GE Annual Report

1999

Financial Highlights

General Electric Company and consolidated affiliates

(Dollar amounts in millions; per-share amounts in dollars)	1999	1998	1997
Revenues	**$ 111,630**	$ 100,469	$ 90,840
Net earnings	**10,717**	9,296	8,203
Dividends declared	**4,786**	4,081	3,535
Per share			
Net earnings	**3.22**	2.80	2.46
Dividends declared	**1.46**	1.25	1.08
GE ongoing operating margin rate (a)	**17.8%**	16.7%	15.7%

(a) "Ongoing operating margin" here and elsewhere in this report excludes unusual charges in 1999 and 1997.

Contents

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To Our Share Owners, Customers and Employees

The final year of the century was our finest, as 340,000 GE people around the globe posted the strongest results in the Company's 122-year history.

- Revenues rose 11% to $112 billion, a record.
- Earnings increased 15% to $10.7 billion, the first time GE has broken the $10 billion mark in earnings from operations.
- Earnings per share were up 15%.
- Free cash flow was a strong $11.8 billion, up 17%.
- Our ongoing operating margin rate grew to 17.8%, a gain of more than a full point from '98 and the third straight year of more than a full point improvement. Working capital turns hit an all-time high of 11.5—an improvement of 2.3 turns. The 80% improvement in this key performance measure over the past three years has added $4 billion to our cash flow.
- GE made 134 acquisitions in 1999, worth almost $17 billion. This marks the Company's third year in a row with over 100 acquisitions, totaling over $51 billion.
- GE was named, for the second consecutive year, *Fortune* magazine's "Most Admired Company in America." Also for the second straight year, we were named "The World's Most Respected Company" by the *Financial Times.* A *Business Week* survey named the GE Board of Directors "Best Board," and *Time* magazine described GE as "The Company of the Century."

Chairman and Chief Executive Officer John F. Welch, Jr. (center) and Vice Chairmen and Executive Officers John D. Opie (left) and Dennis D. Dammerman (right) form GE's Corporate Executive Office.

- We repurchased $1.9 billion in GE stock in 1999, raised the dividend 17% for the second consecutive year, and proposed a 3-for-1 stock split, the fifth split in 17 years, which will take effect after share owner approval in April 2000.

Our share owners—including our active and retired employees who have $24 billion of GE stock in their savings plans—were rewarded for this performance. The total return on a share of GE stock in 1999 was 54%. This followed returns of 41% in 1998, 51% in 1997, 40% in 1996 and 45% in 1995.

Understanding GE

In this report, for the first time, the CEOs of the top 20 GE businesses will describe the highlights and, in a few cases, the shortfalls of the year, and their plans for the future. Fourteen of these 20 businesses produced double-digit earnings increases in 1999: five grew more than 40%; four between 25-40%; five between 15-25%; three were about flat; three were down.

We never get it all "right" in any year, and probably never will, but it is the scale and leading market positions of these businesses, and the quality of the teams that run them, that allow us to have one great year after another. 1999 was an outstanding year—our best ever—but the past five have been great as well, as have the past 20. For that matter, it's been a great century. Edison would be pleased.

We believe annual reports are as much about where we can go as where we have been; and our message to you this year should enable you to look forward to the brightest of futures for GE in its third century of operation.

…it's actually easy to understand this Company, and to feel confident about its future growth, if you look at its array of world-class businesses and grasp the two fundamental forces that drive GE—its social architecture and its operating system.

Much has been said of the difficulty of "understanding" GE because of the enormous diversity of its products and services and the breadth of its global operations. But it's actually easy to understand this Company, and to feel confident about its future growth, if you look at its array of world-class businesses and grasp the two fundamental forces that drive GE—its social architecture and its operating system.

The Social Architecture

GE's current social architecture began to form in the early '80s when we became convinced that the only way a company like ours could move quickly and successfully through times of radical change was to use every mind in the Company and to involve everyone in the game—to leave no one, and no good idea, out. To achieve this radical cultural transformation, we developed something we called "Work-Out," which is based on the simple premise that those closest to the work know it best. Over the years there have been literally hundreds of thousands of Work-Out "town meetings," where the views and ideas of every employee, from every function, in every business, were solicited and turned into action—usually on the spot. People saw the value we attached to their intellect and their ideas—and as a result, their ideas began to flow in torrents.

The second facet of the social architecture involved the cultivation of what we call "boundaryless" behavior by the removal of every organizational and functional obstacle to the free and unimpeded flow of ideas—inside the Company across every operation, and outside the Company from the best thinking in world business. We measured this boundaryless behavior in our leadership—and rewarded or removed people based on it. We anonymously survey thousands of employees every year to measure our progress and see if our rhetoric matches their reality. When it does not, we take action.

The combination of involving everyone in the game and of responding to this flow of ideas and information turned GE into what we are today—a learning company. By becoming a learning company, we have taken market and geographic diversity, the traditional handicap of multi-business companies, and turned them into a decisive advantage—unlimited access to the most enormous supply of best ideas, information and intellectual capital the business world has to offer.

Our social architecture—our values—is the software that drives what we call the operating system of GE.

The GE Operating System

The operating system of GE was devised to channel and focus this torrent of ideas and information and put it to use through the medium of Company-wide "initiatives," as well as to track, measure and expand these initiatives as they take hold and flourish.

By becoming a learning company, we have taken market and geographic diversity, the traditional handicap of multi-business companies, and turned them into a decisive advantage—unlimited access to the most enormous supply of best ideas, information and intellectual capital the business world has to offer.

This operating system is based on an informal but intense, regular schedule of reviews designed to create momentum for the initiative. It progresses with a drumbeat regularity throughout our business year—year after year.

A typical initiative—Product Services, say, or Six Sigma Quality—is launched with passionate intensity at the meeting of our 600 global leaders in January. A commitment to the initiative is made. Every subsequent event in the Company is developed around implementing and expanding the initiative: resources are allocated; high visibility jobs are created; intense communications start throughout the businesses; and work begins.

Each quarter throughout the year, the leaders of our businesses meet to share what each of them has done to drive the initiative. At these meetings, leaders ranging from the Reinsurance CEO, to the NBC executive, to the head of the Industrial Systems business describe how they are implementing the particular initiative in their own operations. The incredible amount of learning that comes from this shared experience expands the initiative and energizes their efforts.

Every Company activity and every Company event during the year add energy and momentum to the initiative. In these same quarterly meetings, for example, every Business Management Course class at our Management Development Institute—50 to 60 of our highest potential leaders—reports back on its three-week experience in the field on the best practices they found from other companies around the world—and they are brutally honest on how we stack up vis-à-vis the best they saw. This candid feedback really picks up the pace.

The same is true for Human Resources reviews. In April and May, the Corporate Executive Office and Human Resources leaders go into the field for full-day personnel reviews at each location, where the people leading and practicing the initiatives present their progress, and a clear assessment is made of the capabilities and the level of intensity of the people involved in the initiative. We want only the best, the brightest and the most committed to be in these leadership roles, and the focus on talent is relentless.

By October, role models—heroes—have emerged in all the businesses, and they are selected to present to the 150 Corporate Officers at their annual meeting. This meeting serves as a platform where each business can measure its progress against that of the best of its peers.

This takes us full circle to January, when the 600 global leaders of our Company meet and focus, once again, on the initiatives. The initiative from the prior January usually occupies the entire first day, and the role models present their stories and share their learning. On Day 2, new ideas around other ongoing initiatives—some several years old—are shared. This year, for example, the first full day was on e-Business. Day 2 covered new thinking in Globalization, Six Sigma and Product Services.

This operating system propels what has become a "learning engine" and embeds these initiatives in the DNA of the Company.

Crucial to the success of this social architecture and operating system is their synchronization with our reward and incentive system. How well people capitalize on these initiatives, how open they are to change, determines the level of their reward. Making the numbers at GE gets you into the game. Living the values and leveraging the operating system is the road to promotions and greater personal rewards.

The remainder of this report will describe how this social architecture and operating system have driven and expanded the four key initiatives that will be the source of GE growth for decades.

Globalization

The oldest current initiative in GE, driven by the GE operating system for about 15 years, is, like Work-Out, becoming so pervasive and ingrained in the Company that it's less an "initiative" now and more a reflex. Globalization began with a GE that derived more than 80% of revenues from the U.S. and has taken us to where we are today, with 41% of revenues from outside the U.S. and moving toward a majority sometime in this decade.

Globalization evolved from a drive to export, to the establishment of global plants for local consumption, and then to global sourcing of products and services. Today, we are moving into its final stages—drawing upon intellectual capital from all over the world—from metallurgists in Prague, to software engineers in Asia, to product designers in Budapest, Monterrey, Tokyo, Paris and other places around the globe. Our insatiable appetite for more advanced technology is being fed, not by a new wing on our world-class Corporate R&D Center in Schenectady, New York, but by a soon-to-open greenfield laboratory in the suburbs of Bangalore, India.

There has been an enormous amount of comment recently on the subject of globalization. Let us assure you that GE brings only world-class business and work practices and careful, compliant and proactive environmental processes to every one of our global operations. We understand that to be a truly great global company, we must be a great local citizen.

Today, American GE business leaders located outside the United States have become fewer and fewer as local leaders, trained in GE operating methods and steeped in our values but with their own unmatchable customer intimacy and market savvy, are replacing them. Our objective is to be the "global employer of choice," and we are striving to create the exciting career opportunities for local leaders all over the world that will make this objective a reality. This initiative has taken us to within reach of one of our biggest and longest-running dreams—a truly global GE.

Product Services

The precursor to our Product Services initiative was a GE where new product development was primarily "where the action was" for our huge corps of engineers and scientists. The best and brightest of these wanted to work on the highest-thrust jet engine, the fastest medical scan or the leading-edge electrical turbine design. Product services consisted of less-exciting maintenance of our high-value machines—turbines, engines, medical devices and the like.

Making the numbers at GE gets you into the game. Living the values and leveraging the operating system is the road to promotions and greater personal rewards.

As recently as 1995, when this initiative was launched, GE derived $8 billion a year in revenues from product services. In 2000, this number will be $17 billion.

The premise for the Product Services initiative was the collective realization that while GE cannot win, and shouldn't play, in the "wrench-turning" game, it could find enormous growth in the high-technology, customer-productivity game—where there are few, if any, who can do the things we can do for that customer.

The human resources focus in the operating system made services the new "place to be" for the best and brightest. Big, exciting, high-technology jobs in services were created. And the GE values system—increasingly tied to customer focus—reinforced the shift.

But the most important key to the long-range success of our services initiative is the understanding that leading-edge technology can only be derived from creating great products. By driving this leading-edge technology back into the installed base of older equipment, we can increase our customers' productivity and, in turn, make them more competitive—with significantly lower investment on their part. We want being a product services customer of GE to be analogous to bringing your car in for a 50,000-mile check and driving out with 100 more horsepower, better gas mileage and lower emissions.

For example, the technology in the world's most advanced, highest-thrust jet engine—the GE90—is now being migrated into yesterday's installed base, refreshing 20-year-old customer engines, improving their thrust, fuel efficiency and time on-wing.

"H" gas turbine technology, the world's most advanced, is now improving the efficiency and heat rate of customers' 20- and 30-year-old power plants. Twenty-first century AC locomotive technology is making 1980s' locomotives more reliable; and 1990s' CT machines are producing better scans because of infusions of technology from Six Sigma-designed twenty-first century platforms.

We understand that to be a great services company, we must be a great leading-edge product technology company—they go hand in hand. Using tomorrow's technology to upgrade yesterday's hardware will make our customers more successful and create for GE a rapidly expanding services business for decades to come.

Six Sigma Quality

The Six Sigma initiative is in its fifth year—its fifth trip through the operating system. From a standing start in 1996, with no financial benefit to the Company, it has flourished to the point where it produced more than $2 billion in benefits in 1999, with much more to come this decade.

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In the initial stages of Six Sigma, our effort consisted of training more than 100,000 people in its science and methodology and focusing thousands of "projects" on improving efficiency and reducing variance in our internal operations—from industrial factories to financial services back rooms. From there, our operating system steered the initiative into design engineering to prepare future generations of "Design for Six Sigma" products—and drove it rapidly across the customer-interactive processes of the financial services businesses. Medical Systems used it to open up a commanding technology lead in several diagnostic platforms and has achieved dramatic sales increases and customer satisfaction improvements. Every GE product business and financial service activity is using Six Sigma in its product design and fulfillment processes.

Today, Six Sigma is focused squarely where it must be—on helping our customers win. A growing proportion of Six Sigma projects now under way are done on customer processes, many on customer premises.

The objective is not to deliver flawless products and services that we think the customer wants when we promise them—but rather what customers really want when they want them.

One thing that the truly great companies of the world have in common, regardless of the diversity of their industries, is a total business focus on servicing customers. With Six Sigma as the enabler, we intend to meet that standard.

E-Business

E-Business, which entered the operating system at the January Managers Meeting little more than a year ago, is already so big and transformational that it has almost outgrown the bounds of the word "initiative." While we are already generating billions in Web-based revenues, the contribution of e-Business to GE has been so much more. It is changing this Company to its core.

One thing that the truly great companies of the world have in common, regardless of the diversity of their industries, is a total business focus on servicing customers. With Six Sigma as the enabler, we intend to meet that standard.

For 20 years, we've been driving to get the soul of a small company into this sometimes muscle-bound, big-company body. We described the contribution of Work-Out, and there was more. We de-layered in the '80s, eliminating many of the filters and gatekeepers. We got faster by reducing corporate staff. We launched venture units, in imitation of start-ups. We made close to 30,000 people stock optionees in a Company that used to have under 500. And we ridiculed and removed bureaucrats until they became as rare around GE as whooping cranes.

Every year we got better, faster, hungrier and more customer-focused—until the day this elixir, this tonic, this e-Business came along and changed the DNA of GE forever by energizing and revitalizing every corner of this Company.

The first effect of e-Business was to further energize and refresh our other three initiatives. For one, it enabled us to put to customer advantage the enormous databases we had compiled on customer processes as part of Six Sigma projects.

What we are rapidly moving toward is the day when "Dr. Jones," in radiology, can go to her home page in the morning and find a comparison of the number, and clarity, of scans her CT machines performed in the last day, or week, to more than 10,000 other machines across the world. She will then be able to click and order software solutions that will bring her performance up to world-class levels. And the performance of her machines might have been improved, online, the previous night, by a GE engineer in Milwaukee, Tokyo, Paris or Bangalore.

The day is almost here when the chief engineer at the local utility may check the heat rate and fuel burn of his turbines—before he has coffee in the morning—to learn how he stacks up with 100 other utilities. Again, with a click to a home page, he can look at what GE services can provide to increase his competitiveness. Here, a number of GE's service packages are offered that will take him quickly to world-class levels.

The efficient harvesting of intellectual capital, which is the state-of-the-art of the globalization initiative, is impossible without the Internet, and GE products are today being designed collaboratively online around the globe 24 hours a day—as our Industrial Systems business does with its "Web City."

But the transformation e-Business is bringing about at GE is more pervasive than even this growing magic.

When you think about this e-Business revolution that is transforming the world, an obvious question comes to mind: Why wasn't the e-revolution launched by big, highly resourced, high-technology companies rather than the small start-ups that led it? The answer may lie, as perhaps is true in GE's case, in the mystery associated with the Internet—the perception that creating and operating Web sites was Nobel Prize work—the realm of the young and wild-eyed. In our case, we once again used a best practice from one of our businesses to overcome this discomfort. We took the top 1,000 managers in the Company and asked them to become "mentees" of 1,000 "with it", very bright e-Business mentors—many brand new to GE—and to work with them three to four hours a week, traveling the Web, evaluating competitor sites, and learning to organize their computers, and their minds, for work on the Internet. It was this mentor-mentee interaction—which in some cases resembled that of "Stuart" and his boss in the Ameritrade commercial—that helped overcome the only real hurdle some of us had—fear of the unknown. Having overcome that fear, and experienced the transformational effects of e-Business, we find that digitizing a company and developing e-Business models is a lot *easier*—not harder—than we had ever imagined.

Start-ups have energized the business landscape, supported by a strong venture capital environment and healthy IPO market; however, much of their resources must go to establish brand, develop real content and achieve fulfillment capability. We already have that! We already have the hard stuff—over 100 years of a well-recognized brand, leading-edge technology in both product and financial services, and a Six Sigma-based fulfillment capability. The opportunities e-Business creates for large companies like GE are unlimited.

But digitizing a company does more than just create unlimited business opportunities; it puts a small company soul into that big company body and gives it the transparency, excitement and buzz of a start-up. It is truly the elixir for GE and others who relish excitement and change.

E-Business is the final nail in the coffin for bureaucracy at GE. The utter transparency it brings about is a perfect fit for our boundaryless culture and means everyone in the organization has total access to everything worth knowing.

The speed that is the essence of "e" has accelerated the metabolism of the Company, with people laughing out loud at presentations of business plans for "the third quarter of next year" and other tortoise-like projections of action. Time in GE today is measured in days and weeks.

E-Business was made for GE, and the "E" in GE now has a whole new meaning. We get it—we all get it.

The accelerating pace of our success in this initiative is leading to a lot of spontaneous celebrating—something big companies, including GE, have always had trouble doing as well as small companies. It generates more fun across a business than anything we've ever seen. The informality, joy of work and endless celebration that comes with "e" life is something on which we are thriving.

E-Business was made for GE, and the "E" in GE now has a whole new meaning. We get it—we all get it.

We begin this century with a GE totally focused on the customer, utterly energized and rejuvenated by e-Business, and driven by the relentless beat of a unique operating system and social architecture. This Company is poised to move forward to levels of performance, growth and excitement undreamed of in the past.

We thank you all for your support in helping make this future so bright.

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

Dennis D. Dammerman
Vice Chairman of the Board
and Executive Officer

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

February 11, 2000

The General Electric Company *is the world's largest diversified services company as well as a provider of high-quality, high-technology industrial and consumer products. It consists of more than three dozen businesses—more than a dozen of them Fortune 500-sized—operating in 100 countries around the globe. The 20 described in the pages that follow produced, in 1999, approximately 90% of the Company's $10.7 billion in earnings.*

As the GE initiatives expanded the Company's product and services offerings across the globe, the growth of its market opportunities began to far outpace its growth in revenues.

In 1981, the Company sold $27 billion in products and services in a market it defined as $115 billion. By 1999, when revenues had grown more than four-fold, to $112 billion, the size of the new market opportunity had grown ten-fold…to over $1 trillion.

This expanding global market view creates virtually endless growth opportunities for GE in the 21st century.

GE Businesses… while widely diverse, are also highly familial and share information, resources, technology, intellectual capital and corporate institutions.

They share:

- A common operating system and a social architecture characterized by boundaryless behavior
- Four common initiatives: Globalization, Six Sigma Quality, Product Services and e-Business
- A common leadership development system
- ***One set of common values:***

GE Leaders…Always with unyielding integrity…

- Are passionately focused on driving customer success
- Live Six Sigma Quality…ensure that the customer is always its first beneficiary… and use it to accelerate growth
- Insist on excellence and are intolerant of bureaucracy
- Act in a boundaryless fashion…always search for and apply the best ideas regardless of their source
- Prize global intellectual capital and the people that provide it…build diverse teams to maximize it
- See change for the growth opportunities it brings…i.e., "e-Business"
- Create a clear, simple, customer-centered vision…and continually renew and refresh its execution
- Create an environment of "stretch," excitement, informality and trust…reward improvements… and celebrate results
- Demonstrate…always with infectious enthusiasm for the customer…the ***"4-E's" of GE leadership:*** the personal ***Energy*** to welcome and deal with the speed of change… the ability to create an atmosphere that ***Energizes*** others…the ***Edge*** to make difficult decisions…and the ability to consistently ***Execute***

Aircraft Engines

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

Twenty years from now, we will look back on 1999 as the year Aircraft Engines laid the foundation for a long-term leadership position in aviation.

Key technology investments, strategic orders, Six Sigma engagement with customers and a myriad of Internet-based initiatives came together as a firm base for the future and drove double-digit earnings growth.

Technology Investment

Our Services group accelerated its transformation into an information and technology-based business. Significant investments in patentable repairs and materials, mature engine upgrades, in-flight engine monitoring and real-time data retrieval capabilities are driving customer productivity.

For example, newly developed upgrades will directly reduce customer costs by extending time on-wing for nearly 14,000 CFM56™ and CF6™ engines in commercial service.

Our GE90-115B™ derivative, being developed as the highest-thrust engine in history, was selected as the exclusive engine for Boeing's 777-200X / 300X aircraft with initial service targeted for 2004.

The "TECH56™" technology program for the CFM56, the world's best-selling engine, will assure its superior reliability, fuel burn and environmental friendliness for years to come.

1999 flight testing *of a growth GE90 engine, installed on GE's unique 747 flying testbed, marked a significant milestone in the GE90-115B development program.*

Strategic Wins

Again in 1999, GE Aircraft Engines and CFM International, our 50/50 joint company with Snecma of France, won more than 50% of all large commercial engine campaigns—bolstered by wins from China Airlines, Lufthansa, USAir and leasing companies such as GE Capital Aviation Services and International Lease Finance Corporation. By 2005, the number of CFM56 and CF6 engines in service will have nearly doubled in just 10 years.

CFM celebrated its 25th anniversary in 1999 with record CFM56 engine production, its 10,000th engine delivery, and a launch order from Air France on Airbus Industrie's new A318 aircraft.

In commercial aviation's fastest-growing sector, our new CF34-8™ became the engine for regional aircraft launched by Canadair, Embraer and Fairchild. Significant orders from Crossair, Lufthansa CitiLine and Northwest Airlines in 1999 helped to assure the CF34™ family's market success.

Delivery of our F414™ engine for the U.S. Navy's new F/A-18E/F and a $440 million engine development contract for the Joint Strike Fighter Program assure a continuing major role for us in military applications.

Six Sigma

At several international airlines, joint Six Sigma working teams drove overall airline productivity while reducing engine life-cycle costs. This "at the customer, for the customer" approach extended ongoing programs to reduce variation in all customer processes. More than 10,000 trained employees used the powerful Six Sigma toolkit to implement significant productivity gains in our own operations.

E-Business

Our e-Business team is driving tangible customer productivity, response and value through several Internet-based initiatives. Some of these consist of combining customer Web center and customer support activities, interactive technical publications, online parts ordering and visual collaboration on component repair.

One thing remained unchanged in 1999: our relentless customer focus allowed us to achieve record revenues and double-digit earnings growth.

Power Systems

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

GE Power Systems continued expanding its portfolio of product and service solutions for the energy industry with more than 30 acquisitions, alliances and new Six Sigma product introductions.

This strategy delivered record results with revenues increasing 19% and earnings up 30%.

We now have order backlogs and customer commitments totaling $23 billion, including $7 billion in long-term service agreements.

Almost 70% of our advanced technology gas turbine orders will include long-term service agreements sought by our customers to provide predictable cost of ownership as well as more efficient and more environmentally friendly life-cycle performance.

Demand for new power generation equipment in the U.S. is running at an incredible pace, with orders now reaching beyond 2003. To fulfill this record demand, we will triple our gas turbine production volume in less than 24 months with minimal investment, benefiting from Six Sigma and cycle-time reduction.

Acquiring the heavy-duty gas turbine business from Alstom in 1999 was a great move for our business. We acquired great people with great ideas and a burning desire to drive customer success.

Our strategic acquisitions created the platform for a $4 billion business in Europe that helps us better serve our global customers. In just the past year, acquisitions from Alstom, Kvaerner and Thomassen added 1,600 units to our installed base—the equivalent of 10 years of production, even at today's record-setting pace. These units represent nearly $10 billion of service opportunities.

Demand for more reliable power in the U.S. now reaches beyond heavy-duty gas turbines. Our business is now experiencing the second wave of demand as our customers push orders for industrial and distributed power solutions to record levels. To serve this demand, our S&S Energy Products unit packages jet engines from our sister business into power generation units. S&S has received nearly $1.6 billion of orders in 1999 and doubled its revenues to almost $1 billion since being acquired two years ago.

Another innovative way we are meeting demand for more energy is through our newly formed GE Energy Rentals business. We've already invented an entirely new rental product by introducing the TM2500™ gas turbine. This is a 22-megawatt power-plant-on-wheels designed to be fully operational at a site within three days. The TM2500 will help utilities meet demand during peak periods and can serve a bridging function while new base-load plants are under construction.

Aggressively implementing e-Business solutions requires a tremendous transformation in the way we look at our customers and our human capital. We are rapidly adopting a view of the market that surpasses our traditional vision of meeting customer demand for traditional products and services. E-Business applications like the Turbine Optimizer℠ put the customer at the center of everything we do. We develop a 360-degree view of customer needs and then we surround those needs with a combination of "brick" acquisitions and "click" alliances to form a much broader and deeper customer relationship.

Power Systems also gets a natural lift from e-Business resulting from the ever-increasing demand for electricity used to make, run and cool computers.

This is a great business that is now positioned to exceed customer expectations across the global energy industry. Our challenge is to dream big enough and then resource fast enough with the best people.

Internet-based service solutions, *including the Turbine Optimizer, enhance GE's leadership position in gas turbines. Customers can view real-time monitoring and diagnostic data online, compare the performance of their units versus the worldwide fleet, select from a menu of upgrades, and see the potential performance improvements instantly.*

Plastics

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

1999 saw strong volume growth for GE Plastics, but raw material inflation and severe pressure on prices worldwide dampened earnings. In addition, we experienced a persistent technical problem—now solved—in bringing our new Cartagena, Spain, polycarbonate plant up to capacity, which further reduced revenue growth. Despite these factors, we still managed to grow our business with revenues and earnings up close to 5%.

One of 1999's most exciting developments at GE Plastics was the success of our e-Business capability. We continue to focus on the tremendous opportunity that e-Business presents to us for the future.

During 1999, we began the process of combining our plastics distribution business, Polymerland, with our direct supply business to form a new commercial model for the future, which gives our customers the full advantage of the speed and productivity of the Internet. The e-Business expertise and agility of Polymerland, coupled with the product-line strength and marketplace reach of GE Plastics, give us an additional competitive edge.

Internet sales at Polymerland have grown from essentially zero in January 1999 to more than $5 million per week a year later. Polymerland is being used as the e-Business sales model across General Electric.

We're driving e-Business not only across our traditional processes, such as supply-chain management and fulfillment, but we're also applying Internet capabilities to new areas, which allow us to grow our business in new ways.

Using our ColorXpress℠ Web site, customers can match colors via their computers and order color chips online with 48-hour turnaround. In the past, this process took weeks to complete.

Managing Vendor Inventory is a new services business for GE Plastics, one designed to improve raw material inventory turns for customers. Our proprietary online monitoring technology allows us to monitor storage silos, automate materials orders and bring stability to order patterns for customers using the Internet for information exchange.

To support our e-Business initiatives, we launched a global effort to improve customer service fulfillment processes. Using Six Sigma techniques, we are driving out variation so that we deliver on time, every time.

As we grow our business globally, we continue to support these initiatives with investments in capacity. During 1999, in addition to our Cartagena plant, we announced new compounding facilities in Thailand and China.

We have also been successful in growing our Silicones business, which includes our operations in the Western Hemisphere and joint ventures with Toshiba in the Pacific and Bayer in Europe. These strategic alliances have afforded us the opportunity to improve our competitive capability worldwide.

The future holds great promise for GE Plastics. As we move into the new century, we're adapting to and capitalizing on the Internet environment and the transformational changes it will bring to the way we do business.

