1989 Annual Report

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Milestones of the 1980s

1980

— Acquired portions of Thorn-EMI medical equipment sales and services operation.

— Opened new phenol plant in Mt. Vernon, Ind., to supply plastics business.

— Revenues reached $26.8 billion; net earnings were $1.51 billion.

1981

— Expanded Bergen op Zoom plastics plant in the Netherlands.

— Acquired air pollution control business from Envirotech Corporation.

— Introduced CT 9800 scanner for medical diagnostic imaging.

1982

— Opened The GE Answer Center®, an award-winning 24-hour toll-free customer service answering center.

— Dedicated $130 million expansion of R&D Center in Schenectady, N.Y.

— Invested $300 million into automating locomotive business in Erie, Pa.

— Sold central air conditioning business.

1983

— Opened new dishwasher plant in Louisville, Ky., as first phase of $1 billion investment in major appliances.

— Introduced Signa® magnetic resonance for diagnostic imaging.

— Expanded mortgage insurance business by acquiring AMIC Corporation.

— Common stock split two-for-one.

— Net earnings reached $2 billion for first time.

1984

— Sold Utah International mining operations to BHP of Australia.

— Sold housewares business to Black & Decker.

— Acquired Employers Reinsurance Corporation.

— Sold Family Financial Services, a second mortgage subsidiary.

— Received 75% of U.S. Air Force contract for new fighter engines in so-called "Great Engine War."

1985

— Revised management structure to eliminate sector level, creating a leaner, flatter, more market-driven business structure.

— Shipped first Dash 8 computer-controlled locomotives.

— CFM International, the joint company of GE and SNECMA of France, delivered its 1,000th aircraft engine.

1986

— Acquired RCA Corporation, including the National Broadcasting Company.

— Acquired 80% of Kidder, Peabody Group Inc.

— Formed factory automation joint venture with FANUC Ltd. of Japan.

— Statue of Liberty relighted by GE for 100th anniversary.

— Opened $325 million plastics manufacturing facility in Burkville, Ala.

1987

— Acquired CGR medical equipment business from Thomson S.A. of France in exchange for consumer electronics business.

— Expanded financial services business by acquiring Navistar Financial Corporation Canada, Gelco Corporation and D&K Financial Corp.

— Selected by NASA to produce major portions of its planned space station.

— Common stock split two-for-one.

1988

— Expanded plastics business by acquiring Borg-Warner's chemicals businesses.

— Expanded appliances business by acquiring Roper Corporation.

— Acquired Montgomery Ward Credit Corporation.

— Sold semiconductor business to Harris Corporation.

— Initiated joint venture in motors with Robert Bosch of West Germany.

— Revenues passed $50 billion; net earnings exceeded $3 billion for first time.

1989

— Established joint ventures in appliances, power generation and electrical equipment with GEC of the United Kingdom.

— Broadcasting record set by NBC with 68 consecutive weeks as top-rated TV network.

— Agreed to acquire a majority interest in Tungsram Company of Hungary.

— Began $10 billion share repurchase program.

— Formed mobile communications joint venture with Ericsson of Sweden.

— Opened Living Environments concept house for showcasing the use of plastics in the building and construction markets.

— Awarded contract by Tokyo Electric Power Company for world's largest combined-cycle power plant.

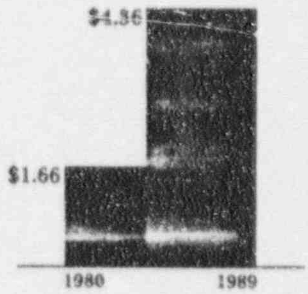
— Launched Work-Out effort in all GE businesses to improve Company's competitiveness for the 1990s.

Contents

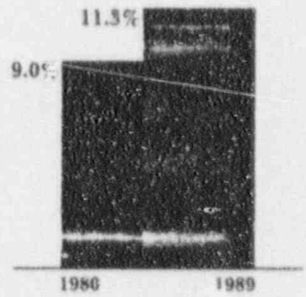
Results of the 1980s

General Electric Company and consolidated affiliates

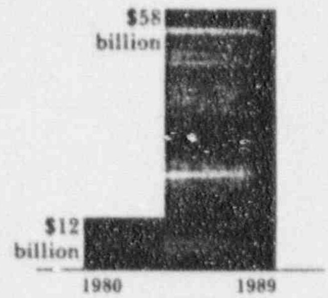
Earnings Per Share
Averaged 10.9% annual growth



Operating Margin
Improved to 11.3% of sales

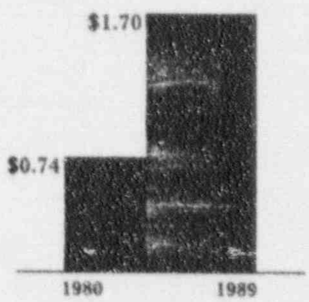


Market Value
Went from 11th to 2nd

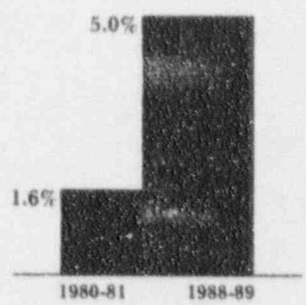


American companies

Dividends Per Share
Averaged 9.5% annual growth

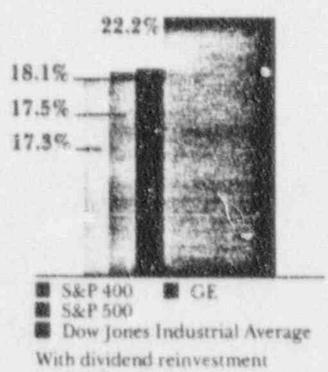


Total Cost Productivity
More than tripled



Growth rates adjusted to exclude inflation

Average Annual Yield
Outperformed peer groups



With dividend reinvestment assumed

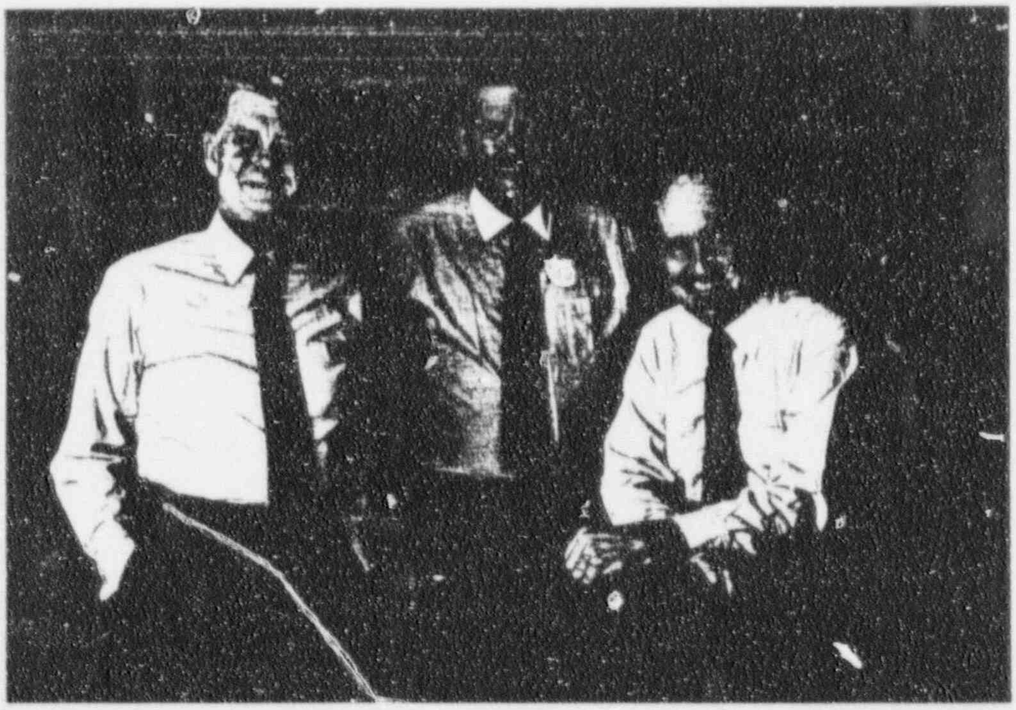
Financial Highlights

(Dollar amounts in millions; per-share amounts in dollars)	1989	1988	Percent Increase
Revenues	**$54,574**	$50,089	9%
Net earnings	**3,939**	3,386	16
Dividends declared	**1,537**	1,314	17
Per share			
Net earnings	**4.36**	3.75	16
Dividends declared	**1.70**	1.46	16
Earned on average share owners' equity	**20.0%**	19.4%	

Nineteen eighty-nine was another excellent year for General Electric — a record year in a decade of accelerating performance. We begin the 1990s with a profoundly transformed Company, and while we are culturally opposed to dwelling on the past, it is important to outline the degree of change we have experienced because in many ways it suggests the direction in which we are headed in the new decade and beyond.

GE entered the 1980s with a strong balance sheet that gave us the financial strength and flexibility to effect dramatic change decisively yet compassionately. Much of that change was aimed at creating a business mix and a system of managing it that would allow us to grow much more rapidly than the world economies in which we operate.

We begin the 1990s with a Company vastly different from the one that existed in the early 1980s:



Chairman of the Board and Chief Executive Officer John F. Welch, Jr. (right); Vice Chairman of the Board and Executive Officer Laurence A. Bossidy (center); Vice Chairman of the Board and Executive Officer Edward E. Hood, Jr. (left).

- In 1980, two-thirds of GE's revenues came from slow-growth core manufacturing and non-strategic businesses like natural resources. Today, two-thirds of our revenues comes from high-growth technology and services.

- In 1980, of our strategic businesses, only two were truly global — GE Plastics and GE Aircraft Engines. We begin the 1990s with a significant global presence in virtually all of our businesses. Our operating profits from outside the United States have grown 30% per year since 1987 and, at $2.8 billion in 1989, amounted to 40% of the Company total. Our exports helped us increase our positive contribution to the U.S. balance of trade to $4.8 billion in 1989, up from $3.1 billion in 1988 and $2.1 billion in 1987.

- We began the 1980s with a bureaucracy of as many as nine management layers in some businesses. Today, all our businesses have significantly reduced layers, some to as few as four, and now we *move* a lot faster — not yet with the speed of the best small companies but with that goal always in our sights and closer every day.

- Our productivity growth in the early 1980s was representative of the United States — in the range of 1-2% a year. We enter the 1990s approaching the 6% level.

- Earnings grew for 40 consecutive quarters in the 1980s. As the decade progressed, this growth climbed from high single digits to consistent double digits, and we finished the decade with a strong 1989 — earnings of $3.9 billion, up 16% from 1988, and 2.6 times the 1980 level. Operating margins are at historic highs; revenues, at $54.6 billion, are double the 1980 level.

■ The stock market looked favorably on these moves and changes and the performance they produced. In 1980, we had a total market value of $12 billion, which ranked us 11th among American companies. We left the decade ranked second, with a year-end market value of $58 billion, and that $46 billion increase during the 1980s was the largest of any company in the United States.

In sum, it was a great decade for GE. We are proud of what we did well and smarter for some of the things we didn't do so well. Not every new acquisition worked, although $16 billion out of the $17 billion we spent on acquisitions will add to 1990s earnings. Not every new product was right — as the refrigerator compressor failure demonstrated. And we discovered in mid-decade that we needed to upgrade substantially our systems for complying with government procurement laws.

And finally, as bold and transformational as we think we have been — as we acquired, sold, restructured and reorganized — it is clear in hindsight that we could have been faster, bolder and less incremental. We will be all of these in the years ahead.

But before we take that look ahead, we would like to share a few thoughts about the type of enterprise your Company has become.

People sometimes grapple with what to call GE. An electrical equipment manufacturer? Sure. But that description ignores two-thirds of our earnings.

Are we a conglomerate? No, not that there's anything wrong with being a conglomerate. We simply aren't one. We're not a collection of stand-alone enterprises, and this label misses the very essence of what makes this Company work so well.

We know what we are: an ***integrated, diversified company.*** And we'd like to explain what that means and, more important, why we think it positions us uniquely to take on the challenges of the 1990s.

We entered the 1980s with a widely diverse set of businesses and major product lines — as many as 350 — that we subjected to a strategic test. Diversity, we felt, could only be a real strength if each business was number one or number two in its particular market. For those that were not, we had a very specific prescription — they were to be fixed, sold or closed.

In line with this simple strategy, we sold businesses that made up 25% of our 1980 sales, including natural resources, consumer electronics, housewares and scores of others that could not become number one or number two. During the same period, we invested $17 billion in acquisitions — NBC as a free-standing business; the Aerospace business of RCA added to GE Aerospace; Borg-Warner Chemicals added to GE Plastics; Employers Reinsurance, Montgomery Ward Credit and Kidder, Peabody as well as many others added to GE Financial Services; the French medical equipment company, CGR, added to GE Medical Systems; and, most recently, Tungsram of Hungary added to GE Lighting — just to name a few. We committed the research and development and plant and equipment investment necessary to keep our current businesses in leading positions, and we undertook the initiatives to ensure that these businesses became global in their scope and reach.

We enter the 1990s with 13 businesses, each number one or number two in the global markets in which they compete, each with strong

■ *In 1980, we had a total market value of $12 billion, which ranked us 11th among American companies. We left the decade ranked second, with a year-end market value of $58 billion, and that $46 billion increase during the 1980s was the largest of any company in the United States.*

distribution networks, each in industries requiring enormous capital, technology and human resources for entry.

But diversity, even when based on strong individual businesses, each making significant contributions, is not in itself enough. To truly maximize the strength of our businesses, we had to achieve what we call "***integrated diversity.***" To get that, we had to dismantle the multiple layers of management that so smoothly ran the Company in a more predictable era but that had, over time, served to garble communication and hobble action. We removed sectors, groups, span-breakers and much of the other superstructure that we had once used to manage our diversity. The role of staff was turned 180°, from checker, inquisitor and authority figure to facilitator, helper and supporter of "the field" — our 13 businesses. Today, all 13 report directly to the three of us. Important communications are oral. The passion of our business leaders is not diluted by filters, briefers and rewriters. We have put in place a management system that integrates our diversity more simply, allows us to allocate resources more effectively than we ever believed possible and lets us move faster.

Obviously, the 1990s will be as full of unknowns and surprises as the 1980s were, but in our view, some things are dead certain: The pace of change will be faster. Globalization will be more pervasive. Competition will intensify. The need for continuous employee education at all levels will be even greater. Protecting the environment will become a total commitment of every employee at GE.

Scientists at the GE Research and Development Center in Schenectady, N.Y., are making technological breakthroughs in materials, artificial intelligence, medical diagnostics, manufacturing systems and the advanced electronic systems (above) needed for aerospace and other GE businesses.

In the 1980s, we built a management system ideally suited to deal with these 1990s issues — a system that brings the leaders of our 13 businesses together quarterly over a two-day period, not for a parade of sterile, polished business reviews but to grapple together with common problems and share insights and initiatives that are valuable to all.

While our seemingly diverse businesses range from a television network to financial services, from plastics to jet engines, there is a unique common thread — *shared management practices* — that binds them together and creates what we call integrated diversity. All must deal with the urgency of globalization, the need for cultural change, the protection of the environment and the sudden opportunities in Eastern Europe, where, for example, the experience of a business like GE Lighting, which moved quickly into Hungary, is shared and leveraged across all the businesses.

When one leaves these dynamic sessions, it is impossible to be complacent, impossible to be comfortable with the status quo. The need for faster, more aggressive, more global action comes alive and is obvious to all.

The same dynamics occur every day at our Management Development Institute at Crotonville, N.Y., where 5,000 employees a year, from every business in the Company, share the very best they have observed in areas like customer service, environmental protection and compressing the product development cycle. All these issues and countless others are wrestled with by men and women eager to find a better way of doing things — from anywhere — and translate it into a more productive way back home.

The effect of this constant sharing of common management issues is a reinforcement in the minds of all of the need for speed, continuous experimentation and action.

We've seen, as we shed our bureaucracy and created this integrated diverse enterprise, the enormous benefits of sharing best practices, of helping each other, of asking questions and, above all, of listening. In the 1980s, these practices tended to concentrate in the upper levels of the Company. We are now committed to a decade-long campaign to drive them *throughout* the enterprise.

Our dream for the 1990s is a boundary-less Company, a Company where we knock down the walls that separate us from each other on the inside and from our key constituencies on the outside.

The boundary-less Company we envision will remove the barriers among engineering, manufacturing, marketing, sales and customer service; it will recognize no distinctions between "domestic" and "foreign" operations — we'll be as comfortable doing business in Budapest and Seoul as we are in Louisville and Schenectady. A boundary-less organization will ignore or erase group labels such as "management," "salaried" or "hourly," which get in the way of people working together.

A boundary-less Company will level its *external* walls as well, reaching out to key suppliers to make them part of a single process in which they and we join hands and intellects in a common purpose — satisfying customers.

This is an admittedly grand vision, requiring unprecedented cultural change, and we are nowhere near achieving it. But we have an idea of how to get there — an idea that is rapidly becoming reality across the Company. It's called Work-Out.

Work-Out is a fluid and adaptable concept, not a "program." It generally starts as a series of regularly scheduled "town meetings" that bring together large cross sections of a business — people from manufacturing, engineering, customer service, hourly, salaried, high and lower levels — people who in their normal routines work within the boxes on their organization charts and have few dealings with one another.

The initial purpose of these meetings is simple — to remove the more egregious manifestations of bureaucracy: multiple approvals, unnecessary paperwork, excessive reports, routines, rituals. Ideas and opinions are often, at first, voiced hesitantly by people who never before had a forum — other than the water cooler — to express them. We have found that after a short time those ideas begin to come in a torrent — especially when people see *action* taken on the ones already advanced.

With the desk largely cleared of bureaucratic impediments and distractions, the Work-Out sessions then begin to focus on the more challenging tasks: examining the myriad processes that make up every business, identifying the crucial ones, discarding the rest, and then finding a faster, simpler, better way of doing things. Next, the teams raise the bar of excellence by testing their improved processes against the very best from around the Company and from the best companies around the world.

■ ***While our seemingly diverse businesses range from a television network to financial services, from plastics to jet engines, there is a unique common thread — shared management practices — that binds them together and creates what we call integrated diversity.***

We have progressed well into the first stage of Work-Out in most of our businesses, and some are beginning the transition into the second — or best-practices — phase; but we are under no illusions that this is anything less than a decade-long crusade. We have hardly scratched the surface of the enormous mine of productivity and innovation that we *know* exists in the intelligence and imagination of our 300,000 employees, but we are excited beyond measure by what we are discovering. The natural cynicism that accompanies the announcement of new corporate campaigns and slogans has largely been dissipated as progress and momentum have begun to grow. Work-Out is working.

■ *Our dream for the 1990s is a boundary-less Company, a Company where we knock down the walls that separate us from each other on the inside and from our key constituencies on the outside.*

The hardware of this Company — its businesses and its management structure — is now largely the way we want it. Work-Out is our decade-long vehicle for the *software*. Restructuring is a road, not a destination. A company can boost productivity by restructuring, removing bureaucracy and downsizing, but it cannot *sustain* high productivity growth without cultural change, without totally involving the individual who is closest to the work and therefore knows it better than those who "manage" it. The individual is the fountainhead of creativity and innovation, and we are struggling to get all our people to accept the countercultural truth that often the best way to manage people is just to get out of their way. Only by releasing the energy and fire of our employees can we achieve the decisive, continuous productivity advantages that will give us the freedom to compete and win in any business anywhere on the globe.

We end this decade with enormous confidence in the future of GE. Last November, we announced our intent to repurchase $10 billion worth of our stock over the next five years. This decision was made possible by our earnings and our debt capacity and by the significant cash flows generated by our business restructurings and productivity growth during the 1980s.

The repurchase in no way impinges on investment in the Company. R&D investment is the highest in our history, as are capital expenditures. The businesses, even during the repurchase period, will be given the resources to make modest-size complementary acquisitions, and should a very large acquisition opportunity surface, we have the flexibility to suspend the repurchase program and move decisively.

Our Company will be making exciting business moves in the 1990s — ventures, new product lines, acquisitions, alliances — but the most important campaign will be the daily one we wage to inspire and enlist our employees in the cause of shared excellence and winning.

In the 1980s, we changed the Company. We also challenged the bureaucracy and generally got the better of it. In the 1990s, our task will be to challenge each other and, in doing so, to get the very best out of ourselves. The cool efficiency that many have always associated with business leadership must give way to personal skills and traits like empowering, listening, passion, energy and the capacity to transmit that energy to others. Being "on top of things," controlling them, must give way to sharing, trusting. Most of the bureaucracy that infects business institutions — the reviews, layers, routines and reports — stems largely from a lack of trust. We have seen, with the demolition of the control superstructure we once imposed on our business, and we are *beginning* to see even more clearly as Work-Out starts to blossom, that controlling people doesn't motivate them. It stifles them. We've found that people perform better, even heroically, when they see that what they do every day makes a difference.

When they see that — when they are allowed to make real contributions to win — they quickly develop increased *self-confidence*. That self-confidence in turn promotes *simplicity* — of action, of design, of process, of communication — because there is no longer a psychic need to wrap oneself in the complexity, trappings and jargon that, in a bureaucracy, signify sophistication and status. And that simplicity will radically increase the *speed* of our businesses and their ability to react to a world whose pace of change will become astonishing in the 1990s. Speed, simplicity and self-confidence will be the operative characteristics of the winning companies of the 1990s and beyond.

We want GE to become a company where people come to work every day in a rush to try something they woke up thinking about the night before. We want them to go home from work wanting to talk about what they did that day, rather than trying to forget about it. We want factories where the whistle blows and everyone wonders where the time went, and someone suddenly wonders aloud why we need a whistle. We want a company where people find a better way, every day, of doing things; and where by shaping their own work experience, they make their lives *better* and your Company *best*.

Far-fetched? Fuzzy? Soft? Naive? Not a bit. This is the type of liberated, involved, excited, boundary-less culture that is present in successful start-up enterprises. It is unheard of in an institution our size; but we want it, and we are determined we will have it.

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

Lawrence A. Bossidy
Vice Chairman of the Board and
Executive Officer

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

February 16, 1990

■ *Through our capital resources and financial expertise, we are helping to fuel business growth across many layers of the U.S. economy and, increasingly, of the global economy.*

GE Financial Services had another outstanding year as earnings reached $927 million in 1989, an increase of 18% over the previous year. It also made significant thrusts in new and existing markets and focused strongly on customer service.

GE Capital Corporation, with 21 of the 23 GE Financial Services businesses and $59 billion in assets, continued to expand and innovate aggressively in domestic markets. At the same time, a number of its components established or extended successful operations abroad.

In Europe, GE Capital used the expertise gained in the sale and recapitalization of U.S. companies to participate in the European mergers and acquisitions market. Equipment leasing operations also moved ahead there with transactions including trailers for a leading trailer-rental company and machine tools for a major automotive components manufacturer. GE Capital's real estate financing business made new investments totaling $200 million in the United Kingdom and financed its first office buildings in France.

The U.S. leader in third-party private-label credit cards, GE Capital serves retailers and manufacturers in the department store, consumer durable and specialty retailing sectors. During the year, it acquired significant new credit card portfolios and introduced a major retailer-affiliated Visa Card program for Ames Department Stores.

Below are five of the more than 300 private-label credit card programs financed and serviced by GE Capital.

GE Capital also is the nation's largest equipment lessor. Major investments are in trucks and cars, aircraft, railcars, ocean shipping containers, temporary buildings, computers and industrial equipment. In 1989, it expanded this leadership by increasing the worldwide fleet of commercial and corporate aircraft it leases to more than 325 aircraft. Overall, the equipment leasing operations made healthy gains in 1989.

GE Capital also teamed up with several GE businesses to bring cost-effective financing to their customers and suppliers. Areas of synergy included plastics, appliances, aircraft engines, locomotives and medical systems.

In financial guarantee insurance, GE Capital completed its acquisition of FGIC Corporation. In mortgage insurance, it used its expertise and market leadership to expand innovative programs for home ownership among the disadvantaged. One program helps to provide affordable housing for low- and moderate-income families across the nation.

