	—
Lockheed Martin exchange (note 2)	(4.8)	—	—	(5.4)	—	—	—	—	—
Amortization of goodwill	1.1	1.1	1.1	0.8	0.8	0.8	1.1	1.2	1.1
Tax-exempt income	(1.9)	(2.0)	(2.1)	—	—	—	(4.9)	(5.4)	(5.8)
Foreign Sales Corporation tax benefits	(1.0)	(0.7)	(0.9)	(0.9)	(0.6)	(1.1)	(0.5)	(0.3)	—
Dividends received, not fully taxable	(0.5)	(0.6)	(0.5)	(0.2)	(0.2)	(0.2)	(0.9)	(1.1)	(0.8)
All other — net	(1.3)	(0.2)	(0.1)	0.2	(0.7)	(0.8)	(3.4)	1.0	1.9
	(8.4)	(2.4)	(2.5)	(16.9)	(11.0)	(11.1)	(8.6)	(4.6)	(3.6)
Actual income tax rate	26.6%	32.6%	32.5%	18.1%	24.0%	23.9%	26.4%	30.4%	31.4%

9 Earnings Per Share Information

(Dollar amounts and shares in millions; per-share amounts in dollars)

	1997		1996		1995	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Consolidated operations						
Net earnings available to common share owners	\$ 8,203	\$ 8,203	\$ 7,280	\$ 7,280	\$ 6,573	\$ 6,573
Dividend equivalents — net of tax	—	10	—	9	—	9
Net earnings available for per-share calculation	\$ 8,203	\$ 8,213	\$ 7,280	\$ 7,289	\$ 6,573	\$ 6,582
Average equivalent shares						
Shares of GE common stock outstanding	3,275	3,275	3,307	3,307	3,368	3,368
Employee compensation-related shares, including stock options	—	70	—	64	—	46
Total average equivalent shares	3,275	3,345	3,307	3,371	3,368	3,414
Net earnings per share	\$ 2.50	\$ 2.46	\$ 2.20	\$ 2.16	\$ 1.95	\$ 1.93

Share data and per-share amounts have been adjusted for the 2-for-1 stock split effective on April 28, 1997.

10 Investment Securities

GE held equity securities with an estimated fair value of \$265 million (amortized cost of \$257 million) and \$17 million (amortized cost of \$17 million) at December 31, 1997 and 1996, respectively. Gross unrealized gains and losses at

December 31, 1997 were \$13 million and \$5 million, respectively. There were no unrealized gains or losses at December 31, 1996.

An analysis of GECS investment securities follows on the next page.

11 GE Current Receivables

GECS investment securities

(In millions)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
December 31, 1997				
Debt securities				
U.S. corporate	\$ 24,580	\$ 1,028	\$ (53)	\$ 25,555
State and municipal	10,780	636	(2)	11,414
Mortgage-backed	12,074	341	(30)	12,385
Corporate — non-U.S.	7,683	310	(12)	7,981
Government — non-U.S.	3,714	150	(3)	3,861
U.S. government and federal agency	2,413	103	(4)	2,512
Equity securities	5,414	1,336	(102)	6,648
	\$ 66,658	\$ 3,904	\$ (206)	\$ 70,356
December 31, 1996				
Debt securities				
U.S. corporate	\$ 22,080	\$ 308	\$ (641)	\$ 21,747
State and municipal	10,232	399	(34)	10,597
Mortgage-backed	11,072	297	(108)	11,261
Corporate — non-U.S.	5,587	142	(13)	5,716
Government — non-U.S.	3,347	99	(2)	3,444
U.S. government and federal agency	2,340	34	(7)	2,367
Equity securities	4,117	677	(54)	4,740
	\$ 58,775	\$ 1,956	\$ (859)	\$ 59,872

The majority of mortgage-backed securities shown in the table above are collateralized by U.S. residential mortgages.

At December 31, 1997, contractual maturities of debt securities, other than mortgage-backed securities, were as follows:

GECS contractual maturities of debt securities (excluding mortgage-backed securities)

(In millions)	Amortized cost	Estimated fair value
Due in		
1998	\$ 2,570	\$ 2,583
1999-2002	13,329	13,653
2003-2007	12,881	13,406
2008 and later	20,390	21,681

It is expected that actual maturities will differ from contractual maturities because borrowers have the right to call or prepay certain obligations, sometimes without call or prepayment penalties. Proceeds from sales of investment securities in 1997 were \$14,728 million (\$11,868 million in 1996 and \$11,017 million in 1995). Gross realized gains were \$1,018 million in 1997 (\$638 million in 1996 and \$503 million in 1995). Gross realized losses were \$173 million in 1997 (\$190 million in 1996 and \$157 million in 1995).

December 31 (In millions)	1997	1996
Aircraft Engines	\$ 2,118	\$ 1,389
Appliances	479	713
Broadcasting	362	698
Industrial Products and Systems	1,638	1,574
Materials	1,037	1,068
Power Generation	2,206	2,463
Technical Products and Services	787	698
All Other	131	86
Corporate	534	377
	9,292	9,066
Less allowance for losses	(238)	(240)
	\$ 9,054	\$ 8,826

Receivables balances at December 31, 1997 and 1996, before allowance for losses, included \$6,125 million and \$6,629 million, respectively, from sales of goods and services to customers, and \$285 million and \$290 million, respectively, from transactions with associated companies.

Current receivables of \$303 million at year-end 1997 and \$326 million at year-end 1996 arose from sales, principally of aircraft engine goods and services, on open account to various agencies of the U.S. government, which is GE's largest single customer. About 4% of GE's sales of goods and services were to the U.S. government in 1997 (about 5% in 1996 and 1995).

12 Inventories

December 31 (In millions)	1997	1996
GE		
Raw materials and work in process	\$ 3,070	\$ 3,028
Finished goods	2,895	2,404
Unbilled shipments	242	258
	6,207	5,690
Less revaluation to LIFO	(1,098)	(1,217)
	5,109	4,473
GECS		
Finished goods	786	376
	\$ 5,895	\$ 4,849

LIFO revaluations decreased \$119 million in 1997, compared with decreases of \$128 million in 1996 and \$87 million in 1995. Included in these changes were decreases of \$59 million, \$58 million and \$88 million in 1997, 1996 and 1995, respectively, that resulted from lower LIFO inventory levels. There were net cost decreases in 1997 and 1996, and no cost change in 1995. As of December 31, 1997, GE is obligated to acquire certain raw materials at market prices through the year 2003 under various take-or-pay or similar arrangements. Annual minimum commitments under these arrangements are insignificant.

13 GECS Financing Receivables (investments in time sales, loans and financing leases)

December 31 (In millions)	1997	1996
Time sales and loans		
Consumer services	\$ 42,270	\$ 40,479
Specialized financing	13,974	14,832
Mid-market financing	11,401	9,978
Equipment management	469	448
Specialty insurance	202	339
	68,316	66,076
Deferred income	(3,484)	(3,244)
Time sales and loans — net	64,832	62,832
Investment in financing leases		
Direct financing leases	38,616	36,576
Leveraged leases	3,153	2,999
Investment in financing leases	41,769	39,575
	106,601	102,407
Less allowance for losses	(2,802)	(2,693)
	\$ 103,799	\$ 99,714

Time sales and loans represents transactions in a variety of forms, including time sales, revolving charge and credit, mortgages, installment loans, intermediate-term loans and revolving loans secured by business assets. The portfolio includes time sales and loans carried at the principal amount on which finance charges are billed periodically, and time sales and loans carried at gross book value, which includes finance charges. At year-end 1997 and 1996, specialized financing and consumer services loans included \$10,503 million and \$12,075 million, respectively, for commercial real estate loans. Note 17 contains information on airline loans and leases.

