

## To Our Investors:

I assumed the CEO job on September 7, 2001, a fact most of you know. The week after September 11, GE's stock was in a "free fall." On September 21, GE opened at \$29 and then stabilized. As the stock hit \$34 during the fall, I bought 15,000 shares thinking, **"I love the Company and when will it ever be this cheap again?"** The answer turned out to be—in 2006.

You can only believe one thing if you run GE or own GE stock: Consistent earnings and cash flow growth, with expanding returns, increase shareowner value. This is a long-term investment. There are no short-term tricks.

We lead the Company to grow earnings and cash flow with high returns. We invest and deliver consistently. If you take out the effect of non-cash pension, over the last five years we have nearly doubled GE's profits from \$11 billion in 2001 to \$21 billion. Cash flow from operations has made similar progress, growing to \$24.6 billion. Our return, at 18.4%, has increased 220 basis points in the last two years and is near our target.

We strive to be a reliable growth company. Our earnings growth has been 11% over one year, 10% over five years, 11% over 10 years, 12% over 15 years and 11% over 20 years. Over the past 20 years, the S&P 500's earnings growth has averaged 8%.

The question is: Has reliable growth gone out of style? Alternative investments such as hedge funds are very popular today. GE's PE ratio is only a modest premium to that of the S&P 500, despite our strong performance.

We don't believe reliable growth has gone out of style. We know that reliable growth is always in style for long-term investors. They look at the Company over an extended horizon, like I do. They benefit from a company that anticipates change in the environment and executes aggressively. This is your GE.

*A reliable growth company must have the courage to invest and the discipline to deliver. It took courage to invest over \$1 billion in a new jet engine, such as the GE90, with minimal returns for more than 10 years. Today, because of these investments, GE enjoys exceptional success in commercial aviation. The GE90 engine should generate \$40 billion of revenues over the next 30 years.*

It took courage to invest \$11 billion to acquire Amersham in 2004. This was our biggest industrial acquisition, and it gave us capability in molecular diagnostics. Today, we have a transformed Healthcare business that is a leader in the early detection of disease.

At the same time, we will always be disciplined in our actions. It takes discipline to be one of only six U.S. industrial companies with a "Triple-A" balance sheet. It is tempting, particularly today, to add more leverage. However, we like the financial flexibility of a strong balance sheet.

Delivering on commitments is important in our culture. Many of our mornings begin with meetings to review working capital or pricing. We “sweat” the details required to run a successful company.

Building a reliable growth company that invests and delivers requires a unique team. They must be “ambidextrous” managers. They are expected to deliver on commitments in the short term and required to invest to build leadership over the long term.

*Because we are a reliable growth company, this is the best time to invest in GE. The global economic environment over the past few years has been benign. We have had solid economic growth, volatility has been low and the risk environment has been stable.*

The future may be different. The engine of global economic growth has been the U.S. consumer, propelled by historically low interest rates. While consumers are still solid, 17 interest rate increases over the last two and a half years have mellowed them a bit.

In almost any economic environment, GE is positioned for sustained high single-digit revenue and double-digit earnings growth, while expanding margins and returns. We have used our size and unique multi-business structure to build early leadership positions in the trends that shape the future. At the same time, we remain disciplined in the application of our strategic principles to deliver consistent performance.

This is the story of how we invest and deliver.

### Winning in the Future

To be a reliable growth company requires the ability to conceptualize the future. We are investing to capitalize on the major growth trends of this era that will grow at multiples of the global GDP growth rate. We are using our breadth, financial strength and intellectual capital to create a competitive advantage.

These are the trends where GE is building leadership:

**Infrastructure Technology.** There will be \$4 trillion invested in global infrastructure by 2015. GE has the broadest array of infrastructure products, services and financing in the world. From Energy to Aviation to Transportation to Water to Oil & Gas, GE is solving customers’ infrastructure challenges around the world. We have more than \$120 billion of infrastructure products and services revenues in our backlog with another \$60 billion of Infrastructure financing assets generating returns for our investors.

When our customers invest in infrastructure, they are looking for innovation, reliability and financial strength. GE has a leadership position and can deliver for customers in a unique way.

**Emerging Markets.** These markets include China, India, Eastern Europe, Russia, Middle East, Africa, Latin America and Southeast Asia. They are growing at 3X the global GDP rate based on population growth and high oil prices.