Despite a very difficult year in the insurance industry, Employers Reinsurance Corporation improved earnings over 1988's record level while experiencing a slight decline in net written premiums. This GEFS subsidiary also retained its position as the nation's second largest, and the world's fourth largest, property and casualty reinsurer.

Kidder, Peabody completed a strategic review of its four major activities — investment banking, securities sales and trading, retail sales and asset management — to better position itself for the 1990s. As a result, steps were taken to exit certain operations, to upgrade staff in others, such as investment banking, and to streamline the organization.

Plastics

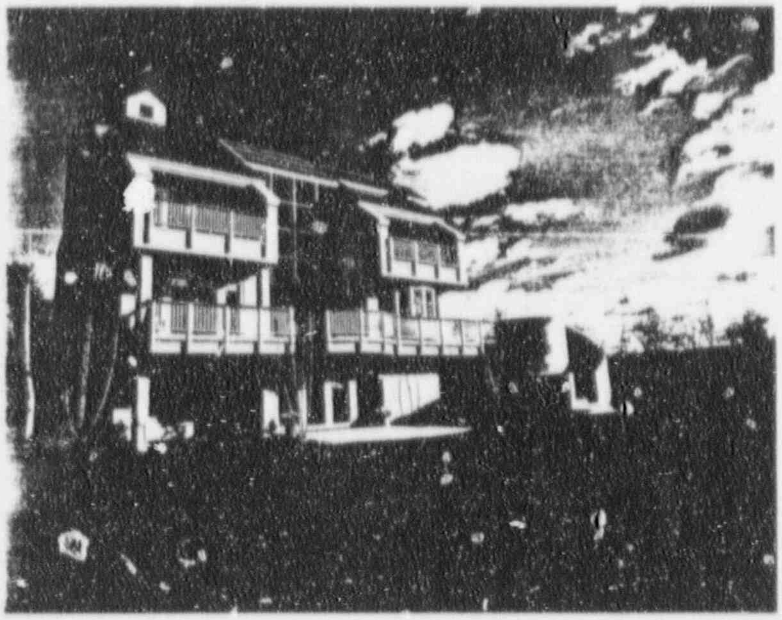
■ *We are creating innovative and exciting ways to replace traditional materials with GE engineering plastics — special high-performance polymers that can be recycled.*

GE Plastics finished out the decade with a series of developments that make this business, which had record earnings in 1989, well positioned for the 1990s.

The first full year after the acquisition of Borg-Warner Chemicals, 1989 saw the successful integration of the two businesses. As evidence of this success, GE Plastics announced plans to increase production of Cycolac® resin, Borg-Warner Chemicals' main product, and introduced several new grades in the Cycolac resin line. Production of Cycoloy™ resin, which blends Lexan® polycarbonate with Cycolac resin, combining the best polymers of both businesses, also was expanded.

In other moves to increase global services, GE Plastics opened a plant and technical center in South Korea, formed a joint venture in Japan, and continued expansion plans in Alabama and Spain.

In addition, GE Superabrasives formed a joint venture with Asahi Diamond Industry Co. of Japan to develop and market industrial diamonds made by a new vapor deposition technology. This technology was advanced by the Company's R&D Center, the same lab where the world's first high-pressure diamonds were produced in the 1950s.



The new Living Environments concept house in Pittsfield, Mass., showcases the uses of GE plastics for the building and construction markets.

In traditional markets, GE Plastics had a strong year. It enjoyed particular successes in automotive, packaging, and building and construction.

Despite some weakening in the automotive market, GE Plastics extended its market penetration by winning key orders from Cadillac for front fenders of Noryl GTX® resin for the 1989/1990 DeVille and Fleetwood models, from Hyundai for the Sonata bumper beam and fascia, and from Honda for the composite bumper beams on the Accord. The radiator housing in the GM Corvette also is made of GE polymers.

In the packaging industry, GE Plastics introduced a new film technology that allows crisper microwave cooking for frozen foods. In Europe, it introduced the Eurobottle™, a reusable bottle for carbonated drinks. It is made of Lexan® resin and Gelon™ high-barrier nylon, a new material.

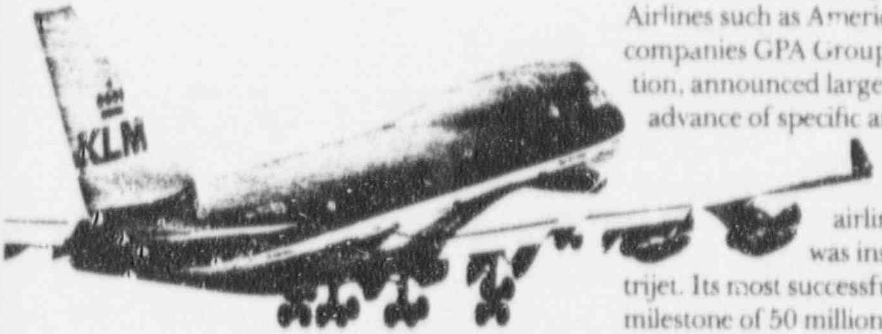
In the building and construction markets, GE enjoyed considerable sales growth in 1989 — a year highlighted by the debut of the Living Environments concept house. The house showcases current and future applications of engineering polymers in the building and construction industries. Several products already are commercialized, including the house siding coated with Geloy® resin and a concrete aggregate containing Valox® resin. GE Plastics is working in partnership with more than 50 companies to develop additional systems and components.

Yet another innovation came from GE Silicones, which developed a new polymer for the hair care market that allows shampoo and conditioner to be combined into one product.

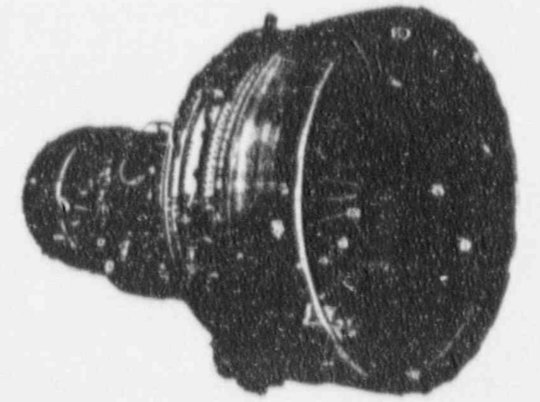
Another key development was the growth of Polymerland, a wholly owned subsidiary involved in the collection, renewal and distribution of recyclable plastics as well as the distribution of commodity and engineering polymers. Polymerland acquired a new manufacturing facility and two distributors and opened four new distribution locations.

Aircraft Engines

■ *Almost every six seconds of every day, a commercial aircraft powered by GE engines is taking off or landing somewhere in the world.*



GE's very successful CF6-80C2 engines (below) have been selected for almost 500 aircraft worldwide, including the new Boeing 747-400s that entered service with KLM Royal Dutch Airlines and others in 1989.



GE Aircraft Engines had record revenues and earnings in 1989, and to sustain the market leadership it has won in recent years, it continued to invest heavily in research and development programs directed at the future. These programs, running at $1.2 billion for 1989, proceeded at a record pace to provide GE with the technology advancements that have contributed to its remarkable success in every market it serves.

The commercial engine business, for example, continued to boom in 1989. Firm orders for commercial engines worth $7 billion were announced during the year, including GE's share of orders placed with CFM International, a joint company of GE and SNECMA of France. Airlines such as American and USAir, as well as the fast-growing leasing companies GPA Group Ltd. and International Lease Finance Corporation, announced large orders for GE CF6-80C2 or CFM56 engines in advance of specific aircraft selections.

Also during the year, the CF6-80C2 engine went into service on the new Boeing 747-400 for airlines such as Lufthansa, KLM and Malaysia and was installed on the new McDonnell Douglas MD-11 trijet. Its most successful predecessor, the CF6-50, reached the major milestone of 50 million hours of operation. Large orders by Continental and Air Inter launched the higher-thrust CF6-80E1 engine being developed for the new Airbus Industrie A330 and other widebody aircraft.

Small commercial engine sales also did well, led by an order for 100 GE C 7-powered Saab 340 regional aircraft placed by American Eagle. In addition, Canadair announced plans for a new 50-passenger regional jet to be equipped with CF34 engines.

The development of advanced commercial power plants for the future is a top priority. GE recently announced plans for the GE90, a new generation of large commercial engines that will have thrust levels up to 95,000 pounds for powering bigger, twin-engined widebody jets. Work also is continuing on the GE36, better known as the UDF® engine, to have it ready when airlines require it. Current estimates are that the program will not go into production before the late 1990s.

GE's strength in military markets was greatly enhanced as a result of significant developments throughout 1989. The big news was the U.S. Navy's return of all F404 fighter engine business to GE after four years of split production with a competitor. GE's F404 also was selected by South Korea to power its new F/A-18 fighters. The U.S. Air Force's annual buy of fighter engines resulted in about 85% of the single-engine F-16 fighters being powered by the increased-performance version of GE's F110 engine, which also flew for the first time in an F-15 aircraft. The B-2 bomber, powered by GE F118 engines, began flight-testing. The ground test program of the F120, GE's candidate for the Air Force's Advanced Tactical Fighter, attained several major milestones. The T407 turboprop engine, to be co-produced by GE and several other companies, was selected by the U.S. Navy for its new P-7A patrol aircraft. And another major contract was signed with the Air Force for 182 more F108 engines to power KC-135R tankers.

Marine and industrial engine sales also were on the upswing. Aviation service had outstanding sales, too, reflecting greater efficiency in engine overhaul and component repair as well as increased numbers of GE-powered aircraft.

Lighting

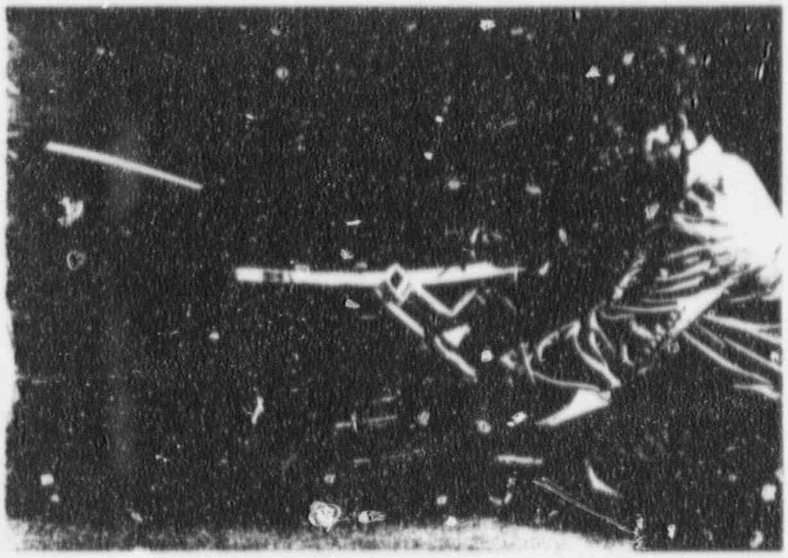
- ***Building on our legacy of bringing light into the world, we are constantly improving the efficiency, quality and use of our lighting products.***

GE Lighting further enhanced its leadership in the U.S. market while addressing its commitment to build world market share by acquiring a majority interest in Tungsram Company of Hungary in early 1990.

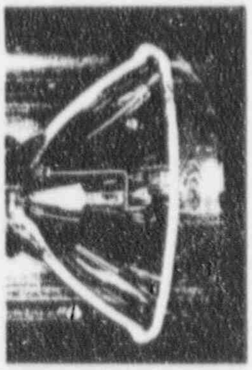
GE purchased 50% plus one share of Tungsram, one of Hungary's largest companies with 12 manufacturing plants and approximately $300 million in annual sales, of which 85% comes from exports. GE will have management responsibility for the venture and an option to purchase an additional 20% of Tungsram.

The $150 million transaction — one of the largest post-war investments in Hungary by a U.S. company — allows GE and Tungsram to merge their European distribution and sales operations, significantly strengthening GE Lighting's position in Europe. Tungsram will manufacture and sell products ranging from household lamps and energy-saving fluorescent products to high-technology discharge lamps in support of GE Lighting's global strategy.

Also in support of that strategy, GE's recently formed joint venture with Toshiba of Japan will produce fluorescent lamps in Ohio for the U.S. and Asia-Pacific markets. The two companies also will cooperate in market development programs aimed at the growing Asia-Pacific region.



Current GE innovations in lighting include sleek arc-discharge automotive headlamps, being tested above by GE technician Pam Clark-Hooks, and Halogen-IR™ PAR 38 lamps (cutaway below) that turn unused infrared energy into crisp, white light.



On the technology front, GE's revolutionary forward discharge lighting gives automotive designers more freedom to create exciting, sleek front-end designs for tomorrow's cars. The new lighting also provides long life, durability and white light for motorists. Commitments for the lighting products have already been received for systems to be included on automobiles in the mid-1990s.

Another technological breakthrough resulted in the introduction of new Halogen-IR™ floodlights and spotlights. An exclusive GE infrared reflective coating inside the lamps captures dissipated energy and converts it into visible, useful light. In effect, the new technology provides the light of a 150-watt incandescent light but uses only 60 watts of electricity.

Other 1989 highlights included the reopening of GE's world-renowned Lighting Institute in Cleveland, Ohio, after an extensive renovation that strengthened its 70-year reputation as the industry's premier training center. Each year, more than 5,000 customers and business associates from around the globe participate in Institute programs that demonstrate GE's expertise in lighting design and application.

GE Lighting, which offers more than 6,000 different lighting products for the consumer, industrial and commercial markets, also posted significant productivity improvements again with the help of innovative ideas from people throughout the business. Its IMPACT program, for example, involved 900 employees who submitted suggestions resulting in $12.4 million in savings.

Medical Systems

■ *At the leading edge of modern medical technology, we continue to develop new techniques for looking inside the human body to diagnose and treat disease.*

GE's versatile new Independent Console can display both CT and MR images simultaneously, making it easier for physicians to compare diagnostic information.

GE Medical Systems posted record earnings in 1989 on solid sales performances in magnetic resonance (MR), computed tomography (CT), x-ray, equipment service and financing. The world leader in diagnostic imaging, it also achieved continued success from its global strategy of serving the world market through three regional organizations.

In the European region, General Electric CGR is well along the way to strengthening its position in this key market. It made a number of key product introductions, including the Stenoscop II™ mobile surgical system and the compact Saturne™ 41 linear accelerator for radiation oncology. Because of General Electric CGR's expertise in x-ray technology, it will serve as GE's base for supplying the digital, angiographic, remote-control radiographic and fluoroscopic, and mammographic x-ray systems that serve two-thirds of the world x-ray market. GE also acquired GEC's medical equipment sales and service activities in the United Kingdom in 1989.

In the Far East, GE Medical Systems–Asia continued to strengthen its market position throughout the region. GE's 75%-owned Japanese joint venture, Yokogawa Medical Systems, opened a new headquarters and manufacturing facility near Tokyo. New CT products included the Sytec™ 3000 and CT Pace™ Plus systems; the RT 6800 color-flow ultrasound scanner also was unveiled.

Meanwhile, in the United States, GE Medical Systems–Americas remains the overall market leader. It has particular strength in Advantx™ x-ray systems, mobile x-ray units and premium CT and MR products, all designed for world markets. Its MR magnet plant in South Carolina — the industry's largest — produces superconducting magnets for both the Signa® and MR Max™ systems. From this solid equipment base, GE is successfully pursuing other opportunities. The innovative Maxi-2000™ financial package, for example, provides upgrade options, protection against downtime and marketing support. Major product introductions included the advanced Signa Advantage™ MR system and the innovative CT HiLight Advantage™ system.

During the year, GE positioned itself to become a world leader in the emerging area of positron emission tomography (PET). It formed an alliance with Scanditronix AB of Sweden under which GE acquired that firm's PET scanner business. It also entered into a joint development agreement with Hamamatsu Photonics of Japan involving light detection devices for use in PET scanners.

Driven by efforts to control health care costs, the worldwide market for diagnostic imaging equipment is expected to grow more slowly in coming years. To win in this constrained environment, GE is increasing its emphasis on market responsiveness and customer satisfaction.

Several moves were implemented in 1989 to support this thrust. An Advanced Technology Division was created to explore new areas of technology and quantum advances in existing product lines. U.S. product engineering was combined with marketing to assure the ideal match of products and services to customer needs. Sales and service organizations were realigned to bring senior management closer to customers. In addition, the new InSite™ system decreases equipment downtime, minimizing patient inconvenience, and a new system introduced by General Electric CGR will assist in managing service operations at more than 6,000 clinical sites in Europe.

NBC

The top-rated television network for five straight years, NBC brings world events and entertaining programs into millions of homes on a daily basis.

The National Broadcasting Company captured a historic string of prime-time victories to maintain its strong leadership despite increased competition for the network television audience. NBC, which had revenues of $3.4 billion, also took bold initiatives in cable and other areas.

Winning its fifth straight year in prime-time ratings, NBC-TV became the first network in television history to rank first in *every* week of the 52-week broadcast year that runs September to September. (Audience ratings determine how much broadcasters can charge advertisers.) NBC's weekly winning streak reached an unprecedented 68 weeks before being interrupted by ABC's coverage of the World Series.

"The Cosby Show" completed the regular season with its fourth consecutive number-one ranking, and NBC ended 1989 with six of the top 10 prime-time series. NBC won 25 Emmy Awards for prime-time programs, five for news, 12 for sports and nine for daytime shows.

NBC Productions had its busiest year yet as NBC moved toward more in-house program production to control costs and increase revenues. "Mancuso, FBI" and "Hardball" were among the in-house productions on the 1989-90 schedule.

NBC Sports gained exclusive four-year network broadcast rights to the National Basketball Association starting with the 1990-91 season.

NBC talk-show hosts David Letterman (left) and Johnny Carson continue to be favorites among late-night viewers.

Significant steps were taken in 1989 to achieve NBC's long-range goal of becoming engaged in multiple networks and the ownership and production of programs seen worldwide on satellite, cable and over-the-air TV.

CNBC, the Consumer News and Business Channel, was launched in April as a 24-hour cable network. By year's end, CNBC was producing 17 hours a day of original programming for 13 million subscribers.

NBC also completed formation of a joint venture with Cablevision Systems, becoming a partner in 11 national and regional cable channels, including CNBC. In a major innovation, the transaction includes plans for extensive, uninterrupted coverage of the 1992 Summer Olympics through a unique pay-per-view package that will supplement NBC's own Olympics coverage.

NBC's primary business, the NBC Television Network, serves more than 200 affiliated stations in the United States. To better meet today's competitive conditions, NBC introduced a "pay-for-performance" system for compensating affiliates that has been well received. It also owns and operates seven TV stations — one each in Chicago, Cleveland, Denver, Los Angeles, Miami, New York and Washington, D.C.

In a significant advance for high-definition TV, NBC's New York station made the first commercial broadcast of Advanced Compatible Television (ACTV). The ACTV system, which is being developed by a consortium involving NBC, is compatible with existing TV sets.

Industrial and Power Systems

■ *A global upsurge in the need for electric power generation and renewed concerns about the environment are increasing the demand for our innovative technologies.*

GE supplied a wide range of equipment for the Intermountain Power Project in Utah, including state-of-the-art pollution control systems that remove more than 99.75% of the fly ash and over 90% of the sulfur dioxide from combustion gases before emissions are released through this 730-foot chimney.

GE Industrial and Power Systems enjoyed a successful year while strengthening itself to meet the dual challenges of expanding global opportunities and intensified global competition that lie ahead in the 1990s.

Increasing demand for power generation equipment and systems is leading the way for this business, which received 1989 orders worth $6 billion. These included a $750 million order from the Tokyo Electric Power Company for the world's largest combined-cycle power plant; a $250 million order for 16 gas turbines from Duke Power Company; and a $60 million order from Virginia Electric Power Company for gas turbine generators. Revenues for GE Industrial and Power Systems surpassed $5 billion during the year.

Robust growth in the worldwide demand for power generation systems and equipment is forecast throughout the 1990s. More than half of that growth is expected to be in gas turbines, where GE Power Generation is the recognized world leader. Already well positioned with business associates worldwide and co-production capability in Japan, Taiwan and India, this GE business strengthened its global position further in 1989 by reaching an agreement with the joint venture between GEC of the United Kingdom and Alsthom of France to form the European Gas Turbine Company (EGT). The EGT alliance will provide GE with long-sought-after access to the European Community market.

GE's technology leadership is gaining added importance as customer requirements become more diverse and competition increases. GE Power Delivery, for example, offers new solid-state electronic meters and amorphous metal distribution transformers — innovations that improve a utility's efficiency. New industrial drives and controls from GE Drive Systems utilize advanced diagnostics to improve uptime in paper and steel mills. And GE Nuclear Energy's new high-energy fuel rod design, GE11, has already gained orders from several utilities around the world.

Another area receiving special emphasis is environmental systems. GE is well positioned to respond to the mounting global concern over the environment with advanced technology that cleans power-plant emissions. The Company is currently installing a wet flue gas desulfurization system in Taiwan that not only will reduce sulfur dioxide emissions by 90% but will also, as a by-product, produce high-purity gypsum for Taiwan's building industry, thereby reducing gypsum imports by 45%.

With a huge global market for parts and service existing in power generation, enhancing customer service across all product lines is another major objective for the 1990s. GE is working closely with several utilities to help them define, implement and measure improved plant performance. Long-term maintenance contracts, where fees are tied to plant availability, also are being offered by GE to help customers keep their systems operating efficiently and economically.

Appliances

■ ***We are leaders in providing consumers with the latest styles and features in major appliances for the home.***

GE Appliances accelerated efforts during the year to position itself for the 1990s as a strong competitor in both domestic and world markets, finishing the year with revenues of $5.6 billion.

As part of a wide-ranging agreement with GEC of the United Kingdom, GE Appliances entered into its first European alliance — the initial step in aggressively seeking joint ventures and creative alliances on a global basis. Already the U.S. market leader in major appliances, it has jumped to a number two position worldwide through the GE-GEC joint venture formed in mid-1989.

Also with a focus on the future, GE Appliances continued its cost improvement efforts. A major step was the announced plan to consolidate electric range production into two large plants, closing two others. In addition, progress was made toward resolving problems discovered during 1988 in certain refrigerator compressors.

GE's new "White on white" line of appliances creates a soft, sophisticated look.

On the domestic front, the 1989 introduction of RCA major appliances provided retailers with a new, distinctively styled full product line bearing one of America's most trusted brand names. Launched in response to high dealer interest, the brand also is held in high esteem by consumers who see it as innovative and forward-thinking. The RCA line includes 69 different models covering each major product category. Its styling is contemporary, featuring a high-tech, electronic look.

To serve the appliance market more broadly, GE embarked on a new brand distribution strategy. With consumer buying patterns making the national chains and "superstores" a growing segment, GE Appliances has moved to increase its exposure in those channels. All of its authorized retail dealers are now given the opportunity to have two or more of GE's strong appliance brand names — GE, Hotpoint, RCA and Monogram — on their floors.

The GE brand saw a major introduction in 1989 — a new "White on white" line of appliances that provides homeowners a "designer" look without many of the costs associated with a more expensive built-in kitchen. All models in the line are white with white control panels and subtle gray graphics. Most handles and other parts, which traditionally were chrome, woodgrain or a darker neutral color, are white too.

The Hotpoint line of appliances, known for reliability and durability, has been enhanced with the introduction of its first solid disk range and full-featured electronic dishwasher.

The Monogram brand, the first in the industry to offer a complete line of appliances designed for the high-end segment, continued its expansion with the addition of four new cooktops. Three years old in 1989, the Monogram line enjoys a double-digit market share in the high-end segment of the industry.

Innovation carries beyond product lines at GE Appliances. Benefits such as The GE Answer Center® service, a state-of-the-art toll-free customer assistance number (800-626-2000), and GE Consumer Service, a nationwide factory service network, continue to set the industry standard.