At December 31, 1997, contractual maturities for time sales and loans were \$28,983 million in 1998; \$12,792 million in 1999; \$7,967 million in 2000; \$5,156 million in 2001; \$3,985 million in 2002; and \$9,433 million thereafter — aggregating \$68,316 million. Experience has shown that a substantial portion of receivables will be paid prior to con-

tractual maturity. Accordingly, the maturities of time sales and loans are not to be regarded as forecasts of future cash collections.

Investment in financing leases consists of direct financing and leveraged leases of aircraft, railroad rolling stock, autos, other transportation equipment, data processing equipment and medical equipment, as well as other manufacturing, power generation, mining and commercial equipment and facilities.

As the sole owner of assets under direct financing leases and as the equity participant in leveraged leases, GECS is taxed on total lease payments received and is entitled to tax deductions based on the cost of leased assets and tax deductions for interest paid to third-party participants. GECS generally is entitled to any residual value of leased assets.

Investment in direct financing and leveraged leases represents unpaid rentals and estimated unguaranteed residual values of leased equipment, less related deferred income. GECS has no general obligation for principal and interest on notes and other instruments representing third-party participation related to leveraged leases; such notes and other instruments have not been included in liabilities but have been offset against the related rentals receivable. GECS' share of rentals receivable on leveraged leases is subordinate to the share of other participants who also have security interests in the leased equipment.

At December 31, 1997, contractual maturities for net rentals receivable under financing leases were \$12,820 million in 1998; \$10,616 million in 1999; \$8,395 million in 2000; \$3,871 million in 2001; \$2,371 million in 2002; and \$8,373 million thereafter — aggregating \$46,446 million. As with time sales and loans, experience has shown that a portion of these receivables will be paid prior to contractual maturity, and these amounts should not be regarded as forecasts of future cash flows.

Net investment in financing leases

December 31 (In millions)	Total financing leases		Direct financing leases		Leveraged leases	
	1997	1996	1997	1996	1997	1996
Total minimum lease payments receivable	\$ 58,543	\$ 54,009	\$ 42,901	\$ 40,555	\$ 15,642	\$ 13,454
Less principal and interest on third-party nonrecourse debt	(12,097)	(10,213)	—	—	(12,097)	(10,213)
Net rentals receivable	46,446	43,796	42,901	40,555	3,545	3,241
Estimated unguaranteed residual value of leased assets	5,591	6,248	4,244	4,906	1,347	1,342
Less deferred income	(10,268)	(10,469)	(8,529)	(8,885)	(1,739)	(1,584)
Investment in financing leases (as shown above)	41,769	39,575	38,616	36,576	3,153	2,999
Less amounts to arrive at net investment						
Allowance for losses	(656)	(720)	(575)	(641)	(81)	(79)
Deferred taxes arising from financing leases	(7,909)	(7,488)	(4,671)	(4,077)	(3,238)	(3,411)
Net investment in financing leases	\$ 33,204	\$ 31,367	\$ 33,370	\$ 31,858	\$ (166)	\$ (491)

GECS has a noncontrolling investment in the common stock of Montgomery Ward Holding Corp. (MWHC), which together with its wholly owned subsidiary, Montgomery Ward & Co., Incorporated (MWC), is engaged in retail merchandising and direct response marketing, the latter conducted primarily through Signature Financial/Marketing Inc. (Signature), which markets consumer club and insurance products. On July 7, 1997, MWHC, MWC and certain of their affiliates (excluding Signature) filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. As a result, inventory financing loans to MWHC and affiliates became "impaired" loans (as defined below) because, due to the automatic stay in bankruptcy, GECS is not receiving current interest payment on its loans and, in management's judgment, it is therefore probable that GECS will be unable to collect all amounts due according to original contractual terms of the loan agreements. The total amount of such loans was \$617 million at December 31, 1997. The nonearning and reduced-earning receivable balances and the impaired loan balances discussed below exclude amounts related to MWHC and affiliates.

Nonearning consumer receivables were \$1,049 million and \$926 million at December 31, 1997 and 1996, respectively, a substantial amount of which were U.S. private-label credit card loans subject to various loss-sharing agreements that provide full or partial recourse to the originating retailer. Nonearning and reduced-earning receivables other than consumer receivables were \$353 million and \$471 million at year-end 1997 and 1996, respectively.

"Impaired" loans are defined by generally accepted accounting principles as loans for which it is probable that the lender will be unable to collect all amounts due according to original contractual terms of the loan agreement. That definition excludes, among other things, leases or large groups of smaller-balance homogenous loans and therefore applies principally to GECS commercial loans.

Under these principles, GECS has two types of "impaired" loans as of December 31, 1997 and 1996: loans requiring allowances for losses (\$339 million and \$583 million, respectively); and loans expected to be fully recoverable because the carrying amount has been reduced previously through charge-offs or deferral of income recognition (\$167 million and \$187 million, respectively) — allowances for losses on these loans were \$170 million and \$222 million, respectively. Average investment in these loans during 1997 and 1996 was \$647 million and \$842 million, respectively, before allowance for losses; interest income earned, principally on the cash basis, while they were considered impaired was \$32 million and \$30 million in 1997 and 1996, respectively.

14 Other GECS Receivables

This account includes reinsurance recoverables of \$5,027 million and \$4,403 million and insurance-related receivables of \$4,932 million and \$4,833 million at year-end 1997 and 1996, respectively. Premium receivables, funds on deposit with reinsurers and policy loans are included in insurance-related receivables. Also in "Other GECS receivables" are trade receivables, accrued investment income, operating lease receivables and a variety of sundry items.

15 Property, Plant and Equipment (including equipment leased to others)

December 31 (In millions)	1997	1996
Original cost		
GE		
Land and improvements	\$ 459	\$ 476
Buildings, structures and related equipment	6,375	6,315
Machinery and equipment	18,376	17,824
Leasehold costs and manufacturing plant under construction	1,621	1,308
Other	24	27
	26,855	25,950
GECS		
Buildings and equipment	3,987	3,075
Equipment leased to others		
Vehicles	9,144	6,789
Aircraft	7,686	6,647
Marine shipping containers	2,774	3,053
Railroad rolling stock	2,367	2,093
Other	2,844	3,177
	28,802	24,834
	\$ 55,657	\$ 50,784
Accumulated depreciation and amortization		
GE	\$ 15,737	\$ 15,118
GECS		
Buildings and equipment	1,478	1,246
Equipment leased to others	6,126	5,625
	\$ 23,341	\$ 21,989

Amortization of GECS equipment leased to others was \$2,102 million, \$1,848 million and \$1,702 million in 1997, 1996 and 1995, respectively. Noncancelable future rentals due from customers for equipment on operating leases at year-end 1997 totaled \$10,438 million and are due as follows: \$3,247 million in 1998; \$2,243 million in 1999; \$1,473 million in 2000; \$935 million in 2001; \$628 million in 2002; and \$1,912 million thereafter.

16 Intangible Assets

December 31 (In millions)	1997	1996
GE		
Goodwill	\$ 8,046	\$ 6,676
Other intangibles	709	691
	8,755	7,367
GECS		
Goodwill	8,090	5,847
Present value of future profits (PVFP)	1,824	2,438
Other intangibles	452	355
	10,366	8,640
	\$ 19,121	\$ 16,007

GE intangible assets are shown net of accumulated amortization of \$2,976 million in 1997 and \$2,637 million in 1996. GECS intangible assets are net of accumulated amortization of \$2,615 million in 1997 and \$1,988 million in 1996.

PVFP amortization, which is on an accelerated basis and net of interest, is projected to range from 13% to 8% of the year-end 1997 unamortized balance for each of the next five years.

