The outlook for the first half of 1980 reflects reduced levels of economic activity, but GE economists do not foresee a contraction as severe as in 1974-75. They expect a gradual economic upturn beginning in the later months of 1980, but no lessening of inflation for the year.

As indicated by the operating reviews that follow in this Annual Report, some of our businesses will be affected by the reduction in economic activity, but our strengths in businesses that are relatively unaffected by the cycles should help us offset these negative factors.

General Electric has other great strengths as it enters this new year and new decade:

- A new top management team has been put in place, providing for an orderly transition to young but broadly experienced leadership. With the retirement of two truly outstanding contributors to your Company's progress, Vice Chairmen Dave Dance and Jack Parker, three new Vice Chairmen have been elected and have joined your Board of Directors. In addition, our depth of management has provided fresh managerial talent to head five of our six Sectors and to fill other key positions, rounding out the team who will lead your Company into this new decade.
- This team will have the significant advantage of a time-tested strategic planning system that really works. When it began, in the early 1970s, our system was an experimental idea. But it has become a way of life for us at GE, enabling us to identify those businesses with the greatest potential for earnings growth and to allocate to them the resources needed for their full development.
- We enter 1980 with substantial backlogs of unfilled orders, expanded by a strong inflow of export orders.
- The new contracts negotiated with unions in mid-1979 give us a peaceful start on three years of productive relationships with GE employees.
- With cash and marketable securities amounting to $2.6 billion, plus a triple-A credit rating, we believe we have the financial strengths to see us through the economic downturn and to finance a new wave of growth and investment opportunities worldwide.
- Our 1979 plant and equipment expenditures of $1.3 billion top off a decade in which we invested $7.9 billion to provide an expanded, modernized production base.
- And, perhaps most critical of all to the future, we have the momentum of research and development programs that totaled $1.4 billion in 1979, producing a veritable technological renaissance for the Company.

These strengths should enable General Electric to sustain its identity as a growth company, with long-term growth rates well ahead of those of the U.S. economy.

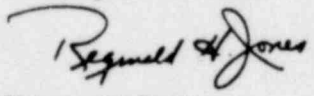
The impact of inflation: Of the challenges facing the U.S. economy, none is more serious than the present double-digit inflation. As indicated by this Report's cover, severe inflation distorts the financial reporting of business, giving the illusion of soaring profits when, in fact, real profits — profits stripped of their inflationary increments — have failed to keep pace with the rising costs of replacing buildings, machinery and equipment, maintaining inventories, and supporting research and development. This reduction in real corporate retained earnings has weakened capital investment, with resulting lowered levels of productivity and international competitiveness.

It is a situation that calls for sharp changes in national direction. Believing that the first step toward this goal is greater public understanding of inflation's impact on the vital process of capital formation, your management welcomes the initiative taken in 1979 by the Financial Accounting Standards Board (FASB). Under FASB leadership, some 1,200 U.S. companies will include, in their 1979 annual reports, inflation-adjusted supplementary data that will show how inflation escalates reported sales and earnings, causes shortfalls in depreciation provisions, and boosts effective tax rates to counterproductive levels.

Our GE supplementary data are on pages 28-30. Because we have long used LIFO (last-in, first-out) accounting for domestic inventories, GE has minimized the "phantom" inventory profits that result from FIFO (first-in, first-out) accounting. However, the Company is seriously affected by the higher effective tax rates that result from underdepreciation in inflationary times.

You will note from our supplementary data that, after pre-tax earnings are adjusted for the impact of inflation and then reduced by taxes and dividends, your Company retained for reinvestment and growth only 16% of pre-tax earnings over the 1975-79 period. The comparable amount for all U.S. nonfinancial corporations was even lower, at 10%. This somewhat more favorable situation for your Company provides little satisfaction, however, when we see how our inflation-adjusted data scale down our sales and earnings and show that our reported depreciation expenses understate our real capital recovery needs by some $356 million in 1979 alone.

Industrywide data generated by this FASB initiative will underscore the case for restructuring U.S. corporate income tax provisions and policies so as to mitigate the impact of inflation on the capital formation process. The results of the more realistic capital recovery allowances and other remedial measures that businessmen are advocating to our legislators will benefit not only industry but the nation as a whole. By strengthening the flow of investments that enhance industry's productivity, they will strike at one of inflation's primary causes and will thus help give this country a more stable foundation for its economic and social progress in the 1980s.



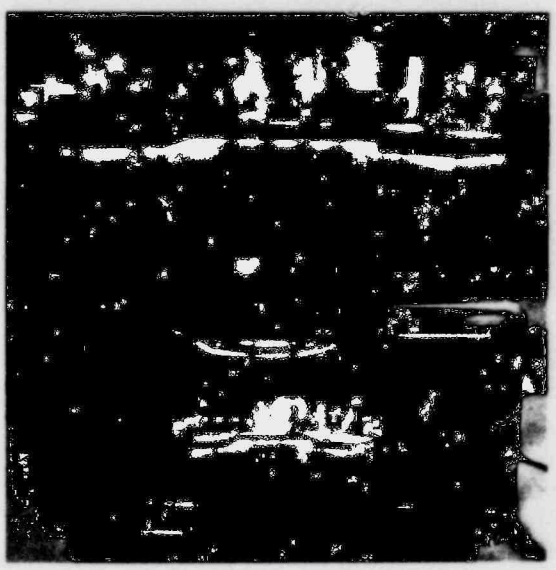
Chairman of the Board
and Chief Executive Officer

February 15, 1980

Consumer Products and Services: improved results despite cost-price squeeze

(In millions)	1979	1978	1977	1976	1975
Revenues*	$5,448	$4,865	$4,215	$3,510	$3,059
Net earnings*	401	377	323	261	164
*Includes net earnings of General Electric Credit Corporation	90	77	67	57	50

The diverse ways in which General Electric serves consumers, illustrated here, include (top) major appliances for energy-efficient kitchens; (below) new Circlite™ fluorescent lamps; and a dual role in TV, including manufacture of receivers and operation of TV stations.



Other aspects of GE consumer products and services include (top) a variety of electric housewares and audio products, such as the new Versatron™ countertop oven with electronic controls; and (below) the varied financial services of GE Credit Corporation.

The Consumer Products and Services Sector in 1979 increased revenues by 12% although the rate of increase slackened somewhat toward the end of the year. Net earnings were up 6% despite the continuing cost-price squeeze resulting from extreme cost inflation. These amounts include the net earnings of General Electric Credit Corporation (GECC), which showed a 17% gain for the year. The Sector accounted for 23% of GE revenues and 28% of earnings, with GECC contributing 6% to the earnings total.

Major appliance businesses, serving retail and builder markets with a complete line of GE* and Hotpoint* kitchen and laundry equipment, outperformed the industry in 1979. In the face of slowing markets and competitive pressures that prevented full recovery of cost inflation through price increases—adverse conditions that forced a new wave of consolidations in the industry—the earnings by these GE operations were somewhat lower on increased sales. The effects of the cost-price squeeze were partly offset by major productivity programs initiated in 1978. Also, GE continues to benefit from its innovative responses to consumers' changing wants and needs.

Consumers wishing to conserve energy, as an example, find General Electric appliances offering higher energy efficiencies and reduced life-cycle costs. Other investments in technology are readying for the early 1980s a variety of GE and Hotpoint appliances incorporating advanced electronics to meet consumers' needs for improved convenience, performance and reliability.

During 1979, the Company improved the national parts distribution system and retail parts sales operation in its after-sale service network. The network is supplemented by thousands of independent service organizations trained and franchised by General Electric. The Company also increased its emphasis on GE service contract offerings to provide consumers increased protection against unexpected maintenance costs.

Air conditioning products reported somewhat higher sales in 1979 despite markets weakened by cool weather. Continued growth, exceeding that of the industry, reflected gains in both domestic and international markets. Earnings were off somewhat as a result of escalating costs. The heat pump, where GE has leadership, represents a timely solution to the worsening energy cost problem.

GE lighting businesses achieved another strong year of earnings growth on good sales increases.

Some lamp lines, particularly photo lamps and miniature lamps for automotive applications, felt the effects of the economic slowdown. But these weaknesses were more than offset by continued growth in such lines as the Watt-Miser* fluorescent lamp family, Bright Stik* self-ballasted fluorescent units and Lucalox* lamps.

Marking the centennial celebration of Edison's invention of the first practical incandescent lamp, GE lighting businesses continued to emphasize innovations. These businesses have, as an example, contributed to national energy-conservation efforts with their high-efficiency, high-intensity discharge lamps that make it worthwhile to replace old lighting systems with new lamps that save energy and reduce energy costs.

For the automotive market, the Company introduced a Lexan® polymer version of the new halogen headlamps, which weigh only one-third as much as all-glass lamps.

Other new products include Circlite®, a circular fluorescent light for table lamps and other incandescent replacement applications; and blacklight and decorator versions of the Bright Stik® unit.

An important 1979 innovation with long-term significance was the announcement of the electronic Halarc® lamp, the first high-intensity discharge lamp for home lighting. The Halarc lamp is scheduled to be marketed in 1981 as the first of a family of long-life lamps that use only one-third as much electricity to generate the same amount of light as the incandescent bulbs they replace.

Housewares and audio products increased sales somewhat, but earnings were lower because of the inflationary cost pressures in this highly competitive industry.

In a business where constant innovation is essential to success, General Electric maintained its flow of new products and features. A new line of Light 'n Easy® irons reduce weight to make ironing less tiring. The Great Awakening® digital electronic AM/FM model introduces microprocessor technology into clock radios. And the Versatron® countertop oven offers family-size capacity, electronic controls and easy-clean removable panels.

Television receiver operations achieved good sales and earnings gains in 1979. Significantly higher private-label volume and increased retail sales of GE color TV sets, video tape recorders and Widescreen 1000 Home Television Theater sets contributed to the gains.

Innovations included a TV remote control system that allows viewers to program up to 20 channels for instant station selection, and a programmable video cassette recorder that, for each weekly period, permits recording of as many as five different programs at different times on different channels. A chassis using 20% less energy makes GE 19-inch color sets more energy-efficient.

Broadcasting and cablevision reported earnings well ahead of the prior year on good sales increases. GE currently operates three VHF television stations and three AM and five FM radio stations. In cablevision, GE now operates 13 systems.

The Company is working to obtain approval from governmental authorities to combine the broadcasting and cablevision operations of General Electric and the Cox Broadcasting Corporation. After required disposition of certain stations, this new GE operation would include five television stations and six AM and seven FM radio stations, plus cablevision operations.

General Electric Credit Corporation (GECC) earned $90 million in 1979, representing a strong 17% improvement over 1978 results, as higher income on an increased portfolio of receivables more than offset higher interest expense. Total receivables in this wholly owned nonconsolidated finance affiliate were more than $7.7 billion at the close of 1979, reflecting growth of nearly $1.4 billion for the year, distributed almost evenly between GECC's Consumer and its Commercial and Industrial financing business segments. (See page 39 for GECC condensed financial statements.)

Broad participation in high-growth energy-related industries contributed significantly to Commercial and Industrial business receivables' gains of 19%, while gains of 24% in the Consumer segment reflected expanded participation in home equity financing and the impact of business development activity.

New programs included purchase of a financial services operation in Hawaii, entry into the leasing of imported automobiles, and introduction of a consumer Major Purchase Card® for acquiring furniture and appliances. Additionally, the Credit Corporation took an important step in international expansion with successful negotiation of a joint-venture agreement with Toshiba Credit Corporation to provide consumer financing service in Japan.

Another important element of the Credit Corporation's 1979 performance was expanded participation in the operating lease business. As a result of strong railroad rolling stock and auto leasing activities, GECC participation in this high-growth activity more than tripled during 1979.

The outlook reflects several factors that should combine to produce good consumer markets in the 1980s, such as growth both in family formations and in the young-adult age group that constitutes the most active purchasers of appliances, housewares and TV sets. In addition, the large replacement markets for these products offer opportunities to businesses that can meet consumers' desires for innovative, energy-efficient, high-quality products.

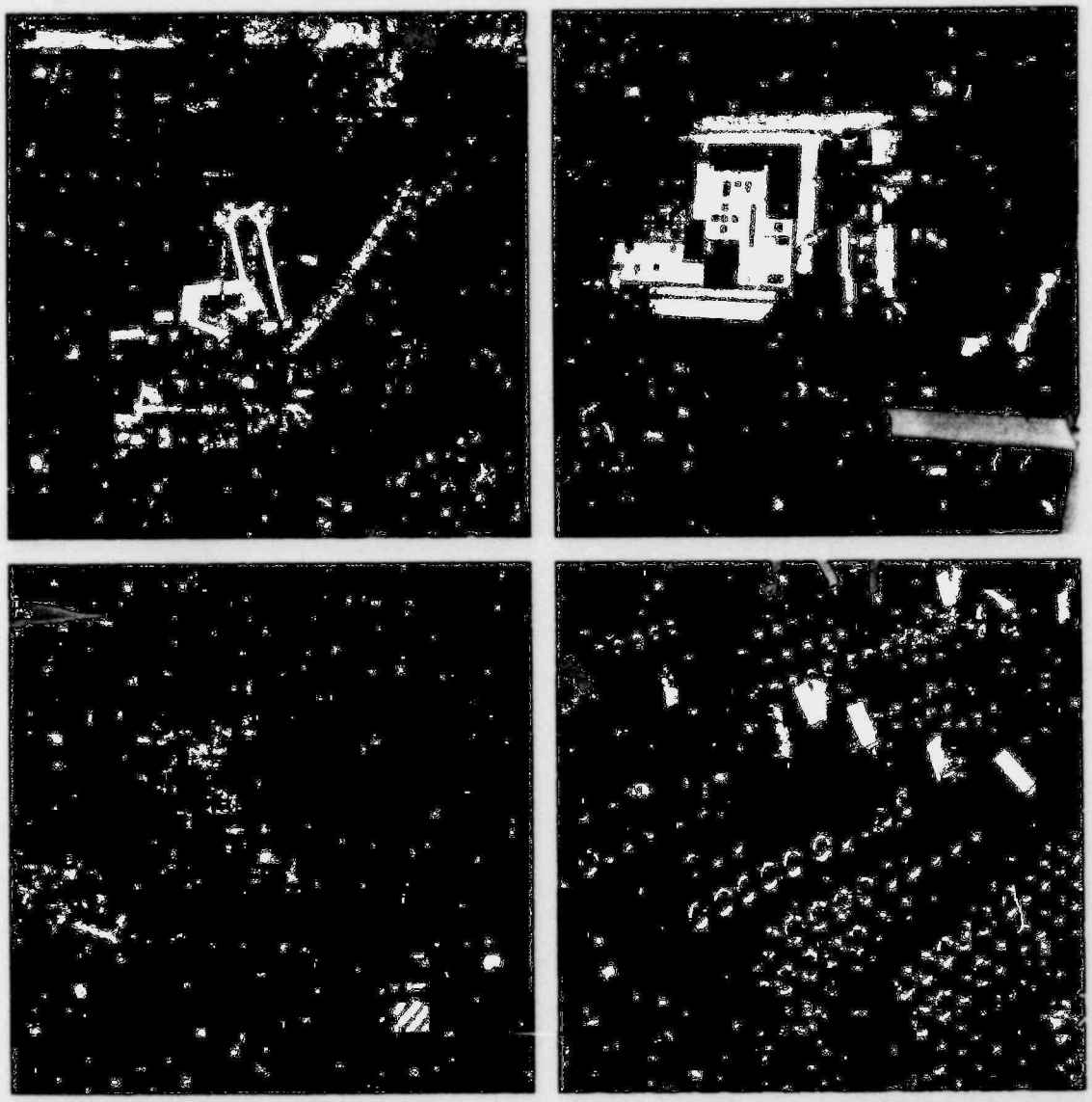
While the short-term outlook is mixed, the Sector expects to capitalize on the growth opportunities of the new decade by maintaining strong emphasis on product innovation and productivity improvement, and by further expansion of its services businesses. Late in 1979, the Sector launched an intensive marketing and advertising program on the theme "GE brings good things to life" — strengthening public consciousness of the GE brand image and setting the tone for the GE commitment to consumers of the 1980s.

Industrial Products and Components: strength in all major markets

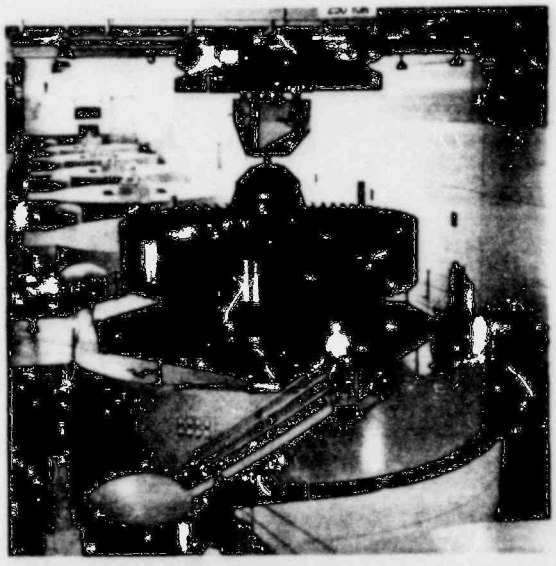
(In millions)	1979	1978	1977	1976	1975
Revenues	$4,803	$4,124	$3,698	$3,270	$3,027
Net earnings	272	223	191	160	133

GE products for industrial customers include (top) powerful motors for excavators and motorized wheels of haulage vehicles, and computerized machine-tool controls; (bottom) diesel-electric locomotives, and small electric motors as components in appliances.

(continued on page 10)



Services offered by the Industrial Products and Components Sector include (top) a worldwide network of apparatus service shops, handling such projects as the rebuilding of hydroelectric generators; and (bottom) distribution services of the GE Supply Company.



The Industrial Products and Components Sector achieved a strong 22% earnings improvement on a good 16% increase in revenues. All of the Sector's major businesses shared in this growth, including GE operations providing markets with capital equipment, component products incorporated by manufacturers and contractors into their products, transportation systems, apparatus repair services, and supply centers for electrical and associated products.

The Industrial Products and Components Sector accounted for 20% of total General Electric revenues in 1979 and 19% of the year's earnings.

Effective at the beginning of 1980, the Sector was restructured to optimize allocation of Company resources to major growth opportunities. This report is based on the new organization.

General Electric's motor businesses serve a broad spectrum of industrial markets, many of which were strengthened by U.S. industry's increased capital investments in plant and equipment to boost productivity and by efforts to achieve greater energy efficiency. These businesses reported good increases in earnings in 1979 on somewhat higher sales.

The Company sustained its leadership role in small electric motors with increased 1979 sales of energy-saving motors for use in GE products and those of other appliance and industrial manufacturers. Strength was also shown in the farm market for motors.

Global efforts to expand energy supplies brought opportunities for increased sales of General Electric products such as motors for the mining industry and motors and generators for oil well drilling rigs.