Aerospace

■ *We are developing the advanced technologies required for the exploration and use of space as well as for the defense of nations.*

GE Aerospace took aggressive action to maintain leadership in its diversified product lines and continued to win new business in the increasingly competitive defense market. Orders for the year rose 8% to $6 billion, including a significant increase from international customers.

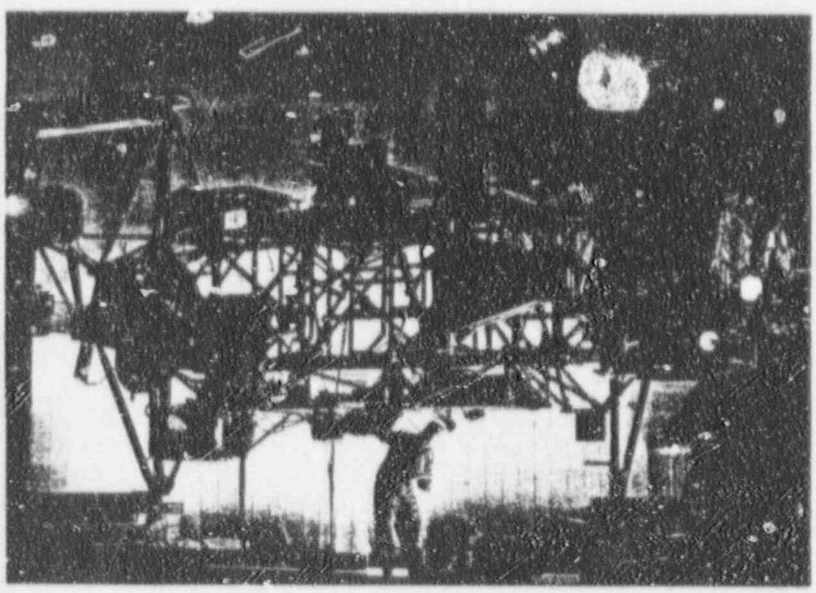
In response to expected declines in U.S. defense procurement levels and intensifying global competition, GE Aerospace initiated steps to reduce costs, enhance efficiency and productivity, and position the business for competitive advantage in the 1990s. Chief among those actions was the establishment of the Aerospace Operations Division, which is responsible for all manufacturing, purchasing and sourcing, and quality control throughout the business. In addition, major efforts to increase engineering productivity were initiated during the year.

GE Aerospace also expanded its business base in 1989 by winning several important competitions. The new programs include the U.S. Army's Tactical Command and Control System (ATCCS), the U.S. Air Force's next generation of 20 Navstar global positioning satellites and flight controls for the C-17 transport aircraft.

Orders from international customers and technology licensing to foreign partners amounted to nearly $1 billion, more than double that of the year before. Major contracts from overseas were received for communications satellites, surveillance radars and flight simulators.

GE's diverse line of programs ranges from satellites and radar air defense systems to undersea combat systems and sonars. Products also include military data systems, visual simulation systems, armament systems, transmissions and turret stabilization systems for tracked vehicles, fire control and guidance systems, automated test systems, aircraft electronics and communications systems.

This Upper Atmosphere Research Satellite being built by GE Astro Space will include 10 scientific instruments for studying the ozone layer and atmospheric conditions.



Highlights for the year included the commissioning and entry into the fleet of four U.S. Navy cruisers equipped with the GE-developed Aegis fleet air defense system. Three more were christened. In addition, the first of the Navy's new Aegis destroyers, the *Arleigh Burke*, was christened. More than 20 Aegis systems also were in various stages of production during the year.

In space exploration, a GE-built heat shield is traveling through the solar system on the Galileo probe to protect that spacecraft when it enters the atmosphere of the planet Jupiter. Also in 1989, program activity was expanded on NASA's space station project in which GE has responsibility for design and development of the polar platform and attached payload accommodations and for engineering of the servicing facility system.

Production continued on DSCS III, the third generation of defense communication satellites for the U.S. Air Force. In-orbit performance of DSCS satellites launched to date has been outstanding.

GE Aerospace also was selected by AT&T to build three satellites that will replace its current Telstars. Dual-band Telstar 4 satellites will be built under a $250 million contract and launched in the mid-1990s.

Communications and Services

■ *We help customers take advantage of the information age.*

GE Communications and Services had increased revenues in 1989. The six operating components of this business use computers, satellites and other advanced technologies to help businesses, governments and individuals take advantage of the information age.

GE Information Services supplies network-based services that integrate computers, software and communications systems to a variety of industries, including worldwide financial, retail, energy and transportation businesses. Its Global Limits System™, for example, provides the financial community with timely data on cash exposure to optimize trading opportunities.

A new transaction exchange system carried over GE Information Services' worldwide teleprocessing network is used by these securities dealers at James Capel and other European investment houses to reduce the risk of trading Eurobonds by telephone.

GE American Communications, which provides satellite communications services, again led the domestic satellite industry with the highest satellite utilization rate. Construction began in 1989 on four new state-of-the-art satellites, two of which were presold to the cable TV industry.

GE Mobile Communications formed a joint venture with Ericsson of Sweden. The joint venture, owned 60% by Ericsson and 40% by GE, will produce mobile radio systems and cellular telephones for the international market and will serve the U.S. and Canadian markets for cellular telephone systems.

In addition, GE Government Services maintained its position as a leading supplier of technical, scientific and management services for federal, state and foreign governments. GE Consulting Services provides consulting and software services to many Fortune 500 companies, and GE Computer Service offers service, rental, leasing and repair of computers and other equipment.

Electrical Distribution and Control

■ *Our technology puts electricity to work safely and efficiently.*

GE Electrical Distribution and Control continued to make significant advances in cost-competitiveness and strategic alliances by introducing world-leadership products and forging new global partnerships.

An industry leader in products that protect and control electrical power and equipment, this business introduced its new, integrated Spectra Series™ line of panelboards, switchboards, busway and Spectra RMS™ circuit breakers in 1989. The modular design of these new products substantially improves both service capability and productivity. Service improvements also were achieved through the consolidation of customer service, the opening of a centralized warehouse and the strategic placement of equipment centers around the United States.

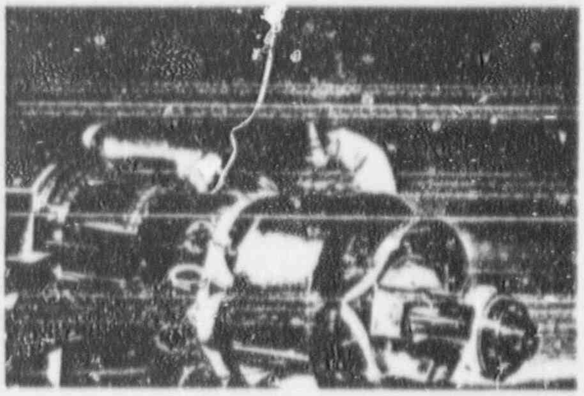
These Spectra RMS™ industrial circuit breakers are part of the new Spectra Series™ line of electrical products designed to improve performance and cut costs.

Internationally, a joint business interest was established with GEC of the United Kingdom. Under the 50/50 joint venture, GE's Italian-based affiliate (COGEMEC) was combined with GEC's Belgian-based Vynckier NV and French-based Unelec to create a European business that manufactures and markets distribution and control equipment for the European market.

GE Electrical Distribution and Control also has responsibility for GE's interests in the GE Fanuc Automation Corporation joint venture in North America and Europe. During 1989, this factory automation venture with FANUC Ltd. of Japan continued to achieve significant growth in productivity and market share. It also introduced a totally new line of programmable controllers, the Series 90™ family, and improved its own productivity by redesigning its factory and installing an automated, state-of-the-art printed wiring board assembly system.

Motors

■ *Our electric motors run everything from treadmills to steel mills.*



Autowind operator Lena Ciesiack of the GE Motors plant in Owensboro, Ky., checks the automated winding of a stator for a new GE industrial motor.

GE Motors achieved record sales performance in 1989 despite increased competition in the global marketplace.

Recent strategic moves to improve GE's competitiveness included the restructuring of domestic manufacturing plants and the global consolidation of all industrial motor businesses. Motor manufacturing in Korea continued to expand with production increases in joint ventures with Hyundai and Daewoo. In addition, BG Automotive Motors, the new joint venture with Robert Bosch of West Germany, began production of electric motors in the United States for a variety of automotive applications. The venture is now shipping blower and engine cooling fan motors for Ford in the United States as well as exporting power window motors for BMW in Europe.

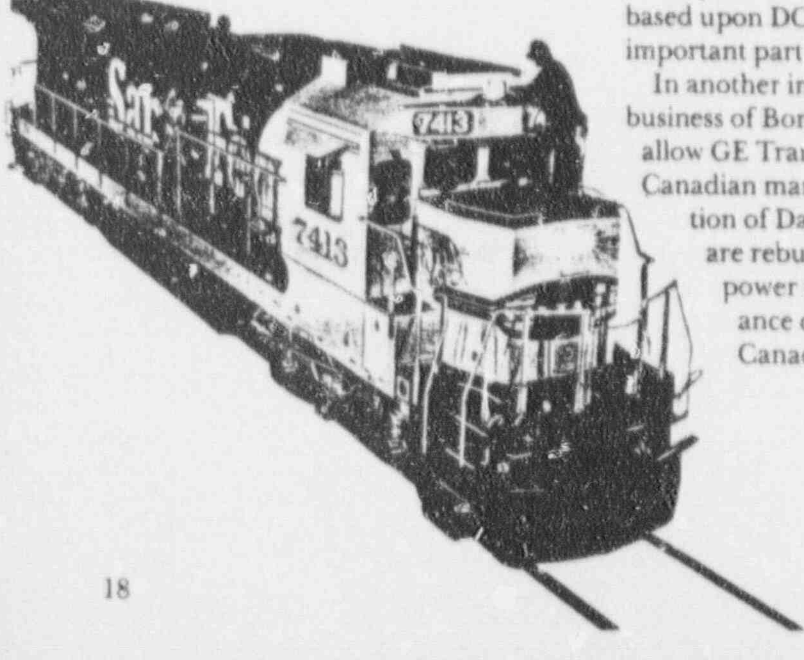
The competitiveness of this business is being further enhanced by reductions in total cycle time and by responsiveness to customers. For example, customers now have direct access to GE Motors' data on inventory, orders and technical information via the Motorlink™ electronic interface.

Increased energy conservation programs among customers also created a strong demand for Energy $aver® motors from GE. These motors are leaders in the industry with their high efficiency.

Transportation Systems

■ *We provide the horsepower to pull passengers, freight and ore.*

The Santa Fe Railway is benefiting from an innovative "power-by-the-mile" service agreement with GE.



GE Transportation Systems continued its success in the U.S. market by winning about 60% of all new locomotive orders placed during 1989. One significant development is a new "partnership" with the Santa Fe Railway that gives GE maintenance responsibility for the entire Santa Fe fleet of GE locomotives. GE also received an order for 60 locomotives from Santa Fe.

GE remained the leading competitor in electric drives for large mining trucks. Orders were placed for 229 off-highway trucks, 120 tons and over, that will enter service on six continents.

The Company also manufactured its first AC propulsion system for rapid transit, which will be placed into service with Metro North. In transit propulsion systems, AC motors are expected to replace DC in the years ahead. GE's leading share in the U.S. market has been based upon DC technology, so the Metro North demonstration is an important part of the plan to maintain market position.

In another important 1989 move, GE acquired the locomotive business of Bombardier in Montreal, Canada. The acquisition will allow GE Transportation Systems to broaden its participation in the Canadian market by using the Montreal plant to support production of Dash 8 locomotives for Canada and Super 7s. The latter are rebuilt GE locomotives that provide reliable, lower horsepower for railroad applications not requiring the performance of the Dash 8s. GE also received an order from Canada's BC Rail for 22 of the Dash 8 locomotives.

International

■ *Through creative alliances and joint ventures, we are building up our worldwide competitiveness as the barriers to a true global economy continue to crumble.*

Tungsram lights bathe the Danube River in Budapest, Hungary, where the combination of GE's European lighting business and that country's Tungsram Company have created a joint venture in lighting that will expand the presence of both companies in the European market.

GE made significant progress in its globalization efforts during a year punctuated by international events that are tearing down the barriers to a true global economy.

In Europe, where 1992 looms on a horizon suddenly widened by political changes in the communist bloc, 1989 was marked by a number of innovative share-to-gain alliances benefiting both GE and its partners. The year began with the signing of a multibusiness relationship with GEC of the United Kingdom and closed with the announcement of GE's acquisition of a majority interest in Tungsram Company, a Hungarian manufacturer of lighting products.

The alliances with GEC in appliances, electrical equipment and power generation, which were completed in 1989, strengthen GE's position in Europe while yielding technological benefits and additional market opportunities to GEC. The Company also acquired GEC's medical equipment sales and service activities in the United Kingdom. The Tungsram acquisition, which was finalized in early 1990, represents one of the largest post-war business investments in that country by a U.S. company and significantly increases market opportunities for Tungsram and GE Lighting.

In addition, the Ericsson-GE Mobile Communications joint venture, created in 1989, combines U.S. and European strength in product development into a global technology leader in the mobile communications and cellular telephone markets.

GE also continued to make important inroads in Asia, where it has had long-standing relationships with dozens of key partners.

In India, for example, GE further strengthened its position in the growing Indian economy by extending its alliance with BHEL to include the full range of gas turbines and by announcing a joint venture in medical systems with Wipro.

The lighting joint venture with Toshiba of Japan is another example. During 1989, it started construction on a production facility in Ohio to provide GE and Toshiba customers with high-quality fluorescent lamps.

In the Americas, a new free trade agreement between the United States and Canada is opening up business opportunities on both sides of the border. GE enjoyed continued growth in Canada, especially in financial services, motors and plastics. GE Canada had record capital expenditures in 1989. Included were the expansion of its aircraft engine parts plant in Quebec; the launch of the new Performance Plus clothes dryer by Camco, GE Canada's appliance subsidiary; and the start of construction on a new facility in Ontario to compound silicones. Also during the year, GE acquired all of the common stock of GE Canada that it did not already own, or about 8% of the issued shares, for approximately $129 million (in Canadian dollars).

GE also benefited from the revitalization of Mexico's economy as orders in Mexico showed strong growth. In addition, joint venture manufacturing investments there in plastics and appliances, totaling almost $100 million, were largely completed for 1990 start-up.

As the 1990s unfold, increasing globalization and the economic liberalization of new markets promise to open new frontiers to GE's international growth. And GE, with its strengthened business development and country management organization, is well placed to participate in the development of these world markets.

Board of Directors (As of February 16, 1990)

Silas S. Cathcart, a Director from 1972 to 1987, was elected to the Board on February 16, 1990 after serving two years as Chairman of the Board of Kidder, Peabody Group, Inc., a GE Financial Services subsidiary.

During 1989, the Directors held 10 regular meetings and participated on the following committees that aid the Board in its duties.

The *Audit Committee*, which includes only Directors from outside GE, held four meetings. It reviewed the activities and independence of GE's independent auditors and the activities of the Company's internal audit staff as well as the Company's financial reporting process, internal financial controls and compliance with key GE policies, including those related to the defense procurement process. It also reviewed the investment portfolio of GE Financial Services.

The *Finance Committee* met four times. It examined GE's financial position, pension funding and trust operations, foreign investments, financing commitments with the airline industry and other matters involving large-scale utilization of Company funds.

The *Management Development and Compensation Committee*, which includes only Directors from outside GE, held 10 meetings. In addition to approving changes in GE's management, it reviewed the Company's exempt salary structure and executive compensation programs.

The *Nominating Committee*, which held three meetings, reviewed Board candidates and recommended the committee structure and membership for the ensuing year.

The *Operations Committee* met six times, including joint sessions with the Audit, Finance, and Technology and Science Committees. It reviewed the Company's operating results and plans as well as the activities of GE Aircraft Engines and GE Financial Services.

The *Public Responsibilities Committee*, at its two meetings, reviewed the activities of the General Electric Foundations and evaluated environmental issues that could affect GE.

The *Technology and Science Committee* held three meetings, all joint sessions with the Operations Committee. Its activities included reviews of GE Plastics, GE Medical Systems and GE Gas Turbines.

H. Brewster Atwater, Jr.
Chairman of the Board, Chief Executive Officer and Director, General Mills, Inc., consumer foods and restaurants, Minneapolis, Minn. Director since 1989.

Richard T. Baker
Consultant to Ernst & Young, public accountants, Cleveland, Ohio. Director since 1977.

Lawrence A. Bossidy
Vice Chairman of the Board, Executive Officer and Director, General Electric Company, Fairfield, Conn. Director since 1984.

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

Charles D. Dickey, Jr.
Retired Chairman of the Board and former Director, Scott Paper Company, Philadelphia, Pa. Director since 1972.

Robert E. Mercer
Retired Chairman of the Board and former Director, The Goodyear Tire & Rubber Company, Akron, Ohio. Director since 1984.

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

Barbara Scott Preiskel
Attorney, New York, N.Y. Director since 1982.

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

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

Committees of the Board

Audit Committee
Richard T. Baker, Chairman
Lawrence E. Fouraker
Gertrude G. Michelson
Barbara Scott Preiskel
Lewis T. Preston
Frank H.T. Rhodes

Finance Committee
Robert E. Mercer, Chairman
John F. Welch, Jr.,
Vice Chairman
Richard T. Baker
Silas S. Cathcart
Charles D. Dickey, Jr.
Henry H. Henley, Jr.
David C. Jones
Frank H.T. Rhodes
Walter B. Wriston

Management Development and Compensation Committee
Walter B. Wriston, Chairman
Henry H. Henley, Jr.
Henry L. Hillman
David C. Jones
Gertrude G. Michelson

Nominating Committee
Charles D. Dickey, Jr., Chairman
Silas S. Cathcart
Henry H. Henley, Jr.
Gertrude G. Michelson
Lewis T. Preston
Andrew C. Sigler

Operations Committee
Henry L. Hillman, Chairman
Lawrence A. Bossidy,
Vice Chairman
H. Brewster Atwater, Jr.
Silas S. Cathcart
Robert E. Mercer
Barbara Scott Preiskel
Lewis T. Preston
Andrew C. Sigler
William French Smith

Public Responsibilities Committee
Henry H. Henley, Jr., Chairman
John F. Welch, Jr.,
Vice Chairman
H. Brewster Atwater, Jr.
Richard T. Baker
Lawrence E. Fouraker
Henry L. Hillman
Gertrude G. Michelson
Barbara Scott Preiskel
Andrew C. Sigler
William French Smith

Technology and Science Committee
Frank H.T. Rhodes, Chairman
Edward E. Hood, Jr.,
Vice Chairman
Charles D. Dickey, Jr.
Lawrence E. Fouraker
Henry L. Hillman
David C. Jones
Robert E. Mercer

Lawrence E. Fouraker
Fellow, John F. Kennedy School of Government, Harvard University, Cambridge, Mass. Director since 1981.

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

Henry L. Hillman
Chairman of the Board and Director, The Hillman Company, diversified operations and investments, Pittsburgh, Pa. Director since 1972.

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

David C. Jones
Retired U.S. Air Force General and former Chairman of the Joint Chiefs of Staff, Washington, D.C. Director since 1986.

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

William French Smith
Senior partner, Gibson, Dunn & Crutcher, law firm, Los Angeles, Calif. Director since 1986.

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

Walter B. Wriston
Retired Chairman of the Board and former Director, Citicorp and Citibank, N.A., New York, N.Y. Director since 1962.

Management (As of February 16, 1990)

Corporate Executive Officers

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

Lawrence A. Bossidy
Vice Chairman of the Board and Executive Officer

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

James R. Bunt
Vice President

Senior Corporate Officers

Dennis D. Dammerman
Senior Vice President, Finance

Jack O. Peiffer
Senior Vice President, Executive Management

Paul W. Van Orden
Executive Vice President

Frank P. Doyle
Senior Vice President, Relations

Walter L. Robb
Senior Vice President, Research and Development

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

Corporate Staff Officers

James J. Costello
Vice President and Comptroller

Dale F. Frey
Vice President and Treasurer; Chairman and President, General Electric Investment Corporation

Joseph Handros
Vice President and Deputy General Counsel

Joyce Hergenhan
Vice President, Public Relations

Philip A. Lacovara
Vice President and Senior Counsel, Litigation and Legal Policy

Teresa M. LeGrand
Vice President, Audit Staff

Eugene P. Nesbeda
Vice President, Business Development and Planning

Phillips S. Peter
Vice President, Government Relations

Arthur V. Puccini
Vice President, Employee Relations

John M. Samuels
Vice President and Senior Counsel, Tax Policy and Planning

William J. Sheeran
Vice President, Engineering, Production and Sourcing

Edward J. Skiko
Vice President, Information Technology

Operating Management (As of February 16, 1990)

Financial Services

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

Burton J. Kloster, Jr.
Senior Vice President, General Counsel and Secretary

Charles E. Okosky
Senior Vice President, Human Resources Development

James A. Parke
Senior Vice President, Finance

Michael A. Carpenter
Executive Vice President, GE Capital; President and Chief Executive Officer, Kidder, Peabody Group Inc.

Dennis J. Carey
Senior Vice President, Corporate Finance, GE Capital

Charles V. Sheehan
Senior Vice President, National Sales, Kidder, Peabody

W. James McNerney, Jr.
Executive Vice President, GE Capital

David D. Ekedahl
Senior Vice President, Retailer Financial Services

Denis J. Nayden
Executive Vice President, GE Capital

John C. Deterding
Senior Vice President, Commercial Real Estate Financing

Michael G. Fitt
Chairman, President and Chief Executive Officer, Employers Reinsurance Corporation

Plastics

Glen H. Hiner
Senior Vice President, GE Plastics

Nigel D.T. Andrews
Vice President, GE Silicones

Robert H. Brust
Vice President, Finance

Paul L. Dawson
Vice President, GE Plastics – Americas

Edward R. Koscher
Vice President, Sales

William H. Westendorf
Vice President, Manufacturing

Joseph G. Wirth
Vice President, Technology

Herbert G. Rammrath
President, GE Plastics – Pacific Ltd.

Edward J. Russell
Vice President, GE Superabrasives

Joseph M. Sakach, Jr.
Chairman and Chief Executive Officer, GE Plastics – Europe

L. Donald Simpson
Vice President, Manufacturing

Uwe S. Wascher
Vice President, Marketing and Product Management

Lighting

John D. Opie
Senior Vice President, GE Lighting

William S. Frago
Vice President, Worldwide Marketing and Product Management

Robert P. Mozgala
Vice President, Production

Stephen Rabinowitz
Vice President, Technology

George F. Varga
President and Chief Executive Officer, GE – Tungsram Lighting

Medical Systems

John M. Trani
Senior Vice President, GE Medical Systems

Bobby J. Bowen
Vice President, Advanced Technology

James G. Del Mauro
Vice President, Service

Thomas E. Dunham
Vice President, Manufacturing

Vincenzo Morelli
President and Chief Executive Officer, General Electric CGR S.A.

Charles P. Pieper
President and Chief Executive Officer, GE Medical Systems Asia Ltd.

