GE Annual Report

2000

GE Values

All of us… 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… e.g., "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***

Financial Highlights

General Electric Company and consolidated affiliates

(Dollar amounts in millions; per-share amounts in dollars)	**2000**	1999	1998
Revenues	**$129,853**	$111,630	$100,469
Net earnings	**12,735**	10,717	9,296
Dividends declared	**5,647**	4,786	4,081
Per share			
Net earnings	**1.27**	1.07	0.93
Dividends declared	**0.57**	0.48⅔	0.41⅔
GE ongoing operating margin rate (a)	**18.9%**	17.8%	16.7%

Per-share amounts have been adjusted to reflect the 3-for-1 stock split effective on April 27, 2000.

(a) "Ongoing operating margin" here and elsewhere in this report excludes unusual charges in 2000 and 1999.

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To Our Customers, Share Owners and Employees

2000 was a memorable year for GE:

It was a year of record-breaking business performance; a year that saw the proposal to acquire and integrate the businesses of Honeywell; and a year that began the transition to a new leadership team.

- **Revenues rose 16% to $129.9 billion — a record.**
- **Net income rose 19% to a record $12.7 billion, with 15 of GE's top 20 businesses posting double-digit earnings increases.**
- **Earnings per share increased 19%.**
- **Cash generated from our operations was a record $15.4 billion — up 31%, or $3.6 billion from 1999.**
- **Ongoing operating margin — a key metric of business performance — rose to nearly 19% — this from a Company that struggled for 111 years to reach 10%.**
- **The Company made over 100 acquisitions for the fourth consecutive year and moved quickly to acquire Honeywell, whose businesses are a perfect complementary fit with our Aircraft Engines, Industrial Systems and Plastics businesses. Honeywell share owners approved the merger in January, and GE and Honeywell are working with regulatory agencies to close the transaction as early as possible in 2001.**

  We expect the acquired Honeywell businesses to give us double-digit earnings-per-share accretion and, within two years, add one to two percentage points to GE's bottom-line growth rate.
- **In 2000, GE continued its share repurchase program, raised the dividend 17% and split the stock 3 for 1.**
- **Our stock price was down 7% but outperformed the S&P 500, which was down 10%. This is not the kind of "outperformance" we've been proud to report in past years — particularly after posting the best operating results in the history of the Company. Still, share owners who have held our stock for five years, including 2000, have been rewarded with an average 34% total annual return on their investment. Those who have held it for a decade, 29%; two decades, a 23% total annual return.**
- **Substantial progress was made in 2000 in further diversifying GE's leadership. 26% of the Company's top 3,900 executives are now women and minorities, and over $30 billion of our 2000 revenues were generated by business operations led by female and minority operating managers.**
- **GE continued to be the world's most honored company — awarded for the fourth straight year *Fortune's* "Most Admired Company in America," as well as, for the third time, "The World's Most Respected Company," by the *Financial Times.***

We write this in a year of transition to a new team, and we would like to use this occasion to reflect on what GE is today: why it works, the values and beliefs it is built upon and how they will serve to take us to the even better days that we know lie ahead for our Company.

First, and most importantly, GE is a growth company, creating, in 2000 alone, the equivalent of an $18 billion, multi-business "company" with earnings of $2 billion. In 2000 the Company not only posted its highest revenues ever, but grew them at one of the highest rates in its history.

Second, through the rigorous pursuit of four big Company-wide initiatives—Globalization, Services, Six Sigma Quality and Digitization—we've changed not only where we work and what we sell, but how we work, think and touch our customers.

Globalization has transformed a heavily U.S.-based Company to one whose revenues are now 40% non-U.S. Even more importantly, it has changed us into a Company that searches the world, not just to sell or to source, but to find intellectual capital: the world's best talent and greatest ideas.

A **Services** focus has changed GE from a Company that in 1980 derived 85% of its revenues from the sale of products to one that today is based 70% on the sale of services. This extends our market potential and our ability to bring value to our customers.

Six Sigma has turned the Company's focus from inside to outside, changed the way we think and train our future leaders and moved us toward becoming a truly customer-focused organization.

As we said in our 1999 letter, **Digitization** is transforming everything we do, energizing every corner of the Company and making us faster, leaner and smarter even as we become bigger. In 2000, these words began to turn into numbers, as we sold over $7 billion of goods and services over the net and conducted over $6 billion in online auctions. Digitization efforts across the Company will generate over $1.5 billion in operating margin improvements in 2001.

The initiatives are playing a critical role in changing GE, but the most significant change in GE has been its transformation into a **Learning Company.** Our true "core competency" today is not manufacturing or services, but the global recruiting and nurturing of the world's best people and the cultivation in them of an insatiable desire to learn, to stretch and to do things better every day. By finding, challenging and rewarding these people, by freeing them from bureaucracy, by giving them all the resources they need—and by simply getting out of their way—we have seen them make us better and better every year.

We have a Company more agile than others a fraction of our size, a high-spirited company where people are free to dream and encouraged to act and to take risks. In a culture where people act this way, every day, "big" will never mean slow.

This is all about people—"soft stuff." But values and behaviors are what produce those performance numbers, and they are the bedrock upon which we will build our future.

The rest of our letter will describe these abiding values and beliefs because they are at the heart and soul of everything we do, what we stand for, what we stand on and, most important, where we are going.

Integrity

It's the first and most important of our values. Integrity means always abiding by the law, both the letter and the spirit. But it's not just about laws; it is at the core of every relationship we have.

Inside the Company, integrity establishes the trust that is so critical to the human relationships that make our values work. With that trust, employees can take risks and believe us when we say a "miss" doesn't mean career damage.

Chairman and Chief Executive Officer John F. Welch, Jr. (seated, right), President and Chairman-Elect Jeffrey R. Immelt (seated, left), and Vice Chairmen and Executive Officers Dennis D. Dammerman (standing, right) and Robert C. Wright (standing, left) form GE's Corporate Executive Office.

We write this in a year of transition to a new team, and we would like to use this occasion to reflect on what GE is today: why it works, the values and beliefs it is built upon and how they will serve to take us to the even better days that we know lie ahead for our Company.

GE... a learning Company. Our true "core competency" today is not manufacturing or services, but the global recruiting and nurturing of the world's best people and the cultivation in them of an insatiable desire to learn, to stretch and to do things better every day.

With trust, employees can set stretch performance goals and can believe us when we promise that falling short is not a punishable offense. Integrity and trust are at the heart of the informality we cherish. There are no witnesses needed to conversations, nor the need to "put it in writing." None of that—our word is enough.

In our external dealings, with our unions and governments, we are free to represent our positions vigorously, in a constructive fashion, to agree or disagree on the issues, knowing that our integrity itself is never an issue.

A period of transition is a period of change, and some of our values will be modified to adapt to what the future brings. One will not: our commitment to integrity, which, beyond doing everything right, means always doing the right thing.

Relishing Change

We've long believed that when the rate of change inside an institution becomes slower than the rate of change outside, the end is in sight. The only question is when.

Learning to love change is an unnatural act in any century-old institution, but today we have a Company that does just that: sees change always as a source of excitement, always as opportunity, rather than as threat or crisis. We're no better prophets than anyone else, and we have difficulty predicting the exact course of change. But we don't have to predict it. What we have to do is simply jump all over it! Our moves in Europe, Mexico, Japan and the rest of Asia during the '90s were risky, richly-rewarded big swings at fast-breaking change, as was our leap into digitization, and more recently our decision to acquire Honeywell. We strive every day to always have everyone in the organization see change as a thrilling, energizing phenomenon, relished by all, because it is the oxygen of our growth.

The Customer

Bureaucracies love to focus inward. It's not that they dislike customers; they just don't find them as interesting as themselves. Today we have a Company doing its very best to fix its face on customers by focusing Six Sigma on their needs.

Key to this focus is a concept called "span," which is a measurement of operational reliability for meeting a customer request. It is the time window around the Customer Requested Delivery Date in which delivery will happen. High span shows poor capability to hit a specific date; low span reflects great capability; and zero span is always the objective.

With span, the measurement is based on the day the customer wants the product. When the order is taken, that date becomes known to everyone, from the first person in the process receiving the castings, circuit boards or any other components from the supplier, all the way through to the service reps who stand next to the customer as the product is started up for the first time. Every single delivery to every single customer is measured and in the line of sight of everyone; and everyone in the process knows he or she is affecting the business-wide measurement of span with every action taken.

The object is to squeeze the two sides of the delivery span, days early and days late, ever closer to the center: the exact day the customer desired. Plastics has reduced its span from 50 days to 5; Aircraft Engines from 80 days to 5; Mortgage Insurance took it from 54 days to 1.

GE completed more than 2000 Six Sigma projects "at the customer, for the customer," last year. Here we took GE resources and applied them to our customers' biggest needs, using Six Sigma as a foundation. The focus has been totally inside our customer operations. The wins have been significant: improving locomotive reliability, reducing medical CT scan wait times and improving airline operations. It's not that we know all the answers but we're totally committed to finding them; and committed to externalizing all of our initiatives for the benefit of the customer. Over the long term, we believe this will differentiate GE in the eyes of the customer.

Using Size

One of the biggest mistakes large institutions can make is indulging the compulsion to "manage" their size. They become impressed with how big they are and at the same time nervous about the need to control their size, to get their arms around it. This often leads to more layers, structure and bureaucracy—and eventually stifled and frustrated people.

We see size differently. We understand its inherent limitations—on speed and on clarity of communications, among other things—and we fight every day to create the quickness and spirit of a small company. But we appreciate the one huge advantage size offers: the ability to take big swings, big risks, and to live outside the technology envelope, to live in the future. Size allows us to invest hundreds of millions of dollars in an enormously ambitious program like the GE90, the world's highest-thrust jet engine, and the "H" turbine,

. . . our size — far from inhibiting innovation, the conventional stereotype — actually allows us to take more and bigger swings. We don't connect with every one, but the point is, our size allows us to miss a few — without missing a beat.

the world's highest-efficiency turbine generator. Size allows us to introduce at least one new product in every segment, every year, in medical diagnostics, or to spend hundreds of millions on new plastics capacity, or to continue to invest in a business during a down cycle, or to make over 100 acquisitions a year, year after year.

Our size allows us to do this knowing that we don't have to be perfect, that we can take more risks, knowing that not all will succeed. That's because our size — far from inhibiting innovation, the conventional stereotype — actually allows us to take more and bigger swings. We don't connect with every one, but the point is, our size allows us to miss a few — without missing a beat.

Annihilating Bureaucracy

We cultivate the hatred of bureaucracy in our Company and never for a moment hesitate to use that awful word "hate." Bureaucrats must be ridiculed and removed. They multiply in organizational layers and behind functional walls — which means that every day must be a battle to demolish this structure and keep the organization open, ventilated and free. Even if bureaucracy is largely exterminated, as it has been at GE, people need to be vigilant — even paranoid — because the allure of bureaucracy is part of human nature and hard to resist, and it can return in the blink of an eye. Bureaucracy frustrates people, distorts their priorities, limits their dreams and turns the face of the entire enterprise inward.

In a digitized world, the internal workings of companies will be exposed to the world, and bureaucracies will be seen by all for what they are: slow, self-absorbed, customer insensitive — even silly.

Self-Confidence, Simplicity and Speed

One leads to the other. Self-confidence is the indispensable leadership characteristic. It can come from early family life, from sports, from school success, or it can be acquired through opportunities to lead, to take business risks, to be challenged and to win. It is the obligation of every leader to give everyone the business challenges that provide opportunities to develop personal self-confidence. We see, day after day, people's lives — and not just their business lives — utterly transformed by the self-confidence born of meeting big challenges.

Self-confidence in turn allows one to communicate simply and clearly — without the business jargon, busy charts, convoluted memos and incomprehensible presentations that insecure leaders use to mask their self-doubt. Leaders who lack self-confidence use their intelligence to make things more complex. Self-confident people use it to make things simpler.

Simplicity clarifies communications and enhances the chance that everyone in the organization gets the same message. Those clear, simple messages energize people and inspire them to action; thus simplicity leads to speed, one of the key drivers of business success.

Leadership

It's about the four "E's" we've been using for years as a screen to pick our leaders. "Energy": to cope with the frenetic pace of change. "Energize": the ability to excite, to galvanize the organization and inspire it to action. "Edge": the self-confidence to make the tough calls, with "yeses" and "noes" — and very few "maybes." And "Execute": the ancient GE tradition of always delivering, never disappointing.

And it's about the four "types" that represent the way we evaluate and deal with our existing leaders. Type I: shares our values; makes the numbers — sky's the limit! Type II: doesn't share the values; doesn't make the numbers — gone. Type III: shares the values; misses the numbers — typically, another chance, or two.

None of these three are tough calls, but Type IV is the toughest call of all: the manager who doesn't share the values, but delivers the numbers; the "go-to" manager, the hammer, who delivers the bacon but does it on the backs of people, often "kissing up and kicking down" during the process. This type is the toughest to part with because organizations always want to deliver — it's in the blood — and to let someone go who gets the job done is yet another unnatural act. But we have to remove these Type IVs because they have the power, by themselves, to destroy the open, informal, trust-based culture we need to win today and tomorrow.

We made our leap forward when we began removing our Type IV managers and making it clear to the entire Company why they were asked to leave — not for the usual "personal

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reasons" or "to pursue other opportunities," but for not sharing our values. Until an organization develops the courage to do this, people will never have full confidence that these soft values are truly real. There are undoubtedly a few Type IVs remaining, and they must be found. They must leave the Company, because their behavior weakens the trust that more than 300,000 people have in its leadership.

Training

We've always had great advanced management training programs at GE. We also have terrific early-career programs in financial management, engineering, manufacturing, the audit staff and others. However, because of our diversity we've never had a truly early-career generic program that would develop leaders for all our functions. All of our big, Company-wide initiatives have led us down serendipitous paths, and Six Sigma has proved no exception. It has, in addition to its other benefits, now become the language of leadership. It is a reasonable guess that the next CEO of this Company, decades down the road, is probably a Six Sigma Black Belt or Master Black Belt somewhere in GE right now, or on the verge of being offered—as all our early-career (3-5 years) top 20% performers will be—a two-to-three-year Black Belt assignment. The generic nature of a Black Belt assignment, in addition to its rigorous process discipline and relentless customer focus, makes Six Sigma the perfect training for growing 21st century GE leadership.

People

Our technology, our great businesses, our reach and our resources aren't enough to make us the global best unless we always have the best people—people who are always stretching to become better. This requires rigorous discipline in evaluating, and total candor in dealing with, everyone in the organization.

In every evaluation and reward system, we break our population down into three categories: the top 20%, the high-performance middle 70% and the bottom 10%.

The top 20% must be loved, nurtured and rewarded in the soul and wallet because they are the ones who make magic happen. Losing one of these people must be held up as a leadership sin—a real failing.

The top 20% and middle 70% are not permanent labels. People move between them all the time. However, the bottom 10%, in our experience, tend to remain there. A Company that bets its future on its people must remove that lower 10%, and keep removing it every year—always raising the bar of performance and increasing the quality of its leadership.

Not removing that bottom 10% early in their careers is not only a management failure, but false kindness as well—a form of cruelty—because inevitably a new leader will come into a business and take out that bottom 10% right away, leaving them—sometimes midway through a career—stranded and having to start over somewhere else. Removing marginal performers early in their careers is doing the right thing for them; leaving them in place to settle into a career that will inevitably be terminated is not. GE leaders must not only understand the necessity to encourage, inspire and reward that top 20%, and be sure that the high-performance 70% is always energized to improve and move upward; they must develop the determination to change out, always humanely, that bottom 10%, and do it every year. That is how real meritocracies are created and thrive.

Informality

Informality is not generally seen as a particularly important cultural characteristic in most large institutions, but it is in ours. Informality is more than just being a first-name company; it's not just an absence of managers parading around the factory floor in suits, or of reserved parking spaces or other trappings of rank and status. It's deeper than that. At GE it's an atmosphere in which anyone can deliver a view, an idea, to anyone else, and it will be listened to and valued, regardless of the seniority of any party involved. Leaders today must be equally comfortable making a sales call or sitting in a boardroom—informality is an operating philosophy as well as a cultural characteristic.

One of GE's long-standing management tenets has been the belief that businesses must be, or become, number one or number two in their marketplaces. We managed by that tenet for years, and enjoyed the business success that came, over time, from implementing it. But, once again, insidious bureaucracy crept into the definition of number one or number two and began to lead management teams to define their markets more and more narrowly to assure that their business would fit the one-or-two share definition.

It took a mid-level Company management training class reporting out to us in the spring of 1995 to point out, without

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shyness or sugar-coating, that our cherished management idea had been taken to nonsensical levels. They told us we were missing opportunities, and limiting our growth horizons, by shrinking our definition of "the market" in order to satisfy the requirement to be number one or two.

That fresh view shocked us, and we shocked the system. At the July three-year planning review that year, leaders were asked to define their markets in such a way that their businesses would have a 10%-or-less share. Rather than the increasingly limited market opportunity that had come from this number-one or number-two definition that had once served us so well, we now had our eyes widened to the vast opportunity that lay ahead for our product and service offerings. This simple but very big change, this punch in the nose, and our willingness to see it as "the better idea," was a major factor in our acceleration to double-digit revenue growth rates in the latter half of the '90s.

That's the value of the informal culture of GE—a culture that breeds an endless search for ideas that stand or fall on their merits, rather than on the rank of their originator, a culture that brings every mind into the game.

GE, as a **Global Learning Company,** is the result, the culmination, of the values and behaviors we've described. Today, the whole world's intellect and best ideas are ours because we are "boundaryless." More than just being receptive to these ideas, we spend our days seeking them out. Years ago Toyota taught us asset management. Wal★Mart introduced us to Quick Market Intelligence. AlliedSignal and Motorola got us started on our enormous Six Sigma initiative. More recently, Trilogy, Cisco and Oracle helped us begin the digitization of GE.

In today's GE, the rewarded behavior has changed from being the exclusive originator of an idea as a vehicle for standing out among colleagues—to, more importantly, finding a better idea and eagerly sharing it across the business and the entire Company, with the intent and effect of raising the bar of performance for all of GE.

The innovation that keeps every one of our businesses—from Aircraft Engines to Medical Systems—at the leading edge of their industries occurs much more rapidly because of the technology that flows rapidly back and forth across our Company in countless streams: metallurgy from Aircraft Engines to Power Systems; digitization from Medical Systems to Industrial Systems to Capital Services; span success from Plastics to Mortgage Insurance to every other business.

The GE operating system, which we have illustrated in the pages that follow our letter, is not a bureaucratic series of reviews, budget drills, reports and dog-and-pony shows, but a regular series of sessions devoted to learning and to sharing the best ideas and practices from across the Company and around the world.

Understanding how this learning culture, this insatiable thirst for new ideas fuels and is the central agenda of this operating system, explains how businesses as diverse as Plastics, Aircraft Engines or NBC can grow faster and perform better as part of this system than they would if they were not. It's what makes GE work. It's the fabric of the learning culture. Such an operating mechanism is difficult to bring alive on paper or in a chart, but is vividly clear when one observes the ferment and sharing of ideas that are at the heart of what might look like, from an agenda, just another series of boring business meetings.

It is this passion for learning and sharing that forms the basis for the unrelenting optimism with which we view the future, and for the conviction that our greatest days lie ahead.

The GE of the future will be based on the cherished values that drive us today: mutual trust and the unending, insatiable, boundaryless thirst for the world's best ideas and best people. But the GE of the future will be a faster, bolder GE whose actions will make the Company of today appear slow and tentative by comparison, a GE whose every employee will understand that success can only come from an inextricable link to the success of our customers.

And it will be a GE that will always be, as it is today, grateful for your continuing support.

Chairman of the Board
and Chief Executive Officer

President and Chairman-Elect

Vice Chairman of the Board
and Executive Officer

Vice Chairman of the Board
and Executive Officer

February 9, 2001

First Quarter

Operating Managers Meeting ("Boca")
600 Leaders
INITIATIVE LAUNCH
- Case for New Initiative
- Outside Company Initiative Experience
- One Year Stretch Targets
- Role Model Presentations
- Re-Launch of Current Initiatives

JANUARY

- Intense Energizing of Initiatives Across Businesses

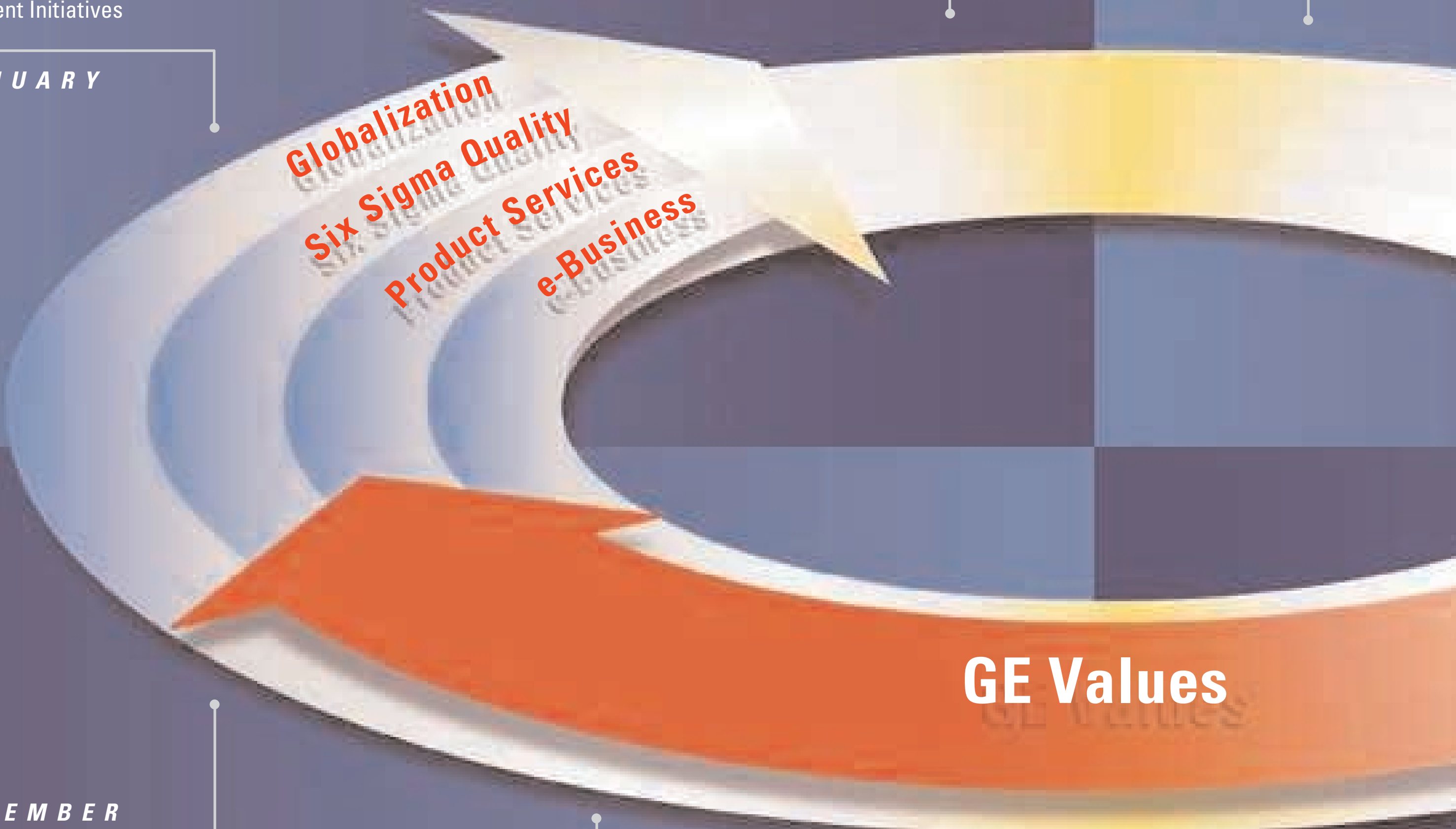
FEBRUARY

Corporate Executive Council: (CEC at Crotonville)
35 Business and Senior Corporate Leaders
- Early Learning?
- Customer Reaction?
- Initiative Resources Sufficient?
- Business Management Course (BMC) Recommendations

MARCH

Anonymous Online CEO Survey:
11,000 Employees
- Do You "Feel" Initiative Yet?
- Do Customers Feel It?
- Sufficient Resources to Execute?
- Messages Clear and Credible?

APRIL



DECEMBER

Corporate Executive Council: (CEC at Crotonville)
35 Business and Senior Corporate Leaders
- Agenda for Boca
- Individual Business Initiative Highlights
- Business Management (BMC) Course Recom-mendations

NOVEMBER

Operating Plans Presented:
All Business Leaders
- Initiatives Stretch Targets
- Individual Business Operating Plans
- Economic Outlook

OCTOBER

Corporate Officers Meeting: (Crotonville)
150 Officers
- Next-Year Operating Plan Focus
- Role Models Present Initiative Successes
- Executive Development Course (EDC) Recommendations
- All Business Dialogue: What Have We Learned?