Vendor Managed Inventory, *a new services business from GE, allows real-time inventory levels to be communicated throughout the supply chain. Micaela Bulich (left), Chemical Operations; Kathryn Jones, Finishing Operations; and David Horney, technician, Corporate Research and Development Center, inspect a silo sensing unit at the Company's Selkirk, New York, plant.*

NBC

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

Katie Couric and Matt Lauer of NBC News' *Today*. *The* Today *show has been the number-one rated morning news program in America for more than five straight years.*

For the seventh consecutive year, NBC posted record earnings, with a 17% increase for 1999. Strong performances by NBC's TV network, CNBC, MSNBC and a robust ad market provided revenue for strategic investments that are strengthening NBC's position as a leading player on the Internet.

The NBC television network again outperformed all others in the prized adult 18–49 demographic category. The top five prime-time shows in this category were on NBC and, led by Jay Leno and Conan O'Brien, our late-night programs led their time periods.

NBC's group of 13 owned-and-operated stations enjoyed record high revenues in 1999. In addition, the recent investment in Paxson Communications places the network on the path of achieving the long-sought goal of a second outlet for NBC entertainment programming.

Strengthening its position as the preeminent financial news network, CNBC increased its U.S. distribution to 71 million households while posting strong double-digit earnings growth and a 23% increase in viewership during the business day. Capitalizing on the CNBC brand, the newly launched personal finance Web portal, CNBC.com, links Internet capabilities to television's most affluent viewing audience.

One of the fastest-growing networks on cable, MSNBC is now reaching more than 52 million households and saw ad revenues increase by 117%. On the Web, MSNBC.com is far and away the most popular Internet news site and a trailblazer for online news coverage.

NBC News recorded another double-digit earnings increase; and *Today, The Nightly News with Tom Brokaw* and *Meet the Press* are all number one in their time periods.

Home of the NBA Finals, the Major League Baseball Playoffs, the Ryder Cup, PGA and USGA Golf, Wimbledon, the French Open, the Breeders' Cup, the Triple Crown, NASCAR, the WNBA and Notre Dame Football, NBC remains TV's premier championship sports programming network. NBC will also serve as the exclusive U.S. broadcaster of the next five Olympic Games, beginning with the 2000 Sydney Olympics.

Among traditional media companies on the Web, NBC is leading the way in turning TV viewers into online users and buyers. The first broadcaster integrated with a publicly traded Internet company, NBC recently helped launch NBCi, creating one of the most visited properties on the Internet. NBCi brings NBC content, search capabilities, online communities, shopping, direct marketing and e-Business services together under one roof.

With the strong performance of our prime-time schedule, increased revenue growth from CNBC and MSNBC, the Sydney Olympics and our ongoing investments in new media and Internet properties, NBC is looking forward to strong revenues and double-digit earnings growth again in 2000.

GE Capital Services

GE Capital Services is a widely diverse global group of 28 commercial and consumer financial services businesses that are united by a common set of values, a focus on growth centered around the key GE strategic initiatives, and a shared destiny: a General Electric Company preoccupied with customer success—an utterly "customer-centric" company.

That focus on customers spurred growth at a record level in 1999, as our businesses delivered $4.44 billion in net income, exceeded $345 billion in assets and expanded rapidly in high-growth areas of the globe—particularly Europe and Japan.

In Europe, where we had a minimal presence at the beginning of the decade, we exceeded $845 million in net income in 1999.

Japan is truly the land of opportunity. We invested nearly $10 billion there over the past two years and are now well positioned for the recovery in that nation's $1.4 trillion economy. Already, GE Capital brings a diverse array of innovative products and services—from credit cards and life insurance to equipment leasing and vehicle fleet management—to Japanese consumers and businesses, and we have a robust deal pipeline in place feeding countless new business platforms. GE's excellent, century-old reputation in the region, built by its industrial businesses, has been extremely helpful as our financial services businesses move into the enormous new opportunities that are opening daily.

Wherever we are in the world, GE Capital is applying Six Sigma Quality to transform the way we work and interact with customers. That focus on quality delivered over $400 million in net income in 1999. And as we strive to help our customers really feel our quality initiative, we are helping to enhance their operations as well.

Seated from left: Denis J. Nayden, President and Chief Executive Officer, GE Capital Corporation; Nigel D. T. Andrews, Executive Vice President; and Michael A. Neal, Executive Vice President. ***Back row:*** Dennis D. Dammerman, Chairman and Chief Executive Officer, General Electric Capital Services, Inc., and Vice Chairman and Executive Officer, General Electric Company; Edward D. Stewart, Executive Vice President, GE Capital, and President and Chief Executive Officer, GE Card Services; and James A. Parke, Executive Vice President and Chief Financial Officer.

Another key contributor to success during the year was the intensified focus on operational excellence, in particular taking advantage of the talent and intellectual capital in places like India and Mexico.

1999 brought one truly revolutionary change to GE Capital: the full-throttle launch into the world of e-Business. The almost limitless economic potential of e-Business captivated and exhilarated our associates, whose waking hours are mostly spent in the pursuit of ways to grow and serve customers.

E-Business is reinventing our traditional businesses, intensifying our quest for new business models while opening up seemingly endless vistas of virgin market opportunity. Six Sigma will help us deliver error-free products and fulfillment.

Weaving customer focus with the power of the Internet, our team conceived and launched entirely new approaches to customer productivity, primarily via the Web. GE Small Business Solutions, and its interactive Web site, www.GEsmallbusiness.com, provides easy access to products and services from 10 GE Capital businesses to the vast small business marketplace.

For consumers, GE Capital created the GE Financial Network (www.gefn.com), a Web site that helps individuals manage their finances, as well as the GE Center for Financial Learning, an educational Web site featuring online courses and practical advice from financial industry experts.

We also capitalized on the dynamic e-Business arena by making more than 60 strategic equity Internet investments in Web-related and Web-enabling businesses in 1999.

Growth has been the oxygen of GE Capital's businesses for decades. And with the blossoming of these General Electric initiatives, we find ourselves on the threshold of opportunities in the coming century that may well go far beyond anywhere we've been in our dreams.

Employers Reinsurance Corporation

David L. Calhoun
Chairman, President and Chief Executive Officer, Employers Reinsurance Corporation

Employers Reinsurance Corporation reinsures primary insurers, enabling them to spread their risk of loss and increase their capacity to accept more and larger accounts.

Reinsurance customers seek financial strength, stability, and a relentless focus on customer benefit. These attributes have permitted ERC, founded in 1914, to move into the top ranks of global leaders in the industry. In 1999, we took advantage of a shifting market to accelerate change through acquisitions, e-Business, revitalized leadership and core GE disciplines.

The integration of the former Kemper Reinsurance Company—now GE Reinsurance—gives us a leadership position in the growing North American broker reinsurance business. We have bolstered our presence among London reinsurers by adding the Eagle Star Re business. The Medical Protective Company acquisition has given us a more complete set of solutions to offer hospitals, physicians and other key customers. These changes build on two core strengths: a results-oriented, respected underwriting team experienced in weathering industry cycles, and Triple A-rated financial security.

Our primary insurance clients are suffering through a tough competitive environment. Rates in most lines declined throughout the latter half of the '90s. Then, suddenly, global losses—especially in property—piled up in 1999 at extraordinary levels.

As a reinsurer, we feel the same pressures. Our major losses in 1999 were three times greater than in any of the prior three years, largely as a result of global catastrophes. In such extraordinary times, our clients rely even more on our financial security; but in the end, these disasters resulted in lower earnings compared with 1998.

We are leading change as risks grow and evolve throughout the world. We are collaborating with clients to create new, innovative ways to solve their risk needs, through integrated insurance products like our Hercules℠ program for healthcare institutions, new protections for merging companies and experience-sensitive commission plans.

Our team is increasingly committed to GE's limitless learning culture and best practices, including Six Sigma. The central business mission of a reinsurer is helping customers manage variation. Six Sigma fits that mission like a glove.

Historically, we used our balance sheet and underwriting support to serve customers, but today Six Sigma is helping us attack inefficiencies and to sharpen our customers', and our own, underwriting disciplines.

Employers Reinsurance Corporation is a strong, leading player in a marketplace poised for change, helping our clients succeed.

Employers Reinsurance Corporation *continues its expansion into Asia-Pacific markets. ERC Australia is a major reinsurer for the Sydney Opera House, a landmark structure shown here lit in Olympic colors in preparation for the Olympics in September of 2000. Our sister business, NBC, will be the exclusive U.S. broadcaster of the games.*

Medical Systems

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

GE Medical Systems delivered record financial results in 1999, with revenue and earnings growth exceeding 25%. Even more satisfying has been the continued transformation in how we serve our customers.

The healthcare market has never been more exciting than today. New diagnostic technologies are driving unprecedented growth in imaging procedures, while our customers are looking for partners who can deliver clinical quality, productivity solutions and information integration. GE Medical Systems is particularly well positioned because of the technical edge its products hold, as well as the intense customer focus that characterizes the entire organization.

Six Sigma Quality has transformed this business. We introduced seven products in 1999 using Design for Six Sigma (DFSS), with more than 20 to be released in 2000. These products are different—they capture customer and patient needs better and can be brought to market faster than ever before. An example is our GE Signa® Open Speed™, which offers the best-ever image quality in an Open MRI. We will sell more than two billion dollars worth of DFSS products by the end of 2000. In 2000, we will really take Six Sigma "to the customer" by completing 800 Six Sigma projects with customers to reduce variation in healthcare delivery.

Globalization is really about two simple ideas—being number one with the customer everywhere in the world and leveraging "every global brain" to develop competitive products. We are building strong market leadership in the Americas and have achieved a number one position in Asia and rapid growth in Europe. We are drawing upon the intellectual capital of GE Medical Systems locations in India, China, Israel and Hungary, and we will design more than 20 new products in these regions.

Much of our growth is fueled by services. We have transformed our multibillion-dollar services business beyond traditional maintenance to become a productivity partner with our customers. Our PathSpeed™ PACS product is the fastest-growing radiology information system in the industry, and our Catalyst™ cardiovascular information system is the first to simultaneously capture images and information for cardiologists.

The Internet will revolutionize healthcare, and GE Medical Systems is leading the way. We have launched a complete suite of e-Services offering online education, productivity tools, image management, clinical content and transactions. GE Medical Systems' breadth and capability will give our customers excellent fulfillment in the e-Business world.

Acquisitions have improved our ability to meet customer needs. Acquisitions in 1999 included OEC Medical Systems, which extends our reach in interventional procedures, and Applicare, an innovative supplier of Web-based archiving and imaging services. In addition, we announced our agreement to acquire MECON, a leader in healthcare data mining.

GE Medical Systems' success is a product of our ability to attract great people who want to do leading-edge work. Our team is the best in the world, and we are more committed than ever to our customers and their success.

GE Medical Systems' *LOGIQ 700 Expert Series System represents the latest breakthrough in ultrasound imaging. The Six Sigma-designed LOGIQ 700 Expert Series combines Digitally Encoded Ultrasound with unsurpassed processing power and innovative system capabilities to provide physicians with images of astonishing detail.*

Global Consumer Finance

David R. Nissen
President and Chief Executive Officer,
Global Consumer Finance

Among GCF products *is a store card for the famous London department store, Harrods.*

Global Consumer Finance (GCF) is one of GE's fastest growing businesses. Launched just seven years ago, GCF has built the largest international consumer finance company in the world, with more than $35 billion in assets and over 20,000 employees. Net income for the past five years has increased over 60% annually, and profit more than doubled in 1999.

A major part of GCF's success has been its international acquisition process. Over 100 people are dedicated to originating deals, conducting due diligence, negotiating contracts and integrating new companies. GCF's most recent acquisition is the AVCO Financial Services business in Australia and New Zealand. Here consumers can obtain a wide range of personal loans and insurance products through 160 branches. In 1999, GCF also acquired platforms in Romania, Argentina and Slovakia.

Across the globe, GCF is providing financial services to over 35 million consumers in 31 countries.

In Japan, GCF's customers can get a loan in minutes at one of 500 automatic loan machines, while making their monthly payments at various locations, including convenience stores nationwide.

In Denmark, over a third of our customers apply for loans on the Internet.

In India, a bankcard joint venture with the State Bank of India used Six Sigma Quality tools to sign 200,000 card holders during its first year of operation.

GCF operates an integrated global business linked by Six Sigma methodologies and measurements. Centralized experts in areas such as acquisition, integration, database marketing and systems technology serve all of the operating units. Strong leaders in the field, all but one of whom is a local national, bring decision-making close to the customer. Rotational global assignments help build a pipeline of future leaders.

Boundaries in the world of global financial services are disappearing rapidly. GCF is the only business in GE that operates entirely outside the U.S. Its exclusive international focus has kept it in touch with global market trends. The European Economic and Monetary Union is creating a single currency for what will be the world's second-largest economy after the United States. Japan is rapidly deregulating its financial services industry. The Internet is breaking down distribution barriers around the globe, with new financial services competitors emerging almost daily. Consumers in many developing markets are getting their first chance to finance their dreams. In this rapidly changing environment, GCF has established market positions and capabilities for continued long-term success.

GE Equity

Michael E. Pralle
President and Chief Executive Officer,
GE Equity

GE Equity, General Electric's primary equity investing business, typically makes strategic and financial investments of between $5 million and $20 million. While we make a variety of investments, we focus primarily on mid-market companies that relate to GE's business activities.

1999 was a successful year for us. With our investments in e-Business-related companies, we realized significant capital gains, and for the third year in a row, we achieved net income growth in excess of 100%. GE Equity also invested a record $1.5 billion as our portfolio grew to $5 billion and 250 companies around the world. That portfolio is diversified across commercial and industrial businesses, financial services, medical and healthcare, technology, consumer and media companies. It is also geographically diverse, with about 70% invested in the U.S. and 30% in Europe, Asia and Latin America.

"Value transfers" are an important element of GE Equity's strategy, ensuring that both organizations—GE and the equity partner—benefit from an investment economically and in other important ways. Value transfers occur in four general categories:

First, by focusing on companies that provide GE access to new technologies and know-how, GE Equity takes advantage of synergies across the Company. GE Equity and GE Medical Systems together invested in R2 Technology, a business that developed software for better detection of breast cancer. As part of the investment, GE Medical Systems agreed its sales force would sell R2 software along with GE Medical Systems' digital mammography equipment. R2 gained access to GE's sales force, while GE gained access to a new and valuable technology.

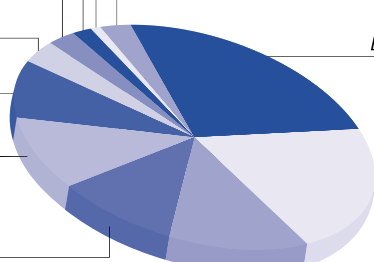
Second, GE Equity makes investments that provide our Company with access to new markets. Along with GE Capital Real Estate, GE Equity invested in AIMCO, the largest multi-family manager of properties in the U.S. This investment supports portfolio growth in lending to domestic real estate projects.

Another value transfer occurs when GE Equity invests in companies that help us leverage our spending. GE Equity invests, for example, in organizations where GE is providing significant outsourcing or revenue. In 1999, Mastech was one such company. Mastech, a leading software programmer with a strong presence in India, is working on Oracle development for GE. The investment benefits both companies on a variety of levels.

Finally, GE Equity invests specifically to give GE an important window on e-Business best practices. Examples include leading e-Business firms such as iXL, PROXICOM and Mainspring, all now part of a significant portfolio of investments that together are helping many GE businesses refine their Internet capabilities.

GE Equity is building on its strengths and will continue to invest in companies where value transfers are central to success.

GE Equity has co-investments with 30 GE businesses



Commercial Equipment Financing

Christopher H. Richmond
President and Chief Executive Officer,
Commercial Equipment Financing

Commercial Equipment Financing (CEF) is a diverse, global business that offers a wide variety of financing and equipment services to mid-market companies.

CEF enjoyed strong growth in 1999, with sales and earnings up more than 25%. CEF enjoyed significant growth in all parts of the business, including a

Japan Leasing Corporation *meets the capital investment needs of customers across Japan by leveraging the expertise of its staff, such as Tatsuya Tsukuda (above) of our Machine Tools Department.*

35% increase in net income from our European equipment businesses, as well as strong performances in the U.S., Canada and Mexico.

The acquisition of Japan Leasing in March 1999 opened a new frontier for us. Japan Leasing brought over $5 billion in assets and contributed significantly to earnings growth in 1999. Japan's equipment financing industry is second in size only to the U.S., and it is being transformed by deregulation, globalization and increasing foreign ownership. In leveraging CEF's asset management expertise, Japan Leasing is creating a new range of leasing services to maximize our customers' competitiveness in this environment.

Leveraging acquisitions is also reflected in the success we have had with facilities and franchise financing —expertise acquired through the 1998 acquisition of MetLife's leasing subsidiary. Combining facilities and equipment financing into one transaction often creates the optimal solution for our small and mid-sized customers.

Customer management and a passion to cross-sell products among our various marketing entities has helped us maintain a 25% annual growth rate in earnings over the past five years. Our market coverage is extremely broad—we provide equipment and facilities leasing and financing for small businesses to Fortune 100 companies worldwide. Our portfolio includes more than 90 differing collaterals, including trucks and trailers, corporate aircraft, as well as manufacturing, construction, medical and office equipment. Our end-user sales force focuses on customers who value our financial structuring skills and products.

E-Business is becoming a significant part of our sales activities as we go forward. We are a major fulfillment component of GEsmallbusiness.com, an aggregation of services GE provides to small business customers. Our aircraft, asset management and third-party businesses are also using the Web to quickly and efficiently meet our customers' ever-changing needs.

Over the past several years, a strong economy and fierce competition have put pressure on our margins. In response, we have successfully implemented a variety of capital markets products to improve our returns while continuing to serve our traditional customers.

We have experienced strong double-digit growth for the past 10 years and expect it to continue in the years ahead.

Sudarshan Allada (seated), *a Senior Engineer at Satyam-GE in Hyderabad, India, and Mallik Rachakonda, Chief Operating Officer, use the Web to evaluate a prototype of a DP Contactor against the model designed by the India Design Center. Engineers and suppliers can now collaborate 24 hours a day, seven days a week, on new product designs, delivering them to our customers faster and more cost-competitively.*

Industrial Systems

Lloyd G. Trotter
President and Chief Executive Officer,
GE Industrial Systems

1999 proved to be a major breakthrough year for GE Industrial Systems. This relatively "young" business—the result of combining the talents and assets of the former Electrical Distribution & Control and Industrial Control Systems businesses—drove strong double-digit improvements in earnings during its first full year of operation.

E-Business efforts accelerated across the business, and Power Management led the effort. It doubled online sales of its relays and Power Management products, largely by the use of configuration wizards to simplify transactions on our external Web site. Innovative features on our internal Web site are also changing the way we work. For example, WEB CITY™ was designed to bring together engineers from around the world to collaborate in real time on new product development. Working in this virtual environment means that engineers can share data, specifications and other critical information around the clock,

seven days a week, allowing us to tap into the best talent available globally while significantly reducing costs and cycle time for product innovation.

We continued to extend our global reach through acquisitions, joint ventures and investments in world-class production facilities, gaining access to new markets and products enabling growth. GE Power Controls, our European arm, fully integrated its GEC Alstom and AEG-NGEF low-voltage acquisitions in India and built two state-of-the-art manufacturing facilities in Ozd, Hungary, and Klodzko, Poland. The Shanghai GE Breakers Co., Ltd. and Shanghai GE Gaungdian Co., Ltd. joint ventures will produce a wide range of medium- and low-voltage circuit breakers and other products for the China and export markets. The Satyam-GE Design Center in India accelerated its staffing of high value-added engineers and is expected to double its personnel strength next year.

GE Fanuc Automation's acquisition of Total Control Products, Inc. will contribute significantly to both top and bottom line. That business unit also introduced its VERSAMAX™ single control product that offers customers modular and scalable architecture, intuitive features and unparalleled ease of use at competitive prices.

1999 was the year in which GE Industrial Systems positioned itself as a leading integrated source for delivering quality electrical and electronic systems, services and solutions to customers.

Lighting

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

GE Lighting made substantial progress in 1999, capitalizing on our past investments in globalization, accelerating our new product pipeline, and institutionalizing customer success and growth as our top priorities.

Improved results in our Quartz products business (driven by strong demand for semiconductors), combined with a recovery in our Asia operations and strong productivity throughout the business, have led to modestly improved financial performance for our business. This was also the year when customers, large and small, began to truly feel the positive effects of our Six Sigma Quality initiative. Survey results, internal statistics and top quality awards (from companies such as Grainger, Ford, Wal-Mart and Sainsbury's) confirmed that we are on the right track. But we believe we've only just begun.

In 1999, we increased our spending on new products by 50% and made several strategic investments to gain access to new technologies and products. In 2000, we will again significantly increase investment in new products.

We are also leading the charge on the Internet to accelerate the acceptance of our new lighting products and solutions. Product information, design and application specifications, and virtual house tours can highlight the features and benefits of our products and strengthen our connection to the customer.

Looking forward, the most exciting change is our focus on building a new growth strategy for GE's oldest business. Computer operators need efficient, low-glare lighting systems to work more productively. Businesses and communities need cost-effective, longer-life lighting to thrive. GE Lighting will provide it.

In 1999, we also continued to build on our strong tradition of productivity and Six Sigma Quality gains. These efforts translated directly into

Relighting the historic *"Chain Bridge" in Budapest, GE Lighting helped celebrate the bridge's 150th anniversary, the 120th anniversary of Edison's first light bulb, and the 10th anniversary of GE Lighting's acquisition of Tungsram Lighting in Hungary.*

$85 million of operating earnings, proving that what is good for our customers is good for us as well. We also expanded our overseas "Centers of Excellence" in Hungary, China and Mexico to expand our product development capability and low-cost capacity.

In 1999, we celebrated the 10-year anniversary of our Tungsram Lighting acquisition in Hungary that started our globalization initiative. Today, more than 35% of our revenues come from outside the U.S.

As we enter the new century, the Lighting business has never been better positioned to deliver exciting innovation and productivity to our customers.

Financial Assurance

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

GE Financial Assurance (GEFA) is a dynamic family of consumer insurance and investment businesses serving more than 20 million customers in 17 countries. GEFA was created in the mid-'90s through a series of strategic acquisitions. Since 1996, average annual income and production growth have exceeded 40%, and 1999 revenues topped $9 billion. Leading the way were our U.S. operations, where we grew new business broadly, with life insurance and annuity production up $3.3 billion, retirement income sales rising $2.3 billion and long-term care insurance increasing over 40%. Helping drive this growth is an expanding menu

GE Financial Assurance *can help you live the life you want. Whether you're saving for a college education, protecting the ones you love, or planning for retirement, you can benefit from GE's insurance and investment solutions at every life stage.*

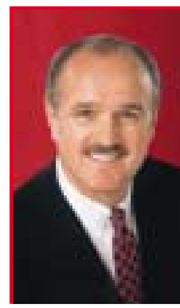
of offerings—including 30 new products introduced over the past year—and the strengthening of our brokerage, financial planner and direct distribution channels.

We continued to build GE's brand awareness in the insurance and investments area with several new media campaigns. We are also educating consumers about their personal financial needs. In addition to launching a Web site dedicated to explaining long-term care insurance (www.ge.com/longtermcare), we introduced GE Education Solutions℠, which offers mutual funds to help cover education costs and an advice service to assist with the entire academic planning process.

With a strong presence in the U.S., our global future looks bright as well. In late 1999, we announced expansion of our Japan subsidiary, GE Edison Life, which gained 1.6 million new policyholders from a restructured life company. When this transaction closes, GEFA's worldwide assets under management will reach $100 billion. The future looks equally bright in Europe. GE Life, Ltd. was launched in the U.K. to provide retirement services to the over-50 market, and we plan to expand other activities on the continent.

Looking ahead, we, like the rest of GE, are thrilled by the power of the Internet. Launching the GE Financial Network (www.gefn.com) is one example of our commitment. Here, consumers can access all of GE's consumer financial products online. Our business-to-business portals are another key thrust and will revolutionize how we work with our distribution partners. In a few short years, we have built a new and exciting company that consumers can trust over a lifetime—and the best is yet to come.

Appliances



Lawrence R. Johnston
President and Chief Executive Officer,
GE Appliances

1999 was a year of difficult operational performance and down earnings—a tough year. On the positive side, the financial resources of GE allowed us to continue heavy investment in product development, and by the end of the year, we were well positioned with some award-winning design appliances that are already generating acceptance and excitement among our customers.

The world of e-Business began to impact our business more significantly in 1999. As more and more customers and consumers beat a path to the Web, we began to invest more heavily in enhanced e-Business capabilities. Through innovative new technology, we were able to generate over

The truly remarkable, *new, award-winning GE Advantium oven is the latest innovation from GE Appliances. Advantium features breakthrough Speedcook technology that uses light to cook food perfectly up to eight times faster than conventional ovens, giving quality time back to busy families.*

$2 billion in annual e-Business-to-business volume. In addition, equity positions were taken in BuildNet.com and ImproveNet.com to strengthen our position in the builder and remodeling segments. In the retail channel, agreements were signed to supply Web content to over 1,500 direct-selling dealer Web sites, which have also added value to GE Appliances' traditional customer relationships. The release of CustomerNet 2.0 will now mean that more of our channel partners than ever before will be able to manage their business-to-business relationship with GE using the Web and also market to consumers much more effectively.

We continued to strengthen our position in Latin America, through our joint venture with Mexican appliance leader Mabe. In the U.S., we continue to grow our sales in the new construction market. This growth was driven heavily by the introduction of several exciting new products, coupled with industry-leading services in logistics, product distribution and consumer services.

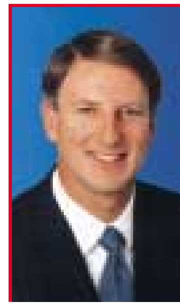
In an all-new product category, we launched, to rave reviews, the revolutionary GE Advantium™ oven with Speedcook technology. *Popular Science* named Advantium a Grand Award winner in its "Best of What's New" for 1999, recognizing that our new patented speedcooking technology prepares oven-quality food an average of four times faster than a conventional oven, saving consumers an average of 90 hours per year. Appliances collaborated with engineers from GE Lighting to develop halogen lamps for Advantium so reliable that they carry a 10-year guarantee.

In dishwashers, the breakthrough GE Triton™ was launched, providing consumers "the cleanest wash you never heard."™ Tests prove that these innovative new Triton dishwashers are the quietest in America. Demand for these new models has far exceeded expectations and has significantly increased GE share in the premium segment of the industry.

In cooking, our new Spectra™ range was successfully introduced, driving sales 25% higher than in 1998. In refrigeration, our new CustomStyle™ side-by-sides were launched, providing consumers with a fashionable built-in look without the expense.

Our agenda for 2000 is to get our operational act together and return to a growth trajectory, propelled by these innovative new appliances and the commitment of a team of 20,000 men and women around the world, who strive each day to deliver on the promise that GE brings good things to life!

Real Estate



Ronald R. Pressman
President and Chief Executive Officer,
GE Capital Real Estate

1999 was a big, double-digit year in earnings growth for GE Capital Real Estate as well as a year of strong productivity and record low delinquencies. But the big story for Real Estate was the "reinvention" of our business over the last 24 months that produced 1999's terrific results and the prospects for even greater success in the years ahead.

These changes included:

Creating a new capital markets enterprise. We saw an opportunity to meet institutional investors' growing demand for real estate. Using Six Sigma design tools, we created new fixed and floating rate loan products structured for institutional investors, to serve a new $50 billion per year real estate market financing opportunity. Since

GE Capital's commitment *to large, institutional quality transactions was firmly established by working with Holiday, Fenoglio, Fowler, L.P. to finance Blackstone Realty Advisor's $433 million acquisition of the Amoco building in Chicago.*

its launch in 1997, we've made almost $9 billion in loans for packaging and sale to institutional investors.