Contractor equipment operations had strong earnings increases on higher sales. Continued high levels of industrial and commercial construction offset the decline in residential housing starts in 1979. GE manufactures and markets a wide range of products for this market, with a focus on distribution and circuit protection for users of electric power. The General Electric line also includes general purpose controls, wiring devices, and wire and cable products.

Additional General Electric developments during the year included a new self-checking 600-volt relay which affords safe operation of punch press equipment, and new solid-state photoelectric controls which permit more economical and trouble-free operation in material handling applications.

Among many energy-related products gaining customer acceptance in 1979 was the new computer-based programmable lighting control system that saves energy by automatically providing the programmed amount of light when and where needed in commercial and industrial buildings.

Transportation systems businesses continued to grow in supplying diesel-electric locomotives, transit propulsion equipment, and motorized wheels for large off-highway vehicles. The sharply higher earnings achieved by these General Electric businesses in 1979 were led by locomotive operations, which showed growing strength in domestic markets.

Sales of General Electric locomotives reached a new high in 1979 as the result of the expansion of coal haulage and the increase in piggyback operations by U.S. railroads.

General Electric continued to supply high-performance propulsion equipment to the rail transit industry. During the year, the Massachusetts Bay Transportation Authority order for 190 propulsion and control sets was completed, and an order for 300 similar sets was received from the Chicago Transit Authority. Transit car operations also completed the overhaul of 34 Metroliner rail cars for use along the northeast corridor.

Sales of General Electric motorized wheel drives for off-highway vehicles were stronger in 1979, reflecting increased worldwide demand for haulage vehicles for open-pit coal and copper mines.

Industrial electronics operations had good earnings increases on somewhat higher sales.

The Company continued to be an international leader in providing large electrical systems to power industry. Among the year's commitments from customers throughout the world was an order for electrical drives and automation systems to equip a new hot strip steel mill in Taiwan.

Products incorporating microprocessor technology to serve industrial customers' needs for increased productivity include the Mark Century® 1050H series of computerized numerical controls. These new units broaden the market by combining efficient computerized numerical controls with small machine tools.

Strong demand for electronic power supplies for use in electronic copiers and duplicators increased volume for this GE product line. The Company provided its first custom power supply to a manufacturer of laser-equipped computer output printers.

General Electric's electronic components business is benefiting from the electronics boom, with stepped-up demand for semiconductors, capacitors and other electronic devices supplied by the Company. As a result of the Company's ongoing participation in electric automobile research, General Electric introduced in 1979 a new high-power transistor that is capable of switching large currents in less than a millionth of a second. Also during 1979, the Company entered the fast-growing liquid crystal display market. The outlook for liquid crystal display technology is promising, notably in consumer and instrumentation applications.

Service and distribution businesses conducted by this Sector include:

- Apparatus service shops, comprising a worldwide network of facilities providing maintenance, inspection, repair and rebuilding of industrial equipment produced by General Electric and other manufacturers. With these shops continuing their profit growth in 1979, the Company invested further in their expansion, adding eight new shops during the year, bringing to 193 the number operating worldwide.

In addition to new facilities, GE invested in the growth of its service coverage, including new capability for rebuilding mainline locomotives and transit equipment, broader maintenance service for switchgear and substations, new service for industrial crane and hoist maintenance, and expanded service for hydroelectric plants. With only 35% of the nation's hydro capacity now being used, GE sees broad opportunities for rebuilding abandoned plants and upgrading the capacity of existing ones.

Also during 1979, the fast-growing instrumentation and communication equipment service was expanded to include repair and calibration of specialized telephone equipment for independent companies and major users.

- Distribution services provided by the General Electric Supply Company to customers in the contractor, industrial, commercial and utility markets. This GE nationwide network of supply centers, stocked with GE products and those of other companies, capitalized on strengths in its served market in 1979 to achieve another year of improved results. A new computerized order entry, pricing and inventory management system is being implemented to improve service to customers.

The outlook is for some segments of the markets served by the Industrial Products and Components Sector to show strength in 1980 while others may be affected by a slowdown in the U.S. economy.

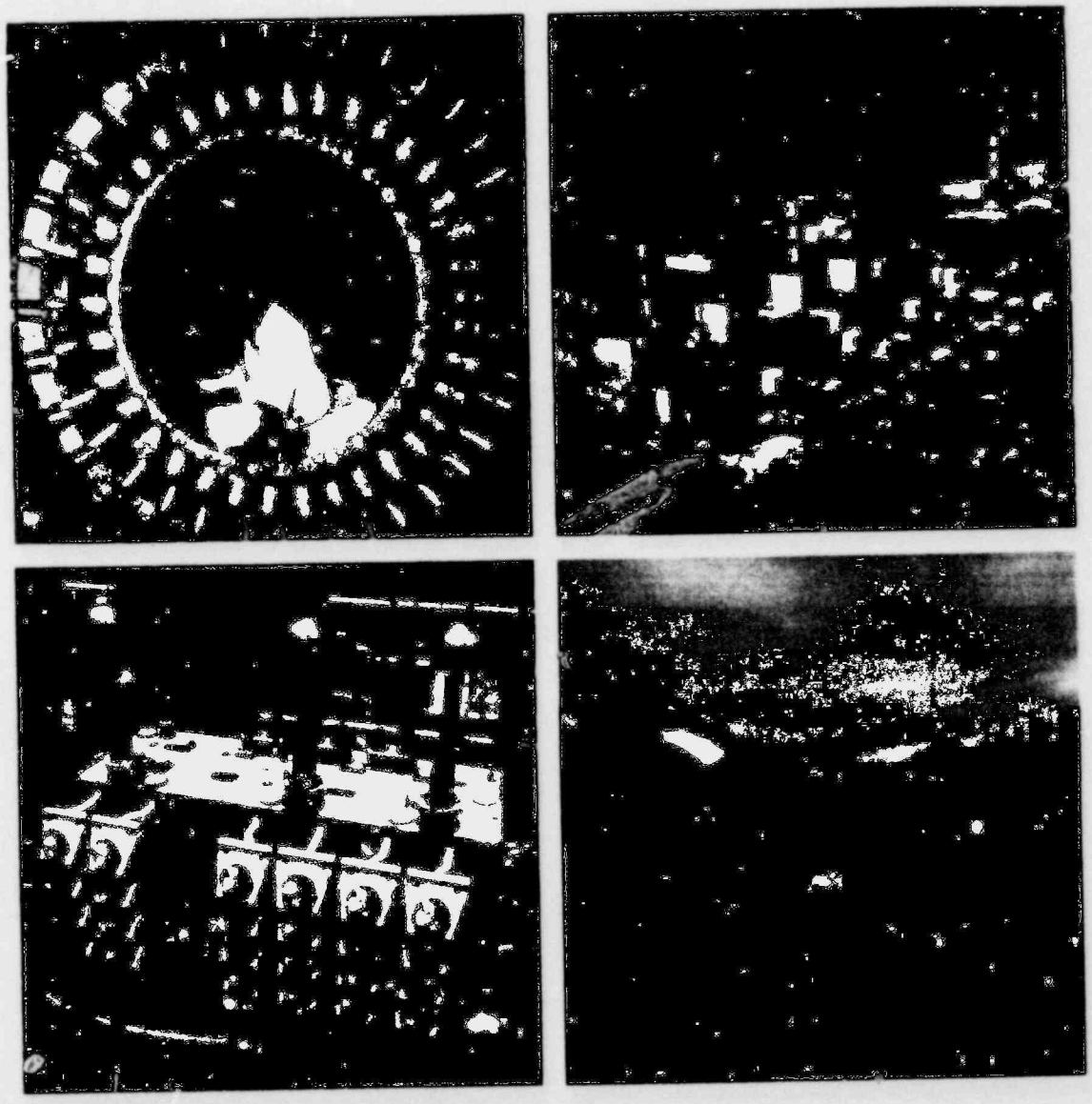
- Commercial and industrial construction markets are expected to remain strong in 1980, although residential construction markets are forecast to decline in the near term.
- Domestic markets for locomotives should hold at record levels in 1980, while a moderate strengthening is expected in overseas purchases.
- The need for energy conservation and for increased productivity offers longer-term growth opportunities as the Company works to speed development of new electronic products and systems.
- The need for modern, more efficient machine tools and more sophisticated production equipment is strong.
- The anticipated resurgence in mining should sustain markets for drives for excavators, and motorized wheels for haulage vehicles.
- Growth in worldwide maintenance and repair markets served by the GE network of service shops is expected to continue throughout the decade.

Power Systems:
good earnings gains; markets remain sluggish

(In millions)	1979	1978	1977	1976	1975
Revenues	$3,564	$3,486	$3,218	$2,998	$2,885
Net earnings	114	93*	75	61	62

*Restated — See page 44

GE Power Systems products and services include (top) the generator half of a large steam turbine-generator; nuclear power reactors, as in Japan's Fukushima plant; (bottom) large power transformers; and marine turbines powering tanker in Alaskan waters.



Meeting power producers' needs for both products and services, the Power Systems Sector delivers (top) STAG™ combined-cycle plants, including this new facility in South Korea; and (bottom) engineering services applied to installing and maintaining utilities' systems.

General Electric's Power Systems Sector, serving world markets for electrical generation, power delivery, and industrial and marine apparatus, increased its earnings 23% on a 2% gain in revenues. The increase in earnings was the result of important gains in productivity and more effective utilization of working capital. These improvements were partially offset by the fact that selling price increases were not adequate to cover cost inflation.

Power Systems contributed 15% of total GE revenues for the year and 8% of net earnings.

The Sector worked against continuing adverse market trends. Peak demand for electricity in 1979 grew less than 1%. Thus, utilities continued to have high reserve margins and diminished need to place new orders for power generation and delivery equipment. However, despite these trends, the Sector's backlog of unfilled orders was $12.1 billion at year-end 1979, about the same as at the end of 1978.

The response of Power Systems businesses to these market trends is based on a dual strategy: to maintain good earnings growth at lower production volume by increasing productivity and reducing break-even levels; and to pursue available growth opportunities, particularly in international and services markets and in markets opened up through new product developments.

Steam turbine-generator operations reported sales somewhat higher in 1979. A strong rise in earnings resulted from productivity and working capital improvements, partially offset by selling prices on contracts taken several years ago at fixed prices that were not adequate to cover cost inflation. As expected, the level of new orders received was lower than in 1978, although notable progress was made during the year in securing additional export orders for the Company's smaller-size steam turbine-generators.

The orders backlog for steam turbine-generators was $3.9 billion at year end, of which $2.0 billion is scheduled for shipment after 1984. The comparable backlog for 1978 was $4.1 billion, of which $1.9 billion was scheduled for shipment after 1983.

During 1979, General Electric became a partner in a Taiwan joint-venture manufacturing operation to produce large steam turbine-generators. The new firm, United Asia Electric Company, expects to manufacture fossil units totaling over 7,000 megawatts, and has an immediate order for two 570-mw units. The joint venture provides a significant opportunity for General Electric's turbine-generator business.

Mechanical drive turbines showed slightly lower sales and earnings. However, the business entered 1980 with a good orders backlog.

The Sector's marine propulsion turbine business was sustained by applying its resources to ongoing projects for the U.S. Navy.

Gas turbine operations showed further improvement in earnings in 1979, primarily on the strength of their international sales. General Electric gas turbines maintained their worldwide leadership in a range of applications that includes electric utility peaking and mid-range power, and numerous industrial applications such as pipeline pumping and offshore oil and gas platforms.

High efficiencies of combined-cycle STAG® (steam and gas turbine) plants continued to attract potential customer interest, particularly in energy-short countries.

The Sector is developing larger gas turbines to serve international markets. In 1979, the first order was placed for the Company's advanced MS9000E 100-mw heavy-duty gas turbine.

Nuclear systems businesses' losses in 1979 were lower than in prior years, as General Electric made further substantial expenditures on engineering and development in support of nuclear projects in the backlog. These expenditures, in addition to the effects of deferments of shipments and cancellations of nuclear orders, are expected to result in continuing losses for this business.

The backlog of orders for these businesses, including nuclear reactors, fuel assemblies and plant services, at year-end 1979 totaled $5.3 billion, of which $2.5 billion is scheduled for shipment after 1984. The comparable backlog for 1978 was $5.1 billion, of which $2.4 billion was scheduled for shipment after 1983. For the U.S. utility industry, cancellations of nuclear plants have substantially outnumbered new orders during the last five years. It is the belief of General Electric's management that resumption of nuclear orders will require more than renewed demand for electrical generating equipment; there must be governmental action to reform the nuclear licensing process, and to resolve existing uncertainties regarding such issues as radioactive waste storage as well as nuclear export policy.

Nuclear fuel and plant service needs of U.S. and foreign utilities offer the Sector opportunities for profitable growth. During 1979, the nuclear business received further large orders for nuclear power plant fuel, and worked closely with the Sector's installation and service engineering business to develop General Electric nuclear service opportunities.

Installation and service engineering businesses achieved record earnings in 1979 on good sales increases. Growth for this business is being achieved by expanding utility maintenance, plant equipment modernization and marine services worldwide.

Power delivery businesses which produce transformers, power circuit breakers, switchgear and meters reported lower earnings on slightly higher sales than those for 1978. In view of the excess capacity in utility systems, the inability to recover inflationary costs through price increases, and the decline in residential construction, these General Electric businesses are emphasizing programs for controlling costs, improving efficiency and consolidating operations.

Growth opportunities resulting from product developments are being pursued. In 1979, more than 50 utilities purchased General Electric time-of-use watthour meters designed to help utilities level their daily load peaks and valleys. Also, the Company made the first commercial shipment of the Automatic Meter Reading and Control (AMRAC®) load management system which allows remote meter readings and increased utility influence over demand cycles.

The outlook is for most power systems markets to remain sluggish for the next few years. With current schedules projecting modest increases in shipments, General Electric's Power Systems businesses are stepping up their efforts to reduce their operating costs, lower overhead and improve productivity in order to sustain earnings levels.

Concerned about the possibility of electric power shortfalls in the late 1980s, General Electric managers are urging aggressive development of all present energy options, including coal and nuclear power. It is their belief that while the future for nuclear energy was made more difficult by the accident at Three Mile Island Unit 2 in 1979, nuclear power can and should still play a significant, and safe, role in reducing the present heavy dependence on oil imports.

The Power Systems Sector has organized its Energy Systems and Technology Division specifically to spearhead a wide range of advanced energy development activities. Included are developments in several technologies to use coal in more efficient, economical and clean power plants; advanced sodium-sulfur batteries which would facilitate increased control of peak energy loads by making possible the storage of large amounts of electricity; and solar central-receiver power plants that use heliostats to convert the sun's energy to electricity.

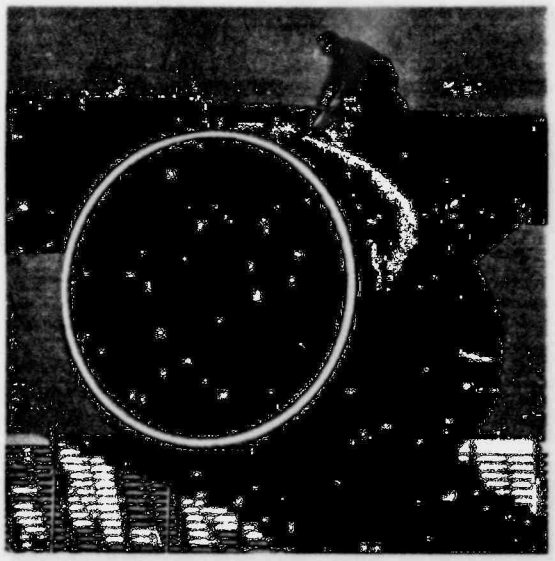
As reported in previous Annual Reports, customers have required that nuclear fuel be sold with warranties covering the useful life of the fuel, even though the experience base for predicting the life of nuclear fuel under power plant operating conditions is still relatively small. As of December 31, 1979, there were open warranty commitments on fuel with an original sales value of approximately $1.1 billion, and on fuel in the backlog presently valued at $3.0 billion, covering deliveries through the early 1990s. Also, some fuel orders include reprocessing, plutonium fabrication and waste disposal services. In view of current U.S. government policies, it is highly uncertain whether such services can be provided.

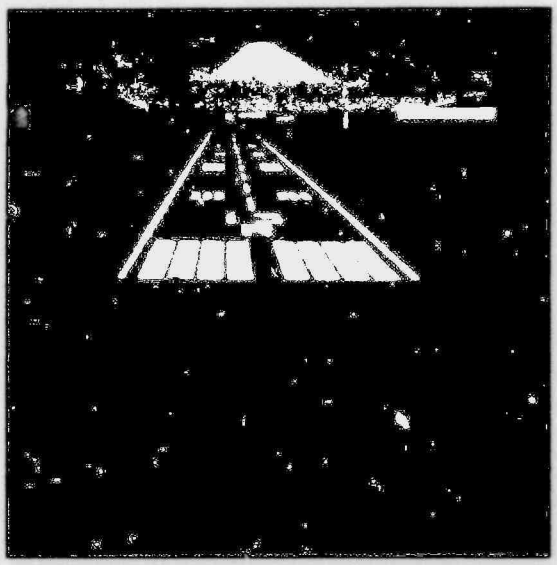
Technical Systems and Materials: strong growth for all major businesses

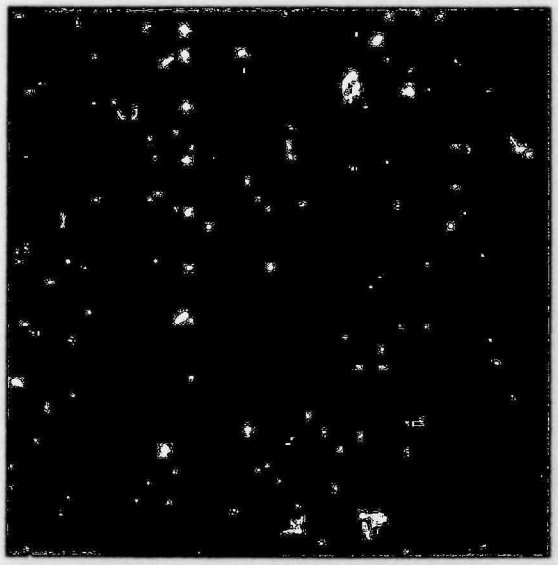
(In millions)	1979	1978	1977	1976	1975
Revenues	$6,061	$4,745	$4,145	$3,688	$3,251
Net earnings	356	278	248	202	160

The diverse products of the Technical Systems and Materials Sector range from (top) the CF6 family of jet engines for commercial aircraft to simulators for training flight crews; and (bottom) from production of silicone chemicals to Lexan® plastics for a Yugoslav stadium.

(continued on page 16)







To help medical equipment customers control costs, GE offers (top) a refurbishing service for mobile x-ray units. Another fast-growing service: a global information services network (bottom), enabling customers to use the massed computer power of GE "Supercenters."