Steven C. Riedel
Vice President, Marketing

Robert L. Stocking
Vice President, Sales

NBC

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

Albert F. Barber
Executive Vice President

Dick Ebersol
President, Sports

Michael G. Gartner
President, News

Albert D. Jerome
President, Television Stations

Pierson G. Mapes
President, Television Network

Edward L. Scanlon
Executive Vice President, Employee Relations

Brandon R. Tartikoff
President, Entertainment and Productions

Aircraft Engines

Brian H. Rowe
Senior Vice President, GE Aircraft Engines

Theodore R. Boehm
Vice President, Business Planning and Legal

Brian Brimelow
Vice President, Government Products

Charles L. Chadwell
Vice President, Human Resources

Lee Kapor
Vice President, Commercial Engines

Edward C. Bavaria
Vice President, Airline Marketing

Dennis R. Little
Vice President, Marine and Industrial Engines and Service

W. George Krall
Vice President, Production

Frank E. Pickering
Vice President, Engineering

Robert G. Stiber
Vice President, Small Aircraft Engines

Robert C. Turnbull
Vice President, Military Engines

William J. Vareschi
Vice President, Finance and Information Systems

Industrial and Power Systems

John A. Urquhart
Senior Vice President,
GE Industrial and Power Systems

David C. Genever-Watling
Vice President, GE Power Generation

Gerald R. Cote
Vice President, Customer Service

William G. Gingrich
Vice President, Marketing and Product Management

Russell L. Noll, Jr.
Vice President, Power Generation Operations

Eugene J. Kovarik
Vice President, GE Power Delivery and Control

Joel Tenzer
Vice President, GE Drive Systems

Delbert L. Williamson
Vice President, GE Industry and Utility Sales

Bertram Wolfe
Vice President, GE Nuclear Energy

Appliances

Roger W. Schipke
Senior Vice President,
GE Appliances

Richard L. Burke
Vice President, Technology, Product Design and Manufacturing

Bruce A. Enders
Vice President, Worldwide Marketing and Product Management

Jeffrey R. Immelt
Vice President, GE Consumer Service

Lawrence R. Johnston
Vice President, Sales and Distribution

Aerospace

John D. Rittenhouse
Senior Vice President,
GE Aerospace

Fred A. Breidenbach
Vice President, Defense Systems

James B. Feller
Vice President, Aerospace Technology

Jack A. Frohbieter
Vice President, Government Electronic Systems

Arthur L. Glenn
Vice President, Communications and Strategic Systems

Lawrence R. Greenwood
Vice President, Astro Space

Raymond P. Kurlak
Vice President, Aerospace Operations

John M. Lavin
Vice President, Ocean Systems

Michael A. Smith
Vice President, Aircraft Electronics

Robert W. Tieken
Vice President, Finance and Information Technology

Communications and Services

Eugene F. Murphy
Senior Vice President,
GE Communications and Services

Hellene S. Runtagh
President, GE Information Services

Electrical Distribution and Control

Gary L. Rogers
Senior Vice President,
GE Electrical Distribution and Control

Robert P. Collins
President and Chief Executive Officer, GE Fanuc Automation North America, Inc.

David M. Engelman
Vice President, Sales

Motors

Stephen J. O'Brien
Vice President, GE Motors

Roger D. Morey
Vice President, Sales

Transportation Systems

Michael D. Lockhart
Vice President,
GE Transportation Systems

International

Paolo Fresco
Senior Vice President,
GE International

Alberto F. Cerruti
Vice President, Finance and Business Support

Alistair C. Stewart
Vice President, Middle East, Africa, South Asia, U.S.S.R. Area

Thomas W. Tucker
Vice President, Asia-Pacific Area

Canada/Latin America

William R.C. Blundell
Chairman and Chief Executive Officer, GE Canada

Robert T.E. Gillespie
Executive Vice President

GE Supply

J. Richard Stonesifer
Vice President, GE Supply

Ladd Petroleum

Ronald G. Spence
President and Chief Executive Officer, Ladd Petroleum Corporation

Aerospace Technology

Thomas E. Cooper
Vice President, Aerospace Technology

Environmental Programs

W. Roger Strelow
Vice President, Environmental Programs

Licensing/Trading

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

Marketing and Sales

Clyde D. Keaton
Vice President, Marketing and Sales

Albert J. Febbo
Vice President, Automotive Industry Marketing and Sales

Henry J. Singer
Vice President, Area Management and Sales

Summary Data

General Electric Company and consolidated affiliates

(Dollar amounts in millions; per-share amounts in dollars)	1989	1988	1987
Revenues	**$54,574**	$50,089	$48,158
Net earnings	**3,939**	3,386	2,915
Dividends declared	**1,537**	1,314	1,209
Per share			
Net earnings	**4.36**	3.75	3.20
Dividends declared	**1.70**	1.46	1.32½
Earned on average share owners' equity	**20.0%**	19.4%	18.5%
Percent increase from prior year			
Revenues	**9%**	4%	15%
Net earnings	**16**	16	17
Dividends declared	**17**	9	12
Net earnings per share	**16**	17	17
Dividends declared per share	**16**	10	12

Contents

Statement of Earnings

For the years ended December 31 (In millions)	General Electric Company and consolidated affiliates 1989	1988	1987
Revenues			
Sales of goods	$31,314	$28,953	$29,937
Sales of services	9,673	9,840	9,370
Other income (note 3)	690	675	655
Earnings of GEFS	—	—	—
GEFS revenues from operations (note 4)	12,897	10,621	8,196
Total revenues	54,574	50,089	48,158
Costs and expenses (note 5)			
Cost of goods sold	22,827	21,155	22,359
Cost of services sold	6,873	7,676	7,290
Interest and other financial charges (note 7)	6,591	4,817	3,912
Insurance policy holder losses and benefits	1,614	1,501	1,560
Provision for losses on financing receivables (note 8)	527	434	290
Other costs and expenses	10,355	9,724	8,406
Unusual expenses, including provisions for business restructurings (note 9)	—	—	1,118
Minority interest in net earnings (loss) of consolidated affiliates	84	61	(4)
Total costs and expenses	48,871	45,368	44,931
Earnings before income taxes, extraordinary item and cumulative effect of accounting changes	5,703	4,721	3,227
Provision for income taxes (note 10)	(1,764)	(1,335)	(1,108)
Earnings before extraordinary item and cumulative effect of accounting changes	3,939	3,386	2,119
Extraordinary item (note 25)	—	—	(62)
Cumulative effect to January 1, 1987 of accounting changes			
Initial application of Statement of Financial Accounting Standards No. 96 — "Accounting for Income Taxes" (note 1)	—	—	577
Change in overhead recorded in inventory (note 1)	—	—	281
Net earnings	$ 3,939	$ 3,386	$ 2,915
Net earnings per share (in dollars)			
Before extraordinary item and cumulative effect of accounting changes	$ 4.36	$ 3.75	$ 2.33
Extraordinary item (note 25)	—	—	(.07)
Cumulative effect to January 1, 1987 of accounting changes			
Initial application of Statement of Financial Accounting Standards No. 96 — "Accounting for Income Taxes" (note 1)	—	—	.63
Change in overhead recorded in inventory (note 1)	—	—	.31
Net earnings per share	$ 4.36	$ 3.75	$ 3.20
Dividends declared per share (in dollars)	$ 1.70	$ 1.46	$ 1.32

The notes to consolidated financial statements on pages 46-68 are an integral part of this statement.

GE			GEFS		
1989	1988	1987	1989	1988	1987
$31,326	$28,958	$29,937	**$ —**	$ —	$ —
9,693	9,866	9,378	**—**	—	—
704	680	649	**—**	—	—
927	788	552	**—**	—	—
—	—	—	**12,945**	10,655	8,225
42,650	40,292	40,516	**12,945**	10,655	8,225
22,839	21,160	22,359	**—**	—	—
6,893	7,702	7,298	**—**	—	—
726	669	645	**5,912**	4,177	3,277
—	—	—	**1,614**	1,501	1,560
—	—	—	**527**	434	290
6,662	6,250	5,979	**3,708**	3,484	2,440
—	—	1,027	**—**	—	91
38	29	1	**46**	32	(5)
37,158	35,810	37,309	**11,807**	9,628	7,653
5,492	4,482	3,207	**1,138**	1,027	572
(1,553)	(1,096)	(1,088)	**(211)**	(239)	(20)
3,939	3,386	2,119	**927**	788	552
—	—	(62)	**—**	—	(62)
—	—	577	**—**	—	518
—	—	281	**—**	—	—
$ 3,939	$ 3,386	$ 2,915	**$ 927**	$ 788	$ 1,008

In the supplemental consolidating data on this page, "GE" means the pre-1988 basis of consolidation as described in note 1 to the consolidated financial statements; "GEFS" means General Electric Financial Services, Inc. and all of its affiliates and associated companies. Transactions between GE and GEFS have been eliminated from the "General Electric Company and consolidated affiliates" columns on the preceding page. Eliminations are shown on page 47.

Statement of Financial Position

At December 31 (In millions)	General Electric Company and consolidated affiliates 1989	1988
Assets		
Cash and equivalents (note 11)	**$ 2,258**	$ 2,456
Marketable securities carried at cost (note 12)	**6,799**	5,510
Marketable securities carried at market (note 13)	**8,488**	5,089
Securities purchased under agreements to resell	**16,020**	13,811
Current receivables (note 14)	**6,976**	6,780
Inventories (note 15)	**6,655**	6,486
GEFS financing receivables (investment in time sales, loans and financing leases) — net (note 16)	**41,779**	35,832
Other GEFS receivables (note 17)	**5,476**	4,699
Property, plant and equipment (including equipment leased to others) — net (note 18)	**15,646**	13,611
Investment in GEFS	**—**	—
Intangible assets (note 19)	**8,822**	8,552
All other assets (note 20)	**9,425**	8,039
Total assets	**$128,344**	$110,865
Liabilities and equity		
Short-term borrowings (note 21)	**$ 37,200**	$ 30,422
Accounts payable (note 22)	**6,666**	6,004
Securities sold under agreements to repurchase	**16,555**	13,864
Securities sold but not yet purchased, at market (note 23)	**4,090**	2,068
Progress collections and price adjustments accrued	**3,315**	3,504
Dividends payable	**426**	369
All other GE current costs and expenses accrued (note 24)	**5,650**	5,549
Long-term borrowings (note 25)	**16,110**	15,082
Reserves of insurance affiliates	**5,032**	4,177
All other liabilities (notes 17 and 26)	**7,866**	6,986
Deferred income taxes (note 27)	**3,543**	3,373
Total liabilities	**106,453**	91,418
Minority interest in equity of consolidated affiliates (note 28)	**1,001**	981
Common stock (926,564,000 shares issued)	**584**	584
Other capital	**826**	823
Retained earnings	**20,352**	17,950
Less common stock held in treasury	**(872)**	(891)
Total share owners' equity (notes 29 and 30)	**20,890**	18,466
Total liabilities and equity	**$128,344**	$110,865
Commitments and contingent liabilities (note 31)		

The notes to consolidated financial statements on pages 46-68 are an integral part of this statement.

GE 1989	GE 1988	GEFS 1989	GEFS 1988
$ 1,749	$ 1,823	$ 509	$ 633
49	80	6,750	5,430
—	—	8,488	5,089
—	—	16,020	13,811
7,218	7,110	—	—
6,655	6,486	—	—
—	—	41,779	35,939
—	—	5,856	4,806
9,606	9,360	5,980	4,251
6,069	4,819	—	—
7,048	6,984	1,774	1,568
5,653	4,621	3,772	3,418
$ 44,107	$ 41,283	$ 90,928	$ 74,945
$ 1,696	$ 1,861	$ 35,740	$ 28,731
2,901	2,136	4,144	4,132
—	—	16,555	13,864
—	—	4,090	2,088
3,315	3,504	—	—
426	369	—	—
5,650	5,549	—	—
3,947	4,330	12,165	10,862
—	—	5,032	4,177
5,635	5,481	2,236	1,505
(636)	(641)	4,179	4,014
22,934	22,589	84,141	69,373
283	228	718	753
584	584	1	1
826	823	1,702	1,379
20,352	17,950	4,366	3,439
(872)	(891)	—	—
20,890	18,466	6,069	4,819
$ 44,107	$ 41,283	$ 90,928	$ 74,945

In the supplemental consolidating data on this page, "GE" means the pre-1988 basis of consolidation as described in note 1 to the consolidated financial statements; "GEFS" means General Electric Financial Services Inc. and all of its affiliates and associated companies. Transactions between GE and GEFS have been eliminated from the "General Electric Company and consolidated affiliates" columns on the preceding page. Eliminations are shown on page 47.

Statement of Cash Flows

For the years ended December 31 (In millions)	General Electric Company and consolidated affiliates 1989	1988	1987
Cash flows from operating activities			
Net earnings	**$ 3,939**	$ 3,386	$ 2,915
Adjustments to reconcile net earnings to cash provided from operating activities			
Extraordinary item and cumulative effect of changes in accounting principles	—	—	(796)
Depreciation, depletion and amortization	**2,256**	2,266	1,913
Earnings retained by GEFS	—	—	—
Deferred income taxes	**281**	124	37
Decrease (increase) in GE current receivables	**(100)**	123	138
Decrease (increase) in GE inventories	**(167)**	(209)	375
Increase (decrease) in accounts payable	**503**	303	149
Increase in insurance reserves	**486**	315	669
Provision for losses on financing receivables	**527**	434	290
Net change in certain broker-dealer accounts	**(872)**	(573)	(103)
All other operating activities	**(230)**	933	252
Cash provided from operating activities	**6,623**	7,102	5,839
Cash flows from investing activities			
Property, plant and equipment including equipment leased to others			
Additions	**(5,474)**	(3,681)	(2,277)
Dispositions	**1,294**	470	890
Net increase in GEFS financing receivables	**(6,649)**	(6,057)	(4,575)
Payments for principal businesses purchased, net of cash acquired	**(1,860)**	(3,504)	(555)
Proceeds from principal business dispositions	—	880	646
All other investing activities	**(400)**	(1,620)	(1,097)
Cash used for investing activities	**(13,089)**	(13,512)	(6,968)
Cash flows from financing activities			
Net change in borrowings (less than 90-day maturities)	**7,360**	3,868	2,519
Debt having maturities more than 90 days			
Newly issued	**8,078**	11,324	8,219
Repayments and other reductions	**(7,710)**	(8,801)	(6,883)
Sale of preferred stock by GE Capital	—	600	—
Disposition of GE shares from treasury (mainly for employee plans)	**509**	356	361
Purchase of GE shares for treasury	**(490)**	(387)	(846)
Dividends paid to GE share owners	**(1,479)**	(1,263)	(1,177)
Cash provided from (used for) financing activities	**6,268**	5,697	2,193
Increase (decrease) in cash and equivalents during year	**(198)**	(713)	1,064
Cash and equivalents at beginning of year	**2,456**	3,169	2,105
Cash and equivalents at end of year	**$ 2,258**	$ 2,456	$ 3,169

The notes to consolidated financial statements on pages 46-68 are an integral part of this statement.

GE			GEFS		
1989	1988	1987	1989	1988	1987
$ 3,939	$ 3,386	$ 2,915	**$ 927**	$ 788	$ 1,008
—	—	(796)	—	—	(456)
1,524	1,522	1,544	**732**	744	369
(927)	(788)	(552)	—	—	—
178	(215)	(158)	**103**	339	195
(12)	(170)	111	—	—	—
(167)	(209)	375	—	—	—
693	(342)	21	**(75)**	693	48
—	—	—	**486**	315	669
—	—	—	**527**	434	290
—	—	—	**(872)**	(573)	(103)
(468)	440	413	**256**	751	159
4,760	3,624	3,873	**2,084**	3,491	2,179
(2,217)	(1,884)	(1,698)	**(3,257)**	(1,797)	(579)
205	118	410	**1,089**	352	480
—	—	—	**(6,542)**	(5,943)	(4,627)
(759)	(2,463)	—	**(1,101)**	(541)	(555)
—	830	646	—	—	—
115	444	(6)	**(801)**	(2,007)	(1,282)
(2,656)	(3,405)	(648)	**(10,612)**	(9,936)	(6,563)
850	(466)	(961)	**6,576**	4,249	3,515
204	934	396	**7,874**	10,291	7,818
(1,772)	(30)	(238)	**(6,046)**	(8,771)	(6,645)
—	—	—	—	600	—
509	356	361	—	—	—
(490)	(387)	(846)	—	—	—
(1,479)	(1,263)	(1,177)	—	—	—
(2,178)	(856)	(2,465)	**8,404**	6,369	4,688
(74)	(637)	760	**(124)**	(76)	304
1,823	2,460	1,700	**633**	709	405
$ 1,749	$ 1,823	$ 2,460	**$ 509**	$ 633	$ 709

In the supplemental consolidating data on this page, "GE" means the pre-1988 basis of consolidation as described in note 1 to the consolidated financial statements; "GEFS" means General Electric Financial Services, Inc. and all of its affiliates and associated companies. Transactions between GE and GEFS have been eliminated from the "General Electric Company and consolidated affiliates" columns on the preceding page. Eliminations are shown on page 47.

Overview

General Electric Company's consolidated financial statements include the detailed effects of adding to the Company's manufacturing and industrial services businesses the accounts of General Electric Financial Services, Inc. (GEFS).

Note ... to the consolidated financial statements explains the consolidation procedure. Among other things, that note also explains how the terms "..." or "GE except GEFS" and "GEFS" are used in this report to help readers understand the various data. These terms are used frequently in this Management Discussion for clarification or emphasis.

... *net earnings* for 1989 were $3.939 billion, or ... for 1988. This was the third consecutive ... double-digit earnings increases. Operating ... GE of 11.3% of sales — an all-time record — reflect... continuing widespread productivity improve... revenue gains in both domestic and interna... ...ets. While virtually all key businesses ... to the higher earnings, particularly good 1989 performances were reported in GE Financial Services, Plastics and Medical Systems. See Industry Segments beginning on page 34 for additional detail about performance by various businesses of the Company.

Net earnings for 1989 and 1988 did not include corporate provisions for business restructuring expenses, nor did either year include any impact from accounting changes. Net earnings in 1987 also reflected solid operating performance, but analysis of results for that year was complicated by two types of transactions that essentially equaled each other in ... These were a reduction in pre-tax and after-tax earnings caused by unusual and extraordinary expenses ($747 million after taxes), mainly for business restructurings to improve future profitability; and an increase in after-tax earnings ($720 million) from two accounting changes, one involving income taxes and the other involving overhead recorded in inventories, as explained in note 1.

The following paragraphs discuss various aspects of the Consolidated Statement of Earnings on page 26.

Consolidated revenues of $54.6 billion in 1989 were 9% more than the $50.1 billion for 1988 following a 4% increase from 1987. The principal components of consolidated revenues are "sales of goods and services" by GE and "revenues from operations" or "earned income" from GEFS.

- GE's sales of goods and services for 1989 totaled $41.0 billion, a 6% increase from the year before. Virtually all of the 1989 increase came from a higher volume of shipments, with slightly higher overall prices having only a minor effect. Sales in 1988 were down about 1% from 1987, with the effect of about 2% lower shipment volume partly offset by modestly higher prices. If sales ... the three years 1987-1989 were adjusted for the effect of acquisitions and dispositions, the increase in 1989 from 1988 would have been about 3% and 1988 would have been up about 4% from 1987.

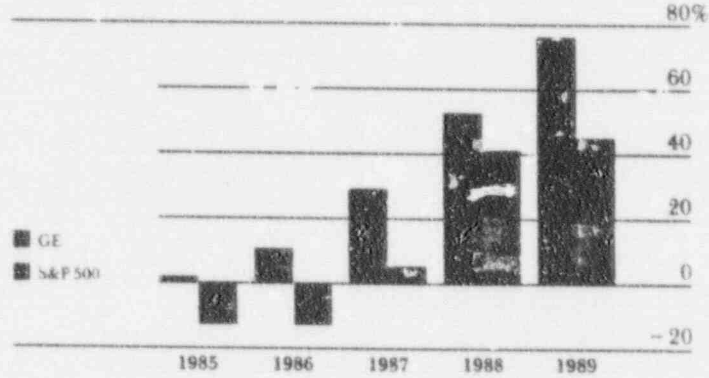
- GE's other income from a wide variety of sources has totaled between about $650 million and $700 million for each of the last three years. See note 3.

- GEFS revenues, or earned income, from operations for 198... were $12.9 billion, up 21% from 1988's $10.7 billion, which was 30% more than 1987's $8.2 billion. The principal reason for the increases has been higher levels of assets at GE Capital, including the effect of acquisitions. Yields (i.e., prices or interest rates paid to GE Capital by its customers for its financing of their needs) increased from the prior period in both 1989 and 1988. Note 4 shows GEFS revenues from operations by principal type of activity.

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

- "Operating margin" is sales of goods and services less the costs of sales and selling, general and administrative expenses. Operating margin was 11.3% of sales in 1989, up from 9.6% in 1988. Excluding abnormally ... refrigerator compressor warranty expense provisions in 1988, operating margin for that year would have been about 10.7%. These recent improvements follow several years ... which the margin rate was in the 8-10% range and ... direct ... the ongoing focus throughout the Company on improving productivity. GE's total cost productivity, which excludes the effects of inflation, averaged 5% for the last two years compared with results in the 1-2% range in the early years of the 1980s. There were no corporate-level business restructuring expense provisions in 1989 and 1988 to compare with the $1 billion

GE/S&P earnings per share increase/decrease compared with 1984



provided in 1987. Those provisions in 1987, and for several years prior to that, were largely targeted at improving cost structures.

■ GE's interest expense in 1989 was $726 million, up 9% from $669 million in 1988, which was 4% more than in 1987. Higher interest expense in 1989 was due to a higher average level of borrowings stemming from 1988 acquisition activity. The effect of this was partly offset by somewhat lower average 1989 interest rates. The increase in interest expense in 1988 from 1987 was mainly from higher average interest rates partly offset by a somewhat lower average level of borrowings.

GEFS' principal cost is interest expense.

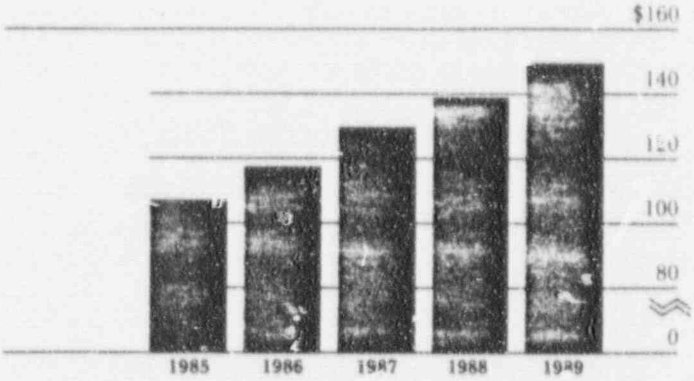
■ GEFS' interest expense totaled $5.9 billion in 1989, 42% more than in 1988, which had been 27% more than in 1987. The increased interest expense reflects the higher level of borrowings that have been used mainly to invest in earning assets involved in a wide variety of financings made available to third parties. The composite interest rate incurred for GEFS' finance activities was 9.60% in 1989 compared with 8.39% in 1988 and 8.11% in 1987. The "spread," or difference between interest rates GEFS pays to its lenders and rates it charges to its customers, narrowed in 1989 after increasing somewhat in the previous two years.

■ Among GEFS' other costs, the provision for losses on financing receivables of $527 million in 1989 was up $93 million from 1988, which had been $144 million more than 1987. At year-ends 1989 and 1988, GEFS' reserve coverage was equal to 2.63% of financing receivables compared with 2.59% at the end of 1987. Insurance policy holder losses and benefits expense increased by 8% to $1.6 billion in 1989 after having declined modestly the previous year. The current-year increase was principally due to increased losses on life reinsurance, partially offset by lower losses due to the reduced property and casualty insurance business.

The interest of minority share owners in the equity of consolidated affiliates is relatively small but has been growing in recent years. For GE, the increase represents mainly the impact of recent aggressive formation of joint ventures and alliances aimed at increasing global competitiveness. For GEFS, the increase resulted principally from GE Capital's sale of variable rate preferred stock to third parties in 1988 to augment its equity base. There were no further sales of such stock in 1989.

The consolidated effective income tax rate was 30.9% in 1989 compared with 28.3% in 1988 and 34.3% in 1987. (The U.S. federal statutory rate was 34% for both 1989 and 1988 compared with 40% in 1987.) The decrease in the U.S. federal statutory rate was the main reason for the lower effective consolidated rates in 1989 and 1988 compared with 1987. There are, however, numerous reasons

Constant dollar sales per GE employee (In thousands)



for differences between the statutory and effective rates. Together with other information about income tax provisions, an analysis of the differences between the U.S. federal statutory rate and the consolidated rate can be found in note 10.