SEPTEMBER

Corporate Executive Council: (CEC at Crotonville)
35 Business and Senior Corporate Leaders
- Business Management Course (BMC) Recommendations
- Clear Role Models Identified
- Outside Company Best Practices Presented
- Initiative Best Practices (All Businesses)
- Customer Impact of Initiatives

Fourth Quarter

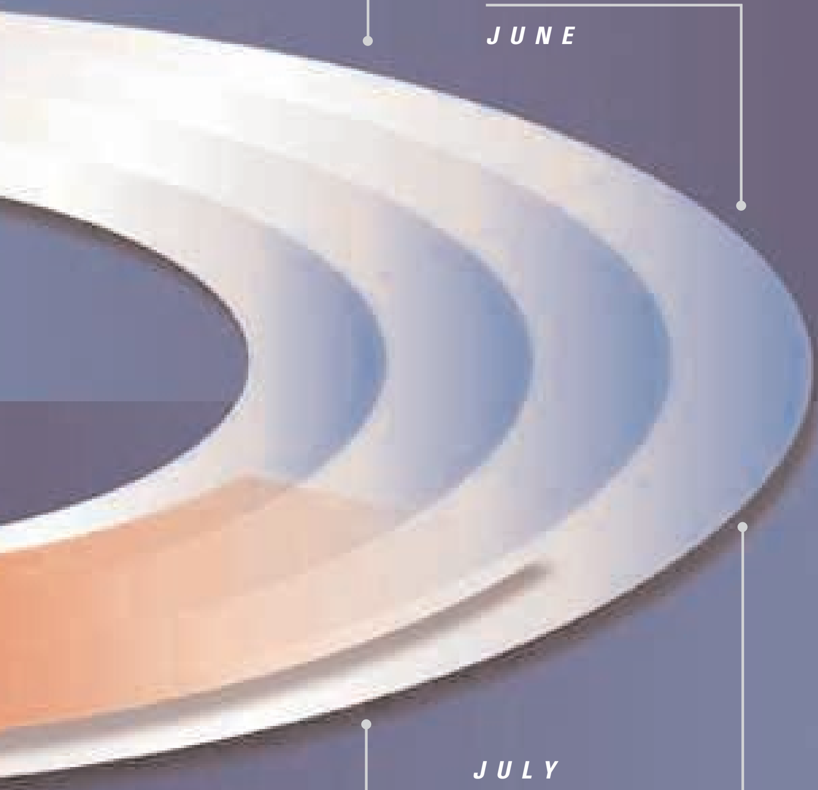
Second Quarter

Leadership Performance Reviews at Business Locations:
All Business Staffs
- Initiative Leadership Review
- Level of Commitment / Quality of Talent on Initiatives
- Differentiation (20% / 70% / 10%)
- Promote / Reward / Remove

M A Y

Corporate Executive Council: (CEC at Crotonville)
35 Business and Senior Corporate Leaders
- Initiative Best Practices
- Review of Initiative Leadership
- Customer Impact
- Business Management Course (BMC) Recommendations

J U N E



J U L Y

Session I: 3 Year Strategy
- Economic / Competitive Environment
- General Earnings Outlook
- Initiatives Update / Strategy
- Initiative Resource Requirements

A U G U S T

- Informal Idea Exchanges at Corporate and Businesses

Third Quarter

The GE Operating System

The Operating System is GE's learning culture in action — in essence, it is the operating software of the Company.

It is a year-round series of intense learning sessions in which business CEOs, role models and initiative champions from GE as well as outside companies, meet and share the intellectual capital of the world: its best ideas.

The central focus is always on raising the bar of Company performance by sharing, and putting into action, the best ideas and practices drawn from our big Company-wide initiatives.

The Operating System is driven by the soft values of the Company — trust, informality, simplicity, boundaryless behavior and the love of change. It allows GE businesses to operate at performance levels and speeds that would be unachievable were they on their own.

What may appear in the diagram to be a typical series of stand-alone business meetings is in reality an endless process of enrichment. Learning at each meeting builds on that of the previous, expanding the scope and increasing the momentum of the initiatives.

Globalization has been enriched through more than a dozen cycles, Six Sigma is in its fifth cycle, Services is in its sixth, and e-Business its third. The GE Operating System translates idea to action across three dozen businesses so rapidly that all the initiatives have become operational across the Company within one month of launch, and have always produced positive financial results within their first cycle.

Power Systems

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

The GE Power Systems wellhead-to-consumer strategy delivered unprecedented growth and financial results in 2000.

Revenues increased 47% to nearly $15 billion, and earnings grew 60% to $2.8 billion. Orders grew 68% to $24 billion. Commitments for multi-year customer service agreements more than doubled to over $16 billion—helping to ensure predictable life cycle costs for our customers and a predictable revenue stream for GE Power Systems for years to come.

A broad range of customers across the energy industry selected our advanced technology gas turbines to help meet growing demand for environmentally friendly power generation capacity.

The growth of our distributed power business continued at an incredible pace, with orders for our smaller gas turbines increasing 70% to $2.5 billion.

We continued expanding our ability to serve global customers with the acquisition of key European-based businesses that offer hydro, thermal and energy management solutions. The acquisitions added more depth to our talent base, gave us better access to global suppliers and strengthened our customer relationships.

We also improved our ability to serve customers in the global oil and gas industry with the acquisitions of Gemini and Rotoflow in the United States and Thermodyn in France.

Using Six Sigma tools allowed us to ship a record 392 power generation units, a 112% increase over 1999, and completed a record 1,434 new unit installations and power plant overhauls. Six Sigma contributed additional capacity at our Greenville, S.C. gas turbine plant, where we reduced cycle time by 29%, enabling us to increase output by more than 200%.

Our customers are challenging us to achieve higher standards of performance than ever before; and we are listening, responding and setting even more aggressive targets to ensure we exceed their expectations.

Our e-Business initiatives are adding to our business transformation, and we are on track to deliver benefits totaling $3 billion by 2003. Highlights in 2000 included:

- Receiving parts and services orders of $1.6 billion;
- Completing $1.5 billion of online auctions; and
- Managing 540 projects online valued at $40 billion.

At Power Systems we believe the "e" in e-Business will require more—and more reliable—electricity. That's why, working with GE Industrial Systems, we formed GE Digital Energy, a new business focused on delivering high-quality, mission-critical power to data, telecommunications and manufacturing operations where the continuity and purity of power are essential.

The entire Power Systems portfolio is positioned to continue delivering exceptional performance for our customers and GE's share owners. Our team is focused on meeting every commitment we make and on developing more creative product and service solutions for the global energy industry.

www.gepower.com

This trailer-mounted *Power Plant on Wheels is located in Cork, Ireland. These 22.8 megawatt units are more fuel-efficient and more environmentally friendly and occupy less space than other temporary power solutions.*

Aircraft Engines

David L. Calhoun
President and Chief
Executive Officer,
GE Aircraft Engines

GE Aircraft Engines delivered higher revenues and double-digit earnings growth while laying a solid foundation for continued future success. Even more exciting is *how* we did it:

- Key strategic wins launched new engine programs that will boost earnings for decades.
- The backlog for engine service contracts reached $19 billion.
- Our Six Sigma Quality teams helped airlines realize more than $300 million in savings.
- Revenues transacted over the Internet through our Customer Web Center surpassed $1 billion.

Simply put, technology investments, digitization of our workplace and innovative solutions to better engage our customers are transforming us.

Again in 2000, GE Aircraft Engines and CFM International, our 50/50 joint company with Snecma of France, together won more large commercial engine orders than any other engine manufacturer. Our combined sales were bolstered by wins from Southwest Airlines, Air France and American Trans Air. Launched by six customers, Boeing's longer-range 777 aircraft is powered by the new GE90-115B™ engine, which has orders now exceeding $1.5 billion.

We also booked nearly $1.1 billion of regional jet engine orders. Delta Connection carriers signed the largest-ever regional jet engine sale: GE CF34™ engines for 104 Bombardier CRJs and options for 396 additional airplanes. Orders for CF34 engines, which also power Fairchild Dornier and Embraer regional jets, now exceed $6 billion.

Our growing base of nearly 14,000 commercial jet engines in revenue service creates multi-billion-dollar opportunities for our Services group to reduce airline costs through innovative repairs and materials and engine upgrade programs.

In our military sector, Lockheed Martin selected the CF6-80C2™ engine for the C-5 Galaxy re-engining, a high-priority U.S. Air Force program. We launched a growth version of the F110 fighter engine, and the U.S. Navy awarded a $385 million contract for GE F414™ engines for the F/A-18E/F aircraft. The U.S. Army awarded a $196 million engine development contract for self-propelled artillery and tanks.

At the heart of everything we do are Six Sigma processes to drive profitability and enhance customer productivity. Six Sigma projects have improved our on-time engine delivery rate to 99%. Our "at the customer, for the customer" program has resulted in more than 1,200 customer Six Sigma projects, benefiting airlines worldwide.

Our e-Business initiatives are changing how we work, interact with suppliers and support customers in ways unimaginable a few years ago. More than 360 customers transact on specially tailored customer sites on our Customer Web Center, providing them with major cost savings. Also, we are establishing a common Web connectivity with customer and supplier procurement and inventory systems that will make day-to-day transacting an even more efficient process. Efforts to bring customers closer through the Web are only just beginning.

This winning combination of products and services, marketplace success and culture-changing initiatives puts us in an outstanding position to assume the successful operations of Honeywell Aerospace when that acquisition is completed in 2001.

www.geae.com

GE's new CF34-8 and -10 *engines are the power plants of choice for most of today's new 70- to 90-passenger regional jets, including Bombardier's CRJ700 airliner, which entered revenue service early in 2001 with launch customer Brit Air of France.*

Plastics

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

GE Plastics delivered record financial results in 2000, with double-digit growth in revenue and earnings. This performance was driven by strong global volume, particularly in Asia, and our ability to offset oil and indirect materials inflation with pricing and productivity gains.

We are taking steps to keep up with increasing global demand for our Lexan® polycarbonate, which is largely driven by expansion in the business equipment, optical media (CD-ROMs, compact and digital video disks) and telecommunications industries. We are currently expanding our polycarbonate resin plants in Burkville, Alabama, and Cartagena, Spain, adding more than 400 million pounds of new capacity. New compounding plants in Thailand and China were opened in 2000 to support the high demand in Asia.

GE Superabrasives launched *a new business, GE Gem Technologies, and an exciting new product line, Bellataire™ Diamonds. Using Design for Six Sigma methodology, unique diamonds, whose molecular structure has been altered by nature's heat and pressure, are restored to their original state, making Bellataire™ Diamonds highly desirable both to the jewelry industry and consumers.*

The year 2000 also saw completion of our transition to a new Internet-based commercial model. We launched what we believe is the plastics industry's most complete portal, gepolymerland.com, offering our customers unprecedented purchase, design, research and technical functionality backed up by unsurpassed delivery fulfillment. The model has been replicated at all of our businesses, including Silicones and Specialty Chemicals, and our Internet sales, $5 million a week as we began the year, are now $50 million weekly. We respond faster than ever to our customers' critical-to-quality service requirements and continue to drive our competitive edge.

The digitization of our business is not limited to customer service. Our sourcing initiatives include the development of global data warehouses, catalogs and Internet platforms that will give us the ability to enjoy the lowest-cost online purchasing process available. We have also applied digitization to everything from financial reporting and human resource reviews to how we conduct meetings. Each change adds new speed and productivity to even the simplest transactions and allows us to focus on better serving our customers.

We grew our revenue base through the acquisition of both Cadillac Plastics and Commercial Plastics, each global distributors of plastic sheet, rod, tube, film and shapes. This forward integration broadens and complements our product portfolio.

Our Silicones business enhanced its growth trend in 2000 by acquiring Macklanburg-Duncan's sealants and adhesives business. This acquisition has broadened our current business in both the high-growth consumer do-it-yourself and construction segments.

We also announced a new agreement with Toshiba, our joint venture partner in Asia, and Shin-Etsu Chemical to build additional manufacturing capacity that will serve rapidly increasing demand in that region.

With our Internet sales and fulfillment model in place globally, our business growing through key acquisitions, strong demand for our products and our business energized by the opportunities of digitization, GE Plastics looks forward to another strong year in 2001.
www.geplastics.com

NBC

Robert C. Wright
Vice Chairman of the Board
and Executive Officer,
General Electric Company;
and President and Chief
Executive Officer, National
Broadcasting Company, Inc.

NBC marked its eighth consecutive year of record earnings in the year 2000, with profits up 14% behind strong performances across all of NBC's businesses.

The NBC television network finished the year with seven of the top 10 prime-time shows in the most sought-after demographic category of adults 18-49. NBC's hit drama *The West Wing* earned a record-breaking nine Emmy awards, as the Peacock network collected a total of 23 Emmys, more than any other network. In late-night, Jay Leno and Conan O'Brien continued to win their time periods by significant margins.

NBC News registered another year of double-digit earnings growth behind stellar ratings performances across the board. *Today, NBC Nightly News with Tom Brokaw* and *Meet the Press* are all No. 1 in their time slots, and the new third hour of *Today,* which launched on October 2, has increased ratings in that hour by more than 60%.

NBC's broadcast of the XXVII Olympiad from Sydney reached 185 million Americans, giving the network an unrivaled platform from which to promote NBC's programming assets. The Olympics broadcast garnered a prime-time audience twice as large as that of average network programming. In addition, the Olympics increased the average ratings performance at CNBC and MSNBC by 80% and 115%, respectively, while NBC News' *Today,* which routinely delivers a target audience larger than its two network competitors combined, was up 25%.

NBC's 13 owned-and-operated stations had another record year in 2000, with a strong double-digit earnings increase. Eleven of the 13 stations boosted their market share and were No. 1 or No. 2 in their respective markets.

CNBC recorded strong double-digit earnings growth for the year. Distribution has increased to 75 million households in the United States and ratings are the highest in the channel's history. In 2000, CNBC's business-day programming continued its strong double-digit audience growth.

Fast-growing MSNBC extended its distribution by nearly 20% to 61 million households and registered strong double-digit ratings and advertising sales growth. Web site MSNBC.com is by far the most popular news site on the Internet and an industry leader in online news coverage.

NBC Sports has long-term agreements to broadcast many of the world's top sporting events. Adding to a lineup that includes Wimbledon, the Ryder Cup and the Triple Crown, NBC Sports in November began broadcast coverage of NASCAR auto racing, the fastest-growing major sport in the United States. In February 2001, NBC Sports broadcast the first game of the XFL football league, a joint venture with the World Wrestling Federation. NBC is the exclusive U.S. broadcaster of the Olympic Games, beginning with the 2000 Games in Sydney and extending through 2008.

With the most *attractive audience profile of any show on television,* The West Wing *has enjoyed a dramatic ratings surge during its second season.*

In 2001, the first and most prestigious U.S. broadcast network celebrates its 75th anniversary. With continued strength in entertainment and news broadcast programming, and continued robust growth at cable outlets CNBC and MSNBC, NBC is looking forward to its ninth consecutive year of double-digit earnings growth.

www.nbc.com

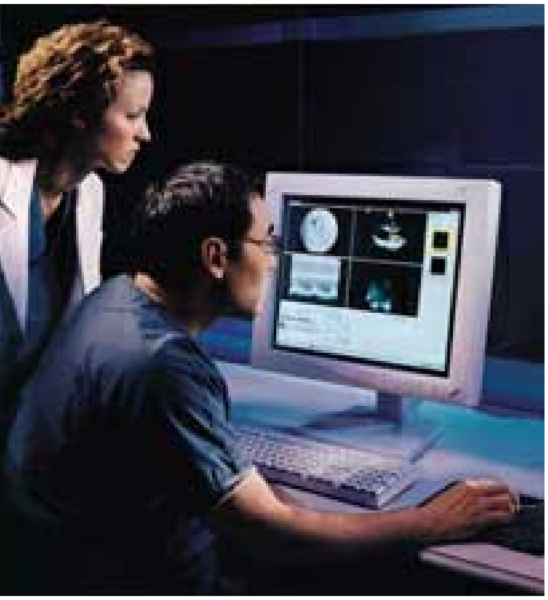
Medical Systems

Joseph M. Hogan
President and Chief Executive Officer,
GE Medical Systems

Driven by a passion to serve our customers, GE Medical Systems recorded another record year in 2000, with strong double-digit revenue and earnings growth.

The success of healthcare providers today is based on improving patient outcomes while reducing overall operating costs. By taking Six Sigma to our healthcare customers, we have introduced an important catalyst to help them with this challenge. We have completed more than 1,000 Six Sigma projects "at the customer, for the customer." These are projects aimed at improving patient throughput and reducing variability in healthcare delivery. These projects generated more than $100 million in benefits for our customers in 2000.

GE Medical Systems also introduced 22 Designed for Six Sigma (DFSS) products in 2000. Most significant among them were the Senographe® and Innova™ proprietary digital x-ray systems that will revolutionize breast cancer detection and interventional cardiac imaging. In total, more than 50% of our sales will come from DFSS products in 2001.



GE's Catalyst™ cardiovascular *information system is designed to provide cardiologists with complete access to cardiac patient information in just minutes, helping to increase the productivity of cardiology departments and improve the care of patients.*

Digitization has transformed the way GE Medical Systems operates. We will purchase more than $2 billion online annually by the end of 2001, resulting in lower costs and a leaner supply chain. Internal digitization will allow us to simplify our "backroom operations," freeing up more resources to invest in our customers. By the end of 2001, we will have more than 8,000 systems in our installed base with Internet connectivity. This will improve customer workflow by offering online customer education, customer productivity data, software and application updates, and transactions.

Our services business reached $3 billion in sales in 2000. QuantaCare™ offerings that provide a full array of Internet-based customer productivity, Six Sigma and maintenance tools now represent 80% of our new service contracts. Our Healthcare Information Technologies business grew by nearly 30% in 2000 and has installations in more than 1,000 hospitals.

Globalization is a central part of our growth strategy. We experienced double-digit gains in every region of the world, and we have achieved strong growth in the Americas, Asia and many parts of Europe. We are accelerating the momentum of our Global Products Company, which has resulted in nearly half of our products being designed and manufactured in global platforms, including India, China, Mexico, Israel and Hungary. We are leveraging every "global brain" in GE Medical Systems to become No. 1 with the customer around the world.

Acquisitions continue to enhance our growth. The acquisition, in 1999, of OEC Medical Systems has strengthened our position in the fast-growing interventional imaging segments. Our Women's Healthcare position was strengthened by the acquisition of Lunar, an innovator in the field of osteoporosis screening. The additions of Magnex, Parallel Design and SMV enhance our global product lines in CT, MR, ultrasound and nuclear medicine.

GE Medical Systems is a business with unlimited potential. Healthcare customers need long-term partners who can deliver new technology and quality solutions that are so vital to their competitiveness. We will continue to attract the world's best people and instill in them a passion for our customers' success. As we look to the future, we are embracing a dynamic new digital business model, which enables GE Medical Systems to become even faster and closer to our customers.

www.gemedicalsystems.com

Global Consumer Finance

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

From its beginning just eight years ago, Global Consumer Finance (GCF)—whose net income rose more than 20% in 2000—has emerged as one of the premier international consumer finance companies in the world.

A key reason for our success is that every GCF business uses Six Sigma in its product design, distribution and fulfillment processes. Six Sigma is the glue that binds our powerful portfolio of international consumer finance businesses into one cohesive and highly successful GE business.

Distribution

Across Europe, Asia and Latin America, GCF expanded its distribution. We approved over three million new loan applications, signed 3,000 new retailers and dealers, added 120 automated branches in Japan, completed 24 new product introductions and filed patents on 14 unique GCF products and proc-

GCF provides consumer credit *through partnerships with leading retailers and financial institutions.*

esses. GCF combines global scope with local market expertise to assist our retail and manufacturing partners in over 30 countries. During 2000, GCF developed credit programs with top global retailers such as Wal★Mart, Home Depot and Metro as they expanded internationally.

Customer Service

Combining Six Sigma and technology allows us to service customer interactions faster, simpler and more efficiently.

In Australia, Coles Myer credit customers can view their monthly statements, pay their bills and request credit increases through our online customer care Internet solution. This allows GCF to offer customers cost-effective, 24-hour access to their account information.

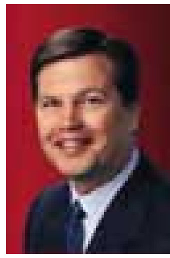
In Europe and Japan, customers can utilize their mobile telephones to locate the nearest branch office, view account balance information, make payments and check transaction history. This service reduces customer calls and provides consumers with information when they need it—where they need it.

Productivity

Across the globe, GCF is experiencing strong savings from consolidating call centers, building new telecom capabilities and Web-enabling hundreds of functions. In 2000, this resulted in a 35% reduction in the number of GCF call centers and a double-digit enhancement in earning assets per employee.

GCF's knowledge across a full range of products, from automotive and personal loans to revolving credits and bank cards, creates the opportunity to drive further expansion. By combining strong core growth with excellent cost and risk performance, GCF will continue to be the premier choice in international consumer finance.

www.ge.com/capital/globalfinance



GE Equity

Joseph E. Parsons
President and Chief Executive Officer, GE Equity

GE Equity is the private equity financing unit of General Electric, making investments between $5 million and $20 million, and focusing on companies that are synergistic with other GE businesses.

2000 was a strong year for us. We invested over $1.3 billion, which brought our portfolio to $4.6 billion and 370 companies worldwide. Our diverse portfolio includes commercial and industrial businesses, financial services, medical and healthcare, technology, consumer and media companies. We've also kept pace with GE's global expansion, increasing our international investments by over 25% in Europe, Asia and Latin America.

Using our Value Beyond Capital approach, we identify portfolio companies that match GE business and GE customer goals or needs, and co-invest with 30 GE businesses—Card Services with First Data Corporation, GEFA with AnnuityNet, GE Aircraft Engines with Enigma—the list goes on.

More than investors, we become partners. Companies get the opportunity to sell to GE and see how GE initiatives work first hand. For example, our Six Sigma consulting and methodology help them bolster their operations to increase profits and spur growth. On the GE side, we gain access to new technologies, new markets, and leading edge e-Business innovations and outsourcing services.

Our alliance with DigitalThink, a provider of enterprise e-Learning solutions based in California, tells our story well. In addition to GE Equity being an investor, GE Capital Corporate worked with DigitalThink to roll out and deploy their innovative e-Business program to "e-Skill" 40,000 GE associates in a few short months—and this is just the beginning. The results? Reduction in training costs and deployment times and an overall increase in training productivity.

Boston-based Precise Software Solutions—a provider of IT infrastructure performance solutions—also exemplifies our investing model. Since our initial investment in 1999, Precise has sold its

Precise Software's corporate look *reflects its brand of leading-edge, comprehensive, proactive performance management, which propels the performance of more than 1,100 businesses.*

services to six GE businesses, and GE has realized significant savings from a more efficient IT environment. Our relationship with Precise Software benefits both GE and the customer.

By investing in companies that can become valuable partners in areas where other GE businesses do not operate, we are driving value for our portfolio companies and GE.

www.geequity.com

GE Capital Services

GE Capital Services had a strong and successful 2000, during which we intensified our focus on the customer, enhanced productivity across our organization and moved decisively to transform our company with digitization.

There were many highlights for GE Capital, but what really characterized 2000 for us is the most important letter in GE: *e.* We made dramatic progress embedding *e* in how we serve customers and operate at every level. For example, at GE Capital headquarters in Stamford, Conn., we created an e-Boardroom, with benefits both symbolic and real. By wiring the room to our major business centers around the world with laptops, screens and online collaboration tools, we now hold management meetings and deal reviews in real time without incurring lost time and expense on travel. More to the point, transactions benefiting our customers get done faster while we demonstrate we're determined to thrive in the e-World.

But before we describe our 2000 story, let's do the numbers. GE Capital net income grew 17% in 2000, another record year in two decades of double-digit earnings increases. Assets exceeded the $370 billion mark and our businesses combined to deliver $5.2 billion in net income. In all, a terrific year for our global financial services companies.

GE Capital continued to expand with strategic acquisitions and joint ventures, notably in the United States, Europe and Japan, along with cost-effective use of advanced technology, as evidenced in our business centers in India. In fact, 5,000 GE Capital associates are now employed in India, using Six Sigma processes to offer customers "24 x 7" service.

Our fastest-growing market continues to be Japan, where we're growing platforms through alliances in addition to strategic acquisitions. We finalized joint venture agreements with Nissen for consumer finance across Japan and with Fukugin Leasing Company for equipment leasing. GE Financial Assurance added more Toho policies, transferring assets of $22 billion and increasing insurance policyholders by 1.6 million.

In the United States, we acquired Bank of America's fleet leasing portfolio, Travelers' long term care insurance operation and the private-label credit card business from JCPenney, all of which will contribute to our continued core growth in the years ahead.

In Europe, GE Capital acquired one of Britain's largest public real estate companies, MEPC, and took it private through an innovative joint venture with the Hermes Group. We also acquired PK AirFinance, a subsidiary of France's Credit Lyonnais that provides and arranges aircraft-backed debt to airlines, lessors and financial institutions.

Acquisitions and joint ventures were only one component of growth for us. Through innovative new products and strong execution, GE Capital achieved top-line growth with such new and existing customers as ExxonMobil, The Home Depot, Nortel Networks and NCR. In 2000, core growth overall accounted for a 13% increase of our net income, an improvement from 8% in 1999. Intensified efforts behind retention/penetration and cross-selling complementary products and services were at the heart of this success.

As part of GE Capital's execution focus, we also addressed a few thorny issues in 2000. Our TIP/Modular Space business underwent rationalization that saw a renewed focus on profitable branches and increased strength in Europe, with a 10% increase in sales and strong growth in income. At IT Solutions, a strategic reduction in headcount and a refined focus on higher-end technology services maximized effectiveness and better served customers. ERC moved to solidify its position by sharpening its underwriting discipline as

GE Capital's new e-Boardroom *is just one of the many exciting ways digitization is changing the face of GE's global financial services—adding speed, efficiency and cost savings at every level. Pictured here (left to right) are GE Capital leaders William A. Woodburn, Executive Vice President, Equipment Management; Denis J. Nayden, Chairman and Chief Executive Officer; Michael A. Neal, President and Chief Operating Officer; and James A. Parke, Vice Chairman and Chief Financial Officer.*

the industry cycle turned upward. With unattractive market conditions in the U.S. auto sector, we stopped writing new leases and loans in our domestic auto finance company, while still remaining strong in this business in Europe and Asia. The board of directors of Montgomery Ward Inc. decided on an orderly liquidation of that retail business, which was owned by GE Capital. The decision had no material effect on GE Capital's ability to meet our performance targets. And, finally, we located and acted on an attractive exit opportunity with the sale of our mortgage origination business.

As always, the diversity of our financial services businesses remained central to GE Capital as we continue to provide consistently strong results to our parent.

One of our biggest stories for 2000 was the powerful start we made implementing GE's *e-Buy, e-Make, e-Sell* strategy.

With *e-Buy, e-Make,* and *e-Sell,* we are eliminating the middle of every operation in our company—middlemen, data handling, paperwork of any kind—with the goal of providing self-service capabilities instead.

For *e-Buy,* we now aggregate purchasing across GE Capital with *e-Auctions.* The initial results are very promising: a 25% decrease in the cost of U.S. office supplies, telecommunications down 29% in Japan and European temporary services down 10%.

e-Make is expediting deal-making for us and for our commercial customers, helping us manage business reporting processes and assets without one sheet of paper. Overall cycle time is down by 20% and customers see savings in several deal-related items, including legal costs, which can amount to over $1 million per deal. *E-Make* also cuts operating costs. The savings in just one business segment, private-label credit cards, are enormous when you realize that an application on paper from a new customer costs $4 while an Internet application costs just $2.79. Using the Web and digitized information to handle service calls means a $2.82 savings on every one of tens of millions of inquiries.

The potential of *e-Sell* is illustrated by one of our high-profile 2000 initiatives, GESmallBusiness.com. In just a few short months, visitors to the site are up 150% and over a billion dollars of leads have been generated—a vivid example of what the *e-Sell* opportunity represents to us and to our customers.