For the array of high-technology businesses making up the Technical Systems and Materials Sector, 1979 was a year of further substantial increases. Both revenues and earnings increased 28% above their 1978 levels, with all of the Sector's major businesses contributing to the year's strong gains.

The Sector accounted for 25% of total General Electric revenues and earnings in 1979.

Aircraft engine businesses serving aircraft, marine and industrial markets produced good earnings increases on sharply higher sales, while continuing a high level of expenditures for commercial engine development. The year was notable for the high rate of new orders for commercial aircraft engines and continued strength in military markets.

Airlines around the world continue to modernize and supplement their fleets with new and re-engined aircraft. The GE family of commercial engines serves this market with powerplants that offer efficiency, low fuel consumption and low-noise designs.

By 1979 year end, 54 airlines had over 380 CF6-powered aircraft in service on their twin, trijet and four-engine wide-bodied aircraft. Highlighting new orders during the year were airlines specifying the CF6-80 engine for new twin-jet Boeing 767 and Airbus Industrie A310 aircraft.

Simultaneous certification of the CFM56 turbofan engine in both France and the U.S. was another 1979 milestone. A joint development by General Electric and SNECMA of France, the engine has been selected by major airlines to re-engine their DC-8 aircraft. It continued its flight test program with the successful first flight on a four-engine 707 jetliner.

Prospects in general aviation improved during the year when GE's CF34 engines were specified for the new twin-engine business aircraft, Canadair Ltd.'s Challenger E, and when Bell Helicopter launched its 214ST civil helicopter with GE CT7 turboshaft engines.

Marine and industrial markets for aircraft-derived engines remained strong in 1979. The first GE LM5000 gas generator to enter regular service began meeting peak electrical demands for Tokyo during the year. The Company's earlier development in marine gas turbines, the LM2500, has been chosen for over 130 ships in 11 navies.

Meeting military needs, GE's F404 engine for the F/A-18 Hornet qualified for production in 1979. Also, GE was selected to develop and flight test an F101 DFE (Derivative Fighter Engine) as a potential alternate powerplant for such aircraft as the Navy F-14 and Air Force F-16.

GE has also developed a substantial business in supplying military helicopter engines. The T700 turboshaft engine, already in production for Army helicopters, continued in development for the U.S. Navy LAMPS helicopter and completed flight qualification tests, meeting or exceeding all performance requirements.

Aerospace operations had substantial earnings gains that outpaced the year's sales increase, and new orders were well ahead of 1978. Technologies in this business encompass space sciences, defense electronics, avionics, computer software and energy systems.

In 1979, General Electric was selected to develop a new solid-state, three-dimensional radar system for the Air Force. This new generation of air defense radar offers automatic operation and reduced maintenance costs.

In space sciences, GE is developing an advanced communication satellite system for the Air Force.

In avionics, which includes the flight control and instrumentation systems for aircraft, General Electric serves both military and commercial markets. GE avionics equipment is on all wide-bodied aircraft, and important new systems have been selected for the Boeing 757 and 767 aircraft now in development.

For both military and commercial customers, General Electric has produced computer-generated image displays that train pilots via simulated rather than actual flights. Even more highly advanced simulators are being developed to further improve flight training while reducing costs and conserving fuel.

Genigraphics®, GE's computer-generated graphic slide service, continued its fast growth in 1979, doubling both equipment sales and the size of its nationwide network of service centers.

Engineered materials had sharply higher earnings and sales than in the preceding year. The General Electric family of high-performance materials includes engineered plastics, silicone chemicals, tungsten-carbide metals, Man-Made® diamonds, Borazon® abrasives, and electromaterials such as laminates and rechargeable batteries.

General Electric plastics continued to penetrate automobile markets both in the U.S. and abroad. Seeking to improve fuel efficiencies by reducing weight, auto makers are increasingly specifying the Company's high-performance plastics to replace metals and glass. With the 1979 introduction of Arnox® resin, "the processable epoxide," the General Electric line of plastics now covers 32 automotive applications.

Investments in expanded manufacturing facilities at the Company's Mount Vernon, Ind., plant facilitated the introduction of Margard® sheet, a tough glazing product with abrasion resistance comparable to that of glass.

General Electric tungsten-carbide metals and Man-Made industrial diamonds are finding growth opportunities in industry's drive for higher productivity in metalworking operations and in today's intensified mining operations and drilling for oil and gas.

Innovations helped the Company's silicones business maintain its growth. As an example, new General Electric silicone sealants offer greater durability and ease of application.

Growth of the electro-materials business has been accelerated by applications in electronics for communication, computers and consumer markets.

Medical systems businesses, supplying diagnostic imaging and patient monitoring equipment and related services, had substantial earnings increases on higher sales in 1979.

The Company introduced a new ultrasound diagnostic system particularly applicable in fetal examinations and screening procedures. With this new system, General Electric now offers all four diagnostic imaging techniques, including conventional x-ray, nuclear medicine and computed tomography (CT).

The year brought a continued high demand for the Company's CT systems, which combine x-ray with computer technology to produce cross-sectional views of the body. Some 325 General Electric CT systems have been installed in 16 countries.

GE information services business maintained its rapid growth in sales and earnings. Remote data processing services were further expanded by extending the availability of MARK III® service access to Venezuela and Saudi Arabia. The network now serves over 6,000 customers in 24 countries.

Further advances were made during the year in information services technology, including the introduction of the MARK III Distributed Data Processing service, and the MARK 3000® remote computing service.

Communications businesses of General Electric include mobile radio operations and computer interface equipment. The year's substantial earnings gains and higher sales were paced by mobile radio. Good customer acceptance of the Century II® mobile radio line contributed to the improved results.

The outlook for the varied markets served by the Technical Systems and Materials Sector is excellent. While sales of engineered materials may be affected by a short-term downturn in some domestic markets, it is expected that there will be continued growth in foreign markets.

Markets for new aircraft engines and for re-engining aircraft are on a long-term growth curve.

Government markets for defense equipment, services, and research and development are forecast to expand in the 1980s.

Information services markets are continuing to expand rapidly worldwide.

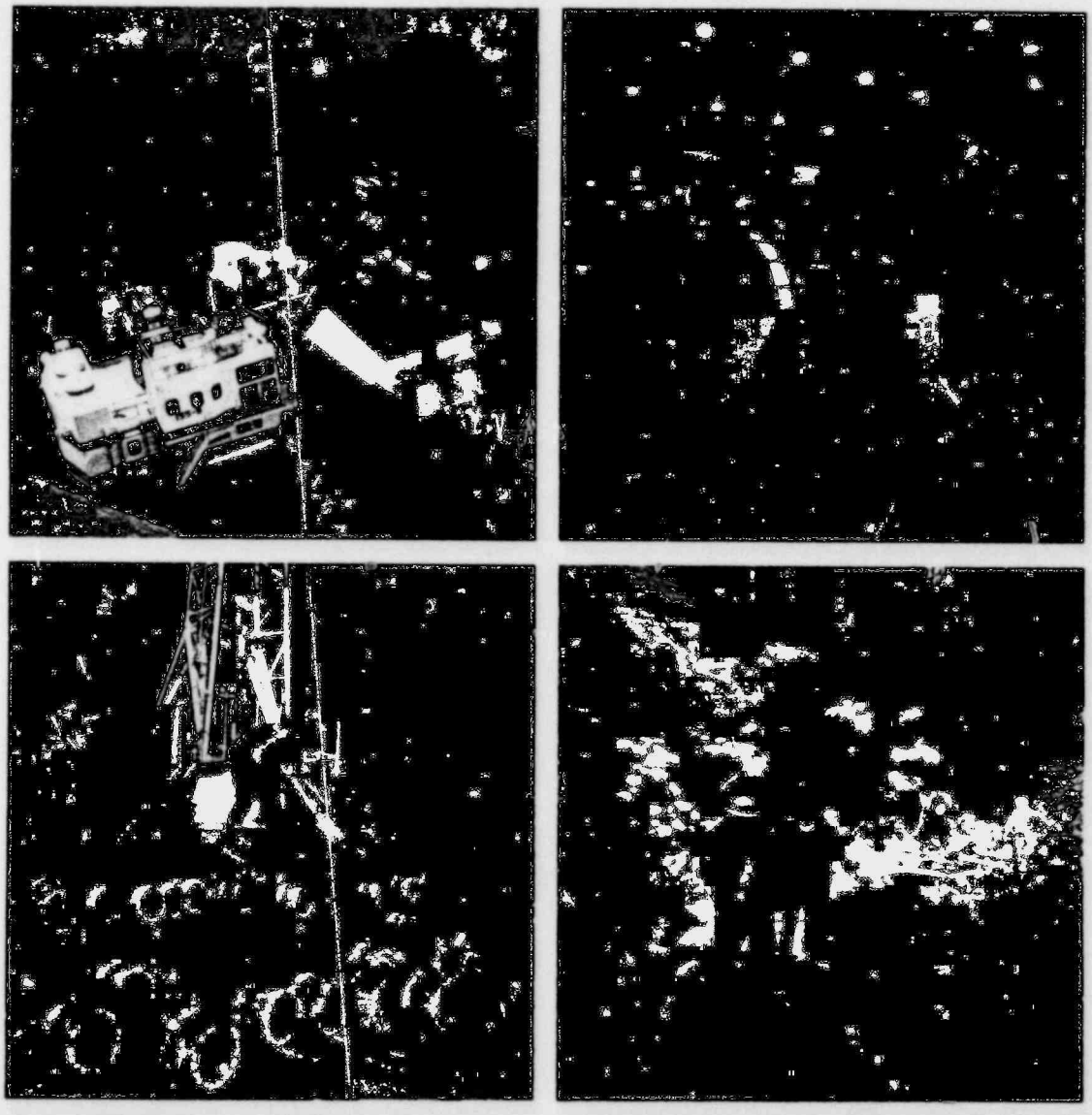
World markets for mobile communications equipment are expected to grow substantially in the next five years.

Needs for improved medical diagnostic equipment continue to bolster markets for sophisticated medical systems.

Natural Resources: new highs in worldwide mining operations

(In millions)	1979	1978	1977	1976	1975
Revenues	$1,260	$1,032	$965	$1,003	$683
Net earnings	208	180	196	181	108

Natural resources activities of Utah International include (top) coking coal mining at new Norwich Park mine in Australia, and production of copper in Canada; plus (bottom) oil and gas production of Gulf Petroleum, and a worldwide minerals exploration program.



GE's natural resources operations, primarily Utah International Inc., set new highs in revenues and earnings in 1979. Revenues were 22% higher than in 1978, while earnings, which exceeded $200 million for the first time, increased 16%. These businesses contributed 5% of total General Electric revenues and 15% of earnings for 1979.

A sharp improvement in earnings from Canadian copper operations was the major factor contributing to the year-to-year earnings gain.

Approximately 82% of 1979 revenues and 77% of net earnings from natural resources originated from non-U.S. operations.

The mineral sales backlog at the end of 1979, including uranium, was $5.6 billion, of which $4.5 billion was scheduled for shipment after 1980. All contracts making up this backlog are payable in U.S. dollars.

Australian coking coal activities continued to be the major source of earnings by Utah International in 1979. A modest earnings improvement was attributable to record shipments of 17.0 million metric tons, a 5% increase over shipments in 1978, when deliveries were affected by a miners' strike of nearly seven weeks. A negative development during the year was the Australian federal government's decision to retain the coal export duty, a levy it previously was committed to eliminate.

Norwich Park, Utah's fifth surface coking coal mine in Australia, came into production in November 1979. The new mine will reach an annual capacity of 4.3 million metric tons, bringing total annual production capacity of the Utah-operated mines to over 21 million metric tons. At year end, approximately one-third of Norwich Park's annual production capacity was contracted for under long-term sales arrangements. Although additional amounts are expected to be committed to contracts early in 1980, some portion of the mine's capacity is being reserved for sales on the "spot" market and for greater flexibility in supplying products to new customers.

Utah owns 89% of Blackwater mine, and 68% of the other Utah-operated coking coal mines in Australia.

Establishment in 1979 of a Sydney headquarters office from which to manage the affiliate's Australian activities reflects both a further commitment by Utah to participate in Australia's economic growth and a move to make Utah more responsive to local developments.

Operations at the Island Copper mine in British Columbia, Canada, produced record earnings for the year. The average price per pound of copper rose 45% in 1979. In addition to the improvement in copper markets, by-product sales of molybdenum, gold, silver and rhenium, which together accounted for approximately one-third of Island Copper's revenues, were substantially higher at record prices.

Iron ore activities also benefited from increased shipments and higher price realizations in 1979. Earnings gains were made by Australian and New Zealand operations and, although another loss was recorded, improvement also was made by Samarco, the $600-million Brazilian venture in which Utah owns 49% of the voting stock and provides debt guarantees.

Steam coal mining operations, serving several electric utilities, showed a good earnings gain. Improvements were realized at the Trapper mine in Colorado and from contract mining at the San Juan mine in New Mexico, while results from the Navajo mine in New Mexico were slightly lower than those achieved in 1978.

Oil and natural gas operations of wholly owned Ladd Petroleum Corporation reported record revenues and earnings. Results benefited from improved product prices and from the 1979 acquisition of the Indian Wells natural gas properties in Texas. The expanded exploration drilling program conducted by Ladd experienced a success ratio that was well above industry averages.

Uranium operations are conducted by Pathfinder Mines Corporation, a wholly owned nonconsolidated subsidiary, all of whose common stock is held by independent trustees (see note 12 to financial statements). The small loss at these operations reflected relatively low shipment levels, increased costs, and the need to deliver concentrate under low price contracts entered into in the early 1970s. These contracts are scheduled to be fulfilled by 1981.

Other activities include ocean transportation in support of mining operations, and land development operations conducted mostly in California. Also, in a joint venture with GE's Lighting Group, Utah began development of a tungsten mine in Nevada. This mine is expected to commence production in 1982 and produce a significant portion of GE's annual tungsten requirements.

The outlook is for continued strength and increased competition in the worldwide markets for natural resources.

Investing for long-term growth, Utah emphasizes a vigorous exploration program aimed at maintaining and strengthening its role as a leading low-cost producer of mineral resources needed by the world's economies. Additional capacity available from the new Norwich Park mine further strengthens Utah's position as the major coking coal supplier to international markets and should enhance Utah's competitive position in coking coal markets.

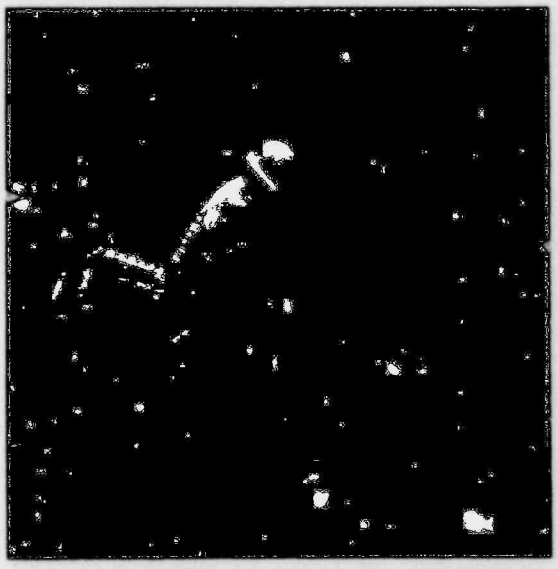
At year-end 1979, Utah International purchased certain Kentucky coal properties for $7 million from National Steel Corporation and signed an agreement to purchase additional coal properties held by National in Kentucky and West Virginia for $158 million.

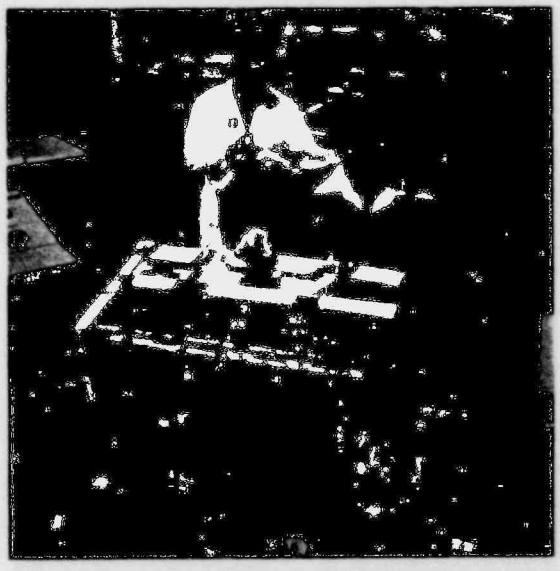
International: total GE business abroad increases; U.S. exports set record

Total international operations — all Sectors (In millions)	1979	1978	1977	1976	1975
Revenues outside the U.S.	$7,840	$7,014	$6,138	$5,567	$4,766
Net earnings	526	486	415	445	312
Foreign multi-industry operations					
Revenues	$2,901	$2,767	$2,562	$2,334	$2,198
Net earnings	65	76*	71	75	58

*Restated — See page 44

General Electric serves international customers with (top) consumer products from Canadian GE; highway lighting, as in Alexandria, Egypt; (bottom) drive systems, as for Mexico's oil field development; and medical systems produced by GE Española.





Total GE international revenues were 12% higher in 1979 with earnings up 8%. International operations of all Sectors accounted for about 33% of GE's 1979 total revenues and 37% of net earnings.

These international revenues were derived from four broad sources worldwide:

- Operations of nondiversified foreign affiliates, including the foreign operations of Utah International Inc;
- Exports of GE products and services from the U.S. to unaffiliated foreign customers and to GE affiliates;
- Technology-licensing revenues from unaffiliated and affiliated foreign sources;
- Foreign multi-industry operations.

Results of the first three activities above are also included in the appropriate product Sector data elsewhere in this Report. The fourth activity, foreign multi-industry operations which are under the direct management of the International Sector, accounted for 12% of total GE revenues and 5% of earnings in 1979.

A summary of revenues from outside the U.S. follows:

Total international revenues — all Sectors

(In millions)	1979	1978
Foreign operations and licensing		
Far East including Australia	$1,217	$1,136
Other areas of the world	3,851	3,307
	$5,068	$4,443
U.S. exports to unaffiliated customers		
Europe/Africa/Middle East	$1,581	$1,662
Far East including Australia	741	498
Other areas of the world	450	411
	$2,772	$2,571

Operations outside the U.S. increased revenues from $4.4 billion in 1978 to $5.1 billion in 1979. This growth was primarily attributable to nondiversified affiliates, directly managed by the appropriate Sectors, and reflects GE's emphasis on encouraging individual product businesses to extend their activities to global markets, with support and coordination provided by the International Sector.

Foreign multi-industry operations included in these amounts consist principally of affiliates manufacturing varied lines of products oriented toward their host-country markets, and international construction operations. Results were mixed in 1979, in line with continued difficult economic conditions in many of the countries served. While revenues increased 5%, earnings were off by 14%, in part due to 1978's nonrecurring gain from the sale of GE's interest in Osram GmbH.