17 All Other Assets

December 31 (In millions)	1997	1996
GE		
Investments		
Associated companies (a)	\$ 1,288	\$ 1,526
Other	1,139	1,591
	2,427	3,117
Prepaid pension asset	6,574	6,112
Notes receivable	1,412	26
Other	4,316	3,922
	14,729	13,177
GECS		
Investments		
Assets acquired for resale	4,403	2,993
Associated companies (a)	4,695	4,916
Real estate ventures	2,326	2,469
Other	2,452	2,095
	13,876	12,473
Separate accounts	4,926	3,516
Servicing assets	1,713	1,663
Deferred insurance acquisition costs	2,521	1,720
Other	2,631	2,286
	25,667	21,658
Eliminations	(576)	—
	\$ 39,820	\$ 34,835

(a) Includes advances.

In line with industry practice, sales of commercial jet aircraft engines often involve long-term customer financing commitments. In making such commitments, it is GE's general practice to require that it have or be able to establish a secured position in the aircraft being financed. Under such

airline financing programs, GE had issued loans and guarantees (principally guarantees) amounting to \$1,590 million at year-end 1997 and \$1,514 million at year-end 1996; and it had entered into commitments totaling \$1,794 million and \$1,554 million at year-end 1997 and 1996, respectively, to provide financial assistance on future aircraft engine sales. Estimated fair values of the aircraft securing these receivables and associated guarantees exceeded the related account balances and guaranteed amounts at December 31, 1997. GECS acts as a lender and lessor to the commercial airline industry. At December 31, 1997 and 1996, the balance of such GECS loans, leases and equipment leased to others was \$8,980 million and \$8,240 million, respectively. In addition, at December 31, 1997, GECS had issued financial guarantees and funding commitments of \$123 million (\$221 million at year-end 1996) and had placed multiyear orders for various Boeing and Airbus aircraft with list prices of approximately \$6.2 billion (\$6.5 billion at year-end 1996).

At year-end 1997, the National Broadcasting Company had \$9,388 million of commitments to acquire broadcast material and the rights to broadcast television programs, including U.S. television rights to future Olympic games, and commitments under long-term television station affiliation agreements that require payments through the year 2008.

In connection with numerous projects, primarily power generation bids and contracts, GE had issued various bid and performance bonds and guarantees totaling \$2,895 million at year-end 1997 and \$3,250 million at year-end 1996.

Separate accounts represent investments controlled by policyholders and are associated with identical amounts reported as insurance liabilities in note 20.

18 GE All Other Current Costs and Expenses Accrued

At year-end 1997 and 1996, this account included taxes accrued of \$2,866 million and \$2,487 million, respectively, and compensation and benefit accruals of \$1,321 million and \$1,315 million, respectively. Also included are amounts for product warranties, estimated costs on shipments billed to customers and a variety of sundry items.

Short-term borrowings

December 31 (In millions)	1997		1996	
	Amount	Average rate	Amount	Average rate
GE				
Commercial paper (U.S.)	\$ 1,835	5.88%	\$ 914	5.41%
Payable to banks	348	8.38	204	8.58
Current portion of long-term debt	1,099	5.85(a)	551	6.39(a)
Other	347		670	
	3,629		2,339	
GECS				
Commercial paper U.S.	67,355	5.93	50,435	5.68
Non-U.S.	3,879	4.18	3,737	4.30
Current portion of long-term debt	15,101	6.30(a)	16,471	6.17(a)
Other	8,939		7,302	
	95,274		77,945	
Eliminations	(828)		(84)	
	\$ 98,075		\$ 80,200	

Long-term borrowings

December 31 (In millions)	1997		1997	1996
	Average rate (a)	Maturities		
GE				
Industrial development/pollution control bonds	3.82%	1999-2021	\$ 270	\$ 244
Payable to banks	7.60	1999-2005	195	312
Senior notes			—	500
Other (b)			264	654
			729	1,710
GECS				
Senior notes	6.59	1999-2055	44,993	46,680
Subordinated notes (c)	7.88	2006-2035	996	996
			45,989	47,676
Eliminations			(115)	(140)
			\$ 46,603	\$ 49,246

(a) Includes the effects of associated interest rate and currency swaps.

(b) Includes a variety of obligations having various interest rates and maturities, including certain borrowings by parent operating components and affiliates.

(c) Guaranteed by GE.

Borrowings of GE and GECS are addressed below from two perspectives — liquidity and interest rate management. Additional information about borrowings and associated swaps can be found in note 30.

Liquidity requirements of GE and GECS are principally met through the credit markets. Maturities of long-term borrowings during the next five years follow.

(In millions)	1998	1999	2000	2001	2002
GE	\$ 1,099	\$ 97	\$ 69	\$ 57	\$ 38
GECS	15,101	9,801	6,927	5,763	4,816

Confirmed credit lines of \$3.9 billion had been extended to GE by 22 banks at year-end 1997. Substantially all of GE's credit lines are available to GECS and its affiliates in addition to their own credit lines.

At year-end 1997, GECS and its affiliates held committed lines of credit aggregating \$20.9 billion, including \$11.8 billion of revolving credit agreements pursuant to which it has the right to borrow funds for periods exceeding one year. A total of \$1.4 billion of GE Capital credit lines is available for use by GE.

During 1997, neither GE nor GECS borrowed under any of these credit lines. Both GE and GECS compensate certain banks for credit facilities in the form of fees, which were insignificant in each of the past three years.

Interest rates are managed by GECS in light of the anticipated behavior, including prepayment behavior, of assets in which debt proceeds are invested. A variety of instruments, including interest rate and currency swaps and currency forwards, are employed to achieve management's interest rate objectives. Effective interest rates are lower under these "synthetic" positions than could have been achieved by issuing debt directly.

The following table shows GECS borrowing positions considering the effects of swaps.

Effective borrowings (including swaps)

December 31 (In millions)	1997	1996
Short-term	\$ 56,961	\$ 46,450
Long-term (including current portion)		
Fixed rate (a)	\$ 59,329	\$ 56,190
Floating rate	24,973	22,981
Total long-term	\$ 84,302	\$ 79,171

(a) Includes the notional amount of long-term interest rate swaps that effectively convert the floating-rate nature of short-term borrowings to fixed rates of interest.

At December 31, 1997, interest rate swap maturities ranged from 1998 to 2029, and average interest rates for "synthetic" fixed-rate borrowings were 6.32% (6.45% at year-end 1996).

December 31 (In millions)	1997	1996
Investment contracts and universal life benefits	\$ 28,266	\$ 26,140
Life insurance benefits and other (a)	14,356	13,854
Unpaid claims and claims adjustment expenses	14,654	13,184
Unearned premiums	5,068	4,633
Separate accounts (see note 17)	4,926	3,516
	\$ 67,270	\$ 61,327

(a) Life insurance benefits are accounted for mainly by a net-level-premium method using estimated yields generally ranging from 5% to 9% in both 1997 and 1996.

The liability for unpaid claims and claims adjustment expenses, principally property and casualty reserves, consists of both case and incurred-but-not-reported reserves. Where experience is not sufficient to determine reserves, industry averages are used. Estimated amounts of salvage and subrogation recoverable on paid and unpaid losses are deducted from outstanding losses. A summary of activity for this liability follows.

(In millions)	1997	1996	1995
Balance at January 1 — gross	\$ 13,184	\$ 12,662	\$ 7,032
Less reinsurance recoverables	(1,822)	(1,853)	(1,084)
Balance at January 1 — net	11,362	10,809	5,948
Claims and expenses incurred			
Current year	4,494	4,087	3,268
Prior years	146	104	492
Claims and expenses paid			
Current year	(1,780)	(1,357)	(706)
Prior years	(2,816)	(2,373)	(1,908)
Claim reserves related to acquired companies	1,360	309	3,696
Other	(358)	(217)	19
Balance at December 31 — net	12,408	11,362	10,809
Add reinsurance recoverables	2,246	1,822	1,853
Balance at December 31 — gross	\$ 14,654	\$ 13,184	\$ 12,662

Prior-year claims and expenses incurred in the above table resulted principally from settling claims established in earlier accident years for amounts that differed from expectations.