E-Business and Six Sigma Quality go hand-in-glove, driving greater speed, efficiency and profitability across our businesses. GE Capital Aviation Services reduced Polar Air's fulfillment time from 225 hours to 84, while U.K. retailer Arcadia Group Plc, a Global Consumer Finance client, saw an 8% increase in recruited private-label credit card accounts and a full-minute reduction of cycle time for in-store card applications. TIP/Modular Space and Penske Truck Leasing were able to enhance customer relationships and dramatically increase productivity—all using Six Sigma and digitization.

In the end, of course, there is no *e-Business,* there's only business. GE Capital's continued success in 2000 had two primary elements: first, an unflagging dedication to exceeding customers' needs; and, second, the relentless effort of thousands of associates operating in more than 46 countries around the world. It is a great pleasure to offer our thanks to customers for working with us and to express our gratitude to GE Capital associates for a job extremely well done.

www.gecapital.com

Financial Assurance

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

GE Financial Assurance (GEFA) continued to help millions of consumers across 17 countries achieve greater financial security. Through a fresh portfolio of investment and insurance products—and expanding financial planning capabilities—we grew our assets under management to $110 billion.

Propelling this growth was our focus on new product development, stronger distribution, strategic acquisitions and global expansion. Using a variety of Six Sigma-driven processes, we introduced 37 products in 2000, supporting our goal to have 50% of sales originate from products less than 18 months old.

GEFA companies also broadened their distribution. We now have approximately 200,000 representatives licensed to sell our products. We also achieved preferred provider status in 43 banks and 29 brokerage firms, signed up our 1,500th long term care insurance specialist and experienced a near twofold increase in our network of independent financial planners.

Our core financial security activities grew income in excess of 20%, driven by strong sales of annuity products as well as life insurance and long term care insurance. In addition, we are excited by our purchase of Phoenix American Life, which bolstered GEFA's position as a benefits supplier to employees of small- and medium-size companies—a fast-growing segment that accounts for half the U.S. work force.

Global expansion continued in Japan and Europe. GE Edison Life completed a transfer of $22 billion in assets from Toho, a restructured Japanese life company, increased its sales by 86% and now serves two million customers with its best-in-class Customer Care Center. In Europe, GE Insurance Holdings' income protection business had double-digit income growth. Agreements to provide Bradford & Bingley customers with credit insurance and Lunn Poly customers with travel insurance—plus the launch of a range of new income and annuity products—helped drive our growth.

GEFA companies are *helping individuals worldwide create and preserve wealth, protect assets and enhance their lifestyles.*

Looking ahead, we see huge opportunities to improve customer responsiveness, support growth and drive efficiencies through digitized processes. For example, our rapidly expanding GE Financial Pro portal improves productivity for financial intermediaries by enabling business submissions, account tracking and status updates—right on the Web. The GE Financial Service site is providing similar life-simplification service for consumers, giving them the ability to change everything from their addresses to investment accounts online.

In just five short years, GEFA has become a trusted global partner for thousands of companies, producers and consumers. We can't wait to tackle the next five years.

www.gefn.com

Employers Reinsurance Corporation

Ronald R. Pressman
President and Chief
Executive Officer,
Employers Reinsurance
Corporation

Our performance did not meet expectations in 2000—a disappointing year. Results across most property and casualty product lines reflected the impact of 40% to 60% price declines during the past six years and a significant increase in claims from business written during 1997-2000. Our life and health business remains solid, benefiting from the full-year impact of the 1999 acquisition of the Phoenix Life Reinsurance portfolio.

Overall, 2000 became a turnaround year for Employers Reinsurance Corporation (ERC) and the entire commercial insurance and reinsurance industry.

Late in 1999, we began realigning our customer relationships to underscore our commitment to delivering protection to our clients while earning appropriate returns for the risks we underwrite. This Global Customer Relationship Program has strengthened our commitment to our customers' success and built a clearer understanding of the risks and loss trends we share with our customers. Financially, these initiatives delivered $364 million in price, mix and volume improvement for ERC during 2000.

During the second half of 2000, we expanded our Global Customer Relationship Program beyond front-end underwriting to downstream customer service. We initiated programs with our clients to better manage and execute more than $6 billion in annual customer claims and to improve cash management to maximize the performance of our $21 billion investment portfolio.

Our clients have responded positively to our Six Sigma rigor and process digitization. Through personalized and customized Web sites like MyReinsurance.com, GEMedicalProtective.com, IRInsight℠ and Reinsurance Online, we are making it easier for customers to work with us while maintaining appropriate risk controls. For example, MyReinsurance.com allows our casualty facultative clients to renew many contracts in just five minutes instead of five days.

Our clients—from multinational corporations and mutual insurance companies to your neighborhood physician—rely on the triple-A strength and security of ERC, especially during volatile market periods. At $8.2 billion in 2000 premiums, ERC remains the fourth-largest reinsurer in the world.

Our size, financial strength and global presence, coupled with our process focus and Six Sigma rigor, place us in a strong position for increased differentiation as we win and retain customers in the digitized world ahead.

www.ercgroup.com

By providing value-added services, *ERC has strengthened long-term relationships with clients such as The Cincinnati Insurance Company. Pictured left to right are Timothy L. Timmel and Bob R. Kerns, Senior VPs of The Cincinnati Insurance Company, and ERC Account Manager Richard Brownfield.*

Commercial Equipment Financing

Paul T. Bossidy
President and Chief Executive Officer,
Commercial Equipment Financing

Commercial Equipment Financing (CEF) serves a broad financing market from small businesses to Fortune 100 companies worldwide. Our portfolio includes more than 90 different equipment types, including trucks and trailers, corporate aircraft, manufacturing facilities, construction, medical and office equipment.

In 2000, CEF enjoyed continued strong growth. Overall, sales were up 14% over the prior year, with good results in the United States, Canada, Mexico and Japan. Our net income for the year grew more than 25%.

Our e-Business efforts accelerated during 2000, with a focus on digitizing our core processes. For example, customers now have the ability to collaborate with us online during leasing and financing transactions. To further drive customer productivity, we've launched personalized Web sites for customers and provided them with online account management. In short, e-Business is literally transforming the way we work at CEF.

During the latter part of the year, CEF assumed responsibility for GE Capital's Small Business Solutions, an Internet-based, multi-product business unit. GESmallBusiness.com is designed to offer solutions for small businesses ranging from facilities financing to employee benefits to small fleet financing. This effort allows us to focus product offerings across seven different GE

Capital businesses. These offerings meet specific needs of small businesses on a real-time basis.

Although the Japanese economic recovery continues to be slow, we had a successful first full year following the 1999 acquisition of Japan Leasing, now known as GE Capital Leasing. Volume grew by 29% with our emphasis on improving margins and introducing new products to our customers. The recent Fukugin Leasing acquisition enhances market coverage for us on the island of Kyushu, in southwestern Japan; and in the future, we expect to see more opportunities for joint venture arrangements with leasing subsidiaries of Japanese banks.

Looking ahead, CEF sees continued opportunities to Web-enable our business, improve customer service and grow in all of our global platforms.

www.ge-cef.com

With expertise in *a wide range of industries, including construction and services, Commercial Equipment Financing provides innovative financial and equipment solutions to help drive productivity for our customers.*

Aviation Services

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

GE Capital Aviation Services (GECAS) had another record year in 2000. We grew net income and net earning assets more than 20% in 2000. We took delivery of, and placed with airlines, 65 new aircraft from Boeing and Airbus, and we financed almost $4 billion worth of aircraft. We also placed incremental orders for aircraft from Boeing, Airbus and regional jet manufacturers Embraer, Bombardier and Fairchild Dornier. These aircraft will be delivered over the next seven years, assuring us of access to the latest aviation technology for our customers.

In 2000, GECAS continued to find financing solutions that met the needs of our global customers. We provided financing for incremental Boeing and Airbus aircraft to meet Air Canada's growth requirements in connection with its merger with Canadian Airlines. We also provided 20 new 737-700s to WestJet Airlines to support its development as a low-cost airline in Canada. In the United States, GECAS provided comprehensive financing solutions to both American Trans Air (25 aircraft) and Frontier Airlines (19 aircraft).

Our success in 2000 also was demonstrated in our ability to continue diversifying our product offering. To solidify our position as one of the world's premier aviation solutions providers, GECAS acquired PK AirFinance, a first-rate aircraft debt provider based in Luxembourg. We also acquired an equity stake, along with GE Equity, in Carmen Systems AB, which is providing world-class, technology-driven operations solutions for the world's airlines.

Finally, we made great progress in 2000 by continuing our double-digit productivity of recent years. We are stretching to achieve record-breaking productivity in 2001 by re-engineering and Web-enabling all of our core processes. Our goal is to be a paper-

Powered by CFM56-5A *engines, Air Canada's A319 is seen soaring high above the clouds. Air Canada has 10 leases with GECAS on its fleet of CFM-powered A319s.*

less organization by year-end 2001. To make certain that our customers share these benefits, GECAS is pioneering 24-hour Web-based functionality for our customers.

GECAS takes great pride in its record of growth, but our team understands that to continue to grow, we must bind our own passion for growth with an unrelenting passion for helping our customers succeed.

www.gecas.com

Industrial Systems

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

GE Industrial Systems continued to deliver double-digit improvements in earnings in 2000, driven by impressive total cost productivity and moderate sales growth. Significant growth in the long-cycle segments provided a healthy backlog position for 2001.

Our global growth continued at a rapid pace. We formed a new company, GE Cisco Industrial Networks, combining our strengths in factory control and automation with Cisco Systems' expertise in Internet networking to drive higher productivity on the factory floor. An international joint venture with Toshiba Corporation maximizes both companies' complementary cutting-edge capabilities in large industrial drive systems for plant automation applications. The joint venture expects to generate significant gains in productivity while providing a strengthened base for offering enhanced system engineering and customer support.

GE Industrial Systems' *engineers convene in the state-of-the-art e-Boardroom to link up in real time with global team members, using e-Tools to review a new product design. Digitization is transitioning how this global business operates, from improving products and services for customers to driving increased productivity while lowering costs.*

GE Power Controls, our European arm, broadened its customer reach and product offerings through acquisitions. Odink & Koenderink B.V., located in the Netherlands, is a leading provider of low and medium voltage electrical distribution systems and components. Grässlin Company of Germany brought us new capabilities in the growing automation marketplace.

We aggressively focused on digitization to promote productivity, profitability and convenience for customers and employees while driving down costs. For example, EliteNet℠ was introduced as an exclusive business-to-business Web site connecting preferred customers directly with product and logistics information, technical specifications and productivity tools. WEB CITY, originally designed for "24x7" global product development, was expanded to become the virtual workplace for employees worldwide.

We also saw rapid growth in the lucrative power quality segment serving the telecommunications, financial and Internet-based industries. Power quality orders, driven by the growth of the Internet, quadrupled, and order projections remained strong into 2001.

GE Industrial Systems kicked off the new millennium demonstrating the power of its comprehensive offerings through strong performance and earnings growth. The prospect of the Honeywell acquisition in 2001 has us excited about a new era for our business—one that will bring great things to both customers and associates worldwide.

www.geindustrial.com

Card Services

Edward D. Stewart
President and Chief
Executive Officer,
GE Card Services

Solid earnings, new retail partnerships and the drive to digitize our business helped GE Card Services surge to a record year in 2000. Our receivables grew to an all-time high of more than $24 billion. Net income was up more than 100% over 1999. With 30% growth in our core private-label credit card assets, we're positioned for strong income growth again in 2001.

We began 2000 by celebrating the acquisition of J.C. Penney Company, Inc.'s private-label credit card program, with assets of $4 billion, and the start of a 10-year partnership with JCPenney to service its 20 million cardholders. In just 12 months, we grew credit volume to more than $8.2 billion, driven by the successful relaunch of the JCPenney card.

We added to our impressive portfolio of clients by signing long-term deals with Mobil Oil and clothing retailers Gap and Old Navy. These new deals are especially satisfying because they were shaped by our successful relationships with Exxon, which merged with Mobil early in 2000, and Banana Republic, a division of Gap Inc. These partnerships are a strong signal from the marketplace that our customer service, marketing and risk management capabilities continue to give us an edge over the competition. In addition, our co-branded private-label card with Wal★Mart continued to flourish. The portfolio tripled—to three million cardholders—by the end of 2000.

Card Services and its employees charged ahead in the drive to digitize our business in 2000. For our retail partners, we developed e-Business solutions for the growing number of consumers who shop online. Together, we provided a fast, convenient and private virtual shopping experience, including “apply and buy” initiatives to help boost annual online credit sales to nearly $300 million. With GE TwinPay accounts, a Card Services innovation, consumers will have

GE Card Services *teamed with the number-one U.S. home improvement warehouse to launch the Home Depot Home Improvement Loan. Its low, fixed APR, unsecured credit lines of up to $30,000 and quick application process made it a success with customers.*

access to a network of leading online merchants, plus the convenience of using debit or credit with just one account.

As more cardholders recognize the speed and simplicity of online service, we’re poised to deliver the superior service they expect at lower costs.

www.ge.com/capital/cardservices

Lighting

Matthew J. Espe
President and Chief Executive Officer, GE Lighting

GE Lighting faced a year of flat sales and lower earnings despite upbeat performances by our Asian operations and strong quartz sales to the semiconductor industry. Growing competitive pressures and weak prices continue to impact the entire lighting industry. However, GE Lighting is better positioned than ever to compete in this tough environment.

We are focused on three major goals: customer centricity, competitiveness and leveraging an energized global team. Six Sigma Quality and a powerful new program of digitization give us the tools to succeed.

To be customer centric, we are cutting the span between promised delivery dates and actual performance. Moving from today’s 38 days to our goal of just five days changes absolutely everything about the way we satisfy our customers. We also serve our customers by cutting their energy costs. New Staybright™ metal halide lamps can save $80 over the life of every lamp installed. And the just-introduced GE T8 Watt-Miser® fluorescent lamp offers 6% energy savings over the previous T8 models.

To increase our competitiveness, GE Lighting is digitizing all our processes. This electronic workout helps us challenge everything we do for real value to the business. In 2001, we will reduce our materials and services costs by e-Bidding 50% of our purchasing.

New initiatives, such as our Home Electronics Products (HEP) group, are also driving competitiveness. In 2000, HEP increased sales by over 50% across a broad range of wiring devices and consumer fixtures. The acquisition of Ecolux will also help our GELcore joint venture grow LED lighting systems.

We enter 2001 leaner and more focused. We have built a talented, energized global team that is moving with speed to digitize all our systems and effectively leverage e-Business opportunities. Six Sigma enables us to produce quality products with speed and innovation. We are excited and optimistic about the year ahead.

www.gelighting.com

Louisa Chen and David Pan *check testing of spiral compact fluorescent lamps at the new GE Lighting Technical Center in Shanghai, China.*

Real Estate

Michael E. Pralle
President and Chief
Executive Officer,
GE Capital Real Estate

GE Capital Real Estate continued its strong financial performance in 2000, achieving net income growth of 24% while maintaining record delinquency rates below 1%. Our success can be attributed to continued focus on global diversification, strategic ventures and the digitization of our core business.

Real estate is a cyclical industry. With a growing organization that invests, lends, manages and services commercial real estate worldwide, being prepared for the unexpected is at the core of every decision we make. Our approach is to focus on quality properties with strong collateral protection and to diversify by geography, product, collateral and borrower.

Global Diversification

About half of our business is generated from outside the United States. While capturing opportunities in still-rising markets, we have positioned ourselves to weather cyclical downturns in other markets. We are invested in Canada, Mexico, Australia, Japan, Korea, Thailand and throughout Europe—and plan to continue to develop platforms in other growth areas.

One big platform for us in 2000 was the acquisition of MEPC, a large U.K. property company with $6.7 billion of assets, in a 50/50 partnership with the Hermes Group, a U.K. pension fund manager.

In Japan, we built an asset management business with approximately $1 billion under management, positioning us to prudently participate as the Japanese real estate market rebounds.

Strategic Ventures

During 2000, we achieved critical mass on strategic joint venture programs, with investments reaching over $2.8 billion. We invested in more than 180 projects with top-notch partners such as JPI in multifamily housing, Cabot in industrial properties and Storage USA in self-storage facilities.

Digitization

Backed by the strength of our Six Sigma design tools, we've made an enormous commitment to automate our business. Through digitization, we have not only reduced our cost structure, but have deepened our focus on meeting customer needs.

Looking forward, we are excited about prospects for strong growth at attractive returns on capital.

www.gecapitalrealestate.com

This striking addition *to the London skyline, 125 London Wall, was part of the MEPC portfolio acquired by GE Capital Real Estate. The building's 386,500 square feet are leased primarily to Chase Manhattan.*

Structured Finance Group

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

GE Capital Structured Finance Group (SFG) made great strides in 2000, as net income rose 28% for the year. New investments approached $3 billion, our fourth consecutive annual increase of 20%. Assets grew to $12 billion and portfolio quality continued to be excellent. Productivity also accelerated at a double-digit rate from the prior year, driven by strong execution on numerous process improvements. Our e-Business efforts resulted in greater customer collaboration online and enhanced service. We believe that these achievements put us squarely on track for a strong performance in 2001.

For 30 years, SFG has prospered by providing capital distinguished by knowledge to customers ranging from household names to highly promising early-stage businesses.

Nowhere is the opportunity for our services greater than in the deregulating and restructuring power sector, where GE has more than a century of experience. In 2000, our Global Energy team tapped this $100 billion-plus opportunity with equity and financing for industry players grappling with the surging demand for power and new energy technology. Our Telecom business looked beyond the current market turbulence, making selective investments in an industry with strong fundamentals, rapid technological advances and huge demand for mobile and broadband services. In the face of a slowing economy, SFG selectively invested more than $1 billion in the transportation and industrial sectors, providing our customers with unique, highly structured equity, debt, lease and balance sheet solutions to help them offset growing financial pressures.

Given the markets we serve and the capabilities we bring to bear, we are dedicated to helping our customers continue to prosper, despite the challenges posed by the increasingly complex and difficult business environment. We look to the future with great enthusiasm for both our customers and ourselves.

www.gestructuredfinance.com

GE Mortgage Insurance *works hand-in-hand with community groups across America to make sure that housing opportunities exist for all buyers.*

Mortgage Insurance

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

GE Mortgage Insurance had another terrific year in 2000, again delivering record earnings while helping make the dream of home ownership a reality for nearly a quarter-million families.

That success resulted from a clear focus on our customers—America's mortgage lenders—and an uncompromising commitment to helping them increase business and slash costs. Our innovative products make it possible for them to offer low-down-payment loans to a growing number of first-time homebuyers by insuring lenders against loss if a borrower stops making mortgage payments.

To create a simpler, faster process for our customers, we've digitized our business using Six Sigma tools and Internet technology. Our new Web site, gemortgageinsurance.com, is designed to enhance lender speed and productivity. We now can review applications from lender customers and offer insurance online in less than five minutes, a dramatic savings compared with processing times of two hours or more using conventional methods.

Our customers understand what GE's online offerings mean for their bottom line, and they are increasingly choosing our e-Business solutions for their mortgage insurance needs. Fully one half of our orders now are handled electronically, and the number of Internet applications continues to grow rapidly.

We see the trend continuing, and we'll double our e-Lending product offerings during 2001. That will help us strengthen our existing partnerships and forge new ones, both in the United States and abroad. Using our e-Business leadership, we'll maximize the value of our business as we provide all the benefits of GE for people who don't want to wait to own a home.

www.gemortgageinsurance.com

Transportation Systems

John Krenicki, Jr.
President and Chief
Executive Officer,
GE Transportation Systems

Despite lower revenues due to a cyclical decline in locomotive demand, GE Transportation Systems delivered slightly higher earnings—much of it the result of a fifth consecutive year of double-digit growth in our global services business.

Adding to our services momentum in 2000 was the acquisition of Harmon Industries, positioning us for continued expansion in transportation signaling and controls.

Harmon, an established leader in rail signaling and wayside controls, joined with GE Harris Railway Electronics to give us greater capacity and customer penetration in providing high-technology products and services to railroad and transit customers worldwide.

E-Business is re-energizing our business and providing new avenues for growth and productivity. Meanwhile, we co-located Six Sigma Quality Black Belts with our customers' operations and service teams for greater impact on their businesses.

Even with locomotive sales softening, we won the majority of new orders from North American Class 1 railroads, including new locomotives for Amtrak and Norfolk Southern and multi-year orders from both Canadian Pacific and Union Pacific. A new maintenance contract for General Motors EMD locomotives owned by Canadian Pacific broadens our service portfolio beyond GE fleets. We launched remote monitoring and diagnostics with Union Pacific for online locomotive tracking and repair.

In the e-Business arena, global sourcing and e-Auctions delivered record savings, and we are aggressively expanding our efforts to digitize all aspects of the supply chain and customer service processes.

As we navigate the inevitable cycles of the locomotive business, we remain confident that our investments in services and e-Business offer broad opportunities for diversification and continued growth.

www.ge.com/transportation

Real-time monitoring *of the Dallas Area Rapid Transit System is provided by GE Harris Harmon. Real-time tracking of commuter trains across the globe ensures that train control systems are running at optimum performance.*

Commercial Finance

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

Commercial Finance continues as one of GE's fastest-growing businesses with revenues accelerating 19% in 2000, capping a fourfold revenue increase over the last five years.

Formed in 1993, Commercial Finance provides customized financial solutions for mid-sized companies, primarily through senior debt, equity and factoring facilities. Today, 1,600 professionals serve over 5,000 companies on four continents through local, customer-focused transaction teams.

A major growth area is serving companies with revenues under $50 million. Three years ago we launched start-ups on both sides of the Atlantic using Six Sigma Quality tools and the Web to help deliver both lower cost and higher customer service solutions. The payoff in 2000 was a 75% jump in U.S. fundings and a 200% jump in the United Kingdom, with both groups racing up the leader tables in their respective areas.

The Internet is driving double-digit productivity gains and is making it faster and easier for customers to do business with us. One example is our Internet-based "My GE Deal" tool, which allows new borrowers to track their multi-step loan application process online, view the latest documents and provide real-time feedback about our performance.

We see significant opportunities ahead for our U.S. lending business to capitalize on gaps in market coverage created by the consolidating banking industry and the contracted high-yield debt market. We also expect to expand our successful participation in the restructuring of financial markets in Japan, Thailand, Korea, Mexico and elsewhere.

Under an exciting new program, "Access GE," we share proven GE management tools with our customers. Already, more than 1,000 customer managers are using these GE tools to solve their particular business challenges. This partnering initiative strengthens our customers' businesses and, consequently, our business relationships.

Our skilled and motivated employees run a diverse and increasingly global and digital business, striving to be the provider of choice for companies needing creative capital solutions.

www.gecommercialfinance.com

GE Appliances launched *customized cooling with the remarkable, new GE Profile™ Arctica™ refrigerators—90 years after first introducing refrigerators to consumers. The strikingly different refrigerators are the result of GE's largest-ever appliances investment program. Time-crunched consumers will love new GE timesaving features like ExpressChill,™ ExpressThaw™ and Quick Ice.™*

Appliances

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

2000 was an exciting year for GE Appliances. Revenues, share and earnings grew in a tough global marketplace, driven by a strong focus on consumer satisfaction, energized employees and 60 exciting new products.

Our obsession with mining the Web for efficiency and growth drove digitization across the business. Nearly 50% of our $5.9 billion in revenues was transacted via CustomerNet, our business-to-business Web site, while SupplierNet helped us procure over $1 billion worldwide online.

In the marketplace, the Internet helped extend GE's leadership in the strategic builder channel. Here, we launched new, wireless business-to-business tools for personal digital assistants and cell phones, an industry first. In the retail channel, Web investments helped to build new customers while continuing growth with traditional retailers.

By far the most exciting development was the debut of our all-new Arctica™ refrigeration line designed to meet 2001 energy standards. This is the largest new-product investment in our history. These new GE refrigerators are full of compelling consumer features and have been designed with Six Sigma Quality rigor to be our most reliable ever. In addition, we introduced the industry's first full line of electronically controlled washing machines—Prodigy™ and Wizard™. We also extended our dishwasher position with Triton™, and we captured top ratings from a leading consumer magazine with our Spectra™ gas and electric cooking products. In a game-changing event, speed-cooking instructions for GE's Advantium™ oven began appearing on millions of packages from leading food companies.

In 2001, we will continue to stay focused on product vitality, digitization and Six Sigma Quality in order to bring good things to life for consumers all around the world.

www.geappliances.com

GE in the Community

Every day, GE people and the GE Fund are helping to improve the communities the Company calls home around the world. GE Elfun, the global volunteer organization of employees and retirees, undertakes more than 1,000 community service projects every year. From mentoring in schools to building playgrounds to serving meals for the elderly to renovating parks and cleaning rivers, GE's people volunteer more than one million hours each year.

Education is a primary focus of the GE Fund. Fund programs help improve literacy and math skills in the early grades; prepare high school students to attend college; and support women and minority students seeking to earn engineering and business degrees and move into the faculty ranks at universities.

In all, GE and its employees, the GE Fund and GE Elfun contributed nearly $100 million in 2000 to support nonprofit community organizations, schools, colleges and universities around the world.

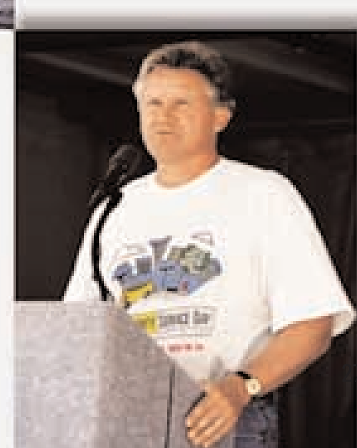
▶ **In Pittsfield, Mass.,** *Elfuns renovated Burbank Park, used by residents and visitors to Pittsfield for over 112 years. The project included a complete renovation of a pavilion, installation of a children's play structure, painting and restoring a beach house, and cleaning over 2,000 feet of shoreline and play areas.*

▼ **In Stamford, Conn.,** *a team of GE Capital Aviation Services employees helped to beautify DOMUS house, a residential facility for at-risk young men. The GECAS team spent a Saturday morning painting the house and surrounding fencing, removing old shrubs and putting in new plants. Several of the residents of DOMUS got involved as well, helping with the plantings.*

▼ **In Cleveland, Ohio,** *over 700 GE Lighting volunteers, many from the local Elfun chapter, totally renovated Camp Mueller, a summer camp for Cleveland's inner-city children.*

◀ **In Delhi, India,** *groups of Elfun volunteers took disadvantaged children on special tours of the Taj Mahal and other historic sites.*

▶ **Jeff Immelt** *addressed more than 2,000 GE Medical Systems volunteers during the annual Community Service Day. The volunteers supported the Milwaukee public schools with a variety of fix-up and back-to-school projects throughout the city.*



Board of Directors *(As of February 9, 2001)*

Robert C. Wright, Jeffrey R. Immelt and Rochelle B. Lazarus joined the Board in 2000. John D. Opie retired as Vice Chairman in 2000 after 39 years of outstanding service to GE, including five years as a Director and Executive Officer.