Canadian General Electric Company Ltd., largest of the multi-industry affiliates, with 1979 sales of $1,339 million in Canadian dollars, turned in a strong performance. Actions to reposition several consumer and construction product lines were instrumental in the improvement of sales, operating margins and earnings.

General Electric's Latin American affiliates experienced generally slower sales growth and lower earnings in 1979. Affiliates in Italy and Spain operated at a loss. In Australia and the Philippines, improved performance resulted from transferring General Electric consumer goods affiliates to form larger operations in exchange for minority ownership positions.

International construction operations provide the management and technical expertise to take on very large international projects. Profitability of these operations was improved in 1979 on about the same sales level as 1978.

Export sales reflect, in part, the many services provided to GE's domestic operations by the International Sector. These services range from a worldwide sales organization to establishment of liaison offices in developing countries. Results in 1979 continued to be led by high-technology products such as gas turbines and aircraft engines.

The backlog of orders from unaffiliated customers for exports from the U.S. increased sharply, from $3.5 billion at the end of 1978 to $4.6 billion for 1979.

The outlook continues to favor substantial growth for international markets served by GE, even though GE economists expect growth trends for the world's economies to be moderate over the next two years.

Reasons for this positive assessment lie in worldwide needs for the high-technology products and services that General Electric provides. Also, efforts by the International Sector to strengthen the Company's sales support structure, particularly in new growth areas in the Middle East, Africa and Southeast Asia, have begun to pay returns in increased sales to these areas.

GE foreign operations will continue to reflect the differing development rates and economic conditions in the countries they serve. For instance, Mexican markets should be influenced significantly as that country's government converts its energy resources into industrial growth. The outlook for growth in international markets, however, must take into account the increased worldwide competition from major foreign manufacturers, frequently with support of their national governments.

Prospects for U.S. companies in international business are improved by events of 1979, including Congressional approval of a new international trade agreement whose terms would, with ratification by more than 100 nations, reduce trade barriers for many U.S. industries.

The year also saw new government recognition of the United States need, in the words of President Carter, to "place a higher priority on exports" in order to help offset increased oil imports, hold down U.S. trade deficits and strengthen the dollar. The President's Export Council was reorganized in 1979. General Electric's Board Chairman put the Company's support behind the new effort by agreeing to serve as the Council's chairman.

Board of Directors

Three new Vice Chairmen were elected to General Electric's Board in January 1980, upon the retirement of W. David Dance and Jack S. Parker as Vice Chairmen.

The new Vice Chairmen, all of whom are Executive Officers of General Electric, are: John F. Burlingame, Edward E. Hood, Jr., and John F. Welch, Jr.

Frederick L. Hovde, who had served as a Director for 23 years, retired in 1979.

The Board commended Mr. Dance and Mr. Parker for their long and distinguished service to the Board and to General Electric. Mr. Dance had served on the Board since 1971 and Mr. Parker since 1968. Both were Executive Officers of General Electric. Mr. Hovde, who had served on the Board since 1956, was also commended for his many years of distinguished service.

The Board conducted ten regular meetings in 1979.

In May, the quarterly dividend was increased by the Board, from 65 to 70 cents per share.

In view of the in-depth reports on each of the Board's seven Committees presented in the 1978 Annual Report, this year's Report includes only brief highlights of the Committees' 1979 activities:

- The Audit Committee, made up entirely of Directors from outside the Company, on three occasions met with representatives of the independent public accountants, and on two occasions with the manager of GE's corporate audit staff, to appraise the effectiveness of 1979 audits of General Electric.
- The Finance Committee reviewed the Company's financial position, its investments in foreign companies and operations of the General Electric Credit Corporation.
- The Management Development and Compensation Committee was highly active in reviewing and approving the changes in GE management and executive compensation during the year.
- The Nominating Committee continued to assess candidates for Directorships and the structure and memberships of the other Board Committees.
- Continuing to monitor operating matters that present particular opportunities, the Operations Committee in 1979 concentrated on General Electric's high-technology businesses.
- The Public Responsibilities Committee (formerly Public Issues Committee) reviewed management's responses to public issues affecting the Company in 1979.
- The Technology and Science Committee gave special emphasis to reports from each Sector on implementations of the recent Corporate Technology Study.

General Electric's Board of Directors is made up primarily of Directors from outside the Company. Only four are members of GE management. The other 16 have earned positions of leadership in such fields as business, law, education, finance and public service. The listing of Directors is in order of their Board seniority, with the year in which they were first elected shown in parentheses.

John E. Lawrence, President, James Lawrence & Co., Inc., cotton merchants, Boston, Mass. (1957)

Walter B. Wriston, Chairman of the Board and Director, Citicorp and Citibank, N.A., New York, N.Y. (1962)

Ralph Lazarus, Chairman of the Board and Director, Federated Department Stores, Inc., Cincinnati, Ohio. (1962)

Gilbert H. Scribner, Jr., Chairman of the Board and Director, Scribner & Co., real estate and insurance, Chicago, Ill. (1962)

Edmund W. Littlefield, Chairman of the Executive Committee and Director, Utah International Inc., San Francisco, Calif. (1964)

J. Paul Austin, Chairman of the Board and Director, The Coca-Cola Company, Atlanta, Ga. (1964)

Reginald H. Jones, Chairman of the Board, Chief Executive Officer and Director, General Electric Company, Fairfield, Conn. (1971)

James G. Boswell II, Chairman of the Board, Chief Executive Officer and Director, J. G. Boswell Company, farming and related businesses, Los Angeles, Calif. (1971)

Charles D. Dickey, Jr., Chairman of the Board, Chief Executive Officer and Director, Scott Paper Company, Philadelphia, Pa. (1972)

Henry L. Hillman, President and Director, The Hillman Company, diversified operations and investments, Pittsburgh, Pa. (1972)

Henry H. Henley, Jr., Chairman of the Board, Chief Executive Officer and Director, Cluett, Peabody & Co., Inc., manufacturing and retailing of apparel, New York, N.Y. (1972)

Silas S. Cathcart, Chairman of the Board and Director, Illinois Tool Works Inc., diversified products, Chicago, Ill. (1972)

Samuel R. Pierce, Jr., Partner, Battle, Fowler, Jaffin, Pierce and Kheel, law firm, New York, N.Y. (1974)

Gertrude G. Michelson, Senior Vice President, External Affairs, Macy's- New York, retailers, New York, N.Y. (1976)

Lewis T. Preston, Chairman of the Board and Director, J. P. Morgan & Co. Incorporated and Morgan Guaranty Trust Company, New York, N.Y. (1976)

George M. Low, President, Rensselaer Polytechnic Institute, Troy, N.Y. (1977)

Richard T. Baker, Consultant to Ernst & Whinney, public accountants, Cleveland, Ohio. (1977)

John F. Burlingame, Vice Chairman of the Board, Executive Officer and Director, General Electric Company, Fairfield, Conn. (1980)

Edward E. Hood, Jr., Vice Chairman of the Board, Executive Officer and Director, General Electric Company, Fairfield, Conn. (1980)

John F. Welch, Jr., Vice Chairman of the Board, Executive Officer and Director, General Electric Company, Fairfield, Conn. (1980)

Committees of the Board

Audit Committee
Charles D. Dickey, Jr., *Chairman*, Richard T. Baker, John E. Lawrence, George M. Low, Samuel R. Pierce, Jr.

Finance Committee
Edmund W. Littlefield, *Chairman*, Reginald H. Jones, *Vice Chairman*, Charles D. Dickey, Jr., Henry H. Henley, Jr., Lewis T. Preston, Gilbert H. Scribner, Jr., Walter B. Wriston

Management Development and Compensation Committee
Ralph Lazarus, *Chairman*, J. Paul Austin, Silas S. Cathcart, John E. Lawrence, Walter B. Wriston

Nominating Committee
Henry H. Henley, Jr., *Chairman*, J. Paul Austin, Charles D. Dickey, Jr., Ralph Lazarus, Edmund W. Littlefield, George M. Low

Operations Committee
J. Paul Austin, *Chairman*, John F. Welch, Jr., *Vice Chairman*, James G. Boswell II, Gertrude G. Michelson, Lewis T. Preston, Gilbert H. Scribner, Jr.

Public Responsibilities Committee
Henry H. Henley, Jr., *Chairman*, John F. Burlingame, *Vice Chairman*, Richard T. Baker, Henry L. Hillman, Ralph Lazarus, Gertrude G. Michelson, Samuel R. Pierce, Jr.

Technology and Science Committee
George M. Low, *Chairman*, Edward E. Hood, Jr., *Vice Chairman*, James G. Boswell II, Silas S. Cathcart, Henry L. Hillman, Edmund W. Littlefield

John E. Lawrence

Walter B. Wriston

Ralph Lazarus

Gilbert H. Scribner, Jr.

Edmund W. Littlefield

J. Paul Austin

Reginald H. Jones

James G. Boswell II

Charles D. Dickey, Jr.

Henry L. Hillman

Henry H. Henley, Jr.

Silas S. Cathcart

Samuel R. Pierce, Jr.

Gertrude G. Michelson

Lewis T. Preston

George M. Low

Richard T. Baker

John F. Burlingame

Edward E. Hood, Jr.

John F. Welch, Jr.

People/management

During 1979, General Electric prepared for an orderly transition to the managerial leadership that will guide the Company in the 1980s. Three new Vice Chairmen were elected and subsequently became members of the Board of Directors. Reporting to the Vice Chairmen are six Executive Vice Presidents and Sector Executives, most of them new to their assignments. In all, more than 40 high-level organizational changes were made during the year, utilizing General Electric's depth of management to bring new managerial talent into the Company's leadership. This new GE team for the 1980s includes the 131 managers presented on these and the following two pages.

Two corporate groups provide integration of the plans and programs of these senior managers. The Corporate Policy Board is made up of the Chairman, Vice Chairmen and the six corporate staff Senior Vice Presidents pictured at lower right. These same officers are joined by the six Sector Executives, presented at upper right, to form the Corporate Executive Council. The 12 other Senior Vice Presidents portrayed were elected during the year to head up the major Groups of GE businesses.

'Effectively Coping with Inflation' is the title of a new program developed in 1979 for senior GE managers. The program helps managers understand chronic high inflation, realize how it distorts financial data, and learn how to minimize its impact. More than 350 of the Company's senior managers participated in the seminars in 1979, and the program will be continued in 1980.

GE's U.S. employment, including domestic employees of Utah International Inc., totaled 287,000 at year-end 1979, compared with 284,000 at year-end 1978.

Analysis of domestic GE and General Electric Credit Corporation employment for the year ended September 30 shows that the number of women managers increased from 1,145 to 1,288, up 12%, while the number of minority managers was up 10%, from 1,206 to 1,332. Women professionals climbed from 4,027 to 4,690 — an increase of 16%. Minority professionals went from 2,953 to 3,348 — a 13% rise. More than 18,000 women and 9,000 minorities were promoted in 1979. Overall, women account for 29% of GE employees and minorities 12%.

New three-year contracts were signed at midyear by management and the unions representing most hourly and some salaried employees. The new job package includes a cost-of-living adjustment formula providing increased protection against inflation, a new dental plan, and improvements in pension, medical expense insurance, sickness and accident income, and other plans.

Grants to education by the General Electric Foundation in 1979 totaled $4.8 million. The Foundation's annual report will be available in April upon request.

Executive Vice Presidents

James A. Baker
Executive Vice President and Sector Executive – Industrial Products and Components Sector

Robert R. Frederick
Executive Vice President and Sector Executive – International Sector

Senior Vice Presidents

Senior Vice Presidents responsible for GE corporate staff components include (front row, left to right): Daniel J. Fink, Corporate Planning and Development; Thomas O. Thorsen, Finance; Arthur M. Bueche, Corporate Technology; (back row, left to right): Leonard C. Maier, Jr., Corporate Relations; Walter A. Schlotterbeck, General Counsel and Secretary; and Robert B. Kurtz, Corporate Production and Operating Services.

Herman R. Hill
Executive Vice President and
Sector Executive – Power Systems
Sector

Christopher T. Kastner
Executive Vice President and
Sector Executive – Technical
Systems and Materials Sector

Paul W. Van Orden
Executive Vice President and
Sector Executive – Consumer
Products and Services Sector

Alexander M. Wilson
Chairman of the Board
and Chief Executive Officer – Utah
International Inc.

Senior Vice Presidents and Group Executives include (front row, left to right): Roy H. Beaton, Nuclear Energy Group; George B. Cox, Turbine Group; Brian H. Rowe, Aircraft Engine Group; (back row) Charles R. Carson, Engineered Materials Group; Ralph D. Ketchum, Lighting Group; and Van W. Williams, Motor Group.

Senior Vice Presidents and Group Executives include (front row, left to right): Donald S. Bates, Information and Communication Systems Group; Richard O. Donegan, Major Appliance Group; Louis V. Tomasetti, Aerospace Group; (back row) James P. Curley, Contractor Equipment Group; Donald K. Grierson, Industrial Electronics Group; and John A. Urquhart, Power Delivery Group.

Management

Corporate Policy Board

Reginald H. Jones
Chairman of the Board and Chief Executive Officer

Arthur M. Bueche
Senior Vice President Corporate Technology

John F. Burlingame
Vice Chairman of the Board and Executive Officer

Daniel J. Fink
Senior Vice President Corporate Planning and Development

Edward E. Hood, Jr.
Vice Chairman of the Board and Executive Officer

Robert B. Kurtz
Senior Vice President Corporate Production and Operating Services

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

Leonard C. Maier, Jr.
Senior Vice President Corporate Relations

Walter A. Schlotterbeck
Senior Vice President General Counsel and Secretary

Sector Executives

James A. Baker
Executive Vice President and Sector Executive
Industrial Products and Components Sector

Robert R. Frederick
Executive Vice President and Sector Executive
International Sector

Herman R. Hill
Executive Vice President and Sector Executive
Power Systems Sector

Operations

Industrial Products and Components Sector

James P. Curley
Senior VP & Group Executive – Contractor Equipment Group

William Longstreet
VP & General Manager
Distribution Equipment Division

James M. McDonald
VP & General Manager
Apparatus Distribution Sales Division

Donald K. Grierson
Senior VP & Group Executive – Industrial Electronics Group

Erwin M. Koeritz
VP & General Manager
Electronic Components Division

James R. Olin
General Manager
Industrial Electronics Systems Division

Van W. Williams
Senior VP & Group Executive – Motor Group

George B. Farnsworth
VP & General Manager
Component Motor Division

Eugene J. Kovarik
VP & General Manager
Industrial Motor Division

Ralph B. Glotzbach
VP – Industrial Products and Components Customer and Industry Relations Operation

Kertis P. Kuhlman
VP & General Manager
General Electric Supply Company Division

Donald E. Perry
VP & General Manager
Industrial Sales Division

Bruce O. Roberts
VP & General Manager
Apparatus Service Division

Carl J. Schiemmer
VP & General Manager
Transportation Systems Division

International Sector

James R. Birle
VP & General Manager
Far East Area Division

Willis E. Forsyth
VP & General Manager
Latin American Operations

Frank D. Kittredge
VP & General Manager
Latin American Business Development Division

Paolo Fresco
VP & General Manager
Europe and Africa Operations

Edward C. Bavaria
General Manager
Middle East/Africa Business Development Division

George J. Stathakis
VP & General Manager
International Trading Services Operations

Edward F. Roache
VP & General Manager
International Construction Division

Alton S. Cartwright
Chairman of the Board & Chief Executive Officer
Canadian General Electric Company Limited (an affiliate of General Electric)

Power Systems Sector

Roy H. Beaton
Senior VP & Group Executive – Nuclear Energy Group

A. Philip Bray
VP & General Manager
Nuclear Power Systems Division

Warren H. Bruggeman
VP & General Manager
Nuclear Products Division

Henry E. Stone
VP & General Manager
Nuclear Engineering Division

Bertram Wolfe
VP & General Manager
Nuclear Fuel and Services Division

George B. Cox
Senior VP & Group Executive – Turbine Group

Robert H. Goldsmith
VP & General Manager
Gas Turbine Division

Richard W. Kinnard
VP & General Manager
Large Steam Turbine-Generator Division

George H. Schofield
VP & General Manager
Industrial and Marine Steam Turbine Division

John A. Urquhart
Senior VP & Group Executive – Power Delivery Group

Nicholas Boraski
General Manager
Large Transformer Division

Donald C. Berkey
VP & General Manager
Energy Systems and Technology Division

Edward W. Springer
VP & General Manager
Electric Utility Sales Division

William R. Tackaberry
VP – Power Systems Customer and Industry Relations Operation

Charles C. Thomas
VP & General Manager
Installation and Service Engineering Division

Corporate Staff Officers

R. Howard Annin, Jr.
VP – Northeastern Regional Relations

Theodore P. LeVino
VP – Executive Manpower

Roland W. Schmitt
VP – Corporate Research and Development

Thomas R. Casey, M.D.
VP & Company Medical Director

Edward H. Malone
VP – Trust Investments Operation

Cecil S. Semple
VP – Corporate Customer Relations

Kristian H. Christiansen
VP – Southeastern Regional Relations

Terence E. McClary
VP – Corporate Financial Administration

Russell E. Whitmyer
VP & Treasurer

James J. Costello
VP & Comptroller

John B. McKitterick
VP – Corporate Development

James F. Young
VP – Technical Resources

Frank P. Doyle
VP – Corporate Employee Relations

Douglas S. Moore
VP – Corporate Public Relations

Thomas O. Thorsen
Senior Vice President
Finance

Christopher T. Kastner
Executive Vice President and Sector Executive
Technical Systems and Materials Sector

Technical Systems and Materials Sector

Donald S. Bates
Senior VP & Group Executive – Information and Communication Systems Group

Donald J. Meyers
General Manager – Mobile Communications Division

Charles R. Carson
Senior VP & Group Executive – Engineered Materials Group

Thomas H. Fitzgerald
General Manager
Silicone Products Division

Alastair C. Gowan
VP & General Manager
Metallurgical Division

Glen H. Hiner
VP & General Manager
Plastics Division

Louis V. Tomasetti
Senior VP & Group Executive – Aerospace Group

William A. Anders
VP & General Manager
Aircraft Equipment Division

Donald S. Beilman
VP – Aerospace Technology Development Operation

Lee L. Farnham
VP & General Manager
Space Systems Division

Thomas I. Paganelli
VP & General Manager
Electronic Systems Division

Ladislaus W. Warzecha
General Manager
Re-entry Systems Division

Brian H. Rowe
Senior VP & Group Executive – Aircraft Engine Group

James N. Krebs
VP & General Manager
Military Engine Operations

Orville R. Bonner
General Manager
Marine and Industrial Engine Projects Division

William J. Crawford III
General Manager
Military Engine Projects Division

Raymond F. Letts
VP & General Manager
Aircraft Engine Manufacturing Division

Frank E. Pickering
General Manager
Aircraft Engine Engineering Division

James E. Worsham
VP & General Manager
Commercial Engine Operations

Neil Burgess
General Manager
Airline Programs Division

Harry C. Stonecipher
General Manager
Commercial Engine Programs Division

Walter L. Robb
VP & General Manager
Medical Systems Division

Paul W. Van Orden
Executive Vice President and Sector Executive
Consumer Products and Services Sector

Consumer Products and Services Sector

Richard O. Donegan
Senior VP & Group Executive – Major Appliance Group

Robert E. Fowler, Jr.
VP & General Manager
Major Appliance Manufacturing Division

Richard T. Gralton
VP & General Manager
Major Appliance Marketing Operations

Philip J. Drieci
VP & General Manager – Major Appliance Retail Sales Division

William L. Grim
General Manager
Major Appliance Contract Sales Division

James F. West
General Manager
Major Appliance Marketing Division

John C. Truscott
VP & General Manager
Major Appliance Applied Research and Engineering Division

Wayman O. Leftwich, Jr.
Vice President –
Special Studies

Donald W. Lynch
VP & General Manager
Air Conditioning Division

Walter W. Williams
General Manager
Housewares and Audio Division

Ralph D. Ketchum
Senior VP & Group Executive – Lighting Group

Paul L. Dawson
VP & General Manager
Lamp Components Division

David O. Gifford
General Manager
International Lighting Division

John W. Stanger
President &
Chief Executive Officer
General Electric Credit Corporation (GECC)
(an affiliate of General Electric)

Lawrence A. Bossidy
Executive VP & Chief Operating Officer
General Electric Credit Corporation

Norman P. Blake
VP & General Manager – GECC Commercial and Industrial Financing Division

Raymond F. Pettit
VP & General Manager – GECC Consumer Financing Division

William B. Frogue
VP – Southwestern Regional Relations

J. Russell Mudge
VP – Corporate Operating Services

Marion S. Kellogg
VP – Corporate Consulting Services

Phillips S. Peter
VP – Washington Corporate Office

Harry M. Lawson
VP – Western Regional Relations

Ivor J. Petersen
VP – Central Regional Relations

William C. Lester
VP – East Central Regional Relations

Donald D. Scarff
VP – Atlantic Regional Relations

Utah International Inc.