Financial guarantees and credit life risk of insurance affiliates are summarized below.

December 31 (In millions)	1997	1996
Guarantees, principally on municipal bonds and structured finance issues	\$ 144,647	\$ 140,575
Mortgage insurance risk in force	46,245	36,279
Credit life insurance risk in force	26,593	25,961
Less reinsurance	(33,528)	(32,413)
	\$ 183,957	\$ 170,402

Insurance risk is ceded on both a pro rata and an excess basis. When GECS cedes insurance to third parties, it is not relieved of its primary obligation to policyholders. Losses on ceded risks give rise to claims for recovery; allowances are established for such receivables from reinsurers.

The effects of reinsurance on premiums written and premiums and commissions earned were as follows:

(In millions)	1997	1996	1995
Premiums written			
Direct	\$ 5,206	\$ 3,926	\$ 2,984
Assumed	5,501	5,455	3,978
Ceded	(1,311)	(1,196)	(804)
	\$ 9,396	\$ 8,185	\$ 6,158
Premiums and commissions earned			
Direct	\$ 5,138	\$ 3,850	\$ 2,604
Assumed	5,386	5,353	4,414
Ceded	(1,256)	(1,058)	(786)
	\$ 9,268	\$ 8,145	\$ 6,232

Reinsurance recoveries recognized as a reduction of insurance losses and policyholder and annuity benefits amounted to \$903 million, \$937 million and \$459 million for the years ended December 31, 1997, 1996 and 1995, respectively.

21 GE All Other Liabilities

This account includes noncurrent compensation and benefit accruals at year-end 1997 and 1996 of \$5,484 million and \$5,177 million, respectively. Also included are amounts for deferred incentive compensation, deferred income, product warranties and a variety of sundry items.

GE is involved in numerous remediation actions to clean up hazardous wastes as required by federal and state laws. Liabilities for remediation costs at each site are based on management's best estimate of undiscounted future costs, excluding possible insurance recoveries. When there appears to be a range of possible costs with equal likelihood, liabilities are based on the lower end of such range. Uncertainties about the status of laws, regulations, technology and information related to individual sites make it difficult to develop a meaningful estimate of the reasonably possible aggregate environmental remediation exposure. However, even in the unlikely event that remediation costs amounted to the high end of the range of costs for each site, the resulting additional liability would not be material to GE's financial position, results of operations or liquidity.

22 Deferred Income Taxes

Aggregate deferred tax amounts are summarized below.

December 31 (In millions)	1997	1996
Assets		
GE	\$ 4,891	\$ 4,097
GECS	4,320	3,310
	9,211	7,407
Liabilities		
GE	4,576	4,630
GECS	13,286	11,050
	17,862	15,680
Net deferred tax liability	\$ 8,651	\$ 8,273

Principal components of the net deferred tax balances for GE and GECS are as follows:

December 31 (In millions)	1997	1996
GE		
Provisions for expenses	\$ (3,367)	\$ (2,740)
Retiree insurance plans	(856)	(806)
Prepaid pension asset	2,301	2,139
Depreciation	955	836
Other — net	652	1,104
	(315)	533
GECS		
Financing leases	7,909	7,488
Operating leases	2,156	1,833
Net unrealized gains on securities	1,264	404
Allowance for losses	(1,372)	(1,184)
Insurance reserves	(1,000)	(787)
AMT credit carryforwards	(354)	(561)
Other — net	363	547
	8,966	7,740
Net deferred tax liability	\$ 8,651	\$ 8,273

The GE provisions for expenses category represents the tax effects of temporary differences related to expense accruals for a wide variety of items, such as employee compensation and benefits, interest on tax deficiencies, product warranties and other provisions for sundry losses and expenses that are not currently deductible.

23 GECS Minority Interest in Equity of Consolidated Affiliates

Minority interest in equity of consolidated GECS affiliates includes preferred stock issued by GE Capital and by an affiliate of GE Capital. The preferred stock pays cumulative dividends at variable rates. The liquidation preference of the preferred shares is summarized below.

December 31 (In millions)	1997	1996
GE Capital	\$ 2,230	\$ 1,800
GE Capital affiliate	660	485

Dividend rates on the preferred stock ranged from 3.8% to 5.2% during 1997 and 1996, and from 4.2% to 5.2% during 1995.

24 Restricted Net Assets of GECS Affiliates

Certain GECS consolidated affiliates are restricted from remitting funds to GECS in the form of dividends or loans by a variety of regulations, the purpose of which is to protect affected insurance policyholders, depositors or investors. At year-end 1997, net assets of regulated GECS affiliates amounted to \$22.9 billion, of which \$19.4 billion was restricted.

At December 31, 1997 and 1996, the aggregate statutory capital and surplus of the insurance businesses totaled \$12.4 billion and \$10.2 billion, respectively. In preparing statutory statements, no significant permitted accounting practices are used that differ from prescribed accounting practices.

25 Share Owners' Equity

(In millions)	1997	1996	1995
Common stock issued	\$ 594	\$ 594	\$ 594
Unrealized gains on investment securities — net	\$ 2,138	\$ 671	\$ 1,000
Other capital			
Balance at January 1	\$ 2,498	\$ 1,663	\$ 1,122
Currency translation adjustments	(742)	(117)	127
Gains on treasury stock dispositions	1,880	952	414
Balance at December 31	\$ 3,636	\$ 2,498	\$ 1,663
Retained earnings			
Balance at January 1	\$ 38,670	\$ 34,528	\$ 30,793
Net earnings	8,203	7,280	6,573
Dividends declared	(3,535)	(3,138)	(2,838)
Balance at December 31	\$ 43,338	\$ 38,670	\$ 34,528
Common stock held in treasury			
Balance at January 1	\$ 11,308	\$ 8,176	\$ 5,312
Purchases	6,392	4,842	4,016
Dispositions	(2,432)	(1,710)	(1,152)
Balance at December 31	\$ 15,268	\$ 11,308	\$ 8,176

In December 1997, GE's Board of Directors increased the authorization to repurchase Company common stock to \$17 billion and authorized the program to continue through 1999. Funds used for the share repurchase will be generated largely from free cash flow. Through year-end 1997, a total of 244 million shares having an aggregate cost of \$9.9 billion had been repurchased under this program and placed into treasury.

In April 1997, share owners authorized (a) an increase in the number of authorized shares of common stock from 2,200,000,000 shares each with a par value of \$0.32 to 4,400,000,000 shares each with a par value of \$0.16 and (b) the split of each unissued and issued common share, including shares held in treasury, into two shares of common stock each with a par value of \$0.16. All share data and per-share amounts have been adjusted to reflect this change.

Common shares issued and outstanding are summarized in the following table.

Shares of GE common stock

December 31 (In thousands)	1997	1996	1995
Issued	3,714,026	3,714,026	3,714,026
In treasury	(449,434)	(424,942)	(381,002)
Outstanding	3,264,592	3,289,084	3,333,024

GE has 50 million authorized shares of preferred stock (\$1.00 par value), but no such shares have been issued.

The effects of translating to U.S. dollars the financial statements of non-U.S. affiliates whose functional currency is the local currency are included in other capital. Asset and liability accounts are translated at year-end exchange rates, while revenues and expenses are translated at average rates for the period. Cumulative currency translation adjustments represented reductions of other capital of \$798 million and \$56 million in 1997 and 1996, respectively, and an addition to other capital of \$61 million in 1995.