GE had \$10 billion of emerging markets revenues in 2000. Today we have \$29 billion, and we could have \$50 billion by 2010. We have a great set of financial, technical and services offerings

that we integrate to accelerate growth. We have already invested in people and capability to establish leadership in these regions.

Only GE has the breadth to adopt a “company-to-country” approach to emerging markets. When we build a healthcare facility in Saudi Arabia, we also build a relationship that benefits GE as a whole.

**Environmental Solutions.** The challenges of global warming, water scarcity and conservation permeate every part of the world. While government policies may differ, there is a growing consensus among our customers that they value technology that can preserve the environment and achieve productivity at the same time.

Our ecomagination<sup>SM</sup> initiative is designed to drive growth by creating innovative solutions to environmental challenges. We have already launched 45 products and have engaged hundreds of customers. When we started, we had \$6 billion of revenues in ecomagination products; in 2006, we had \$12 billion; and by 2010, we are targeting more than \$20 billion.

GE has the technical breadth and credibility and is building partnerships and capability that should secure decades of accelerated growth.

**Digital Connections.** Our customers are increasingly using the Internet. Digitization facilitates rapid distribution and knowledge transfer to a fragmented customer base.

GE is positioned to capitalize on digitization. We have thousands of engines, turbines, locomotives and scanners in our installed base. These have been digitized, so that we can provide our customers with interactive decision support to boost productivity. These range from simple online tools to improve a locomotive’s fuel efficiency to a web-based electronic medical record. Today, we have \$4 billion of fast-growth digital services.

In GE Money, we are originating loans online, which allows us to reach new consumers with tailored offerings. GE is a leader, and could originate \$15 billion through the Internet by 2009.

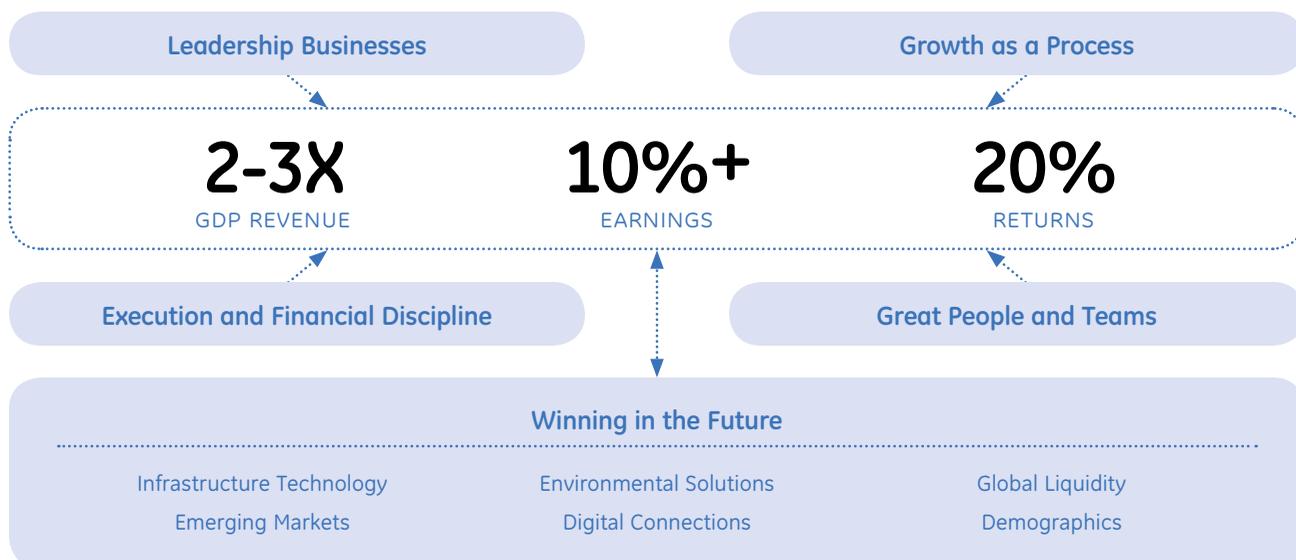
The most important impact of the Internet is in our NBC Universal (NBCU) entertainment business. We are a leader in content and the Internet opens up new avenues for growth. We should hit \$1 billion of digital advertising by 2009.

**Global Liquidity.** Global growth and strong capital markets have created new investment opportunities. Private equity funds have almost \$2 trillion of buying power. More than \$600 billion of wealth is flowing to oil exporting countries each year looking for investment opportunities.