Alexander M. Wilson
Chairman of the Board and Chief Executive Officer

Alf E. Brandin
Senior VP & Manager
Land Development

James T. Curry
Financial VP & Treasurer

Melvin H. Kennedy
Vice President

J. Boyd Nielsen
VP & Controller

Ralph J. Long
Senior VP & Manager
Mineral Exploration and Development Division

Donn K. Furgerson
VP & Manager
Marine Transportation

Robert O. Wheaton
VP & Manager – Exploration

Charles K. McArthur
Senior VP & Manager
Mining Division

John T. Atkins
VP & Manager – Western Coal Operations

Robert N. Hickman
VP & Manager – Mining Technical Services

Boyd C. Paulson
Vice President

George W. Tarleton
VP & Manager – Mineral Products Marketing

John H. Moore
President – Ladd Petroleum Corporation (a subsidiary of Utah)

Keith G. Wallace
Senior VP & Manager
Australasia Division

Timothy R. Winterer
VP & General Manager
Utah Development Company (a subsidiary of Utah)

Bruce T. Mitchell
Secretary

J. Gilbert Selwyn
General Counsel

Financial issues: the impact of inflation

Inflation is commonly defined as a loss in value of money due to an increase in the volume of money and credit relative to available goods and services, resulting in a rise in the level of prices. Inflation in the U.S. is generally recognized to be caused by a combination of factors, including government deficits, sharp increases in energy costs, and low productivity gains including the effect of proliferating government regulations.

Although loss of purchasing power of the dollar impacts all areas of the economy, it is particularly onerous in its effect on savings — of both individuals in forms such as savings accounts, securities and pensions, and of corporations in the form of retained earnings.

For the individual, with inflation of 6% a year, the dollar saved by a person at age 50 will have lost three-fifths of its value by the time the person is age 65. With a 10% inflation rate, almost four-fifths of the dollar's value is lost in 15 years. This problem affects almost everyone, including those presently working and especially those who are on fixed incomes.

The situation is rendered even more difficult by the progressive income tax system. A Congressional staff study reports that a family of four with an income of $8,132 in 1964 would need a 1979 income of $18,918 to have kept pace with the increase in the Consumer Price Index over the years. However, the 1979 income of $18,918 puts the family into a higher tax bracket which, when coupled with increased Social Security taxes, reduces real after-tax income $1,068 below the equivalent 1964 level.

Your Company and all U.S. businesses face a similar problem. Business savings are in the form of retained earnings — the earnings a company keeps after paying employees, suppliers and vendors, and after payment of taxes to government and dividends to share owners. If a company is to continue in business, much less grow, it must be able to save or retain sufficient earnings, after providing a return to its share owners, to fund the cost of replacing — at today's inflated prices — the productive assets used up. Retention of capital in these inflationary times under existing tax laws is a challenge facing all businesses.

U.S. tax regulations permit recognition of the impact of inflation on a company's inventory costs by use of the LIFO (last-in, first-out) inventory method. In general, under the LIFO method, a company charges off to operations the current cost of inventories consumed during the year. With inflation averaging over 11% last year, the negative impact on operations of using current costs with respect to a supply of goods is substantial. Financial results are portrayed more accurately when the LIFO method is used in periods of high inflation, and GE has used LIFO for most of its U.S. manufacturing inventories for a quarter-century. The Statement of Earnings on page 32 is on that basis. As supplementary information to that Statement of Earnings: use of the LIFO method increased 1979 and 1978 operating costs by $430.8 million and $224.1 million (to $20,330.7 million and $17,695.9 million), respectively, with a corresponding reduction of reported pre-tax profits.

Unfortunately, U.S. tax regulations fail to provide an equivalent to LIFO for the impact of inflation on a company's costs of property, plant and equipment. Instead, deductions for wear and tear on these assets are based on original purchase costs rather than today's replacement costs. In general, the resulting shortfall must be funded from after-tax earnings.

The supplementary information shown in Table 1 restates operating results to eliminate the major effects of inflation discussed above. Table 1 compares GE operating results as reported on page 32 with results adjusted in two ways. First, results are restated to show the effects of general inflation — the loss of the dollar's purchasing power — on inventories and fixed assets. The second restatement shows results restated for changes in specific prices — the current costs of replacing those assets. Your management feels that the last column in Table 1 is the more meaningful and has therefore shown, in Table 2 on page 30, five years of results on that basis, also adjusted to equivalent 1979 dollars to make the years comparable. While the techniques used are not precise, they do produce reasonable approximations.

In these earnings statements, specific adjustments are made to (1) *cost of goods sold* for the current cost of replacing inventories and (2) *depreciation* for the current costs of plant and equipment. The restatements for inventories are relatively small because GE's extensive use of LIFO accounting already largely reflects current costs in the traditional statements. However, a substantial restatement is made for the impact of inflation on fixed assets, which have relatively long lives. The $624 million of depreciation as traditionally reported, when restated for general inflation, increases to a total of $880 million. But the restatement necessary to reflect replacement of these assets at current costs grows to $980 million. The net effect of these restatements lowers reported income of $6.20 a share to $4.68 on a general inflation-adjusted basis and $4.34 on a specific current cost basis.

It is significant to note that for the five years 1975-1979, even after adjustment for inflation, your Company has shown real growth in earnings and a steady increase in share owners' equity over the entire period. After adjusting earnings for current costs and restating all years to equivalent 1979 dollars, your Company's average annual growth rate in real earnings was 21% since 1975 and 8% since 1976. This means that the growth in GE's earnings has been real, not just the product of inflation.

An important insight from these data is depicted in the pie charts at right. These show that, over the five years 1975-1979, because of inflation 10% more of GE's earnings were taxed away than appeared to have been the case using traditional financial statements. While the traditional earnings statements indicated an effective tax rate of 41% over this period, the "real" tax rate averaged 51% of profits before taxes. Consequently, earnings

Table 1: supplementary information – effect of changing prices (a)

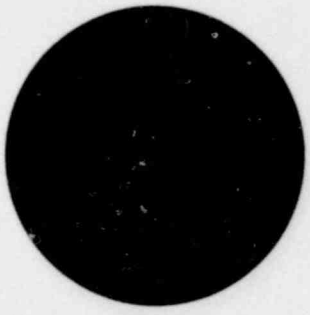
(In millions, except per-share amounts)

The notes on page 30 are an integral part of this statement.

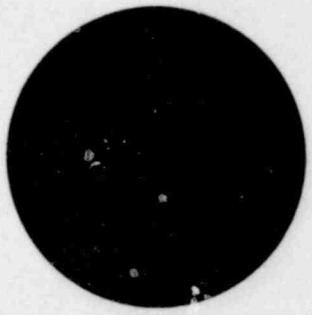
For the year ended December 31, 1979	As reported in the traditional statements	Adjusted for general inflation	Adjusted for changes in specific prices (current costs) (b)
Sales of products and services to customers	$22,461	$22,461	$22,461
Cost of goods sold	15,991	16,093	16,074
Selling, general and administrative expense	3,716	3,716	3,716
Depreciation, depletion and amortization	624	880	980
Interest and other financial charges	258	258	258
Other income	(519)	(519)	(519)
Earnings before income taxes and minority interest	2,391	2,033	1,952
Provision for income taxes	953	953	953
Minority interest in earnings of consolidated affiliates	29	16	13
Net earnings applicable to common stock	$ 1,409	$ 1,064	$ 986
Earnings per common share	$ 6.20	$ 4.68	$ 4.34
Share owners' equity at year end (net assets) (c)	$ 7,362	$10,436	$11,153

Use of each dollar of earnings
Based on total earnings before taxes 1975-1979

As reported



Adjusted for changes in specific prices (current costs)



retained for growth were cut in half to 16% of income before tax, not 32% as reflected in the traditional financial statements. Over the period, share owners received a measure of protection against inflation's impact as about two-thirds of after-tax earnings were distributed — equivalent to an average annual growth rate of about 8% in *real* dividends.

An area receiving special attention by management is experimentation with the use of inflation-adjusted measurements at the individual business and project level for capital budgeting. Since 1973, your Company has been experimenting with various techniques to measure the impact of inflation, to incorporate the perspectives provided by such measurements into decision-making, and to stimulate awareness by all levels of management of the need to develop constructive business strategies to deal with inflation. The objective is to ensure that investments needed for new business growth, productivity improvements and capacity expansions earn appropriate *real rates of return* commensurate with the risks involved. Such supplemental measurements can assist in the entire resource allocation process, starting with initial project approval, implementation and subsequent review.

Improving productivity to offset inflationary forces is a primary goal established by top management that is being stressed throughout General Electric. As discussed on the back cover of this Annual Report, the Company has committed significant levels of resources to research and development activities to accelerate innovation and increase productivity. In addition, General Electric's production base continues to be expanded and modernized through increasing investments in plant and equipment. For example, $1,262 million and $1,055 million were spent on strengthening General Electric's production base in 1979 and 1978, respectively. Imaginative and diligent coupling of production techniques and equipment is critical to the maintenance and improvement of your Company's profitability.

Table 2: supplementary information – effect of changing prices (a)

(In millions, except per-share amounts)

Current cost information in dollars of 1979 purchasing power (b)

(All amounts expressed in average 1979 dollars)	1979	1978	1977	1976	1975
Sales of products and services to customers	$22,461	$21,867	$20,984	$20,015	$19,022
Cost of goods sold	16,074	15,548	14,793	14,145	13,914
Selling, general and administrative expense	3,716	3,566	3,606	3,360	3,018
Depreciation, depletion and amortization	980	1,000	986	979	1,006
Interest and other financial charges	258	249	238	222	251
Other income	(519)	(466)	(467)	(350)	(235)
Earnings before income taxes and minority interest	1,952	1,970	1,828	1,659	1,068
Provision for income taxes	953	995	926	853	620
Minority interest in earnings of consolidated affiliates	13	13	20	26	26
Net earnings applicable to common stock	$ 986	$ 962	$ 882	$ 780	$ 422
Earnings per common share	$ 4.34	$ 4.22	$ 3.88	$ 3.45	$ 1.88
Share owners' equity at year end (net assets) (c)	$11,153	$11,020	$10,656	$10,526	$10,056
Other inflation information					
Average Consumer Price Index (1967 = 100)	217.4	195.4	181.5	170.5	161.2
(Loss) gain in general purchasing power of net monetary items	$(209)	$(128)	$ (61)	$ (20)	$ 19
Dividends declared per common share	2.75	2.78	2.52	2.17	2.16
Market price per common share at year end	47⅞	50½	58¼	69⅜	60¼

Notes to supplementary information — Tables 1 and 2

(a) This information has been prepared in accordance with requirements of the Financial Accounting Standards Board (FASB). Proper use of this information requires an understanding of certain basic concepts and definitions.

The heading "As reported in the traditional statements" refers to information drawn directly from the financial statements presented on pages 32 to 44. This information is prepared using the set of generally accepted accounting principles which renders an accounting based on the number of actual dollars involved in transactions, with no recognition given to the fact that the value of the dollar changes over time.

The heading "Adjusted for general inflation" refers to information prepared using a different approach to transactions involving inventory and property, plant and equipment assets. Under this procedure, the number of dollars involved in transactions at different dates are all restated to equivalent amounts in terms of the general purchasing power of the dollar as it is measured by the Consumer Price Index for all Urban Consumers (CPI-U). For example, $1,000 invested in a building asset in 1967 would be restated to its 1979 dollar purchasing power equivalent of $2,174 to value the asset and calculate depreciation charges. Similarly, 1978 purchases of non-LIFO inventory sold in 1979 would be accounted for at their equivalent in terms of 1979 dollars, rather than in terms of the actual number of dollars spent.

The heading "Adjusted for changes in specific prices (current costs)" refers to information prepared using yet another approach to transactions involving inventory and property, plant and equipment assets. In this case, rather than restating to dollars of the same general purchasing power, estimates of current costs of the assets are used.

In presenting results of either of the supplementary accounting methods for more than one year, "real" trends are more evident when results for all years are expressed in terms of the general purchasing power of the dollar for a designated period. Results of such restatements are generally called "constant dollar" presentations. In the five-year presentations shown above, dollar results for earlier periods have been restated to their equivalent number of constant dollars of 1979 general purchasing power (CPI-U basis).

Since none of these restatements is allowable for tax purposes under existing regulations, income tax amounts are the same as in the traditional statements (but expressed in constant dollars in the five-year summary).

There are a number of other terms and concepts which may be of interest in assessing the significance of the supplementary information shown in Tables 1 and 2. However, it is management's opinion that the basic concepts discussed above are the most significant for the reader to have in mind while reviewing this information.

(b) Principal types of information used to adjust for changes in specific prices (current costs) are (1) for inventory costs, GE-generated indices of price changes for specific goods and services, and (2) for property, plant and equipment, externally generated indices of price changes for major classes of assets.

(c) At December 31, 1979, the current cost of inventory was $5,251 million, and of property, plant and equipment was $7,004 million. Estimated current costs applicable to the sum of such amounts held during all or part of 1979 increased by approximately $1,111 million, which was $329 million less than the $1,440-million increase which could be expected because of general inflation.

Report of management

To the Share Owners of General Electric Company

We have prepared the accompanying statement of financial position of General Electric Company and consolidated affiliates as of December 31, 1979 and 1978, and the related statements of earnings, changes in financial position and changes in share owners' equity for the years then ended, including the notes, industry and geographic segment information, and supplementary information on the effect of changing prices. The statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances, and include amounts that are based on our best estimates and judgments. Financial information elsewhere in this Annual Report is consistent with that in the financial statements.

Your Company maintains a strong system of internal financial controls and procedures, supported by a corporate staff of traveling auditors and supplemented by resident auditors located around the world. This system is designed to provide reasonable assurance, at appropriate cost, that assets are safeguarded and that transactions are executed in accordance with management's authorization and recorded and reported properly. The system is time-tested, innovative and responsive to change. Perhaps the most important safeguard in this system for share owners is the fact that the Company has long emphasized the selection, training and development of professional financial managers to implement and oversee the proper application of its internal controls and the reporting of management's stewardship of corporate assets and maintenance of accounts in conformity with generally accepted accounting principles.

The independent public accountants provide an objective, independent review as to management's discharge of its responsibilities insofar as they relate to the fairness of reported operating results and financial condition. They obtain and maintain an understanding of GE's accounting and financial controls, and conduct such tests and related procedures as they deem necessary to arrive at an opinion on the fairness of financial statements.

The Audit Committee of the Board of Directors, which is composed solely of Directors from outside the Company, maintains an ongoing appraisal of the effectiveness of audits and the independence of the public accountants. The Committee meets periodically with the public accountants, management and internal auditors to review the work of each. The public accountants have free access to the Committee, without management present, to discuss the results of their audit work and their opinions on the adequacy of internal financial controls and the quality of financial reporting. The Committee also reviews the Company's accounting policies, internal accounting controls, and the Annual Report and proxy material.

Your management has long recognized its responsibility for conducting the Company's affairs in a manner which is responsive to the ever-increasing complexity of society. This responsibility is reflected in key Company policy statements regarding, among other things, potentially conflicting outside business interests of Company employees, proper conduct of domestic and international business activities, and compliance with antitrust laws. Educational, communication and review programs are designed to ensure that these policies are clearly understood and that there is awareness that deviation from them will not be tolerated.

Reginald H. Jones

Chairman of the Board and Chief Executive Officer

R. J. Lowrey

Senior Vice President, Finance

February 15, 1980

Report of independent certified public accountants

To the Share Owners and Board of Directors of General Electric Company

We have examined the statement of financial position of General Electric Company and consolidated affiliates as of December 31, 1979 and 1978, and the related statements of earnings, changes in financial position and changes in share owners' equity for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of General Electric Company and consolidated affiliates at December 31, 1979 and 1978, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

Peat, Marwick, Mitchell & Co.
345 Park Avenue, New York, N.Y. 10022
February 15, 1980

Statement of earnings

General Electric Company and consolidated affiliates

For the years ended December 31 (In millions)		1979	1978
Sales	Sales of products and services to customers (note 1)	$22,460.6	$19,653.8
Operating costs	Cost of goods sold	15,990.7	13,915.1
	Selling, general and administrative expense	3,715.9	3,204.4
	Depreciation, depletion and amortization	624.1	576.4
	Operating costs (notes 2 and 3)	20,330.7	17,695.9
	Operating margin	2,129.9	1,957.9
	Other income (note 4)	519.4	419.0
	Interest and other financial charges (note 5)	(258.6)	(224.4)
Earnings	Earnings before income taxes and minority interest	2,390.7	2,152.5
	Provision for income taxes (note 6)	(953.4)	(893.9)
	Minority interest in earnings of consolidated affiliates	(28.5)	(28.9)
	Net earnings applicable to common stock	$ 1,408.8	$ 1,229.7
	Earnings per common share (in dollars) (note 7)	$6.20	$5.39
	Dividends declared per common share (in dollars)	$2.75	$2.50
	Operating margin as a percentage of sales	9.5%	10.0%
	Net earnings as a percentage of sales	6.3%	6.3%

The information on pages 31 and 36-44 is an integral part of this statement.