26 Other Stock-Related Information

Stock option activity

(Shares in thousands)	Shares subject to option	Average per share	
		Exercise price	Market price
Balance at December 31, 1994	138,996	\$ 19.91	\$ 25.50
Options granted	24,179	27.94	27.94
Replacement options	1,506	20.91	20.91
Options exercised	(15,568)	15.72	29.61
Options terminated	(4,239)	23.67	—
Balance at December 31, 1995	144,874	21.60	36.00
Options granted	19,034	42.39	42.39
Replacement options	8,622	26.34	26.34
Options exercised	(18,278)	17.70	43.25
Options terminated	(4,707)	26.18	—
Balance at December 31, 1996	149,545	24.86	49.44
Options granted (a)	13,795	68.07	68.07
Replacement options	30	24.16	24.16
Options exercised	(21,746)	18.47	61.22
Options terminated	(2,721)	31.10	—
Balance at December 31, 1997	138,903	30.03	73.38

(a) Without adjusting for the effect of the 2-for-1 stock split in April 1997, the number of options granted during 1997 would have been 13,476.

Stock option plans, stock appreciation rights (SARs), restricted stock and restricted stock units are described in GE's current Proxy Statement. With certain restrictions, requirements for stock option shares can be met from either unissued or treasury shares.

The replacement options replaced canceled SARs and have identical terms thereto. At year-end 1997, there were 3.2 million SARs outstanding at an average exercise price of \$21.02. There were 9.6 million restricted stock shares and restricted stock units outstanding at year-end 1997.

There were 92.8 million and 62.1 million additional shares available for grants of options, SARs, restricted stock and restricted stock units at December 31, 1997 and 1996, respectively. Under the 1990 Long-Term Incentive Plan, 0.95% of the Company's issued common stock (including treasury shares) as of the first day of each calendar year during which the Plan is in effect becomes available for granting awards in such year. Any unused portion, in addition to shares allocated to awards that are canceled or forfeited, is available for later years.

Outstanding options and SARs expire on various dates through December 19, 2007. Restricted stock grants vest on various dates up to normal retirement of grantees.

The following table summarizes information about stock options outstanding at December 31, 1997.

Stock options outstanding

(Shares in thousands)

Exercise price range	Outstanding			Exercisable	
	Shares	Average life (a)	Average exercise price	Shares	Average exercise price
\$ 10 ¹³ / ₁₆ – 21 ⁹ / ₁₆	34,059	3.6	\$ 17.45	34,059	\$ 17.45
\$ 21 ³ / ₈ – 31 ¹⁵ / ₁₆	72,754	6.4	25.61	37,441	24.31
\$ 36 ³ / ₁₆ – 51 ¹ / ₂	18,867	8.5	42.59	205	47.20
\$ 51 ³ / ₄ – 73	13,223	9.8	68.80	—	—
Total	138,903	6.3	30.03	71,705	21.11

(a) Average contractual life remaining in years.

At year-end 1996, options with an average exercise price of \$19.58 were exercisable on 81 million shares; at year-end 1995, options with an average exercise price of \$17.61 were exercisable on 74 million shares.

Stock options expire 10 years from the date they are granted; options vest over service periods that range from one to five years.

Disclosures required by SFAS No. 123, *Accounting for Stock-Based Compensation*, are as follows:

December 31	1997	1996	1995
Weighted average fair value per option (a)	\$ 17.81	\$ 9.34	\$ 5.98
Valuation assumptions			
Expected option term (years)	6.3	6.2	5.5
Expected volatility	20.0%	20.1%	20.0%
Expected dividend yield	1.5%	2.3%	3.1%
Risk-free interest rate	6.1%	6.6%	7.0%
Pro forma effects (b) (c)			
Net earnings	\$ 8,129	\$ 7,235	\$ 6,557
Earnings per share — basic	2.48	2.19	1.95
— diluted	2.43	2.15	1.92

(a) Estimated using Black-Scholes option pricing model.

(b) Valuations only of grants made after January 1, 1995; thus, the pro forma effect increased over the periods presented.

(c) Net earnings in millions; per-share amounts in dollars.

27 Supplemental Cash Flows Information

Changes in operating assets and liabilities are net of acquisitions and dispositions of businesses.

“Payments for principal businesses purchased” in the Statement of Cash Flows is net of cash acquired and includes debt assumed and immediately repaid in acquisitions.

“All other operating activities” in the Statement of Cash Flows consists principally of adjustments to current and noncurrent accruals and deferrals of costs and expenses, increases and decreases in progress collections, adjustments

for gains and losses on assets, increases and decreases in assets held for sale, and adjustments to assets such as amortization of goodwill and intangibles.

The Statement of Cash Flows excludes certain noncash transactions that, except for the exchange transaction described in note 2, had no significant effects on the investing or financing activities of GE or GECS.

Certain supplemental information related to GE and GECS cash flows is shown below.

For the years ended December 31 (In millions)

	1997	1996	1995
GE			
Net purchase of GE shares for treasury			
Open market purchases under share repurchase program	\$ (3,492)	\$ (3,266)	\$ (3,101)
Other purchases	(2,900)	(1,576)	(915)
Dispositions (mainly to employee and dividend reinvestment plans)	3,577	2,519	1,493
	\$ (2,815)	\$ (2,323)	\$ (2,523)
GECS			
Financing receivables			
Increase in loans to customers	\$ (55,689)	\$ (49,890)	\$ (46,154)
Principal collections from customers — loans	50,679	49,923	44,840
Investment in equipment for financing leases	(16,420)	(14,427)	(17,182)
Principal collections from customers — financing leases	13,796	11,158	8,821
Net change in credit card receivables	(4,186)	(3,068)	(3,773)
Sales of financing receivables	9,922	4,026	2,139
	\$ (1,898)	\$ (2,278)	\$ (11,309)
All other investing activities			
Purchases of securities by insurance and annuity businesses	\$ (19,274)	\$ (15,925)	\$ (14,452)
Dispositions and maturities of securities by insurance and annuity businesses	17,280	14,018	12,460
Proceeds from principal business dispositions	241	—	575
Other	(3,893)	(4,183)	(2,496)
	\$ (5,646)	\$ (6,090)	\$ (3,913)
Newly issued debt having maturities longer than 90 days			
Short-term (91 to 365 days)	\$ 3,502	\$ 5,061	\$ 2,545
Long-term (longer than one year)	15,566	17,245	32,507
Long-term subordinated	—	—	298
Proceeds — nonrecourse, leveraged lease debt	1,757	595	1,428
	\$ 20,825	\$ 22,901	\$ 36,778
Repayments and other reductions of debt having maturities longer than 90 days			
Short-term (91 to 365 days)	\$ (21,320)	\$ (23,355)	\$ (16,075)
Long-term (longer than one year)	(1,150)	(1,025)	(678)
Principal payments — nonrecourse, leveraged lease debt	(287)	(276)	(292)
	\$ (22,757)	\$ (24,656)	\$ (17,045)
All other financing activities			
Proceeds from sales of investment and annuity contracts	\$ 4,717	\$ 2,561	\$ 1,754
Preferred stock issued by GECS affiliates	605	155	1,045
Redemption of investment and annuity contracts	(4,537)	(2,688)	(2,540)
	\$ 785	\$ 28	\$ 259

Revenues

For the years ended December 31

(In millions)	Total revenues			Intersegment revenues			External revenues		
	1997	1996	1995	1997	1996	1995	1997	1996	1995
GE									
Aircraft Engines	\$ 7,799	\$ 6,302	\$ 6,098	\$ 101	\$ 86	\$ 115	\$ 7,698	\$ 6,216	\$ 5,983
Appliances	6,745	6,375	5,933	12	5	4	6,733	6,370	5,929
Broadcasting	5,153	5,232	3,919	—	—	—	5,153	5,232	3,919
Industrial Products and Systems	10,954	10,412	10,194	490	455	436	10,464	9,957	9,758
Materials	6,695	6,509	6,647	24	22	19	6,671	6,487	6,628
Power Generation	7,495	7,257	6,545	81	65	57	7,414	7,192	6,488
Technical Products and Services	4,917	4,692	4,424	18	23	19	4,899	4,669	4,405
All Other	3,564	3,108	2,707	—	—	—	3,564	3,108	2,707
Corporate items and eliminations	1,193	(322)	(286)	(726)	(656)	(650)	1,919	334	364
Total GE	54,515	49,565	46,181	—	—	—	54,515	49,565	46,181
GECS									
Financing	31,165	24,554	19,446	—	—	—	31,165	24,554	19,446
Specialty Insurance	8,844	8,155	7,042	—	—	—	8,844	8,155	7,042
All Other	(78)	4	4	—	—	—	(78)	4	4
Total GECS	39,931	32,713	26,492	—	—	—	39,931	32,713	26,492
Eliminations	(3,606)	(3,099)	(2,645)	—	—	—	(3,606)	(3,099)	(2,645)
Consolidated revenues	\$ 90,840	\$ 79,179	\$ 70,028	\$ —	\$ —	\$ —	\$ 90,840	\$ 79,179	\$ 70,028

GE revenues include income from sales of goods and services to customers and other income. Sales from one Company component to another generally are priced at equivalent commercial selling prices. "All Other" GE revenues consists primarily of GECS earnings.