Redefining our core business. We recognized that our core structured finance skills—in-depth market research, portfolio management and disciplined underwriting—could also be applied to real estate investing. With partners across the U.S., we created joint venture equity programs and have invested in over 140 projects since 1997. Meanwhile, with a substantial increase in portfolio financings, our core structured lending business grew as well, with volume up 78% over 1998.

Globalizing. Acquisitions of real estate companies in France and Spain helped to fuel a global expansion in net earning assets. We also had exciting new growth elsewhere around the world, led by local teams in Mexico, Australia, Canada, the U.K. and Japan, with combined 1999 volume up 66%. Globalization has greatly diversified our portfolio, and operations outside the U.S. contributed 35% of total 1999 earnings.

We have revitalized our business and now have three balanced sources of income growth, with over 40% of 1999 income coming from products or market segments introduced in the last three years. We provide customers a broadened array of real estate financial services, are constantly anticipating their future needs and are continuously improving our product delivery processes.

We have what it takes to deliver well into the new century: a disciplined investment culture, Six Sigma quality, a commitment to e-Business leadership and the best people in the industry. Our passion to deliver results for customers has never been stronger.

Aviation Services

Henry A. Hubschman
President and Chief Executive Officer, GE Capital Aviation Services

For the team at GE Capital Aviation Services (GECAS), 1999 was another banner year. We delivered strong double-digit revenue and earning asset growth. GECAS customers took delivery of a record 45 new aircraft purchased from Boeing and Airbus and helped to finance another 130 aircraft. Even more importantly, GECAS established itself as much more than just the leading lessor of commercial aircraft. The GECAS team delivered on its pledge to be the world's premier aviation solutions provider, a pledge which, in the words of one of our customers, demands of us so much more than merely providing aircraft.

In 1999, we made significant progress on our commitment to help our customers meet their fleet and balance sheet objectives. For example, at China Eastern, one of the largest Chinese airlines, GECAS helped the airline reduce its short-term capacity, standardize its fleet around CFM-powered Airbus narrowbodies and generate hard currency. With Scandinavian Airlines System (SAS), we established a joint venture for the acquisition and management of 30 of the airline's narrowbody aircraft in which GECAS is providing the day-to-day administration and servicing of the aircraft portfolio. We initiated multi-party deals in which customers in Europe, Africa and the U.S. upgraded their fleets to new Boeing 767s, as we removed older 767s and placed them with other airlines. We also financed and leased aircraft being converted to cargo configuration in order to take advantage of the growing demand for freighters. GECAS also provided leveraged lease equity to facilitate the introduction of Canadair regional jets into a leading U.S. regional carrier.

As part of this effort to provide comprehensive solutions to our customers, we also introduced new product and service offerings, responding to our customers' need for high-value repairable spare parts financing and spare engine leasing. And finally, through our acquisition of a preeminent flight training facility in the U.K., and a subsequent agreement with Cathay Pacific, we are offering our customers a range of training capabilities worldwide. In each instance, the GECAS team understood that our challenge—our commitment—was to help our customers succeed. As we enter 2000, the GECAS team is confident that by helping our customers win, we will continue to prosper.

Among the aircraft *financed by GECAS in 1999 were 16 GE-powered Canadair Regional Jets for Mesa Airlines, a leading U.S. regional carrier.*

Mortgage Insurance

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

Through a relentless focus on customer partnerships, product innovations and the application of new technologies, GE Capital Mortgage Insurance (GEMICO) achieved record results in 1999, delivering yet another year of strong double-digit earnings growth. On the way to helping over 200,000 American families realize the dream of homeownership, we also made enormous progress on the exciting task of transforming our company into an e-Business leader.

While our core mission has not changed—we protect mortgage lenders and investors against the risk of default on home loans—the marketplace we compete in and the way we deliver our products are undergoing a dynamic transformation. The mortgage marketplace has never been larger. It has never been more competitive. Lender-customers today demand much more than simple risk protection. They need partners who can help them expand their market reach and profitability while driving low-cost consumer solutions.

By sharing and applying best practices from within GE, such as Six Sigma, we're delivering significant value to our lender-partners. The GE value equation and resources, including access to the GE training center, differentiates Mortgage Insurance from our competitors.

In 1999, we made dramatic strides in our e-Business transformation. We are now working to Web-enable all of our existing customer touch points while providing value-added services through GE's MI Connect℠ (www.GEmiconnect.com). More than 25% of our business now comes to us electronically—and it's growing. This means greater efficiency for our business and our lender-partners and, ultimately, better service and lower cost to the consumer.

In addition to "digitizing" our existing business lines, we continue to make strategic investments in companies like HomeStore.com, the leader in Internet real estate listings, and Lending Tree, a standout in the online mortgage origination business.

As we continue to contribute to the growing rate of homeownership in America, GEMICO also remains committed to creating new home-buying opportunities among those previously underserved by the mortgage industry. With the introduction of new products like CashSaver Advantage®, targeted at the first-time homebuyer, and important alliances with affordable housing advocates such as the National American Indian Housing Council and the National Congress for Community Economic Development, we continue to broaden our vision and expand our business in ways that are not always measured by the bottom line.

Our team is excited and highly motivated by the challenges and the opportunities we see awaiting our business in the new century. By continuing to take full advantage of the GE value equation, our focus in 2000 will be to strengthen our lender partnerships, expand our leadership in e-Business and continue to grow our customer base and business results.

Structured Finance Group

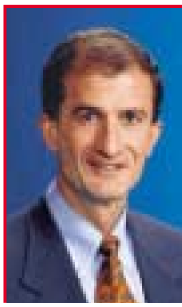
Robert L. Lewis
President and Chief Executive Officer,
Structured Finance Group

In 1999, GE Capital Structured Finance Group (SFG) achieved record levels of investment growth and a high return on equity, but saw a single-digit decline in earnings. For over 30 years, SFG has partnered with clients in the energy, telecommunications, transportation and industrial sectors, providing unique alternatives to their capital requirements. In the past five years alone, we have delivered over $8 billion in financing to our customers through leasing, project finance, equity and other tailored financial products.

Two key industries, telecommunications and energy, are faced with extraordinary challenges and opportunities fostered by deregulation, globalization and technical innovation. Growth in the telecommunications sector is driven by explosive demand for broadband data transmission fueled by the Internet and new cable and wireless applications. The annual capital requirements over the next five years are projected to be over $200 billion. Likewise, global energy markets are also projected to require more than $200 billion of annual investment over the first decade of the 21st century. The energy demands in developing countries, the privatization of electrical generation and the requirement for environmentally friendly sources of energy all fuel the need for this future investment. These significant financial requirements demand innovative and unique ways of providing capital—the hallmark of the Structured Finance Group.

Whether it's for the transportation, industrial, telecommunications or energy sectors, we couple GE's industry knowledge with financial expertise to deliver capital in creative ways. We enter this century with optimism founded on the enormous potential of our markets, the quality of our people, and the depth and reach of the General Electric organization.

Transportation Systems

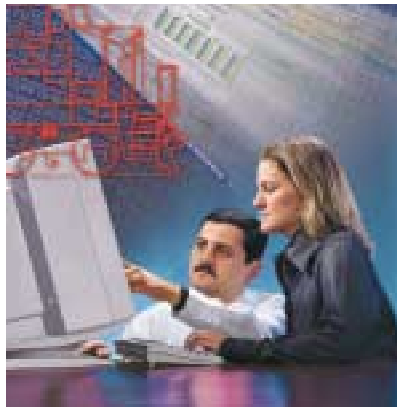


John G. Rice
President and Chief Executive Officer,
GE Transportation Systems

Transportation Systems had a terrific year in 1999—a record year that saw a full-throttle, three-shift, all-out team effort to produce a record 911 locomotives, as well as a double-digit increase in earnings. Customers have begun to feel some initial results from our Six Sigma efforts to improve reliability and performance in everything we do, although they are quick to point out—and we agree—that tomorrow's standard must be even higher.

This same year saw our business, one of GE's oldest, begin to redefine its future through important advances in both traditional and information-based services.

More than 70% of our locomotive orders this year included long-term service agreements, providing our



Remote monitoring and *diagnosis of locomotives as they are operating is a key technology for growth as railroads seek greater equipment availability and reliability. Pictured above are Aiman Abdel-Malek, Manager of Remote Monitoring and Diagnostics, and Nicole Bergquist, an engineer in the RM&D operation.*

customers with a predictable cost of ownership over the life-cycle of the equipment, as well as creating new revenue streams for the business that will help offset the inevitably cyclical locomotive order pattern. In addition to these agreements on new locomotives, CSX Transportation announced its intention to place its entire existing fleet of 1,450 GE locomotives under long-term service agreement with us.

To respond to changing demand, we extended our engineering operations to India, creating a global network to support service, traditional manufacturing and new product development.

It has become increasingly clear to us that the key to future growth—sustained and exciting growth—is to raise our vision upward once again, expanding beyond the standard servicing of locomotives and mining equipment to the information-based servicing of entire railroads and mining companies.

In 1999, we launched new software systems that will allow us to both determine the exact location of customer locomotives and rolling stock and allow our engineers to monitor a continuous live data stream on the operating performance of the locomotives—often thousands of miles away. This permits us to anticipate maintenance requirements and keep small problems from becoming big ones.

The remote diagnostic technology that originated from mammography research at GE's Corporate R&D Center is being developed for railroad applications with support from GE Medical Systems and Aircraft Engines—who use similar technology for "real-time" monitoring of CT scanners and jet engines. Our ultimate objective is to use hardware and software to keep locomotives operating in revenue service, increasing railroads' asset utilization and customer success.

Commercial Finance

Michael A. Gaudino
President and Chief Executive Officer,
Commercial Finance

Commercial Finance had another outstanding year. Since its inception in 1993 as a provider of secured loans to mid-sized U.S. companies, Commercial Finance has been one of the fastest-growing businesses within GE. During 1999, net income grew more than 60%. Assets were up 50% over 1998, positioning us for strong earnings in 2000.

Today, Commercial Finance is a global business, delivering customized, flexible credit facilities through customer-focused business segments.

Our success has been driven by a Six Sigma-based emphasis on customer needs, a relentless drive for productivity and uncompromising standards of risk management.

This past year was highlighted by several significant events. We acquired $4 billion of loans as part of a restructuring of The Long Term Credit Bank of Japan. We also participated in the recapitalization of the Thai economy through the acquisition of $2.2 billion in loans. This investment was developed using a truly unique approach to underwriting and collection of these assets, which will provide a blueprint that can easily be replicated in similar situations.

In the U.S., our lending business has never been stronger. Record volume was achieved throughout all our business segments. During 1999, we also developed GE Link™, an Internet-based product that will revolutionize the way we service accounts. Through use of this product, customers will derive the benefits of reduced costs and improved management information. It is another example of how GE value-added services provide customer value that transcends the conventional customer relationship.

We are indeed excited by the opportunity we have to continue our growth and to service customers in innovative ways. We are proud of our track record to drive growth through new and exciting activities, whether through global growth, new products or expansion into new markets. The entire Commercial Finance organization is energized by the prospect of this momentum continuing into the future.

Vendor Financial Services

Paul T. Bossidy
President and Chief Executive Officer,
Vendor Financial Services

Vendor Financial Services posted earnings growth of over 25% in 1999, with sales volume up almost 50%. Major new account wins in our core vendor financing business and a rapidly expanding trade payables financing business fueled our remarkable growth.

Vendor Financial Services creates and operates innovative private-label financing programs for a wide variety of equipment manufacturers and distributors. We provide financing to end users who purchase equipment from our manufacturer and distributor partners.

In January 1999, we announced a global financing alliance with Sun Microsystems, Inc., the world's leading supplier of industrial-strength hardware, software and services that power the Internet. In 1999, through Sun Microsystems Finance, we financed over $600 million of Sun sales in 15 countries. We expect volume in 2000 to be over $1 billion. A major expansion of our relationship with Lucent Technologies further advanced core growth in 1999. In September 1999, Lucent made us a financing partner for its data networking equipment business.

The explosive growth in the Internet is favorably impacting Sun and Lucent; both sell equipment that facilitates the speedy movement of data across the Web.

Our European Equipment Financing affiliate had a superb 1999. The ability to offer our global partners a full range of services throughout Europe is a significant competitive advantage. Our European capabilities were enhanced in 1999 as we entered the Swiss financing market with the purchase of Lisca AG.

We can sustain our success only with a relentless commitment to satisfying the needs of our manufacturer and distributor partners and their customers. Six Sigma quality is vital to this mission. Many members of our Six Sigma team are working directly with our partners on projects designed to improve their competitiveness. We are also using Six Sigma to speed up and simplify our key customer-facing internal processes.

1999 capped off a remarkable decade of growth for Vendor Financial Services. We are excited about the new decade and are confident that our success will continue.

Toshiba Business Solutions *is one of many dealers now using VFS's Web-based Lease Transaction Center to submit customer credit applications, check application status and review portfolio information, all in real time.*

GE in the Community

GE volunteers achieved a remarkable level of community service in 1999. Elfun, a 72-year-old organization of more than 40,000 active and retired GE employees, is keeping pace with the global spread of GE operations. In 1999, it established new chapters in Paris; the Czech Republic; Israel; Campinas, Brazil; Shanghai; and Bangalore, India.

In the U.S., responding to a challenge from General Colin Powell, GE committed itself to a "stretch" goal of one million hours per year of volunteer service to youth by April of 2000. In April of 1999, CEO Jack Welch announced to share owners that the GE Corporate Audit Staff had finished its review and that the Company had broken the one-million-hours-per-year level a full year ahead of schedule.

GE volunteers are increasingly active in the schools, playgrounds, museums, hospitals and other community facilities in the cities the Company calls home around the world.

In Louisville, GE volunteers like Jeri Perry help mentor middle school students by encouraging them to become mentors themselves to elementary school children.

Gary Allen and other GE volunteers built a Science Discovery Center at Louis Pasteur Elementary School in Cleveland. The Center teaches students about physics with fun experiments and projects.

Some of the 400 employees of the GE capacitor and power production plant in Fort Edward, New York, spent much of their summer cleaning up the Feeder Canal Park and scenic walkway for residents of the community.

Elfun of Hong Kong organized a tree-planting event at a national park. Participating in the event were 20 handicapped children. The community project helped improve the beauty of the park's hillside by planting young trees and shrubs.

Fifty-five volunteers from GE Lighting in Cleveland restored an old baseball field for neighborhood kids in East Cleveland in 1999.

On August 7, 1999, Elfun of India organized a painting competition for the children of Indira Camp — a camp in New Delhi for underprivileged children. Most of these children had never had an opportunity to participate in a competition of this kind before and were keen to make the most of the occasion. Elfun of India started functioning in January of 1999 in Delhi and has already completed several community projects.

Board of Directors *(As of February 11, 2000)*

Ann M. Fudge and Scott G. McNealy were named to the Board in 1999.

Ms. Fudge is an Executive Vice President of Kraft Foods, Inc., where she is President of Kraft's cereal and food division. She brings a wide range of consumer business experience, leadership, insight and judgment to the Board.

Mr. McNealy is Chairman of the Board and Chief Executive Officer of Sun Microsystems, Inc., a supplier of network computing solutions that he co-founded. His vision, entrepreneurial passion and candor will help GE's e-Business transformation.

Eugene F. Murphy retired as Vice Chairman and Executive Officer of GE after over 35 years of highly effective service to the Company and RCA. Prior to his serving GE as President and CEO of our Aircraft Engines and Aerospace businesses, he had served in senior executive positions with RCA before GE acquired that company in 1986.

Mr. Murphy epitomizes the first and most important of GE values: absolute integrity. His strength of character and uncompromising demand for the highest of standards in everything done by GE are his legacy to our Company and will remain a part of its culture.

The GE Board held eight meetings during 1999.

At the December meeting, the Directors voted to increase GE's quarterly dividend by 17%, from 35¢ to 41¢ per share, marking the 24th consecutive year of GE dividend increases. The Board also announced an increase in GE's current share repurchase authorization from $17 billion to $22 billion, which will allow the program to continue through the year 2002 at about $2 billion annually.

Board committees addressed a variety of matters during 1999.

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

The Finance Committee, in 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 eight meetings. Its activities included review of 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, in four meetings, reviewed the Company's operating plan and various operational matters.

The Public Responsibilities Committee, in two meetings, evaluated environmental and other public responsibility issues as well as activities of the GE Fund.

The Technology and Science Committee participated in one meeting at which it reviewed the GE Capital Services business.

Audit Committee

Gertrude G. Michelson, Chairman
Silas S. Cathcart
Roger S. Penske
Frank H.T. Rhodes
Andrew C. Sigler

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
Silas S. Cathcart
Gertrude G. Michelson
Roger S. Penske
Douglas A. Warner III

Operations Committee

Roger S. Penske, Chairman
James I. Cash, Jr.
Silas S. Cathcart
Dennis D. Dammerman
Paolo Fresco
Ann M. Fudge
Claudio X. Gonzalez
Andrea Jung
Kenneth G. Langone
Scott G. McNealy
Sam Nunn
John D. Opie
Andrew C. Sigler
Douglas A. Warner III

Public Responsibilities Committee

Sam Nunn, Chairman
John F. Welch, Jr., Vice Chairman
James I. Cash, Jr.
Dennis D. Dammerman
Ann M. Fudge
Claudio X. Gonzalez
Andrea Jung
Kenneth G. Langone
Scott G. McNealy
Gertrude G. Michelson
John D. Opie
Roger S. Penske
Andrew C. Sigler
Douglas A. Warner III

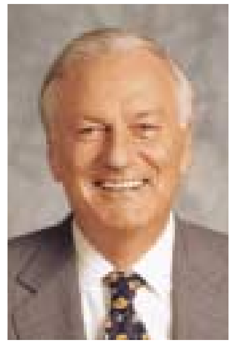
Technology and Science Committee

Frank H.T. Rhodes, Chairman
James I. Cash, Jr.
Paolo Fresco
John D. Opie
Roger S. Penske

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

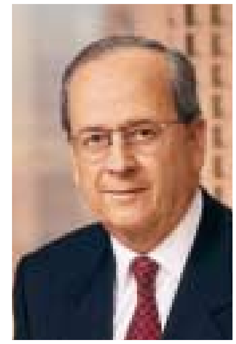
Silas S. Cathcart
Retired Chairman of the Board and Chief Executive Officer, Illinois Tool Works, Inc., diversified products, Chicago, Ill. Director 1972–1987 and since 1990.

Dennis D. Dammerman
Vice Chairman of the Board and Executive Officer, General Electric Company; and Chairman and Chief Executive Officer, General Electric Capital Services, Inc. Director since 1994.



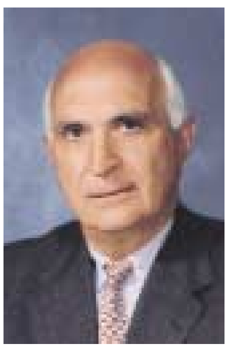
Paolo Fresco
Chairman of the Board, Fiat SpA, automotive and industrial products, Turin, Italy. Director since 1990.

Ann M. Fudge
President, Kraft's Maxwell House and Post Division, and Executive Vice President, Kraft Foods, Inc., food products, White Plains, N.Y. Director since 1999.



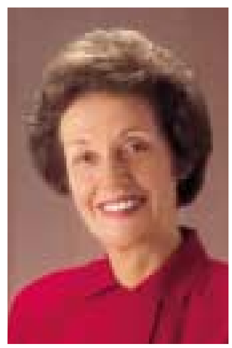
Claudio X. Gonzalez
Chairman of the Board and Chief Executive Officer, Kimberly-Clark de Mexico, S.A. de C.V., Mexico City, consumer and paper products. Director since 1993.

Andrea Jung
President and Chief Executive Officer, Avon Products, Inc., cosmetics, New York, N.Y. Director since 1998.



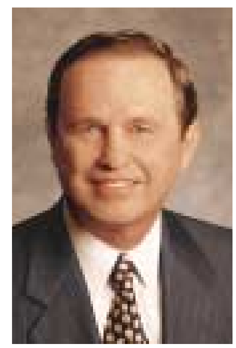
Kenneth G. Langone
Chairman, President and Chief Executive Officer, Invemed Associates, LLC, investment banking and brokerage, New York, N.Y. Director since 1999.

Scott G. McNealy
Chairman and Chief Executive Officer, Sun Microsystems, Inc., network computing solutions, Palo Alto, Calif. Director since 1999.

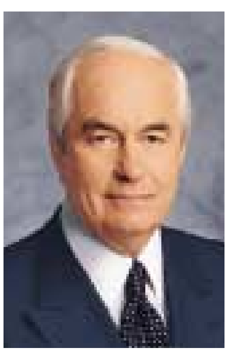


Gertrude G. Michelson
Former Senior Vice President – External Affairs and former Director, R.H. Macy & Co., Inc., retailers, New York, N.Y. Director since 1976.

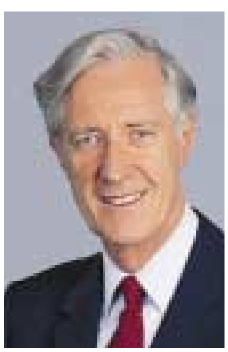
Sam Nunn
Former U.S. Senator from the State of Georgia and Partner, King & Spalding, law firm, Atlanta, Ga. Director since 1997.



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



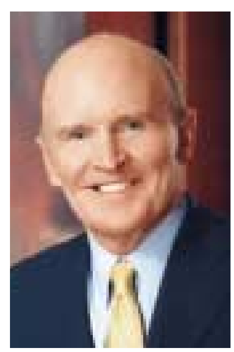
Roger S. Penske
Chairman of the Board, Penske Corporation, Penske Motorsports, Inc., Detroit Diesel Corporation and Penske Truck Leasing Corporation, transportation and automotive services, Detroit, Mich. Director since 1994.



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 11, 2000)*

Senior Executive Officers

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

Dennis D. Dammerman
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

Lewis S. Edelheit
Senior Vice President,
Research and Development

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

Gary M. Reiner
Senior Vice President and
Chief Information Officer

Keith S. Sherin
Senior Vice President,
Finance, and Chief Financial
Officer

Corporate Staff Officers

Philip D. Ameen
Vice President and Comptroller

Charlene T. Begley
Vice President, Audit Staff

James R. Bunt
Vice President and Treasurer

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

Beth Comstock
Vice President, Corporate Communications

Pamela Daley
Vice President and Senior Counsel,
Transactions

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

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

Joyce Hergenhan
Vice President; President, GE Fund

Steven Kerr
Vice President, Leadership Development

Robert E. Muir, Jr.
Vice President, Executive Development

John H. Myers
Chairman and President, GE Investment
Corporation

Robert W. Nelson
Vice President, Financial Planning
and Analysis

Stephen M. Parks
Vice President, Taxes–Europe

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

Mark L. Vachon
Vice President, Corporate Investor
Communications

Piet C. van Abeelen
Vice President, Six Sigma Quality

Susan M. Walter
Vice President, Government Relations

Operating Management (As of February 11, 2000)

Aircraft Engines

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

Corbett D. Caudill
Vice President, Engineering

Charles L. Chadwell
Vice President, Commercial Engines

Marc A. Chini
Vice President, Human Resources

Herbert D. Depp
Vice President, Marketing and Sales

John J. Falconi
Vice President, Finance and Information Technology

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

George R. Oliver
Vice President, Supply Chain Division

Russell F. Sparks
Vice President, Military Engines

William J. Vareschi
Vice President, Engine Services

Lorraine A. Bolsinger
Vice President, Product Management

Kenneth M. Fisher
Vice President, Finance

Theodore H. Torbeck
Vice President, Operations

Medical Systems

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

Scott C. Donnelly
Vice President, Global Technology

Patrick Dupuis
Vice President, Finance and Financial Services

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

Reinaldo A. Garcia
President and Chief Executive Officer, GE Medical Systems–Europe

S. Omar Ishrak
Vice President, Global Ultrasound

Gregory T. Lucier
Vice President, Global Services

Paul J. Mirabella
Vice President, Americas

James S. Shepard
Vice President, U.S. Service

J. Keith Morgan
Vice President and General Counsel

Marc A. Onetto
Vice President, Global Manufacturing

Power Systems

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

Ricardo Artigas
Vice President, GE Energy Services

Ernest H. Gault
Vice President, Technical Services

James N. Suciu
Vice President, Sales

Francis S. Blake
Vice President, Business Development

Stephen B. Bransfield
Vice President, Global Supply Chain Management

Jon A. Ebacher
Vice President, Power Generation Technology

Elizabeth K. Lanier
Vice President and General Counsel

Mark M. Little
Vice President, Energy Products

John C. Loomis
Vice President, Human Resources

Thomas P. Saddlemire
Vice President, Finance

Claudi Santiago
President and Chief Executive Officer, GE Nuovo Pignone

Pier Luigi Ferrara
Deputy Chief Executive, GE Nuovo Pignone

Steven R. Specker
Vice President, Nuclear Energy

Richard R. Stewart
President, S&S Energy Products

Delbert L. Williamson
President, Global Sales

Industrial Systems

Lloyd G. Trotter
President and Chief Executive Officer, GE Industrial Systems

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

M. Roger Gasaway
Vice President, Manufacturing

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

Mark T. Jamieson
Vice President, Finance

Richard L. Pease
Vice President, Industrial Systems Solutions

J. Jeffrey Schaper
Vice President, Sales

Robert D. Sloan
Vice President and General Counsel

Plastics

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

William F. Banholzer
Vice President, Global Technology

Jean M. Heuschen
Vice President and Managing Director, GE India Technology Center

Ferdinando F. Beccalli
Vice President, GE Plastics–Americas

Jeffrey S. Bornstein
Vice President, Finance

John M. Dineen
President, GE Plastics–Pacific

William P. Driscoll, Jr.
Vice President, GE Silicones

Matthew J. Espe
President, GE Plastics–Europe

Charles E. Crew, Jr.
Vice President, Commercial Operations

Arthur H. Harper
Vice President, Global Manufacturing

Peter Y. Solmssen
Vice President and General Counsel

William A. Woodburn
Vice President, GE Superabrasives

Lighting

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

Craig Arnold
President and Chief Executive Officer, GE Lighting–Europe

Kirk S. Hachigian
Vice President, GE Lighting–Asia-Pacific

Joseph E. Harlan
Vice President, Finance

Michael S. Idelchik
Vice President, Technology

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

John Krenicki, Jr.
Vice President, GE Lighting–Americas

Joseph S. Barranco
Vice President, Production

David J. Feldman
Vice President, Sales

David L. Pawl
President, GE Quartz, Inc.