GE can tap into this liquidity to create investor value. In 2007, we will originate \$50 billion of commercial finance assets and sell them to investors. This boosts our returns and growth rates. At the same time, we can partner with multiple funding sources to accelerate infrastructure investments like power plants, airports and desalination facilities. GE can harness liquidity to expand our growth rate and lower risk.

GE’s leadership around these major trends creates a foundation for rapid growth. All our strategies and investments have been applied to build leadership around these trends. GE is exceptionally well positioned to win in the future.

## Invest and Deliver



**Demographics.** Aging populations in the developed world and exploding population growth in the developing world are important trends. Healthcare, GE Money and NBCU are examples of some of our businesses that have benefitted from these dynamics.

We have invested to build a substantial Healthcare business, which could double in size over the next five years. We are a leader in diagnostics with the capability to improve access to care, find diseases earlier and treat them more effectively. We have invested in our consumer finance business which we can double every five years by marketing innovative financial products globally. We have built a strong Hispanic network in Telemundo, which will grow close to 10% per year in the U.S. and has significant global opportunity. GE has the scale to capture these massive global opportunities.

### Strategic Principles

Being a reliable growth company also requires consistent execution on strategic principles that drive performance every quarter and every year. We have consistently executed on four strategic principles:

- **Build leadership businesses**
- **Focus on reliable execution and financial discipline**
- **Drive growth as a process**
- **Spread ideas across great people and teams that share common values**

Our strategies create strengths and capabilities, which, in turn, drive competitive advantage. The consistent execution of the same strategic principles year after year, provides the foundation to invest and deliver.

### Leadership Businesses

GE has six strong businesses: Infrastructure, Healthcare, Commercial Finance, GE Money, Industrial and NBCU. We expect these businesses to achieve 10%+ earnings growth most years, with long-term returns of 20%. We expect them to be industry leaders in market share, value and profitability. We want businesses where we can bring the totality of the Company—products, services, information and financing—to capitalize on the growth trends I mentioned earlier.

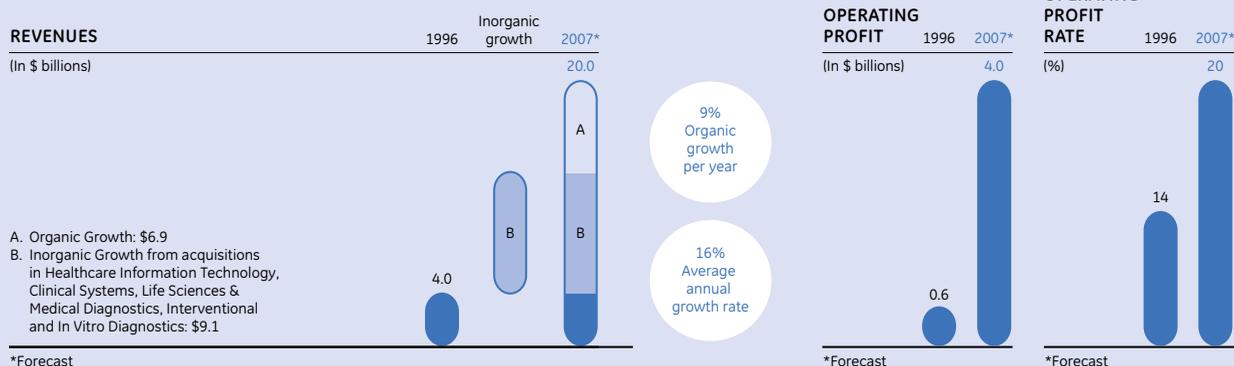
We run these businesses with common finance and human resource processes. We have one leadership development foundation and one global research infrastructure to achieve excellent results with a common culture. We have a few Company-wide Councils, like Services, so we can share ideas with minimum bureaucracy.

We compete hard and are tough-minded about winning. We invest to lead in our core businesses in good times and bad. Sometimes good businesses go through bad cycles and we must have the patience to fix them. However, when we find that a business cannot meet our financial goals or could be run better outside GE, we will exit that business rather than erode shareowner value.

It is interesting for investors to think about the Company over 10+ years, the way an owner would think about it. This way you can get a sense for the strategic investments that were required to build the business that is delivering today.