Statement of financial position

General Electric Company and consolidated affiliates

At December 31 (In millions)		1979	1978
Assets	Cash (note 8)	$ 1,904.3	$ 1,992.8
	Marketable securities (note 8)	672.3	470.3
	Current receivables (note 9)	3,646.6	3,288.5
	Inventories (note 10)	3,161.3	3,003.4
	Current assets	9,384.5	8,755.0
	Property, plant and equipment (note 11)	9,365.2	8,328.2
	Accumulated depreciation, depletion and amortization (note 11)	(4,752.4)	(4,305.6)
		4,612.8	4,022.6
	Investments (note 12)	1,691.5	1,410.5
	Other assets (note 13)	955.7	847.9
	Total assets	$16,644.5	$15,036.0
Liabilities and equity	Short-term borrowings (note 14)	$ 871.0	$ 960.3
	Accounts payable	1,476.7	1,217.2
	Progress collections and price adjustments accrued	1,957.0	1,667.3
	Dividends payable	158.8	147.6
	Taxes accrued	655.6	532.6
	Other costs and expenses accrued (note 15)	1,752.7	1,650.2
	Current liabilities	6,871.8	6,175.2
	Long-term borrowings (note 16)	946.8	993.8
	Other liabilities	1,311.9	1,129.5
	Total liabilities	9,130.5	8,298.5
	Minority interest in equity of consolidated affiliates	151.7	150.8
	Preferred stock ($1 par value; 2,000,000 shares authorized; none issued)	—	—
	Common stock ($2.50 par value; 251,500,000 shares authorized; 231,463,949 shares issued 1979 and 1978)	578.7	578.7
	Amounts received for stock in excess of par value	656.3	658.0
	Retained earnings	6,307.6	5,522.4
		7,542.6	6,759.1
	Deduct common stock held in treasury	(180.3)	(172.4)
	Total share owners' equity (notes 17 and 18)	7,362.3	6,586.7
	Total liabilities and equity	$16,644.5	$15,036.0

Commitments and contingent liabilities (note 19)

The information on pages 31 and 36-44 is an integral part of this statement.

Statement of changes in financial position

General Electric Company and consolidated affiliates

For the years ended December 31 (In millions)		1979	1978
Source of funds	From operations		
	Net earnings	$1,408.8	$1,229.7
	Less earnings retained by nonconsolidated finance affiliates	(16.8)	(15.7)
	Depreciation, depletion and amortization	624.1	576.4
	Income tax timing differences	(37.2)	31.9
	Minority interest in earnings of consolidated affiliates	28.5	28.9
		2,007.4	1,851.2
	Increases in long-term borrowings	49.7	95.5
	Newly issued common stock	—	2.6
	Disposition of treasury shares	147.5	189.8
	Increase in current payables other than short-term borrowings	785.9	570.0
	Decrease in investments	—	22.8
	Other — net	147.3	176.3
	Total source of funds	3,137.8	2,908.2
Application of funds	Additions to property, plant and equipment	1,262.3	1,055.1
	Dividends declared on common stock	623.6	569.8
	Increase in investments	281.0	—
	Reduction in long-term borrowings	96.7	386.0
	Purchase of treasury shares	155.4	195.7
	Increase in current receivables	358.1	305.8
	Increase in inventories	157.9	399.1
	Total application of funds	2,935.0	2,911.5
Net change	Net change in cash, marketable securities and short-term borrowings	$ 202.8	$ (3.3)
Analysis of net change	Increase in cash and marketable securities	$ 113.5	$ 184.9
	Decrease (increase) in short-term borrowings	89.3	(188.2)
		$ 202.8	$ (3.3)

The information on pages 31 and 36-44 is an integral part of this statement.

Statement of changes in share owners' equity

General Electric Company and consolidated affiliates

For the years ended December 31		1979	1978	1979	1978
		(In millions)		(Thousands of shares)	
Common stock issued	Balance January 1	$ 578.7	$ 578.5	231,464	231,410
	New shares issued:				
	Employee savings plans	—	0.2	—	54
	Balance December 31	578.7	578.7	231,464	231,464
Amounts received for stock in excess of par value	Balance January 1	658.0	668.4		
	Excess over par value of amounts received for newly issued shares	—	2.4		
	Loss on disposition of treasury stock	(1.7)	(12.8)		
	Balance December 31	656.3	658.0		
Retained earnings	Balance January 1	5,522.4	4,862.5		
	Net earnings	1,408.8	1,229.7		
	Dividends declared on common stock	(623.6)	(569.8)		
	Balance December 31	6,307.6	5,522.4		
Common stock held in treasury	Balance January 1	(172.4)	(166.5)	(3,428)	(3,249)
	Purchases	(155.4)	(195.7)	(3,155)	(3,838)
	Dispositions:				
	Employee savings plans	124.1	116.1	2,492	2,223
	Employee Stock Ownership Plan	10.6	—	213	—
	Incentive compensation plans	7.8	8.0	152	147
	Stock options and appreciation rights	5.0	7.0	101	134
	Business acquisitions	—	58.7	—	1,155
	Balance December 31	(180.3)	(172.4)	(3,625)	(3,428)
	Total share owners' equity December 31	$7,362.3	$6,586.7	227,839	228,036

The information on pages 31 and 36-44 is an integral part of this statement.

Summary of significant accounting policies

Basis of consolidation
The financial statements consolidate the accounts of the parent General Electric Company and those of all majority-owned and controlled companies ("affiliated companies"), except finance companies whose operations are not similar to those of the consolidated group. All significant items relating to transactions among the parent and affiliated companies are eliminated from the consolidated statements.

The nonconsolidated finance companies are included in the statement of financial position under investments and are valued at equity plus advances. In addition, companies in which GE and/or its consolidated affiliates own 20% to 50% of the voting stock ("associated companies") are included under investments, valued at the appropriate share of equity plus advances. After-tax earnings of nonconsolidated finance companies and associated companies are included in the statement of earnings under other income.

A nonconsolidated uranium mining company (see note 12) is also included under investments and is valued at lower of cost or equity, plus advances.

Sales
The Company and its consolidated affiliates record a transaction as a sale only when title to products passes to the customer or when services are performed in accordance with contract terms.

Vacation expense
Most employees earn credits during the current year for vacations to be taken in the following year. The expense for this liability is accrued during the year vacations are earned rather than in the year vacations are taken.

Pensions
Investments of the General Electric Pension Trust, which funds the obligations of the General Electric Pension Plan, are carried at amortized cost plus programmed appreciation in the common stock portfolio. Recognition of programmed appreciation is carried out on a systematic basis which does not give undue weight to short-term market fluctuations. Programmed appreciation will not be recognized if average book value exceeds average market value, calculated on a moving basis over a multiyear period.

The funding program for the Pension Plan uses 6% as the estimated rate of future Trust income. This rate includes systematic recognition of appreciation in the common stock portfolio.

Unfunded prior service liabilities of the Plan are amortized over 20 years. Net actuarial gains and losses are amortized over 15 years.

Costs of a separate, supplementary pension plan, primarily affecting long-service professional and managerial employees, are not funded. Current service costs and amortization of prior service costs over a period of 20 years are being charged to operating expenses currently.

Investment tax credit
The investment tax credit is recorded by the "deferral method" and is amortized as a reduction of the provision for taxes over the lives of the facilities to which the credit applies, rather than being "flowed through" to income in the year the asset is acquired.

Inventories
Substantially all manufacturing inventories located in the U.S. are valued on a last-in first-out, or LIFO, basis. Most manufacturing inventories outside the U.S. are generally valued on a first-in first-out, or FIFO, basis. Valuations are based on the cost of material, direct labor and manufacturing overhead, and do not exceed net realizable values. Certain indirect manufacturing expenses are charged directly to operating costs during the period incurred, rather than being inventoried.

Mining inventories, which include principally mined ore and coal, metal concentrates and mining supplies, are stated at the lower of average cost or market. The cost of mining inventories includes both direct and indirect costs consisting of labor, purchased supplies and services, and depreciation, depletion and amortization of property, plant and equipment.

Property, plant and equipment
Manufacturing plant and equipment includes the original cost of land, buildings and equipment less depreciation, which is the estimated cost consumed by wear and obsolescence. An accelerated depreciation method, based principally on a sum-of-the-years digits formula, is used to record depreciation of the original cost of manufacturing plant and equipment purchased and installed in the U.S. subsequent to 1960. Acquisitions prior to 1961, and most manufacturing plant and equipment located outside the U.S., are depreciated on a straight-line basis. If manufacturing plant and equipment is subject to abnormal economic conditions or obsolescence, additional depreciation is provided. Expenditures for maintenance and repairs of manufacturing plant and equipment are charged to operations as incurred.

The cost of mining properties includes initial expenditures and cost of major rebuilding projects which substantially increase the useful lives of existing assets. The cost of mining properties is depreciated, depleted or amortized over the useful lives of the related assets by use of unit-of-production, straight-line or declining-balance methods.

Mining exploration costs are expensed until it is determined that the development of a mineral deposit is likely to be economically feasible. After this determination is made, all costs related to further development, including financing costs of identifiable new borrowings associated with the development of new mining projects, are capitalized. Amortization of such costs begins upon commencement of production and is over ten years or the productive life of the property, whichever is less.

Oil and gas properties are accounted for by use of the full-cost method.

Notes to financial statements

1. Sales

Approximately one-eighth of sales were to agencies of the U.S. government, which is the Company's largest single customer. The principal source of these sales was the Technical Systems and Materials segment of the Company's business.

2. Operating costs

Operating costs by major expense categories are shown below:

(In millions)	1979	1978
Employee compensation, including benefits	$ 8,285.4	$ 7,401.3
Materials, supplies, services and other costs	11,320.0	9,866.7
Depreciation, depletion and amortization	624.1	576.4
Taxes, except Social Security and those on income	259.1	250.6
Increase in inventories during the year	(157.9)	(399.1)
	$20,330.7	$17,695.9

Supplemental details are as follows:

(In millions)	1979	1978
Maintenance and repairs	$774.6	$671.5
Company-funded research and development	640.0	520.8
Social Security taxes	471.3	397.0
Advertising	281.9	247.4
Rent	221.8	198.0
Mineral royalties and export duties	81.5	78.8

Foreign currency translation gains, after recognizing related income tax effects and minority interest share, were $11.8 million in 1979 and $12.1 million in 1978.

3. Employee benefits

General Electric and its affiliates have a number of pension plans, the total Company cost of which was $412.9 million in 1979 and $381.4 million in 1978. The most significant of these plans is the General Electric Pension Plan, in which substantially all employees in the U.S. are participating. Individuals receiving benefits under the Pension Plan totaled 75,700 and 72,100 at December 31, 1979 and 1978, respectively, and obligations of the Plan are funded through the GE Pension Trust.

Earnings of the Trust, including the programmed recognition of appreciation, as a percentage of book value of the portfolio, were 8.4% for 1979 and 7.8% for 1978.

Unfunded liabilities of the Pension Plan were estimated to be $815 million at December 31, 1979, compared with $639 million at the end of 1978, the increase resulting primarily from amendments to the Pension Plan which were effective in 1979. Unfunded vested liabilities included in these amounts were $706 million and $534 million at December 31, 1979 and 1978, respectively. Estimated market value of Trust assets at the end of 1979 was $4,968 million and $4,202 million at the end of 1978.

It is estimated that amendments to the Pension Plan effective January 1, 1980, will result in increases of $90 million in the Plan's unfunded liabilities.

Financial statements of the Pension Trust appear below:

General Electric Pension Trust

(In millions)	1979	1978
Operating statement		
Total assets at January 1	$4,328.9	$3,818.7
Company contributions	340.7	316.6
Employee contributions	94.3	83.3
	435.0	399.9
Dividends, interest and sundry income	294.3	234.9
Common stock appreciation:		
Realized	21.1	0.7
Accrued	67.1	75.9
Total programmed	88.2	76.6
Pensions paid	(224.9)	(201.2)
Total assets at December 31	$4,921.5	$4,328.9
Financial position — December 31		
U.S. government obligations and guarantees	$ 133.0	$ 103.5
Corporate bonds and notes	547.0	356.0
Real estate and mortgages	819.0	770.0
Common stocks and convertibles	2,974.4	2,781.5
	4,473.4	4,011.0
Cash and short-term investments	371.5	240.2
Other assets — net	76.6	77.7
Total assets	$4,921.5	$4,328.9
Funded liabilities:		
Liability to pensioners	$1,874.5	$1,638.7
Liability for pensions of participants not yet retired	3,047.0	2,690.2
Total funded liabilities	$4,921.5	$4,328.9

Costs of the separate supplementary pension plan were $39.1 million in 1979 and $35.3 million in 1978. Unamortized costs for this supplementary plan were $267 million and $243 million at December 31, 1979 and 1978, respectively.

Utah has separate pension plans which are substantially fully funded and the costs of which are included in the total Company costs reported above.

Incentive compensation plans were participated in by over 4,000 key employees. Amounts included in costs and expenses for incentive compensation were $56.0 million in 1979 and $47.8 million in 1978.

4. Other income

(In millions)	1979	1978
Net earnings of GE Credit Corporation	$ 89.9	$ 77.3
Income from:		
Marketable securities and bank deposits	228.8	140.4
Customer financing	70.3	48.6
Royalty and technical agreements	49.7	44.3
Associated companies and non-consolidated uranium mining affiliate	11.2	33.7
Other investments:		
Interest	20.5	18.6
Dividends	10.8	10.5
Other sundry items	38.2	45.6
	$519.4	$419.0

Other sundry items include gains from sales of marketable equity securities of $6.5 million in 1978.

5. Interest and other financial charges

Amounts applicable to principal items of long-term borrowings were $97.6 million in 1979 and $98.0 million in 1978.

6. Provision for income taxes

(In millions)	1979	1978
U.S. federal income taxes:		
Estimated amount payable	$598.9	$590.4
Effect of timing differences	(31.3)	(13.5)
Investment credit deferred — net	45.4	24.9
	613.0	601.8
Foreign income taxes:		
Estimated amount payable	323.2	221.1
Effect of timing differences	(5.9)	45.4
	317.3	266.5
Other (principally state and local income taxes)	23.1	25.6
	$953.4	$893.9

All U.S. federal income tax returns have been closed through 1971.

Provision has been made for federal income taxes to be paid on that portion of the undistributed earnings of affiliates and associated companies expected to be remitted to the parent company. Undistributed earnings intended to be reinvested indefinitely in affiliates and associated companies totaled $944 million at the end of 1979 and $815 million at the end of 1978.

Changes in estimated foreign income taxes payable and in the effect of timing differences result principally from increased foreign earnings and tax rates, and from recognizing in 1979 for tax payment purposes the results of transactions in Australia recorded for financial reporting purposes in other periods.

Investment credit amounted to $75.9 million in 1979, compared with $50.7 million in the prior year. In 1979, $30.5 million was added to net earnings, compared with $25.8 million in 1978. At the end of 1979, the amount still deferred and to be included in net earnings in future years was $206.7 million.

Effect of timing differences on U.S. federal income taxes

(In millions) Increase (decrease) in provision for income taxes	1979	1978
Tax over book depreciation	$ 22.7	$ 25.5
Undistributed earnings of affiliates and associated companies	(2.1)	8.0
Margin on installment sales	(9.9)	(10.1)
Provision for warranties	(36.1)	(31.1)
Other — net	(5.9)	(5.8)
	$(31.3)	$(13.5)

The cumulative net effect of timing differences has resulted in a deferred-tax asset which is shown under other assets.

Reconciliation from statutory to effective income tax rates

	1979	1978
U.S. federal statutory rate	46.0%	48.0%
Reduction in taxes resulting from:		
Varying tax rates of consolidated affiliates (including DISC)	(3.3)	(3.4)
Inclusion of earnings of the Credit Corporation in before-tax income on an after-tax basis	(1.7)	(1.7)
Investment credit	(1.3)	(1.2)
Income tax at capital gains rate	—	(0.6)
Other — net	0.2	0.4
Effective tax rate	39.9%	41.5%

7. Earnings per common share

Earnings per share are based on the average number of shares outstanding. Any dilution which would result from the potential exercise or conversion of such items as stock options or convertible debt outstanding is insignificant (less than 1% in 1979 and 1978).

8. Cash and marketable securities

Time deposits and certificates of deposit aggregated $1,675.1 million at December 31, 1979, and $1,746.8 million at December 31, 1978. Deposits restricted as to usage and withdrawal or used as partial compensation for short-term borrowing arrangements were not material.

Marketable securities (none of which are equity securities) are carried at the lower of amortized cost or market value. Carrying value was substantially the same as market value at year-end 1979 and 1978. Included at year-end 1979 were U.S. treasury obligations of $470.3 million ($393.7 million in 1978).

9. Current receivables

(In millions) December 31	1979	1978
Customers' accounts and notes	$3,254.6	$2,922.3
Associated companies	35.8	27.8
Nonconsolidated affiliates	6.9	2.8
Other	438.7	414.1
	3,736.0	3,367.0
Less allowance for losses	(89.4)	(78.5)
	$3,646.6	$3,288.5

10. Inventories

(In millions) December 31	1979	1978
Raw materials and work in process	$1,943.5	$1,802.3
Finished goods	965.7	943.0
Unbilled shipments	252.1	258.1
	$3,161.3	$3,003.4

About 80% of total inventories are in the United States.

If the FIFO method of inventory accounting had been used by the Company, inventories would have been $1,949.8 million higher than reported at December 31, 1979 ($1,519.0 million higher than reported at December 31, 1978).

11. Property, plant and equipment

(In millions)	1979	1978
Major classes at December 31:		
Manufacturing plant and equipment		
Land and improvements	$ 124.7	$ 123.5
Buildings, structures and related equipment	2,098.5	1,983.8
Machinery and equipment	5,314.2	4,737.0
Leasehold costs and manufacturing plant under construction	371.8	232.4
Mineral property, plant and equipment	1,456.0	1,251.5
	$9,365.2	$8,328.2
Cost at January 1	$8,328.2	$7,514.5
Additions	1,262.3	1,055.1
Dispositions	(225.3)	(241.4)
Cost at December 31	$9,365.2	$8,328.2
Accumulated depreciation, depletion and amortization		
Balance at January 1	$4,305.6	$3,930.4
Current-year provision	624.1	576.4
Dispositions	(188.2)	(191.1)
Other changes	10.9	(10.1)
Balance at December 31	$4,752.4	$4,305.6
Property, plant and equipment less depreciation, depletion and amortization at December 31	$4,612.8	$4,022.6

12. Investments

(In millions) December 31	1979	1978
Nonconsolidated finance affiliates	$ 824.0	$ 683.6
Nonconsolidated uranium mining affiliate	157.5	86.7
Miscellaneous investments (at cost):		
Government and government-guaranteed securities	233.1	241.4
Other	147.5	119.1
	380.6	360.5
Marketable equity securities	44.0	37.4
Associated companies	301.3	257.1
Less allowance for losses	(15.9)	(14.8)
	$1,691.5	$1,410.5

Condensed consolidated financial statements for the General Electric Credit Corporation (the principal nonconsolidated finance affiliate) are shown below. More detailed information is available in General Electric Credit Corporation's 1979 Annual Report, copies of which may be obtained by writing to: General Electric Credit Corporation, P.O. Box 8300, Stamford, Connecticut 06904.