Mr. Immelt was also elected GE President and will become Chairman when Mr. Welch retires at the end of 2001. The Board believes Mr. Immelt is ideally suited to lead the Company for many years in view of the keen strategic intellect, cutting-edge technological understanding, strong leadership characteristics and unique set of global team-building skills he demonstrated as President and CEO of GE Medical Systems since 1996.

Mr. Wright was elected Vice Chairman of the Board and an Executive Officer of GE and will continue to serve as President and CEO of NBC, a position he has held since 1986. Mr. Wright's strategic vision, outstanding business leadership and people skills will be valuable resources for the Board and the Company.

Ms. Lazarus has been Chairman and CEO of Ogilvy & Mather Worldwide since 1996. The spirit of innovation and insight she brings will be tremendous assets to GE.

The GE Board held 10 meetings during 2000.

At the December meeting, the Directors voted to increase GE's quarterly dividend by 17%, from 13$\frac{2}{3}$¢ to 16¢ per share, marking the 25th consecutive year of GE dividend increases.

The Audit Committee, which consists entirely of outside Directors, held five 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 retirement plans, foreign exchange exposure, airline financing and other matters involving major uses of GE funds.

The Management Development and Compensation Committee, which consists entirely of outside Directors, reviewed all executive compensation plans, policies and practices, all changes in executive assignments and responsibilities, and succession plans for key positions. It held 11 meetings.

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 three meetings, evaluated environmental and other public responsibility issues as well as activities of the GE Fund.

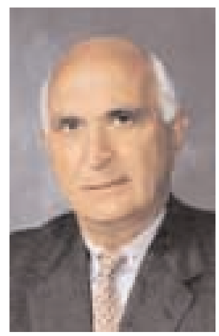
The Technology and Science Committee participated in one meeting at which it reviewed GE Power Systems' gas turbine business.

James I. Cash, Jr.
James E. Robison Professor of Business Administration, Harvard Graduate School of Business, Boston, 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, General Electric Capital Services, Inc. Director since 1994.

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



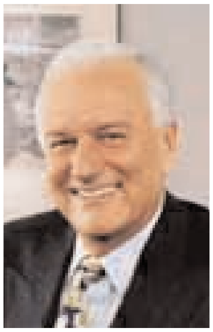
Kenneth G. Langone
Chairman, President and Chief Executive Officer, Invemed Associates, LLC, investment banking and brokerage, New York, N.Y. Director since 1999.

Rochelle B. Lazarus
Chairman and Chief Executive Officer, Ogilvy & Mather Worldwide, advertising, New York, N.Y. Director since 2000.

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, J.P. Morgan Chase & Co., The Chase Manhattan Bank, and Morgan Guaranty Trust Company of New York, New York, N.Y. Director since 1992.



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

Ann M. Fudge
President, Kraft's Beverages, Desserts & Post Divisions; and Group Vice President, Kraft Foods, Inc., packaged foods, Tarrytown, N.Y. Director since 1999.

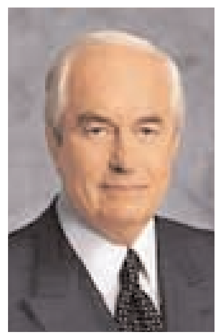
Claudio X. Gonzalez
Chairman of the Board and Chief Executive Officer, Kimberly-Clark de Mexico, S.A. de C.V., Mexico City, consumer and paper products. Director since 1993.

Jeffrey R. Immelt
President and Chairman-Elect, General Electric Company. Director since 2000.

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

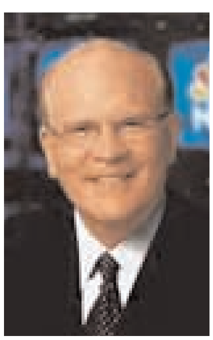
Gertrude G. Michelson
Former Senior Vice President – External Affairs and former Director, R.H. Macy & Co., Inc., retailers, New York, N.Y. Director since 1976.

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



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

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



Robert C. Wright
Vice Chairman of the Board and Executive Officer, General Electric Company; and President and Chief Executive Officer, National Broadcasting Company, Inc. Director since 2000.

Audit Committee
Gertrude G. Michelson, Chairman
Silas S. Cathcart
Ann M. Fudge
Claudio X. Gonzalez
Roger S. Penske
Frank H. T. Rhodes
Andrew C. Sigler
Douglas A. Warner III

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
Kenneth G. Langone
Gertrude G. Michelson
Sam Nunn
Roger S. Penske
Frank H. T. Rhodes
Andrew C. Sigler

Nominating Committee
Andrew C. Sigler, Chairman
Silas S. Cathcart
Andrea Jung
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
Jeffrey R. Immelt
Andrea Jung
Kenneth G. Langone
Rochelle B. Lazarus
Scott G. McNealy
Sam Nunn
Andrew C. Sigler
Douglas A. Warner III
Robert C. Wright

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
Rochelle B. Lazarus
Scott G. McNealy
Gertrude G. Michelson
Roger S. Penske
Andrew C. Sigler
Douglas A. Warner III

Technology and Science Committee
James I. Cash, Jr., Chairman
Paolo Fresco
Roger S. Penske
Frank H. T. Rhodes

Management *(As of February 9, 2001)*

Senior Executive Officers

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

Jeffrey R. Immelt
President and Chairman-Elect

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

Robert C. Wright
Vice Chairman of the Board and
Executive Officer, General Electric
Company; and President and
Chief Executive Officer, National
Broadcasting Company, Inc.

Senior Corporate Officers

Francis S. Blake
Senior Vice President,
Corporate Business
Development

William J. Conaty
Senior Vice President,
Human Resources

Scott C. Donnelly
Senior Vice President,
Corporate 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

Larry K. Blystone
Vice President, Honeywell Integration

James R. Bunt
Vice President and Treasurer

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; and President, GE Fund

Steven Kerr
Vice President, Leadership Development

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

John H. Myers
Chairman and President, GE Asset Management

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 9, 2001)*

Power Systems

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

Jean-Michel Ares
Vice President, Information Technology and e-Business

Ricardo Artigas
President, GE Energy Services

Ernest H. Gault
Vice President, Technical Services

James N. Suciu
Vice President, Sales

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

Didier Forget
Vice President, Energy Products–Europe

Richard R. Stewart
President, S&S Energy Products

John C. Loomis
Vice President, Human Resources

Thomas P. Saddlemire
Vice President, Finance

Claudi Santiago
President, GE Oil and Gas

Pier Luigi Ferrara
Deputy Chief Executive, GE Nuovo Pignone

Mark T. Savoff
President, GE Nuclear

Steven R. Specker
President, GE Digital Energy

Delbert L. Williamson
President, Global Sales

Aircraft Engines

David L. Calhoun
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

Russel P. Mayer
Vice President, e-Business and Technology Solutions

George R. Oliver
Vice President, Engine Services

Lorraine A. Bolsinger
Vice President, Market Development and Sales

Kenneth M. Fisher
Vice President, Finance

Daniel C. Heintzelman
Vice President, Material Services Operation

Russell F. Sparks
Vice President, Military Engines

Theodore H. Torbeck
Vice President, Supply Chain

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, John F. Welch 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

Tanya D. Fratto
Vice President, GE Superabrasives

Arthur H. Harper
President, GE Plastics–Europe

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Vice President, Commercial Operations

Gary J. Powell
Vice President, Global Manufacturing

John M. Seral
Vice President, Information Technology

Peter Y. Solmssen
Vice President and General Counsel

NBC

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Vice Chairman of the Board and Executive Officer, General Electric Company; and President and Chief Executive Officer, National Broadcasting Company, Inc.

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Executive Vice President and Chief Financial Officer; and President, NBC Business Development

Laurent P.M. Rotival
Senior Vice President, Information Technology, and Chief Information Officer

William L. Bolster
Chairman and Chief Executive Officer, CNBC

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

Kassie Canter
Senior Vice President, Corporate Communications and Media Relations

Richard Cotton
President and Managing Director, CNBC Europe

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

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President, NBC Television Stations

H. David Overbeeke
Senior Vice President, e-Business, NBC Television Stations

Andrew R. Lack
President, NBC News

Susan P. Peters
Executive Vice President, Human Resources

Scott M. Sassa
President, NBC West Coast

Edward L. Scanlon
Executive Vice President, NBC Talent Contracts and Negotiations

David Zaslav
President, NBC Cable

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President and Chief Executive Officer, GE Medical Systems

Robert L. Corcoran
Vice President, Human Resources

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 and Bone Densitometry

Mary Elizabeth Klein
Vice President, Functional Imaging

Gregory T. Lucier
President and Chief Executive Officer, GE Medical Systems–Information Technologies

Paul J. Mirabella
President and Chief Executive Officer, GE Medical Systems–Americas

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Vice President, U.S. Service

J. Keith Morgan
Vice President and General Counsel

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Vice President, Global Supply Chain

Eugene L. Saragnese
Vice President, Global Technology

Industrial Systems

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President and Chief Executive Officer, GE Industrial Systems

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Vice President, Manufacturing

John J. Haggerty
Vice President, Human Resources

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Michael D. Popielec
President and Chief Executive Officer, GE Power Controls B.V.

J. Jeffrey Schaper
Vice President, Sales

Robert D. Sloan
Vice President and General Counsel

Operating Management *(Continued)*

Lighting

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Vice President, GE Lighting–North America

John D. Fish
Vice President, Global Manufacturing

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

Joe E. Harlan
Vice President, Finance

Michael S. Idelchik
Vice President, Technology

Golnar Motahari Pour
President and Chief Executive Officer, GE Lighting–Europe

David L. Pawl
President, GE Quartz, Inc.

Transportation Systems

John Krenicki, Jr.
President and Chief Executive Officer, GE Transportation Systems

Appliances

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

James P. Campbell
Vice President, Sales and Marketing

Joseph J. DeAngelo
Vice President and Chief Operating Officer

Gregory L. Levinsky
Vice President, Information Technology

Happy R. Perkins
Vice President and General Counsel

Paul A. Raymont
Vice President, Technology

Stephen J. Sedita
Vice President, Finance

Richard F. Segalini
Vice President, Supply Chain

John M. Sollazzo
Vice President, Human Resources

Capital Services

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

Michael A. Neal
President and Chief Operating Officer

Paul T. Bossidy
President and Chief Executive Officer, Commercial Equipment Financing

William H. Cary
President and Chief Executive Officer, Vendor Financial Services

Randy E. Dobbs
President and Chief Executive Officer, Information Technology Solutions, North America

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

John L. Oliver
President and Chief Executive Officer, GE Capital Information Technology Solutions, Europe

Michael W. Stout
Chief Technology and Information Officer, E-Business and Information Technology

James A. Parke
Vice Chairman and Chief Financial Officer

Richard D'Avino
Senior Vice President and Senior Tax Counsel

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

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

William A. Woodburn
Executive Vice President, Equipment Businesses

Pramod Bhasin
President, GE Capital India

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

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

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

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

Richard F. Wacker
Senior Vice President–Finance and Chief Financial Officer, GE Card Services

Charles E. Alexander
President, GE Capital Europe

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

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

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

Maive F. Scully
Senior Vice President and Chief Financial Officer

Taketo Yamakawa
President and Chief Executive Officer, Global Consumer Finance–Japan

Dan N. O'Connor
President and Chief Executive Officer, Global Consumer Finance, Europe

Joseph E. Parsons
President and Chief Executive Officer, GE Equity

Michael E. Pralle
President and Chief Executive Officer, GE Capital Real Estate

Marc J. Saperstein
Senior Vice President, Human Resources

Ronald R. Pressman
Chairman, President and Chief Executive Officer, Employers Reinsurance Corporation

Robert J. Dellinger
President and Chief Executive Officer, Property and Casualty Reinsurance Europe/Asia

Marc A. Meiches
Executive Vice President and Chief Financial Officer

A. Louis Parker
President and Chief Executive Officer, Commercial Insurance

Richard F. Smith
President and Chief Executive Officer, Property and Casualty Reinsurance Americas

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

K. Rone Baldwin
President and Chief Executive Officer, GE Edison Life

Thomas W. Casey
Senior Vice President and Chief Financial Officer

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

Kathryn V. Marinello
President and Chief Executive Officer, GEFA Direct/Partnership Marketing Group

Pamela S. Schutz
President and Chief Executive Officer, Wealth and Income Management

Global eXchange Services

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

Harvey F. Seegers
President and Chief Executive Officer, Global eXchange Services

GE Supply

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

International

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

Mark Norbom
President and Chief Executive Officer, GE Japan

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

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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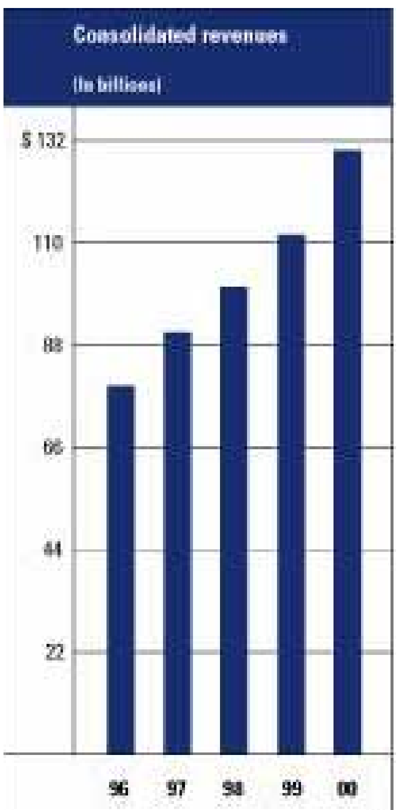
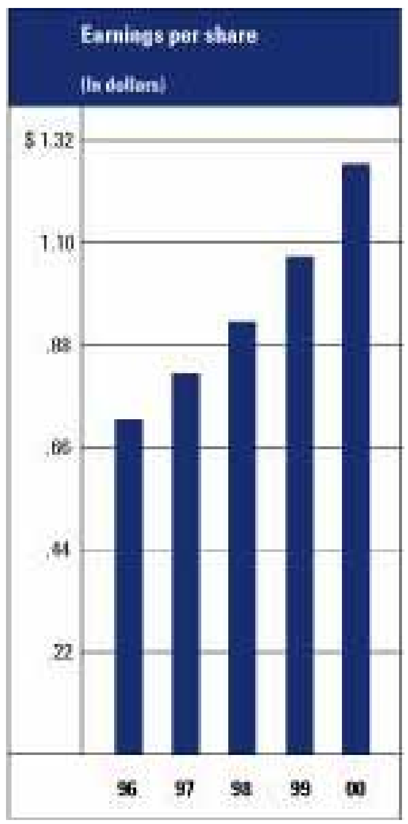
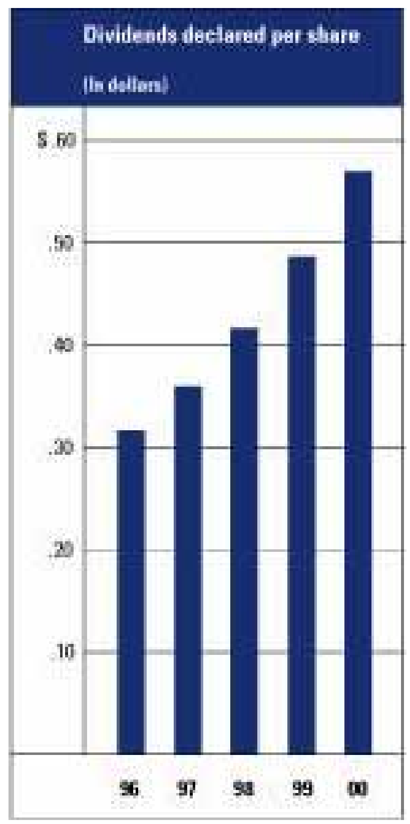






Statement of Earnings

For the years ended December 31 (In millions; per-share amounts in dollars)	General Electric Company and consolidated affiliates **2000**	1999	1998
Revenues			
Sales of goods	**$ 54,828**	$ 47,785	$ 43,749
Sales of services	**18,126**	16,283	14,938
Other income (note 2)	**436**	798	649
Earnings of GECS	**—**	—	—
GECS revenues from services (note 3)	**56,463**	46,764	41,133
Total revenues	**129,853**	111,630	100,469
Costs and expenses (note 4)			
Cost of goods sold	**39,312**	34,554	31,772
Cost of services sold	**12,511**	11,404	10,508
Interest and other financial charges	**11,720**	10,013	9,753
Insurance losses and policyholder and annuity benefits	**14,399**	11,028	9,608
Provision for losses on financing receivables (note 14)	**2,045**	1,671	1,603
Other costs and expenses	**30,993**	27,018	23,483
Minority interest in net earnings of consolidated affiliates	**427**	365	265
Total costs and expenses	**111,407**	96,053	86,992
Earnings before income taxes	**18,446**	15,577	13,477
Provision for income taxes (note 7)	**(5,711)**	(4,860)	(4,181)
Net earnings	**$ 12,735**	$ 10,717	$ 9,296
Per-share amounts (note 8)			
Diluted earnings per share	**$ 1.27**	$ 1.07	$ 0.93
Basic earnings per share	**$ 1.29**	$ 1.09	$ 0.95
Dividends declared per share	**$ 0.57**	$ 0.48 ⅔	$ 0.41 ⅔

Consolidated Statement of Changes in Share Owners' Equity

(In millions)	**2000**	1999	1998
Changes in share owners' equity (note 25)			
Balance at January 1	**$ 42,557**	$ 38,880	$ 34,438
Dividends and other transactions with share owners	**(3,044)**	(4,632)	(5,178)
Changes other than transactions with share owners			
Increase attributable to net earnings	**12,735**	10,717	9,296
Unrealized gains (losses) on investment securities—net	**(552)**	(1,776)	264
Currency translation adjustments	**(1,204)**	(632)	60
Total changes other than transactions with share owners	**10,979**	8,309	9,620
Balance at December 31	**$ 50,492**	$ 42,557	$ 38,880

The notes to consolidated financial statements on pages 56-76 are an integral part of these statements. Per-share amounts have been adjusted for the 3-for-1 stock split effective on April 27, 2000.

GE				GECS		
2000	1999	1998		**2000**	1999	1998
$ 45,427	$ 39,045	$ 36,376		**$ 9,408**	$ 8,740	$ 7,374
18,380	16,600	15,170		**—**	—	—
498	856	684		**—**	—	—
5,192	4,443	3,796		**—**	—	—
—	—	—		**56,769**	47,009	41,320
69,497	60,944	56,026		**66,177**	55,749	48,694
30,782	26,578	24,996		**8,537**	7,976	6,777
12,765	11,721	10,740		**—**	—	—
811	810	883		**11,111**	9,359	8,966
—	—	—		**14,399**	11,028	9,608
—	—	—		**2,045**	1,671	1,603
8,392	7,732	7,177		**22,767**	19,433	16,432
213	179	117		**214**	186	148
52,963	47,020	43,913		**59,073**	49,653	43,534
16,534	13,924	12,113		**7,104**	6,096	5,160
(3,799)	(3,207)	(2,817)		**(1,912)**	(1,653)	(1,364)
$ 12,735	$ 10,717	$ 9,296		**$ 5,192**	$ 4,443	$ 3,796

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.

Statement of Financial Position

At December 31 (In millions)	General Electric Company and consolidated affiliates 2000	1999
Assets		
Cash and equivalents	**$ 8,195**	$ 8,554
Investment securities (note 10)	**91,339**	81,758
Current receivables (note 11)	**9,502**	8,531
Inventories (note 12)	**7,812**	7,007
Financing receivables (investments in time sales, loans and financing leases)—net (notes 13 and 14)	**143,299**	134,215
Insurance receivables (note 15)	**23,802**	18,969
Other GECS receivables	**11,714**	14,153
Property, plant and equipment (including equipment leased to others)—net (note 16)	**40,015**	41,022
Investment in GECS	**—**	—
Intangible assets—net (note 17)	**27,441**	26,010
All other assets (note 18)	**73,887**	64,981
Total assets	**$437,006**	$405,200
Liabilities and equity		
Short-term borrowings (note 19)	**$119,180**	$130,346
Accounts payable, principally trade accounts	**14,853**	13,676
Progress collections and price adjustments accrued	**8,271**	4,618
Dividends payable	**1,589**	1,347
All other GE current costs and expenses accrued	**12,219**	11,229
Long-term borrowings (note 19)	**82,132**	71,427
Insurance liabilities, reserves and annuity benefits (note 20)	**106,150**	86,776
All other liabilities (note 21)	**28,494**	28,772
Deferred income taxes (note 22)	**8,690**	9,238
Total liabilities	**381,578**	357,429
Minority interest in equity of consolidated affiliates (note 23)	**4,936**	5,214
Accumulated unrealized gains on investment securities—net (a)	**74**	626
Accumulated currency translation adjustments (a)	**(2,574)**	(1,370)
Common stock (9,932,006,000 and 9,854,528,000 shares outstanding at year-end 2000 and 1999, respectively)	**669**	594
Other capital	**15,195**	10,790
Retained earnings	**61,572**	54,484
Less common stock held in treasury	**(24,444)**	(22,567)
Total share owners' equity (notes 25 and 26)	**50,492**	42,557
Total liabilities and equity	**$437,006**	$405,200

The notes to consolidated financial statements on pages 56-76 are an integral part of this statement. Share data have been adjusted for the 3-for-1 stock split effective on April 27, 2000.

(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 $(2,500) and $(744) at year-end 2000 and 1999, respectively.

GE 2000	GE 1999	GECS 2000	GECS 1999
$ 7,210	$ 2,000	**$ 6,052**	$ 6,931
1,009	1,273	**90,330**	80,485
9,727	8,743	**—**	—
7,146	5,798	**666**	1,209
—	—	**143,299**	134,215
—	—	**23,802**	18,969
—	—	**13,288**	15,126
12,199	12,381	**27,816**	28,641
23,022	20,321	**—**	—
12,424	11,262	**15,017**	14,748
24,028	20,805	**50,366**	44,694
$ 96,765	$ 82,583	**$ 370,636**	$ 345,018
$ 940	$ 2,245	**$ 123,992**	$ 129,259
6,153	5,068	**10,436**	9,749
8,271	4,618	**—**	—
1,589	1,347	**—**	—
12,219	11,048	**—**	—
841	722	**81,379**	70,766
—	—	**106,150**	86,776
14,840	13,872	**13,451**	14,801
452	283	**8,238**	8,955
45,305	39,203	**343,646**	320,306
968	823	**3,968**	4,391
74	626	**4**	170
(2,574)	(1,370)	**(957)**	(384)
669	594	**1**	1
15,195	10,790	**2,752**	2,682
61,572	54,484	**21,222**	17,852
(24,444)	(22,567)	**—**	—
50,492	42,557	**23,022**	20,321
$ 96,765	$ 82,583	**$ 370,636**	$ 345,018

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 2000	1999	1998
Cash flows—operating activities			
Net earnings	**$ 12,735**	$ 10,717	$ 9,296
Adjustments to reconcile net earnings to cash provided from operating activities			
Depreciation and amortization of property, plant and equipment	**5,039**	4,908	4,377
Amortization of goodwill and other intangibles	**2,697**	1,783	1,483
Earnings retained by GECS	**—**	—	—
Deferred income taxes	**1,153**	1,502	1,143
Decrease (increase) in GE current receivables	**(537)**	143	649
Decrease (increase) in inventories	**(924)**	266	150
Increase in accounts payable	**3,297**	820	1,576
Increase (decrease) in insurance liabilities and reserves	**(1,009)**	4,584	3,670
Provision for losses on financing receivables	**2,045**	1,671	1,603
All other operating activities	**(1,806)**	(1,801)	(4,587)
Cash from operating activities	**22,690**	24,593	19,360
Cash flows—investing activities			
Additions to property, plant and equipment	**(13,967)**	(15,502)	(8,982)
Dispositions of property, plant and equipment	**6,767**	6,262	4,043
Net increase in GECS financing receivables	**(16,076)**	(12,628)	(5,999)
Payments for principal businesses purchased	**(2,332)**	(11,654)	(18,610)
All other investing activities	**(12,091)**	(8,657)	(10,585)
Cash used for investing activities	**(37,699)**	(42,179)	(40,133)
Cash flows—financing activities			
Net increase (decrease) in borrowings (maturities of 90 days or less)	**(8,243)**	6,171	16,881
Newly issued debt (maturities longer than 90 days)	**47,645**	48,158	42,008
Repayments and other reductions (maturities longer than 90 days)	**(32,762)**	(27,539)	(32,814)
Net dispositions (purchases) of GE shares for treasury	**469**	(1,002)	(2,819)
Dividends paid to share owners	**(5,401)**	(4,587)	(3,913)
All other financing activities	**12,942**	622	(114)
Cash from (used for) financing activities	**14,650**	21,823	19,229
Increase (decrease) in cash and equivalents during year	**(359)**	4,237	(1,544)
Cash and equivalents at beginning of year	**8,554**	4,317	5,861
Cash and equivalents at end of year	**$ 8,195**	$ 8,554	$ 4,317
Supplemental disclosure of cash flows information			
Cash paid during the year for interest	**$ (11,617)**	$ (10,078)	$ (9,297)
Cash paid during the year for income taxes	**(2,604)**	(1,597)	(2,098)

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

GE 2000	GE 1999	GE 1998	GECS 2000	GECS 1999	GECS 1998
$ 12,735	$ 10,717	$ 9,296	**$ 5,192**	$ 4,443	$ 3,796
1,725	1,735	1,761	**3,314**	3,173	2,616
523	584	531	**2,174**	1,199	952
(3,370)	(2,777)	(2,124)	**—**	—	—
470	655	594	**683**	847	549
(550)	190	520	**—**	—	—
(663)	(61)	69	**(261)**	327	81
845	104	199	**3,047**	699	1,673
—	—	—	**(1,009)**	4,584	3,670
—	—	—	**2,045**	1,671	1,603
3,701	616	(814)	**(5,901)**	(2,124)	(3,985)
15,416	11,763	10,032	**9,284**	14,819	10,955
(2,536)	(2,036)	(2,047)	**(11,431)**	(13,466)	(6,935)
53	—	6	**6,714**	6,262	4,037
—	—	—	**(16,076)**	(12,628)	(5,999)
(1,156)	(1,594)	(1,455)	**(1,176)**	(10,060)	(17,155)
(234)	(432)	477	**(12,173)**	(8,283)	(11,380)
(3,873)	(4,062)	(3,019)	**(34,142)**	(38,175)	(37,432)
(1,331)	(1,230)	1,015	**(2,121)**	7,308	16,288
785	558	509	**46,887**	47,605	41,440
(855)	(615)	(1,787)	**(31,907)**	(26,924)	(31,027)
469	(1,002)	(2,819)	**—**	—	—
(5,401)	(4,587)	(3,913)	**(1,822)**	(1,666)	(1,672)
—	—	—	**12,942**	622	(114)
(6,333)	(6,876)	(6,995)	**23,979**	26,945	24,915
5,210	825	18	**(879)**	3,589	(1,562)
2,000	1,175	1,157	**6,931**	3,342	4,904
$ 7,210	$ 2,000	$ 1,175	**$ 6,052**	$ 6,931	$ 3,342
$ (388)	$ (482)	$ (620)	**$ (11,229)**	$ (9,596)	$ (8,677)
(1,804)	(1,246)	(1,151)	**(800)**	(351)	(947)

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 of America.