Dividends declared totaled $1.537 billion in 1989, or $1.70 per share. At the same time, the Company retained sufficient earnings to support enhanced productive capability and to provide adequate financial resources for internal and external growth opportunities. The fourth-quarter 1989 increase of 15% in dividends declared marked the 14th consecutive year of dividend growth.

Return on average share owners' equity reached 20.0% in 1989, up from 19.4% in 1988 and one and one-half points better than for 1987. Information about the five-year GE common share repurchase program announced in November 1989 can be found in this report in the section that discusses Financial Resources and Liquidity starting on page 38.

The global economic and political outlook has numerous uncertainties. For example, it is well known that the U.S. government is seriously considering reductions in defense spending. It is also well known that there is no consensus on how much and what types of reductions there will be or how and when such reductions will be implemented. About one-eighth of GE's consolidated revenues might be affected by such reductions. (See Industry Segments on the next page.) Longer range, reduced defense spending could result in a lower federal budget deficit, lower interest rates, and consequent stimulation of domestic investment and economic growth. Further, global opportunities for market growth such as that anticipated from the scheduled European economic integration in 1992 appear plentiful. Despite these uncertainties, management believes that the strength of GE's diversity and worldwide leadership in key businesses position the Company to continue good performance into 1990 and beyond.

Industry Segments

Consolidated industry segment revenues and operating profit for the last five years appear on the opposite page. The presentation of consolidated industry segments is in two parts, one for GE except GEFS and one for GEFS. Consistent with years before 1988, GE revenues and operating profit continue to include earnings of GEFS. Revenues and operating profit for GEFS by the industry segments in which it conducts business are presented separately with appropriate elimination of GEFS' earnings as well as the minor effect of transactions between GE and GEFS segments. Additional financial data plus detailed descriptions of each segment can be found in note 33.

Consolidated operating profit is the principal source of GE's net earnings, and the relationship between the two is depicted in the chart on this page. Consolidated operating profit exceeded $7 billion in 1989 with three segments — Aircraft Engines, Materials and Financing — each surpassing $1 billion for the first time. As shown in the chart, operating profit had dipped some in 1986, although net earnings continued a steady increase. Operating profit in 1987 was after absorbing $1.069 billion of unusual corporate-level expenses as noted earlier in this Management's Discussion. There were no such unusual expenses in 1989 or 1988. Comments on each segment follow.

- *Aerospace* revenues have been at about the $5.3 billion level for the past three years, and operating profits have ranged between $600 million and $650 million for the same years. New orders received of $6 billion in 1989 were up 8% from 1988, bringing the backlog of firm unfilled orders at December 31, 1989 to $8.0 billion, of which approximately 40% is scheduled for completion in 1990.

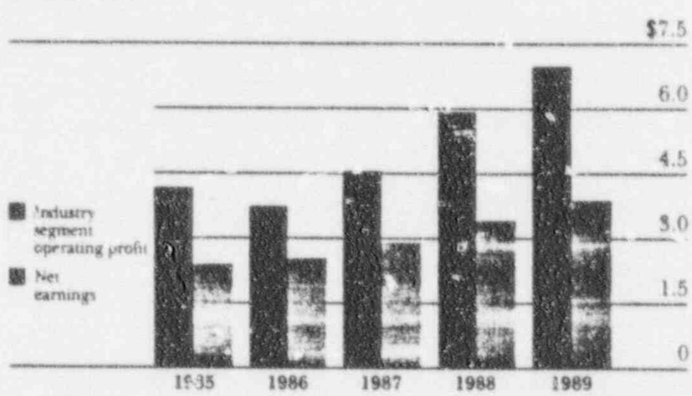
  Although there was a significant increase in orders from international customers in 1989, much of the Aerospace business is performed under contract for the U.S. government, mainly for the Department of Defense. Despite orders growth over the past two years leading to record backlog consisting of hundreds of different contracts, management expects that some defense industry adjustments will take place in response to changing levels of defense spending. Management has developed long-range contingency plans to anticipate such possible changes, including a contemplated reduction of approximately 10,000 positions (about 25%) in the work force over a three-year period. In 1989, approximately 4,000 of this reduction occurred — through attrition, a business disposition and layoffs. The need for similar actions, if necessary, will be determined over the next two or more years on a business-by-business/location-by-location basis as business conditions evolve. No specific decisions have yet been made regarding potential additional actions.

- *Aircraft Engines* revenues were up 6% in 1989 following a small decrease in 1988 from 1987. Operating profit continued to increase through 1989. New engine orders of $8 billion in 1989, following the very strong 1988 performance of $9.7 billion, brought firm backlog to $13.3 billion at the end of 1989 compared with $12.4 billion the year before. Of the 1989 backlog, about 45% is scheduled for completion in 1990. In addition, customers have options that total $22 billion. Although military programs are important to Aircraft Engines' business, the surge in commercial engines and accelerating growth in parts and services provide a sound base as the decade of the 1990s begins.

- *Broadcasting* operating profit increased 12% in 1989 over 1988, continuing the improvements since GE acquired NBC in mid-1986. The 7% decline in 1989 revenues reflected the lack of a counterpart to coverage of the 1988 Olympic Games. A principal reason for better operating profit was higher productivity, which was partly offset by start-up costs associated with launching CNBC, the Consumer News and Business cable channel and related cable activities.

- *Industrial* operating profits increased 6% in 1989 to $847 million with improvements in most ongoing businesses. Flat revenues reflected a number of business dispositions, principally the semiconductor business sold in late 1988. Improved operating profits in 1989 were led by Electrical Distribution and Control, which included the consolidation for part of the year of results for GE's European controls ventures with GEC of the United Kingdom. Transportation Systems 1989 operating profits were substantially higher on a strong increase in shipments. Lighting operating profits were up somewhat from the prior year on slightly higher sales. Factory Automation, including Drive Systems, had a good increase in operating profit and sales. Motors operating profits for 1989 were about

Consolidated operating profit and net earnings (In billions)



Summary of Industry Segments

For the years ended December 31 (In millions)	General Electric Company and consolidated affiliates 1989	1988	1987	1986	1985
Revenues					
GE					
Aerospace	$ 5,282	$ 5,343	$ 5,262	$ 4,318	$ 3,085
Aircraft Engines	6,863	6,481	6,773	5,977	4,712
Broadcasting	3,392	3,638	3,241	1,888	5[illegible]
Industrial	7,059	7,061	6,662	6,770	6,946
Major Appliances	5,620	5,289	4,721	4,352	3,617
Materials	4,929	3,539	2,751	2,331	2,119
Power Systems	5,129	4,805	4,995	5,262	5,824
Technical Products and Services	4,545	4,431	3,670	3,021	2,317
Earnings of GEFS	927	788	552	504	413
All Other	319	394	3,176	3,379	1,071
Corporate Items and Eliminations	(1,415)	(1,477)	(1,287)	(1,077)	(903)
Total GE	42,650	40,292	40,516	36,725	29,252
GEFS					
Financing	7,333	5,827	3,507	2,594	2,469
Insurance	2,710	2,478	2,217	2,026	1,332
Securities Broker-Dealer	2,897	2,316	2,491	1,176	—
All Other	5	34	10	18	4
Total GEFS	12,945	10,655	8,225	5,814	3,805
Eliminations	(1,021)	(858)	(583)	(526)	(433)
Consolidated revenues	$54,[illegible]74	$50,089	$48,158	$42,013	$32,624
Operating profit					
GE					
Aerospace	$ 646	$ 640	$ 603	$ 608	$ 437
Aircraft Engines	1,050	1,000	940	869	673
Broadcasting	603	540	500	240	20
Industrial	847	798	302	575	658
Major Appliances	399	61	490	462	399
Materials	1,057	733	507	424	330
Power Systems	507	503	139	354	740
Technical Products and Services	589	484	275	112	22
Earnings of GEFS	927	788	552	504	413
All Other	176	168	72	162	376
Total GE	6,801	5,715	4,440	4,310	4,068
GEFS					
Financing	1,152	899	636	(99)	501
Insurance	407	334	183	132	48
Securities Broker-Dealer	(53)	64	(23)	83	—
All Other	(368)	(270)	(224)	(177)	(125)
Total GEFS	1,138	1,027	572	(61)	424
Eliminations	(903)	(802)	(562)	(513)	(420)
Consolidated operating profit	7,036	5,940	4,450	3,736	4,072
GE interest and financial charges (net of eliminations)	(703)	(655)	(635)	(616)	(354)
GE items not traceable to segments	(630)	(564)	(588)	7	(287)
Earnings before income taxes, extraordinary item and cumulative effect of changes in accounting principles	$ 5,703	$ 4,721	$ 3,227	$ 3,127	$ 3,431

The notes to consolidated financial statements on pages 46-68 are an integral part of this statement. "GE" means the pre-1988 basis of consolidation as described in note 1 to the consolidated financial statements; "GEFS" means General Electric Financial Services, Inc. and all of its affiliates and associated companies. Operating profit of GE segments excludes interest and other financial charges; operating profit of GEFS includes the effect of interest and discount, which is the largest element of GEFS' operating costs.

even with 1988 on modestly higher sales.

- *Major Appliances* revenues were $5.6 billion in 1989, a 6% increase from 1988. The current year included sales from the European venture beginning in the second quarter. This increase was partially offset by the absence of revenues of businesses that have been sold, mainly Roper's outdoor power products. Order rates weakened during the second half of 1989 although core product lines showed some market-share gains. The substantial increase in 1989 operating profit was primarily because prior-year results were impacted severely by refrigerator compressor-related warranty provisions.

- *Materials* revenues were up $1.4 billion in 1989 from the year before, an increase of 39%. A large part of the increase was due to having a full year of Borg-Warner's chemicals operations in 1989 compared with only the last quarter of 1988. Incoming order rates for Plastics slackened in the latter part of 1989 reflecting a slowing in automotive and appliance markets. The 44% increase for 1989 operating profit reflected higher physical volume of Plastics' shipments, including a solid contribution from the Borg-Warner Chemicals acquisition. Superabrasives also contributed to the higher operating profit for 1989. Silicones and Ladd Petroleum profitability were about the same in 1989 and 1988.

- *Power Systems* revenues were up 7% in 1989 — the first upswing in five years. Operating profit improved slightly. Power Generation had improved operating profit reflecting higher shipments of gas turbines and widespread productivity improvements. Other businesses in the segment had somewhat lower results than last year. Spurred by strengthening demand by domestic utilities and a $750 million order for the world's largest combined-cycle power plant to be built by Tokyo Electric Power Company, Power Generation recorded new orders of almost $4 billion in 1989 — over 40% ahead of 1988. The Power Generation backlog was $5 billion at December 31, 1989, about 45% of which is scheduled for completion in 1990.

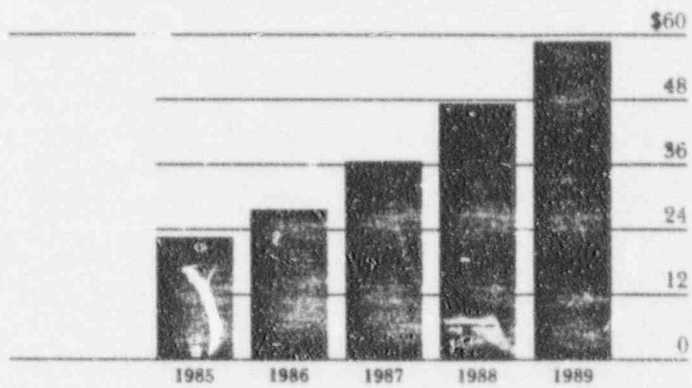
- *Technical Products and Services* operating profits were up 22% in 1989, continuing the good increases of prior years. The revenue increase of only 3% in 1989 reflected the impact of some miscellaneous business dispositions. Higher operating profit was sparked by Medical Systems, where a sharp increase in operating profit reflected higher volume in x-ray, computed tomography and magnetic resonance imaging, as well as good productivity improvements. Medical Systems equipment orders were very strong in the second half of 1989. The backlog of unfilled orders was $1.5 billion at year-end 1989, about 75% of which is scheduled to be shipped in 1990. Communications and Services had a good increase in operating profit with particularly good contributions by GE Americom, Information Services and Mobile Communications.

- *Earnings of GEFS* continued to increase in 1989. Comments on GEFS industry segments appear below. Of GEFS' 1989 net earnings, GE Capital's contribution was $816 million, 36% more than 1988's $600 million, which was 28% more than 1987's $470 million. (The 1987 amount excludes the cumulative effect of the income tax accounting change and extraordinary loss discussed in note 1).

- *Financing* operating profits continued to increase very substantially as they have each year since 1986. The level of earning assets and the impact of changes in interest rates on borrowing costs and financing yields are important factors in Financing operating profits. Total assets of GE Capital increased by 23% in 1989 from 1988, which had been 30% more than 1987. Financing yields increased again in 1989 following an increase in 1988. GE Capital's composite annual interest rate increased 119 basis points in 1989 compared with a 43 basis-point increase in 1988. These increases in composite interest rates reflected principally the effect of higher short-term interest rates on commercial paper borrowings. GE Capital's lending "spread" (difference between interest rates charged to customers and interest rates paid to lenders) decreased somewhat during 1989. The spread had increased somewhat during 1988.

- *Insurance* operating profit increased 22% in 1989 from 1988. Principal reasons for the 1989 improvement were the inclusion of all operations of FGIC Corporation as a result of completing its acquisition early in 1989 and improvement in the mortgage insurance market.

Total assets of GE Capital
(In billions)



Employers Reinsurance Corporation, which is the largest single business in the insurance segment, had modestly higher net earnings in 1989. ERC has increased revenues each year since 1986.

■ ***Securities Broker-Dealer*** (Kidder, Peabody) had an operating loss for 1989 compared with a profit in 1988. Most of the 1989 loss was incurred during the first quarter of the year, and, as revenues improved and costs were reduced, the last six months were about break-even. Kidder, Peabody took steps during 1989 to exit certain businesses, to upgrade staff in others and to streamline the organization.

■ ***All other GEFS*** consists principally of acquisition-related interest expense not allocated to the segments.

■ ***GE items not traceable to segments*** include expenses such as the Corporate R&D Center and corporate staffs and income from corporate treasury activities.

International operations

■ ***Total international operations*** (consisting of all exports from the United States plus the results of operations located outside the United States) had revenues aggregating $13.9 billion and operating profit of $2.8 billion in 1989. International revenues were $10.8 billion in 1988, up from $9.2 billion in 1987. International operating profit in 1988 was $2.1 billion compared with $1.7 billion in 1987.

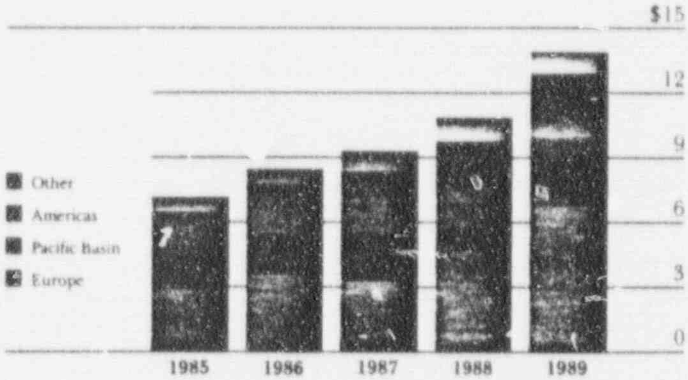
The chart (above right) shows the growth in GE's revenues for international operations by areas of the world over the last five years. An especially significant increase in European operations is evident, especially in the last two years. This is the result of significant increases in exports of Aircraft Engines; a much higher volume of shipments of Plastics products; the establishment of an increasing presence in European Medical Systems markets related to acquisitions beginning in 1988; and, in 1989, the impact of venture activities, especially in Major Appliances and Controls.

■ ***GE's exports from the United States*** to external customers escalated to $6.2 billion in 1989, up from $4.9 billion in 1988 and $4.0 billion in 1987. The chart (on the right) shows the substantial growth in GE's exports for the last five years, led by the strong increases in Aircraft Engines. Export sales by major world areas follow.

GE's exports from the United States to external customers
(In millions)

	1989	1988	1987
Europe	$2,915	$1,805	$1,253
Pacific Basin	1,926	1,357	1,146
Americas	596	531	625
Other	724	1,177	1,000
	$6,161	$4,870	$4,024

Total international revenues (In billions)



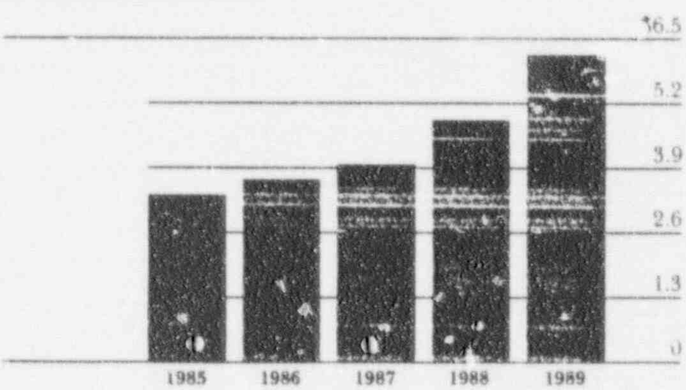
In addition, exports from GE operations in the United States to GE affiliates offshore were $1.107 billion in 1989, $874 million in 1988 and $801 million in 1987.

■ ***GE again sharply increased its positive contribution to the U.S. balance of trade.*** In 1989, this contribution netted to about $4.8 billion compared with $3.1 billion in 1988 and $2.1 billion in 1987. This improvement is attributable to the higher level of export activity, as depicted below.

GE contribution to U.S. balance of trade (estimated)
(In billions)

	1989	1988	1987
Export sales from the United States			
To external customers	$6.2	$4.9	$4.0
To GE affiliates	1.1	0.8	0.8
Total exports from the United States	7.3	5.7	4.8
Imports into the United States			
From GE affiliates	0.7	1.0	1.1
Directly from other suppliers	1.8	1.6	1.6
Total imports into the United States	2.5	2.6	2.7
GE positive contribution to U.S. balance of trade	$4.8	$3.1	$2.1

GE's exports from the United States to external customers (in billions)



Overview

This discussion of financial resources and liquidity focuses on the Statement of Financial Position (page 28) and the Statement of Cash Flows (page 30). As with the Statement of Earnings, the content of these two statements is so different for GE and GEFS that most of the asset, liability and cash flow categories do not lend themselves to simple combination. This, of course, reflects the differences in the nature of the businesses.

Although GE's manufacturing and nonfinancial services activities involve a variety of different businesses, their underlying characteristics are the developing, preparing for market and selling of tangible products and services. Risk and reward are directly related to the ability to manage those activities. Financial leverage comes from realizing an adequate return on share owners' equity with judicious use of borrowed funds.

GEFS is not a "captive finance company" or a vehicle for "off-balance-sheet financing" for GE. In fact, very little of its business is directly related to other GE operations. Its principal businesses provide financing, reinsurance and broker-dealer services to third parties. The underlying characteristics of these businesses involve the management of financial risk. They do not develop, manufacture or sell products and services such as, for example, an aircraft engine or the delivering of a message over a TV network. Their risk and reward are related to the ability to provide funds at competitive rates coupled with creative value-added services.

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

Statement of Financial Position

- ***Marketable securities carried at cost*** for each of the last two years were mainly debt securities held by GEFS' insurance affiliates in support of their obligations to policy holders. The increase to $6.8 billion in 1989 from $5.5 billion in 1988 reflects the acquisition of FGIC.

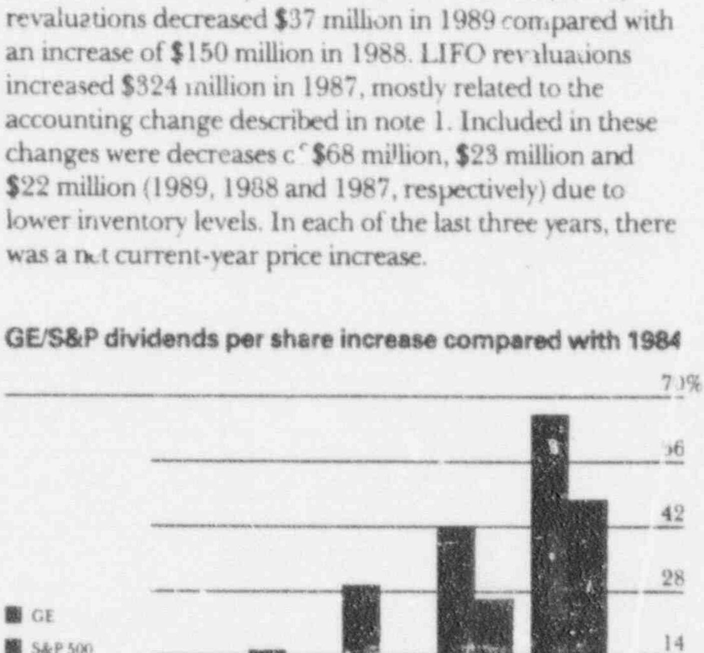
- ***Marketable securities carried at market*** represent primarily the investing and trading portfolio of Kidder, Peabody and, to a lesser degree, similar insurance affiliate activities. The increase to $8.5 billion in 1989 from $5.1 billion in 1988 reflects a higher level of activity in these businesses as well as higher market prices at the end of 1989 compared with 1988.

- ***Securities purchased under agreements to resell*** ("reverse repurchase agreements") are related to the liability account: Securities sold under agreements to repurchase ("repurchase agreements"). These typically represent highly liquid, short-term investments of excess funds or borrowing of such funds from others. At year-ends 1989 and 1988, the balances (both assets and liabilities) were solely those of Kidder, Peabody in connection with its broker-dealer activities.

- ***GE's current receivables*** are mainly amounts due from customers and were $5.3 billion at the end of each of the last two years. Customer receivables "turned over" 7.50 times in 1989 compared with 7.01 times in 1988. ("Turnover" relates receivables to sales and is a measurement of collection efficiency. Higher turnover indicates faster collections.) GE's trend in this area has been improving since 1985, primarily as a result of vigorous management attention to credit and collections. Other receivables measurements, such as delinquency ratios and amounts past due, also have been improving, and the overall condition of customer receivables remained excellent at the end of 1989. Current receivables other than amounts owed by customers are amounts that did not originate from sales of GE products or services, such as advances to suppliers in connection with large contracts.

- ***Inventories*** of $6.7 billion at the end of 1989 were slightly higher than the $6.5 billion at the end of 1988. Inventories turned over 4.44 times in 1989 compared with 4.38 times in 1988. As with receivables, this is a measurement of efficient use of resources and has been showing steady improvement in recent years. There were no significant changes in inventory levels in the key businesses between the last two year ends. Last-in first-out (LIFO) revaluations decreased $37 million in 1989 compared with an increase of $150 million in 1988. LIFO revaluations increased $324 million in 1987, mostly related to the accounting change described in note 1. Included in these changes were decreases of $68 million, $23 million and $22 million (1989, 1988 and 1987, respectively) due to lower inventory levels. In each of the last three years, there was a net current-year price increase.

GE/S&P dividends per share increase compared with 1984



■ ***GEFS' financing receivables*** grew to $41.8 billion in 1989, a $5.9 billion (16%) increase. Note 16 includes additional information and details about these receivables, which are GEFS' single most important earning asset.

GEFS provides time sales and loans on various bases with varying levels of security and differing maturities, and it also makes preferred stock investments and occasionally receives warrants convertible into common stock. Time sales and loans grew $4.1 billion to $30.9 billion. Increases were in retailer and auto financing ($2.1 billion); commercial real estate financing ($1.2 billion); and commercial and industrial loans ($1.1 billion). Home and recreation financing decreased by $66[illegible] million.