General Electric Credit Corporation
Financial position

(In millions) December 31	1979	1978
Cash and marketable securities	$ 373.8	$ 367.5
Receivables:		
Time sales and loans	7,480.3	6,052.7
Deferred income	(1,124.1)	(843.9)
	6,356.2	5,208.8
Investment in leases	1,207.1	1,031.7
Sundry receivables	140.6	78.1
Total receivables	7,703.9	6,318.6
Allowance for losses	(231.2)	(199.3)
Net receivables	7,472.7	6,119.3
Other assets	321.3	171.9
Total assets	$8,167.8	$6,658.7
Notes payable:		
Due within one year	$3,921.0	$2,953.0
Long-term — senior	1,743.0	1,571.1
— subordinated	324.8	325.5
Other liabilities	631.3	513.7
Total liabilities	6,620.1	5,363.3
Deferred income taxes	718.0	615.7
Deferred investment tax credit	13.3	3.2
Capital stock	566.4	443.7
Additional paid-in capital	11.5	11.5
Retained earnings	238.5	221.3
Equity	816.4	676.5
Total liabilities, deferred tax items and equity	$8,167.8	$6,658.7

Current and retained earnings

(In millions) For the year	1979	1978
Earned income	$1,102.4	$ 813.6
Expenses:		
Interest and discount	528.2	336.7
Operating and administrative	395.6	315.1
Provision for losses — receivables	69.4	56.4
— other assets	(1.8)	8.0
Provision for income taxes	21.1	20.1
	1,012.5	736.3
Net earnings	89.9	77.3
Less dividends	(72.7)	(61.8)
Retained earnings at January 1	221.3	205.8
Retained earnings at December 31	$ 238.5	$ 221.3

Investment in the nonconsolidated uranium mining affiliate consists of investment in a wholly owned affiliate (established in the course of obtaining a U.S. Department of Justice Business Advisory Clearance Procedure Letter in connection with the 1978 Utah merger) to which all of the then existing uranium business of Utah has been transferred. All common stock of this affiliate has been placed in a voting trust controlled by independent voting trustees. Prior to the year 2000, General Electric and its

affiliates may not withdraw the common stock from the voting trust except for sale to unaffiliated third parties. Directors and officers of the affiliate may not be directors, officers, or employees of General Electric, Utah or of any of their affiliates. Uranium may not be sold by this affiliate, in any state or form, to, or at the direction of, General Electric or its affiliates.

All outstanding shares of preferred stock of the uranium affiliate are retained by Utah as an affiliate of General Electric. Payment of cumulative quarterly dividends out of legally available funds on this preferred stock is mandatory in amounts equal to 85% of the affiliate's net after-tax income for the previous quarter (without taking account of any deduction for exploration expense as defined). Utah, as holder of the preferred stock, must make loans with up to ten-year maturities when requested by the affiliate, although the aggregate amount of such loans need not at any time exceed preferred dividend payments for the immediately preceding two calendar years.

The estimated realizable value of miscellaneous investments was $350 million at December 31, 1979 and 1978.

Marketable equity securities are valued at the lower of cost or market. Aggregate market value of marketable equity securities was $181 million and $173 million at year-end 1979 and 1978, respectively. At December 31, 1979, gross unrealized gains on marketable equity securities were $137 million.

Investments in nonconsolidated affiliates and associated companies included advances of $122.6 million at December 31,1979 ($51.0 million at December 31, 1978).

13. Other assets

(In millions) December 31	1979	1978
Long-term receivables	$307.2	$286.6
Deferred charges	144.8	128.7
Recoverable engineering costs on government contracts	121.4	98.9
Customer financing	106.7	101.7
Deferred income taxes	98.0	75.3
Real estate development projects	80.8	79.0
Licenses and other intangibles — net	52.2	40.9
Other	44.6	36.8
	$955.7	$847.9

Licenses and other intangibles acquired after October 1970 are being amortized over appropriate periods of time.

14. Short-term borrowings

The average balance of short-term borrowings, excluding the current portion of long-term borrowings, was $705.2 million during 1979 (calculated by averaging all month-end balances for the year) compared with an average balance of $714.8 million in 1978. The maximum balance included in these calculations was $726.9 million and $747.6 million at the end of March 1979 and August 1978, respectively. The average effective interest rate for the year 1979 was 17.6% and for 1978 was 14.3%. These average rates represent total short-term interest expense divided by the average balance outstanding. A summary of short-term borrowings and the applicable interest rates is shown above at right.

Short-term borrowings

(In millions) December 31	1979		1978	
	Amount	Average rate at Dec. 31	Amount	Average rate at Dec. 31
Parent notes with trust departments	$289.7	12.62%	$302.4	10.24%
Consolidated affiliate bank borrowings	389.4	27.10	362.4	20.58
Other, including current portion of long-term borrowings	191.9		295.5	
	$871.0		$960.3	

Parent borrowings are from U.S. sources. Borrowings of consolidated affiliated companies are primarily from foreign sources. Current portion of long-term borrowings for 1978 includes General Electric 6¼% Debentures ($125.0 million) retired in July 1979, and Utah 7½% Guaranteed Notes ($20.0 million) retired in March 1979. Other borrowings include amounts from nonconsolidated affiliates of $64.8 million in 1979 ($59.4 million in 1978).

Although the total unused credit available to the Company through banks and commercial credit markets is not readily quantifiable, informal credit lines in excess of $1 billion had been extended by approximately 100 U.S. banks at year end.

15. Other costs and expenses accrued

The balance at the end of 1979 included compensation and benefit costs accrued of $640.9 million and interest expense accrued of $35.2 million. At the end of 1978, compensation and benefit costs accrued were $572.8 million and interest expense accrued was $35.2 million.

16. Long-term borrowings

(In millions) Outstanding December 31	1979	1978	Due date	Sinking fund prepayment period
General Electric Company:				
5¾% Notes	$ 68.8	$ 75.0	1991	1972-90
5.30% Debentures	80.5	100.9	1992	1973-91
7½% Debentures	149.3	156.5	1996	1977-95
8½% Debentures	295.0	300.0	2004	1985-03
Utah International Inc.:				
Notes with banks	4.9	22.7	1981	1978-81
8% Guaranteed Sinking Fund Debentures	16.6	17.8	1987	1977-87
7.6% Notes	32.0	36.0	1988	1974-88
Other	24.8	26.2		
General Electric Overseas Capital Corporation:				
4¼% Bonds	23.9	26.9	1985	1976-84
4¼% Debentures	50.0	50.0	1987	None
5½% Sterling/ Dollar Guaranteed Loan Stock	7.9	7.4	1993	None
Other	37.4	37.0		
All other	155.7	137.4		
	$946.8	$993.8		

The amounts shown above are after deduction of the face value of securities held in treasury as shown above right.

Face value of long-term borrowings in treasury

(In millions) December 31	1979	1978
General Electric Company:		
5.30% Debentures	$49.5	$39.1
7½% Debentures	29.0	29.0
8½% Debentures	5.0	—
General Electric Overseas Capital Corporation:		
4¼% Bonds	7.1	6.0

General Electric 5.30% Debentures having a face value of $10.0 million in 1979 and 1978, and a reacquired cost of $7.8 million in 1979 and $7.6 million in 1978, and General Electric 7½% Debentures having a face value of $7.3 million in 1979 and 1978, and a reacquired cost of $7.0 million in 1979 and $6.6 million in 1978, were retired in accordance with sinking fund provisions. General Electric 5¾% Notes having a face value of $6.2 million ($6.3 million in 1978) were retired in accordance with prepayment provisions.

Utah International Inc. notes with banks are payable in varying installments to 1981 and were subject to average interest rates at year-end 1979 and 1978 of 7.9% and 8.4%, respectively.

Borrowings of General Electric Overseas Capital Corporation are unconditionally guaranteed by General Electric as to payment of principal, premium if any, and interest. This Corporation primarily assists in financing capital requirements of foreign companies in which General Electric has an equity interest, as well as financing certain customer purchases.

Borrowings include 4¼% Guaranteed Debentures due in 1987, which are convertible until June 15, 1987, into General Electric common stock at $80.75 a share, and 5½% Sterling/Dollar Guaranteed Loan Stock due in 1993 in the amount of £3.6 million ($7.9 million), convertible into GE common stock at $73.50 a share. During 1979 and 1978, General Electric Overseas Capital Corporation 4¼% Guaranteed Bonds having a face value of $1.9 million and a reacquired cost of $1.5 million were retired in accordance with sinking fund provisions.

All other long-term borrowings were largely by foreign and real estate development affiliates with various interest rates and maturities.

Long-term borrowing maturities during the next five years, including the portion classified as current, are $124.9 million in 1980, $92.6 million in 1981, $46.3 million in 1982, $31.2 million in 1983, and $45.6 million in 1984. These amounts are after deducting reacquired debentures held in treasury for sinking fund requirements.

17. Share owners' equity

Common stock held in treasury at December 31, 1979, included 1,785,656 shares for the deferred compensation provisions of incentive compensation plans (1,629,911 shares at December 31, 1978). These shares are carried at market value at the time of allotment, which amounted to $87.6 million and $80.0 million at December 31, 1979 and 1978, respectively. The liability is recorded under other liabilities. Other common stock in treasury, which is carried at cost, aggregated 1,839,762 and 1,797,806 shares at December 31, 1979 and 1978, respectively. These shares are held for future corporate requirements, including distributions under employee savings plans, incentive compensation awards and possible conversion of General Electric Overseas Capital Corporation convertible indebtedness. The maximum number of shares required for conversions was 737,725 at December 31, 1979 and 1978. Corporate requirements of shares for benefit plans and conversions may be met either from unissued shares or from shares in treasury.

Retained earnings at year-end 1979 included approximately $246.2 million ($232.4 million at December 31, 1978) representing the excess of earnings of nonconsolidated affiliates over dividends received since their formation. In addition, retained earnings have been reduced by $4.6 million ($4.0 million at December 31, 1978), which represents the change in equity in associated companies since acquisition.

18. Stock option plans and performance units

The plan approved by the share owners in 1978, and previous plans under which options remain outstanding, provide continuing incentives for more than 600 employees. Option price under these plans is the full market value of GE common stock on date of grant. Employees can only exercise options to the extent that installments have matured, normally annually, over a period of four years under the 1978 plan and nine years under prior plans.

The 1973 plan provided, and the 1978 plan provides, for granting stock appreciation rights to holders of options under present and past plans, which permit them to surrender exercisable options or a portion of an option in exchange for an amount equal to the excess of the market price of the common stock on the date the right is exercised over the option price. The Management Development and Compensation Committee (Committee) of the Board of Directors determines whether this amount will be distributed in GE shares, cash or both.

The 1978 plan provides for granting performance units as a means of awarding incentive remuneration to plan participants in lieu of options and stock appreciation rights. Performance units are granted for award periods not exceeding five calendar years, with an achievable value fixed by the Committee at the date of grant which does not exceed 90% of the fair market value of GE common stock on that date. The Committee also sets principal and minimum targets to be achieved and determines the value actually assigned to performance units at the end of the award period in relation to the degree to which the principal target has been achieved. Failure to achieve the minimum target renders the performance unit valueless. Even if the targets are achieved, performance units will only be paid when, if, and to the extent the Committee determines to make payment. No performance units have been paid to date.

At the end of 1979, there were 3,684,472 shares available for the 1978 plan and 2,905,912 shares covered by outstanding options granted under prior plans, for a total of 6,590,384 shares. Of this total amount, 1,997,734 shares were subject to exercisable options, 2,761,194 shares were under options not yet exercisable, and

1,831,456 shares were available for granting options in the future. Appreciation rights relating to unexpired options for 1,957,903 and 1,652,494 shares were outstanding at December 31, 1979 and 1978, respectively. Performance units with an average per-unit maximum achievable value of $29.01 relating on a one-to-one basis to unexpired options for 1,839,304 shares were outstanding at December 31, 1979. The number of shares available for granting options at the end of 1978 was 2,706,577. A summary of stock option transactions during the last two years is shown below:

Stock options	Shares subject to option	Average per share: Option price	Average per share: Market price
Balance at Jan. 1, 1978	3,388,933	$51.26	$49.75
Options granted	1,123,107	50.60	50.60
Options exercised	(132,921)	43.93	53.21
Options surrendered on exercise of appreciation rights	(71,325)	43.64	51.85
Options terminated	(218,941)	52.87	—
Balance at Dec. 31, 1978	4,088,853	51.37	47.13
Options granted	1,023,122	46.25	46.25
Options exercised	(98,145)	40.63	50.14
Options surrendered on exercise of appreciation rights	(68,834)	40.52	49.17
Options terminated	(186,068)	50.77	—
Balance at Dec. 31, 1979	4,758,928	50.67	50.63

19. Commitments and contingent liabilities

Lease commitments and contingent liabilities, consisting of guarantees, pending litigation, taxes and other claims, in the opinion of management, are not considered to be material in relation to the Company's financial position.

20. Operations by quarter for 1979 and 1978 (unaudited)

(Dollar amounts in millions; per-share amounts in dollars)	First quarter	Second quarter	Third quarter	Fourth quarter
1979:				
Sales of products and services to customers	$5,081.6	$5,642.3	$5,608.8	$6,127.9
Operating margin	470.5	597.9	510.7	550.8
Net earnings	303.4	382.1	340.8	382.5
Net earnings per common share	1.33	1.69	1.50	1.68
1978:				
Sales of products and services to customers	$4,443.4	$4,963.8	$4,842.9	$5,403.7
Operating margin	413.4	520.3	464.1	560.1
Net earnings	247.8	319.4	298.9	363.6
Net earnings per common share	1.09	1.40	1.31	1.59

Industry segment information

(In millions)

Revenues	Consumer products and services	
	Net earnings of GE Credit Corporation	
	Total consumer products and services	
	Industrial products and components	
	Power systems	
	Technical systems and materials	
	Natural resources	
	Foreign multi-industry operations	
	General corporate items and eliminations	
	Total	
Segment operating profit and net earnings	Consumer products and services	
	Net earnings of GE Credit Corporation	
	Total consumer products and services	
	Industrial products and components	
	Power systems	
	Technical systems and materials	
	Natural resources	
	Foreign multi-industry operations	
	Total segment operating profit	
	General corporate items and eliminations	
	Interest and other financial charges	
	Total	
Assets and property, plant and equipment	Consumer products and services	
	Investment in GE Credit Corporation	
	Total consumer products and services	
	Industrial products and components	
	Power systems	
	Technical systems and materials	
	Natural resources	
	Foreign multi-industry operations	
	General corporate items and eliminations	
	Total	

*Restated — See page 44

Consumer Products and Services consists of major appliances, air conditioning equipment, lighting products, housewares and audio products and services, television receivers, and broadcasting and cablevision services. It also includes service operations for major appliances, air conditioners, GE TV receivers, and housewares and audio products.

Revenues
For the years ended December 31

Total revenues			Intersegment sales			External sales and other income		
1979	1978	1977	1979	1978	1977	1979	1978	1977
$ 5,357.8	$ 4,787.8	$ 4,148.1	$ 199.1	$ 188.6	$181.9	$ 5,158.7	$ 4,599.2	$ 3,966.2
89.9	77.3	67.2	—	—	—	89.9	77.3	67.2
5,447.7	4,865.1	4,215.3	199.1	188.6	181.9	5,248.6	4,676.5	4,033.4
4,802.8	4,123.8	3,698.1	507.8	468.5	431.5	4,295.0	3,655.3	3,266.6
3,564.4	3,485.7	3,217.6	209.9	174.4	153.9	3,354.5	3,311.3	3,063.7
6,060.8	4,744.6	4,144.6	255.0	189.0	148.0	5,805.8	4,555.6	3,996.6
1,260.3	1,032.2	965.1	—	—	—	1,260.3	1,032.2	965.1
2,900.5	2,767.3	2,562.1	63.5	55.3	49.4	2,837.0	2,712.0	2,512.7
(1,056.5)	(945.9)	(893.9)	(1,235.3)	(1,075.8)	(964.7)	178.8	129.9	70.8
$22,980.0	$20,072.8	$17,908.9	$ —	$ —	$ —	$22,980.0	$20,072.8	$17,908.9

Segment operating profit
For the years ended December 31

1979	1978	1977
$ 567.7	$ 573.3	$ 482.8
89.9	77.3	67.2
657.6	650.6	550.0
484.9	426.3	366.7
173.7	196.3	162.7
672.1	545.3	473.7
431.1	371.5	389.2
240.8	244.9	210.8
2,660.2	2,434.9	2,153.1
(10.9)	(58.0)	(64.8)
(258.6)	(224.4)	(199.5)
$2,390.7	$2,152.5	$1,888.8

Net earnings
For the years ended December 31

1979	1978	1977
$ 310.8	$ 300.2	$ 255.9
89.9	77.3	67.2
400.7	377.5	323.1
271.8	222.5	191.1
113.9	93.2*	75.5
356.2	277.8	247.5
207.5	180.1	196.2
64.6	75.5*	70.6
(5.9)	3.1*	(15.8)
—	—	—
$1,408.8	$1,229.7	$1,088.2

Assets
At December 31

1979	1978	1977
$ 2,156.8	$ 2,018.5	$ 1,791.9
817.2	677.3	600.0
2,974.0	2,695.8	2,391.9
2,328.9	2,125.1	1,925.1
2,135.0	2,104.6	2,152.8
3,422.1	2,682.7	2,128.3
1,679.4	1,489.3	1,386.0
2,258.8	2,099.6	1,849.0
1,846.3	1,838.9	1,863.7
$16,644.5	$15,036.0	$13,696.8

Property, plant and equipment
For the years ended December 31

Additions			Depreciation, depletion and amortization		
1979	1978	1977	1979	1978	1977
$ 207.6	$ 169.0	$127.0	$114.9	$104.2	$101.0
—	—	—	—	—	—
207.6	169.0	127.0	114.9	104.2	101.0
176.3	165.6	147.7	105.5	91.1	83.8
101.1	84.3	81.6	83.6	78.7	73.2
443.7	289.2	203.8	163.4	149.6	126.3
201.2	212.5	131.6	83.4	77.5	69.9
108.9	118.9	115.9	61.4	63.8	52.7
23.5	15.6	14.9	11.9	11.5	15.2
$1,262.3	$1,055.1	$822.5	$624.1	$576.4	$522.1

General Electric Credit Corporation, a wholly owned nonconsolidated finance affiliate, engages primarily in consumer, commercial and industrial financing, principally in the U.S. It also participates, to a lesser degree, in life insurance and fire and casualty insurance activities. Products of companies other than General Electric constitute a major portion of products financed by GECC.