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 initiative 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 2000 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

Jeffrey R. Immelt
President and Chairman-Elect

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

February 2, 2001

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, 2000 and 1999, 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, 2000. 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 auditing standards generally accepted in the United States of America. 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, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP
Stamford, Connecticut

February 2, 2001

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

General Electric Company achieved record revenues, earnings and cash generation in 2000, demonstrating the benefits of its continuing emphasis on globalization, growth in services, Six Sigma Quality and e-Business.

Revenues rose 16% to a record $129.9 billion in 2000, compared with $111.6 billion in 1999, which was 11% higher than the $100.5 billion reported in 1998. The improvements in revenues over the three-year period reflect continued growth from global activities and services.

Earnings increased to a record $12,735 million, a 19% increase from $10,717 million reported in 1999. Earnings per share increased to $1.27 during 2000, up 19% from the prior year's $1.07 (except as otherwise noted, earnings per share are presented on a diluted basis). Earnings in 1999 rose 15% from $9,296 million in 1998. In 1999, earnings per share increased 15% from $0.93 in 1998.

The Financial Accounting Standards Board ("FASB") has issued, then subsequently amended, Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, effective for GE on January 1, 2001. Upon adoption, all derivative instruments (including certain derivative instruments embedded in other contracts) will be recognized in the balance sheet at their fair values; changes in such fair values must be recognized immediately in earnings unless specific hedging criteria are met. Effects of qualifying changes in fair value will be recorded in equity pending recognition in earnings as offsets to the related earnings effects of the hedged items. Management estimates that, at January 1, 2001, the effects on its consolidated financial statements of adopting SFAS No. 133, as amended, will be a one-time reduction of net earnings of less than $0.5 billion, and a one-time reduction of equity, excluding the net earnings effect, of less than $1.0 billion. The precise transition effect is uncertain because the accounting for certain derivatives and hedging relationships in accordance with SFAS No. 133 is subject to further interpretation by the FASB.

Dividends declared in 2000 amounted to $5,647 million. Per-share dividends of $0.57 were up 17% from 1999, following a 17% increase from the preceding year. GE has rewarded its share owners with 25 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.

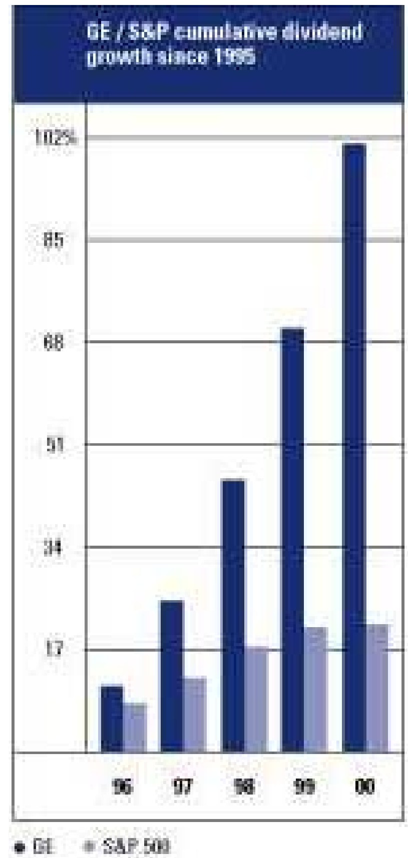
Return on average share owners' equity was 27.5% in 2000, up from 26.8% and 25.7% in 1999 and 1998, respectively.

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

GE total revenues were $69.5 billion in 2000, compared with $60.9 billion in 1999 and $56.0 billion in 1998.

- GE sales of goods and services were $63.8 billion in 2000, an increase of 15% from 1999, which in turn was 8% higher than in 1998. Volume was about 16% higher in 2000, reflecting growth across most businesses during the year, led by strong double-digit increases at Power Systems and Medical Systems. While overall selling prices were down slightly in 2000, the effects of selling prices on sales in various businesses differed markedly. The net effect of exchange rates on sales denominated in currencies other than the U.S. dollar also negatively affected revenues. Volume in 1999 was about 10% higher than in 1998, with selling price and currency effects both slightly negative.

  For purposes of the financial statement display of 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. Such sales are referred to by management as "product services." Sales of product services were $16.2 billion in 2000, a 9% increase over 1999 on a comparable basis. Increases in product services revenues in 2000 were widespread, led by Power Systems, Medical Systems and Transportation Systems. Operating margin from product services was approximately $3.9 billion, up 10% from 1999 on a comparable basis. The increase reflected improvements in most product services businesses and was led by Power Systems, Medical Systems and Transportation Systems.

- GE other income, earned from a wide variety of sources, was $0.5 billion in 2000, $0.9 billion in 1999 and $0.7 billion in 1998. Comparisons over the three-year period are affected by a pre-tax gain of $388 million in 1999 resulting from the contribution of certain of NBC's media properties to NBC Internet (NBCi), a publicly-traded company, in exchange for a noncontrolling interest in NBCi.
- Earnings of GECS were up 17% in 2000, following a 17% increase the year before. See page 45 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. Two GE initiatives had significant effects on costs:

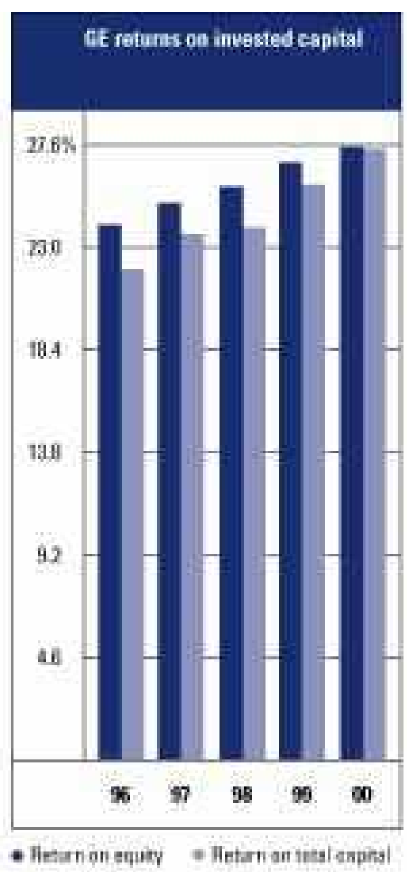
- The Six Sigma Quality initiative has lowered GE's costs by dramatically reducing rework, simplifying processes and reducing direct material costs. Design for Six Sigma has been a key to the introduction of numerous high-quality new products with significantly enhanced features.
- Costs have also been reduced by the e-Business initiative, a broad-based program under which GE is investing in internal infrastructure hardware and software that is enabling its businesses to conduct a growing portion of their business over the Internet. Benefits 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 6) and other retiree benefit plans (described in note 5), principal U.S. postemployment benefit plans contributed pre-tax cost reductions of $1,266 million and $1,062 million in 2000 and 1999, respectively, about 6.5% of net earnings in both years. The present funding status provides assurance of benefits for participating employees, but future effects on operating results depend on economic conditions and investment performance.

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. The program was essentially completed by the end of 2000.

Operating margin is sales of goods and services less the costs of goods and services sold, and selling, general and administrative expenses. GE's ongoing operating margin reached a record 18.9% of sales in 2000, up from 17.8% in 1999 and 16.7% in 1998. Reported operating margin was 18.6% in 2000, including the effects of a one-time retirement benefit provision associated with the new labor agreement. Reported operating margin in 1999 was 17.3% of sales, including the $326 million of unusual charges discussed in the preceding paragraph. The improvement in ongoing operating margin in 2000 was broad-based, with improvements in a majority of GE's businesses, led by Power Systems and Aircraft Engines, reflecting the increasing benefits from GE's product services, Six Sigma Quality and e-Business 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 2000 was 3.6%, reflecting benefits from improvements in base cost productivity achieved through strong volume growth and the Six Sigma Quality and e-Business initiatives. Most businesses achieved improvements in base cost productivity in excess of 5%. Total cost productivity was 4.2% in 1999, reflecting Six Sigma Quality benefits as well as higher volume. 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 2000 amounted to $811 million, about the same as 1999 and slightly lower than the $883 million in 1998. During 2000, higher average interest rates were more than offset by lower average borrowing levels. The decrease in 1999 arose from a combination of lower average interest rates and lower average levels of borrowing.

Income taxes on a consolidated basis were 31.0% of pre-tax earnings in 2000, compared with 31.2% in 1999 and 31.0% in 1998. A more detailed analysis of 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 17% increase in operating profit in 2000, on revenues that were slightly higher than in 1999. The improvement in operating profit reflected strong productivity. Revenues in 1999 increased 4%, principally reflecting higher volume in product services. Operating profit increased 19% in 1999 as a result of productivity and growth in product services.

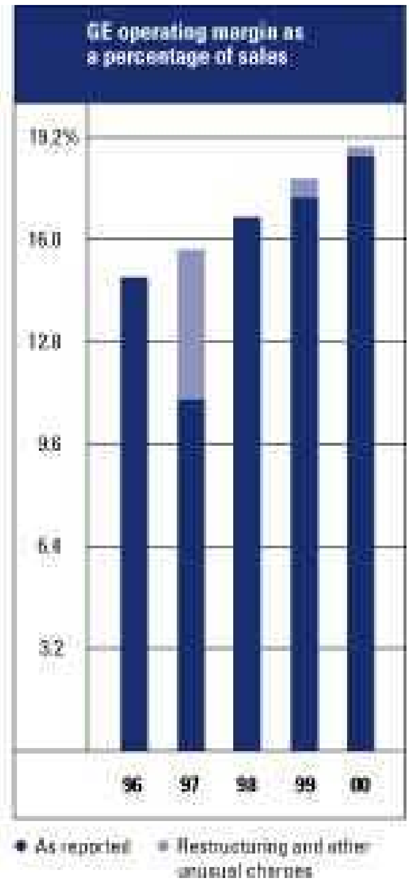
In 2000, $1.6 billion of Aircraft Engines revenues were from sales to the U.S. government, about the same as in 1999.

Aircraft Engines received orders of $13.5 billion in 2000 compared with $12.0 billion in 1999. The $12.0 billion total backlog at year-end 2000 comprised unfilled product orders of $9.5 billion (of which 57% was scheduled for delivery in 2001) and product services orders of $2.5 billion to be delivered in 2001. Comparable December 31, 1999 total backlog was $10.0 billion.

Appliances revenues were 4% higher than a year ago, as volume increases more than offset lower selling prices. Operating profit also increased 4%, largely as a result of productivity and higher volume from new products. Revenues in 1999 were 1% higher than in 1998, as volume increases offset lower selling prices. Operating profit decreased 13% in 1999, reflecting lower selling prices and increased spending on programs for new products and e-Business.

Industrial Products and Systems revenues increased 3% in 2000, largely as a result of volume increases at Industrial Systems and growth in product services, including acquisitions, which more than offset lower selling prices. Operating profit increased 4%, primarily reflecting productivity and growth in product services. Revenues rose 3% in 1999, primarily as a result of volume increases at Transportation Systems, which more than offset lower selling prices. Operating profit increased 11% in 1999 as strong productivity at Industrial Systems and Lighting more than offset lower selling prices.

Transportation Systems received orders of $2.1 billion in 2000, compared with $1.4 billion in 1999. The $1.4 billion total backlog at year-end 2000 comprised unfilled product orders of $1.0 billion (of which 78% was scheduled for delivery in 2001) and product services orders of $0.4 billion to be delivered in 2001. Comparable December 31, 1999 total backlog was $1.4 billion.



NBC revenues increased 17% in 2000, reflecting its coverage of the Summer Olympic Games as well as continued strong growth in cable operations, particularly at CNBC. Operating profit increased 14% as growth in owned-and-operated stations, cable operations and network operations was somewhat reduced by higher license fees associated with renewal of certain sports and prime-time programs. In 1999, revenues increased 10%, reflecting higher revenues in NBC's owned-and-operated stations and growth in cable operations. Operating profit was 17% higher, reflecting a strong advertising marketplace and improved pricing at the network, excellent results in cable

Summary of Operating Segments

For the years ended December 31 (In millions)	General Electric Company and consolidated affiliates 2000	1999	1998	1997	1996
Revenues					
GE					
Aircraft Engines	**$ 10,779**	$ 10,730	$ 10,294	$ 7,799	$ 6,302
Appliances	**5,887**	5,671	5,619	5,801	5,586
Industrial Products and Systems	**11,848**	11,555	11,222	10,984	10,401
NBC	**6,797**	5,790	5,269	5,153	5,232
Plastics	**7,776**	6,941	6,633	6,695	6,509
Power Systems	**14,861**	10,099	8,500	7,986	7,704
Technical Products and Services	**7,915**	6,863	5,323	4,861	4,700
Eliminations	**(2,075)**	(1,767)	(1,401)	(1,247)	(1,093)
Total GE segment revenues	**63,788**	55,882	51,459	48,032	45,341
Corporate items (a)	**517**	619	771	3,227	1,407
GECS net earnings	**5,192**	4,443	3,796	3,256	2,817
Total GE revenues	**69,497**	60,944	56,026	54,515	49,565
GECS segment revenues	**66,177**	55,749	48,694	39,931	32,713
Eliminations (b)	**(5,821)**	(5,063)	(4,251)	(3,606)	(3,099)
Consolidated revenues	**$129,853**	$111,630	$100,469	$ 90,840	$ 79,179
Segment profit					
GE					
Aircraft Engines	**$ 2,464**	$ 2,104	$ 1,769	$ 1,366	$ 1,214
Appliances	**684**	655	755	771	748
Industrial Products and Systems	**2,187**	2,095	1,880	1,789	1,587
NBC	**1,797**	1,576	1,349	1,216	1,020
Plastics	**1,923**	1,651	1,584	1,500	1,443
Power Systems	**2,809**	1,753	1,338	1,275	1,189
Technical Products and Services	**1,718**	1,359	1,109	988	855
Total GE operating profit	**13,582**	11,193	9,784	8,905	8,056
GECS net earnings	**5,192**	4,443	3,796	3,256	2,817
Total segment profit	**18,774**	15,636	13,580	12,161	10,873
Corporate items and eliminations (c) (d)	**(1,429)**	(902)	(584)	(1,351)	(703)
GE interest and other financial charges	**(811)**	(810)	(883)	(797)	(595)
GE provision for income taxes	**(3,799)**	(3,207)	(2,817)	(1,810)	(2,295)
Consolidated net earnings	**$ 12,735**	$ 10,717	$ 9,296	$ 8,203	$ 7,280

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 and $789 million in 1997 and 1996, 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, of $79 million, $62 million, $271 million, $310 million and $282 million in 2000, 1999, 1998, 1997 and 1996, respectively.

(d) 1999 includes unusual charges amounting to $265 million. Of the total, amounts that relate to activities of GE 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.

operations and continued cost reductions, 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 closing certain CNBC facilities.

Plastics operating profit increased 16% in 2000 on revenues that were 12% higher than a year ago. The increases in both revenues and operating profit were primarily attributable to higher volume and improved selling prices, which more than offset the effects of higher raw material prices. Revenues in 1999 increased by 5%, as improved volume across all product lines more than offset the effects of lower selling prices. Operating profit increased by 4% as productivity and the increase in volume more than offset lower prices.

Power Systems revenues increased 47% in 2000, primarily as a result of sharply higher volume in gas turbines and continued growth in product services, including acquisitions. Operating profit rose 60%, reflecting the increase in volume, selling prices and productivity. Revenues in 1999 were 19% higher than in 1998, primarily as a result of strong double-digit growth in gas turbine volume and in product services. Operating profit rose 31%, reflecting productivity, growth in product services and the increase in volume.

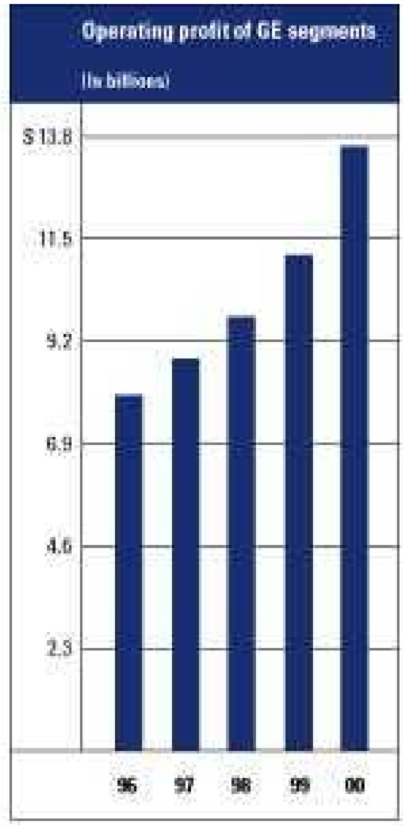
Power Systems orders were $23.6 billion for 2000, a 68% increase over 1999, reflecting very strong Americas market growth. The $25.1 billion total backlog at year-end 2000 comprised unfilled product orders of $21.9 billion (of which 63% was scheduled for delivery in 2001) and product services orders of $3.2 billion to be delivered in 2001. Comparable December 31, 1999 total backlog was $16.1 billion.

Technical Products and Services revenues rose 15% in 2000, reflecting sharply higher volume at Medical Systems, including acquired businesses. Operating profit grew 26%, largely as a result of productivity and volume growth at Medical Systems, which more than offset lower selling prices across the segment. Revenues in 1999 were 29% higher than 1998 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% as productivity and volume increases, particularly at Medical Systems, more than offset lower selling prices.

Orders received by Medical Systems in 2000 were $7.6 billion, a 19% increase over 1999. The $3.6 billion total backlog at year-end 2000 comprised unfilled product orders of $2.3 billion (of which 87% was scheduled for delivery in 2001) and product services orders of $1.3 billion to be delivered in 2001. Comparable December 31, 1999 total backlog was $3.1 billion.

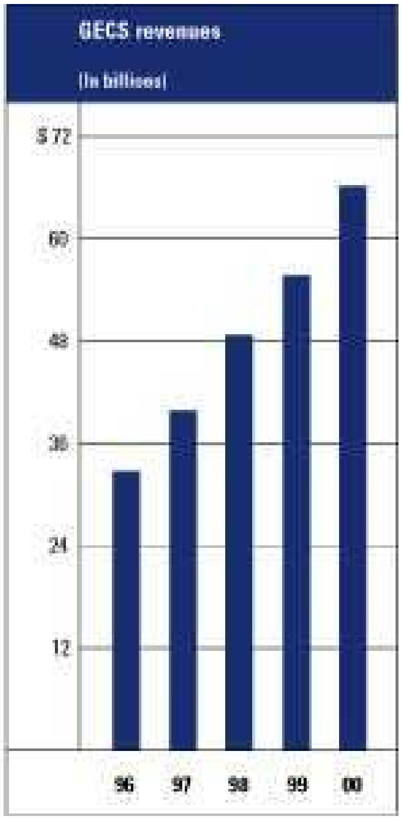
GECS businesses are categorized for management purposes into five operating activities: consumer services, equipment management, mid-market financing, specialized financing and specialty insurance.

GECS net earnings were $5,192 million in 2000, up 17% from $4,443 million in 1999, with strong double-digit earnings growth in four of the five operating activities. Net earnings in 1999 increased 17% from 1998. The earnings improvement throughout the three-year period resulted from asset growth, principally from acquisitions of businesses and portfolios, and origination volume.



On December 28, 2000, Montgomery Ward, LLC (Wards), formerly a GECS subsidiary, filed for bankruptcy protection and began liquidation proceedings. Net earnings for the year 2000 included operating losses from Wards amounting to $245 million as well as a charge, primarily to other costs and expenses, for $815 million ($537 million, after tax) to recognize the additional losses resulting from the bankruptcy of Wards.

- GECS total revenues increased 19% to $66.2 billion in 2000, following a 14% increase to $55.7 billion in 1999. The increases in both years reflected the contributions of acquired businesses as well as growth in origination volume. Revenues in 2000 included a gain of $1,366 million ($848 million, after tax) from sale of GECS investment in common stock of Paine Webber Group, Inc. (PaineWebber).



- GECS cost of goods sold amounted to $8.5 billion in 2000, compared with $8.0 billion in 1999 and $6.8 billion in 1998, and relates to IT Solutions and Wards. The increase in 2000 and 1999 primarily reflects the consolidation of Wards from August 2, 1999, when GECS acquired control, through December 28, 2000, when Wards commenced liquidation proceedings and was deconsolidated.
- GECS interest on borrowings in 2000 was $11.1 billion, up from $9.4 billion in 1999 and $9.0 billion in 1998. The increase in both years reflected the effects of both interest rates and the average level of borrowings used to finance asset growth. GECS average composite interest rate was 5.89% in 2000, compared with 5.14% in 1999 and 5.92% in 1998. In 2000, average assets of $360.5 billion were 13% higher than in 1999, which in turn were 16% higher than in 1998. See page 52 for a discussion of interest rate risk management.
- GECS insurance losses and policyholder and annuity benefits increased to $14.4 billion in 2000, compared with $11.0 billion in 1999 and $9.6 billion in 1998. This increase reflected effects of growth in premium volume and business acquisitions throughout the period, as well as a higher ratio of losses to premiums earned in the reinsurance business discussed on page 47.
- GECS provision for losses on financing receivables was $2.0 billion in 2000, compared with $1.7 billion in 1999 and $1.6 billion in 1998. These provisions principally related to private-label credit cards, bank credit cards, personal loans and auto loans and leases in the consumer services operations, all of which are discussed on page 48 under financing receivables. The provisions throughout the three-year period reflected higher average receivable balances, changes in the mix of business, and the effects of lower average consumer delinquency rates.
- GECS other costs and expenses were $22.8 billion in 2000, an increase from $19.4 billion in 1999 and $16.4 billion in 1998. The increase in 2000 reflected increased costs associated with acquired businesses and portfolios, the charges discussed previously for Wards, and the decision to rationalize certain operations discussed in the analysis of All Other GECS operating activities. The 1999 increase reflected 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) increased slightly during 2000, as the improvement in yields outpaced increases in borrowing rates. Financing spreads in 1999 were relatively flat compared with 1998 as yields and borrowing rates decreased to a similar extent.

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 28% in 2000 and 6% in 1999, and net earnings increased 47% in 2000 and 35% in 1999. Growth in revenues and net income in 2000 resulted from higher premium and investment income at GE Financial Assurance (GEFA), the consumer savings and insurance business, which experienced profitable growth from both acquisitions and volume. Revenues and net earnings also increased as a result of acquisition and volume growth at Card Services and Global Consumer Finance, partially offset by losses at Mortgage Services, which stopped accepting new business during 2000. The growth in revenues and net earnings during 1999 was led by Global Consumer Finance and improved results at GEFA, partially offset by the effects of asset reductions in Card Services. The portfolio at Auto Financial Services (AFS) began to run off in 1999 and continued in 2000, resulting in a significant decline in revenues; during 2000, AFS stopped accepting new business.

Equipment Management revenues declined 4% in 2000, following a 3% increase in 1999, as higher revenues from GE Capital Aviation Services (GECAS), Transport International Pool, GE Capital Modular Space and Americom, the satellite services business, were more than offset by lower revenues at IT Solutions. The increase in 1999 reflected acquisitions in the corporate auto fleet management operations and higher revenues at GECAS, largely offset by decreases in sales volume at the remaining equipment

GECS revenues and net earnings from operating activities			
(In millions)	2000	1999	1998
Revenues			
Consumer services	**$23,893**	$18,705	$17,621
Equipment management	**14,747**	15,383	14,926
Mid-market financing	**5,483**	4,634	3,676
Specialized financing	**5,648**	4,603	3,368
Specialty insurance	**11,878**	10,643	8,829
All other	**4,528**	1,781	274
Total revenues	**$66,177**	$55,749	$48,694
Net earnings			
Consumer services	**$ 1,671**	$ 1,140	$ 845
Equipment management	**833**	683	806
Mid-market financing	**730**	597	471
Specialized financing	**1,503**	1,244	745
Specialty insurance	**879**	1,167	1,115
All other	**(424)**	(388)	(186)
Total net earnings	**$ 5,192**	$ 4,443	$ 3,796

management businesses. Net earnings increased 22% in 2000, following a 15% decrease in 1999. The increase in 2000 reflected volume growth at GECAS, Transport International Pool and GE Capital Modular Space, favorable tax effects and a higher level of asset gains, partially offset by lower results at IT Solutions. The decrease in net earnings in 1999 reflected lower results at IT Solutions and the European equipment management businesses, which more than offset growth at GECAS and Americom.

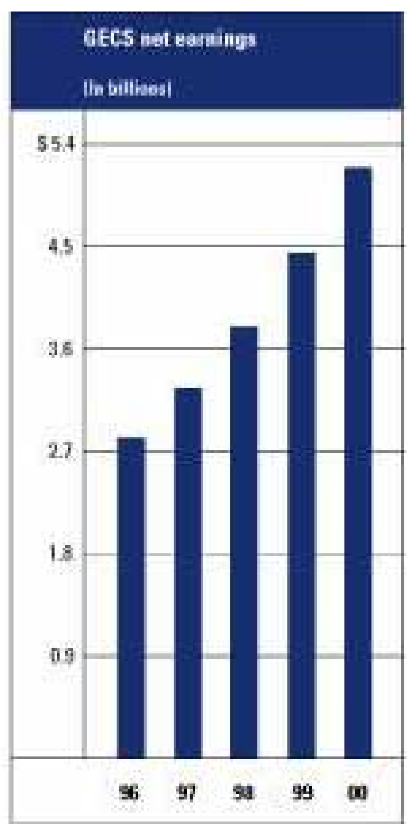
Mid-Market Financing revenues increased 18% in 2000, following a 26% increase in 1999, while net earnings grew 22% and 27%, respectively. Favorable tax effects and asset growth from originations were the most significant contributing factors to results in 2000, while asset growth from both acquisitions and originations was the most significant contributing factor in 1999.