Assets

At December 31

**Property, plant and equipment
(including equipment leased to others)**

For the years ended December 31

(In millions)				Additions			Depreciation and amortization		
	1997	1996	1995	1997	1996	1995	1997	1996	1995
GE									
Aircraft Engines	\$ 8,895	\$ 5,423	\$ 4,890	\$ 729	\$ 551	\$ 266	\$ 255	\$ 260	\$ 273
Appliances	2,533	2,569	2,304	83	168	143	112	104	93
Broadcasting	4,877	4,899	3,915	116	176	97	96	86	64
Industrial Products and Systems	6,658	6,580	6,117	487	450	446	368	340	308
Materials	8,890	9,130	9,095	618	748	521	427	475	478
Power Generation	5,605	5,741	5,679	176	185	155	161	165	166
Technical Products and Services	2,438	2,246	2,200	189	154	110	115	113	109
All Other	17,496	14,556	13,113	—	—	1	2	2	1
Corporate items and eliminations	10,034	8,781	8,403	168	114	113	86	90	89
Total GE	67,426	59,925	55,716	2,566	2,546	1,852	1,622	1,635	1,581
GECS									
Financing	211,139	188,472	151,952	7,188	5,663	5,143	2,411	2,111	1,963
Specialty Insurance	44,048	38,575	33,714	65	35	133	35	29	23
All Other	221	372	63	67	64	36	14	10	27
Total GECS	255,408	227,419	185,729	7,320	5,762	5,312	2,460	2,150	2,013
Eliminations	(18,822)	(14,942)	(13,410)	—	—	—	—	—	—
Consolidated totals	\$ 304,012	\$ 272,402	\$ 228,035	\$ 9,886	\$ 8,308	\$ 7,164	\$ 4,082	\$ 3,785	\$ 3,594

"All Other" GE assets consists primarily of investment in GECS. Additions to property, plant and equipment include amounts relating to principal businesses purchased.

Details of operating profit by industry segment can be found on page 35 of this report. A description of industry segments for General Electric Company and consolidated affiliates follows.

Aircraft Engines. Jet engines and replacement parts and repair and maintenance services for all categories of commercial aircraft (short/medium, intermediate and long-range); for a wide variety of military aircraft, including fighters, bombers, tankers and helicopters; and for executive and commuter aircraft. Sold worldwide to airframe manufacturers, airlines and government agencies. Also, aircraft engine derivatives used as marine propulsion and industrial power sources.

Appliances. Major appliances and related services for products such as refrigerators, freezers, electric and gas ranges, dishwashers, clothes washers and dryers, microwave ovens and room air conditioning equipment. Sold in North America and in global markets under various GE and private-label brands. Distributed to retail outlets, mainly for the replacement market, and to building contractors and distributors for new installations.

Broadcasting. Primarily NBC. Principal businesses are the furnishing of U.S. network television services to more than 200 affiliated stations, production of television programs, operation of 12 VHF and UHF television broadcasting stations, operation of four cable/satellite networks around the world, and investment and programming activities in multi-media and cable television.

Industrial Products and Systems. Lighting products (including a wide variety of lamps, lighting fixtures, wiring devices and quartz products); electrical distribution and control equipment (including power delivery and control products such as transformers, meters, relays, capacitors and arresters); transportation systems products (including diesel-electric locomotives, transit propulsion equipment and motorized wheels for off-highway vehicles); electric motors and related products; a broad range of electrical and electronic industrial automation products (including drive systems); installation, engineering and repair services, which includes management and technical expertise for large projects such as process control systems; and GE Supply, a network of electrical supply houses. Markets are extremely diverse. Products are sold to commercial and industrial end users, including utilities, to original equipment manufacturers, to electrical distributors, to retail outlets, to railways and to transit authorities. Increasingly, products are developed for and sold in global markets.

Materials. High-performance engineered plastics used in applications such as automobiles and housings for computers and other business equipment; ABS resins; silicones; superabrasive industrial diamonds; and laminates. Sold worldwide to a diverse customer base consisting mainly of manufacturers.

Power Generation. Power plant products and services, including design, installation, operation and maintenance services. Markets and competition are global. Gas turbines are sold principally as part of packaged power plants for electric utilities and for industrial cogeneration and mechanical drive applications. Steam turbine-generators are sold to electric utilities, to the U.S. Navy and, for cogeneration, to industrial and other power customers. Power Generation also includes nuclear reactors and fuel and support services for GE's new and installed boiling water reactors.

Technical Products and Services. Medical systems such as magnetic resonance (MR) and computed tomography (CT) scanners, x-ray, nuclear imaging, ultrasound, other diagnostic equipment and related services sold worldwide to hospitals and medical facilities. Also includes a full range of computer-based information and data interchange services for internal use and external commercial and industrial customers.

GECS Financing. Operations of GE Capital, as follows:

Consumer services — private-label and bank credit card loans, personal loans, time sales and revolving credit and inventory financing for retail merchants, auto leasing and inventory financing, mortgage servicing, and consumer savings and insurance services. Insurance services, previously included within the Specialty Insurance segment, has been combined with the consumer savings and insurance operations in this segment. Prior-year information has been reclassified to reflect this change.

Specialized financing — loans and financing leases for major capital assets, including industrial facilities and equipment, and energy-related facilities; commercial and residential real estate loans and investments; and loans to and investments in management buyouts, including those with high leverage, and corporate recapitalizations.

Equipment management — leases, loans, sales and asset management services for portfolios of commercial and transportation equipment, including aircraft, trailers, auto fleets, modular space units, railroad rolling stock, data processing equipment, containers used on ocean-going vessels, and satellites.

Mid-market financing — loans and financing and operating leases for middle-market customers, including manufacturers, distributors and end users, for a variety of equipment that includes data processing equipment, medical and diagnostic equipment, and equipment used in construction, manufacturing, office applications and telecommunications activities.

Very few of the products financed by GE Capital are manufactured by GE.

GECS Specialty Insurance. U.S. and international multiple-line property and casualty reinsurance; certain directly written specialty insurance and life reinsurance; financial guaranty insurance, principally on municipal bonds and structured finance issues; private mortgage insurance; and creditor insurance covering international customer loan repayments.

29 Geographic Segment Information (consolidated)

Revenues and operating profit shown below are classified according to their country of origin (including exports from such areas). Revenues and operating profit classified under

the caption "United States" include royalty and licensing income from non-U.S. sources. U.S. exports to international customers by major areas of the world are shown on page 39.