NBC

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

Mark W. Begor
Executive Vice President and Chief Financial Officer

William L. Bolster
President, CNBC

Kassie Canter
Senior Vice President, Corporate Communications and Media Relations

Richard Cotton
Executive Vice President and General Counsel

Dick Ebersol
Chairman, NBC Sports and NBC Olympics

John W. Eck
President, Broadcast and Network Operations

Randel Falco
President, NBC Television Network; and Chief Operating Officer, NBC Olympics

James S. Ireland III
President, NBC Television Stations

Andrew R. Lack
President, NBC News

Russel Mayer
Senior Vice President, Information Technology, and Chief Quality Officer

Scott M. Sassa
President, NBC West Coast

Edward L. Scanlon
Executive Vice President, Employee Relations

Pamela Thomas-Graham
President and Chief Executive Officer, CNBC.com; and Executive Vice President, NBC

Martin J. Yudkovitz
President, NBC Interactive Media

David Zaslav
President, NBC Cable

Appliances

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President and Chief Executive Officer, GE Appliances

James P. Campbell
Vice President, Sales and Marketing

Joseph J. DeAngelo
Vice President, e-Business

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, Supply Chain

Operating Management *(Continued)*

Capital Services

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Chairman and Chief Executive Officer, General Electric Capital Services, Inc.; and Vice Chairman and Executive Officer, General Electric Company

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

James E. Mohn
President and Chief Executive Officer, Information Technology Solutions

James L. Robo
President and Chief Executive Officer, TIP/Modular Space

Richard F. Smith
President and Chief Executive Officer, Fleet Services

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

Nigel D. T. Andrews
Executive Vice President

Michael E. Pralle
President and Chief Executive Officer, GE Equity

Michael A. Neal
Executive Vice President

Paul T. Bossidy
President and Chief Executive Officer, Vendor Financial Services

Michael A. Gaudino
President and Chief Executive Officer, Commercial Finance

Daniel S. Henson
President and Chief Executive Officer, Auto Financial Services

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

Ronald R. Pressman
President and Chief Executive Officer, GE Capital Real Estate

Christopher H. Richmond
President and Chief Executive Officer, Commercial Equipment Financing

Edward D. Stewart
Executive Vice President, GE Capital Corporation; and President and Chief Executive Officer, GE Card Services

Charles Alexander
President and Managing Director, GE Capital–Europe

James A. Colica
Senior Vice President, Global Risk Management

Henry A. Hubschman
President and Chief Executive Officer, GE Capital Aviation Services

Robert L. Lewis
President and Chief Executive Officer, Structured Finance Group

Daniel H. Mudd
President and Chief Executive Officer, GE Capital–Japan

David R. Nissen
President and Chief Executive Officer, Global Consumer Finance

Maive F. Scully
Senior Vice President and Chief Financial Officer

Joseph E. Parsons
President and Chief Executive Officer, e-Business

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

David L. Calhoun
Chairman, President and Chief Executive Officer, Employers Reinsurance Corporation

Robert J. Dellinger
Executive Vice President and Chief Financial Officer

Robert Llamas
Senior Vice President, Human Resources

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

Thomas W. Casey
Chief Financial Officer

James A. Parke
Executive Vice President and Chief Financial Officer

William H. Cary
Vice President, Financial Planning and Analysis

Richard D'Avino
Vice President and Senior Tax Counsel

Steven F. Kluger
President and Chief Executive Officer, Capital Markets Services

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

Marc J. Saperstein
Senior Vice President, Human Resources

Transportation Systems

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

Information Services

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

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

GE Supply

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

International

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

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

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

John M. Sollazzo
Vice President, Human Resources–Japan

Licensing/Trading

Stuart A. Fisher
President and Chief Executive Officer, GE Licensing and GE Trading Company

Marketing and Sales

Thomas E. Cooper
Vice President, Washington Operations

Financial Section

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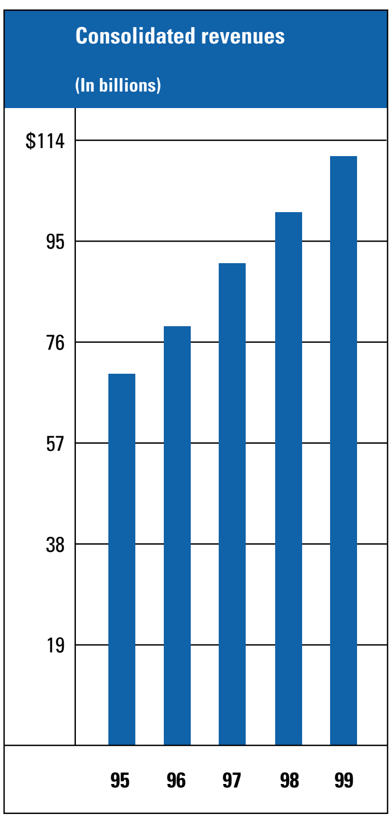
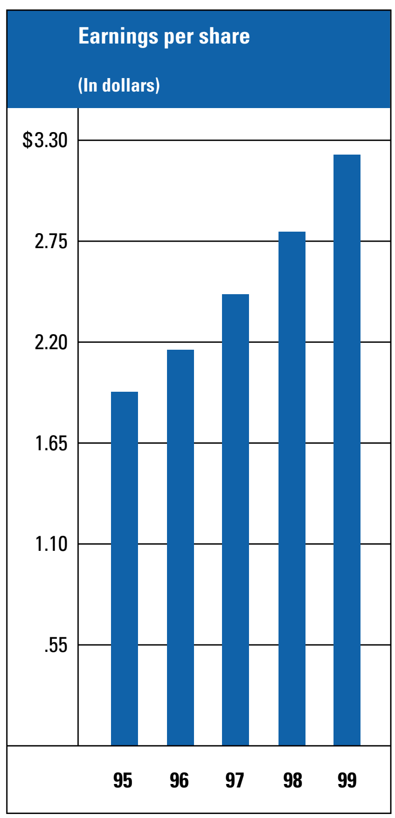
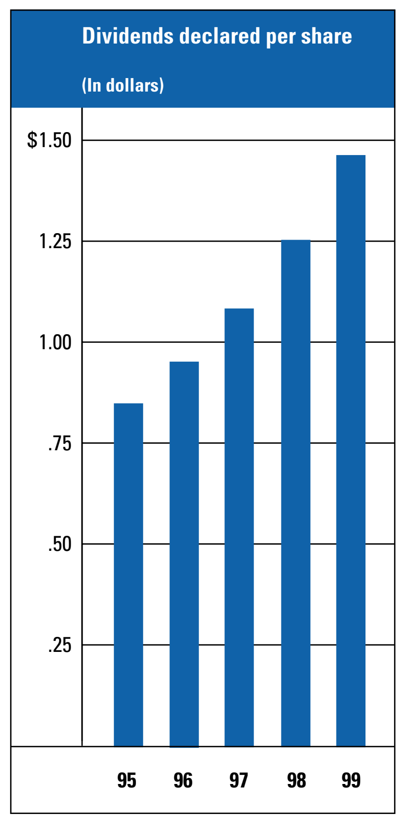






Statement of Earnings

For the years ended December 31 (In millions; per-share amounts in dollars)	General Electric Company and consolidated affiliates **1999**	1998	1997
Revenues			
Sales of goods	**$ 47,785**	$ 43,749	$ 40,675
Sales of services	**16,283**	14,938	12,729
Other income (note 2)	**798**	649	2,300
Earnings of GECS	**—**	—	—
GECS revenues from services (note 3)	**46,764**	41,133	35,136
Total revenues	**111,630**	100,469	90,840
Costs and expenses (note 4)			
Cost of goods sold	**34,554**	31,772	30,889
Cost of services sold	**11,404**	10,508	9,199
Interest and other financial charges	**10,013**	9,753	8,384
Insurance losses and policyholder and annuity benefits	**11,028**	9,608	8,278
Provision for losses on financing receivables (note 13)	**1,678**	1,609	1,421
Other costs and expenses	**27,011**	23,477	21,250
Minority interest in net earnings of consolidated affiliates	**365**	265	240
Total costs and expenses	**96,053**	86,992	79,661
Earnings before income taxes	**15,577**	13,477	11,179
Provision for income taxes (note 7)	**(4,860)**	(4,181)	(2,976)
Net earnings	**$ 10,717**	$ 9,296	$ 8,203
Per-share amounts (note 8)			
Diluted earnings per share	**$ 3.22**	$ 2.80	$ 2.46
Basic earnings per share	**$ 3.27**	$ 2.84	$ 2.50
Dividends declared per share	**$ 1.46**	$ 1.25	$ 1.08

Consolidated Statement of Changes in Share Owners' Equity

(In millions)	**1999**	1998	1997
Changes in share owners' equity			
Balance at January 1	**$ 38,880**	$ 34,438	$ 31,125
Dividends and other transactions with share owners (note 25)	**(4,632)**	(5,178)	(5,615)
Changes other than transactions with share owners			
Increase attributable to net earnings	**10,717**	9,296	8,203
Unrealized gains (losses) on investment securities—net (note 25)	**(1,776)**	264	1,467
Currency translation adjustments (note 25)	**(632)**	60	(742)
Total changes other than transactions with share owners	**8,309**	9,620	8,928
Balance at December 31	**$ 42,557**	$ 38,880	$ 34,438

The notes to consolidated financial statements on pages 56–76 are an integral part of these statements.

GE 1999	GE 1998	GE 1997	GECS 1999	GECS 1998	GECS 1997
$39,045	$36,376	$36,059	**$ 8,740**	$ 7,374	$ 4,622
16,600	15,170	12,893	**—**	—	—
856	684	2,307	**—**	—	—
4,443	3,796	3,256	**—**	—	—
—	—	—	**47,009**	41,320	35,309
60,944	56,026	54,515	**55,749**	48,694	39,931
26,578	24,996	26,747	**7,976**	6,777	4,147
11,721	10,740	9,363	**—**	—	—
810	883	797	**9,359**	8,966	7,649
—	—	—	**11,028**	9,608	8,278
—	—	—	**1,678**	1,609	1,421
7,732	7,177	7,476	**19,426**	16,426	13,893
179	117	119	**186**	148	121
47,020	43,913	44,502	**49,653**	43,534	35,509
13,924	12,113	10,013	**6,096**	5,160	4,422
(3,207)	(2,817)	(1,810)	**(1,653)**	(1,364)	(1,166)
$10,717	$ 9,296	$ 8,203	**$ 4,443**	$ 3,796	$ 3,256

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 34.

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

At December 31 (In millions)	General Electric Company and consolidated affiliates 1999	1998
Assets		
Cash and equivalents	**$ 8,554**	$ 4,317
Investment securities (note 9)	**81,758**	78,717
Current receivables (note 10)	**8,531**	8,224
Inventories (note 11)	**7,007**	6,049
Financing receivables (investments in time sales, loans and financing leases)—net (notes 12 and 13)	**137,629**	121,566
Other GECS receivables (note 14)	**29,708**	24,789
Property, plant and equipment (including equipment leased to others)—net (note 15)	**41,022**	35,730
Investment in GECS	**—**	—
Intangible assets—net (note 16)	**26,010**	23,635
All other assets (note 17)	**64,981**	52,908
Total assets	**$405,200**	$355,935
Liabilities and equity		
Short-term borrowings (note 19)	**$130,346**	$115,378
Accounts payable, principally trade accounts	**13,676**	12,502
Progress collections and price adjustments accrued	**4,618**	2,765
Dividends payable	**1,347**	1,146
All other GE current costs and expenses accrued (note 18)	**11,229**	9,788
Long-term borrowings (note 19)	**71,427**	59,663
Insurance liabilities, reserves and annuity benefits (note 20)	**86,776**	77,259
All other liabilities (note 21)	**28,772**	24,939
Deferred income taxes (note 22)	**9,238**	9,340
Total liabilities	**357,429**	312,780
Minority interest in equity of consolidated affiliates (note 23)	**5,214**	4,275
Accumulated unrealized gains on investment securities—net (a)	**626**	2,402
Accumulated currency translation adjustments (a)	**(1,370)**	(738)
Common stock (3,284,843,000 and 3,271,296,000 shares outstanding at year-end 1999 and 1998, respectively)	**594**	594
Other capital	**10,790**	6,808
Retained earnings	**54,484**	48,553
Less common stock held in treasury	**(22,567)**	(18,739)
Total share owners' equity (notes 25 and 26)	**42,557**	38,880
Total liabilities and equity	**$405,200**	$355,935

The notes to consolidated financial statements on pages 56–76 are an integral part of this statement.

(a) The sum of accumulated unrealized gains on investment securities—net and accumulated currency translation adjustments constitutes "Accumulated nonowner changes other than earnings," as shown in note 25, and was $(744) million and $1,664 million at year-end 1999 and 1998, respectively.

GE			GECS	
1999	1998		1999	1998
$ 2,000	$ 1,175		$ 6,931	$ 3,342
1,273	259		80,485	78,458
8,743	8,483		—	—
5,798	5,305		1,209	744
—	—		137,629	121,566
—	—		30,681	25,973
12,381	11,694		28,641	24,036
20,321	19,727		—	—
11,262	9,996		14,748	13,639
20,805	18,031		44,694	35,539
$ 82,583	$ 74,670		$ 345,018	$ 303,297
$ 2,245	$ 3,466		$ 129,259	$ 113,162
5,068	4,845		9,749	8,815
4,618	2,765		—	—
1,347	1,146		—	—
11,048	9,708		—	—
722	681		70,766	59,038
—	—		86,776	77,259
13,872	12,613		14,801	12,247
283	(250)		8,955	9,590
39,203	34,974		320,306	280,111
823	816		4,391	3,459
626	2,402		170	2,376
(1,370)	(738)		(384)	(215)
594	594		1	1
10,790	6,808		2,682	2,490
54,484	48,553		17,852	15,075
(22,567)	(18,739)		—	—
42,557	38,880		20,321	19,727
$ 82,583	$ 74,670		$ 345,018	$ 303,297

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 36.

Statement of Cash Flows

For the years ended December 31 (In millions)	General Electric Company and consolidated affiliates 1999	1998	1997
Cash flows—operating activities			
Net earnings	**$ 10,717**	$ 9,296	$ 8,203
Adjustments to reconcile net earnings to cash provided from operating activities			
Depreciation and amortization of property, plant and equipment	**4,908**	4,377	4,082
Amortization of goodwill and other intangibles	**1,783**	1,483	1,187
Earnings retained by GECS	**—**	—	—
Deferred income taxes	**1,502**	1,143	284
Decrease in GE current receivables	**143**	649	250
Decrease (increase) in inventories	**266**	150	(386)
Increase (decrease) in accounts payable	**820**	1,576	200
Increase in insurance liabilities and reserves	**4,584**	3,670	1,669
Provision for losses on financing receivables	**1,678**	1,609	1,421
All other operating activities	**(1,808)**	(4,593)	(2,670)
Cash from operating activities	**24,593**	19,360	14,240
Cash flows—investing activities			
Additions to property, plant and equipment	**(15,502)**	(8,982)	(8,388)
Dispositions of property, plant and equipment	**6,262**	4,043	2,251
Net increase in GECS financing receivables	**(13,088)**	(6,301)	(1,898)
Payments for principal businesses purchased	**(11,654)**	(18,610)	(5,245)
All other investing activities	**(8,197)**	(10,283)	(4,995)
Cash used for investing activities	**(42,179)**	(40,133)	(18,275)
Cash flows—financing activities			
Net increase in borrowings (maturities of 90 days or less)	**6,171**	16,881	13,684
Newly issued debt (maturities longer than 90 days)	**48,158**	42,008	21,249
Repayments and other reductions (maturities longer than 90 days)	**(27,539)**	(32,814)	(23,787)
Net purchase of GE shares for treasury	**(1,002)**	(2,819)	(2,815)
Dividends paid to share owners	**(4,587)**	(3,913)	(3,411)
All other financing activities	**622**	(114)	785
Cash from (used for) financing activities	**21,823**	19,229	5,705
Increase (decrease) in cash and equivalents during year	**4,237**	(1,544)	1,670
Cash and equivalents at beginning of year	**4,317**	5,861	4,191
Cash and equivalents at end of year	**$ 8,554**	$ 4,317	$ 5,861
Supplemental disclosure of cash flows information			
Cash paid during the year for interest	**$ (10,078)**	$ (9,297)	$ (8,264)
Cash paid during the year for income taxes	**(1,597)**	(2,098)	(1,937)

The notes to consolidated financial statements on pages 56–76 are an integral part of this statement.

GE			GECS		
1999	1998	1997	**1999**	1998	1997
$ 10,717	$ 9,296	$ 8,203	**$ 4,443**	$ 3,796	$ 3,256
1,735	1,761	1,622	**3,173**	2,616	2,460
584	531	407	**1,199**	952	780
(2,777)	(2,124)	(1,597)	**—**	—	—
655	594	(514)	**847**	549	798
190	520	215	**—**	—	—
(61)	69	(145)	**327**	81	(244)
104	199	237	**699**	1,673	(64)
—	—	—	**4,584**	3,670	1,669
—	—	—	**1,678**	1,609	1,421
616	(814)	889	**(2,131)**	(3,991)	(3,851)
11,763	10,032	9,317	**14,819**	10,955	6,225
(2,036)	(2,047)	(2,191)	**(13,466)**	(6,935)	(6,197)
—	6	39	**6,262**	4,037	2,212
—	—	—	**(13,088)**	(6,301)	(1,898)
(1,594)	(1,455)	(1,425)	**(10,060)**	(17,155)	(3,820)
(432)	477	483	**(7,823)**	(11,078)	(5,646)
(4,062)	(3,019)	(3,094)	**(38,175)**	(37,432)	(15,349)
(1,230)	1,015	809	**7,308**	16,288	13,594
558	509	424	**47,605**	41,440	20,825
(615)	(1,787)	(1,030)	**(26,924)**	(31,027)	(22,757)
(1,002)	(2,819)	(2,815)	**—**	—	—
(4,587)	(3,913)	(3,411)	**(1,666)**	(1,672)	(1,653)
—	—	—	**622**	(114)	785
(6,876)	(6,995)	(6,023)	**26,945**	24,915	10,794
825	18	200	**3,589**	(1,562)	1,670
1,175	1,157	957	**3,342**	4,904	3,234
$ 2,000	$ 1,175	$ 1,157	**$ 6,931**	$ 3,342	$ 4,904
$ (482)	$ (620)	$ (467)	**$ (9,596)**	$ (8,677)	$ (7,797)
(1,246)	(1,151)	(1,596)	**(351)**	(947)	(341)

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 38.

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 customers, including 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 LLP, independent auditors, provide an objective, independent review of management's discharge of its obligations relating to the fairness of reporting of operating results and financial condition. Their report for 1999 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 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

Keith S. Sherin
Senior Vice President, Finance, and Chief Financial Officer

February 4, 2000

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, 1999 and 1998, and the related statements of earnings, changes in share owners' equity and cash flows for each of the years in the three-year period ended December 31, 1999. 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 34–39, 44, and 56–76 present fairly, in all material respects, the financial position of General Electric Company and consolidated affiliates at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with generally accepted accounting principles.

KPMG LLP

KPMG LLP
Stamford, Connecticut

February 4, 2000

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 three parts: Consolidated Operations, Segment Operations and International Operations.

Consolidated Operations

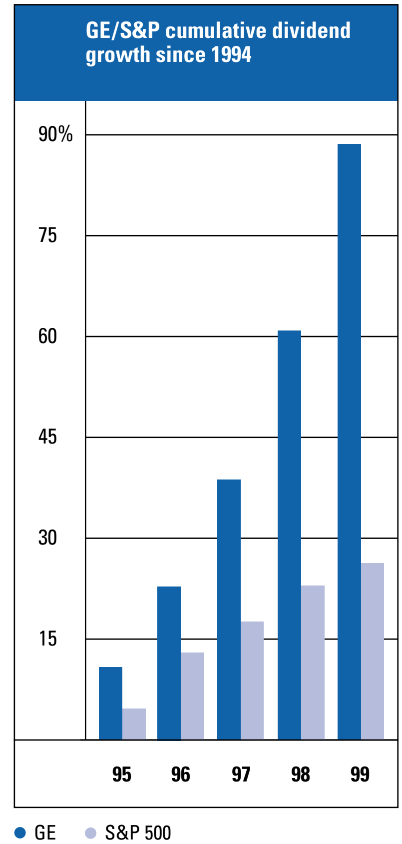
GE achieved record revenues, earnings and cash generation in 1999, reflecting continuing benefits of its globalization, product services, Six Sigma quality and e-Business initiatives.

Revenues rose 11% to a record $111.6 billion, as global activities and product services continued to grow. Revenues were $100.5 billion in 1998, an 11% increase from 1997 attributable primarily to increased global activities and higher sales of product services.

Earnings increased to a record $10,717 million, a 15% increase from $9,296 million reported in 1998. Earnings per share increased to $3.22 during 1999, up 15% from the prior year's $2.80. (Except as otherwise noted, earnings per share are presented on a diluted basis). Earnings in 1998 rose 13% from $8,203 million reported in 1997. In 1998, earnings per share increased 14% from $2.46 in 1997.

Two changes in accounting standards may affect future financial statements. The Financial Accounting Standards Board (FASB) has issued Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities (Statement 133)*, effective for GE and GECS on January 1, 2001. Upon adoption, all derivative instruments (including certain derivative instruments embedded in other contracts) will be recognized in balance sheets at fair value, and changes in such fair values must be recognized immediately in earnings unless specific hedging criteria are met. Changes in the values of derivatives meeting these hedging criteria will ultimately offset related earnings effects of the hedged items; effects of qualifying changes in fair value are to be recorded in equity pending recognition in earnings. Certain significant refinements and interpretations of Statement 133 are being deliberated by the FASB, and the effects on accounting for GE and GECS financial instruments will depend to some degree on the results of such deliberations. Management has not determined the total probable effects on its financial statements of adopting Statement 133 and does not believe that an estimate of such effects would be meaningful at this time.

The FASB has also proposed new accounting for business combinations that, among other things, would change the accounting for and display of goodwill and other intangibles recorded in business acquisitions for transactions after January 1, 2001. An important aspect of the proposal is that goodwill amortization would be displayed as a separate element in the Statement of Earnings, net of applicable income taxes, and related per-share effects could be displayed. Management believes that this proposal represents a useful approach to understanding financial performance but believes that the utility of this information would be materially enhanced if the proposed approach for goodwill were applied to all intangible assets acquired with a business. On this preferred basis, GE would have reported earnings per share before amortization of goodwill and acquired intangibles of $3.63 in 1999, an increase of 16% over $3.14 in 1998, which was 15% higher than $2.73 in 1997.



Dividends declared in 1999 amounted to $4,786 million. Per-share dividends of $1.46 were up 17% from 1998, following a 16% increase from the preceding year. GE has rewarded its share owners with 24 consecutive years of dividend growth. The chart above 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 26.8% in 1999, up from 25.7% and 25.0% in 1998 and 1997, respectively.

Except as otherwise noted, the analysis in the remainder of this section presents GE results with GECS on an equity basis.

GE total revenues were $60.9 billion in 1999, compared with $56.0 billion in 1998 and $54.5 billion in 1997.

- GE sales of goods and services were $55.6 billion in 1999, an increase of 8% from 1998, which in turn was 5% higher than in 1997. Volume was about 10% higher in 1999, reflecting growth across all businesses during the year, led by strong double-digit increases at Medical Systems and Power Systems. While overall selling prices were down slightly in 1999, the effects of selling prices on sales in various businesses differed markedly. Revenues were also negatively affected by exchange rates for sales denominated in currencies other than the U.S. dollar. Volume in 1998 was about 8% higher than in 1997, with selling price and currency effects both slightly negative.

  For purposes of the financial statement display of GE sales and costs of sales on pages 34 and 35, "goods" is required to include sales of tangible products, and "services" must include all other sales, including broadcasting and information services activities. An increasingly important element of GE sales includes both spare parts (goods) as well as repair services—sales referred to by management as "product services." Sales of product services were $14.4 billion in 1999, a 14% increase over 1998. All businesses reported increases in product services revenues, led by double-digit increases at Medical Systems, Aircraft Engines and Power Systems. Operating margin from product services was approximately $3.2 billion, up 16% from 1998. The increase reflected improvements in all product services businesses and was led by double-digit growth at Aircraft Engines and Medical Systems.

- GE other income, earned from a wide variety of sources, was $0.9 billion in 1999, $0.7 billion in 1998 and $2.3 billion in 1997. Comparisons over the three-year period are affected by certain gains in 1999 and 1997. A pre-tax gain of $388 million was recognized in 1999 as a result of the contribution of certain of NBC's internet assets to NBC Internet (NBCi), a newly formed publicly traded Internet company, in exchange for a noncontrolling interest in NBCi. The gain was reduced by $62 million of related operating losses from the non-consolidated contributed Internet properties, resulting in incremental revenue of $326 million from the transaction. In 1997, a $1,538 million after-tax gain was realized from the exchange of preferred stock in Lockheed Martin Corporation for the stock of a newly formed subsidiary. See note 2 for further information.

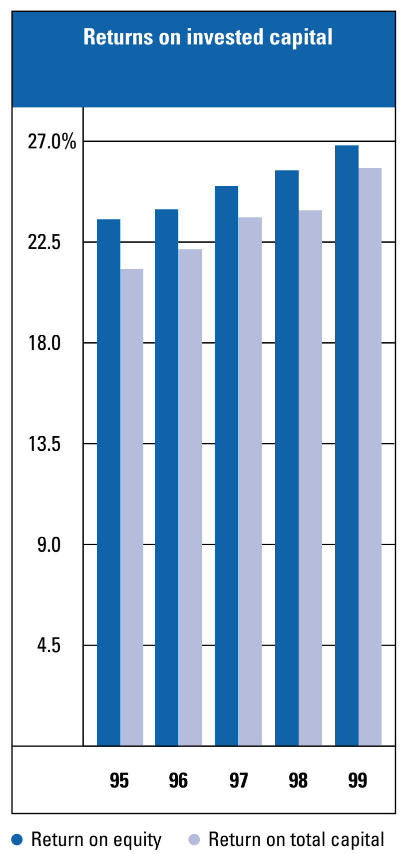
- Earnings of GECS were up 17% in 1999, following a 17% increase the year before. See page 46 for an analysis of these earnings.

Principal costs and expenses for GE are those classified as costs of goods and services sold, and selling, general and administrative expenses. The Six Sigma quality initiative is an important factor affecting GE's cost structure. The benefits of Six Sigma quality are reflected in both variable and base cost productivity (discussed on page 43) as well as in lower direct material costs. Another important initiative is e-Business, a broad-based program under which GE is investing in Internet businesses, as well as internal infrastructure hardware and software that will enable its businesses to conduct a growing portion of their business over the Internet. The benefits expected from the e-Business initiative include improved customer service, expanded product and service offerings and increased operating efficiency for both GE and its customers.

Principally because of the funding status of the GE Pension Plan (described in note 5) and other benefit plans (described in note 6), principal U.S. postemployment benefit plans contributed cost reductions of $1,062 million and $703 million in 1999 and 1998, respectively. The present funding status provides assurance of benefits for participating employees, but future effects on operating results depend on economic conditions and investment performance.

The discussion that follows provides additional information about certain unusual charges that are included in costs and expenses for 1999 and 1997 and are relevant to comparisons of costs over the three-year period.

Costs and expenses in 1999 included $326 million of unusual charges, the largest of which resulted from fourth-quarter



developments affecting liabilities associated with past activities at former manufacturing sites that are not part of any current business segment. Other significant components of unusual charges included amounts described on page 45 for NBC and costs for rationalizing certain operations and facilities of GE's worldwide industrial businesses. Major elements of the restructuring program included costs for employee severance, lease termination, dismantlement and site restoration.