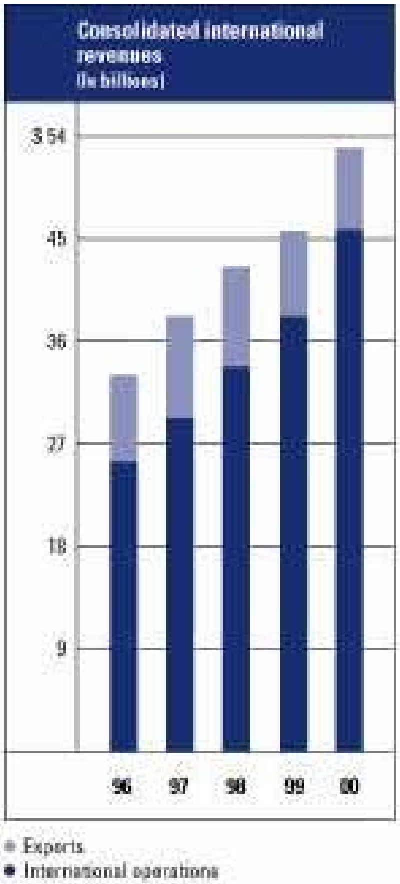
Specialized Financing revenues rose 23% and 37%, while net earnings increased 21% and 67% in 2000 and 1999, respectively. Revenues and net earnings growth in 2000 was principally the result of origination growth across all businesses within Specialized Financing. Revenues and net earnings growth in 1999 was principally the result of gains on equity investments led by GE Equity, Commercial Finance and Real Estate. GE Equity experienced a high level of gains on sales of equity investments during 1999 and early 2000.

Specialty Insurance revenues increased 12% and 21% in 2000 and 1999, respectively, primarily resulting from premium growth throughout the period and higher premium income in 1999 from acquisitions. Net realized investment gains amounted to $639 million, $811 million and $574 million in 2000, 1999 and 1998, respectively. Investment income increased slightly in 2000, as higher interest income more than offset a decrease in net realized investment gains at GE Global Insurance (the parent of Employers Reinsurance).

Net income decreased 25% in 2000, following a 5% increase in 1999. The decrease in 2000 was attributable to deterioration of underwriting results at GE Global Insurance, reflecting higher property and casualty-related losses (principally as a result of adverse development relating to prior-year loss events, including large loss events) and the continued effects of low premiums in the property and casualty insurance/reinsurance industry. Losses in 1999 were significantly affected by a number of large loss events. 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 and railroad accidents, fire damage, and weather-related damage from hurricanes, tornadoes, wind and ice. Large loss events for GE Global Insurance occurring in 2000, 1999 and 1998 resulted in losses in those years of approximately $250 million, $510 million and $150 million, respectively. A portion of the 2000 and 1999 losses were recovered under aggregate risk coverage obtained in the ordinary course of the reinsurance business. Overall insurance losses for Specialty Insurance were partially mitigated by favorable experience in the Mortgage Insurance business, particularly in 1999.

All Other GECS operating activities included the results of Wards from August 2, 1999, through December 28, 2000. The increase in revenues in 2000 also included a pre-tax gain of $1,366 million from sale of GECS investment in common stock of PaineWebber. The net loss of $424 million for 2000 comprised the PaineWebber after-tax gain of $848 million, after-tax charges of $537 million related to Wards and after-tax strategic rationalization costs of $347 million, primarily for asset write-downs, employee





severance and lease termination. These strategic rationalization costs consisted of $107 million related to Consumer Services, $191 million related to Equipment Management and $49 million related to Specialized Financing.

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 $147.3 billion at the end of 2000 from $137.9 billion at the end of 1999, as discussed in the following paragraphs. The related allowance for losses at the end of 2000 amounted to $4.0 billion ($3.7 billion at the end of 1999), 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 $48.8 billion at year-end 2000, a decrease of $3.5 billion from year-end 1999. Credit card and personal receivables increased $0.2 billion, primarily from origination volume, partially offset by sales and securitizations and the net effects of foreign currency translation. Auto receivables decreased $3.7 billion, primarily as a result of the run-off of the liquidating Auto Financial Services portfolio and the net effects of foreign currency translation. Nonearning consumer receivables at year-end 2000 were $1.1 billion, about 2.3% of outstandings, compared with $0.9 billion, about 1.8% of outstandings at year-end 1999. Write-offs of consumer receivables increased to $1.3 billion from $1.2 billion for 1999, reflecting shifts in the mix of products and global businesses. Consistent with industry trends, consumer delinquency rates increased somewhat toward the end of 2000 from the unusually low levels earlier in the year but were below year-end 1999 levels.

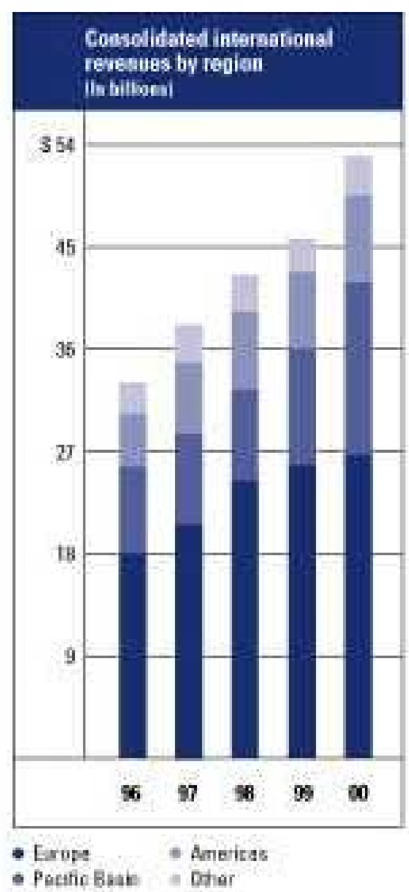
Other financing receivables, which totaled $98.5 billion at December 31, 2000, consisted of a diverse commercial, industrial and equipment loan and lease portfolio. This portfolio increased $12.9 billion during 2000, reflecting increased originations and acquisition growth, partially offset by sales and securitizations and the net effects of foreign currency translation. Related nonearning and reduced-earning receivables were $0.9 billion, about 1.0% of outstandings at year-end 2000, compared with $0.9 billion, about 1.1% of outstandings at year-end 1999.

GECS loans and leases to commercial airlines amounted to $15.3 billion at the end of 2000, up from $11.8 billion at the end of 1999. GECS commercial aircraft positions also included financial guarantees, funding commitments and aircraft orders as discussed in note 18.

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 2000 were $53.0 billion (41% of consolidated revenues), compared with $45.7 billion in 1999 and $42.5 billion in 1998. The chart above left depicts the growth in international revenues over the past five years.



Consolidated international revenues			
(In millions)	2000	1999	1998
Europe	**$ 24,144**	$ 22,919	$ 21,665
Pacific Basin	**12,921**	7,879	5,166
Americas	**5,912**	5,229	5,030
Other	**2,842**	2,136	1,895
	45,819	38,163	33,756
Exports from the U.S. to external customers	**7,138**	7,513	8,751
	$ 52,957	$ 45,676	$ 42,507

GE international revenues were $26.7 billion in 2000, an increase of $2.7 billion over 1999, which was $0.3 billion lower than in 1998. Over the three-year period, international revenues were slightly less than half of total revenues. The increase in such revenues during 2000 was attributable to sales growth in operations based outside the United States, partially offset by a 5% decrease in U.S. exports, primarily at Power Systems. Revenues from operations based outside the United States grew 19% to $19.5 billion in 2000. European revenues were 8% higher in 2000, led by increases at Power Systems and Plastics. Pacific Basin revenues were 39% higher in 2000, reflecting double-digit growth at Power Systems, Medical Systems and Plastics. Revenues from the Americas (North and South America, except for the United States) increased 17%, reflecting double-digit growth in both Canadian and Latin American operations.

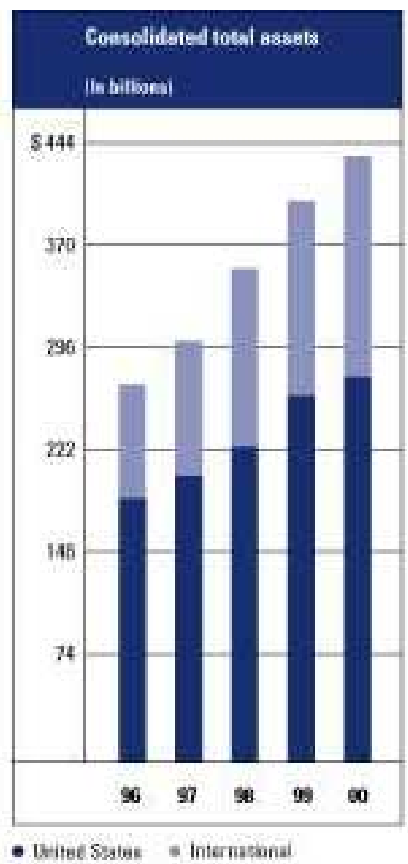
GECS international revenues were $26.3 billion in 2000, an increase of 21% from $21.7 billion in 1999. Revenues in the Pacific Basin almost doubled in 2000, principally because of growth in Japan, the result of the purchase by GE Financial Assurance of the insurance policies and related assets of Toho Mutual Life Insurance Company (Toho). "Other international" revenues increased 27% in 2000, largely a result of higher revenues at GE Capital Aviation Services (GECAS). 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 $6.8 billion in 2000, an increase of 21% over 1999, which was 9% higher than in 1998. Additional information about operating profit by region is provided in note 29.

Total assets of international operations were $159.4 billion in 2000 (37% of consolidated assets), an increase of 13% over 1999. The increase in 2000 reflected strong growth at GECS in the Pacific Basin, particularly in Japan, resulting from the acquisition of Toho discussed previously. GECS also achieved significant asset growth at GECAS, which is classified as "other international."

The international 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. Certain of GE's operations in Europe will need to be fully euro-capable as of January 1, 2002. GE is taking appropriate actions to meet that requirement and no adverse consequences are expected.



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 $1.0 billion at year-end 2000, a decrease of $0.3 billion from 1999, reflecting decreases in the fair value of equity investment securities partially offset by additional investments.

GECS investment securities were $90.3 billion in 2000, compared with $80.5 billion in 1999. The increase of $9.8 billion resulted from the addition of securities from acquired companies, investment of premiums received and increases in the fair value of debt securities, partially offset by the disposition of GECS investment in common stock of PaineWebber and a decrease in the fair value of certain equity securities, consistent with market conditions. See note 10 for further information.

Current receivables for GE were $9.7 billion at the end of 2000, an increase of $1.0 billion from year-end 1999, and included $6.3 billion due from customers at the end of 2000, which was $0.5 billion higher than the amount due at the end of 1999. Turnover of customer receivables from sales of goods and services was 10.0 in 2000, compared with 9.4 in 1999. 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 $7.1 billion at December 31, 2000, up $1.3 billion from the end of 1999. GE inventory turnover was 8.5 in 2000, an increase from 8.3 in 1999. Acquisitions of inventories in business combinations and volume growth more than offset the positive effects of inventory management programs throughout the period. Last-in, first-out (LIFO) revaluations decreased $82 million in 2000, compared with decreases of $84 million in 1999 and $87 million in 1998. Included in these changes were decreases of $6 million, $4 million and $29 million in 2000, 1999 and 1998, 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 24.0 in 2000, compared with 11.5 in 1999, principally reflecting effects of increased progress collections throughout the period.

GECS inventories were $666 million and $1,209 million at December 31, 2000 and 1999, respectively. The decrease in 2000 primarily relates to the deconsolidation of Wards because of its bankruptcy filing.

Financing receivables of GECS were $143.3 billion at year-end 2000, net of allowance for doubtful accounts, up $9.1 billion over 1999. These receivables are discussed on page 48 and in notes 13 and 14.

Insurance receivables of GECS were $23.8 billion at year-end 2000, an increase of $4.8 billion that was primarily attributable to acquisitions.

Other receivables of GECS, which consist of trade receivables, accrued investment income, operating lease receivables and a variety of sundry items, were $13.3 billion and $15.1 billion at December 31, 2000 and 1999, respectively. The decrease of $1.8 billion primarily resulted from the planned run-off of assets from the 1999 acquisition of Japan Leasing Corporation.

Property, plant and equipment (including equipment leased to others) was $40.0 billion at December 31, 2000, down $1.0 billion from 1999. 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 16.

GE total expenditures for plant and equipment during 2000 totaled $2.5 billion, compared with $2.0 billion in 1999. Total expenditures for the past five years were $11.3 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 property, plant and equipment (including equipment leased to others), were $11.4 billion during 2000 ($13.5 billion during 1999), primarily reflecting acquisitions of transportation equipment.

Intangible assets were $27.4 billion at year-end 2000, up from $26.0 billion at year-end 1999. GE intangibles increased to $12.4 billion from $11.3 billion at the end of 1999, principally as a result of goodwill related to acquisitions, the largest of which were Harmon Industries and OEC Medical Systems, partially offset by amortization. GECS intangibles increased $0.3 billion to $15.0 billion, reflecting goodwill and other intangibles associated with acquisitions, the largest of which was the acquisition of the insurance policies and related assets of Toho Mutual Life Insurance Company by GE Financial Assurance, partially offset by amortization.

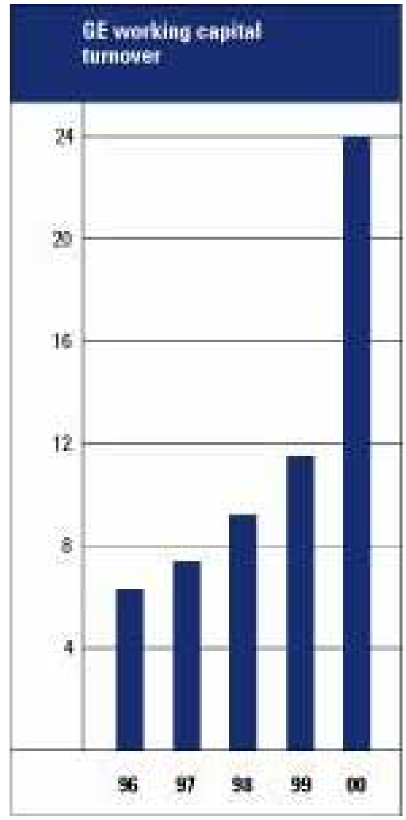
All other assets totaled $73.9 billion at year-end 2000, an increase of $8.9 billion from the end of 1999. GE other assets increased $3.2 billion, principally reflecting an increase in the prepaid pension asset, higher costs associated with increased volume of long-term service agreements and additions to capitalized software. GECS other assets increased $5.7 billion as a result of additional investments in real estate ventures and associated companies, and increases in "separate accounts" (see note 18), partially offset by decreases in assets acquired for resale, which reflected sales and securitizations in excess of originations.

Consolidated borrowings aggregated $201.3 billion at December 31, 2000, compared with $201.8 billion at the end of 1999. 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, 2000 and 1999. Management believes the likelihood that GE will be required to contribute capital under either the commitments or the guarantee is remote.

GE total borrowings were $1.8 billion at year-end 2000 ($0.9 billion short-term, $0.9 billion long-term), a decrease of $1.2 billion from year-end 1999. GE total debt at the end of 2000 equaled 3.3% of total capital, down from 6.4% at the end of 1999.

GECS total borrowings were $205.4 billion at December 31, 2000, of which $124.0 billion is due in 2001 and $81.4



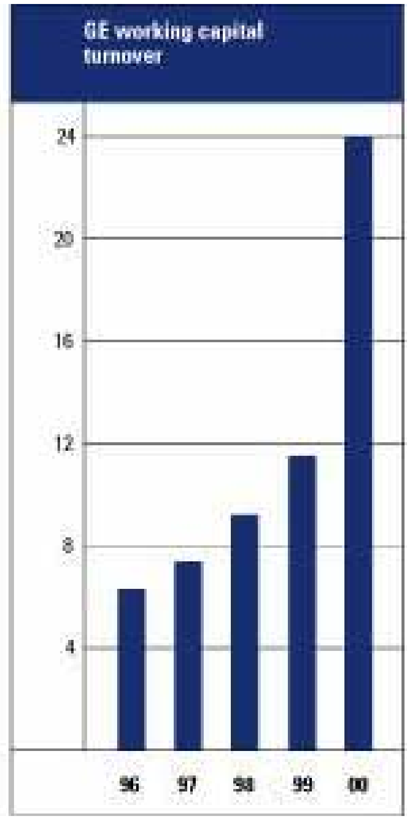
billion is due in subsequent years. Comparable amounts at the end of 1999 were $200.0 billion in total, $129.2 billion due within one year and $70.8 billion due thereafter. A large portion of GECS borrowings ($94.5 billion and $96.6 billion at the end of 2000 and 1999, respectively) was issued in active 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 45 days and 6.43% at the end of 2000, compared with 53 days and 5.82% at the end of 1999. The GE Capital ratio of debt to equity was 7.53 to 1 at the end of 2000 and 8.44 to 1 at the end of 1999.

Interest rate and currency risk management is important in the normal operations of GE and GECS. 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 changes in interest rates and currency exchange rates 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 2001 net earnings of GECS based on year-end 2000 positions by approximately $124 million; the pro forma effect for GE was insignificant. Based on positions at year-end 1999, the pro forma effect on 2000 net earnings of such an increase in interest rates was estimated to be approximately $105 million for GECS and $13 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 2000 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 2001 net earnings of GE and GECS based on year-end 2000 positions. Based on conditions at year-end 1999, the effect on 2000 net earnings of such a decrease in exchange rates was estimated to be insignificant for GE and GECS.

Insurance liabilities, reserves and annuity benefits were $106.2 billion, $19.4 billion higher than in 1999. The increase was primarily attributable to the addition of liabilities from acquisitions, increases in separate accounts, 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 $7,935 million to $50,492 million at year-end 2000. The increase was largely attributable to net earnings during the period of $12,735 million, partially offset by dividends of $5,647 million.

Currency translation adjustments reduced equity by $1,204 million in 2000. 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 2000 largely reflected continued weakening in the euro. Accumulated currency translation adjustments affect net 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 $7.2 billion at the end of 2000, up from $2.0 billion at year-end 1999. During 2000, GE generated a record $15.4 billion in cash from operating activities, a 31% increase over 1999. The increase reflected improvements in earnings and working capital, the latter principally from progress collections. The 2000 cash generation provided the necessary resources to purchase $2.2 billion of GE common stock under the share repurchase program, to pay $5.4 billion in dividends to share owners, to invest $2.5 billion in plant and equipment and to make $1.2 billion in acquisitions.

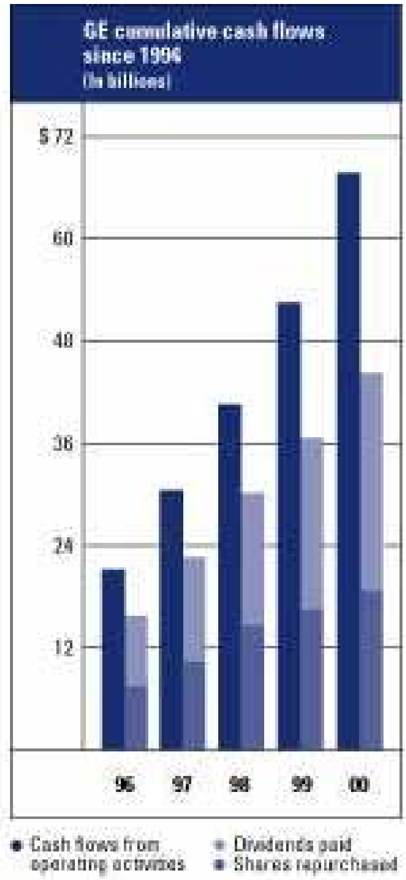
Operating activities are the principal source of GE's cash flows. Over the past three years, operating activities have provided more than $37 billion of cash. The principal application of this cash was distributions of approximately $22 billion to share owners, both through payment of dividends ($13.9 billion) and through the share repurchase program ($7.7 billion) described below. Other applications included investment in plant and equipment ($6.6 billion) and acquisitions ($4.2 billion).

Under the share repurchase program initiated in December 1994, GE has purchased more than $17 billion of GE stock—over 950 million shares through 2000. 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 plant and equipment are expected to be about $2.9 billion in 2001, principally for productivity and growth.

GECS cash and equivalents aggregated $6.1 billion at the end of 2000, down from $6.9 billion at year-end 1999 principally as a result of liquidation of short-term investments, partially offset by $13.2 billion of cash acquired in connection with the acquisition of the insurance policies and related assets of the Toho Mutual Life Insurance Company. The cash acquired with Toho is shown as cash from financing activities. Paydown of the acquired Toho insurance policies ($4.4 billion in 2000) appears as a usage under the caption "Insurance liabilities and reserves" and was a primary cause of the decrease in GECS cash from operating activities in 2000.

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 $21.5 billion. New borrowings of $135.9 billion having maturities longer than 90 days were added during those years, while $89.9 billion of such longer-term borrowings were retired. GECS also generated $35.1 billion from operating activities.



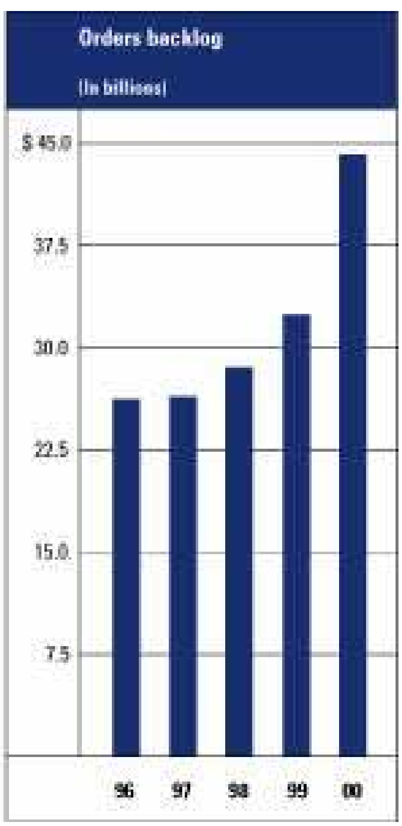
The principal use of cash by GECS has been investing in assets to grow its businesses. Of the $109.7 billion that GECS invested over the past three years, $34.7 billion was used for additions to financing receivables; $31.8 billion was used to invest in new equipment, principally for lease to others; and $28.4 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.

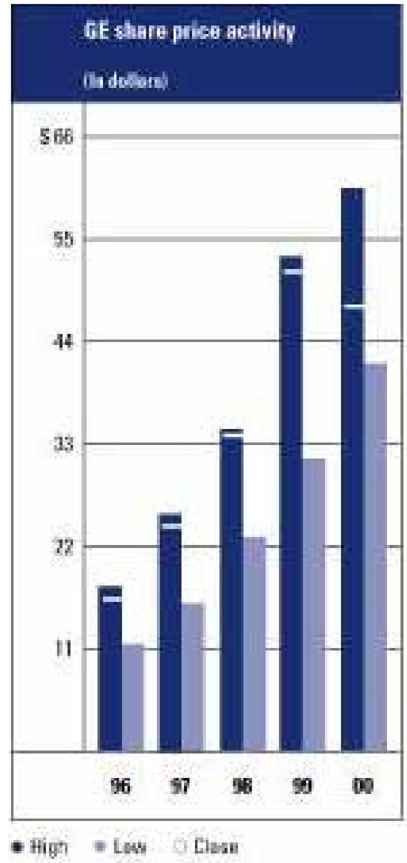
GE's total research and development expenditures were $2,193 million in 2000, up 9% over 1999 and 1998. In 2000, expenditures from GE's own funds were $1,867 million, an increase of 12% over 1999, reflecting continuing research and development work related to new product, service and process technologies. Product technology efforts in 2000 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 $326 million in 2000, down $24 million from 1999.



GE's total backlog of firm unfilled orders at the end of 2000 was $44.2 billion, an increase of 36% over 1999, reflecting strong double-digit growth at Power Systems, Aircraft Engines and Medical Systems. Of the total, $36.7 billion related to products, of which 71% was scheduled for delivery in 2001. Services orders, included in this reported backlog for only the succeeding 12 months, were $7.5 billion at the end of 2000. Orders constituting this backlog may be canceled or deferred by customers, subject in certain cases to 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 2000, GE expended about $48 million for capital projects related to the environment. The comparable amount in 1999 was $66 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 $55 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 $128 million in 2000, compared with $114 million in 1999. 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)	2000	1999	1998	1997	1996
General Electric Company and consolidated affiliates					
Revenues	**$ 129,853**	$ 111,630	$ 100,469	$ 90,840	$ 79,179
Net earnings	**12,735**	10,717	9,296	8,203	7,280
Dividends declared	**5,647**	4,786	4,081	3,535	3,138
Earned on average share owners' equity	**27.5%**	26.8%	25.7%	25.0%	24.0%
Per share					
Earnings—diluted	**$ 1.27**	$ 1.07	$ 0.93	$ 0.82	$ 0.72
Earnings—basic	**1.29**	1.09	0.95	0.83	0.73
Dividends declared	**0.57**	0.48⅔	0.41⅔	0.36	0.31⅔
Stock price range	**60.50–41.67**	53.17–31.42	34.65–23.00	25.52–15.98	17.69–11.58
Year-end closing stock price	**47.94**	51.58	34.00	24.46	16.48
Total assets	**437,006**	405,200	355,935	304,012	272,402
Long-term borrowings	**82,132**	71,427	59,663	46,603	49,246
Shares outstanding—average (in thousands)	**9,897,110**	9,833,478	9,806,995	9,824,075	9,922,182
Share owner accounts—average	**597,000**	549,000	534,000	509,000	486,000
GE data					
Short-term borrowings	**$ 940**	$ 2,245	$ 3,466	$ 3,629	$ 2,339
Long-term borrowings	**841**	722	681	729	1,710
Minority interest	**968**	823	816	569	477
Share owners' equity	**50,492**	42,557	38,880	34,438	31,125
Total capital invested	**$ 53,241**	$ 46,347	$ 43,843	$ 39,365	$ 35,651
Return on average total capital invested	**27.4%**	25.8%	23.9%	23.6%	22.2%
Borrowings as a percentage of total capital invested	**3.3%**	6.4%	9.5%	11.1%	11.4%
Working capital (a)	**$ 799**	$ 3,922	$ 5,038	$ 5,990	$ 6,598
Additions to property, plant and equipment	**2,536**	2,036	2,047	2,191	2,389
Employees at year end					
United States	**131,000**	124,000	125,000	128,000	123,000
Other countries	**92,000**	86,000	82,000	81,000	65,000
Total employees	**223,000**	210,000	207,000	209,000	188,000
GECS data					
Revenues	**$ 66,177**	$ 55,749	$ 48,694	$ 39,931	$ 32,713
Net earnings	**5,192**	4,443	3,796	3,256	2,817
Share owner's equity	**23,022**	20,321	19,727	17,239	14,276
Minority interest	**3,968**	4,391	3,459	3,113	2,530
Borrowings from others	**205,371**	200,025	172,200	141,263	125,621
Ratio of debt to equity at GE Capital	**7.53:1**	8.44:1	7.86:1	7.45:1	7.84:1
Total assets	**$ 370,636**	$ 345,018	$ 303,297	$ 255,408	$ 227,419
Insurance premiums written	**16,461**	13,624	11,865	9,396	8,185
Employees at year end					
United States (b)	**37,000**	43,000	38,000	37,000	32,000
Other countries	**53,000**	57,000	48,000	30,000	19,000
Total employees	**90,000**	100,000	86,000	67,000	51,000

Transactions between GE and GECS have been eliminated from the consolidated information. Per-share amounts and share data have been adjusted for the 3-for-1 stock split effective on April 27, 2000.