In 1996, our Healthcare business had \$4 billion in revenues and \$550 million in operating profit. We were basically a U.S. diagnostic imaging company. The Healthcare results were buried as part of the “Technical Products and Services” segment with a bunch of businesses no longer in GE. However, we believed that Healthcare would benefit from demographic forces and was in a great market for GE. We knew we could generate good returns, so we invested.

## Long-term commitment to Invest and Deliver: GE Healthcare



In 2007, Healthcare should have \$20 billion in revenues and \$4 billion in operating profit. In addition, we now have \$16 billion of assets in Healthcare Financial Services built around our customers' needs. This was the result of multiple strategic and operational decisions over the last 10 years, by people motivated to make technological and commercial breakthroughs.

By serving our customers, taking the business global and adding capability in clinical systems, life sciences, information technology, laboratory diagnostics and diagnostic pharmaceuticals, we are consistently moving ahead of the competition and in synch with our customers. For investors, we have built a business that has the capability to generate 20% returns over the long term.

We are building leadership in Healthcare. But, sometimes, markets move away from our strategic principles. That is the case in our Advanced Materials and Plastics businesses. We have strong leadership teams, but because of commodity cost volatility, it has been difficult for them to predict or hit their financial commitments.

As a result, we sold our Advanced Materials business in 2006 for \$3.8 billion. And we have announced the potential disposition of our Plastics business. These are strong franchises and they will do well outside GE.

We are reinvesting this capital into faster growth platforms. Since the beginning of 2007, we have announced almost \$15 billion of industrial acquisitions. These include Abbott's Healthcare Diagnostic business (for \$8.1 billion), Smiths' Aerospace business (for \$4.8 billion) and ABB's former Oil & Gas business (for \$1.9 billion). These acquisitions will extend our leadership in Healthcare, Aviation and Oil & Gas. They will add to our earnings in 2007 and beyond, while increasing our industrial growth rate. We expect these investments to generate 15% cash returns by their fifth year and 20% returns over the long term.

Because we have invested in our leadership businesses over time, we were able to deliver for you in 2006 and are even better positioned for 2007. **Infrastructure** (34% of GE's segment profit) grew earnings 16%, driven by superior technology and strong global growth. **Commercial Finance** (19% of GE) grew earnings 17%, fueled by origination excellence and strong risk management. **GE Money** (13% of GE) grew earnings 15%, by leveraging marketing

excellence and a diversified global position. **Healthcare** (12% of GE) grew earnings 18%, with excellent products satisfying customers around the world. **Consumer & Industrial, Equipment Services** and many of our other Industrial businesses also had record years.

**NBCU** (11% of GE) saw earnings slip 6%. But this allows me to illustrate an important point about a team that invests and delivers. NBCU is capable of consistent 10%+ earnings growth and 20%+ returns. Entertainment assets are highly valued by investors. We have a strong team of leaders in place and the business can benefit from GE capabilities. Momentarily, we are underperforming, and our priority is to improve this business.

We have invested in content and the team is delivering. "Heroes," "Sunday Night Football" and "The Office" are among the industry's best new programs. Meanwhile, our news, cable and Hispanic platforms are winning. We have dramatically improved our Internet offerings. Our team knows that they must deliver great content with digital distribution to their customers. NBCU should grow earnings in 2007 and is well positioned for the future.

*I would ask investors to think about the progress we have made with our portfolio over the last five years. In 2001, one-third of our earnings were generated by businesses that could not consistently hit our 10% earnings growth and 20% return goals. Since then, we have executed a disciplined portfolio strategy to create a sustainable competitive advantage based on technology, brand and a valuable installed base. As we go forward, all of our portfolio will be capable of delivering on our financial goals. In addition, each of our businesses can capitalize on the major growth trends of this era.*

### Execution and Financial Discipline

Building a reliable growth company requires excellent execution around margin expansion, cash flow generation and the capital allocation required to achieve high returns. These results must be achieved with high levels of transparency and controllership. We must deliver to earn the “right” to invest.

The core of our financial strength is the ability to generate excess cash. In 2007, we should generate \$40 billion of cash from earnings, working capital reductions and potential divestitures. This is cash that will be available after we have invested in R&D, programming and capital expenditures.

We allocate this cash with discipline. Our first priority is to pay your dividends. We are committed to return 50% of our earnings back to you in dividends. We reinvest 60% of our financial services earnings to sustain their future growth. That still leaves \$20 billion to drive industrial growth through acquisitions and to buy back stock.