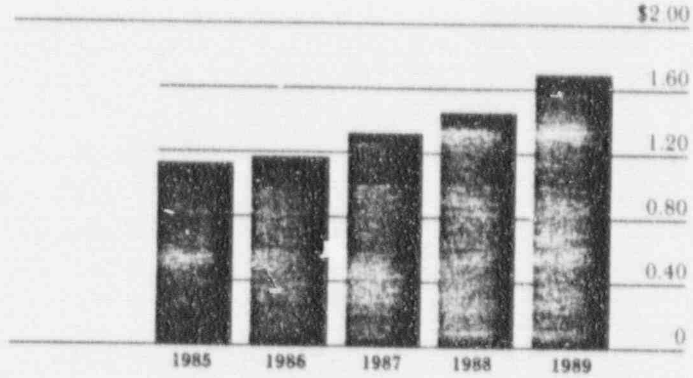
Included in time sales and loans and other assets were fundings and investments, principally by GE Capital, for leveraged corporate restructurings, management buyouts and recapitalizations — so-called leveraged buyouts or LBOs. GE Capital structures these transactions to afford itself sufficient collateral protection with approximately 75% of investment positioned at the senior debt level. The GEFS portfolio at December 31, 1989 was widely dispersed throughout the United States and, to a lesser degree, Canada and Europe; it included a number of different industries; and it consisted of approximately 100 accounts aggregating approximately $8.3 billion. Receivable losses from these transactions have averaged about 1% of investment over the past three years and have been much more than offset by the equity gains that are an integral part of LBO financings.

Also included in GEFS' time sales and loans were $8.8 billion invested in approximately 800 real estate loans, virtually all for commercial properties. Typically, such loans were structured so that existing cash flows more than covered debt service and were secured by first mortgages largely on multitenant office buildings and apartment projects. Loans for land acquisition and development and project construction were not an important part of the portfolio. At year-end 1989, the portfolio was geographically balanced with investments throughout the United States and, to a much lesser extent, Canada and Europe. Receivable losses on commercial real estate loans have averaged significantly less than 1% of investment over the past three years.

Investment in financing leases reached $12.8 billion at the end of 1989, up from $11.1 billion at the prior year end. Details of these balances can be found in note 16.

The allowance for losses deducted in arriving at the net balance of $41.8 billion increased from $972 million at the end of 1988 to $1.127 billion at December 31, 1989. Included were additions by charging operations ($527 million in 1989, $434 million in 1988 and $29[illegible] million in 1987) and write-offs of $420 million in 198[illegible] [illegible]94 million in 1988 and $171 million in 1987. Overall, net loss experience as a percent of average financing receivables was 0.93% in 1989, 0.81% in 1988 and 0.62% in 1987. The increases in 1989 and 1988 reflect significant growth in credit card operations whose loss rates, as expected, are relatively high in comparison with other GE Capital businesses. At the end of both 1989 and 1988, the reserve coverage on financing receivables was equal to 2.63% of the receivables balances outstanding. The relationship was equal to 2.59% at the end of 1987.

Dividends per share



Although the nature of GE Capital's business is such that an economic downturn or increasing level of interest rates could result in financial stress to customers, management believes that the diversified nature of the portfolio affords reasonable protection against any material negative impact on GEFS' operating results or financial condition. In summary, GEFS' financing receivables are in good condition and reserve protection is appropriate.

■ ***Property, plant and equipment*** (including equipment leased to others) aggregated $15.6 billion at December 31, 1989, up $2.0 billion from $13.6 billion a year earlier. GE's property, plant and equipment consists of investments for its own productive use, whereas the largest element of GEFS' investment is in equipment that is provided to third parties on operating leases. Details by categories of investment can be found in note 18.

GE's total expenditures for new plant and equipment during 1989 were $2.3 billion, bringing the total of the last five years (excluding the unusually large addition by acquisition of RCA in 1986) to $1[illegible].3 billion. Of that five-year total, 32% was to increase capacity; 25% was to increase productivity; 12% was to support new business start-ups; 14% was to replace and renew older equipment; and 17% was for such other purposes as improving R&D facilities and safety and environmental protection.

GEFS added $3.1 billion to its equipment leased to others in 1989. Current-year amortization was $647 million.

■ ***Intangible assets*** aggregated \$8.8 billion at December 31, 1989. The majority of this consolidated total is GE's intangibles, which were \$7.0 billion at that date, about the same as a year earlier. The largest portion of GE's balance (in both goodwill and other intangibles) arose from the acquisition of RCA Corporation in 1986. Other balances were mainly related to acquisitions of Borg-Warner's chemicals businesses, Roper Corporation, a TV station in Miami, Fla., and CGR medical business assets. The increase in 1989 included completion of Borg-Warner valuations.

GEFS' intangible assets were \$1.8 billion at the end of 1989 compared with \$1.6 billion a year earlier, principally reflecting the 1989 completion of the acquisition of FGIC Corporation.

■ ***All other assets*** totaled \$9.4 billion at December 31, 1989 compared with \$8.0 billion a year earlier. These include a wide variety of items as detailed in note 20. GE's all other assets increased \$1.1 billion during 1989, principally because of new investments in joint ventures classified as "associated companies."

■ ***Total borrowings*** on a consolidated basis aggregated \$53.3 billion at December 31, 1989 compared with \$45.5 billion at the end of 1988. However, borrowings must be looked at separately for GE and GEFS. The major debt-rating agencies evaluate the financial condition of the entities separately because of their distinctly different business characteristics. Using criteria appropriate to each, those major rating agencies continue to give top ratings to debt of both GE and GEFS.

GE's total borrowings were \$5.6 billion at the end of 1989, a decrease of \$548 million from the end of 1988. Long-term borrowings of \$3.9 billion were down from \$4.3 billion a year earlier, and short-term borrowings declined to \$1.7 billion from \$1.9 billion. The current portion of long-term borrowings included in short-term borrowings dropped about \$1.1 billion during 1989 reflecting mainly reductions related to debt involving the 1986 acquisition of RCA Corporation. By the end of 1989, all debt of RCA Corporation that had been assumed by GE had been retired. GE's total debt at the end of 1989 equaled 21.0% of total capital, or a decrease of 3.9 points from 24.9% at the end of 1988. This relationship of debt and equity capital is sound and is well within the range of what would be expected of a strong industrially oriented firm.

GEFS' total borrowings were \$47.9 billion at December 31, 1989, of which \$35.7 billion is due in 1990 and \$12.2 billion is due in subsequent years. The comparable amounts at the end of 1988 were: \$39.6 billion total; \$28.7 billion due within one year; and \$10.9 billion due beyond that. The increases were to support the growth in GEFS' earning assets. GEFS' composite interest rates were discussed in connection with the Statement of Earnings. A large portion of GEFS' borrowings is in the form of commercial paper (\$30.5 billion and \$24.6 billion at the ends of 1989 and 1988, respectively). Most of this commercial paper is issued by GE Capital. Its commercial paper has maturities of up to nine months. The average remaining terms of GE Capital's commercial paper were 23 days at the ends of 1989 and 1988. Average interest rates on GE Capital's commercial paper were 8.81% and 9.32% at the end of those respective years. "Leverage," the relationship of debt to equity capital, is expected by investors to be much higher in a financial enterprise than in an industrial enterprise. GE Capital's ratio of debt to equity was 7.80 to 1.00 at the end of 1989 compared with 7.67 to 1.00 at the end of 1988. This relationship of debt to equity capital is believed to be sound and is appropriate for a highly rated financial services enterprise.

Notes 21 and 25 provide details of short-term and long-term borrowings.

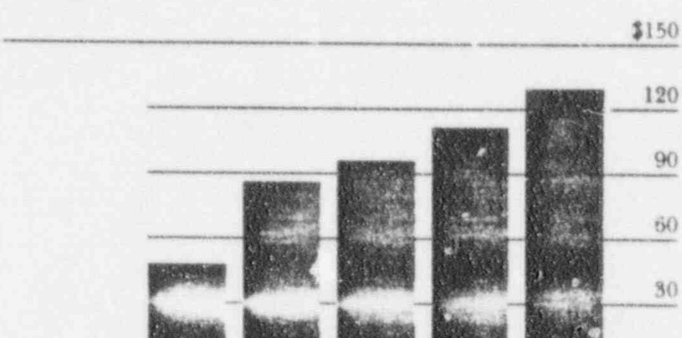
Statement of Cash Flows

The Statement of Cash Flows (page 30) emphasizes the analysis of cash flows from three broad categories — operating activities, investing activities and financing activities. Inasmuch as the cash management activities of GE and GEFS are separate and distinct, it is more useful to review the separate cash flow statements than the consolidated statement.

GE

GE's cash and equivalents aggregated \$1.7 billion at the end of 1989, slightly lower (\$74 million) than at the end of 1988. During 1989, GE generated \$4.8 billion in cash from its operating activities. This provided resources to invest over \$2 billion in new plant and equipment; to make acquisitions, the principal ones of which required cash outlays of

Consolidated total assets
(In billions)



almost $800 million; to reduce total debt by $500 million; and to pay $1.5 billion in dividends to share owners.

Operating activities are the principal source of GE's cash flows. Over the past three years, operating activities have provided more than $12 billion of cash. Principal ongoing applications usually are to invest in new plant and equipment ($5.8 billion total over the last three years) and to pay dividends to share owners ($3.9 billion total over the last three years). Expenditures for new plant and equipment are again expected to be in the $2 billion-plus range for 1990, and dividends are expected to increase with earnings.

Based on past performance and current expectations, in combination with the financial flexibility that comes with the highest credit ratings, GE is in a sound position to continue making long-term investments for future growth, including selective acquisitions and investments in joint ventures. The five-year share repurchase program discussed separately on this page is a direct result of GE's solid financial condition and cash-generating capability.

GEFS

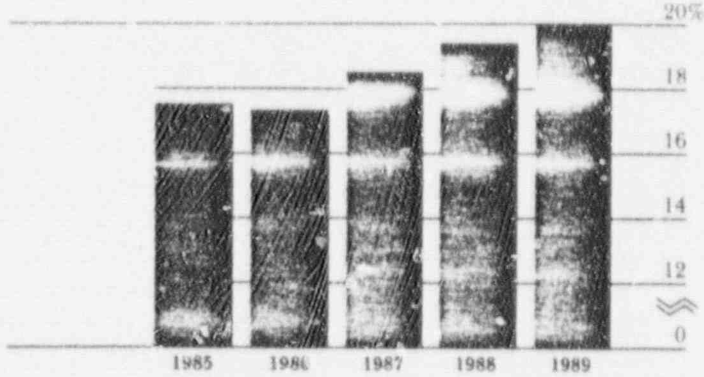
GEFS' principal source of cash is financing activities that involve continuing rollover of short-term borrowings and appropriate addition of long-term borrowings with a reasonable balance of maturities. Over the past three years, GEFS' outstanding borrowings with 90-day or less maturities have increased a total of $14.3 billion. New borrowings of $26.0 billion having maturities longer than 90 days were added during those years while $21.5 billion of such longer-term borrowings were paid off.

GEFS' principal application of cash has been in investing activities to grow the business. Of the $27.1 billion of net investments by GEFS over the past three years, $17.1 billion was devoted to additional financing receivables. Other principal investments during these years were $2.2 billion to acquire new businesses as GEFS expands its activities and $5.6 billion for new equipment, which is mainly for lease to others.

Cash used for new investments in excess of cash provided from additional borrowings has been provided mainly by generation of $7.8 billion of cash from operating activities for the years 1987-1989 and from issuance of $600 million cumulative variable preferred stock by GE Capital in 1988. GEFS' cash and equivalents balance has remained relatively stable throughout the period — again in keeping with its business mission.

In summary, based on past performance and current expectations, in combination with the financial flexibility that comes with excellent credit ratings, GEFS is well positioned to continue growing its assets and to produce a good rate of return on GE share owners' investment in GEFS.

Return on share owners' equity



Five-year share repurchase program

In November 1989, GE's Board of Directors authorized the repurchase of up to $10 billion of the Company's common stock over the next five years. This authorization was made after evaluating various alternatives to enhance long-term share owner value. Based on the financial and competitive positions of the Company, its debt capacity and the cash-generating characteristics now present in its key businesses, management believes GE has the flexibility to continue increasing dividends in line with earnings, to maintain a high degree of internal reinvestment, to make selective acquisitions complementary to existing business — and also to repurchase a significant amount of stock. Such repurchases will result in higher earnings per share and returns on equity than would otherwise be the case.

The repurchase plan is designed to be flexible. Shares will be acquired with funds from a combination of free cash flows and new borrowings while keeping GE's debt-to-capital ratio in the 25% range. Should world economic conditions, a major acquisition or other circumstances warrant, the Company would modify the pace and dimension of the plan to maintain GE's solid financial position. This repurchase plan was reviewed with debt rating agencies, who confirmed GE's Triple-A debt rating.

During the last six weeks of 1989, about 3.8 million shares were reacquired at a cost of $236 million.

Management's Discussion of Selected Financial Data

Selected financial data summarizes on the opposite page some data frequently requested about General Electric Company and provides a record that may be useful for reviewing trends. The data are divided into three sections: upper portion — consolidated information, middle portion — GE data that reflect various conventional measurements for industrial enterprises, and lower portion — GEFS data that reflect key information and ratios pertinent to financial services.

GE's total research and development expenditures were a record $3.931 billion in 1989, up 9% from 1988's $3.601 billion. Of the 1989 expenditures, $1.334 billion was from GE's own funds, an increase of 15% from 1988's $1.155 billion. Expenditures from funds provided from customers (mainly the U.S. government) were $2.597 billion in 1989, or 6% more than $2.446 billion the year before. Aircraft Engines and Aerospace account for the largest share of GE's R&D expenditures from both Company and customer funds. Other significant expenditures of Company funds were for Medical Systems, Plastics and Power Systems.

GE's total backlog of firm unfilled orders at the end of 1989 was $30.5 billion. Orders constituting this backlog may be canceled or deferred by customers (subject in certain cases to cancellation penalties). Comments on unfilled orders for businesses with relatively long manufacturing cycles can be found in the discussion of Industry Segments which begins on page 34. About 46% of the 1989 total unfilled orders is scheduled to be shipped in 1990 with most of the remainder to be shipped in the two years after that. For comparison, about 49% of the 1988 backlog was expected to be shipped in 1989.

Unfilled orders for export of all types of products and services from the United States were $9.9 billion at December 31, 1989, up from $8.2 billion the year before. The backlog of Aircraft Engine orders is a major portion of the export backlog, but significant increases were recorded in 1989 by Aerospace and Power Systems.

Inflation has not been a significant factor in consolidated earnings growth in recent years because of the relatively modest rate of price increases in the economies of the United States and of the principal foreign countries where the Company has operations.

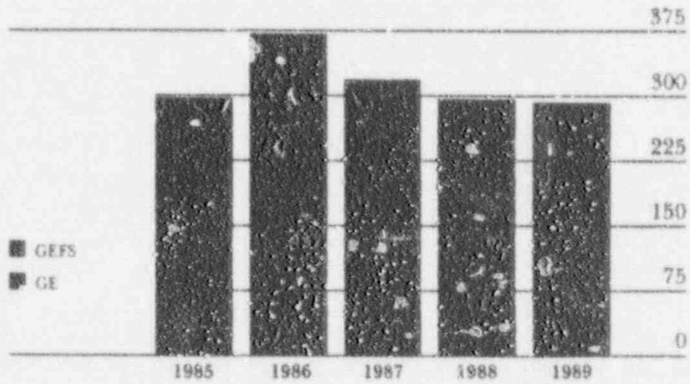
Regarding environmental matters, the operations of the Company, like those of other companies engaged in similar businesses, involve the use, disposal and cleanup of substances regulated under environmental protection laws.

In 1989, GE had capital expenditures of about $110 million for projects related to the environment. The comparable amount for 1988 was about $70 million. These amounts exclude expenditures for remedial actions, which are discussed on this page. Capital expenditures for environmental purposes have included pollution control devices such as waste-water treatment plants, ground-water monitoring devices, air strippers or separators, and incinerators at new and existing facilities constructed or altered in the normal course of business. Consistent with GE's policies stressing environmental responsibility, average annual capital expenditures for nonremedial projects are presently expected to range between $150 million and $200 million over the next two years. The principal reasons for this expected increase from existing levels are new or expanded programs to build or modify manufacturing processes so they can use alternative methods that will result in minimizing environmental waste and reducing emissions.

The Company also is involved in a sizable number of remedial actions to clean up hazardous wastes as required by federal and state laws. Such statutes require that responsible parties fund remedial actions regardless of fault, legality of original disposal or ownership of a disposal site. In 1989, GE spent approximately $75 million on remedial cleanups and related studies compared with approximately $48 million spent for such purposes in 1988. It is presently expected that remedial cleanups and related studies will require average annual expenditures in the range of $80 million to $120 million over the next two years.

It is difficult to estimate reasonably the ultimate level of environmental expenditures due to a number of uncertainties, including uncertainties about the status of law, regulation, technology, insurance coverage of GE costs and information relating to individual sites. Subject to the foregoing, Company management believes that capital expenditures and remedial actions to comply with the present laws governing environmental protection will not have a material effect upon its capital expenditures, earnings or competitive position.

Consolidated employment at year end (In thousands)



Selected Financial Data

(Dollar amounts in millions; per-share amounts in dollars)	1989	1988	1987	1986	1985
General Electric Company and consolidated affiliates					
Revenues	$ 54,574	$ 50,089	$ 48,158	$ 42,013	$ 32,624
Earnings before extraordinary loss and cumulative effect of accounting changes	3,939	3,386	2,[illegible]19	2,492	2,277
Net earnings	3,939	3,386	2,915	2,492	2,277
Dividends declared	1,537	1,314	1,209	1,081	1,020
Earned on average share owners' equity	20.0%	19.4%	18.5%	17.3%	17.5%
Per share					
Net earnings	$ 4.36	$ 3.75	$ 3.20	$ 2.73	$ 2.50
Dividends declared	1.70	1.46	1.32½	1.18½	1.11½
Stock price range	64¾-43½	47⅞-38⅜	66⅜-38¾	44⅜-33¼	36⅞-27¾
Total assets	128,344	110,865	95,414	84,818	49,123
Long-term borrowings	16,110	15,082	12,517	10,001	5,5[illegible]7
Shares outstanding — average (in thousands)	904,223	901,780	911,639	912,594	910,762
Share owner accounts — average	526,000	529,000	491,000	492,000	506,000
Employees at year end					
Domestic	243,000	255,000	277,000	302,000	243,000
Foreign	49,000	43,000	45,000	71,000	56,000
Total employees	292,000	298,000	322,000	373,000	299,000
GE data					
Short-term borrowings	$ 1,696	$ 1,861	$ 1,110	$ 1,813	$ 1,297
Long-term borrowings	3,947	4,330	4,491	4,351	753
Minority interest	283	228	190	189	126
Share owners' equity	20,890	18,466	16,480	15,109	13,671
Total capital invested	$ 26,816	$ 24,885	$ 22,271	$ 21,462	$ 15,847
Return on average total capital invested	17.0%	16.4%	14.7%	13.9%	16.2%
Borrowings as a percentage of total capital invested	21.0%	24.9%	25.1%	28.7%	12.9%
Current assets	$ 15,671	$ 15,499	$ 15,739	$ 14,288	$ 12,546
Current liabilities	13,988	13,419	12,671	11,461	8,919
Working capital	$ 1,683	$ 2,080	$ 3,068	$ 2,827	$ 3,627
Property, plant and equipment additions (other than by acquisition of RCA)	$ 2,251	$ 2,288	$ 1,778	$ 2,042	$ 1,953
Year-end orders backlog	30,473	27,265	22,737	23,943	23,117
GEFS data					
Earnings before extraordinary loss and cumulative effect of accounting change	$ 927	$ 788	$ 552	$ 504	$ 413
Net earnings	927	788	1,008	504	413
Share owner's equity	6,009	4,819	3,980	2,994	2,302
Earned on average share owner's equity	17.6%	18.0%	18.0%	19.7%	19.9%
Borrowings from others	$ 47,905	$ 39,593	$ 30,885	$ 23,397	$ 16,393
Ratio of debt to equity (GE Capital)	7.80:1	7.67:1	7.98:1	7.83:1	7.89:1
Total assets of GE Capital	$ 53,696	$ 47,766	$ 36,644	$ 27,970	$ 22,469
Reserve coverage on financing receivables	2.63%	2.63%	2.59%	2.59%	2.57%
Insurance premiums written	$ 1,819	$ 1,809	$ 1,729	$ 1,704	$ 1,092
Securities broker-dealer earned income	2,897	2,316	2,491	1,176	—

See notes 1 and [illegible] to the consolidated financial statements for information about 1987 accounting changes and extraordinary loss and note 2 for information about certain acquisitions and related matters. In addition, RCA Corporation and Kidder, Peabody & Co. were acquired in June 1986. "GE" means the pre-1988 basis of consolidation as described in note 1 to the consolidated financial statements; "GEFS" means General Electric Financial Services, Inc. and all of its affiliates and associated companies. Transactions between GE and GEFS have been eliminated from the "consolidated data." Share data reflect the 2-for-1 stock split in April 1987.

Management's Discussion of Financial Responsibility

The financial information in this report, including the audited financial statements, has been prepared by management. Preparation of financial statements and related data involves estimates and the use of judgment. Accounting principles used in preparing the financial statements are those that are generally accepted in the United States. These principles are consistent in most important respects with standards issued to date by the International Accounting Standards Committee. Where there is no single specified accounting principle or standard, management makes a choice from reasonable, accepted alternatives, using methods that it believes are prudent for General Electric Company and its consolidated affiliates.

To safeguard Company assets, it is important to have a sound but dynamic system of internal financial controls and procedures that balances benefits and costs. One of the key elements of internal financial controls has been the Company's success in recruiting, selecting, training and developing professional financial managers. Their responsibilities include implementing and overseeing the financial control system, reporting on management's stewardship of the assets entrusted to it by share owners, and performing accurate and proper maintenance of the accounts.

Management has long recognized its responsibility for conducting the affairs of the Company and its affiliates in an ethical and socially responsible manner. General Electric Company is dedicated to the highest standards of integrity. Integrity is not an occasional requirement but a continuing commitment that is reflected in key written policy statements. These cover, among other subjects, environmental protection, potentially conflicting outside business interests of employees, compliance with antitrust laws, and proper domestic and international business practices. Management insists on maintaining the highest standards of conduct and practices with respect to transactions with the United States government. There is continuing emphasis to all employees that even the appearance of impropriety can erode public confidence in the Company and in the government procurement process. Ongoing education, communication and review programs are designed to create a strong compliance environment and to make it clearly understood that deviation from Company policies will not be tolerated.

KPMG Peat Marwick provide an objective, independent review of management's discharge of its obligations relating to the fairness of reported operating results and financial condition. Their report for 1989 appears on the opposite page.

The Audit Committee of the Board (consisting solely of Directors from outside GE) maintains an ongoing appraisal — on behalf of share owners — of the effectiveness of the independent auditors, the Company's staff of corporate auditors and management, with respect to the financial reporting process, and of the adequacy of internal financial controls. The committee also reviews the Company's accounting policies, compliance with key policies, and the Annual Report and proxy material.

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

Dennis D. Dammerman
Senior Vice President
Finance

February 16, 1990

Independent Auditors' Report

To Share Owners and Board of Directors of General Electric Company

We have audited the accompanying statement of financial position of General Electric Company and consolidated affiliates as of December 31, 1989 and 1988 and the related statements of earnings and cash flows for each of the years in the three-year period ended December 31, 1989. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements appearing on pages 26-31 and 46-68 present fairly, in all material respects, the financial position of General Electric Company and consolidated affiliates at December 31, 1989 and 1988, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1989, in conformity with generally accepted accounting principles.

As discussed in note 1 to the consolidated financial statements, in 1987 the Company changed its methods of accounting for income taxes and overhead recorded in inventory. We concur with these accounting changes.

KPMG Peat Marwick

KPMG Peat Marwick
Stamford, Connecticut

February 16, 1990

Index

Note 1 Summary of Significant Accounting Policies

Consolidation and financial statement presentation

Consolidation. The consolidated financial statements represent the adding together of all companies in which General Electric Company directly or indirectly has a majority ownership or otherwise controls ("affiliated companies"). Prior to 1988, results of financial services affiliates — the principal one being General Electric Financial Services, Inc. (GEFS or GE Financial Services) and its affiliated companies — were included on the equity basis as one line in total earnings and net assets. This was permissible under accounting rules in effect before 1988. Because financial services operations are so different in nature from and essentially unrelated to operations of other GE businesses, management believed that financial statements were more understandable if GEFS' statements were shown separately. It should be emphasized that, under both current and prior procedures, consolidated net earnings and share owners' equity are the same for all periods presented. However, substantially more detail is required under the current standard than under rules previously in effect. Also as a result of this change, the Company adopted an unclassified consolidated statement of financial position.