(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.

(b) Excludes employees of Montgomery Ward.

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 Company directly or indirectly controls. Results of associated companies—generally companies that are 20% to 50% owned and over which General Electric Company, 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 2000 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. Sales under complex contracts are recorded based on the objectively determined fair value of each component of the contract, in accordance with generally accepted accounting principles.

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. 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. Upon adoption of Statement of Financial Accounting Standards No. 133, *Accounting for Derivatives and Hedging Activities*, on January 1, 2001, certain financial instruments and portions of other financial instruments will be defined to be derivatives. After that date, all derivatives will be carried at their fair values, and all changes in fair values will affect net earnings or share owners' equity immediately.

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, forwards and limit contracts that modify borrowings or certain assets, and forecasted transactions such as 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 firm commitments; 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 earnings 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)	2000	1999	1998
Residual licensing and royalty income	**$ 65**	$ 67	$ 301
Associated companies	**(111)**	(1)	(32)
Marketable securities and bank deposits	**55**	105	114
Customer financing	**22**	17	19
Other items	**467**	668	282
	$ 498	$ 856	$ 684

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 included under the caption "Residual licensing and royalty income" in the previous table.

Other income in 1999 included a gain of $388 million related to the contribution of certain of NBC's media properties to NBC Internet (NBCi), a publicly-traded company, in exchange for a noncontrolling interest in NBCi. Assets contributed by NBC included its 100% interest in NBC.com, NBC-IN.com and VideoSeeker.com as well as a 10% interest in a fourth property, CNBC.com.

3 GECS Revenues from Services

(In millions)	2000	1999	1998
Time sales, loan and other income (a)	**$ 22,326**	$ 18,209	$ 14,682
Operating lease rentals	**6,183**	6,022	5,402
Financing leases	**3,688**	3,587	4,267
Investment income	**8,479**	6,243	5,617
Premium and commission income of insurance businesses	**16,093**	12,948	11,352
	$ 56,769	$ 47,009	$ 41,320

(a) Includes gains on sales of financial assets through securitizations of $489 million in 2000, approximately the same as in 1999 and 1998.

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

(In millions)	2000	1999	1998
Premiums written			
Direct	**$ 9,390**	$ 7,382	$ 6,237
Assumed	**9,552**	8,520	7,470
Ceded	**(2,481)**	(2,278)	(1,842)
	$ 16,461	$ 13,624	$ 11,865
Premium and commission income			
Direct	**$ 9,026**	$ 7,002	$ 6,063
Assumed	**9,643**	8,460	7,151
Ceded	**(2,576)**	(2,514)	(1,862)
	$ 16,093	$ 12,948	$ 11,352

Reinsurance recoveries recognized as a reduction of insurance losses and policyholder and annuity benefits amounted to $3,232 million, $2,648 million and $1,594 million for the years ended December 31, 2000, 1999 and 1998, respectively.

4 Supplemental Cost Information

Total expenditures for research and development were $2,193 million, $2,017 million and $1,930 million in 2000, 1999 and 1998, respectively. The Company-funded portion aggregated $1,867 million in 2000, $1,667 million in 1999 and $1,537 million in 1998.

Rental expense under operating leases is shown below.

(In millions)	2000	1999	1998
GE	**$ 648**	$ 607	$ 568
GECS	**1,176**	1,067	889

At December 31, 2000, minimum rental commitments under noncancelable operating leases aggregated $2,723 million and $4,726 million for GE and GECS, respectively. Amounts payable over the next five years follow.

(In millions)	2001	2002	2003	2004	2005
GE	$ 498	$ 413	$ 334	$ 277	$ 243
GECS	772	689	607	477	366

GE's selling, general and administrative expense totaled $8,392 million in 2000, $7,732 million in 1999 and $7,177 million in 1998. Insignificant amounts of interest were capitalized by GE and GECS in 2000, 1999 and 1998.

5 Retiree Health and Life Benefits

GE and its affiliates sponsor a number of retiree health and life insurance benefit plans ("retiree 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 6) with 10 or more years of service. Retirees share in the cost of health care benefits. Benefit provisions are subject to collective bargaining. These plans cover 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)	2000	1999	1998
Expected return on plan assets	**$ (178)**	$ (165)	$ (149)
Service cost for benefits earned	**165**	107	96
Interest cost on benefit obligation	**402**	323	319
Prior service cost	**49**	8	8
Net actuarial loss recognized	**40**	45	39
Total cost	**$ 478**	$ 318	$ 313

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 (APBO)

(In millions)	2000	1999
Balance at January 1	**$ 4,926**	$ 5,007
Service cost for benefits earned	**165**	107
Interest cost on benefit obligation	**402**	323
Participant contributions	**25**	24
Plan amendments	**948**	—
Actuarial loss/(gain)	**534**	(62)
Benefits paid	**(578)**	(499)
Other	**—**	26
Balance at December 31 (a)	**$ 6,422**	$ 4,926

(a) The APBO for the health plans was $4,688 million and $3,275 million at year-end 2000 and 1999, respectively.

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

Fair value of assets

(In millions)	2000	1999
Balance at January 1	**$ 2,369**	$ 2,121
Actual return on plan assets	**(85)**	355
Employer contributions	**300**	368
Participant contributions	**25**	24
Benefits paid	**(578)**	(499)
Balance at December 31	**$ 2,031**	$ 2,369

Plan assets are held in trust and consist mainly of common stock and fixed-income investments. GE common stock represented 6.9% and 6.2% of trust assets at year-end 2000 and 1999, respectively.

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

Retiree benefit liability/asset

December 31 (In millions)	2000	1999
Accumulated postretirement benefit obligation	**$ 6,422**	$ 4,926
Deduct unrecognized balances		
Prior service cost	**(999)**	(100)
Net actuarial loss	**(818)**	(61)
Fair value of plan assets	**(2,031)**	(2,369)
Retiree life plans asset	**8**	99
Retiree health plans liability	**$ 2,582**	$ 2,495

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

Actuarial assumptions

December 31	2000	1999	1998
Discount rate	**7.5%**	7.75%	6.75%
Compensation increases	**5.0**	5.0	5.0
Health care cost trend (a)	**10.0**	9.0	7.8
Return on assets for the year	**9.5**	9.5	9.5

(a) For 2000, gradually declining to 5% after 2009.

Increasing or decreasing the health care cost trend rates by one percentage point would have had an insignificant effect on the December 31, 2000, 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.

6 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. The GE Pension Plan covers approximately 485,000 participants, including 134,000 employees, 156,000 former employees with vested rights to future benefits, and 195,000 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.

Details of the effect on operations of principal pension plans, and the total effect on cost of postemployment benefit plans, follow.

Effect on operations

(In millions)	2000	1999	1998
Expected return on plan assets	**$ 3,754**	$ 3,407	$ 3,024
Service cost for benefits earned (a)	**(780)**	(693)	(625)
Interest cost on benefit obligation	**(1,966)**	(1,804)	(1,749)
Prior service cost	**(237)**	(151)	(153)
SFAS No. 87 transition gain	**154**	154	154
Net actuarial gain recognized	**819**	467	365
Cost reduction from pension	**1,744**	1,380	1,016
Retiree benefit plans (note 5)	**(478)**	(318)	(313)
Total cost reductions from postemployment benefit plans	**$ 1,266**	$ 1,062	$ 703

(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 to the GE Pension Plan since 1987 because the fully funded status of the Plan precludes a 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

(In millions)	2000	1999
Balance at January 1	**$ 25,522**	$ 27,572
Service cost for benefits earned (a)	**780**	693
Interest cost on benefit obligation	**1,966**	1,804
Participant contributions	**140**	122
Plan amendments	**1,155**	—
Actuarial loss/(gain) (b)	**970**	(2,790)
Benefits paid	**(1,998)**	(1,879)
Balance at December 31	**$ 28,535**	$ 25,522

(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

(In millions)	2000	1999
Balance at January 1	**$ 50,243**	$ 43,447
Actual return on plan assets	**1,287**	8,472
Employer contributions	**85**	81
Participant contributions	**140**	122
Benefits paid	**(1,998)**	(1,879)
Balance at December 31	**$ 49,757**	$ 50,243

Plan assets are held in trust and consist mainly of common stock and fixed-income investments. GE common stock represented 9.2% and 9.8% of trust assets at year-end 2000 and 1999, respectively.

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

Prepaid pension asset

December 31 (In millions)	2000	1999
Fair value of plan assets	**$ 49,757**	$ 50,243
Add (deduct) unrecognized balances		
Prior service cost	**1,617**	699
SFAS No. 87 transition gain	**—**	(154)
Net actuarial gain	**(12,594)**	(16,850)
Projected benefit obligation	**(28,535)**	(25,522)
Pension liability	**1,132**	981
Prepaid pension asset	**$ 11,377**	$ 9,397

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

Actuarial assumptions			
December 31	2000	1999	1998
Discount rate	**7.5%**	7.75%	6.75%
Compensation increases	**5.0**	5.0	5.0
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.

7 Provision for Income Taxes

(In millions)	2000	1999	1998
GE			
Current tax expense	**$3,331**	$2,555	$2,227
Deferred tax expense from temporary differences	**468**	652	590
	3,799	3,207	2,817
GECS			
Current tax expense	**1,229**	806	815
Deferred tax expense from temporary differences	**683**	847	549
	1,912	1,653	1,364
Consolidated			
Current tax expense	**4,560**	3,361	3,042
Deferred tax expense from temporary differences	**1,151**	1,499	1,139
	$5,711	$4,860	$4,181

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

Consolidated current tax expense includes amounts applicable to U.S. federal income taxes of $3,005 million, $1,632 million and $1,459 million in 2000, 1999 and 1998, respectively, and amounts applicable to non-U.S. jurisdictions of $1,246 million, $1,399 million and $1,335 million in 2000, 1999 and 1998, respectively. Consolidated deferred tax expense related to U.S. federal income taxes was $1,095 million, $1,475 million and $971 million in 2000, 1999 and 1998, 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 $12.9 billion in 2000, $11.3 billion in 1999 and $9.7 billion in 1998. The corresponding amounts for non-U.S.-based operations were $5.5 billion in 2000, $4.3 billion in 1999 and $3.8 billion in 1998.

A reconciliation of the U.S. federal statutory tax rate to the actual tax rate is provided below.

Reconciliation of U.S. federal statutory tax rate to actual rate	Consolidated			GE			GECS		
	2000	1999	1998	2000	1999	1998	2000	1999	1998
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	**—**	—	—	**(11.0)**	(11.2)	(11.0)	**—**	—	—
Amortization of goodwill	**1.1**	1.1	1.1	**0.7**	0.8	0.7	**1.1**	1.0	1.0
Tax-exempt income	**(1.5)**	(1.7)	(1.8)	**—**	—	—	**(4.0)**	(4.4)	(4.7)
Tax on international activities (including Foreign Sales Corporation benefits)	**(4.9)**	(4.2)	(3.0)	**(3.0)**	(2.6)	(2.7)	**(5.8)**	(4.8)	(1.3)
All other—net	**1.3**	1.0	(0.3)	**1.3**	1.0	1.3	**0.6**	0.3	(3.6)
	(4.0)	(3.8)	(4.0)	**(12.0)**	(12.0)	(11.7)	**(8.1)**	(7.9)	(8.6)
Actual income tax rate	**31.0%**	31.2%	31.0%	**23.0%**	23.0%	23.3%	**26.9%**	27.1%	26.4%

8 Earnings Per Share Information

(In millions; per-share amounts in dollars)	2000 Diluted	2000 Basic	1999 Diluted	1999 Basic	1998 Diluted	1998 Basic
Consolidated operations						
Net earnings available to common share owners	**$12,735**	**$12,735**	$10,717	$10,717	$ 9,296	$ 9,296
Dividend equivalents—net of tax	**11**	**—**	8	—	13	—
Net earnings available for per-share calculation	**$12,746**	**$12,735**	$10,725	$10,717	$ 9,309	$ 9,296
Average equivalent shares						
Shares of GE common stock outstanding	**9,897**	**9,897**	9,833	9,833	9,807	9,807
Employee compensation-related shares, including stock options	**160**	**—**	163	—	183	—
Total average equivalent shares	**10,057**	**9,897**	9,996	9,833	9,990	9,807
Net earnings per share	**$ 1.27**	**$ 1.29**	$ 1.07	$ 1.09	$ 0.93	$ 0.95

Share data and per-share amounts have been adjusted for the 3-for-1 stock split effective on April 27, 2000.

9 Proposed Acquisition

On October 22, 2000, the Board of Directors of General Electric Company approved a definitive agreement by which GE will acquire Honeywell International Inc. (Honeywell) through a tax-free merger of Honeywell with a wholly-owned subsidiary of GE.

Under the terms of the agreement, Honeywell share owners will receive 1.055 shares of GE common stock in exchange for each share of Honeywell. GE expects to use approximately 850 million shares to effect the transaction.

Completion of the merger is subject to certain remaining conditions, which include review or approval of the transaction by various governmental authorities. The merger is expected to be accounted for as a pooling of interests. Honeywell share owners approved the merger in January, and GE and Honeywell are working with regulatory agencies to complete the required reviews so that the transaction can close as early as possible in 2001.

10 Investment Securities

December 31 (In millions)	2000 Amortized cost	2000 Gross unrealized gains	2000 Gross unrealized losses	2000 Estimated fair value	1999 Amortized cost	1999 Gross unrealized gains	1999 Gross unrealized losses	1999 Estimated fair value
GE securities								
Equity	**$ 316**	**$ 266**	**$ (146)**	**$ 436**	$ 149	$ 547	$ (1)	$ 695
Debt—U.S. corporate	**364**	**209**	**—**	**573**	430	148	—	578
	680	**475**	**(146)**	**1,009**	579	695	(1)	1,273
GECS securities								
Debt								
U.S. corporate	**39,078**	**459**	**(1,282)**	**38,255**	31,512	175	(1,759)	29,928
State and municipal	**13,272**	**499**	**(139)**	**13,632**	12,558	141	(452)	12,247
Mortgage-backed	**13,683**	**323**	**(160)**	**13,846**	12,799	173	(376)	12,596
Corporate—non-U.S.	**12,640**	**374**	**(168)**	**12,846**	9,923	228	(248)	9,903
Government—non-U.S.	**5,059**	**104**	**(108)**	**5,055**	4,675	114	(77)	4,712
U.S. government and federal agency	**2,106**	**15**	**(42)**	**2,079**	2,481	5	(171)	2,315
Equity	**4,392**	**703**	**(478)**	**4,617**	6,420	2,641	(277)	8,784
	90,230	**2,477**	**(2,377)**	**90,330**	80,368	3,477	(3,360)	80,485
Consolidated totals	**$ 90,910**	**$ 2,952**	**$ (2,523)**	**$ 91,339**	$ 80,947	$ 4,172	$ (3,361)	$ 81,758

A substantial portion of mortgage-backed securities shown in the table above are collateralized by U.S. residential mortgages.

Contractual maturities of GECS debt securities (excluding mortgage-backed securities) (In millions)	Amortized cost	Estimated fair value
Due in		
2001	$ 5,002	$ 5,028
2002–2005	14,479	14,717
2006–2010	17,765	17,789
2011 and later	34,909	34,333

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 were $24,748 million in 2000 ($18,521 million in 1999 and $16,707 million in 1998). Gross realized gains were $3,589 million in 2000, including $1,366 million from sale of GECS investment in common stock of Paine Webber Group, Inc. Gross realized gains were $1,430 million in 1999 and $1,126 million in 1998. Gross realized losses were $790 million in 2000 ($484 million in 1999 and $308 million in 1998).

11 GE Current Receivables

December 31 (In millions)	2000	1999
Aircraft Engines	**$1,840**	$1,601
Appliances	**327**	285
Industrial Products and Systems	**1,274**	1,163
NBC	**384**	329
Plastics	**1,098**	953
Power Systems	**3,668**	3,359
Technical Products and Services	**1,128**	1,036
Corporate items and eliminations	**358**	337
	10,077	9,063
Less allowance for losses	**(350)**	(320)
	$9,727	$8,743

Receivables balances at December 31, 2000 and 1999, before allowance for losses, included $6,323 million and $5,832 million, respectively, from sales of goods and services to customers, and $233 million and $296 million, respectively, from transactions with associated companies.

Current receivables of $227 million at year-end 2000 and $203 million at year-end 1999 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 3%, 4% and 4% of GE's sales of goods and services were to the U.S. government in 2000, 1999 and 1998, respectively.

12 Inventories

December 31 (In millions)	2000	1999
GE		
Raw materials and work in process	**$4,134**	$3,438
Finished goods	**3,614**	3,054
Unbilled shipments	**243**	233
	7,991	6,725
Less revaluation to LIFO	**(845)**	(927)
	7,146	5,798
GECS		
Finished goods (a)	**666**	1,209
	$7,812	$7,007

(a) Includes $773 million of retail inventory at year-end 1999 related to Wards, which was deconsolidated in 2000.

LIFO revaluations decreased $82 million in 2000, compared with decreases of $84 million in 1999 and $87 million in 1998. Included in these changes were decreases of $6 million, $4 million and $29 million in 2000, 1999 and 1998, respectively, that resulted from lower LIFO inventory levels. There were net cost decreases in each of the last three years. As of December 31, 2000, 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.

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

December 31 (In millions)	2000	1999
Time sales and loans		
Consumer services	**$ 43,954**	$ 44,784
Specialized financing	**28,497**	24,745
Mid-market financing	**21,506**	18,422
Equipment management	**1,385**	978
Specialty insurance	**90**	28
Other	**838**	1,183
Time sales and loans	**96,270**	90,140
Investment in financing leases		
Direct financing leases	**46,186**	43,738
Leveraged leases	**4,877**	4,045
Investment in financing leases	**51,063**	47,783
	147,333	137,923
Less allowance for losses	**(4,034)**	(3,708)
	$ 143,299	$ 134,215

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 2000 and 1999, commercial real estate loans and leases of $21,329 million and $15,782 million, respectively, were included in either financing receivables or GECS insurance receivables. Note 18 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 is generally 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

	Total financing leases		Direct financing leases		Leveraged leases	
December 31 (In millions)	2000	1999	2000	1999	2000	1999
Total minimum lease payments receivable	**$ 74,960**	$ 68,158	**$ 50,556**	$47,069	**$ 24,404**	$ 21,089
Less principal and interest on third-party nonrecourse debt	**(19,773)**	(17,184)	**—**	—	**(19,773)**	(17,184)
Net rentals receivable	**55,187**	50,974	**50,556**	47,069	**4,631**	3,905
Estimated unguaranteed residual value of leased assets	**7,314**	7,157	**4,602**	4,945	**2,712**	2,212
Less deferred income	**(11,438)**	(10,348)	**(8,972)**	(8,276)	**(2,466)**	(2,072)
Investment in financing leases (as shown above)	**51,063**	47,783	**46,186**	43,738	**4,877**	4,045
Less amounts to arrive at net investment						
Allowance for losses	**(646)**	(581)	**(558)**	(509)	**(88)**	(72)
Deferred taxes	**(8,408)**	(8,593)	**(4,496)**	(5,087)	**(3,912)**	(3,506)
Net investment in financing leases	**$ 42,009**	$ 38,609	**$ 41,132**	$38,142	**$ 877**	$ 467

Contractual maturities

(In millions)	Total time sales and loans (a)	Net rentals receivable (a)
Due in		
2001	$ 28,870	$16,620
2002	21,368	11,885
2003	18,140	8,253
2004	7,439	5,055
2005	5,611	3,173
2006 and later	14,842	10,201
Total	$ 96,270	$55,187

(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 $1,139 million and $930 million at December 31, 2000 and 1999, respectively, a substantial amount of which were private-label credit card loans. Nonearning and reduced-earning receivables other than consumer receivables were $949 million and $932 million at year-end 2000 and 1999, 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)	2000	1999
Loans requiring allowance for losses	**$ 475**	$ 631
Loans expected to be fully recoverable	**384**	219
	$ 859	$ 850
Allowance for losses	**$ 166**	$ 179
Average investment during year	**801**	610
Interest income earned while impaired (a)	**20**	27

(a) Principally on the cash basis.

14 GECS Allowance for Losses on Financing Receivables

(In millions)	2000	1999	1998
Balance at January 1	**$ 3,708**	$ 3,223	$ 2,745
Provisions charged to operations	**2,045**	1,671	1,603
Net transfers primarily related to acquisitions and sales	**22**	271	386
Amounts written off—net	**(1,741)**	(1,457)	(1,511)
Balance at December 31	**$ 4,034**	$ 3,708	$ 3,223

15 GECS Insurance Receivables

At year-end 2000 and 1999, this account included reinsurance recoverables of $8,240 million and $8,138 million and receivables at insurance affiliates of $15,562 million and $10,831 million, respectively. Receivables at insurance affiliates include premium receivables, investments in whole real estate and other loans and funds on deposit with reinsurers.

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

December 31 (In millions)	2000	1999
Original cost		
GE		
Land and improvements	**$ 544**	$ 526
Buildings, structures and related equipment	**6,982**	6,674
Machinery and equipment	**20,792**	20,849
Leasehold costs and manufacturing plant under construction	**1,871**	2,150
	30,189	30,199
GECS		
Buildings and equipment	**5,753**	7,163
Equipment leased to others		
Aircraft	**12,888**	10,591
Vehicles	**9,872**	10,942
Railroad rolling stock	**3,459**	3,323
Marine shipping containers	**2,196**	2,309
Other	**3,633**	3,832
	37,801	38,160
	$ 67,990	$ 68,359
Accumulated depreciation and amortization		
GE	**$ 17,990**	$ 17,818
GECS		
Buildings and equipment	**2,084**	2,127
Equipment leased to others	**7,901**	7,392
	$ 27,975	$ 27,337

Amortization of GECS equipment leased to others was $2,620 million, $2,673 million and $2,185 million in 2000, 1999 and 1998, respectively. Noncancelable future rentals due from customers for equipment on operating leases at year-end 2000 totaled $16,034 million and are due as follows: $4,017 million in 2001; $3,177 million in 2002; $2,407 million in 2003; $1,707 million in 2004; $1,194 million in 2005; and $3,532 million thereafter.

17 Intangible Assets

December 31 (In millions)	2000	1999
GE		
Goodwill	**$11,962**	$10,805
Other intangibles	**462**	457
	12,424	11,262
GECS		
Goodwill	**11,550**	12,301
Present value of future profits (PVFP)	**2,780**	1,812
Other intangibles	**687**	635
	15,017	14,748
	$27,441	$26,010

GE intangible assets are net of accumulated amortization of $3,413 million in 2000 and $2,891 million in 1999. GECS intangible assets are net of accumulated amortization of $5,815 million in 2000 and $4,233 million in 1999.

The amount of goodwill amortization included in net earnings (net of income taxes) in 2000, 1999 and 1998 was $439 million, $395 million and $291 million for GE and $620 million, $512 million and $408 million for GECS, respectively.

PVFP amortization, which is on an accelerated basis and net of interest, is projected to range from 17% to 7% of the year-end 2000 unamortized balance for each of the next five years.

18 All Other Assets

December 31 (In millions)	2000	1999
GE		
Investments		
Associated companies (a)	**$ 2,670**	$ 2,678
Other	**954**	741
	3,624	3,419
Prepaid pension asset	**11,377**	9,397
Long-term receivables, including notes	**1,987**	2,024
Prepaid broadcasting rights	**967**	1,078
Other	**6,073**	4,887
	24,028	20,805
GECS		
Investments		
Assets acquired for resale	**1,394**	3,406
Associated companies (a)	**12,785**	11,298
Real estate ventures	**6,496**	4,397
Other	**5,298**	4,424
	25,973	23,525
Separate accounts	**11,705**	10,335
Servicing assets (b)	**1,449**	1,707
Deferred insurance acquisition costs	**5,815**	4,682
Other	**5,424**	4,445
	50,366	44,694
Eliminations	**(507)**	(518)
	$73,887	$64,981

(a) Includes advances.

(b) Associated primarily with serviced residential mortgage loans amounting to $81 billion and $86 billion at December 31, 2000 and 1999, 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 $1,160 million at year-end 2000 and $1,453 million at year-end 1999; and it had entered into commitments totaling $1,476 million and $1,843 million at year-end 2000 and 1999, 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, 2000. GECS acts as a lender and lessor to the commercial airline industry. At December 31, 2000 and 1999, the balance of such GECS loans, leases and equipment leased to others was $15.3 billion and $11.8 billion, respectively. In addition, at December 31, 2000, GECS had issued financial guarantees and funding commitments of $601 million ($59 million at year-end 1999) and had placed multi-year orders for various Boeing and Airbus aircraft with list prices of approximately $22.9 billion ($9.9 billion at year-end 1999).

At year-end 2000, the National Broadcasting Company had $7,631 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 $4,599 million at year-end 2000 and $3,794 million at year-end 1999.