Industrial Products and Components includes components (appliance controls, small motors and electronic components); industrial capital equipment (construction, automation and transportation); maintenance, inspection, repair and rebuilding of electric, electronic and mechanical apparatus; and a network of supply houses offering products of General Electric and other manufacturers.

Power Systems includes steam turbine-generators, gas turbines, nuclear power reactors and nuclear fuel assemblies, transformers, switchgear, meters, and installation and maintenance engineering services.

Technical Systems and Materials consists of jet engines for aircraft, industrial and marine applications; electronic and other high-technology products and services primarily for aerospace applications and defense; materials (engineered plastics, silicones, industrial cutting materials, laminated and insulating materials, and batteries); medical and communications equipment; and time sharing, computing, and remote data processing.

Natural Resources includes the mining of coking coal (principally in Australia), uranium, steam coal, iron, and copper. In addition, it includes oil and natural gas production, ocean shipping (primarily in support of mining operations) and land acquisition and development.

Foreign Multi-industry Operations consists principally of foreign affiliates which manufacture products primarily for sale in their respective home markets.

Net earnings for industry segments in prior Annual Reports included allocation of corporate interest income, expense and other financial charges to parent company components based principally on cash flow. Commencing in 1979, the allocation of these items to parent company components has been changed for internal corporate purposes, and also for industry segment reporting purposes, to a method based on change in individual component average nonfixed investment. Net earnings amounts by industry segment for 1979 reflect the revised method. For comparative purposes, 1978 amounts have been restated downward for Power Systems and Foreign Multi-industry Operations by $8.9 million and $1.9 million, respectively, with an offsetting increase in general corporate items and eliminations. The impact of the change would not be material to the amount of, or trend in, earnings of other industry segments for 1978 or to amounts and trends reported for years prior to 1978 for any industry segment. Therefore, no other restatements have been made.

Other allocation procedures for computing net earnings are unchanged. Interest and other financial charges of affiliated companies recognize that such companies generally service their own debt. General corporate expenses are allocated principally on the basis of cost of operations, with certain exceptions and reductions which recognize the varying degrees to which affiliated companies maintain their own corporate structures. In addition, provision for income taxes ($953.4 million in 1979, $893.9 million in 1978) is allocated based on the total corporate effective tax rate, except for GECC and Natural Resources, whose income taxes are calculated separately. Minority interest ($28.5 million in 1979, $28.9 million in 1978) is allocated to operating components having responsibility for investments in consolidated affiliates.

In general, it is GE's policy to price internal sales as nearly as practicable to equivalent commercial selling prices.

Geographic segment information

Revenues
For the years ended December 31

(In millions)	Total revenues			Intersegment sales			External sales and other income		
	1979	1978	1977	1979	1978	1977	1979	1978	1977
United States	$18,859.2	$16,443.1	$14,560.4	$466.9	$362.6	$340.3	$18,392.3	$16,080.5	$14,220.1
Far East including Australia	1,182.8	1,108.8	1,056.2	279.5	241.8	204.0	903.3	867.0	852.2
Other areas of the world	3,813.8	3,270.4	2,916.7	129.4	145.1	80.1	3,684.4	3,125.3	2,836.6
Elimination of intracompany transactions	(875.8)	(749.5)	(624.4)	(875.8)	(749.5)	(624.4)	—	—	—
Total	$22,980.0	$20,072.8	$17,908.9	$ —	$ —	$ —	$22,980.0	$20,072.8	$17,908.9

Geographic segment information is based on the location of the operation furnishing goods or services. Included in United States revenues were export sales to unaffiliated customers of $2,772.1 million in 1979, $2,570.7 million in 1978 and $2,101.2 million in 1977. Of such sales, $1,581.3 million in 1979 ($1,661.9 million in 1978 and $1,216.9 million in 1977) were to customers in Europe, Africa and the Middle East; and $741.2 million in 1979 ($498.1 million in 1978 and $574.2 million in 1977) were to customers in the Far East including Australia. U.S. revenues also include royalty and licensing income from unaffiliated foreign sources.

Net earnings
For the years ended December 31

	1979	1978	1977
United States	$1,119.8	$ 960.6	$ 846.3
Far East including Australia	173.9	170.1	161.6
Other areas of the world	119.5	103.6	83.5
Elimination of intracompany transactions	(4.4)	(4.6)	(3.2)
Total	$1,408.8	$1,229.7	$1,088.2

Assets
At December 31

1979	1978	1977
$12,693.1	$11,410.4	$10,491.5
842.1	888.5	871.2
3,207.2	2,826.8	2,414.8
(97.9)	(89.7)	(80.7)
$16,644.5	$15,036.0	$13,696.8

Revenues, net earnings and assets associated with foreign operations are shown in the tabulations above. At December 31, 1979, foreign operation liabilities, minority interest in equity and GE interest in equity were $2,101.1 million, $139.0 million and $1,809.1 million, respectively. On a comparable basis, the amounts were $1,909.4 million, $150.3 million and $1,655.6 million, respectively, at December 31, 1978, and $1,798.7 million, $131.3 million and $1,356.0 million, respectively, at December 31, 1977.

Management's discussion and analysis of statement of earnings

General: The financial statements and related notes provide detailed information about operating results, financial position, and changes therein, for the years 1979 and 1978. Summary data for the last ten years are on pages 46 and 47.

Because of the diversity of the Company's business, comments about the relative impact of physical volume and selling prices on year-to-year changes in sales can only be generalized. However, it is estimated that greater volume accounted for somewhat more than one-half of the increase of $2.8 billion, or 14%, in 1979 sales from 1978. Sales for 1978 increased $2.1 billion (12%) from 1977, and it is estimated that about two-thirds of the increase resulted from higher volume.

Operating costs are summarized in the table on pages 46 and 47. Principal elements of operating costs for 1979 and 1978 are in note 2 to the financial statements. Despite good productivity gains, increased material and labor costs had some adverse impact on the operating margin rate, which was 9.5% in 1979 compared with 10.0% in 1978 and 9.7% in 1977. However, operating margin dollars in 1979 were $172.0 million higher than in 1978, which were $259.9 million higher than in 1977.

Other income from a variety of operating and nonoperating sources was $519.4 million, or 24%, more in 1979 than in 1978. Major sources of other income are shown in note 4 to the financial statements. From 1977 to 1978, other income increased $28.7 million, or 7%. Principal 1978 increases were from interest on a higher average level of marketable securities and bank deposits, which was partially offset by lower income from associated companies and a nonconsolidated uranium mining affiliate.

Interest and other financial charges were 15% more in 1979 than 1978 due to higher interest rates. The 1978 interest expense was up 12% from 1977, principally because of increased offshore borrowings and higher domestic interest rates.

Provision for income taxes was $59.5 million higher in 1979 than 1978, although the effective tax rate was lower (39.9% for 1979 compared with 41.5% for 1978 and 40.9% for 1977) because of the lower U.S. federal tax rate.

Industry segment results: Financial data by industry segment for 1977 through 1979 are presented on pages 42 through 44. Detailed comments on 1979 results compared with 1978 are included on pages 6 through 21. Reference should be made to those comments, as well as to the summary of revenues and net earnings for the last five years, which also is presented on pages 6 through 21. A résumé of significant items comparing 1979 with 1978, and 1978 with 1977, is included below.

Consumer Products and Services' revenues in 1979 were ahead of 1978 in all major businesses, although the rate of increase slackened some toward the end of 1979. Earnings were also up, despite the continuing cost-price squeeze resulting from extreme cost inflation experienced throughout the year. General Electric Credit Corporation had another year of much improved earnings. Consumer Products and Services' 1978 revenues and earnings, including GE Credit Corporation, were up 15% and 17%, respectively, from 1977, with all major businesses contributing to the improvements, although major appliance margin rates were slightly lower as a result of the cost-price squeeze.

Industrial Products and Components achieved strong earnings improvement in 1979 on good increases in revenues. All major businesses in the segment shared in the growth over 1978. Industrial Products and Components' revenues for 1978 were up 12% from 1977 and earnings were up 17%, with all major businesses contributing to the increases.

Power Systems also had good earnings gains in 1979 on virtually flat revenues. The increase in earnings, particularly in turbine-generator operations, was the result of important gains in productivity and more effective utilization of working capital. These improvements were partially offset by the fact that selling prices on contracts taken at firm prices several years ago were not adequate to cover current cost inflation. Nuclear operations continued to incur a loss, although less than in prior years. Power Systems businesses' earnings in 1978 were 23% higher than in 1977 on an 8% revenue increase. Large steam turbine-generator and power delivery products were principal contributors. The nuclear business operated at a loss in 1978 as it had in the previous two years.

Technical Systems and Materials had strong 1979 earnings increases on substantially higher revenues. Engineered materials again had sharply higher earnings and sales. Aircraft engine also had a good increase in earnings from sharply higher sales. Technical Systems and Materials' revenues and earnings were up 14% and 12%, respectively, in 1978 from 1977. All major business elements contributed to the increases.

Natural Resources' 1979 earnings were ahead of those for 1978 on higher revenues. A sharp improvement in Canadian operations, principally as a result of higher world market prices for copper, gold, silver and molybdenum, was the major factor in the earnings gain. Natural Resources' revenues were 7% higher in 1978 than in 1977, but earnings were down 8%. Australian coking coal shipments were about the same as for 1977, but earnings were lower, principally because of a miners' strike of nearly seven weeks and higher Australian taxes. Lower uranium earnings and losses from Brazilian iron ore operations also contributed to the earnings decrease from 1977.

Foreign Multi-industry's earnings for 1979 were down somewhat on modestly higher revenues. Lower earnings were due in part to 1978's nonrecurring gain from sale of GE's interest in the German lamp manufacturer, Osram GmbH. Latin American operations experienced generally slower sales growth and had lower earnings. Canadian General Electric had strong sales and earnings improvements. Foreign Multi-industry's earnings for 1978, including the nonrecurring gain, were up 7% on 8% higher revenues.

Ten-year summary (a)

(Dollar amounts in millions; per-share amounts in dollars)	1979	1978	1977	1976	1975
Summary of operations					
Sales of products and services to customers	$22,460.6	$19,653.8	$17,518.6	$15,697.3	$14,105.1
Cost of goods sold	15,990.7	13,915.1	12,287.7	11,048.3	10,209.8
Selling, general and administrative expense	3,715.9	3,204.4	3,010.8	2,634.9	2,238.2
Depreciation, depletion and amortization	624.1	576.4	522.1	486.2	470.5
Operating costs	20,330.7	17,695.9	15,820.6	14,169.4	12,918.5
Operating margin	2,129.9	1,957.9	1,698.0	1,527.9	1,186.6
Other income	519.4	419.0	390.3	274.3	174.2
Interest and other financial charges	(258.6)	(224.4)	(199.5)	(174.7)	(186.8)
Earnings before income taxes and minority interest	2,390.7	2,152.5	1,888.8	1,627.5	1,174.0
Provision for income taxes	(953.4)	(893.9)	(773.1)	(668.6)	(459.8)
Minority interest	(28.5)	(28.9)	(27.5)	(28.3)	(25.7)
Net earnings	$ 1,408.8	$ 1,229.7	$ 1,088.2	$ 930.6	$ 688.5
Earnings per common share (b)	$ 6.20	$ 5.39	$ 4.79	$ 4.12	$ 3.07
Dividends declared per common share (c)	$ 2.75	$ 2.50	$ 2.10	$ 1.70	$ 1.60
Earnings as a percentage of sales	6.3%	6.3%	6.2%	5.9%	4.9%
Earned on average share owners' equity	20.2%	19.6%	19.4%	18.9%	15.7%
Dividends–General Electric	$ 623.6	$ 569.8	$ 476.9	$ 332.5	$ 293.1
Dividends–Utah International Inc. (d)	—	—	—	$ 28.3	$ 33.1
Shares outstanding–average (in thousands) (e)	227,173	227,985	227,154	225,791	224,262
Share owner accounts–average	540,000	552,000	553,000	566,000	582,000
Market price range per share (c) (f)	55⅛-45	57⅝-43⅝	57¼-47⅜	59¼-46	52⅞-32⅜
Price/earnings ratio range (c)	9-7	11-8	12-10	14-11	17-10
Current assets	$ 9,384.5	$ 8,755.0	$ 7,865.2	$ 6,685.0	$ 5,750.4
Current liabilities	6,871.8	6,175.2	5,417.0	4,604.9	4,163.0
Working capital	$ 2,512.7	$ 2,579.8	$ 2,448.2	$ 2,080.1	$ 1,587.4
Short-term borrowings	$ 871.0	$ 960.3	$ 772.1	$ 611.1	$ 667.2
Long-term borrowings	946.8	993.8	1,284.3	1,322.3	1,239.5
Minority interest in equity of consolidated affiliates	151.7	150.8	131.4	119.0	104.6
Share owners' equity	7,362.3	6,586.7	5,942.9	5,252.9	4,617.0
Total capital invested	$ 9,331.8	$ 8,691.6	$ 8,130.7	$ 7,305.3	$ 6,628.3
Earned on average total capital invested	17.0%	16.3%	15.8%	15.1%	12.5%
Share owners' equity per common share–year end (b)	$ 32.31	$ 28.88	$ 26.05	$ 23.18	$ 20.49
Property, plant and equipment additions	$ 1,262.3	$ 1,055.1	$ 822.5	$ 740.4	$ 588.2
Employees–average worldwide	405,000	401,000	384,000	380,000	380,000

(a) Unless specifically noted, all years are adjusted to include Utah International Inc., which became a wholly owned affiliate of General Electric on December 20, 1976, through the exchange of 41,032,034 shares of General Electric common stock for all of the outstanding shares of Utah.
(b) Computed using outstanding shares as described in note (e).
(c) For General Electric common stock as reported in the years shown.
(d) Reflects transactions prior to merger date.
(e) Includes General Electric outstanding average shares or year-end shares as appropriate plus, in 1976 and prior years, outstanding shares previously reported by Utah multiplied by 1.3. Adjustments have been made for a two-for-one GE stock split in 1971 and the two-for-one Utah stock split effected in the form of stock dividends in 1973.
(f) Represents high and low market prices as reported on New York Stock Exchange through January 23,1976, and as reported on the Consolidated Tape thereafter.

Supplemental information

	1974	1973	1972	1971	1970
	$13,918.2	$11,944.6	$10,473.7	$9,556.7	$8,833.8
	10,092.2	8,445.4	7,381.2	6,808.9	6,183.5
	2,240.3	2,057.6	1,872.2	1,686.3	1,718.4
	415.0	371.9	343.7	289.5	348.1
	12,747.5	10,874.9	9,597.1	8,784.7	8,250.0
	1,170.7	1,069.7	876.6	772.0	583.8
	206.7	202.9	207.3	176.6	127.7
	(196.5)	(142.8)	(120.8)	(102.1)	(105.5)
	1,180.9	1,129.8	963.1	846.5	606.0
	(457.4)	(456.5)	(385.5)	(332.8)	(237.2)
	(18.2)	(11.9)	(5.0)	(4.2)	(5.8)
	$ 705.3	$ 661.4	$ 572.6	$ 509.5	$ 363.0
	$ 3.16	$ 2.97	$ 2.57	$ 2.30	$ 1.66
	$ 1.60	$ 1.50	$ 1.40	$ 1.38	$ 1.30
	5.1%	5.5%	5.5%	5.3%	4.1%
	17.8%	18.4%	17.5%	17.2%	13.4%
	$ 291.2	$ 272.9	$ 254.8	$ 249.7	$ 235.4
	$ 23.9	$ 14.0	$ 12.8	$ 11.4	$ 8.9
	222,921	222,631	222,503	221,591	218,938
	566,000	543,000	542,000	529,000	535,000
	65-30	75⅞-55	73-58¼	66½-46½	47¼-30⅛
	19-9	24-17	25-20	26-18	26-17
	$ 5,334.4	$ 4,597.4	$ 4,056.8	$3,700.0	$3,383.1
	4,032.4	3,588.2	2,920.8	2,893.8	2,689.4
	$ 1,302.0	$ 1,009.2	$ 1,136.0	$ 806.2	$ 693.7
	$ 655.9	$ 675.6	$ 453.3	$ 581.7	$ 670.2
	1,402.9	1,166.2	1,191.2	1,016.2	691.3
	86.4	62.4	53.4	50.4	45.0
	4,172.2	3,774.3	3,420.2	3,105.4	2,819.1
	$ 6,317.4	$ 5,678.5	$ 5,118.1	$4,753.7	$4,225.6
	13.4%	13.7%	12.7%	12.3%	10.2%
	$ 18.65	$ 16.94	$ 15.35	$ 13.96	$ 12.72
	$ 812.9	$ 734.6	$ 500.8	$ 710.8	$ 685.3
	409,000	392,000	373,000	366,000	398,000

Dividends declared

(Cents per share)	1979	1978
First quarter	65¢	55¢
Second quarter	70	65
Third quarter	70	65
Fourth quarter	70	65

General Electric common stock market prices

(High and low by quarter)	1979		1978	
First quarter	$50⅜	$45½	$49⅝	$43⅜
Second quarter	51⅝	46⅞	54⅞	45⅞
Third quarter	55⅛	49⅛	57⅝	49⅞
Fourth quarter	52¼	45	53⅞	45¾

Form 10-K and other supplemental information

The information in the financial statements in this Report, in the opinion of management, substantially conforms with or exceeds the information required in the annual statements constituting part of the "10-K Report" submitted to the Securities and Exchange Commission. Certain supplemental information, considered nonsubstantive, is included in that report, however, and copies will be available without charge from: **Investor Relations, General Electric Company, Fairfield, Connecticut 06431.**

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

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GENERAL ELECTRIC
INVESTOR

Annual Report Issue

General Electric Company
Fairfield, Connecticut 06431

GE Research and Development at new high: Seeking new earnings growth by accelerating innovation and increasing productivity, GE increased 1979 expenditures on research and development to a record $1,440 million, up 13%, with the Company-funded portion amounting to $640 million, 23% above 1978. The remaining $800 million was performed under contract, primarily for U.S. government agencies.

During 1979, the Company announced plans for a $50-million expansion of its corporate Research and Development Center, with over half of this amount going into building one of U.S. industry's most modern electronics and computer science laboratories. The Center is also constructing a $7-million programmable process facility for making custom integrated circuits in Syracuse, N.Y.

General Electric's commitment to research and development was also signaled by continued strengthening of the more than 100 other laboratories associated with product operations. A large-scale integrated circuit facility began operation at Utica, N.Y., adding to the Company's capability for developing the advanced electronic microcircuits needed for the 1980s.

To accelerate technology transfer within the Company, GE established a Corporate Technology Council bringing together the Company's technical leaders, including a Sector Technologist from each Sector.

Significant R&D areas pictured below include work on solid-state television cameras for use in automated inspection systems (left) and on a new family of superior engineering plastics — Arnox® epoxy resins.