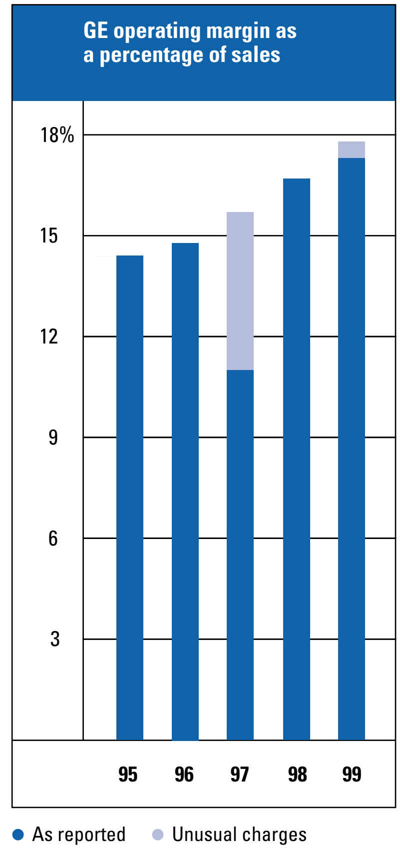
In 1997, restructuring charges were recognized amounting to $1,243 million that covered costs of plans to rationalize certain production, service and administration activities of GE's worldwide industrial businesses. Principal actions required under those plans were complete by the end of 1999. Other 1997 special charges, which amounted to $1,079 million, were principally associated with strategic decisions that enhanced the long-term competitiveness of certain industrial businesses and fourth-quarter 1997 developments affecting liabilities associated with past activities at former manufacturing sites that were not part of any current business segment.

Operating margin is sales of goods and services less the costs of goods and services sold, and selling, general and administrative expenses. GE's reported operating margin was 17.3% in 1999, net of unusual charges discussed above. GE's ongoing operating margin (before such charges) reached a record 17.8% of sales, up from last year's 16.7% and 15.7% in 1997, on a comparable basis. GE reported operating margin of 11.0% of sales in 1997. The improvement in ongoing operating margin in 1999 was broad-based, with improvements in a majority of GE's businesses reflecting 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 the significant improvement in GE's ongoing operating margin. Total cost productivity in 1999 was 4.2%, reflecting benefits from improvements in variable cost productivity achieved through the Six Sigma quality initiative. Most businesses achieved improvements in variable cost productivity in excess of 4%. Total cost productivity was 4.4% in 1998, reflecting Six Sigma quality benefits as well as higher volume. In 1998, three businesses—Medical Systems, Power Systems and NBC—achieved productivity in excess of 5%. The total contribution of productivity in the last two years offset not only the negative effects of total cost inflation, but also the effects of selling price decreases.

GE interest and other financial charges in 1999 amounted to $810 million, compared with $883 million in 1998 and $797 million in 1997. The decrease in 1999 was attributable to the combination of lower average interest rates on debt and lower average levels of borrowings during the year. The increase in 1998 reflected higher average levels of borrowings and other financing activities, which more than offset the effect of lower interest rates.

Income taxes on a consolidated basis were 31.2% of pretax earnings in 1999, compared with 31.0% in 1998 and 26.6% in 1997. The most significant factor explaining the lower effective tax rate in 1997 was a 4.8% decrease attributable to the realized gain on the tax-free exchange of Lockheed Martin Corporation preferred stock. 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 provided in note 7.



Segment Operations

Revenues and segment profit for operating segments are shown on page 44. For additional information, including a description of the products and services included in each segment, see note 28.

Aircraft Engines reported a 3% increase in revenues in 1999, reflecting higher volume in product services. Operating profit increased 19% in 1999 as a result of productivity and growth in product services. Revenues, including acquisitions, increased 32% in 1998 as volume in commercial engines and product services increased. Operating profit increased 30% in 1998 with strong growth in product services as well as good volume growth in commercial engines.

In 1999, $1.6 billion of Aircraft Engines revenues were from sales to the U.S. government, about the same as in 1998, which was $0.1 billion higher than in 1997.

Summary of Operating Segments

For the years ended December 31 (In millions)	1999	1998	1997	1996	1995
	General Electric Company and consolidated affiliates				
Revenues					
GE					
Aircraft Engines	**$ 10,558**	$ 10,294	$ 7,799	$ 6,302	$ 6,098
Appliances	**5,671**	5,619	5,801	5,586	5,137
Industrial Products and Systems	**11,555**	11,222	10,984	10,401	10,209
NBC	**5,790**	5,269	5,153	5,232	3,919
Plastics	**6,941**	6,633	6,695	6,509	6,647
Power Systems	**10,046**	8,466	7,915	7,643	6,962
Technical Products and Services	**6,863**	5,323	4,861	4,700	4,430
Eliminations	**(1,542)**	(1,367)	(1,176)	(1,032)	(1,082)
Total GE segment revenues	**55,882**	51,459	48,032	45,341	42,320
Corporate items (a)	**619**	771	3,227	1,407	1,446
GECS net earnings	**4,443**	3,796	3,256	2,817	2,415
Total GE revenues	**60,944**	56,026	54,515	49,565	46,181
GECS segment revenues	**55,749**	48,694	39,931	32,713	26,492
Eliminations (b)	**(5,063)**	(4,251)	(3,606)	(3,099)	(2,645)
Consolidated revenues	**$111,630**	$100,469	$90,840	$79,179	$70,028
Segment profit					
GE					
Aircraft Engines	**$ 2,105**	$ 1,769	$ 1,366	$ 1,214	$ 1,135
Appliances	**655**	755	771	748	682
Industrial Products and Systems	**2,095**	1,880	1,789	1,587	1,488
NBC	**1,576**	1,349	1,216	1,020	797
Plastics	**1,651**	1,584	1,500	1,443	1,435
Power Systems	**1,693**	1,306	1,203	1,124	782
Technical Products and Services	**1,359**	1,109	988	855	810
Total GE operating profit	**11,134**	9,752	8,833	7,991	7,129
GECS net earnings	**4,443**	3,796	3,256	2,817	2,415
Total segment profit	**15,577**	13,548	12,089	10,808	9,544
Corporate items and eliminations (c) (d)	**(843)**	(552)	(1,279)	(638)	(263)
GE interest and other financial charges	**(810)**	(883)	(797)	(595)	(649)
GE provision for income taxes	**(3,207)**	(2,817)	(1,810)	(2,295)	(2,059)
Consolidated net earnings	**$ 10,717**	$ 9,296	$ 8,203	$ 7,280	$ 6,573

The notes to consolidated financial statements on pages 56–76 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. The segment profit measure for GE's industrial businesses is operating profit (earnings before interest and other financial charges, and income taxes). The segment profit measure for GECS is net earnings, reflecting the importance of financing and tax considerations to its operating activities.

(a) Includes revenues of $944 million, $789 million and $796 million in 1997, 1996 and 1995, respectively, from an appliance distribution affiliate that was deconsolidated in 1998. Also includes $1,538 million in 1997 from an exchange of preferred stock in Lockheed Martin Corporation for the stock of a newly formed subsidiary.

(b) Principally the elimination of GECS net earnings.

(c) Includes income, principally from licensing activities, previously reported in the All Other segment of $62 million, $271 million, $310 million, $282 million and $285 million in 1999, 1998, 1997, 1996 and 1995, respectively.

(d) 1999 includes unusual charges amounting to $265 million. Of the total, amounts that relate to activities of operating segments were as follows: Aircraft Engines—$42 million, Appliances—$75 million, Industrial Products and Systems—$12 million, Plastics—$13 million and Technical Products and Services — $34 million. 1997 includes unusual charges of $2,322 million. Of the total, amounts that relate to activities of GE operating segments were as follows: Aircraft Engines—$342 million, Appliances—$330 million, Industrial Products and Systems—$352 million, NBC—$161 million, Plastics—$63 million, Power Systems—$437 million and Technical Products and Services—$157 million. Also included in 1997 is $1,538 million associated with the Lockheed Martin Corporation transaction described in (a) above.

Aircraft Engines received orders of $12.0 billion in 1999, compared with $10.8 billion in 1998. The backlog at year-end 1999 was $10.0 billion ($9.7 billion at the end of 1998). Of the total, $7.6 billion related to products, about 54% of which was scheduled for delivery in 2000; the remainder related to 2000 product services.

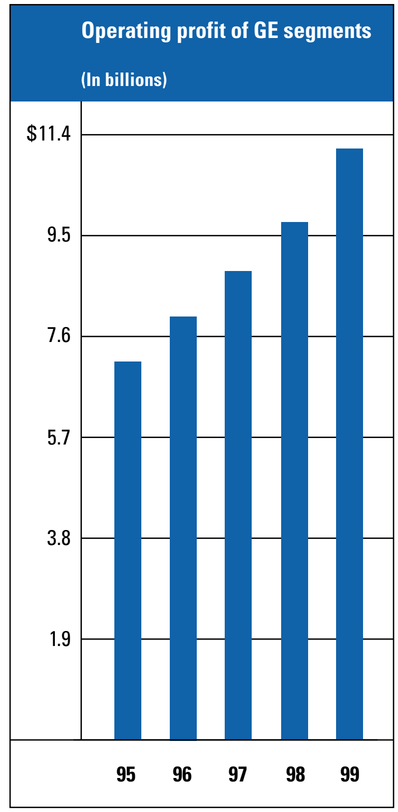
Appliances revenues were 1% higher than a year ago, as volume increases offset lower selling prices and adverse currency effects. Operating profit decreased 13%, reflecting lower selling prices and increased spending on programs for new products and e-Business. Revenues in 1998 were 3% lower than in 1997, largely as a result of selling price decreases and, to a lesser extent, lower volume. Operating profit decreased 2% in 1998, as the decreases in selling prices and volume more than offset productivity.

Industrial Products and Systems revenues increased 3% in 1999, largely as a result of volume increases across all businesses in the segment (particularly at Transportation Systems), which more than offset lower selling prices. Operating profit increased 11%, as strong productivity at Industrial Systems and Lighting more than offset the lower selling prices. Revenues rose 2% in 1998, primarily as a result of volume increases at Transportation Systems and Industrial Systems that were partially offset by lower selling prices across most businesses in the segment. Operating profit increased 5% in 1998, reflecting productivity and the improvement in volume, which more than offset the effects of selling price decreases.

Transportation Systems received orders of $1.4 billion in 1999, compared with $2.4 billion in 1998. The backlog at year-end 1999 was $1.4 billion ($2.3 billion at the end of 1998). Of the total, $1.1 billion related to products, of which 80% was scheduled for shipment in 2000; the remainder related to 2000 product services.

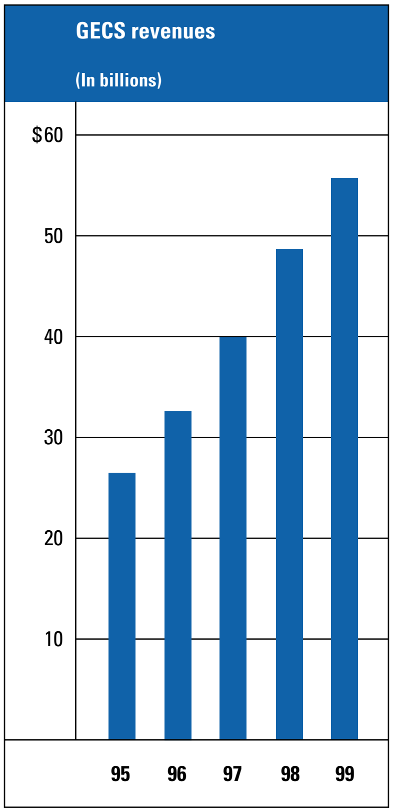
NBC revenues increased 10% in 1999, reflecting higher revenues in NBC's owned-and-operated stations and growth in cable operations. Operating profit was 17% higher in 1999, reflecting a strong advertising marketplace and improved pricing at the network, excellent results in cable operations and continued cost reductions across NBC, which more than offset higher license fees for certain prime-time programs that were renewed. Operating profit in 1999 included $123 million of the gain from the NBCi transaction, described on page 42. That gain was entirely offset by $62 million of operating losses from NBCi and predecessor operations (recorded as a reduction of "other income"), as well as $61 million of unusual costs recorded as "other costs and expenses" for entering into a loss programming contract and for exiting CNBC's current facilities. In 1998, revenues increased 2%, reflecting higher revenues in NBC's owned-and-operated stations, including revenues from station acquisitions and growth in cable operations, the combination of which more than offset lower network revenues. Operating profit increased 11% in 1998 as improved results in international, cable operations and owned-and-operated stations, as well as cost reductions across NBC, more than offset higher license fees for certain prime-time programs that were renewed.

Plastics revenues increased 5%, primarily as a result of improved volume across all product lines, which more than offset the effects of lower selling prices. Operating profit increased by 4% as productivity and the increase in volume more than offset pricing. Revenues decreased by 1% in 1998, as pricing and adverse currency exchange rates offset slightly higher volume. Operating profit in 1998 improved by 6%, as lower material costs and productivity more than offset pricing.



Power Systems revenues increased 19%, primarily as a result of strong double-digit growth in gas turbine volume and in product services. Operating profit rose 30%, reflecting productivity, growth in product services and the increase in volume. Revenues in 1998 were 7% higher than in 1997, primarily as a result of higher volume in product services, including acquisitions, which was partially offset by lower selling prices. Operating profit increased 9% in 1998, as growth in product services and productivity more than offset the effects of lower selling prices.

Power Systems orders were $14.0 billion for 1999, a 33% increase over 1998, reflecting very strong U.S. market growth. The backlog of unfilled orders at year-end 1999 was $16.1 billion ($12.4 billion at the end of 1998). Of that total, $14.8 billion related to products, of which 60% was scheduled for delivery in 2000; the remainder related to 2000 product services.



Technical Products and Services revenues rose 29% in 1999, following a 10% increase in 1998. The improvement in revenues in both years was primarily attributable to growth at Medical Systems, the result of higher equipment volume, including new products, and continued growth in product services, partially offset by lower selling prices across the segment. Operating profit increased 23% in 1999 as productivity and volume increases, particularly at Medical Systems, more than offset lower selling prices. Operating profit increased 12% in 1998 as productivity and volume increases more than offset the effects of lower selling prices.

Orders received by Medical Systems in 1999 were $6.4 billion, compared with $4.8 billion in 1998. The backlog of unfilled orders at year-end 1999 was $3.1 billion ($2.6 billion at the end of 1998). Of the total, $1.9 billion related to products, of which 83% was scheduled for delivery in 2000; the remainder related to 2000 product services.

GECS consists of 28 businesses grouped for management purposes into five operating activities: consumer services, equipment management, mid-market financing, specialized financing and specialty insurance.

GECS net earnings were $4,443 million in 1999, up 17% from $3,796 million in 1998, with strong double-digit earnings growth in three of the five operating activities. Net earnings in 1998 increased 17% from 1997. The earnings improvement throughout the three-year period resulted from asset growth, principally from acquisitions of businesses and portfolios, and origination volume.

- GECS total revenues increased 14% to $55.7 billion in 1999, following a 22% increase to $48.7 billion in 1998. The increases in both years reflected the contributions of businesses acquired as well as growth in origination volume.
- GECS cost of goods sold amounted to $8.0 billion in 1999, compared with $6.8 billion in 1998 and $4.1 billion in 1997, and relates to IT Solutions and Montgomery Ward LLC (Wards). The increase in 1999 primarily reflects the consolidation of Wards as discussed on page 48; the increase in 1998 is principally the result of acquisition-related growth at IT Solutions.
- GECS interest on borrowings in 1999 was $9.4 billion, up from $9.0 billion in 1998 and $7.6 billion in 1997. In both 1999 and 1998, while average borrowings increased in order to finance asset growth, the associated higher interest costs were partially mitigated by lower average interest rates. The composite interest rate was 5.14% in 1999, compared with 5.92% in 1998 and 6.07% in 1997. See page 51 for a discussion of interest rate risk management.
- GECS insurance losses and policyholder and annuity benefits increased to $11.0 billion in 1999, compared with $9.6 billion in 1998 and $8.3 billion in 1997, reflecting effects of business acquisitions and growth in premium volume throughout the period. In addition, the increase in 1999 reflected the higher loss ratio in the reinsurance business discussed on page 47.
- GECS provision for losses on financing receivables increased to $1.7 billion in 1999, compared with $1.6 billion in 1998 and $1.4 billion in 1997. These provisions principally related to private-label credit cards, bank credit cards, auto loans and auto leases in the consumer services operations, all of which are discussed on page 48 under financing receivables. The provision throughout the three-year period reflected higher average receivable balances, a different mix of business, as well as the effects of lower delinquency rates, consistent with industry experience.
- GECS other costs and expenses were $19.4 billion in 1999, an increase from $16.4 billion in 1998 and $13.9 billion in 1997, principally because of increased costs associated with acquired businesses and portfolios, higher investment levels and increases in insurance commissions.

Financing spreads (the excess of yields over interest rates on borrowings) were essentially flat throughout the three-year period, reflecting slightly lower yields offset by slight decreases in borrowing rates.

Revenues and net earnings from operating activities within the GECS segment for the past three years are summarized and discussed below.

Consumer Services revenues increased 7% in 1999 and 18% in 1998, and net earnings increased 35% in 1999 and 47% in 1998. The growth in revenues and net earnings was led by Global Consumer

GECS revenues and net earnings from operating activities			
(In millions)	**1999**	1998	1997
Revenues			
Consumer services	**$17,061**	$15,948	$13,550
Equipment management	**15,317**	14,869	11,326
Mid-market financing	**4,685**	3,751	3,009
Specialized financing	**4,603**	3,368	2,828
Specialty insurance	**12,399**	10,594	8,836
All other	**1,684**	164	382
Total revenues	**$55,749**	$48,694	$39,931
Net earnings			
Consumer services	**$ 1,074**	$ 797	$ 544
Equipment management	**695**	806	708
Mid-market financing	**604**	478	391
Specialized financing	**1,244**	745	593
Specialty insurance	**1,223**	1,166	973
All other	**(397)**	(196)	47
Total net earnings	**$ 4,443**	$ 3,796	$ 3,256

Finance, with strong returns on investments in Japan and other international growth. Additionally, revenues and net earnings were increased by higher premium and investment income at GE Financial Assurance, the consumer savings and insurance business, partially offset by the effects of asset reductions in Card Services and Auto Financial Services. A higher provision for losses on financing receivables because of higher average receivables balances also affected earnings in 1998.

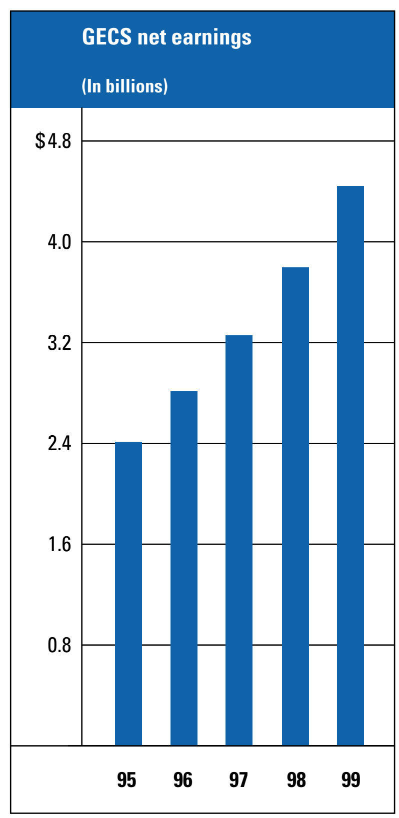
Equipment Management revenues grew 3% in 1999, following a 31% increase in 1998. Growth in 1999 revenues was primarily the result of Japanese acquisitions in the corporate auto fleet management operation, as well as higher revenue from commercial aircraft management at GE Capital Aviation Services (GECAS), largely offset by decreases in sales volume at the remaining equipment management businesses. The 1998 increase reflected acquisitions by IT Solutions and, to a lesser extent, asset growth. Net earnings decreased 14% in 1999, following a 14% increase in 1998. In 1999, as market conditions became more competitive, pricing at IT Solutions and utilization at the European equipment management businesses declined, more than offsetting growth in GECAS and the satellite service business, Americom. Net earnings increased in 1998, reflecting higher volume in most businesses from both increased origination as well as acquisitions of businesses and portfolios. These factors were partially offset in 1998 by lower pricing and higher operating costs at IT Solutions and Modular Space.

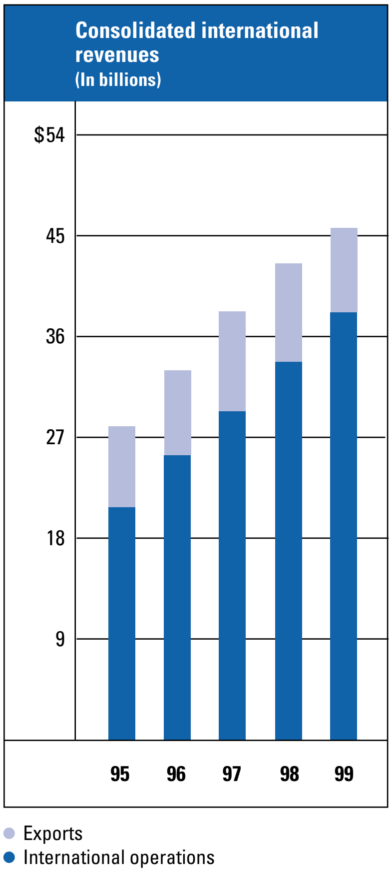
Mid-Market Financing revenues increased 25% in both 1999 and 1998, while net earnings grew 26% and 22%, respectively. Asset growth from both acquisitions and originations was the most significant contributing factor in both years. Revenues and net earnings were also favorably affected in 1998 by the disposition of certain assets.

Specialized Financing revenues rose 37% and 19%, while net earnings increased 67% and 26% in 1999 and 1998, respectively. Revenues principally reflect increases in asset gains as well as origination growth, with GE Equity, Commercial Finance and Real Estate accounting for most of the 1999 increase. Revenue and net earnings growth in both years is principally the result of gains on equity investments. Net earnings in 1998 also included the effects of certain tax-advantaged transactions and higher tax credits.

Specialty Insurance revenues increased 17% and 20% in 1999 and 1998, respectively, as premiums and investment income grew throughout the period. Premiums earned increased in line with higher origination volume and acquisitions. Investment income also grew, partially reflecting an increase in net realized investment gains in GE Global Insurance, which amounted to $699 million, $432 million and $308 million in 1999, 1998 and 1997, respectively.

Increases in property and casualty-related losses in GE Global Insurance were directly related to the frequency and severity of large loss events during the last three years. Large loss events are individual events that, after specific reinsurance recoveries and related premium adjustments, affect GE Global Insurance operations by $2 million or more, and include losses from earthquakes, aviation or railroad accidents, fire damage, and weather-related damage from hurricanes, tornadoes, wind and ice. Large loss events for GE Global Insurance amounted to approximately $720 million, $230 million and $70 million in 1999, 1998 and 1997, respectively. 1999 losses were partially recovered under aggregate risk coverage obtained in the ordinary course of the reinsurance business. Overall





losses for Specialty Insurance were mitigated by favorable experience in the Mortgage Insurance business, particularly in 1999.

All Other GECS operating activities include the results of Wards subsequent to August 2, 1999, when GECS acquired control of the formerly bankrupt retailer. Wards had sales of $1,622 million and a net loss of $26 million for the period during which it was consolidated. Revenues and net earnings in 1997 included 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.

Financing Receivables is the largest category of assets for GECS and represents one of its primary sources of revenues. The portfolio of financing receivables, before allowance for losses, increased to $141.4 billion at the end of 1999 from $124.9 billion at the end of 1998, principally reflecting higher origination volume and acquisition growth partially offset by securitizations and other sales of receivables. The related allowance for losses at the end of 1999 amounted to $3.8 billion ($3.3 billion at the end of 1998), representing management's best estimate of probable losses inherent in the portfolio.

In GECS financing receivables, "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.

Consumer financing receivables, primarily credit card and personal loans and auto loans and leases, were $52.3 billion at year-end 1999, an increase of $0.7 billion from year-end 1998. The credit card and personal receivables increased $5.2 billion, primarily from acquisition growth and origination volume, partially offset by sales and securitizations. Auto receivables decreased $4.5 billion primarily as a result of reduced volume. Nonearning receivables at year-end 1999 were $0.9 billion, about 1.8% of total consumer financing receivables, compared with $1.3 billion, about 2.4% of total consumer receivables at year-end 1998. Write-offs of consumer receivables declined to $1.2 billion from $1.4 billion at year-end 1998, reflecting improved delinquency trends.

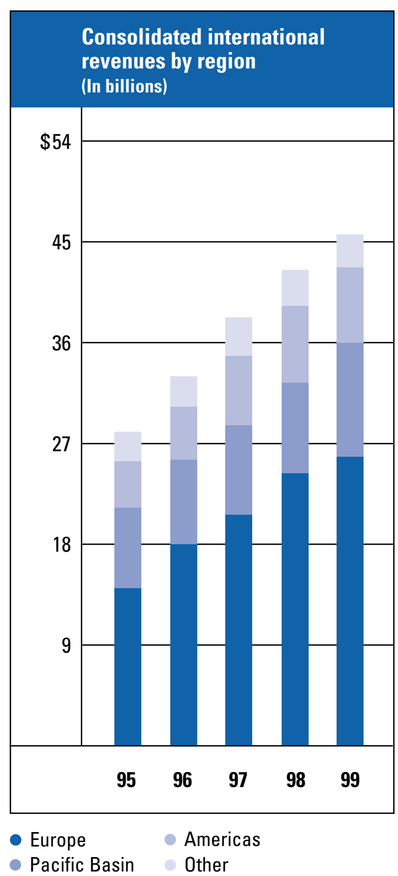
Other financing receivables, totaling $89.1 billion at December 31, 1999, consisted of a diverse commercial, industrial and equipment loan and lease portfolio. This portfolio increased $15.8 billion during 1999, reflecting the combination of acquisition growth and increased originations. Related nonearning and reduced-earning receivables were $0.9 billion at year-end 1999, compared with $0.4 billion at year-end 1998.

GECS loans and leases to commercial airlines amounted to $11.8 billion at the end of 1999, up from $10.2 billion at the end of 1998. GECS commercial aircraft positions also included financial guarantees, funding commitments and aircraft orders as discussed in note 17.

International Operations

Estimated results of international activities include the results of GE and GECS operations located outside the United States, plus all U.S. exports. Certain GECS operations that cannot meaningfully be associated with specific geographic areas are classified as "other international" for this purpose.

International revenues in 1999 were $45.7 billion (41% of consolidated revenues), compared with $42.5 billion in 1998 and $38.2 billion in 1997. The chart above left depicts the growth in international revenues over the past five years.



Consolidated international revenues			
(In millions)	**1999**	1998	1997
Europe (a)	**$ 22,919**	$ 21,665	$ 18,166
Pacific Basin	**7,879**	5,166	4,742
Americas	**5,229**	5,030	4,632
Other	**2,136**	1,895	1,788
	38,163	33,756	29,328
Exports from the U.S. to external customers	**7,513**	8,751	8,912
	$ 45,676	$ 42,507	$ 38,240

(a) Includes $944 million in 1997 from an appliance distribution affiliate that was deconsolidated in 1998.

GE international revenues were $24.0 billion in 1999, compared with $24.3 billion in 1998, which was $0.2 billion higher than in 1997. Over the three-year period, international revenues were slightly less than half of total revenues. The decrease in such revenues during 1999 was attributable to lower U.S. exports which offset sales growth in operations based outside the United States. Exports decreased 14%, largely as a result of lower exports in Power Systems. Revenues from operations based outside the United States grew 6% to $16.5 billion in 1999. European revenues were 3% higher in 1999, led by good increases at Medical Systems and Aircraft Engines. Pacific Basin revenues were 11% higher in 1999, reflecting double-digit growth at Medical Systems and Plastics. Revenues from the Americas (North and South America, except for the United States) increased 5%, principally as a result of growth in Canadian operations.