As I mentioned earlier, we like investing in the Company and have announced almost \$15 billion of industrial acquisitions for 2007. We target every investment to achieve a 20% return over time. We should also complete our current \$25 billion stock buyback program by 2008.

Our return hit 18.4% in 2006, a 180 basis point improvement. We are on track to hit 20% by 2008. With a return of 20% and capital cost of 9%, our investments create significant economic value. Any private equity firm would “die” for our unlevered returns.

*Another way we improve investor returns is through a detailed focus on margin expansion. GE's operating profit rate hit 15.2% in 2006, a 40 basis point improvement from the previous year. We have targeted a 100 basis point improvement for 2007. We should achieve gains through improving the mix of our high-margin services, driving product line profitability and lowering overhead costs.*

GE's long-term commitment to services growth will benefit our investors. Our services revenues were \$30 billion in 2006 and are growing more than 10% annually. With margin rates of nearly 30%, services have a significantly positive impact on GE's profitability, and should fuel our margin rate growth for many years.

We drive a lean structure through our simplification initiative. Our overhead costs have declined by \$4 billion since 2004. We are consolidating backrooms, restructuring old facilities and reducing management layers. Corporate costs should decline 5% in 2007. This initiative still has years of opportunity ahead.

We continue to use tools such as Lean, a process for reducing cycle time, and Six Sigma to reduce working capital. Our Transportation business has reduced the cycle time needed to build a locomotive from 31 days to 26 days, with a target of 10 days. This has created 30% more capacity and reduced inventory by 30%. This business has an ROTC of 33%.

Our financial services businesses are also very profitable. The returns in Commercial Finance and GE Money exceed 25%. We have great origination and excellent risk management, and our capital markets capability allows us to keep only the highest margin assets on our books.

Risk management is an important skill at GE. We manage more than \$560 billion of financial assets with losses less than the industry average. The GE Capital Board meets monthly, where we approve all our significant deals. Before each meeting, our Chief Risk Officer, Jim Colica, sends a memo to the Board reflecting his views of each deal. I spend an hour alone with Jim to review each deal through his eyes. There is no “deal heat” in my conference room. Jim's keen eye for detail has saved GE billions.

We are committed to having transparent and high-quality earnings. By that, we mean earnings that convert into cash and are repeatable. Over the past five years, 100% of our earnings have been converted into cash. Meanwhile, we believe the combined impact of non-cash pension effects, gains, restructuring and changes in tax rate—financial elements that are a part of a company our size—basically offset each other over time. GE's earnings are driven by our businesses, which should always be transparent and well understood by investors.

A key part of our operating discipline is excellence in controllership. While I am confident in our processes and culture, we did restate our earnings from 2001 to 2005 due to differing accounting interpretations between us, together with our auditors, and the U.S. Securities and Exchange Commission. The restatement did not have a significant impact on our financial position, but the outcome is unacceptable. We are strengthening our processes even further.

Building a reliable growth company requires the generation of cash and the discipline to invest with high returns. It requires ongoing process excellence to improve margins and returns over time. Invest and deliver; this is our responsibility and a “right” that we earn by executing over time.

### Growth as a Process

We have invested in capabilities that create organic growth. These capabilities include investing in leadership technology and innovation, taking an enterprise approach to customers and positioning GE for global success. Over the past two years, our organic growth has averaged 8%, higher than our industrial and financial peers, and twice our historic average.

Our focus on **technology** has created a pipeline of 40 “\$1 billion-revenue products” that will be introduced in the next three years. This results in an installed base that should generate decades of services growth. Improving **customer value** has made the Company more externally focused. We are further enhancing customer value throughout the Company using Lean and Net Promoter Score (NPS), a tool to measure how customers view GE. We are increasing share through **commercial excellence**. Enterprise selling is creating accelerated growth in Commercial Finance, Healthcare, Infrastructure and NBCU. Our increased focus on **globalization** has transformed GE. Our global revenues should equal our U.S. revenues in 2007 and grow at 15% annually. **Innovation** has become mainstream. We should have 60 Imagination Breakthroughs generating \$25 billion revenues in 2007, and we have another 90 in the pipeline.