Management believes it is important to preserve as much as possible the identity of the principal financial data and related measurements to which share owners and others have become accustomed over the years. Accordingly, consolidated financial statements and notes now are generally presented in a format that includes data grouped basically as follows.

- *GE* — this is essentially the pre-1988 basis of consolidation except that it includes some very small financial services affiliates previously not consolidated. The effect of transactions among companies within this group has been eliminated. Where appropriate for clarification or emphasis, particularly in the notes, this group of entities also is referred to as "GE except GEFS."
- *GEFS* — this affiliate owns all of the common stock of General Electric Capital Corporation (GECC or GE Capital) and of Employers Reinsurance Corporation (ERC), and 80% of the stock of Kidder, Peabody Group Inc. (Kidder, Peabody). These affiliates and their respective affiliates are consolidated in the GEFS columns with the effect of transactions among them eliminated before the consolidated presentation.

■ *Consolidated* — these columns represent the adding together of GE and GEFS. However, it is necessary to remove the effect of transactions between GE except GEFS and GEFS to arrive at a consolidated total. The "eliminations" used to arrive at these consolidated totals are summarized below.

Eliminations (In millions)	1989	1988	1987
Statement of Earnings			
Sales of goods	$ (12)	$ (5)	$ —
Sales of services	(20)	(26)	(8)
Other income	(14)	(5)	6
Earnings of GEFS	(927)	(788)	(552)
GEFS revenues from operations	(48)	(34)	(29)
Total revenues	(1,021)	(858)	(583)
Cost of goods sold	(12)	(5)	—
Cost of services sold	(20)	(26)	(3)
Interest and other financial charges	(47)	(29)	(10)
Other costs and expenses	(15)	(10)	(13)
Total costs and expenses	(94)	(70)	(31)
Earnings before income taxes, extraordinary item and cumulative effect of accounting changes	(927)	(788)	(552)
Extraordinary item	—	—	62
Income tax accounting change	—	—	(518)
Net earnings	$ (927)	$ (788)	$(1,008)
Statement of Financial Position			
GE current receivables	$ (242)	$ (330)	
GEFS financing receivables	—	(107)	
Other GEFS receivables	(380)	(107)	
Investment in GEFS	(6,069)	(4,819)	
Total assets	$(6,691)	$(5,363)	
Short-term borrowings	$ (236)	$ (170)	
Accounts payable	(379)	(264)	
Long-term borrowings	(2)	(110)	
All other liabilities	(5)	—	
Total liabilities	(622)	(544)	
GEFS equity	(6,069)	(4,819)	
Total liabilities and equity	$(6,691)	$(5,363)	
Statement of Cash Flows			
Net earnings (operating activities)	$ (221)	$ (13)	$ (213)
Investing activities	179	(171)	243
Financing activities	42	184	(30)
Total	$ —	$ —	$ —

Results of companies in which GE or GEFS owns between 20% and 50% ("associated companies") are included in the financial statements on a "one-line" basis.

Cash flows. During 1989, the definition of "cash and equivalents" for GE except GEFS was modified to exclude marketable securities having original maturities between 90 and 365 days. GEFS' cash and equivalents, which includes only cash and very short-term (only a few days' maturities), is not affected by this modification.

Pensions and other retirement benefits. Accounting policies for pensions and other retirement benefits are discussed in note 6.

Income taxes. SFAS No. 96 — "Accounting for Income Taxes" was issued by the Financial Accounting Standards Board in December 1987. A requirement of SFAS No. 96 is that deferred tax liabilities or assets at the end of each period be determined using the tax rate expected to be in effect when taxes are actually paid or recovered. Accordingly, under SFAS No. 96 rules, income tax expense provisions will increase or decrease in the same period in which a change in tax rates is enacted. Previous rules required providing deferred taxes using rates in effect when the tax asset or liability was first recorded without subsequent adjustment solely for tax-rate changes (except with respect to leveraged leases).

In conformity with SFAS No. 96 transition rules, the Company elected to adopt the new income tax accounting during 1987. The cumulative effect to January 1, 1987 ($577 million, including $518 million for GEFS) of the change is shown in the 1987 columns of the Statement of Earnings.

GE accounting policies

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

Investment tax credit (ITC). The ITC was repealed, with some transitional exceptions, effective January 1, 1986. However, for financial reporting purposes, GE has deferred recognition of the ITC each year and continues to amortize ITC as a reduction of the provision for income taxes over the lives of the facilities to which the credit applies.

Inventories. The values of most inventories are determined on a last-in first-out, or LIFO, basis and do not exceed realizable values. Effective January 1, 1987, GE changed its accounting procedures to include in inventory certain manufacturing overhead costs previously charged directly to expense. The more significant types of manufacturing overhead included in inventory as a result of the change are: depreciation of plant and equipment; pension and other benefits of manufacturing employees; and certain product-related engineering expenses. The Company believes this change was preferable because it provides a better matching of production costs with related revenues in reporting operating results. In accordance with generally accepted accounting principles, the cumulative effect of this change for periods prior to January 1, 1987 ($281 million after providing for taxes of $215 million) is shown separately in 1987 in the Statement of Earnings on page 26. There was virtually no effect from this change on 1987 results after recording the cumulative effect.

Depreciation, depletion and amortization. The cost of most manufacturing plant and equipment is depreciated using an accelerated method based primarily on a sum-of-the-years digits formula. If manufacturing plant and equipment is subject to abnormal economic conditions or obsolescence, additional depreciation is provided.

GEFS accounting policies

Methods of recording revenues ("earned income"). Income on all loans is earned on the interest method. For loan contracts on which finance charges are precomputed, finance charges are deferred at the time of contract acquisition. For loan contracts on which finance charges are not precomputed but are billed to customers, income is recorded when earned. Accrual of interest income is suspended when collection of an account becomes doubtful, generally after the account becomes 90 days delinquent.

Financing lease income that includes related investment tax credits and residual values is recorded on the interest method so as to produce a level yield on funds not yet recovered. Unguaranteed residual values included in lease income are based primarily on independent appraisals of the values of leased assets remaining at expiration of the lease terms.

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

Kidder, Peabody's proprietary securities and commodities transactions are recorded on a trade-date basis. Trading and investment securities are valued at market or estimated fair value. Unrealized gains and losses on open contractual commitments, principally financial futures, when-issued securities and forward contracts on U.S. government and federal agency securities, are reflected in the Statement of Earnings on a trade-date basis. Customers' transactions and the related revenues and expenses are reflected in the financial statements on a settlement-date basis. Revenues and expenses on a trade-date basis are not materially different. Investment banking revenues from management fees, sales concessions and underwriting fees are recorded on settlement date. Advisory fee revenue is recorded when services are substantially completed and the revenue is reasonably determinable.

See "insurance affiliates" on page 49 for information with respect to earned income of these businesses.

Allowance for losses on financing receivables. GE Capital maintains an allowance for losses on financing receivables at an amount that it believes is sufficient to provide adequate protection against future losses in the portfolio. For small-balance and certain large-balance receivables, the allowance for losses is determined principally on the basis of actual experience during the preceding three years. Further allowances also are provided to reflect management's judgment of additional loss potential. For other receivables, principally the larger loans and leases, the allowance for losses is determined primarily on the basis of management's judgment of net loss potential, including specific allowances for known troubled accounts.

All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for losses. Small-balance accounts are progressively written down (from 10% when more than three months delinquent to 100% when more than 12 months delinquent) to record the balances at estimated realizable value. However, if at any time during that period an account is judged to be uncollectible, such as in the case of a bankruptcy, the remaining balance is written off. Larger-balance accounts are reviewed at least quarterly, and those accounts that are more than three months delinquent are written down, if necessary, to record the balances at estimated realizable value.

Marketable securities. Marketable securities of Kidder, Peabody are carried at market value with the difference between cost and market value included in operations. Marketable debt securities held by all other GEFS affiliates are carried at amortized cost. Marketable equity securities of insurance affiliates are carried at market value, and unrealized gains or losses, less applicable deferred income taxes, are recognized in equity.

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements). Repurchase and reverse repurchase agreements are treated as financing transactions and are carried at the contract amount at which the securities subsequently will be resold or reacquired. Repurchase agreements relate either to marketable securities, which are carried at market value, or to securities obtained pursuant to reverse repurchase agreements. It is GEFS' policy to take possession of securities subject to reverse repurchase agreements. GEFS monitors the market value of the underlying securities in relation to the related receivable, including accrued interest, and requests additional collateral if appropriate.

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

Investment tax credit (ITC). ITC associated with equipment on operating leases and with buildings and equipment is deferred and amortized over the lives of the underlying assets.

Insurance affiliates. Premiums on short-duration insurance contracts are reported as earned income over the terms of the related reinsurance treaties or insurance policies. In general, earned premiums are calculated on a pro-rata basis or are determined based on reports received from reinsureds. Premium adjustments under retrospectively rated reinsurance contracts are recorded based on estimated losses and loss expenses, including both case and incurred-but-not-reported (IBNR) reserves. Revenues on long-duration contracts are reported as earned when due.

Deferred insurance acquisition costs are amortized as the related premiums are earned for property and casualty business. Deferred insurance acquisition costs for the life insurance business are amortized over the premium-paying periods of the contracts in proportion either to anticipated premium income or to gross profit, as appropriate. Deferred insurance acquisition costs are reviewed for recoverability, and for short-duration contracts, anticipated investment income is considered in making recoverability evaluations.

The estimated liability for outstanding losses and loss expenses consists of case reserves based on reports and estimates of losses and an IBNR reserve based primarily on experience. Where experience is not sufficient, industry averages for the particular insurance products are used. Estimated amounts of salvage and subrogation recoverable on paid and unpaid losses are deducted from outstanding losses. The liability for future policy benefits of the life insurance affiliates has been computed mainly by a net-level-premium method based on assumptions for investment yields, mortality and terminations that were appropriate at date of purchase or at the time the policies were developed, including provisions for adverse deviations.

Note 2 Acquisitions and Related Matters

GE

Although there were a number of acquisitions and dispositions during 1989, the larger transactions involved completion of arrangements for several joint ventures. These included the combining of interests in European appliances and electrical controls with General Electric plc, (GEC), an unrelated corporation in the United Kingdom. (GE also acquired GEC's medical systems sales and service in the United Kingdom.) Besides the businesses and resources contributed by the parties in these transactions, GE paid cash of $570 million to GEC in the second quarter of 1989. Other new joint ventures included an arrangement with Ericsson of Sweden (mobile communications businesses). Legal form and percentage ownerships in these alliances vary.

During 1988, GE completed a number of acquisitions. The largest of these were:

Roper Corporation, acquired in April for $507 million cash. Roper's principal businesses were the manufacture and sale of gas and electric ranges and outdoor power garden equipment. In December, GE sold Roper's garden equipment business for $295 million cash. Roper's kitchen appliance business prior to acquisition had annual sales of about $375 million.

Borg-Warner's chemicals businesses, acquired in September for $2.3 billion cash. These businesses (annual sales of about $1.6 billion prior to acquisition) manufacture and sell products complementary to GE's plastics businesses.

Both of these acquisitions were accounted for as purchases with the excess of purchase price over the estimate of fair values of net assets acquired recorded as goodwill. See note 19.

Business dispositions during 1988 included most of the GE Solid State (semiconductor) business; seven of NBC's eight radio stations; RCA Global Communications, Inc. (a provider of international communications services); and Sadelmi-Cogepi, a foreign construction firm. Cash proceeds from these transactions aggregated about $700 million. Aggregate annual sales of these businesses were about $900 million.

On December 31, 1987, GE and a French electronics company, Thomson, S.A., completed a transaction in which GE acquired Thomson's medical equipment business (CGR) and Thomson acquired most of GE's consumer electronics business. The total transaction included cash received by GE of about $560 million. CGR's 1987 sales of about $800 million came mainly fr digital x-ray, mammography, computed tomography, ultrasound, and related sales and service in Europe and Latin America. GE's consumer electronics business included mainly GE and RCA brand television sets, VCRs and audio products with sales of about $3 billion annually. GE will continue for some time to receive royalty income from patents related to consumer electronics products. Other related closings, principally for offshore consumer electronics operations, took place in 1988.

Also during 1987, activities involving a "new products" division and NBC's radio networks were sold for cash aggregating about $90 million and a note for $3 million. In addition, GE donated RCA's David Sarnoff Research Center to a not-for-profit organization in 1987.

There was no material effect on GE's operating results or financial position from the above transactions in the year when they occurred.

GEFS

During 1989, GE Capital acquired for $407 million cash the remaining 62% of the common stock it had not previously owned in FGIC Corporation (FGIC), a company principally engaged in providing financial guarantee insurance on selected securities. FGIC, which had annual revenues prior to acquisition of about $125 million, is now consolidated with GE Capital. The aggregate effect of this acquisition and a number of asset acquisitions from other financial services businesses during 1989 was not material.

In June 1988, as part of the management-led acquisition of Montgomery Ward & Co., Incorporated (Montgomery Ward) from Mobil Corporation, GE Capital acquired Montgomery Ward's credit operations comprising Montgomery Ward Credit Corporation (MW Credit) and certain related assets (collectively with MW Credit, MW Credit Operations) for a cash purchase price of $718 million. GE Capital and Kidder, Peabody acquired 40% and 10%, respectively, of Montgomery Ward's common stock for a cash purchase price of $4 million and $1 million, respectively. In addition, GE Capital and Kidder, Peabody paid cash of $82 million and $8 million, respectively, for preferred stock in Montgomery Ward. The management-led acquisition of Montgomery Ward was partially financed by GE Capital in the form of a $275 million subordinated loan.

The acquisition of the MW Credit Operations was accounted for as a purchase, and, accordingly, the purchase price was allocated to the assets and liabilities of MW Credit Operations based on estimates of fair value. The excess purchase price over estimated fair value of net assets acquired (goodwill) is being amortized on a straight-line basis over 20 years.

If the preceding 1988 transactions had occurred on January 1, 1988 or January 1, 1987, management estimates that GEFS results of operations for the years ended December 31, 1988 and 1987 would have been as follows.

(In millions)	1988	1987
Revenues	$10,889	$8,702
Earnings before extraordinary item and cumulative effect of change in accounting principle	784	579
Net earnings	784	1,035

The above unaudited pro forma information has been prepared based on assumptions that management deems appropriate, but the results are not necessarily indicative of those that might have occurred had the acquisitions taken place at the beginnings of the respective years. The results of MW Credit Operations have been consolidated with GEFS since the date of acquisition. There would not have been any significant pro forma effect on consolidated net earnings per share from this transaction.

In July and December 1987, GE Capital acquired the outstanding capital stock of D&K Financial Corporation (D&K) and Gelco Corporation (Gelco), respectively, for an aggregate purchase price of approximately $535 million. Both entities are in the business of leasing vehicle fleets and other equipment. The acquisitions were accounted for as purchases. Results of operations of the acquired corporations have been included in GE Capital since their respective dates of acquisition and are not material.

Note 3 GE Other Income

Other income of GE except GEFS is summarized in the table below.

(In millions)	1989	1988	1987
Royalty and technical agreements	$359	$359	$283
Marketable securities and bank deposits	106	155	133
Associated companies	14	62	61
Customer financing	30	38	52
Other investments			
Interest	11	13	15
Dividends	2	8	4
Other sundry items	182	45	101
	$704	$680	$649

Note 4 GEFS Revenues from [illegible]rations

GEFS revenues from operations (earned income) are summarized in the table below.

(In millions)	1989	1988	1987
Time sales, loan, investment and other income	$ 8,113	$ 5,986	$ 4,475
Financing leases	1,078	870	738
Operating lease rentals	1,426	1,372	536
Premium and commission income of insurance affiliates	1,810	1,802	1,748
Commissions and fees of securities broker-dealer	518	625	728
	$12,945	$10,655	$ 8,225

Details of certain i[illegible] included in earned income from financing leases are shown below.

(In millions)	1989	1988	1987
Deferred investment tax credit amortized			
Direct financing leases	$16	$20	$31
Leveraged leases	21	3	16
Total financing leases	$37	[illegible]	$47
Gains on sale of residual values at lease completion			
Direct financing leases	$38	$39	$44
Leveraged leases	12	29	4
Total financing leases	$50	$68	$48

Noncancelable future rentals due from customers for equipment on operating leases [illegible] December 31, 1989 totaled $2,354 million and are [illegible] as follows: 1990 — $734 million; 1991 — $484 million; 1992 — $353 million; 1993 — $254 million; 1994 — $164 million; and $365 million thereafter.

Note 5 Supplemental Cost Details (excluding unusual expenses)

Supplemental cost details are shown in the table below.

Supplemental cost details	1989			1988			1987		
(In millions)	GE	GEFS	Total	GE	GEFS	Total	GE	GEFS	Total
Employee compensation, including Social Security taxes and other benefits	$11,960	$1,103	$13,063	$11,690	$1,052	$12,742	$12,139	$959	$13,098
Selling, general and administrative expense	6,662	—	6,662	6,250	—	6,250	5,979	—	5,979
Company-funded research and development	1,334	—	1,334	1,155	—	1,155	1,194	—	1,194
Maintenance and repairs	821	—	821	839	—	839	840	—	840
Rental expense	709	176	885	700	160	860	657	123	780
Advertising	415	75	490	413	66	479	495	51	546
Taxes, except payroll and income taxes	298	110	408	374	77	451	289	82	371

Total employee compensation data include Social Security taxes of $804 million in 1989, $819 million in 1988 and $796 million in 1987.

Note 6 Pensions and Othe tiree Benefits

GE and its affiliates sponsor a number of pension and other retiree benefit plans. This note summarizes important financial aspects of GE's obligations for these plans. Measurements of obligations and costs are based on actuarial calculations involving various assumptions as to future events.

Principal pension plans

The principal pension plans are the GE Pension Plan (GE Plan) and the GE Supplementary Pension Plan (Supplementary Plan). The RCA Retirement Plan (RCA Plan) was merged with the GE Pension Plan at the end of 1988. Amounts and comments about the GE Plan in this note include the RCA Plan for all periods shown. Other pension plans are sponsored by domestic and foreign affiliates, but these are not considered to be significant individually or in the aggregate to the consolidated financial position.

The GE Plan covers substantially all employees in the United States, including approximately 50% of GEFS employees. Generally, benefits are based on the greater of a formula recognizing career earnings or a formula recognizing length of service and final average earnings. Benefits are funded through the GE Pension Trust. At the end of 1989, approximately 208,900 employees were covered, approximately 192,900 former employees with vested rights were entitled to future benefits and approximately 154,500 retirees or beneficiaries were receiving benefits.

The Supplementary Plan is an unfunded plan providing supplementary retirement benefits primarily to higher-level, longer-service management and professional employees in the United States. At the end of 1989, about 3,400 employees were eligible for this plan, and about 4,100 retirees or beneficiaries were receiving benefits.

Statement of Financial Accounting Standards (SFAS) No. 87 requires use of the projected unit credit cost method to determine the projected benefit obligation and plan cost. The projected benefit obligation is the actuarial present value of the portion of projected future benefits that is attributed to employee service to date. The benefit cost for service during the year is the portion of the projected benefit obligation that is attributed to employee service during the year. This cost method recognizes the effect of future compensation and service in projecting the future benefits.

In addition, SFAS No. 87 establishes a "transition gain." This is the excess at January 1, 1986 (when the Company adopted SFAS No. 87) of the current fair market value of plan assets over the plan's projected benefit obligation. This transition gain is being amortized over 15 years except that such excess for the RCA Plan was recognized as an asset in accounting for the RCA acquisition in 1986.

Gains and losses that occur because actual experience differs from that assumed are amortized over the average future service pe of employees. Prior-service cost for changes in pension benefits that are allocable to previous periods of service are amortized in the same manner.

Actuarial assumptions for the principal pension plans include 8.5% for both the assumed discount rate used to determine the present value of future benefits and the expected long-term rate of return on plan assets. The assumed rate of average future increases in pension benefit compensation is 6.5%.

Employer costs for the principal pension plans in 1989 and 1988 recognized the impact of continued favorable investment performance. Benefit costs for service during the year recognize plan design changes in 1988. For example, beginning in 1989, employee contributions no longer reduce pension costs because such contributions are used to provide additional pension benefits. Details of cost for the principal pension plans follow.

Cost for principal pension plans

(In millions)	1989	1988	1987
Benefit cost for service during the year — net of employee contributions	$ 413	$ 300	$ 385
Interest cost on projected benefit obligation	1,259	1,232	1,187
Recognized return on plan assets	(1,574)	(1,460)	(1,293)
Net amortization	(339)	(299)	(254)
Net pension cost	$ (241)	$ (227)	$ 25
Details of return on plan assets			
Actual return on plan assets	$ 4,026	$ 2,261	$ 1,237
Recognized return on plan assets	(1,574)	(1,460)	(1,293)
Unrecognized return on plan assets	$ 2,452	$ 801	$ (56)

Recognized return on plan assets is determined by applying the expected long-term rate of return to the market-related value of assets.

Funding policy for the GE Plan is to contribute amounts sufficient to meet minimum funding requirements set forth in U.S. employee benefit and tax laws plus such additional amounts as GE may determine to be appropriate from time to time. GE made no contribution for 1989 and 1988 because the funding status of the GE Plan precluded current tax deduction and a contribution would have generated an excise tax.

The funding status of an ongoing plan may be measured by comparing the market-related value of assets with the projected benefit obligation. The market-related value of assets is based on amortized cost plus recognition of market appreciation and depreciation in the portfolio over five years. GE believes the market-related value of assets is a more realistic measure than current fair market value because the market-related value reduces the impact of short-term market fluctuations. The funding status for the principal pension plans follows.

Funding status for principal pension plans

December 31 (In millions)	1989	1988
Market-related value of assets	$20,794	$19,308
Projected benefit obligation	16,057	15,473

A schedule reconciling the projected benefit obligation for principal pension plans with GE's recorded pension liability is shown below.

Reconciliation of projected benefit obligation with pension liability for principal pension plans

December 31 (In millions)	1989	1988
Projected benefit obligation	$16,057	$15,473
Less current fair market value of trust assets	(24,211)	(21,502)
Unrecognized SFAS No. 87 transition gain	1,693	1,847
Other unrecognized net experience gains	5,333	3,303
Unrecognized prior-service cost	90	114
Recorded prepaid pension assets	1,469	1,177
Recorded pension liability	$ 431	$ 412

The portion of the projected benefit obligation representing the accumulated benefit obligation amounted to $14,940 million and $14,073 million at the ends of 1989 and 1988, respectively. The vested benefit obligation was $14,721 million and $13,895 million at the ends of 1989 and 1988, respectively. These amounts are based on compensation and service to date.

Trust assets consist mainly of common stock and fixed income investments. Trust assets included GE common stock valued at $201 million at year-end 1989 ($139 million at year-end 1988) mainly held in connection with an indexed portfolio.

Other unrecognized net experience gains resulted principally from favorable investment performance.

Principal retiree health care and life insurance plans

GE and its affiliates sponsor a number of plans providing retiree health care and life insurance benefits. GE's aggregate cost for the principal plans, which cover substantially all employees in the United States, was $283 million in 1989, $302 million in 1988 and $278 million in 1987.

Generally, employees who retire after qualifying for optional early retirement under the GE Plan are eligible to participate in retiree health care and life insurance plans. Health care benefits for eligible retirees under age 65 and eligible dependents are included in costs as covered expenses are actually incurred. For eligible retirees and spouses over age 65, the present value of future health care benefits is funded or accrued and is included in costs in the year the retiree becomes eligible for benefits. The present value of future life insurance benefits for eligible retirees is funded and is included in costs in the year of retirement.