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

19 Borrowings

Short-term borrowings

December 31 (In millions)	2000 Amount	2000 Average rate (a)	1999 Amount	1999 Average rate (a)
GE				
Commercial paper				
U.S.	**$ —**	**—%**	$ 521	6.54%
Non-U.S.	**172**	**5.77**	396	5.02
Payable to banks, principally non-U.S.	**527**	**11.30**	629	10.18
Current portion of long-term debt	**71**	**7.90**	123	7.27
Other	**170**		576	
	940		2,245	
GECS				
Commercial paper				
U.S.	**77,525**	**6.67**	84,702	6.07
Non-U.S.	**16,965**	**5.46**	11,909	4.19
Current portion of long-term debt	**19,283**	**5.95**	22,902	5.59
Other	**10,219**		9,746	
	123,992		129,259	
Eliminations	**(5,752)**		(1,158)	
	$119,180		$130,346	

Long-term borrowings

December 31 (In millions)	2000 Average rate (a)	Maturities	2000	1999
GE				
Industrial development/ pollution control bonds	4.65%	2003-2027	**$ 334**	$ 328
Payable to banks, principally non-U.S.	6.07	2002-2006	**255**	156
Other (b)			**252**	238
			841	722
GECS				
Senior notes	5.59	2002-2055	**80,383**	69,770
Subordinated notes (c)	7.88	2006-2035	**996**	996
			81,379	70,766
Eliminations			**(88)**	(61)
			$82,132	$71,427

(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 at right from two perspectives—liquidity and interest rate risk 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)	2001	2002	2003	2004	2005
GE	$ 71	$ 92	$ 20	$ 211	$ 15
GECS	19,283	20,089	16,231	11,330	7,086

Committed credit lines of $4.2 billion had been extended to GE by 24 banks at year-end 2000. Substantially all of GE's credit lines are available to GECS and its affiliates in addition to their own credit lines.

At year-end 2000, GECS and its affiliates held committed lines of credit aggregating $28.1 billion, including $12.2 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, 2000, were not significant. 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 rate risk is 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.

GECS effective borrowings (including swaps)

December 31 (In millions)	2000	1999
Short-term	**$ 80,162**	$ 74,347
Long-term (including current portion)		
Fixed rate (a)	**$ 98,905**	$ 90,361
Floating rate	**26,304**	35,317
Total long-term	**$125,209**	$125,678

(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, 2000, swap maturities ranged from 2001 to 2048, and average interest rates for fixed-rate borrowings (including "synthetic" fixed-rate borrowings) were 5.92% (5.63% at year-end 1999).

20 GECS Insurance Liabilities, Reserves and Annuity Benefits

December 31 (In millions)	2000	1999
Investment contracts and universal life benefits	**$ 33,232**	$ 30,448
Life insurance benefits (a)	**32,288**	18,460
Unpaid claims and claims adjustment expenses (b)	**22,886**	21,473
Unearned premiums	**6,039**	6,060
Separate accounts (see note 18)	**11,705**	10,335
	$106,150	$ 86,776

(a) Life insurance benefits are accounted for mainly by a net-level-premium method using estimated yields generally ranging from 2% to 9% in 2000 and from 5% to 9% in 1999.

(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)	2000	1999	1998
Balance at January 1—gross	**$ 21,473**	$ 19,611	$ 14,654
Less reinsurance recoverables	**(4,832)**	(3,483)	(2,246)
Balance at January 1—net	**16,641**	16,128	12,408
Claims and expenses incurred			
Current year	**9,718**	6,917	6,330
Prior years	**607**	248	(162)
Claims and expenses paid			
Current year	**(3,704)**	(2,508)	(2,400)
Prior years	**(6,572)**	(5,162)	(3,692)
Claim reserves related to acquired companies	**488**	929	3,476
Other	**231**	89	168
Balance at December 31—net	**17,409**	16,641	16,128
Add reinsurance recoverables	**5,477**	4,832	3,483
Balance at December 31—gross	**$ 22,886**	$ 21,473	$ 19,611

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)	2000	1999
Guarantees, principally on municipal bonds and structured finance issues	**$ 194,061**	$ 177,840
Mortgage insurance risk in force	**68,112**	59,798
Credit life insurance risk in force	**19,910**	26,427
Less reinsurance	**(42,143)**	(37,992)
	$ 239,940	$ 226,073

21 GE All Other Liabilities

This caption includes noncurrent compensation and benefit accruals at year-end 2000 and 1999 of $6,268 million and $5,839 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 income tax amounts are summarized below.

December 31 (In millions)	2000	1999
Assets		
GE	**$ 6,131**	$ 5,808
GECS	**7,309**	5,528
	13,440	11,336
Liabilities		
GE	**6,583**	6,091
GECS	**15,547**	14,483
	22,130	20,574
Net deferred income tax liability	**$ 8,690**	$ 9,238

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

December 31 (In millions)	2000	1999
GE		
Provisions for expenses (a)	**$ (4,392)**	$ (4,203)
Retiree insurance plans	**(904)**	(839)
Prepaid pension asset	**3,982**	3,289
Depreciation	**944**	922
Other—net	**822**	1,114
	452	283
GECS		
Financing leases	**8,408**	8,593
Operating leases	**3,301**	2,840
Allowance for losses	**(1,684)**	(1,379)
Insurance reserves	**(1,270)**	(1,052)
AMT credit carryforwards	**(671)**	(1,185)
Other—net	**154**	1,138
	8,238	8,955
Net deferred income tax liability	**$ 8,690**	$ 9,238

(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)	2000	1999
GE Capital	**$ 2,600**	$ 2,600
GE Capital affiliates	**1,066**	1,421

Dividend rates in local currency on the preferred stock ranged from 4.15% to 6.82% during 2000 and from 0.6% to 6.1% during 1999.

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 2000, net assets of regulated GECS affiliates amounted to $32.3 billion, of which $26.8 billion was restricted.

At December 31, 2000 and 1999, the aggregate statutory capital and surplus of the insurance businesses totaled $16.2 billion and $14.5 billion, respectively. Accounting practices prescribed by statutory authorities are used in preparing statutory statements.

25 Share Owners' Equity

(In millions)	2000	1999	1998
Common stock issued	**$ 669**	$ 594	$ 594
Accumulated nonowner changes other than earnings			
Balance at January 1	**$ (744)**	$ 1,664	$ 1,340
Unrealized gains (losses) on investment securities—net of deferred taxes of $ 686, $(614) and $ 430	**1,363**	(1,132)	795
Currency translation adjustments—net of deferred taxes of $(312), $(100) and $(13)	**(1,204)**	(632)	60
Reclassification adjustments—net of deferred taxes of $(1,031), $(349) and $(291)	**(1,915)**	(644)	(531)
Balance at December 31	**$ (2,500)**	$ (744)	$ 1,664
Other capital			
Balance at January 1	**$ 10,790**	$ 6,808	$ 4,434
Gains on treasury stock dispositions (a)	**4,480**	3,982	2,374
Adjustment for stock split	**(75)**	—	—
Balance at December 31	**$ 15,195**	$ 10,790	$ 6,808
Retained earnings			
Balance at January 1	**$ 54,484**	$ 48,553	$ 43,338
Net earnings	**12,735**	10,717	9,296
Dividends (a)	**(5,647)**	(4,786)	(4,081)
Balance at December 31	**$ 61,572**	$ 54,484	$ 48,553
Common stock held in treasury			
Balance at January 1	**$ 22,567**	$ 18,739	$ 15,268
Purchases (a)	**5,342**	7,488	6,475
Dispositions (a)	**(3,465)**	(3,660)	(3,004)
Balance at December 31	**$ 24,444**	$ 22,567	$ 18,739

(a) Total dividends and other transactions with share owners reduced equity by $3,044 million, $4,632 million and $5,178 million in 2000, 1999 and 1998, 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 2000, over 950 million shares having an aggregate cost of more than $17 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)	2000	1999	1998
Issued	**11,145,212**	11,145,054	11,142,205
In treasury	**(1,213,206)**	(1,290,526)	(1,328,317)
Outstanding	**9,932,006**	9,854,528	9,813,888

In April 2000, share owners authorized (a) an increase in 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) the split of 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. All share data and per-share amounts have been adjusted to reflect this change.

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, 1997	416,709	$ 10.01	$ 24.46
Options granted	23,122	26.62	26.62
Options exercised	(71,866)	6.92	28.15
Options terminated	(8,181)	14.82	—
Balance at December 31, 1998	359,784	11.59	34.00
Options granted	51,281	37.93	37.93
Options exercised	(61,679)	7.82	39.42
Options terminated	(8,012)	21.15	—
Balance at December 31, 1999	341,374	16.01	51.58
Options granted	46,278	47.84	47.84
Options exercised	(44,758)	8.82	53.00
Options terminated	(9,715)	28.47	—
Balance at December 31, 2000	333,179	21.03	47.94

Share data have been adjusted for the 3-for-1 stock split effective on April 27, 2000.

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.

At year-end 2000, there were 131 thousand SARs outstanding at an average exercise price of $7.68. There were 33.1 million restricted stock shares and restricted stock units outstanding at year-end 2000.

There were 487.1 million and 423.1 million additional shares available for grants of options, SARs, restricted stock and restricted stock units at December 31, 2000 and 1999, 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, 2010. 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, 2000.

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
$ 5.31 – 8.50	75,459	2.4	$ 7.39	75,459	$ 7.39
8.51 – 13.23	73,172	3.9	9.15	73,172	9.15
13.48 – 23.04	57,608	5.9	16.45	40,764	15.89
24.08 – 35.79	56,694	7.7	29.39	12,580	26.88
35.88 – 57.31	70,246	9.2	45.06	2,582	41.84
Total	333,179	5.7	21.03	204,557	11.35

At year-end 1999, options with an average exercise price of $9.13 were exercisable on 206 million shares; at year-end 1998, options with an average exercise price of $8.03 were exercisable on 218 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 No. 123, *Accounting for Stock-Based Compensation*, are as follows:

Option value information (a)

(In dollars)	2000	1999	1998
Fair value per option (b)	**$15.76**	$11.23	$ 6.33
Valuation assumptions			
Expected option term (years)	**6.4**	6.5	6.2
Expected volatility	**27.1%**	23.7%	21.7%
Expected dividend yield	**1.2%**	1.3%	1.8%
Risk-free interest rate	**6.4%**	5.8%	4.9%

(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)	2000	1999	1998
Net earnings	**$12,502**	$10,572	$ 9,196
Earnings per share—diluted	**1.24**	1.06	0.92
—basic	**1.26**	1.08	0.94

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 2000, the acquisition of Harmon Industries for shares of GE common stock valued at $346 million; in 1999, GE's contribution of certain media properties in exchange for a noncontrolling interest in NBCi, a publicly-traded company (described in note 2); and in 1998, the acquisition of Marquette Medical Systems for shares of GE common stock valued at $829 million.

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

For the years ended December 31 (In millions)	2000	1999	1998
GE			
Purchases and sales of GE shares for treasury			
Open market purchases under share repurchase program	**$ (2,226)**	$ (1,866)	$ (3,646)
Other purchases	**(3,116)**	(5,622)	(2,829)
Dispositions (mainly to employee and dividend reinvestment plans)	**5,811**	6,486	3,656
	$ 469	$ (1,002)	$ (2,819)
GECS			
Financing receivables			
Increase in loans to customers	**$(100,938)**	$(95,201)	$(75,840)
Principal collections from customers—loans	**87,432**	86,379	65,573
Investment in equipment for financing leases	**(15,454)**	(18,173)	(20,299)
Principal collections from customers—financing leases	**7,873**	13,634	15,467
Net change in credit card receivables	**(9,394)**	(10,740)	(4,705)
Sales of financing receivables	**14,405**	11,473	13,805
	$ (16,076)	$(12,628)	$ (5,999)
All other investing activities			
Purchases of securities by insurance and annuity businesses	**$ (35,911)**	$(26,271)	$(23,897)
Dispositions and maturities of securities by insurance and annuity businesses	**25,960**	23,979	20,639
Proceeds from principal business dispositions	**(605)**	279	—
Other	**(1,617)**	(6,270)	(8,122)
	$ (12,173)	$ (8,283)	$(11,380)
Newly issued debt having maturities longer than 90 days			
Short-term (91 to 365 days)	**$ 12,782**	$ 15,799	$ 5,881
Long-term (longer than one year)	**32,297**	30,082	33,453
Proceeds—nonrecourse, leveraged lease debt	**1,808**	1,724	2,106
	$ 46,887	$ 47,605	$ 41,440
Repayments and other reductions of debt having maturities longer than 90 days			
Short-term (91 to 365 days)	**$ (27,777)**	$(21,211)	$(25,901)
Long-term (longer than one year)	**(3,953)**	(5,447)	(4,739)
Principal payments—nonrecourse, leveraged lease debt	**(177)**	(266)	(387)
	$ (31,907)	$(26,924)	$(31,027)
All other financing activities			
Proceeds from sales of investment contracts	**$ 8,826**	$ 7,236	$ 5,149
Redemption of investment contracts	**(9,061)**	(7,127)	(5,533)
Preferred stock issued by GECS affiliates	**—**	513	270
Cash received upon assumption of Toho Mutual Life Insurance Company insurance liabilities	**13,177**	—	—
	$ 12,942	$ 622	$ (114)

Revenues
For the years ended December 31

(In millions)	Total revenues 2000	1999	1998	Intersegment revenues 2000	1999	1998	External revenues 2000	1999	1998
GE									
Aircraft Engines	**$ 10,779**	$ 10,730	$ 10,294	**$ 687**	$ 477	$ 292	**$ 10,092**	$ 10,253	$ 10,002
Appliances	**5,887**	5,671	5,619	**5**	4	12	**5,882**	5,667	5,607
Industrial Products and Systems	**11,848**	11,555	11,222	**428**	530	479	**11,420**	11,025	10,743
NBC	**6,797**	5,790	5,269	**—**	—	—	**6,797**	5,790	5,269
Plastics	**7,776**	6,941	6,633	**24**	17	20	**7,752**	6,924	6,613
Power Systems	**14,861**	10,099	8,500	**144**	169	170	**14,717**	9,930	8,330
Technical Products and Services	**7,915**	6,863	5,323	**19**	15	14	**7,896**	6,848	5,309
Eliminations	**(2,075)**	(1,767)	(1,401)	**(1,307)**	(1,212)	(987)	**(768)**	(555)	(414)
Total GE segment revenues	**63,788**	55,882	51,459	**—**	—	—	**63,788**	55,882	51,459
Corporate items	**517**	619	771	**—**	—	—	**517**	619	771
GECS net earnings	**5,192**	4,443	3,796	**—**	—	—	**5,192**	4,443	3,796
Total GE revenues	**69,497**	60,944	56,026	**—**	—	—	**69,497**	60,944	56,026
GECS segment revenues	**66,177**	55,749	48,694	**—**	—	—	**66,177**	55,749	48,694
Eliminations	**(5,821)**	(5,063)	(4,251)	**—**	—	—	**(5,821)**	(5,063)	(4,251)
Consolidated revenues	**$129,853**	$111,630	$100,469	**$ —**	$ —	$ —	**$129,853**	$111,630	$100,469

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.

(In millions)	**Assets** At December 31 2000	1999	1998	**Property, plant and equipment additions (including equipment leased to others)** For the years ended December 31 2000	1999	1998	**Depreciation and amortization (including goodwill and other intangibles)** For the years ended December 31 2000	1999	1998
GE									
Aircraft Engines	**$ 9,816**	$ 9,204	$ 9,075	**$ 416**	$ 368	$ 480	**$ 330**	$ 382	$ 398
Appliances	**2,775**	2,463	2,436	**213**	151	150	**142**	147	137
Industrial Products and Systems	**7,869**	6,740	6,466	**522**	423	428	**425**	433	440
NBC	**4,965**	5,243	3,264	**99**	94	105	**120**	126	127
Plastics	**9,561**	9,261	9,813	**546**	462	722	**549**	561	591
Power Systems	**11,618**	9,865	7,299	**657**	514	248	**306**	285	215
Technical Products and Services	**6,016**	5,048	3,858	**211**	164	254	**219**	230	143
Total GE segments	**52,620**	47,824	42,211	**2,664**	2,176	2,387	**2,091**	2,164	2,051
Investment in GECS	**23,022**	20,321	19,727	**—**	—	—	**—**	—	—
Corporate items and eliminations (a)	**21,123**	14,438	12,732	**55**	58	156	**157**	155	241
Total GE	**96,765**	82,583	74,670	**2,719**	2,234	2,543	**2,248**	2,319	2,292
GECS segment	**370,636**	345,018	303,297	**11,434**	15,432	8,110	**5,488**	4,372	3,568
Eliminations	**(30,395)**	(22,401)	(22,032)	**—**	—	—	**—**	—	—
Consolidated totals	**$437,006**	$405,200	$355,935	**$14,153**	$17,666	$10,653	**$7,736**	$6,691	$5,860

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 2000, 1999 and 1998 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 Global eXchange 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 and services 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 and services are sold in North America and in global markets under various GE and private-label brands. Distributed to both retail outlets and direct to consumers, 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 and services 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 and services 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 and aircraft engine derivatives and related services 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 and related services 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 equipment to support the distribution of oil and gas products.

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 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 and private mortgage insurance.

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								
	Total revenues			Intersegment revenues			External revenues		
(In millions)	**2000**	1999	1998	**2000**	1999	1998	**2000**	1999	1998
United States	**$ 90,981**	$ 78,970	$ 71,799	**$ 3,518**	$ 2,690	$ 2,608	**$ 87,463**	$ 76,280	$ 69,191
Europe	**24,144**	22,919	21,665	**1,212**	1,081	837	**22,932**	21,838	20,828
Pacific Basin	**12,921**	7,879	5,166	**1,218**	924	951	**11,703**	6,955	4,215
Other (a)	**8,754**	7,365	6,925	**999**	808	690	**7,755**	6,557	6,235
Intercompany eliminations	**(6,947)**	(5,503)	(5,086)	**(6,947)**	(5,503)	(5,086)	**—**	—	—
Total	**$ 129,853**	$ 111,630	$ 100,469	**$ —**	$ —	$ —	**$ 129,853**	$ 111,630	$ 100,469

	Operating profit (b) For the years ended December 31			Assets At December 31			Long-lived assets (c) At December 31		
(In millions)	**2000**	1999	1998	**2000**	1999	1998	**2000**	1999	1998
United States	**$ 15,455**	$ 13,391	$ 11,319	**$ 277,818**	$ 264,129	$ 227,311	**$ 19,180**	$ 21,612	$ 18,048
Europe	**2,062**	1,886	2,393	**80,282**	83,358	84,518	**5,870**	6,101	6,334
Pacific Basin	**1,754**	1,092	431	**42,281**	28,214	18,427	**1,936**	2,017	1,326
Other (a)	**1,406**	909	810	**36,804**	29,687	25,878	**13,076**	11,329	10,057
Intercompany eliminations	**9**	11	(9)	**(179)**	(188)	(199)	**(47)**	(37)	(35)
Total	**$ 20,686**	$ 17,289	$ 14,944	**$ 437,006**	$ 405,200	$ 355,935	**$ 40,015**	$ 41,022	$ 35,730

(a) Includes the Americas other than the United States and operations that cannot meaningfully be associated with specific geographic areas (for example, commercial aircraft leased by GE Capital Aviation Services).

(b) Excludes GECS income taxes of $1,912 million, $1,653 million and $1,364 million in 2000, 1999 and 1998, respectively, which are included in the measure of segment profit reported on page 44.

(c) 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 certain 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, 2000 or 1999. 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)	2000 Notional amount	2000 Assets (liabilities) Carrying amount (net)	2000 Estimated fair value High	2000 Estimated fair value Low	1999 Notional amount	1999 Assets (liabilities) Carrying amount (net)	1999 Estimated fair value High	1999 Estimated fair value Low
GE								
Investment related								
Investments and notes receivable	$ (a)	$ 2,012	$ 2,060	$ 2,026	$ (a)	$ 1,700	$ 1,739	$ 1,684
Cancelable interest rate swap	1,046	6	4	4	1,046	11	22	22
Borrowings and related instruments								
Borrowings (b)(c)	(a)	(1,781)	(1,781)	(1,781)	(a)	(2,967)	(2,966)	(2,966)
Interest rate swaps	786	—	(38)	(38)	1,408	—	30	30
Currency swaps	172	—	(4)	(4)	879	—	(17)	(17)
Recourse obligations for receivables sold	589	(42)	(42)	(42)	555	(36)	(36)	(36)
Financial guarantees	2,345	—	—	—	2,710	—	—	—
Other firm commitments								
Forwards and options	6,961	37	30	30	6,764	16	(30)	(30)
Financing commitments	1,492	—	—	—	1,858	—	—	—
GECS								
Assets								
Time sales and loans	(a)	92,912	93,539	92,360	(a)	87,013	87,004	85,504
Integrated swaps	22,911	(44)	(771)	(771)	15,933	18	59	59
Purchased options	9,832	105	164	164	8,949	60	174	174
Mortgage-related positions								
Mortgage purchase commitments	—	—	—	—	669	—	—	—
Mortgage sale commitments	—	—	—	—	1,452	—	4	4
Mortgages acquired for resale	(a)	1,267	1,250	1,245	(a)	2,522	2,516	2,488
Options, including “floors”	21,984	202	208	208	23,929	76	56	56
Interest rate swaps and futures	2,798	29	38	38	4,054	—	(67)	(67)
Other financial instruments	(a)	10,940	11,130	11,102	(a)	5,347	5,322	5,292
Liabilities								
Borrowings and related instruments								
Borrowings (b)(c)	(a)	(205,371)	(207,670)	(207,670)	(a)	(200,025)	(198,798)	(198,798)
Interest rate swaps	52,681	—	(208)	(208)	56,339	—	(99)	(99)
Currency swaps	24,314	—	(957)	(957)	22,744	—	(1,425)	(1,425)
Currency forwards	27,902	—	381	381	26,806	—	(459)	(459)
Investment contract benefits	(a)	(27,575)	(26,144)	(26,144)	(a)	(24,943)	(24,420)	(24,420)
Insurance—financial guarantees and credit life	239,940	(2,759)	(2,797)	(2,910)	226,073	(2,757)	(2,797)	(2,909)
Credit and liquidity support—securitizations	37,667	(630)	(630)	(630)	34,389	(489)	(489)	(489)
Performance guarantees (d)	7,895	—	—	—	3,472	(56)	(56)	(56)
Other financial instruments	2,982	(1,184)	(1,114)	(1,114)	2,545	(1,473)	(1,444)	(1,444)
Other firm commitments								
Currency forwards	1,585	8	47	47	3,778	(14)	(41)	(41)
Currency swaps	647	292	275	275	767	238	200	200
Ordinary course of business lending commitments	9,450	—	—	—	7,822	—	—	—
Unused revolving credit lines								
Commercial	11,278	—	—	—	11,440	—	—	—
Consumer—principally credit cards	188,421	—	—	—	151,651	—	—	—

(a) Not applicable.
(b) Includes effects of interest rate and currency swaps, which also are listed separately.
(c) See note 19.
(d) Includes letters of credit.

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

Currency forwards, swaps 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 cash flow variability of local currency costs 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 and equity movements are used primarily to manage risks in certain investments as well as risks 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 swaps, along with purchased options and futures, are used by GECS to establish specific hedges of mortgage-related assets. Credit risk of these positions is evaluated by management under the credit criteria discussed below. As part of its ongoing activities, GECS also enters into swaps that are integrated into investments in or loans to particular customers. Such integrated swaps not involving assumption of third-party credit risk 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, 2000 and 1999, this gross market risk amounted to $2.9 billion and $2.0 billion, respectively. Aggregate fair values that represent associated probable future obligations, normally associated with a right of offset against probable future receipts, amounted to $3.7 billion at year-end 2000 and $3.6 billion at year-end 1999.

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 2000	First quarter 1999	Second quarter 2000	Second quarter 1999	Third quarter 2000	Third quarter 1999	Fourth quarter 2000	Fourth quarter 1999
Consolidated operations								
Net earnings	**$ 2,592**	$ 2,155	**$ 3,378**	$ 2,820	**$ 3,180**	$ 2,653	**$ 3,585**	$ 3,089
Earnings per share—diluted	**0.26**	0.22	**0.34**	0.28	**0.32**	0.27	**0.36**	0.31
—basic	**0.26**	0.22	**0.34**	0.29	**0.32**	0.27	**0.36**	0.31
Selected data								
GE								
Sales of goods and services	**14,370**	11,796	**16,414**	13,966	**15,578**	13,228	**17,445**	16,655
Gross profit from sales	**4,520**	3,667	**5,372**	4,545	**4,675**	4,091	**5,693**	5,043
GECS								
Total revenues	**15,681**	12,383	**16,470**	13,378	**16,444**	14,002	**17,582**	15,986
Operating profit	**1,746**	1,400	**1,697**	1,461	**2,020**	1,745	**1,641**	1,490
Net earnings	**1,210**	1,032	**1,277**	1,092	**1,478**	1,262	**1,227**	1,057

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 2000 and 1999, and for basic earnings per share in 2000. Per-share amounts have been adjusted for the 3-for-1 stock split effective on April 27, 2000.

Corporate Information

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

Annual Meeting
General Electric Company's 2001 Annual Meeting of Share Owners will be held on Wednesday, April 25, at the Atlanta Civic Center in Atlanta, Georgia.

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 e-mail to *GE-Shareowners@bankofny.com.*

For Internet access to general share owner information and certain forms, including transfer instructions or stock power, visit the Web site at *www.stockbny.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
2000			
Fourth quarter	**$ 59.94**	**$ 47.19**	**$ .16**
Third quarter	**60.50**	**49.50**	**.13⅔**
Second quarter	**55.98**	**47.69**	**.13⅔**
First quarter	**54.96**	**41.67**	**.13⅔**
1999			
Fourth quarter	$ 53.17	$ 38.21	$ .13⅔
Third quarter	40.83	34.19	.11⅔
Second quarter	39.15	33.27	.11⅔
First quarter	38.06	31.42	.11⅔

The per-share amounts and share data have been adjusted to reflect the 3-for-1 stock split effective on April 27, 2000.

As of December 31, 2000, there were about 616,000 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 2001. However, the 10-K Report also contains certain supplemental information and it can be viewed, without exhibits, on the Internet at *www.ge.com/investor/sec.htm.* Copies also are available, without charge, from GE Corporate Investor Communications, 3135 Easton Turnpike, Fairfield, CT 06431.

GE Capital Services and GE Capital Corporation file Form 10-K Reports with the SEC, and these can also be viewed at *www.ge.com/investor/sec.htm.*

Information on the GE Fund, GE's philanthropic foundation, can be viewed at *www.ge.com/community/fund.html.*

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The 2000 GE Annual Report is available online at *www.ge.com/annual00.* For detailed news and information regarding our key business initiatives, including Globalization, Services, Six Sigma and e-Business, please visit our Press Room online at *www.ge.com/news.*

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Corporate Ombudsperson
To report concerns related to compliance with the law, GE policies or government contracting requirements, contact the GE Corporate Ombudsperson, P.O. Box 911, Fairfield, CT 06430. Telephone: (800) 227-5003 or (203) 373-2603.

Caution Concerning Forward-Looking Statements: This document includes certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to changes in global economic, business, competitive market and regulatory factors. More detailed information about those factors is contained in GE's filings with the Securities and Exchange Commission.