*Investing in growth capability allows the Company to deliver through economic cycles. Our Energy team, led by John Krenicki, is a dynamic example. They are growth leaders. As the U.S. power bubble came to an end in 2001, the future of our Energy business was uncertain. In 2001, 75% of Energy's Power Generation earnings came from selling large gas turbines in the U.S. In 2007, this should be 2% of their earnings. Yet our business is booming. Why? Because we invested in technology and growth.*

Today, Energy has six products with revenues greater than \$1 billion versus one in 2000. Because of a focus on environmental solutions, our lineup of renewable energy technologies is the largest in the world with \$5 billion in revenues. This leadership in technology has created a large installed base generating \$10+ billion of services revenues.

We are using Lean and NPS to improve our performance. Energy's customer outage cycle has improved 30%, and their parts repair cycle has improved 25%. Energy's NPS with key utility customers has gained five points, showing increasing customer satisfaction.

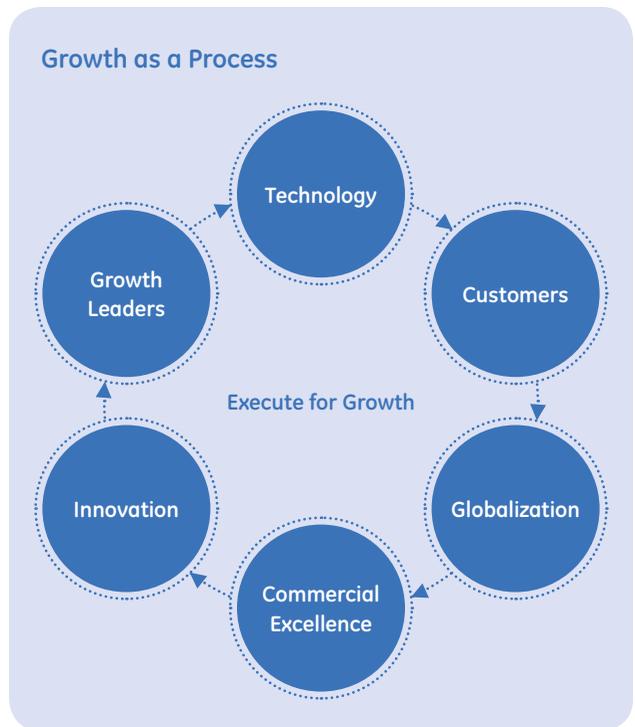
We enhanced our commercial excellence by taking an enterprise approach to customers. We have strengthened the coordination with our Energy Financial Services business to fully serve customer needs and improve investor returns. We can take a strategic approach to major projects like integrated water and power generation in Saudi Arabia.

We are the industry leader in innovation. We are investing more than \$500 million in coal gasification and the next-generation nuclear boiling water reactor. These will be "workhorse" technologies as the world grapples with the need for low-cost power with reduced greenhouse gas emissions. These products could generate \$10-\$20 billion of orders over the next 10 years.

Energy is winning globally, by aggressively redeploying assets to serve customers everywhere. We are operating in China, Russia and the Middle East. We have created a coal center of excellence in Poland. About 80% of our gas turbine orders in 2006 came from outside the U.S.

We invested in a "growth team." At Energy, Rick Stanley (Technology) and Dan Heintzleman (Services) are alumni of our Aviation business and recognize the importance of innovative technologies linked with services. Alex Urquhart is the long-time leader of Energy Financial Services with deep industry knowledge and customer contacts. Jim Suci, Chi Choi and Ricardo Cordoba (Sales) are empowered to deliver for customers around the world. Jody Markopoulos (Sourcing) and Larry Blystone (Manufacturing) are reducing costs and fulfilling customer commitments.

As a result, Energy is delivering. It is a \$19 billion business, growing 16% organically. Because of our ability to invest and deliver, Energy is an innovation powerhouse with decades of growth ahead.



At GE, we launch initiatives so that we can unleash our teams' intellect to create shareowner value. Sometimes, it is difficult to see the value of our initiatives immediately. The story of our Energy business is tangible proof that our growth process is paying off.

#### **Great People and Teams**

At the end of each training course that I teach at Crotonville, I give our team a challenge: return to work as a GE zealot or find a new job. It has never been more important for people to understand exactly why they work for a company.

We value leaders who perform over time. As a result, we don't have a lot of debates about short-term versus long-term performance. In the short term, we have a sense of mutual accountability. In other words, the businesses are committed to deliver for investors and for each other.