Revenues									
For the years ended December 31									
(In millions)	Total revenues			Intersegment revenues			External revenues		
	1997	1996	1995	1997	1996	1995	1997	1996	1995
United States	\$66,330	\$58,110	\$52,935	\$ 2,471	\$ 2,292	\$ 2,123	\$63,859	\$55,818	\$50,812
Europe	18,166	15,964	12,293	787	714	656	17,379	15,250	11,637
Pacific Basin	4,742	4,343	3,725	880	796	457	3,862	3,547	3,268
Other (a)	6,420	5,140	4,750	680	576	439	5,740	4,564	4,311
Intercompany eliminations	(4,818)	(4,378)	(3,675)	(4,818)	(4,378)	(3,675)	—	—	—
Total	\$90,840	\$79,179	\$70,028	\$ —	\$ —	\$ —	\$90,840	\$79,179	\$70,028

Operating profit (b)				Assets			Non-U.S. net assets		
For the years ended December 31				At December 31			At December 31		
(In millions)	1997	1996	1995	1997	1996	1995	1997	1996	1995
	United States	\$ 8,825	\$ 9,693	\$ 9,002	\$206,655	\$189,593	\$158,884	\$ (c)	\$ (c)
Europe	2,024	1,724	1,043	66,740	55,196	44,107	31,076	23,021	20,059
Pacific Basin	302	269	375	8,881	8,125	6,442	6,237	5,082	3,740
Other (a)	706	576	543	21,926	19,655	18,776	12,233	11,439	11,472
Intercompany eliminations	(23)	7	9	(190)	(167)	(174)	(72)	(62)	(51)
Total	\$11,834	\$12,269	\$10,972	\$304,012	\$272,402	\$228,035	\$49,474	\$39,480	\$35,220

(a) Principally the Americas other than the United States, but also includes operations that cannot meaningfully be associated with specific geographic areas (for example, shipping containers used on ocean-going vessels).

(b) Net of 1997 restructuring and other special charges.

(c) Not applicable.

30 Additional Information about Financial Instruments

This note contains estimated fair values of certain financial instruments to which GE and GECS are parties. Apart from borrowings by GE and GECS and certain marketable securities, relatively few of these instruments are actively traded. Thus, fair values must often be determined by using one or more models that indicate value based on estimates of quantifiable characteristics as of a particular date. Because this undertaking is, by its nature, difficult and highly judgmental, for a limited number of instruments, alternative valuation techniques may have produced disclosed values different from those that could have been realized at December 31, 1997 or 1996. Moreover, the disclosed values are representative of fair values only as of the dates indicated. Assets and liabilities that, as a matter of accounting policy, are reflected in the accompanying financial statements at fair value are not included in the following disclosures; such items include cash and equivalents, investment securities and separate accounts.

Values are estimated as follows:

Borrowings. Based on quoted market prices or market comparables. Fair values of interest rate and currency swaps on borrowings are based on quoted market prices and include the effects of counterparty creditworthiness.

Time sales and loans. Based on quoted market prices, recent transactions and/or discounted future cash flows, using rates at which similar loans would have been made to similar borrowers.

Investment contract benefits. Based on expected future cash flows, discounted at currently offered discount rates for immediate annuity contracts or cash surrender values for single premium deferred annuities.

Financial guarantees and credit life. Based on future cash flows, considering expected renewal premiums, claims, refunds and servicing costs, discounted at a market rate.

All other instruments. Based on comparable transactions, market comparables, discounted future cash flows, quoted market prices, and/or estimates of the cost to terminate or otherwise settle obligations to counterparties.

Financial instruments

December 31 (In millions)	1997				1996			
	Notional amount	Assets (liabilities)			Notional amount	Assets (liabilities)		
		Carrying amount (net)	Estimated fair value			Carrying amount (net)	Estimated fair value	
			High	Low			High	Low
GE								
Investment related								
Investments and notes receivable	\$ (a)	\$ 1,909	\$ 1,915	\$ 1,908	\$ (a)	\$ 1,675	\$ 3,127	\$ 3,127
Cancelable interest rate swap	1,421	25	19	19	—	—	—	—
Borrowings and related instruments								
Borrowings (b) (c)	(a)	(4,358)	(4,377)	(4,377)	(a)	(4,049)	(4,058)	(4,058)
Interest rate swaps	531	—	(12)	(12)	536	—	(11)	(11)
Currency swaps	—	—	—	—	180	—	25	25
Recourse obligations for receivables sold	427	(23)	(23)	(23)	424	—	—	—
Financial guarantees	2,141	—	—	—	1,805	—	—	—
Other firm commitments								
Currency forwards and options	6,656	82	270	270	5,476	70	150	150
Financing commitments	1,794	—	—	—	1,554	—	—	—
GECS								
Assets								
Time sales and loans	(a)	62,712	63,105	61,171	(a)	60,859	61,632	60,544
Integrated interest rate swaps	12,323	19	(125)	(125)	4,376	—	91	91
Purchased options	1,617	31	31	31	1,938	11	12	12
Mortgage-related positions								
Mortgage purchase commitments	2,082	—	11	11	1,193	—	2	2
Mortgage sale commitments	2,540	—	(9)	(9)	1,417	—	3	3
Mortgages held for sale	(a)	2,378	2,379	2,379	(a)	1,112	1,165	1,165
Options, including “floors”	30,347	51	141	141	27,422	78	81	81
Interest rate swaps and futures	3,681	—	23	23	1,731	—	(29)	(29)
Other cash financial instruments	(a)	2,242	2,592	2,349	(a)	2,240	2,735	2,487
Liabilities								
Borrowings and related instruments								
Borrowings (b) (c)	(a)	(141,263)	(141,828)	(141,828)	(a)	(125,621)	(125,648)	(125,648)
Interest rate swaps	42,531	—	(250)	(250)	34,491	—	(575)	(575)
Currency swaps	23,382	—	(1,249)	(1,249)	24,588	—	368	368
Currency forwards	15,550	—	371	371	6,165	—	72	72
Purchased options	375	33	8	8	1,882	10	1	1
Investment contract benefits	(a)	(23,045)	(22,885)	(22,885)	(a)	(20,210)	(19,953)	(19,953)
Insurance — financial guarantees and credit life	183,957	(2,897)	(2,992)	(3,127)	170,402	(3,801)	(3,614)	(4,025)
Credit and liquidity support — securitizations	13,634	(46)	(46)	(46)	6,842	(73)	(9)	(9)
Performance guarantees — principally letters of credit	2,699	(34)	—	(67)	3,470	(55)	(132)	(133)
Other	3,147	(1,134)	(1,282)	(1,303)	2,901	(1,560)	(1,175)	(1,176)
Other firm commitments								
Currency forwards	1,744	—	11	11	1,823	—	3	2
Currency swaps	1,073	192	192	192	1,134	—	(38)	(38)
Ordinary course of business lending commitments	7,891	—	(62)	(62)	4,950	—	(27)	(27)
Unused revolving credit lines								
Commercial	4,850	—	—	—	3,375	—	—	—
Consumer — principally credit cards	134,123	—	—	—	116,878	—	—	—

(a) Not applicable.

(b) Includes effects of interest rate and currency swaps, which also are listed separately.

(c) See note 19.

Additional information about certain financial instruments in the table above follows.

Currency forwards and options are employed by GE and GECS to manage exposures to changes in currency exchange rates associated with commercial purchase and sale transactions and by GECS to optimize borrowing costs as discussed in

note 19. These financial instruments generally are used to fix the local currency cost of purchased goods or services or selling prices denominated in currencies other than the functional currency. Currency exposures that result from net investments in affiliates are managed principally by funding assets denominated in local currency with debt denominated in

those same currencies. In certain circumstances, net investment exposures are managed using currency forwards and currency swaps.

Options and instruments containing option features that behave based on limits (“caps,” “floors” or “collars”) on interest rate movement are used primarily to hedge prepayment risk in certain GECS business activities, such as the mortgage servicing and annuities businesses.