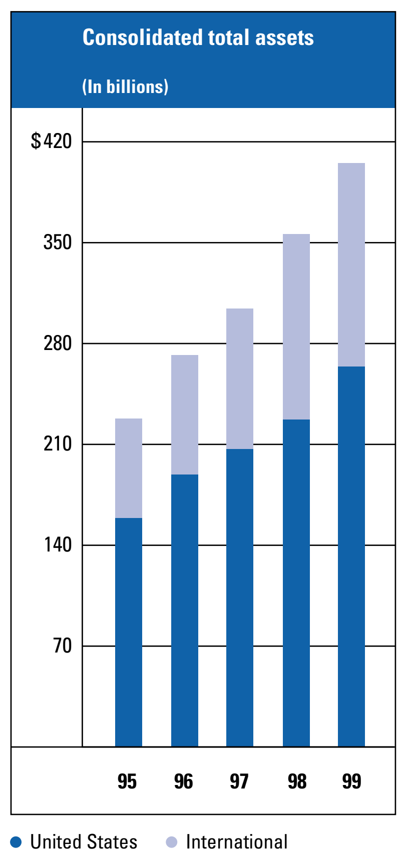
GECS international revenues were $21.7 billion in 1999, an increase of 19% from $18.2 billion in 1998. Revenues in the Pacific Basin more than doubled in 1999. Much of the increase was attributable to growth in Japan, the result of several strategic acquisitions, the largest of which were the purchase of assets and infrastructure of Japan Leasing and the acquisition of Lake. Revenues in Europe increased 7% in 1999, reflecting a mix of acquisition and core growth across all GECS operating activities. Overall, these increases reflect the continued expansion of GECS as a global provider of a wide range of financial services.

Consolidated international operating profit was $5.4 billion in 1999, an increase of 5% over 1998, which was 8% higher than in 1997. Additional information is provided in note 29.

Total assets of international operations were $141.3 billion in 1999 (35% of consolidated assets), an increase of 10% over 1998. The increase in 1999 reflected strong growth at GECS in the Pacific Basin, where current economic conditions continue to provide a favorable environment for strategic investments. GECS had a particularly large increase in Japan, reflecting a mix of acquisitions, discussed previously, and strong core asset growth. GECS also had significant asset growth at GECAS, its aviation services business, which is classified as "other international."

The activities of GE and GECS span all global regions and primarily encompass manufacturing for local and export markets, import and sale of products produced in other regions, leasing of aircraft, sourcing for GE plants domiciled in other global regions and provision of financial services within these regional economies. Thus, when countries or regions experience currency and/or economic stress, GE may have increased exposure to certain risks but also may have new profit opportunities. Potential increased risks include, among other things, higher receivables delinquencies and bad debts, delays or cancellation of sales and orders principally related to power and aircraft equipment, higher local currency financing costs and a slowdown in established financial services activities. New profit opportunities include, among other things, lower costs of goods sourced from countries with weakened currencies, more opportunities for lower cost outsourcing, expansion of industrial and financial services activities through purchases of companies or assets at reduced prices and lower U.S. debt financing costs.

Financial results of GE's international activities 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. Principal currencies are the major European currencies, including the euro, as well as the Japanese yen and the Canadian dollar.



Management's Discussion of Financial Resources and Liquidity

Overview

This discussion of financial resources and liquidity addresses the Statement of Financial Position (page 36), Statement of Changes in Share Owners' Equity (page 34) and the Statement of Cash Flows (page 38).

GECS is not a "captive finance company" or a vehicle for "off-balance-sheet financing" for GE. Only a small portion of GECS business is directly related to other GE operations. 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.

Statement of Financial Position

Because GE and GECS share certain significant elements of their Statements of Financial Position—property, plant and equipment, and borrowings, for example—the following discussion addresses significant captions in the "consolidated" statement. Within the following discussions, however, distinction is drawn between GE and GECS activities in order to permit meaningful analysis of each individual statement.

Investment securities for each of the past two years comprised mainly investment-grade debt securities held by GE Financial Assurance and the specialty insurance businesses of GECS in support of obligations to annuitants and policyholders. GE investment securities were $1.3 billion at year-end 1999, an increase of $1.0 billion from 1998, reflecting increases in the fair value of debt and equity investments as well as additional investments. The increase of $2.0 billion at GECS during 1999 was principally related to investment of premiums received and acquisitions, partially offset by decreases in the fair value of debt securities associated with rising interest rates. See analysis of the Statement of Changes in Share Owners' Equity on page 52 for further information. A breakdown of the investment securities portfolio is provided in note 9.

Current receivables for GE were $8.7 billion at the end of 1999, an increase of $0.2 billion from year-end 1998, and included $5.8 billion due from customers at the end of 1999, which was $0.4 billion higher than the amount due at the end of 1998. As a measure of asset management, turnover of customer receivables from sales of goods and services was 9.4 in 1999, compared with 8.8 in 1998. 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.

Inventories for GE were $5.8 billion at December 31, 1999, up $0.5 billion from the end of 1998. GE inventory turnover was 8.3 in 1999, about the same as in 1998. Acquisitions of inventories in business combinations more than offset the positive effects of inventory management programs throughout the period. Last-in, first-out (LIFO) revaluations decreased $84 million in 1999, compared with decreases of $87 million in 1998 and $119 million in 1997. Included in these changes were decreases of $4 million, $29 million and $59 million in 1999, 1998 and 1997, respectively, that resulted from lower LIFO inventory levels. There were net cost decreases in each of the last three years.

Inventories (at FIFO) and customer receivables from sales of goods or services are two key components of GE's working capital turnover measurement. Working capital turnover was 11.5 in 1999, compared with 9.2 in 1998. Working capital also includes trade accounts payable and progress collections.

GECS inventories were $1,209 million and $744 million at December 31, 1999 and 1998, respectively. The increase in 1999 primarily reflects the consolidation of the retail operations of Wards.

Financing receivables of GECS were $137.6 billion at year-end 1999, net of allowance for doubtful accounts, up $16.1 billion over 1998. These receivables are discussed on page 48 and in notes 12 and 13.

Other receivables of GECS were $30.7 billion and $26.0 billion at December 31, 1999 and 1998, respectively. Of the 1999 increase, $3.6 billion was attributable to acquisitions.

Property, plant and equipment (including equipment leased to others) was $41.0 billion at December 31, 1999, up $5.3 billion from 1998. 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 are presented in note 15.

GE total expenditures for new plant and equipment during 1999 totaled $2.0 billion, about the same as in 1998. Total expenditures for the past five years were $10.6 billion, of which 39% was investment for growth through new capacity and product development; 32% 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 $13.4 billion during 1999 ($7.2 billion during 1998), primarily reflecting acquisitions of transportation equipment.

Intangible assets were $26.0 billion at year-end 1999, up from $23.6 billion at year-end 1998. GE intangibles increased to $11.3 billion from $10.0 billion at the end of 1998, principally as a result of goodwill related to acquisitions, the largest of which was Marquette Medical Systems. The $1.1 billion increase in GECS intangibles related to goodwill and other intangibles associated with acquired companies, the largest of which were Signature Group and the Australian consumer financial services business of AVCO.

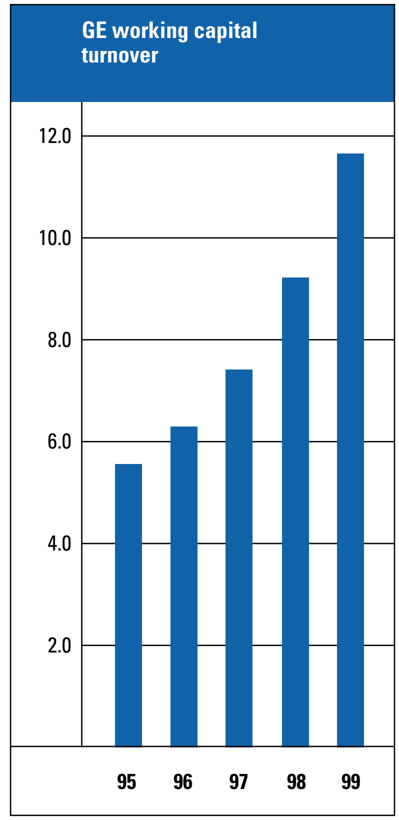
All other assets totaled $65.0 billion at year-end 1999, an increase of $12.1 billion from the end of 1998. GE other assets increased $2.8 billion, principally reflecting an increase in the prepaid pension asset and higher costs associated with increased volume of long-term service agreements, as well as additional investments in associated companies. The increase in GECS other assets of $9.2 billion was principally attributable to increases in "separate accounts" (see note 17) and additional investments in associated companies, partially offset by decreases in assets acquired for resale, which reflected sales and securitizations in excess of originations.

Consolidated borrowings aggregated $201.8 billion at December 31, 1999, compared with $175.0 billion at the end of 1998. 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 GE Capital's ratio of 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, 1999 and 1998. Management believes the likelihood that GE will be required to contribute capital under either the commitments or the guarantees is remote.

GE total borrowings were $3.0 billion at year-end 1999 ($2.3 billion short-term, $0.7 billion long-term), a decrease of $1.2 billion from year-end 1998. GE total debt at the end of 1999 equaled 6.4% of total capital, down from 9.5% at the end of 1998.

GECS total borrowings were $200.0 billion at December 31, 1999, of which $129.2 billion is due in 2000 and $70.8 billion is due in subsequent years. Comparable amounts at the end of 1998 were $172.2 billion in total, $113.2 billion due within one year and $59.0 billion due thereafter. A large portion of GECS borrowings ($96.6 billion and $87.0 billion at the end of 1999 and 1998, 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 53 days and 5.82% at the end of 1999, compared with 45 days and 5.35% at the end of 1998.



The GE Capital ratio of debt to equity was 8.44 to 1 at the end of 1999 and 7.86 to 1 at the end of 1998.

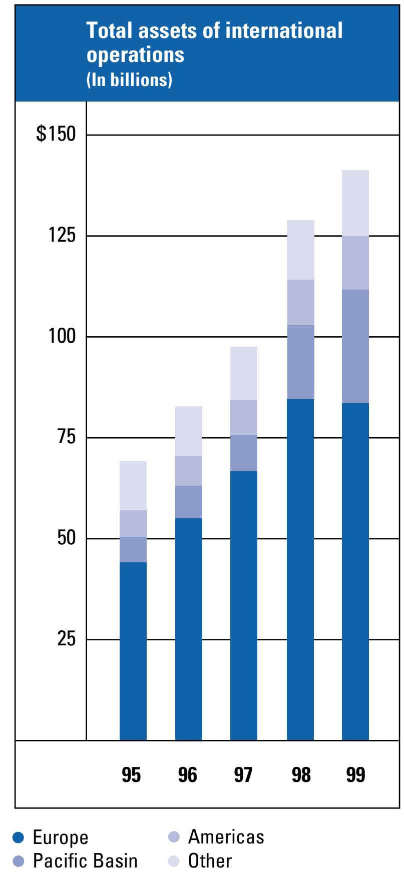
Interest rate and currency risk management is important in the normal operations of both GE and GECS. The following discussion presents an overview of such management.

GE and GECS use various financial instruments, particularly interest rate and currency swaps, but also futures, options and currency forwards, principally 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. Management requires 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 U.S. Securities and Exchange Commission requires that registrants provide information about potential effects of changes in interest rates and currency exchange. Although the rules offer alternatives for presenting this information, none of the alternatives is without limitations. The following discussion is based on 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 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 2000 net earnings of GECS based on year-end 1999 positions by approximately $105 million; the pro forma effect for GE was approximately $13 million. Based on positions at year-end 1998, the pro forma effect on 1999 net earnings of such an increase in interest rates was estimated to be approximately $111 million for GECS and $17 million for GE.
- As shown in the chart to the right, the geographic distribution of GE and GECS operations is diverse. One means of assessing exposure to changes in currency exchange rates is to model effects on reported earnings using a sensitivity analysis. Year-end 1999 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 have an insignificant effect on the 2000 net earnings of GE and GECS based on year-end 1999 positions. Based on conditions at year-end 1998, the effect on 1999 net earnings of such a decrease in exchange rates was estimated to be a reduction in net earnings of $11 million for GE and insignificant for GECS.

Insurance liabilities, reserves and annuity benefits were $86.8 billion, $9.5 billion higher than in 1998. The increase was primarily attributable to increases in separate accounts, the addition of liabilities from acquired companies and growth in guaranteed investment contracts. For additional information on these liabilities, see note 20.



Statement of Changes in Share Owners' Equity

Share owners' equity increased $3,677 million to $42,557 million at year-end 1999. The increase was largely attributable to net earnings during the period of $10,717 million, partially offset by dividends of $4,786 million.

Investment securities had unrealized losses of $1,776 million during 1999, principally as a result of decreases in fair value attributable to increases in interest rates during 1999. A significant majority of the unrealized losses are associated with debt securities held by insurance businesses of GECS and are matched with insurance liabilities of similar duration. Accordingly, decreases in fair values of such investment securities are directionally offset by corresponding decreases in fair values of associated insurance liabilities. However, changes in the fair values of insurance liabilities are difficult to measure and are appropriately not recognized under generally accepted accounting principles.

Currency translation adjustments reduced equity by $632 million in 1999. Changes in the currency translation adjustment reflect the effects of changes in currency exchange rates on GE's net investment in non-U.S. subsidiaries that have functional currencies other than the U.S. dollar. The decrease during 1999 largely reflected weakening in the European currencies, partially offset by strengthening in Asian currencies. Such adjustments affect earnings only when all or a portion of an affiliate is disposed of.

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 cash and equivalents aggregated $2.0 billion at the end of 1999, up from $1.2 billion at year-end 1998. During 1999, GE generated a record $11.8 billion in cash from operating activities, a 17% increase over 1998. The increase reflected improvements in earnings and working capital, principally cash from progress collections. The 1999 cash generation provided the necessary resources to repurchase $1.9 billion of GE common stock under the share repurchase program, to pay $4.6 billion in dividends to share owners, to invest $2.0 billion in new plant and equipment and to make $1.6 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 $31 billion of cash. The principal application of this cash was distributions of approximately $21 billion to share owners, both through payment of dividends ($11.9 billion) and through the share repurchase program ($9.0 billion) described below. Other applications included investment in new plant and equipment ($6.3 billion) and acquisitions ($4.5 billion).

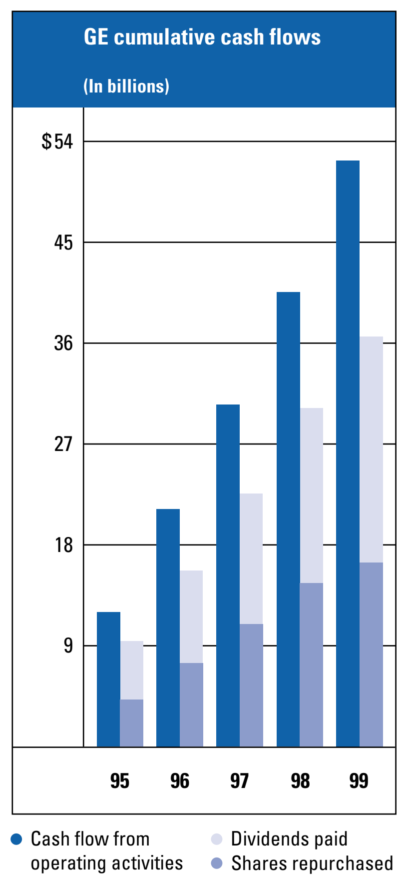
Under the share repurchase program initiated in December 1994, GE has purchased more than $15 billion of GE stock —over 300 million shares. In December 1999, GE's Board of Directors increased the amount authorized from $17 billion to $22 billion. Funds used for the share repurchase are expected to be generated largely from operating 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 $2.5 billion in 2000, principally for productivity and growth.

GECS cash and equivalents aggregated $6.9 billion at the end of 1999, up from $3.3 billion at year-end 1998 as management held short-term investments as additional liquidity over year-end 1999. 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 $37.2 billion. New borrowings of $109.9 billion having maturities longer than 90 days were added during those years, while $80.7 billion of such longer-term borrowings were retired. GECS also generated $32.0 billion from operating activities.

The principal use of cash by GECS has been investing in assets to grow its businesses. Of the $91.0 billion that GECS invested over the past three years, $21.3 billion was used for additions to financing receivables; $26.6 billion was used to invest in new equipment, principally for lease to others; and $31.0 billion was used for acquisitions of new businesses, the largest of which were Japan Leasing and the credit card operations of JC Penney, both in 1999.

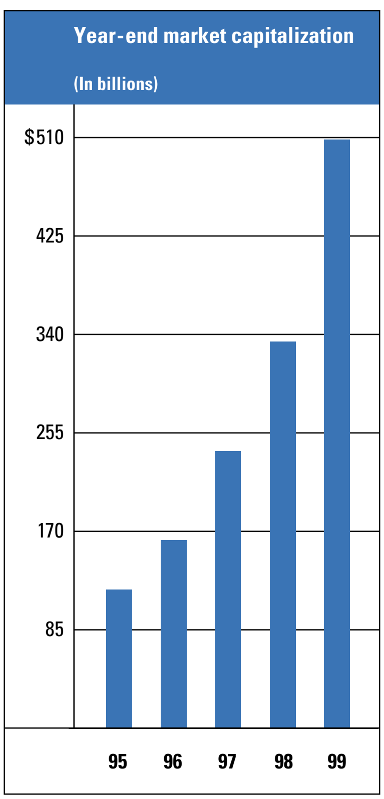
With the financial flexibility that comes with excellent credit ratings, management believes that GECS should be well positioned to meet the global needs of its customers for capital and to continue providing GE share owners with good returns.



Management's Discussion of Selected Financial Data

Selected financial data summarized on the following page are divided into three sections: upper portion—consolidated data; middle portion—GE data that reflect various conventional measurements for such enterprises; and lower portion—GECS data that reflect key information pertinent to financial services businesses.

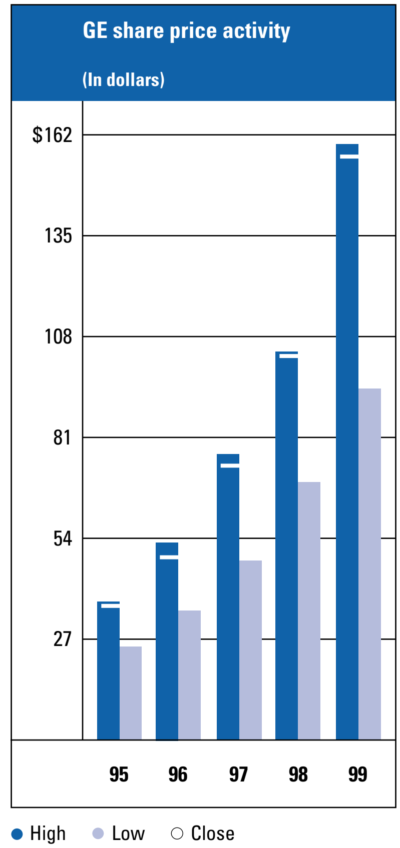
GE's total research and development expenditures were $2,017 million in 1999, up 5% over 1998 and 1997. In 1999, expenditures from GE's own funds were $1,667 million, an increase of 8% over 1998, reflecting continuing research and development work related to new product, service and process technologies. Product technology efforts in 1999 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. 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. Process technologies provided improved product quality and performance and increased capacity for manufacturing engineered materials. Expenditures funded by customers (mainly the U.S. government) were $350 million in 1999, down $43 million from 1998.



GE's total backlog of firm unfilled orders at the end of 1999 was $32.4 billion, an increase of 14% over 1998, reflecting strong double-digit growth at Power Systems and Medical Systems. Of the total, $27.0 billion related to products, of which 63% was scheduled for delivery in 2000. Services orders are included in this reported backlog for only the succeeding 12 months and were $5.4 billion at the end of 1999. Orders constituting this backlog may be canceled or deferred by customers, subject in certain cases to cancellation penalties. See Segment Operations beginning on page 43 for further information.

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 1999, GE expended about $66 million for capital projects related to the environment. The comparable amount in 1998 was $81 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 $65 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 $114 million in 1999, compared with $127 million in 1998. It is presently expected that such remediation actions will require average annual expenditures in the range of $90 million to $150 million over the next two years.

Selected Financial Data

(Dollar amounts in millions; per-share amounts in dollars)	**1999**	1998	1997	1996	1995
General Electric Company and consolidated affiliates					
Revenues	**$ 111,630**	$ 100,469	$ 90,840	$ 79,179	$ 70,028
Net earnings	**10,717**	9,296	8,203	7,280	6,573
Dividends declared	**4,786**	4,081	3,535	3,138	2,838
Earned on average share owners' equity	**26.8%**	25.7%	25.0%	24.0%	23.5%
Per share					
Earnings—diluted	**$ 3.22**	$ 2.80	$ 2.46	$ 2.16	$ 1.93
Earnings—basic	**3.27**	2.84	2.50	2.20	1.95
Dividends declared	**1.46**	1.25	1.08	0.95	0.845
Stock price range	**159½–94¼**	103 15⁄16–69	76 9⁄16–47 15⁄16	53 1⁄16–34¾	36 9⁄16–24 15⁄16
Year-end closing stock price	**154¾**	102	73⅜	49 7⁄16	36
Total assets	**405,200**	355,935	304,012	272,402	228,035
Long-term borrowings	**71,427**	59,663	46,603	49,246	51,027
Shares outstanding—average (in thousands)	**3,277,826**	3,268,998	3,274,692	3,307,394	3,367,624
Share owner accounts—average	**549,000**	534,000	509,000	486,000	460,000
GE data					
Short-term borrowings	**$ 2,245**	$ 3,466	$ 3,629	$ 2,339	$ 1,666
Long-term borrowings	**722**	681	729	1,710	2,277
Minority interest	**823**	816	569	477	434
Share owners' equity	**42,557**	38,880	34,438	31,125	29,609
Total capital invested	**$ 46,347**	$ 43,843	$ 39,365	$ 35,651	$ 33,986
Return on average total capital invested	**25.8%**	23.9%	23.6%	22.2%	21.3%
Borrowings as a percentage of total capital invested	**6.4%**	9.5%	11.1%	11.4%	11.6%
Working capital (a)	**$ 3,922**	$ 5,038	$ 5,990	$ 6,598	$ 7,405
Additions to property, plant and equipment	**2,036**	2,047	2,191	2,389	1,831
Employees at year end					
United States	**124,000**	125,000	128,000	123,000	124,000
Other countries	**86,000**	82,000	81,000	65,000	59,000
Total employees	**210,000**	207,000	209,000	188,000	183,000
GECS data					
Revenues	**$ 55,749**	$ 48,694	$ 39,931	$ 32,713	$ 26,492
Net earnings	**4,443**	3,796	3,256	2,817	2,415
Share owner's equity	**20,321**	19,727	17,239	14,276	12,774
Minority interest	**4,391**	3,459	3,113	2,530	2,522
Borrowings from others	**200,025**	172,200	141,263	125,621	111,598
Ratio of debt to equity at GE Capital	**8.44:1**	7.86:1	7.45:1	7.84:1	7.59:1
Total assets	**$ 345,018**	$ 303,297	$ 255,408	$ 227,419	$ 185,729
Insurance premiums written	**13,624**	11,865	9,396	8,185	6,158
Employees at year end					
United States	**73,000**	38,000	37,000	32,000	26,000
Other countries	**57,000**	48,000	30,000	19,000	13,000
Total employees	**130,000**	86,000	67,000	51,000	39,000

Transactions between GE and GECS have been eliminated from the consolidated information.

(a) Working capital is defined as the sum of receivables from the sales of goods and services plus inventories less trade accounts payable and progress collections.

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), the parent of Employers Reinsurance Corporation. GE Capital, GE Global Insurance and their respective affiliates are consolidated in the GECS columns and constitute its business.
- ***Consolidated.*** This represents 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 1999 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.

Income from investment and insurance activities is discussed on page 57.

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 residual 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. The allowance for losses on small-balance receivables reflects management's best estimate of probable losses inherent in the portfolio determined principally on the basis of historical experience. For other receivables, principally the larger loans and leases, the allowance for losses is determined primarily on the basis of management's best estimate of probable losses, including specific allowances for known troubled accounts.

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 such 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.

When collateral is repossessed in satisfaction of a loan, the receivable is written down against the allowance for losses to estimated fair value of the asset 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. Debt 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 based primarily on quoted market prices or, if quoted prices are not available, discounted expected cash flows using market rates commensurate with credit quality and maturity of the investment. Substantially all investment securities are designated as available for sale, with unrealized gains and losses included in share owners' 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. When an intangible asset exceeds associated expected operating cash flows, it 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.

Interest rate and currency risk management. As a matter of policy, neither GE nor GECS engages in derivatives trading, derivatives 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.

Designated interest rate and currency swaps that modify borrowings or certain 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.

As a matter of policy, any derivative that is either not designated as a hedge, or is so designated but is ineffective, 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, acquisition costs consist primarily of commissions, brokerage expenses and premium taxes. For long-duration insurance contracts, these costs consist primarily of first-year commissions in excess of recurring renewal commissions, certain variable sales expenses and certain support costs such as underwriting and policy issue expenses.

- 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 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 and 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)	1999	1998	1997
Residual licensing and royalty income			
RCA Licensing	**$ 23**	$ 250	$ 287
Other	**44**	51	54
Associated companies	**(1)**	(32)	50
Marketable securities and bank deposits	**105**	114	78
Customer financing	**17**	19	26
Other investments			
Dividends	**24**	8	62
Interest	**6**	8	1
Other items	**638**	266	1,749
	$ 856	$ 684	$ 2,307

Effective January 1, 1999, GE transferred certain licenses and intellectual property pursuant to an agreement to sell the former RCA Consumer Electronics business. Licensing income from these assets is shown under the caption “RCA Licensing” in the table above.

Other income in 1999 includes $326 million from NBC Internet (NBCi), an amount that appears in two categories in the above table. “Other items” includes a gain of $388 million related to the contribution of certain of NBC’s Internet assets to NBCi, a newly formed publicly traded Internet company, in exchange for a noncontrolling interest in NBCi. Assets contributed by NBC include its 100% interest in three Internet properties: NBC.com, NBC-IN.com and VideoSeeker.com and a 10% interest in a fourth Internet property, CNBC.com. Also included in the “associated companies” caption for 1999 is $62 million of operating losses related to NBCi and predecessor operations.

Included in the “Other items” caption for 1997 is a gain of $1,538 million related to a tax-free exchange between GE and Lockheed Martin Corporation (Lockheed Martin). 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)	1999	1998	1997
Time sales, loan and other income	**$ 18,209**	$ 14,682	$ 12,211
Operating lease rentals	**6,022**	5,402	4,819
Financing leases	**3,587**	4,267	3,499
Investment income	**6,243**	5,617	5,512
Premium and commission income of insurance businesses	**12,948**	11,352	9,268
	$ 47,009	$ 41,320	$ 35,309

For insurance businesses, the effects of reinsurance on premiums written and premium and commission income were as follows:

(In millions)	1999	1998	1997
Premiums written			
Direct	**$ 7,382**	$ 6,237	$ 5,206
Assumed	**8,520**	7,470	5,501
Ceded	**(2,278)**	(1,842)	(1,311)
	$ 13,624	$ 11,865	$ 9,396
Premium and commission income			
Direct	**$ 7,002**	$ 6,063	$ 5,138
Assumed	**8,460**	7,151	5,386
Ceded	**(2,514)**	(1,862)	(1,256)
	$ 12,948	$ 11,352	$ 9,268

Reinsurance recoveries recognized as a reduction of insurance losses and policyholder and annuity benefits amounted to $2,648 million, $1,594 million and $903 million for the years ended December 31, 1999, 1998 and 1997, respectively.