*Our "average hold" of a business is measured in decades. We do not "flip" assets. We are builders of businesses. This takes people who believe in teamwork and have pride in workmanship. We have a team that is focused on building a company that has enduring value and makes the world a better place. Our culture matches the expectations of long-term investors.*

I may have been the only person who liked our commercial aviation leasing business for the two years after September 11. We experienced customer bankruptcies, global slowdowns and a variety of other challenges. But our team made difficult decisions to keep investing and supporting our customers. Ultimately, this created abundant returns for our investors and loyalty from our customers. Henry Hubschman, who runs this business, is the ultimate “builder.”

Similarly, persistence paid off as we transformed our “old” rail business into a global “growth engine.” Dave Tucker, Transportation’s commercial leader, has worked in this business for 30 years. He has been working feverishly to globalize this North American business. In 2006, 40% of our orders came from outside the U.S. New customers in China, Brazil and Kazakhstan are buying our products. We have another \$4 billion of global opportunities. Technical innovation, matched with Dave’s determination, has doubled the market for this great business. Dave, too, is a builder.

We have a long-term commitment to training. This is how we transfer knowledge within GE. For the last two years we have trained our team on the growth leadership traits so that they could become high-performance builders. However, we recognized that building a culture to invest and deliver is a “team sport.” As a result, we launched a team-based training course called Leadership Innovation and Growth (LIG).

We will take 50 business teams through LIG by the end of 2007. This is a weeklong process that drives improvement in a business’ growth culture and capability. In the end, the leader has a list of “quick hit actions” to achieve the team’s growth vision.

Maryrose Sylvester led her Automation and Embedded Systems team through LIG. This is a \$1 billion business that has the opportunity for dramatic growth through technology and globalization. Maryrose used LIG to make resource allocation calls and launch new growth initiatives. This is a team that can drive explosive growth over the next few years.

Steve Capus led his NBC News team through LIG. This team has had an outstanding year, with big wins in “Nightly News,” the “Today” show and MSNBC. However, they must find new ways to grow. Steve is using LIG to accelerate new programming ideas and increase focus on the Internet.

Ultimately, we are trying to match a leader with a team with a mission. As we do this, we create a high-performance culture that can invest and deliver. We don’t want thematic leaders who move from subject to subject. They can’t build. All of our compensation and succession planning values long-term commitment.

We believe in the impact of LIG and will make one-third of our executive education “team-based” in the future. We love high-performance people. But we have learned that building businesses over the long term takes a team.

It also helps retention. Everyone likes hiring GE people. While our people are well paid, some private companies can pay them more. Sure it is tempting, but we rarely lose leaders who have a passion for building. These talented people recruit loyal teams and are driven to build dynamic businesses for the future.

GE teams get to see how the story comes to life. Can we effectively treat Alzheimer’s disease? Will nuclear power have a resurgence in the world? Will India be a leading economy? Will “The Office” be the next “Seinfeld”? Our teams will see it first. They are the architects of the future. They sit in the front seat of history.

### Invest and Deliver

GE is a reliable growth company. We have grown earnings 11% annually over the last 25 years. We have increased the dividend for 31 straight years. We will perform for you in uneven economic cycles.

We have invested in the future and we will continue to do so. We have a valuable set of leadership businesses. They are positioned to capitalize on global infrastructure investments, emerging market growth, environmental challenges, expanding and aging demographics, accelerating digitization and substantial liquidity.

We deliver every day. Our organic growth rate has increased, margin rates are expanding and returns are approaching Company targets. The Company has high visibility on excellent financial results.

Your GE team is better than ever. They are more innovative ... more global ... more technical ... than at any other time in our history. Most importantly, they are committed to work on your behalf. It is this desire to win that defines your team, one that will “Invest and Deliver” for the future.

Just like after September 11, I am still buying GE stock. Our earnings have almost doubled, our portfolio strategy is complete and our initiatives are in place. We have worked hard to improve this Company. We have built a better GE. I know that our best days are ahead.

Invest and deliver. Courage and discipline. Every quarter and every decade. This is your GE.



**Jeffrey R. Immelt**  
Chairman of the Board  
and Chief Executive Officer  
February 9, 2007

## Invest and Deliver

Simply put, these are the two reasons to own GE. They are the measure of our history and our capacity for growth.

GE's ability to invest in the right people, technology and businesses ahead of market trends ensures our leadership through any economic cycle. Our foundation of operating rigor and disciplined action allows us to deliver on our commitment to compete and win.

Our ability to invest and deliver enables GE to achieve reliable growth today, tomorrow—and for decades to come.

### DELIVERED PERFORMANCE