Swaps of interest rates and currencies are used by GE and GECS to optimize borrowing costs for a particular funding strategy (see note 19). A cancelable interest rate swap was used by GE to hedge an investment position. Interest rate and currency swaps, along with purchased options and futures, are used by GECS to establish specific hedges of mortgage-related assets and to manage net investment exposures. Credit risk of these positions is evaluated by management under the credit criteria discussed below. As part of its ongoing customer activities, GECS also enters into swaps that are integrated into investments in or loans to particular customers and do not involve assumption of third-party credit risk. Such integrated swaps are evaluated and monitored like their associated investments or loans and are not therefore subject to the same credit criteria that would apply to a stand-alone position.

Counterparty credit risk — risk that counterparties will be financially unable to make payments according to the terms of the agreements — is the principal risk associated with swaps, purchased options and forwards. Gross market value of probable future receipts is one way to measure this risk, but is meaningful only in the context of net credit exposure

to individual counterparties. At December 31, 1997 and 1996, this gross market risk amounted to \$2.0 billion and \$0.9 billion, respectively. Aggregate fair values that represent associated probable future obligations, normally associated with a right of offset against probable future receipts, amounted to \$2.9 billion and \$0.7 billion at December 31, 1997 and 1996, respectively.

Except as noted above for positions that are integrated into financings, all swaps, purchased options and forwards are carried out within the following credit policy constraints.

- Once a counterparty exceeds credit exposure limits (see table below), no additional transactions are permitted until the exposure with that counterparty is reduced to an amount that is within the established limit. Open contracts remain in force.

Counterparty credit criteria	Credit rating	
	Moody's	Standard & Poor's
Term of transaction		
Between one and five years	Aa3	AA-
Greater than five years	Aaa	AAA
Credit exposure limits		
Up to \$50 million	Aa3	AA-
Up to \$75 million	Aaa	AAA

- All swaps are executed under master swap agreements containing mutual credit downgrade provisions that provide the ability to require assignment or termination in the event either party is downgraded below A3 or A-.

More credit latitude is permitted for transactions having original maturities shorter than one year because of their lower risk.

31 Quarterly Information (unaudited)

	First quarter		Second quarter		Third quarter		Fourth quarter	
	1997	1996	1997	1996	1997	1996	1997	1996
(Dollar amounts in millions; per-share amounts in dollars)								
Consolidated operations								
Net earnings	\$ 1,677	\$ 1,517	\$ 2,162	\$ 1,908	\$ 2,014	\$ 1,788	\$ 2,350	\$ 2,067
Earnings per share — basic	0.51	0.46	0.66	0.58	0.62	0.54	0.72	0.63
— diluted	0.50	0.45	0.65	0.57	0.60	0.53	0.70	0.62
Selected data								
GE								
Sales of goods and services	10,522	9,742	12,620	11,520	11,698	11,478	14,112	13,379
Gross profit from sales	2,970	2,781	3,886	3,475	3,368	3,060	2,618	3,784
GECS								
Total revenues	9,544	7,245	9,317	7,457	10,182	8,449	10,888	9,562
Operating profit	1,081	973	1,138	951	1,229	1,179	974	945

For GE, gross profit from sales is sales of goods and services less costs of goods and services sold. For GECS, operating profit is “Earnings before income taxes.”

Fourth-quarter gross profit from sales in 1997 was reduced by restructuring and other special charges. Such charges, including amounts shown in “Other costs and expenses,” were \$2,322 million before tax. Also in the fourth quarter of

1997, GE completed an exchange transaction with Lockheed Martin as described in note 2.

Earnings-per-share amounts for each quarter are required to be computed independently and, as a result, their sum does not equal the total year earnings-per-share amounts for 1997 and 1996. Per-share amounts have been adjusted for the 2-for-1 stock split effective on April 28, 1997.

Corporate Information

Corporate Headquarters

General Electric Company
3135 Easton Turnpike
Fairfield, CT 06431
(203)373-2211

Annual Meeting

General Electric Company's 1998 Annual Meeting will be held on Wednesday, April 22, at the Aronoff Center in Cincinnati, Ohio.

Share Owner Services

To transfer securities, write to GE Share Owner Services, c/o The Bank of New York, P.O. Box 11002, New York, NY 10286-1002.

For share owner inquiries, including enrollment information and a prospectus for the Dividend Reinvestment Plan, write to GE Share Owner Services, c/o The Bank of New York, P.O. Box 11402, New York, NY 10286-1402; or call 1-800-786-2543 (1-800-STOCK-GE) or 713-651-5065; or send an e-mail to GE-Shareowners@bankofny.com.

For Internet access to general share owner information and certain forms, including transfer instructions or stock power, visit the Web site at <http://stock.bankofny.com/ge>.

Stock Exchange Information

In the United States, GE common stock is listed on the New York Stock Exchange (its principal market) and the Boston Stock Exchange. It also is listed on certain non-U.S. exchanges, including The Stock Exchange, London.

Trading and Dividend Information

(In dollars)	Common Stock Market Price		Dividends declared
	High	Low	
1997			
Fourth quarter	\$76 ⁷ / ₁₆	\$59	\$.30
Third quarter	74 ¹ / ₄	61 ⁵ / ₁₆	.26
Second quarter	68 ¹ / ₄	48 ⁵ / ₁₆	.26
First quarter	54 ⁷ / ₁₆	47 ¹⁵ / ₁₆	.26
1996			
Fourth quarter	\$53 ¹ / ₁₆	\$45 ¹ / ₄	\$.26
Third quarter	46	38 ¹⁵ / ₁₆	.23
Second quarter	44 ¹ / ₁₆	37 ¹ / ₁₆	.23
First quarter	40 ¹ / ₄	34 ³ / ₄	.23

The per-share amounts above reflect the 2-for-1 stock split effective on April 28, 1997. As of December 31, 1997, there were about 527,000 share owner accounts of record.

Form 10-K and Other Reports

The financial information in this report, in the opinion of management, substantially conforms with information required in the "10-K Report" to be submitted to the Securities and Exchange Commission (SEC) by the end of March 1998. Certain supplemental information is in that report, however, and copies without exhibits are available, without charge, from GE Corporate Investor Communications, 3135 Easton Turnpike, Fairfield, CT 06431.

Copies of the General Electric Pension Plan, the Summary Annual Report for GE employee benefit plans subject to the Employee Retirement Income Security Act of 1974, and other GE employee benefit plan documents and information also are available by writing to Corporate Investor Communications and specifying the information desired.

GE Capital Services and GE Capital Corporation file Form 10-K Reports with the SEC. For copies of these reports, contact GE Capital Services, Public Relations and Advertising, 260 Long Ridge Road, Stamford, CT 06927.

For the Annual Report of the Company's philanthropic foundation, write to the GE Fund, 3135 Easton Turnpike, Fairfield, CT 06431.

Internet Address

Use <http://www.ge.com> to reach the GE home page for information about GE and its products and services.

Product Information

For information about GE consumer products and services, call the GE Answer Center[®] service at (800)626-2000 or (502)423-7710; for GE technical, commercial and industrial products and services, call the GE Business Information Center[®] service at (800)626-2004 or (518)869-5555; and for the varied financial products and services offered by GE Capital, call (800)243-2222 or (203)357-3301.

Cassette Recordings

For an audiocassette version of this report, contact GE Corporate Communications, 3135 Easton Turnpike, Fairfield, CT 06431. Telephone: (203)373-2020.

Corporate Ombudsman

To report concerns related to U.S. government contracting matters, other laws or GE policies, contact the GE Corporate Ombudsman, P.O. Box 911, Fairfield, CT 06430. Telephone: (800)227-5003 or (203)373-2343.

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Note: Unless otherwise indicated by the context, the terms "GE," "General Electric" and "Company" are used on the basis of consolidation described on page 47. GE and  are registered trademarks of General Electric Company; NBC and  are registered trademarks of National Broadcasting Company, Inc.; MSNBC is a trademark of MSNBC Cable, L.L.C.; ®, ™ and  indicate registered and unregistered trade and service marks, respectively.

General Electric Company
Fairfield, Connecticut 06431

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