4 Supplemental Cost Information

Total expenditures for research and development were $2,017 million, $1,930 million and $1,891 million in 1999, 1998 and 1997, respectively. The Company-funded portion aggregated $1,667 million in 1999, $1,537 million in 1998 and $1,480 million in 1997.

Rental expense under operating leases is shown below.

(In millions)	1999	1998	1997
GE	**$ 607**	$ 568	$ 536
GECS	**1,067**	889	734

At December 31, 1999, minimum rental commitments under noncancelable operating leases aggregated $2,431 million and $5,041 million for GE and GECS, respectively. Amounts payable over the next five years follow.

(In millions)	2000	2001	2002	2003	2004
GE	$ 458	$ 366	$ 284	$ 226	$ 195
GECS	834	663	603	540	413

GE's selling, general and administrative expense totaled $7,732 million in 1999, $7,177 million in 1998 and $7,476 million in 1997. Insignificant amounts of interest were capitalized by GE and GECS in 1999, 1998 and 1997.

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 provides benefits to certain U.S. employees 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 1999, the GE Pension Plan covered approximately 470,000 participants, including 124,000 employees, 153,000 former employees with vested rights to future benefits, and 193,000 retirees and beneficiaries receiving benefits.

The GE Supplementary Pension Plan is a pay-as-you-go plan providing supplementary retirement benefits primarily to higher-level, longer-service U.S. employees.

The effect on operations of principal pension plans is as follows:

Effect on operations

(In millions)	1999	1998	1997
Expected return on plan assets	**$ 3,407**	$ 3,024	$ 2,721
Service cost for benefits earned (a)	**(693)**	(625)	(596)
Interest cost on benefit obligation	**(1,804)**	(1,749)	(1,686)
Prior service cost	**(151)**	(153)	(145)
SFAS No. 87 transition gain	**154**	154	154
Net actuarial gain recognized	**467**	365	295
Special early retirement cost	**—**	—	(412)
Total pension plan income	**$ 1,380**	$ 1,016	$ 331

(a) Net of participant contributions.

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 GE contribution would require payment of excise taxes.

Changes in the projected benefit obligation for principal pension plans follow.

Projected benefit obligation

December 31 (In millions)	1999	1998
Balance at January 1	**$ 27,572**	$ 25,874
Service cost for benefits earned (a)	**693**	625
Interest cost on benefit obligation	**1,804**	1,749
Participant contributions	**122**	112
Actuarial (gain)/loss (b)	**(2,790)**	1,050
Benefits paid	**(1,879)**	(1,838)
Balance at December 31	**$ 25,522**	$ 27,572

(a) Net of participant contributions.
(b) Principally associated with discount rate changes.

Changes in the fair value of assets for principal pension plans follow.

Fair value of assets

December 31 (In millions)	1999	1998
Balance at January 1	**$ 43,447**	$ 38,742
Actual return on plan assets	**8,472**	6,363
Employer contributions	**81**	68
Participant contributions	**122**	112
Benefits paid	**(1,879)**	(1,838)
Balance at December 31	**$ 50,243**	$ 43,447

Plan assets are held in trust and consist mainly of common stock and fixed-income investments. GE common stock represented 9.8% and 7.5% of trust assets at year-end 1999 and 1998, respectively.

GE recorded assets and liabilities for principal pension plans as follows:

Prepaid pension asset

December 31 (In millions)	1999	1998
Fair value of plan assets	**$ 50,243**	$ 43,447
Add (deduct) unrecognized balances		
Prior service cost	**699**	850
SFAS No. 87 transition gain	**(154)**	(308)
Net actuarial gain	**(16,850)**	(9,462)
Projected benefit obligation	**(25,522)**	(27,572)
Pension liability	**981**	797
Prepaid pension asset	**$ 9,397**	$ 7,752

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

Actuarial assumptions

December 31	1999	1998	1997
Discount rate	**7.75%**	6.75%	7.0%
Compensation increases	**5.0**	5.0	4.5
Return on assets for the year	**9.5**	9.5	9.5

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

6 Retiree Health and Life Benefits

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 (see note 5) with 10 or more years of service. Retirees share in the cost of health care benefits. Benefit provisions are subject to collective bargaining. At the end of 1999, these plans covered approximately 250,000 retirees and dependents.

The effect on operations of principal retiree benefit plans is shown in the following table.

Effect on operations

(In millions)	1999	1998	1997
Retiree health plans			
Service cost for benefits earned	**$ 88**	$ 79	$ 90
Interest cost on benefit obligation	**206**	205	183
Prior service cost	**14**	14	(3)
Net actuarial loss recognized	**38**	28	16
Special early retirement cost	**—**	—	152
Retiree health plan cost	**346**	326	438
Retiree life plans			
Expected return on plan assets	**(165)**	(149)	(137)
Service cost for benefits earned	**19**	17	17
Interest cost on benefit obligation	**117**	114	116
Prior service cost	**(6)**	(6)	(8)
Net actuarial loss recognized	**7**	11	16
Special early retirement cost	**—**	—	13
Retiree life plan cost (income)	**(28)**	(13)	17
Total cost	**$ 318**	$ 313	$ 455

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.

Changes in the accumulated postretirement benefit obligation for retiree benefit plans follow.

Accumulated postretirement benefit obligation

	Health plans		Life plans	
December 31 (In millions)	1999	1998	1999	1998
Balance at January 1	**$ 3,220**	$ 3,098	**$ 1,787**	$ 1,677
Service cost for benefits earned	**88**	79	**19**	17
Interest cost on benefit obligation	**206**	205	**117**	114
Participant contributions	**24**	24	**—**	—
Actuarial (gain)/loss	**103**	177	**(165)**	91
Benefits paid	**(392)**	(363)	**(107)**	(112)
Other	**26**	—	**—**	—
Balance at December 31	**$ 3,275**	$ 3,220	**$ 1,651**	$ 1,787

Changes in the fair value of assets for retiree benefit plans follow.

Fair value of assets

	Health plans		Life plans	
December 31 (In millions)	1999	1998	1999	1998
Balance at January 1	**$ —**	$ —	**$ 2,121**	$ 1,917
Actual return on plan assets	**—**	—	**355**	316
Employer contributions	**368**	339	**—**	—
Participant contributions	**24**	24	**—**	—
Benefits paid	**(392)**	(363)	**(107)**	(112)
Balance at December 31	**$ —**	$ —	**$ 2,369**	$ 2,121

Plan assets are held in trust and consist mainly of common stock and fixed-income investments. GE common stock represented 6.2% and 4.5% of trust assets at year-end 1999 and 1998, respectively.

GE recorded assets and liabilities for retiree benefit plans as follows:

Retiree benefit liability/asset

	Health plans		Life plans	
December 31 (In millions)	**1999**	1998	**1999**	1998
Accumulated postretirement benefit obligation	**$ 3,275**	$ 3,220	**$ 1,651**	$ 1,787
Add (deduct) unrecognized balances				
Prior service cost	**(143)**	(157)	**43**	49
Net actuarial gain/(loss)	**(637)**	(572)	**576**	214
Fair value of plan assets	**—**	—	**(2,369)**	(2,121)
Retiree benefit liability/(asset)	**$ 2,495**	$ 2,491	**$ (99)**	$ (71)

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

Actuarial assumptions

December 31	**1999**	1998	1997
Discount rate	**7.75%**	6.75%	7.0%
Compensation increases	**5.0**	5.0	4.5
Health care cost trend (a)	**9.0**	7.8	7.8
Return on assets for the year	**9.5**	9.5	9.5

(a) For 1999, gradually declining to 5% after 2004.

Increasing or decreasing the health care cost trend rates by one percentage point would have had an insignificant effect on the December 31, 1999, accumulated postretirement benefit obligation and 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 the average future service period of employees.

7 Provision for Income Taxes

(In millions)	**1999**	1998	1997
GE			
Estimated amounts payable	**$ 2,555**	$ 2,227	$ 2,332
Deferred tax expense (benefit) from temporary differences	**652**	590	(522)
	3,207	2,817	1,810
GECS			
Estimated amounts payable	**806**	815	368
Deferred tax expense from temporary differences	**847**	549	798
	1,653	1,364	1,166
Consolidated			
Estimated amounts payable	**3,361**	3,042	2,700
Deferred tax expense from temporary differences	**1,499**	1,139	276
	$ 4,860	$ 4,181	$ 2,976

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 U.S. federal income taxes of $1,632 million, $1,459 million and $1,176 million in 1999, 1998 and 1997, respectively, and amounts applicable to non-U.S. jurisdictions of $1,399 million, $1,335 million and $1,298 million in 1999, 1998 and 1997, respectively. Deferred tax expense related to U.S. federal income taxes was $1,475 million, $971 million and $354 million in 1999, 1998 and 1997, 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. It is not practicable to determine the U.S. federal income tax liability, if any, that would be payable if such earnings were not reinvested indefinitely.

Consolidated U.S. income before taxes was $11.3 billion in 1999, $9.7 billion in 1998 and $8.2 billion in 1997. The corresponding amounts for non-U.S.-based operations were $4.3 billion in 1999, $3.8 billion in 1998 and $3.0 billion in 1997.

A reconciliation of the U.S. federal statutory tax rate to the actual tax rate is provided on the following page.

Reconciliation of U.S. federal statutory tax rate to actual rate	Consolidated			GE			GECS		
	1999	1998	1997	**1999**	1998	1997	**1999**	1998	1997
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	**—**	—	—	**(11.2)**	(11.0)	(11.4)	**—**	—	—
Lockheed Martin exchange (note 2)	**—**	—	(4.8)	**—**	—	(5.4)	**—**	—	—
Amortization of goodwill	**1.1**	1.1	1.1	**0.8**	0.7	0.8	**1.0**	1.0	1.1
Tax-exempt income	**(1.7)**	(1.8)	(1.9)	**—**	—	—	**(4.4)**	(4.7)	(4.9)
Tax on international activities (including Foreign Sales Corporation benefits)	**(4.2)**	(3.0)	(2.7)	**(2.6)**	(2.7)	(2.1)	**(4.8)**	(1.3)	(2.2)
All other—net	**1.0**	(0.3)	(0.1)	**1.0**	1.3	1.2	**0.3**	(3.6)	(2.6)
	(3.8)	(4.0)	(8.4)	**(12.0)**	(11.7)	(16.9)	**(7.9)**	(8.6)	(8.6)
Actual income tax rate	**31.2%**	31.0%	26.6%	**23.0%**	23.3%	18.1%	**27.1%**	26.4%	26.4%

8 Earnings Per Share Information

	1999		1998		1997	
(In millions; per-share amounts in dollars)	Diluted	Basic	Diluted	Basic	Diluted	Basic
Consolidated operations						
Net earnings available to common share owners	**$10,717**	**$10,717**	$ 9,296	$ 9,296	$ 8,203	$ 8,203
Dividend equivalents—net of tax	**8**	**—**	13	—	10	—
Net earnings available for per-share calculation	**$10,725**	**$10,717**	$ 9,309	$ 9,296	$ 8,213	$ 8,203
Average equivalent shares						
Shares of GE common stock outstanding	**3,278**	**3,278**	3,269	3,269	3,275	3,275
Employee compensation-related shares, including stock options	**54**	**—**	61	—	70	—
Total average equivalent shares	**3,332**	**3,278**	3,330	3,269	3,345	3,275
Net earnings per share	**$ 3.22**	**$ 3.27**	$ 2.80	$ 2.84	$ 2.46	$ 2.50

9 Investment Securities

(In millions)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
December 31, 1999				
GE securities				
Equity	**$ 149**	**$ 547**	**$ (1)**	**$ 695**
Debt—U.S. corporate	**430**	**148**	**—**	**578**
	579	**695**	**(1)**	**1,273**
GECS securities				
Debt				
U.S. corporate	**31,512**	**175**	**(1,759)**	**29,928**
State and municipal	**12,558**	**141**	**(452)**	**12,247**
Mortgage-backed	**12,799**	**173**	**(376)**	**12,596**
Corporate—non-U.S.	**9,923**	**228**	**(248)**	**9,903**
Government —non-U.S.	**4,675**	**114**	**(77)**	**4,712**
U.S. government and federal agency	**2,481**	**5**	**(171)**	**2,315**
Equity	**6,420**	**2,641**	**(277)**	**8,784**
	80,368	**3,477**	**(3,360)**	**80,485**
Consolidated totals	**$ 80,947**	**$ 4,172**	**$(3,361)**	**$ 81,758**
December 31, 1998				
GE securities				
Equity	$ 233	$ 26	$ —	$ 259
GECS securities				
Debt				
U.S. corporate	27,888	1,293	(325)	28,856
State and municipal	12,483	727	(8)	13,202
Mortgage-backed	11,641	413	(109)	11,945
Corporate—non-U.S.	8,692	409	(90)	9,011
Government —non-U.S.	5,415	258	(9)	5,664
U.S. government and federal agency	2,706	207	(7)	2,906
Equity	5,651	1,415	(192)	6,874
	74,476	4,722	(740)	78,458
Consolidated totals	$ 74,709	$ 4,748	$ (740)	$ 78,717

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

Contractual maturities of debt securities (excluding mortgage-backed securities)

(In millions)	Amortized cost	Estimated fair value
Due in		
2000	$ 5,237	$ 5,309
2001–2004	13,348	13,310
2005–2009	14,478	13,953
2010 and later	28,086	26,533

It is expected that actual maturities will differ from contractual maturities because borrowers have the right to call or prepay certain obligations.

Proceeds from sales of investment securities by GE and GECS in 1999 were $18,521 million ($16,707 million in 1998 and $14,728 million in 1997). Gross realized gains were $1,430 million in 1999 ($1,126 million in 1998 and $1,018 million in 1997). Gross realized losses were $484 million in 1999 ($308 million in 1998 and $173 million in 1997).

10 GE Current Receivables

December 31 (In millions)	1999	1998
Aircraft Engines	**$ 1,541**	$ 1,722
Appliances	**285**	299
Industrial Products and Systems	**1,163**	1,274
NBC	**329**	261
Plastics	**953**	1,070
Power Systems	**3,350**	2,620
Technical Products and Services	**1,036**	904
All Other	**44**	141
Corporate	**362**	495
	9,063	8,786
Less allowance for losses	**(320)**	(303)
	$ 8,743	$ 8,483

Receivables balances at December 31, 1999 and 1998, before allowance for losses, included $5,832 million and $5,447 million, respectively, from sales of goods and services to customers, and $296 million and $350 million, respectively, from transactions with associated companies.

Current receivables of $203 million at year-end 1999 and $305 million at year-end 1998 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 1999, 1998 and 1997.

11 Inventories

December 31 (In millions)	1999	1998
GE		
Raw materials and work in process	**$ 3,438**	$ 3,154
Finished goods	**3,054**	2,967
Unbilled shipments	**233**	195
	6,725	6,316
Less revaluation to LIFO	**(927)**	(1,011)
	5,798	5,305
GECS		
Finished goods (a)	**1,209**	744
	$ 7,007	$ 6,049

(a) Including $773 million of Wards' retail inventory at year-end 1999.

LIFO revaluations decreased $84 million in 1999, compared with decreases of $87 million in 1998 and $119 million in 1997. Included in these changes were decreases of $4 million, $29 million and $59 million in 1999, 1998 and 1997, respectively, that resulted from lower LIFO inventory levels. There were net cost decreases in each of the last three years. As of December 31, 1999, GE is obligated to acquire certain raw materials at market prices through the year 2008 under various take-or-pay or similar arrangements. Annual minimum commitments under these arrangements are insignificant.

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

December 31 (In millions)	1999	1998
Time sales and loans		
Consumer services	**$ 48,435**	$ 42,573
Specialized financing	**24,999**	16,693
Mid-market financing	**19,186**	17,065
Equipment management	**977**	849
Specialty insurance	**28**	103
Time sales and loans	**93,625**	77,283
Investment in financing leases		
Direct financing leases	**43,738**	43,730
Leveraged leases	**4,045**	3,841
Investment in financing leases	**47,783**	47,571
	141,408	124,854
Less allowance for losses	**(3,779)**	(3,288)
	$ 137,629	$ 121,566

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 1999 and 1998, financing receivables included $15,782 million and $14,452 million, respectively, for commercial real estate loans and leases. Note 17 contains information on airline loans and leases.

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, commercial real estate, 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 net 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. The 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.

Net investment in financing leases

December 31 (In millions)	Total financing leases 1999	Total financing leases 1998	Direct financing leases 1999	Direct financing leases 1998	Leveraged leases 1999	Leveraged leases 1998
Total minimum lease payments receivable	**$ 68,158**	$ 66,528	**$ 47,069**	$ 47,451	**$ 21,089**	$ 19,077
Less principal and interest on third-party nonrecourse debt	**(17,184)**	(15,176)	**—**	—	**(17,184)**	(15,176)
Net rentals receivable	**50,974**	51,352	**47,069**	47,451	**3,905**	3,901
Estimated unguaranteed residual value of leased assets	**7,157**	6,826	**4,945**	5,011	**2,212**	1,815
Less deferred income	**(10,348)**	(10,607)	**(8,276)**	(8,732)	**(2,072)**	(1,875)
Investment in financing leases (as shown above)	**47,783**	47,571	**43,738**	43,730	**4,045**	3,841
Less amounts to arrive at net investment						
Allowance for losses	**(581)**	(619)	**(509)**	(519)	**(72)**	(100)
Deferred taxes	**(8,593)**	(8,593)	**(5,087)**	(5,147)	**(3,506)**	(3,446)
Net investment in financing leases	**$ 38,609**	$ 38,359	**$ 38,142**	$ 38,064	**$ 467**	$ 295

Contractual maturities

(In millions)	Total time sales and loans (a)	Net rentals receivable (a)
Due in		
2000	$ 25,878	$ 14,901
2001	18,489	11,625
2002	17,649	7,567
2003	7,466	4,613
2004	5,972	2,906
2005 and later	18,171	9,362
Total	$ 93,625	$ 50,974

(a) Experience has shown that a substantial portion of receivables will be paid prior to contractual maturity, and these amounts should not be regarded as forecasts of future cash flows.

Nonearning consumer receivables were $930 million and $1,250 million at December 31, 1999 and 1998, respectively, a substantial amount of which were private-label credit card loans. Nonearning and reduced-earning receivables other than consumer receivables were $932 million and $354 million at year-end 1999 and 1998, 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 commercial loans held by GECS. An analysis of impaired loans follows.

December 31 (In millions)	1999	1998
Loans requiring allowance for losses	**$ 631**	$ 346
Loans expected to be fully recoverable	**219**	158
	$ 850	$ 504
Allowance for losses	**$ 179**	$ 109
Average investment during year	**610**	512
Interest income earned while impaired (a)	**27**	39

(a) Principally on the cash basis.

13 GECS Allowance for Losses on Financing Receivables

(In millions)	1999	1998	1997
Balance at January 1	**$ 3,288**	$ 2,802	$ 2,693
Provisions charged to operations	**1,678**	1,609	1,421
Net transfers primarily related to acquisitions and sales	**270**	388	127
Amounts written off—net	**(1,457)**	(1,511)	(1,439)
Balance at December 31	**$ 3,779**	$ 3,288	$ 2,802

14 Other GECS Receivables

At year-end 1999 and 1998, this account included reinsurance recoverables of $8,138 million and $6,124 million and insurance-related receivables of $7,417 million and $7,109 million, respectively. Premium receivables, policy loans and funds on deposit with reinsurers 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)	1999	1998
Original cost		
GE		
Land and improvements	**$ 526**	$ 483
Buildings, structures and related equipment	**6,674**	6,579
Machinery and equipment	**20,849**	19,491
Leasehold costs and manufacturing plant under construction	**2,150**	1,757
	30,199	28,310
GECS		
Buildings and equipment	**7,163**	4,828
Equipment leased to others		
Vehicles	**10,942**	9,825
Aircraft	**10,591**	9,321
Railroad rolling stock	**3,323**	2,804
Marine shipping containers	**2,309**	2,565
Other	**3,832**	3,447
	38,160	32,790
	$ 68,359	$ 61,100
Accumulated depreciation and amortization		
GE	**$ 17,818**	$ 16,616
GECS		
Buildings and equipment	**2,127**	1,733
Equipment leased to others	**7,392**	7,021
	$ 27,337	$ 25,370

Amortization of GECS equipment leased to others was $2,673 million, $2,185 million and $2,102 million in 1999, 1998 and 1997, respectively. Noncancelable future rentals due from customers for equipment on operating leases at year-end 1999 totaled $16,058 million and are due as follows: $4,177 million in 2000; $3,177 million in 2001; $2,332 million in 2002; $1,624 million in 2003; $1,086 million in 2004; and $3,662 million thereafter.

16 Intangible Assets

December 31 (In millions)	1999	1998
GE		
Goodwill	**$ 10,805**	$ 9,203
Other intangibles	**457**	793
	11,262	9,996
GECS		
Goodwill	**12,301**	11,469
Present value of future profits (PVFP)	**1,812**	1,618
Other intangibles	**635**	552
	14,748	13,639
	$ 26,010	$ 23,635

GE intangible assets are shown net of accumulated amortization of $2,891 million in 1999 and $2,923 million in 1998. GECS intangible assets are net of accumulated amortization of $4,233 million in 1999 and $3,396 million in 1998.

PVFP amortization, which is on an accelerated basis and net of interest, is projected to range from 15% to 7% of the year-end 1999 unamortized balance for each of the next five years.

17 All Other Assets

December 31 (In millions)	1999	1998
GE		
Investments		
Associated companies (a)	**$ 2,678**	$ 2,336
Other	**741**	474
	3,419	2,810
Prepaid pension asset	**9,397**	7,752
Long-term receivables, including notes	**2,024**	2,379
Prepaid broadcasting rights	**1,078**	929
Other	**4,887**	4,161
	20,805	18,031
GECS		
Investments		
Assets acquired for resale	**3,406**	6,167
Associated companies (a)	**11,298**	7,670
Real estate ventures	**4,397**	3,131
Other	**4,424**	3,473
	23,525	20,441
Separate accounts	**10,335**	6,563
Servicing assets (b)	**1,707**	1,625
Deferred insurance acquisition costs	**4,682**	3,326
Other	**4,445**	3,584
	44,694	35,539
Eliminations	**(518)**	(662)
	$ 64,981	$ 52,908

(a) Includes advances.
(b) Associated primarily with serviced residential mortgage loans amounting to $86 billion and $91 billion at December 31, 1999 and 1998, respectively.

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 $1,453 million at year-end 1999 and $1,473 million at year-end 1998; and it had entered into commitments totaling $1,843 million and $1,519 million at year-end 1999 and 1998, 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, 1999. GECS acts as a lender and lessor to the commercial airline industry. At December 31, 1999 and 1998, the balance of such GECS loans, leases and equipment leased to others was $11,772 million and $10,170 million, respectively. In addition, at December 31, 1999, GECS had issued financial guarantees and funding commitments of $59 million ($74 million at year-end 1998) and had placed multi-year orders for various Boeing and Airbus aircraft with list prices of approximately $9.9 billion ($9.4 billion at year-end 1998).

At year-end 1999, the National Broadcasting Company had $8,843 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 2010.

In connection with numerous projects, primarily power generation bids and contracts, GE had issued various bid and performance bonds and guarantees totaling $3,794 million at year-end 1999 and $3,740 million at year-end 1998.

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 1999 and 1998, this account included taxes accrued of $3,940 million and $3,415 million and compensation and benefit accruals of $1,648 million and $1,487 million, respectively. Also included are amounts for product warranties, estimated costs on shipments billed to customers and a variety of sundry items.

19 Borrowings

Short-term borrowings

December 31 (In millions)	1999 Amount	1999 Average rate (a)	1998 Amount	1998 Average rate (a)
GE				
Commercial paper				
U.S.	**$ 521**	**6.54%**	$ 2,339	5.29%
Non-U.S.	**396**	**5.02**	—	—
Payable to banks, principally non-U.S.	**629**	**10.18**	465	11.15
Current portion of long-term debt	**123**	**7.27**	50	5.08
Other	**576**		612	
	2,245		3,466	
GECS				
Commercial paper				
U.S.	**84,702**	**6.07**	83,044	5.38
Non-U.S.	**11,909**	**4.19**	3,953	4.80
Current portion of long-term debt	**22,902**	**5.59**	14,645	5.66
Other	**9,746**		11,520	
	129,259		113,162	
Eliminations	**(1,158)**		(1,250)	
	$ 130,346		$ 115,378	

Long-term borrowings

December 31 (In millions)	1999 Average rate (a)	Maturities	1999	1998
GE				
Industrial development/ pollution control bonds	3.65%	2003-2027	**$ 328**	$ 327
Payable to banks, principally non-U.S.	11.11	2001-2006	**156**	230
Other (b)			**238**	124
			722	681
GECS				
Senior notes	5.50	2001-2055	**69,770**	58,042
Subordinated notes (c)	7.88	2006-2035	**996**	996
			70,766	59,038
Eliminations			**(61)**	(56)
			$ 71,427	$ 59,663

(a) Based on year-end balances and local currency interest rates, including the effects of interest rate and currency swaps, if any, directly associated with the original debt issuance.

(b) 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 (including the current portion) during the next five years follow.

(In millions)	2000	2001	2002	2003	2004
GE	$ 123	$ 73	$ 33	$ 17	$ 132
GECS	22,902	15,948	12,763	10,153	7,922

Committed credit lines of $4.2 billion had been extended to GE by 24 banks at year-end 1999. Substantially all of GE's credit lines are available to GECS and its affiliates in addition to their own credit lines.

At year-end 1999, GECS and its affiliates held committed lines of credit aggregating $32.5 billion, including $12.0 billion of revolving credit agreements pursuant to which it has the right to borrow funds for periods exceeding one year. Amounts drawn by GECS under these lines at December 31, 1999, were not significant. A total of $7.7 billion of GE Capital credit lines is available for use by GE. 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)	1999	1998
Short-term	**$ 74,347**	$ 72,143
Long-term (including current portion)		
Fixed rate (a)	**$ 90,361**	$ 74,226
Floating rate	**35,317**	25,831
Total long-term	**$ 125,678**	$ 100,057

(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, 1999, swap maturities ranged from 2000 to 2048, and average interest rates for fixed-rate borrowings (including "synthetic" fixed-rate borrowings) were 5.63% (6.03% at year-end 1998).

20 GECS Insurance Liabilities, Reserves and Annuity Benefits

December 31 (In millions)	1999	1998
Investment contracts and universal life benefits	**$ 30,448**	$ 29,266
Life insurance benefits and other (a)	**18,460**	16,104
Unpaid claims and claims adjustment expenses (b)	**21,473**	19,611
Unearned premiums	**6,060**	5,715
Separate accounts (see note 17)	**10,335**	6,563
	$ 86,776	$ 77,259

(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 1999 and 1998.

(b) Principally property and casualty reserves; includes amounts for both reported and incurred-but-not-reported claims, reduced by anticipated salvage and subrogation recoveries. Estimates of liabilities are reviewed and updated continually, with changes in estimated losses reflected in operations.

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 insurance liability for unpaid claims and claims adjustment expenses related to policies that may cover environmental and asbestos exposures is based on known facts and an assessment of applicable law and coverage litigation. Liabilities are recognized for both known and unasserted claims (including the cost of related litigation) when sufficient information has been developed to indicate that a claim has been incurred and a range of potential losses can be reasonably estimated. Developed case law and adequate claim history do not exist for certain claims principally due to significant uncertainties as to both the level of ultimate losses that will occur and what portion, if any, will be deemed to be insured amounts.

A summary of activity affecting unpaid claims and claims adjustment expenses follows.

(In millions)	1999	1998	1997
Balance at January 1—gross	**$ 19,611**	$ 14,654	$ 13,184
Less reinsurance recoverables	**(3,483)**	(2,246)	(1,822)
Balance at January 1—net	**16,128**	12,408	11,362
Claims and expenses incurred			
Current year	**6,917**	6,330	4,494
Prior years	**248**	(162)	146
Claims and expenses paid			
Current year	**(2,508)**	(2,400)	(1,780)
Prior years	**(5,162)**	(3,692)	(2,816)
Claim reserves related to acquired companies	**929**	3,476	1,360
Other	**89**	168	(358)
Balance at December 31—net	**16,641**	16,128	12,408
Add reinsurance recoverables	**4,832**	3,483	2,246
Balance at December 31—gross	**$ 21,473**	$ 19,611	$ 14,654

Prior-year claims and expenses incurred in the preceding 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)	1999	1998
Guarantees, principally on municipal bonds and structured finance issues	**$ 177,840**	$ 171,020
Mortgage insurance risk in force	**59,798**	43,941
Credit life insurance risk in force	**26,427**	31,018
Less reinsurance	**(37,992)**	(37,205)
	$ 226,073	$ 208,774

21 GE All Other Liabilities

This account includes noncurrent compensation and benefit accruals at year-end 1999 and 1998 of $5,839 million and $5,594 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)	1999	1998
Assets		
GE	**$ 5,808**	$ 5,309
GECS	**5,528**	5,305
	11,336	10,614
Liabilities		
GE	**6,091**	5,059
GECS	**14,483**	14,895
	20,574	19,954
Net deferred tax liability	**$ 9,238**	$ 9,340

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

December 31 (In millions)	1999	1998
GE		
Provisions for expenses (a)	**$ (4,203)**	$ (3,809)
Retiree insurance plans	**(839)**	(847)
Prepaid pension asset	**3,289**	2,713
Depreciation	**922**	935
Other—net	**1,114**	758
	283	(250)
GECS		
Financing leases	**8,593**	8,593
Operating leases	**2,840**	2,419
Net unrealized gains on securities	**73**	1,369
Allowance for losses	**(1,379)**	(1,386)
Insurance reserves	**(1,052)**	(1,022)
AMT credit carryforwards	**(1,185)**	(903)
Other—net	**1,065**	520
	8,955	9,590
Net deferred tax liability	**$ 9,238**	$ 9,340

(a) 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 affiliates of GE Capital. The preferred stock pays cumulative dividends at variable rates. Value of the preferred shares is summarized below.

December 31 (In millions)	1999	1998
GE Capital	**$ 2,600**	$ 2,300
GE Capital affiliates	**1,421**	860

Dividend rates in local currency on the preferred stock ranged from 0.6% to 6.1% during 1999 and from 3.9% to 5.2% during 1998.

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 1999, net assets of regulated GECS affiliates amounted to $31.0 billion, of which $25.9 billion was restricted.

At December 31, 1999 and 1998, the aggregate statutory capital and surplus of the insurance businesses totaled $14.5 billion and $14.4 billion, respectively. Accounting practices prescribed by statutory authorities are used in preparing statutory statements.

25 Share Owners' Equity

(In millions)	1999	1998	1997
Common stock issued	**$ 594**	$ 594	$ 594
Accumulated nonowner changes other than earnings			
Balance at January 1	**$ 1,664**	$ 1,340	$ 615
Unrealized gains (losses) on investment securities—net of deferred taxes of $(614), $430 and $860	**(1,132)**	795	1,467
Currency translation adjustments—net of deferred taxes of $(100), $(13) and $(58)	**(632)**	60	(742)
Reclassification adjustments—net of deferred taxes of $(349) and $(291)	**(644)**	(531)	—
Balance at December 31	**$ (744)**	$ 1,664	$ 1,340
Other capital			
Balance at January 1	**$ 6,808**	$ 4,434	$ 2,554
Gains on treasury stock dispositions (a)	**3,982**	2,374	1,880
Balance at December 31	**$ 10,790**	$ 6,808	$ 4,434
Retained earnings			
Balance at January 1	**$ 48,553**	$ 43,338	$ 38,670
Net earnings	**10,717**	9,296	8,203
Dividends (a)	**(4,786)**	(4,081)	(3,535)
Balance at December 31	**$ 54,484**	$ 48,553	$ 43,338
Common stock held in treasury			
Balance at January 1	**$ 18,739**	$ 15,268	$ 11,308
Purchases (a)	**7,488**	6,475	6,392
Dispositions (a)	**(3,660)**	(3,004)	(2,432)
Balance at December 31	**$ 22,567**	$ 18,739	$ 15,268

(a) Total dividends and other transactions with share owners reduced equity by $4,632 million, $5,178 million and $5,615 million in 1999, 1998 and 1997, respectively.

In December 1999, GE's Board of Directors increased the authorization to repurchase Company common stock to $22 billion and authorized the program to continue through 2002. Funds used for the share repurchase will be generated largely from free cash flow. Through year-end 1999, a total of 304 million shares having an aggregate cost of $15.4 billion had been repurchased under this program and placed in treasury.

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

Shares of GE common stock

December 31 (In thousands)	1999	1998	1997
Issued	**3,715,018**	3,714,068	3,714,026
In treasury	**(430,175)**	(442,772)	(449,434)
Outstanding	**3,284,843**	3,271,296	3,264,592

The Proxy Statement for the 2000 Annual Meeting of Share Owners will include a proposal recommended by the Board of Directors on December 17, 1999, which, if approved by share owners, would (a) increase the number of authorized shares of common stock from 4,400,000,000 shares each with a par value of $0.16 to 13,200,000,000 shares each with a par value of $0.06 and (b) split each unissued and issued common share, including shares held in treasury, into three shares of common stock each with a par value of $0.06.

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 share owners' equity. Asset and liability accounts are translated at year-end exchange rates, while revenues and expenses are translated at average rates for the period.

26 Other Stock-Related Information

Stock option activity

(Shares in thousands)	Shares subject to option	Average per share Exercise price	Average per share Market price
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
Options granted	7,707	79.86	79.86
Options exercised	(23,955)	20.76	84.45
Options terminated	(2,727)	44.46	—
Balance at December 31, 1998	119,928	34.76	102.00
Options granted	17,094	113.80	113.80
Options exercised	(20,560)	23.47	118.25
Options terminated	(2,671)	63.46	—
Balance at December 31, 1999	113,791	48.02	154.75

(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 1999, there were 544 thousand SARs outstanding at an average exercise price of $23.54. There were 8.9 million restricted stock shares and restricted stock units outstanding at year-end 1999.

There were 141.0 million and 121.0 million additional shares available for grants of options, SARs, restricted stock and restricted stock units at December 31, 1999 and 1998, 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 15, 2009. 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, 1999.

Stock options outstanding
(Shares in thousands)

Exercise price range	Outstanding Shares	Outstanding Average life (a)	Outstanding Average exercise price	Exercisable Shares	Exercisable Average exercise price
$ 13 27/32 – 25 3/16	28,493	2.8	$ 20.91	28,493	$ 20.91
25 1/2 – 39 11/16	34,428	4.9	27.14	30,763	26.55
40 7/16 – 69 1/8	21,435	6.9	49.30	8,590	44.73
72 1/4 – 97 5/8	12,882	8.4	76.75	475	78.77
104 7/8 – 147 1/2	16,553	9.5	114.06	455	107.47
Total	113,791	5.8	48.02	68,776	27.38

At year-end 1998, options with an average exercise price of $24.09 were exercisable on 73 million shares; at year-end 1997, options with an average exercise price of $21.11 were exercisable on 72 million shares.
(a) Average contractual life remaining in years.

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 Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation,* are as follows:

Option value information (a)

(In dollars)	1999	1998	1997
Fair value per option (b)	**$ 33.70**	$ 18.98	$ 17.81
Valuation assumptions			
Expected option term (years)	**6.5**	6.2	6.3
Expected volatility	**23.7%**	21.7%	20.0%
Expected dividend yield	**1.3%**	1.8%	1.5%
Risk-free interest rate	**5.8%**	4.9%	6.1%

(a) Weighted averages of option grants during each period.
(b) Estimated using Black-Scholes option pricing model.

Pro forma effects

December 31 (In millions; per-share amounts in dollars)	1999	1998	1997
Net earnings	**$ 10,572**	$ 9,196	$ 8,129
Earnings per share—diluted	**3.18**	2.77	2.43
—basic	**3.23**	2.81	2.48

27 Supplemental Cash Flows Information

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

Noncash transactions include the following: in 1999, GE's contribution of certain Internet properties in exchange for a noncontrolling interest in NBCi, a newly formed publicly traded Internet company (described in note 2); the 1998 acquisition of Marquette Medical Systems for 9.4 million shares of GE common stock valued at $829 million; and the 1997 exchange of preferred stock in Lockheed Martin Corporation (Lockheed Martin) for the stock of a newly formed subsidiary (described in note 2).

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

For the years ended December 31 (In millions)	1999	1998	1997
GE			
Net purchase of GE shares for treasury			
Open market purchases under share repurchase program	**$ (1,866)**	$ (3,646)	$ (3,492)
Other purchases	**(5,622)**	(2,829)	(2,900)
Dispositions (mainly to employee and dividend reinvestment plans)	**6,486**	3,656	3,577
	$ (1,002)	$ (2,819)	$ (2,815)
GECS			
Financing receivables			
Increase in loans to customers	**$ (95,661)**	$ (76,142)	$ (55,689)
Principal collections from customers—loans	**86,379**	65,573	50,679
Investment in equipment for financing leases	**(18,173)**	(20,299)	(16,420)
Principal collections from customers—financing leases	**13,634**	15,467	13,796
Net change in credit card receivables	**(10,740)**	(4,705)	(4,186)
Sales of financing receivables	**11,473**	13,805	9,922
	$ (13,088)	$ (6,301)	$ (1,898)
All other investing activities			
Purchases of securities by insurance and annuity businesses	**$ (26,271)**	$ (23,897)	$ (19,274)
Dispositions and maturities of securities by insurance and annuity businesses	**23,979**	20,639	17,280
Proceeds from principal business dispositions	**279**	—	241
Other	**(5,810)**	(7,820)	(3,893)
	$ (7,823)	$ (11,078)	$ (5,646)
Newly issued debt having maturities longer than 90 days			
Short-term (91 to 365 days)	**$ 15,799**	$ 5,881	$ 3,502
Long-term (longer than one year)	**30,082**	33,453	15,566
Proceeds—nonrecourse, leveraged lease debt	**1,724**	2,106	1,757
	$ 47,605	$ 41,440	$ 20,825
Repayments and other reductions of debt having maturities longer than 90 days			
Short-term (91 to 365 days)	**$ (21,211)**	$ (25,901)	$ (21,320)
Long-term (longer than one year)	**(5,447)**	(4,739)	(1,150)
Principal payments—nonrecourse, leveraged lease debt	**(266)**	(387)	(287)
	$ (26,924)	$ (31,027)	$ (22,757)
All other financing activities			
Proceeds from sales of investment contracts	**$ 7,236**	$ 5,149	$ 4,717
Preferred stock issued by GECS affiliates	**513**	270	605
Redemption of investment contracts	**(7,127)**	(5,533)	(4,537)
	$ 622	$ (114)	$ 785

Revenues
For the years ended December 31

(In millions)	Total revenues 1999	1998	1997	Intersegment revenues 1999	1998	1997	External revenues 1999	1998	1997
GE									
Aircraft Engines	**$ 10,558**	$ 10,294	$ 7,799	**$ 477**	$ 292	$ 101	**$ 10,081**	$ 10,002	$ 7,698
Appliances	**5,671**	5,619	5,801	**4**	12	12	**5,667**	5,607	5,789
Industrial Products and Systems	**11,555**	11,222	10,984	**530**	479	491	**11,025**	10,743	10,493
NBC	**5,790**	5,269	5,153	**—**	—	—	**5,790**	5,269	5,153
Plastics	**6,941**	6,633	6,695	**17**	20	24	**6,924**	6,613	6,671
Power Systems	**10,046**	8,466	7,915	**162**	166	80	**9,884**	8,300	7,835
Technical Products and Services	**6,863**	5,323	4,861	**15**	14	18	**6,848**	5,309	4,843
Eliminations	**(1,542)**	(1,367)	(1,176)	**(1,205)**	(983)	(726)	**(337)**	(384)	(450)
Total GE segment revenues	**55,882**	51,459	48,032	**—**	—	—	**55,882**	51,459	48,032
Corporate items (a)	**619**	771	3,227	**—**	—	—	**619**	771	3,227
GECS net earnings	**4,443**	3,796	3,256	**—**	—	—	**4,443**	3,796	3,256
Total GE	**60,944**	56,026	54,515	**—**	—	—	**60,944**	56,026	54,515
GECS	**55,749**	48,694	39,931	**—**	—	—	**55,749**	48,694	39,931
Eliminations	**(5,063)**	(4,251)	(3,606)	**—**	—	—	**(5,063)**	(4,251)	(3,606)
Consolidated revenues	**$111,630**	$100,469	$ 90,840	**$ —**	$ —	$ —	**$111,630**	$100,469	$ 90,840

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.

(a) Includes revenues of $944 million in 1997 from an appliance distribution affiliate that was deconsolidated in 1998. Also includes $1,538 million in 1997 from exchanging preferred stock in Lockheed Martin Corporation for the stock of a newly formed subsidiary.

(In millions)	**Assets** At December 31 1999	1998	1997	**Property, plant and equipment additions (including equipment leased to others)** For the years ended December 31 1999	1998	1997	**Depreciation and amortization (including goodwill and other intangibles)** For the years ended December 31 1999	1998	1997
GE									
Aircraft Engines	**$ 8,890**	$ 8,866	$ 8,895	**$ 368**	$ 480	$ 729	**$ 382**	$ 398	$ 292
Appliances	**2,463**	2,436	2,354	**151**	150	83	**147**	137	131
Industrial Products and Systems	**6,740**	6,466	6,672	**423**	428	487	**433**	440	408
NBC	**5,243**	3,264	3,050	**94**	105	116	**126**	127	142
Plastics	**9,261**	9,813	8,890	**462**	722	618	**561**	591	494
Power Systems	**9,814**	7,253	6,182	**510**	246	215	**285**	215	199
Technical Products and Services	**5,048**	3,858	2,438	**164**	254	189	**230**	143	137
Total GE segments	**47,459**	41,956	38,481	**2,172**	2,385	2,437	**2,164**	2,051	1,803
Investment in GECS	**20,321**	19,727	17,239	**—**	—	—	**—**	—	—
Corporate items and eliminations (a)	**14,803**	12,987	11,706	**62**	158	129	**155**	241	226
Total GE	**82,583**	74,670	67,426	**2,234**	2,543	2,566	**2,319**	2,292	2,029
GECS	**345,018**	303,297	255,408	**15,432**	8,110	7,320	**4,372**	3,568	3,240
Eliminations	**(22,401)**	(22,032)	(18,822)	**—**	—	—	**—**	—	—
Consolidated totals	**$ 405,200**	$ 355,935	$ 304,012	**$ 17,666**	$ 10,653	$ 9,886	**$ 6,691**	$ 5,860	$ 5,269

Additions to property, plant and equipment include amounts relating to principal businesses purchased.

(a) Depreciation and amortization includes $64 million of unallocated RCA goodwill amortization in 1999, 1998 and 1997 that relates to NBC.

Basis for presentation. The Company's operating businesses are organized based on the nature of products and services provided. Certain GE businesses do not meet the definition of a reportable operating segment and have been aggregated. The Industrial Products and Systems segment consists of Industrial Systems, Lighting, Transportation Systems and GE Supply. The Technical Products and Services segment consists of Medical Systems and Information Services.

Segment accounting policies are the same as policies described in note 1.

Details of segment profit by operating segment can be found on page 44 of this report. A description of operating segments for General Electric Company and consolidated affiliates is provided on the facing page.

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. Products are sold worldwide to airframe manufacturers, airlines and government agencies. Also includes aircraft engine derivatives, used as marine propulsion and industrial power sources; the latter is also reported in Power Systems.

Appliances. Major appliances and related services for products such as refrigerators, freezers, electric and gas ranges, dishwashers, clothes washers and dryers, microwave ovens, room air conditioners and residential water system products. Products are 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.

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.

NBC. Principal businesses are the furnishing of U.S. network television services to more than 220 affiliated stations, production of television programs, operation of 13 VHF and UHF television broadcasting stations, operation of four cable/satellite networks around the world, and investment and programming activities in the Internet, multimedia and cable television.

Plastics. 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. Products are sold worldwide to a diverse customer base consisting mainly of manufacturers.

Power Systems. Power plant products and services, including design, installation, operation and maintenance services. Markets and competition are global. Gas turbines are sold separately and as part of packaged power plants for electric utilities, independent power producers and for industrial cogeneration and mechanical drive applications. Steam turbine-generators are sold to electric utilities and, for cogeneration, to industrial and other power customers. Also includes nuclear reactors and fuel and support services for GE's new and installed boiling water reactors and aircraft engine derivatives, also reported in the Aircraft Engines segment, used as industrial power sources.

Technical Products and Services. Medical imaging systems such as magnetic resonance (MR) and computed tomography (CT) scanners, x-ray, nuclear imaging and ultrasound, as well as diagnostic cardiology and patient monitoring devices; related services, including equipment monitoring and repair, computerized data management and customer productivity services. Products and services are sold worldwide to hospitals and medical facilities. Also includes a full range of computer-based information and data interchange services for both internal and external use to commercial and industrial customers.

GECS. The operating activities of the GECS segment follow.

Consumer services—private-label 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.

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, financing and operating leases and other services for middle-market customers, including manufacturers, distributors and end users, for a variety of equipment that includes vehicles, corporate aircraft, data processing equipment, medical and diagnostic equipment, and equipment used in construction, manufacturing, office applications, electronics and telecommunications activities.

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 public and private entities in diverse industries.

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.

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

29 Geographic Segment Information (consolidated)

The table below presents data by geographic region.

Revenues and operating profit shown below are classified according to their country of origin (including exports from such areas). Revenues classified under the caption "United States" include royalty and licensing income from non-U.S. sources.

Revenues
For the years ended December 31

(In millions)	Total revenues 1999	1998	1997	Intersegment revenues 1999	1998	1997	External revenues 1999	1998	1997
United States	**$ 78,970**	$ 71,799	$ 66,330	**$ 2,690**	$ 2,608	$ 2,471	**$ 76,280**	$ 69,191	$ 63,859
Europe (a)	**22,919**	21,665	18,166	**1,081**	837	787	**21,838**	20,828	17,379
Pacific Basin	**7,879**	5,166	4,742	**924**	951	880	**6,955**	4,215	3,862
Other (b)	**7,365**	6,925	6,420	**808**	690	680	**6,557**	6,235	5,740
Intercompany eliminations	**(5,503)**	(5,086)	(4,818)	**(5,503)**	(5,086)	(4,818)	**—**	—	—
Total	**$111,630**	$100,469	$ 90,840	**$ —**	$ —	$ —	**$ 111,630**	$ 100,469	$ 90,840

(In millions)	Operating profit (c) For the years ended December 31 1999	1998	1997	Assets At December 31 1999	1998	1997	Long-lived assets (d) At December 31 1999	1998	1997
United States	**$13,293**	$11,287	$ 9,939	**$ 264,129**	$ 227,311	$ 206,655	**$ 21,612**	$ 18,048	$ 17,074
Europe	**1,884**	2,393	2,271	**83,358**	84,518	66,740	**6,101**	6,334	5,180
Pacific Basin	**1,089**	431	355	**28,214**	18,427	8,881	**2,017**	1,326	971
Other (b)	**953**	810	713	**29,687**	25,878	21,926	**11,329**	10,057	9,119
Intercompany eliminations	**11**	(9)	(23)	**(188)**	(199)	(190)	**(37)**	(35)	(28)
Total	**$17,230**	$14,912	$13,255	**$ 405,200**	$ 355,935	$ 304,012	**$ 41,022**	$ 35,730	$ 32,316

(a) Includes $944 million in 1997 from an appliance distribution affiliate that was deconsolidated in 1998.

(b) Includes the Americas other than the United States and operations that cannot meaningfully be associated with specific geographic areas (for example, shipping containers used on ocean-going vessels).

(c) Excludes GECS income taxes of $1,653 million, $1,364 million and $1,166 million in 1999, 1998 and 1997, respectively, which are included in the measure of segment profit reported on page 44.

(d) Property, plant and equipment (including equipment leased to others).

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, 1999 or 1998. 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.

A description of how values are estimated 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)	1999 Notional amount	1999 Assets (liabilities) Carrying amount (net)	1999 Estimated fair value High	1999 Estimated fair value Low	1998 Notional amount	1998 Assets (liabilities) Carrying amount (net)	1998 Estimated fair value High	1998 Estimated fair value Low
GE								
Investment related								
Investments and notes receivable	$ (a)	$ 1,700	$ 1,739	$ 1,684	$ (a)	$ 1,764	$ 1,810	$ 1,793
Cancelable interest rate swap	1,046	11	22	22	1,221	17	1	1
Borrowings and related instruments								
Borrowings (b)(c)	(a)	(2,967)	(2,966)	(2,966)	(a)	(4,147)	(4,155)	(4,155)
Interest rate swaps	1,408	—	30	30	951	—	(60)	(60)
Currency swaps	879	—	(17)	(17)	1,046	—	1	1
Recourse obligations for receivables sold	555	(36)	(36)	(36)	607	(38)	(38)	(38)
Financial guarantees	2,710	—	—	—	2,172	—	—	—
Other firm commitments								
Forwards and options	6,764	16	(30)	(30)	6,868	72	113	113
Financing commitments	1,858	—	—	—	1,519	—	—	—
GECS								
Assets								
Time sales and loans	(a)	90,427	90,313	88,813	(a)	74,616	75,474	74,293
Integrated interest rate swaps	15,933	18	59	59	14,135	16	(102)	(102)
Purchased options	8,949	60	174	174	11,195	146	158	158
Mortgage-related positions								
Mortgage purchase commitments	669	—	—	—	1,983	—	15	15
Mortgage sale commitments	1,452	—	4	4	3,276	—	(9)	(9)
Mortgages held for sale	(a)	2,522	2,516	2,488	(a)	4,405	4,457	4,457
Options, including "floors"	23,929	76	56	56	21,433	91	181	181
Interest rate swaps and futures	4,054	—	(67)	(67)	6,662	—	49	49
Other financial instruments	(a)	4,478	4,558	4,528	(a)	3,205	3,433	3,231
Liabilities								
Borrowings and related instruments								
Borrowings (b)(c)	(a)	(200,025)	(198,798)	(198,798)	(a)	(172,200)	(174,492)	(174,492)
Interest rate swaps	56,339	—	(99)	(99)	46,325	—	(1,449)	(1,449)
Currency swaps	22,744	—	(1,425)	(1,425)	29,645	—	252	252
Currency forwards	26,806	—	(459)	(459)	23,409	—	(389)	(389)
Investment contract benefits	(a)	(24,943)	(24,420)	(24,420)	(a)	(23,893)	(23,799)	(23,799)
Insurance—financial guarantees and credit life	226,073	(2,757)	(2,797)	(2,909)	208,774	(3,135)	(3,339)	(3,446)
Credit and liquidity support—securitizations	34,389	(144)	(144)	(144)	21,703	(29)	(29)	(29)
Performance guarantees—principally letters of credit	3,472	(56)	(56)	(56)	2,684	—	—	—
Other financial instruments	2,545	(1,473)	(1,444)	(1,444)	2,888	(1,921)	(1,190)	(1,190)
Other firm commitments								
Currency forwards	3,778	(14)	(41)	(41)	5,072	—	(52)	(52)
Currency swaps	767	238	200	200	915	72	72	72
Ordinary course of business lending commitments	7,822	—	—	—	9,839	—	(12)	(12)
Unused revolving credit lines								
Commercial	11,440	—	—	—	6,401	—	—	—
Consumer—principally credit cards	151,651	—	—	—	132,475	—	—	—

(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 mortgage servicing and annuities.

Swaps of interest rates and currencies are used by GE and GECS to optimize funding 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, 1999 and 1998, this gross market risk amounted to $2.0 billion and $2.3 billion, respectively. Aggregate fair values that represent associated probable future obligations, normally associated with a right of offset against probable future receipts, amounted to $3.6 billion at both year-end 1999 and 1998.

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)

(Dollar amounts in millions; per-share amounts in dollars)	First quarter		Second quarter		Third quarter		Fourth quarter	
	1999	1998	**1999**	1998	**1999**	1998	**1999**	1998
Consolidated operations								
Net earnings	**$ 2,155**	$ 1,891	**$ 2,820**	$ 2,450	**$ 2,653**	$ 2,284	**$ 3,089**	$ 2,671
Earnings per share — diluted	**0.65**	0.57	**0.85**	0.74	**0.80**	0.69	**0.93**	0.80
— basic	**0.66**	0.58	**0.86**	0.75	**0.81**	0.70	**0.94**	0.82
Selected data								
GE								
Sales of goods and services	**11,796**	11,408	**13,966**	13,217	**13,228**	12,075	**16,655**	14,846
Gross profit from sales	**3,667**	3,366	**4,545**	4,216	**4,091**	3,630	**5,043**	4,598
GECS								
Total revenues	**12,383**	11,151	**13,378**	11,801	**14,002**	12,016	**15,986**	13,726
Operating profit	**1,400**	1,252	**1,461**	1,219	**1,745**	1,584	**1,490**	1,105
Net earnings	**1,032**	881	**1,092**	933	**1,262**	1,082	**1,057**	900

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."

Earnings-per-share amounts for each quarter are required to be computed independently. As a result, their sum does not equal the total year earnings-per-share amounts for diluted earnings per share in 1999 and basic earnings per share in 1998.

Corporate Information

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

Annual Meeting
General Electric Company's 2000 Annual Meeting will be held on Wednesday, April 26, at Richmond's Landmark Theater in Richmond, Virginia.

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 Direct Purchase and Reinvestment Plan, *GE Stock Direct,* write to GE Share Owner Services, c/o The Bank of New York, P.O. Box 11402, New York, NY 10286-1402; or call (800) 786-2543 (800-STOCK-GE) or (908) 769-9619; or send an email 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

	Common Stock Market Price		Dividends
(In dollars)	High	Low	declared
1999			
Fourth quarter	**$159 1/2**	**$114 5/8**	**$.41**
Third quarter	**122 1/2**	**102 9/16**	**.35**
Second quarter	**117 7/16**	**99 13/16**	**.35**
First quarter	**114 3/16**	**94 1/4**	**.35**
1998			
Fourth quarter	$103 15/16	$ 69	$.35
Third quarter	96 7/8	72 5/8	.30
Second quarter	92	80 11/16	.30
First quarter	87 5/8	70 1/4	.30

As of December 31, 1999, there were about 557,000 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 2000. Certain supplemental information is included 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 GE's philanthropic foundation, write to the GE Fund, 3135 Easton Turnpike, Fairfield, CT 06431. You may also view the GE Fund report at *www.ge.com/fund.*

Internet Address Information
Use *www.ge.com* to reach the GE home page for more information about GE and its products and services.

A video entitled "e@GE" has been created to provide a view of our progress on GE's Internet initiatives. We invite you to view both the e@GE video and the 1999 GE Annual Report online at *www.ge.com/annual99.*

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 information about the varied financial products and services offered by GE Capital, call (800) 243-2222 or (203) 357-3301.

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