Most retirees outside the United States are covered by government health care programs, and GE's cost is not significant.

Note 7 Interest and Other Financial Charges

GE. Interest capitalized, principally on major property, plant and equipment projects, was $48 million in 1989, $11 million in 1988 and $23 million in 1987.

GEFS. GEFS interest and discount expense reported in the Statement of Earnings is net of interest income on temporary investments of excess funds ($160 million, $285 million and $165 million in 1989, 1988 and 1987, respectively) and capitalized interest of $13 million, $16 million and $4 million, respectively, for 1989, 1988 and 1987.

Note 8 GEFS Allowance for Losses on Financing Receivables

GEFS allowance for losses on financing receivables represented 2.63% of total financing receivables at both year-ends 1989 and 1988. The table below shows the activity in the allowance for losses on financing receivables during each of the last three years.

(In millions)	1989	1988	1987
Balance at January 1	$ 972	$ 743	$ 603
Additions charged to operations	527	434	290
Net transfers related to companies acquired and sold	48	89	21
Amounts written off	(420)	(294)	(171)
Balance at December 31	$1,127	$ 972	$ 743

Amounts written off in 1989 were approximately 0.98% of average financing receivables outstanding during the year, compared with 0.81% and 0.62% of average financing receivables outstanding during 1988 and 1987, respectively.

Note 9 Unusual Expenses

GE. Unusual expenses in 1987 were provisions for corporate restructurings. These were for the expenses of refocusing a wide variety of business and marketing activities and reducing foreign and domestic risk exposures. These provisions included costs of rationalizing and improving a large number of production facilities; rearranging production activities among a number of existing plants; and reorganizing, phasing out or otherwise concluding other activities no longer considered essential to the conduct of the Company's business.

GEFS. GEFS unusual expenses in 1987 included amounts related to insider trading charges and business restructuring activities of Kidder, Peabody.

Note 10 Provision for Income Taxes (excluding 1987 extraordinary item and cumulative effect of changes in accounting principles)

Provision for income taxes	1989			1988			1987		
(In millions)	GE	GEFS	Total	GE	GEFS	Total	GE	GEFS	Total
Estimated amounts payable (recoverable)	$1,375	$ 48	$1,423	$1,311	$ (32)	$1,279	$1,246	$ (212)	$1,034
Deferred tax expense (benefit) from "temporary differences"	242	144	386	(152)	274	122	(71)	231	160
Investment credit deferred (amortized) — net	(64)	19	(45)	(63)	(3)	(66)	(87)	1	(86)
	$1,553	$ 211	$1,764	$1,096	$ 239	$1,335	$1,088	$ 20	$1,108

"Estimated amounts payable" includes amounts applicable to foreign jurisdictions of $272 million, $344 million and $197 million in 1989, 1988 and 1987, respectively.

General Electric Company files a consolidated U.S. federal income tax return that includes GEFS. GEFS' provision for estimated taxes recoverable (payable) includes its effect on the consolidated tax return. The amount reported by GEFS has been reduced to the extent of consolidated investment tax credit carryforwards of $168 million at December 31, 1987. Investment tax credit carryforwards of $168 million and $107 million realized in 1988 and 1987 respectively, were reflected as reinstatements of deferred tax balances.

Deferred income taxes reflect the impact of "temporary differences" between the amount of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations. See note 27 for details of the balances in deferred income taxes at the ends of 1989 and 1988.

The U.S. investment tax credit (ITC) was repealed, with some transitional exceptions, effective January 1, 1986. However, because of its use of the deferral method of accounting for the ITC, GE has an unamortized balance remaining. As a result of the accounting change in 1987, unamortized ITC is treated as a temporary difference for deferred tax accounting. GE's remaining unamortized ITC balance was $112 million, net of deferred tax at year-end 1989, and will be added to income in future years.

The U.S. federal statutory tax rate on corporations was 34% in 1989 and 1988, down from 40% in 1987. Data about "effective tax rates," i.e., provision for income taxes as a percentage of earnings before income taxes, extraordinary item and cumulative effect of accounting changes, follow.

Effective tax rates (before extraordinary item and cumulative effect of accounting changes)	1989	1988	1987
GE	28.3%	24.5%	33.9%
GEFS	18.6	23.3	3.5
Consolidated	30.9	28.3	34.3

A reconciliation from the consolidated provision for income taxes that would have resulted using the U.S. federal statutory rate to the actual provision is shown below.

Differences between expected U.S. federal statutory tax-rate provision and actual tax provision (In millions)	1989	1988	1987
Expected consolidated tax provision at statutory rates	$1,939	$1,605	$1,291
Increase (reduction) in taxes resulting from GE			
Inclusion of GEFS earnings (before extraordinary item and cumulative effect of accounting change in 1987) in before-tax income on an after-tax basis	(315)	(268)	(221)
Varying tax rates of other affiliates (principally foreign)	(60)	(76)	(117)
Amortization of investment tax credit	(64)	(70)	(88)
Current-year effect of income tax accounting change	—	—	133
All other — net	125	(14)	98
	(314)	(428)	(195)
Increase (reduction) in taxes resulting from GEFS			
Amortization of investment tax credit on financing and operating leases	(22)	(17)	(27)
Dividends received which are not fully taxable	(27)	(17)	(13)
Income from tax-exempt marketable securities	(131)	(104)	(112)
Income taxes at capital gains rate	—	—	(14)
Adjustment of tax-deductible claim reserves of insurance affiliates	(21)	(22)	—
Change in tax-rate assumptions for leveraged leases	(23)	(14)	(31)
All other — net	48	64	(12)
	(176)	(110)	(209)
Eliminations	315	268	221
Actual consolidated tax provision	$1,764	$1,335	$1,108

Provision has been made for substantially all U.S. federal income tax liabilities applicable to undistributed earnings of affiliates and associated companies.

Based on the location (not tax jurisdiction) of the business providing goods or services, consolidated domestic income before taxes, extraordinary item and cumulative effect of changes in accounting principles was $4,930 million in 1989, $3,936 million in 1988 and $2,710 million in 1987. The corresponding amounts for foreign-based operations were $773 million, $785 million and $517 million in each of those years, respectively.

Note 11 Cash and Equivalents

Deposits restricted as to usage and withdrawal or used as partial compensation for short-term borrowing arrangements were not material for either GE except GEFS or GEFS. See note 21 for related information about credit lines and compensating balances.

Note 12 Marketable Securities Carried at Cost

Carrying value of marketable securities for GE except GEFS was substantially the same as market value at year-ends 1989 and 1988. Market value of GEFS' securities carried at amortized cost was $6,952 million and $5,537 million at December 31, 1989 and 1988, respectively.

Note 13 GEFS Marketable Securities Carried at Market

December 31 (In millions)	1989	1988
U.S. government and federal agency securities	$4,399	$2,433
State and municipal securities	191	215
Corporate stocks, bonds and foreign securities	3,898	2,441
	$8,488	$5,089

At December 31, 1989, the carrying value of equity securities carried at market value included unrealized gains and unrealized losses of approximately $32 million and $37 million, respectively.

A significant portion of securities carried at market value at December 31, 1989 was pledged as collateral for bank loans and repurchase agreements.

Note 14 GE Current Receivables

December 31 (In millions)	1989	1988
Receivable from:		
Customers	$5,298	$5,289
Associated companies	190	160
Others	1,897	1,857
	7,385	7,306
Less allowance for losses	(167)	(196)
	$7,218	$7,110

Note 15 GE Inventories

December 31 (In millions)	1989	1988
Raw materials and work in process	$ 5,492	$ 5,603
Finished goods	3,103	2,863
Unbilled shipments	249	246
	8,844	8,712
Less revaluation to LIFO	(2,189)	(2,226)
LIFO value of inventories	$ 6,655	$ 6,486

LIFO revaluations decreased $37 million in 1989 compared with an increase of $150 million in 1988. LIFO revaluations increased $324 million in 1987, mostly related to the accounting change described in note 1. Included in these changes were decreases of $68 million, $23 million and $22 million (1989, 1988 and 1987, respectively) due to lower inventory levels. In each of the last three years, there was a current-year expense for price increases.

2

IMAGE EVALUATION TEST TARGET (MT-3)

150mm

6"

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P.O. BOX 338
WEBSTER, NEW YORK 14580
(716) 265-1600

2

IMAGE EVALUATION TEST TARGET (MT-3)

1.0 1.1 1.25 1.4 1.6 1.8 2.0 2.2 2.5 2.8 3.2 3.6 4.0

150mm

6"

PHOTOGRAPHIC SCIENCES CORPORATION
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2

IMAGE EVALUATION TEST TARGET (MT-3)

150mm

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IMAGE EVALUATION TEST TARGET (MT-3)

150mm

6"

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Note 16 GEFS Financing receivables (investment in time sales, loans and financing leases)

December 31 (In millions)	1989	1988
Time sales and loans		
Retailer and auto financing	$ 9,606	$ 7,465
Commercial real estate financing	8,890	7,725
Commercial and industrial loans	8,599	7,476
Equipment sales financing	2,562	2,171
Home and recreation financing	1,222	1,888
Other	—	45
	30,879	26,770
Deferred income	(737)	(983)
Time sales and loans — net of deferred income	30,142	25,787
Investment in financing leases		
Direct financing leases	9,827	8,433
Leveraged leases	2,937	2,691
	12,764	11,124
	42,906	36,911
Less allowance for losses	(1,127)	(972)
	$41,779	$35,939

"Time sales and loans" represents transactions in a variety of forms, including time sales, revolving charge and credit, mortgages, installment loans, intermediate-term loans, and revolving loans secured by business assets and mandatorily redeemable preferred stock. The portfolio includes time sales and loans carried at the principal amount on which finance charges are billed periodically, and time sales and loans acquired on a discount basis carried at gross book value, which includes finance charges.

"Financing leases" consists of direct financing and leveraged leases of aircraft, railroad rolling stock, automobiles and other transportation equipment, data processing equipment, medical equipment, and other manufacturing, power generation, mining and commercial equipment and facilities.

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

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

Additional detail about investment in financing leases at December 31, 1989 and 1988 is shown below.

Investment in financing leases	Direct financing leases		Leveraged leases		Total financing leases	
December 31 (In millions)	1989	1988	1989	1988	1989	1988
Total minimum lease payments receivable	$12,009	$10,109	$11,444	$10,745	$23,453	$20,854
Less principal and interest on third-party nonrecourse debt	—	—	(8,207)	(7,893)	(8,207)	(7,893)
Rentals receivable	12,009	10,109	3,237	2,852	15,246	12,961
Estimated unguaranteed residual value of leased assets	1,250	1,102	883	817	2,133	1,919
Less deferred income (a)	(3,432)	(2,778)	(1,183)	(978)	(4,615)	(3,756)
Investment in financing leases (as shown above)	9,827	8,433	2,937	2,691	12,764	11,124
Less amounts to arrive at net investment						
Allowance for losses	(214)	(121)	(48)	(74)	(262)	(195)
Deferred taxes arising from financing leases	(1,207)	(1,218)	(2,444)	(2,406)	(3,651)	(3,624)
Net investment in financing leases	$ 8,406	$ 7,094	$ 445	$ 211	$ 8,851	$ 7,305

(a) Total financing lease deferred income is net of deferred initial direct costs of $37 million and $33 million for 1989 and 1988, respectively.

Contractual maturities of time sales and loans and rentals receivable at December 31, 1989 are shown below.

Contractual maturities (In millions)	Total	1990	1991	1992	1993	1994	1995 and after
Time sales and loans							
Retailer and auto financing	$ 9,606	$ 7,336	$ 1,980	$ 196	$ 57	$ 29	$ 8
Commercial real estate financing	8,890	403	619	1,105	2,088	1,599	3,076
Commercial and industrial loans	8,599	1,326	1,026	1,006	803	758	3,680
Equipment sales financing	2,562	908	654	400	230	131	239
Home and recreation financing	1,222	686	77	69	64	80	266
	30,879	10,659	4,356	2,776	3,242	2,577	7,269
Investment in financing leases							
Direct financing leases	12,009	2,788	2,651	1,879	1,371	783	2,537
Leveraged leases	3,237	141	156	162	166	181	2,431
	15,246	2,929	2,807	2,041	1,537	964	4,968
	$46,125	$13,588	$ 7,163	$ 4,817	$ 4,779	$ 3,541	$12,237

Experience has shown that a substantial portion of receivables will be paid prior to contractual maturity. Accordingly, the maturities of time sales and loans and rentals receivable shown in the table above are not to be regarded as forecasts of future cash collections.

Note 17 Other GEFS Receivables from and Payables to Brokers and Dealers

Included in other receivables and other liabilities of GEFS are amounts receivable from and payable to brokers and dealers in connection with Kidder, Peabody's normal trading, lending and borrowing of securities. At December 31, 1989 and 1988, such amounts consisted of the following.

December 31 (In millions)	1989	1988
Included in other receivables		
Securities failed to deliver	$ 215	$ 132
Deposits paid for securities borrowed	1,030	1,226
Other, principally clearing organizations	17	32
	$1,262	$1,390
Included in other liabilities		
Securities failed to receive	$ 484	$ 451
Deposits received for securities loaned	665	903
Other, principally clearing organizations	24	48
	$1,173	$1,402

Note 18 Property, Plant and Equipment (including equipment leased to others)

December 31 (In millions)	1989	1988
Original cost		
GE		
Land and improvements	$ 266	$ 260
Buildings, structures and related equipment	4,600	4,250
Machinery and equipment	13,756	12,957
Leasehold costs and manufacturing plant under construction	1,051	1,126
Oil and gas properties	749	764
	20,422	19,357
GEFS		
Buildings and equipment	1,206	745
Equipment leased to others		
Vehicles	2,076	1,564
Railroad rolling stock	1,247	1,038
Marine shipping containers	816	857
Aircraft	1,324	618
Data processing equipment	461	355
Other	816	634
	8,046	5,811
	$28,468	$25,168
Accumulated depreciation, depletion and amortization		
GE	$10,756	$ 9,997
GEFS		
Equipment leased to others	1,745	1,321
Buildings and equipment	321	239
	$12,822	$11,557

GEFS' increase in buildings and equipment includes the effect of the transfer of GE Americom from GE at year-end 1989. Current-year amortization of GEFS' equipment on lease to others was $647 million, $665 million and $316 million in 1989, 1988 and 1987, respectively.

At December 31, 1989, GE except GEFS had minimum rental commitments under noncancelable operating leases aggregating $3,069 million. Amou payable over the next five years are: 1990 — $537 million; 1991 — $480 million; 1992 — $394 million; 1993 — $338 million; and 1994 — $308 million.

At December 31, 1989, GEFS had minimum rental commitments under noncancelable operating leases aggregating $942 million. Amounts payable over the next five years are: 1990 — $168 million; 1991 — $143 million; 1992 — $106 million; 1993 — $65 million; and 1994 — $68 million.

Note 19 Intangible Assets

December 31 (In millions)	1989	1988
GE		
Goodwill	$6,517	$6,423
Other intangibles	531	561
	7,048	6,984
GEFS		
Goodwill	1,587	1,364
Other intangibles	187	204
	1,774	1,568
	$8,822	$8,552

Accumulated amortization of GE's goodwill was $484 million and $318 million at December 31, 1989 and 1988, respectively. Accumulated amortization of other intangibles for GE was $474 million and $455 million at December 31, 1989 and 1988, respectively. The largest GE goodwill and other intangibles were from the RCA acquisition, for which goodwill is being amortized on a straight-line basis over 40 years. Other amounts of goodwill being amortized over 40 years arose from a number of acquisitions in 1987 and 1988. All other GE intangibles and goodwill are being amortized over shorter periods as appropriate, ranging from one year to 20 years.

Accumulated amortization of GEFS' goodwill was $181 million and $133 million at December 31, 1989 and 1988, respectively. Accumulated amortization of GEFS' other intangibles was $90 million and $73 million at December 31, 1989 and 1988, respectively. The principal sources of GEFS goodwill include acquisitions of FGIC Corporation; Gelco; MW Credit Operations; Kidder, Peabody; ERC; and a number of auto auctions. Amortization is being recorded over various periods, none more than 30 years. GEFS' other intangibles represent principally the value of insurance-in-force related to ERC's property and casualty reinsurance business, which is being amortized on a straight-line basis over its estimated life of approximately 16 years.

Note 20 Other Assets

December 31 (In millions)	1989	1988
GE		
Investments		
Associated companies (including advances of $54 million and $29 million)	$1,448	$ 647
Miscellaneous investments		
Government and government-guaranteed securities	144	202
Other	167	175
Marketable equity securities	54	72
Less allowance for losses	(113)	(100)
	1,700	996
Prepaid pension assets	1,469	1,177
Recoverable engineering costs on government contracts	782	752
Long-term receivables	608	675
Television program costs	410	352
Deferred charges	372	318
Real estate development projects	31	73
Customer financing	62	73
Other	219	205
	5,653	4,621
GEFS		
Investment in associated companies (including advances of $277 million and $389 million)	1,045	1,145
Miscellaneous investments	1,539	1,034
Broker-dealer cash and securities segregated by regulation	134	383
Deferred insurance acquisition costs	410	262
Deferred charges	274	225
Real estate properties	151	122
Other	219	247
	3,772	3,418
	$9,425	$8,039

For GE, aggregate market value of marketable equity securities, which are carried at cost, was $67 million and $72 million at year-ends 1989 and 1988, respectively. Gross unrealized gains and losses were $19 million and $6 million, respectively, at December 31, 1989.

The National Broadcasting Company (NBC, an affiliate of GE) capitalizes program costs (including rights to broadcast) when paid or when a program is ready for broadcast, if earlier. These costs are amortized based upon projected revenues or expensed when a program is determined to have no value.

At year-end 1989, NBC had approximately $1.70 billion of commitments to acquire broadcast material or the rights to broadcast television programs that require payments over the next six years.

For GEFS, miscellaneous investments included $1.149 billion and $641 million at December 31, 1989 and 1988, respectively, of items at estimated realizable values previously included in financing receivables.

Note 21 Short-Term Borrow[illegible]

Amount and average rate at December 31

(In millions)	1989 Amount	1989 Rate	1988 Amount	1988 Rate
GE				
Commercial paper	$ 597	8.5%	$ —	
Notes with trust departments	313	8.2	337	8.5%
Affiliate bank borrowings (principally foreign)	436	18.8	261	25.7
Current portion of long-term borrowings	150		1,233	
Other	200		30	
	1,696		1,861	
GEFS				
Commercial paper	30,452	8.80	24,591	9.32
Banks	2,702	8.58	1,987	9.34
Current portion of long-term borrowings	1,365		790	
Notes with trust departments	847	8.29	990	8.48
Passbooks and investment certificates	374		373	
	35,740		28,731	
Eliminations	(2[illegible]6)		(170)	
	$37,200		$30,422	

The average balance of short-term borrowings for GE except GEFS, excluding the current portion of long-term borrowings, was $2,284 million in 1989 compared with an average balance of $1,416 million in 1988. (Except for commercial paper, the average balance is calculated by averaging month-end balances for the year; commercial paper average borrowings are based on daily balances for the year.) The maximum balances in these calculations were $2,791 million at the end of June 1989 and $2,444 million at the end of September 1988. The average worldwide effective interest rate for the year 1989 was 11%; for 1988, it was 15%. These average rates represent total short-term interest incurred divided by the average balance outstanding. Although the total unused credit available to GE through banks and commercial credit markets is not readily quantifiable, confirmed credit lines of about $1.3 billion had been extended by 47 banks at year-end 1939. Substantially all of these lines also are available for use by GE Capital and GEFS in addition to their own credit lines.

The average daily [illegible] of GEFS' borrowings, excluding the current portion of long-term borrowings, was $31,154 million in 1989 compared with $27,889 million for 1988. The December 28, 1989 balance of $34,769 million was the maximum balance in 1989. The December 5, 1988 balance of $30,385 million was the maximum balance in 1988. The average short-term interest rate, excluding the current portion of long-term debt, was 9.44% for 1989, representing short-term interest expense divided by the average daily balance, compared with 7.96% for 1988.

At December 31, 1989, GE Capital had established lines of credit aggregating $13,445 million with 187 banks, including $10,370 million of revolving credit agreements with 118 banks pursuant to which GE Capital has the right to borrow funds for periods exceeding one year. In addition, at December 31, 1989, approximately $1,256 million of GE's credit lines was available for use by GE Capital. A total of $4,430 million of these lines also was available for use by GE Financial Services. During 1989, GEFS did not borrow under any of these credit lines.

GEFS compensates banks for credit facilities in the form of fees or a combination of balances and fees as agreed to with the bank.

At December 31, 1989, Kidder, Peabody had established lines of credit aggregating $5,727 million, of which $3,862 million was available on an unsecured basis. Borrowings from banks were primarily unsecured demand obligations, at interest rates approximating broker call loan rates, to finance inventories of securities and to facilitate the securities settlement process.

Note 22 Accounts Payal

December 31 (In millions)	1989	1988
GE		
Trade accounts	$2,606	$1,939
Collected for the account of others	195	180
Other (including associated companies)	100	17
	2,901	2,136
GEFS		
Accounts and drafts payable	4,144	4,132
Eliminations	(379)	(264)
	$6,666	$6,004

Note 23 GEFS Securities Sold but Not Yet Purchased, at Market

December 31 (In millions)	1989	1988
U.S. government and federal agency securities	$3,508	$1,560
State and municipal securities	4	9
Corporate stocks, bonds and foreign securities	578	519
	$4,090	$2,088

Note 24 GE All Other Current Costs and Expenses Accrued

At year-ends 1989 and 1988, this account included taxes accrued of $1,521 million and $1,568 million, respectively, and compensation and benefit accruals of $948 million and $982 million, respectively. Also included are amounts for product warranties, estimated costs on shipments billed to customers and a wide variety of other sundry items.

Note 25 I)-Term Borrowings

December 31 (In millions)	1989	1988
GE	$ 3,947	$ 4,330
GEFS	12,165	10,862
Eliminations	(2)	(110)
	$16,110	$15,082

Outstanding balances in long-term borrowings for GE at December 31, 1989 and 1988 are as follows.

December 31 (In millions)	Weighted average interest rate	Maturities	1989	1988
Notes	6.97%	1991-1992	$1,056	$1,163
Extendible notes (a)	7.69	1998-2006	600	800
Debentures/sinking fund debentures	8.43	1992-2016	513	545
Foreign currency notes (b)	8.14	1992-1993	900	900
Deep discount notes (c)	7.51	1993-1994	350	350
Industrial development/ pollution control bonds	6.17	1991-2019	236	262
Other	(d)		292	310
			$3,947	$4,330

(a) GE will reset interest rates at end of initial and each subsequent interest period. At each rate-reset date, notes are redeemable in whole or in part at GE's option or repayable at option of the holders at face value plus accrued interest. Current interest periods range from May 1, 1991 to April 8, 1993. Notes are included in the current portion of long-term debt when the interest-rate-reset date is within one year.

(b) In connection with a European Currency Unit 150 million note issue (7⅝% coupon rate) due in 1992, GE entered into a currency and interest-rate swap agreement under which GE assumes a fixed Japanese yen liability (22,262 million) for payment of principal in 1992 and pays interest in yen at a rate somewhat below the six-month yen LIBOR.

A Euro-yen 35 billion note issue due in 1993 is equal to US $194 million at a fixed exchange rate of yen 180.41 = US $1.00.

In connection with a US $500 million note issue (9⅛% coupon rate) due in 1993, GE entered into currency and interest-rate swap agreements under which GE assumes a fixed Dutch guilder liability (632 million) and a fixed German mark liability (373 million) for payment of principal in 1993. GE pays interest in the respective currencies at somewhat below the respective currency three-month LIBOR.

(c) Including amortization of original issue discount, the effective interest rates are: 4⅛% Euro-dollar notes (US $200 million) – 7.41%, 2¾% U.S. dollar notes ($150 million) – 7.66%.

(d) "Other" includes original issue premium and discounts and a variety of borrowings by affiliates and parent components with various interest rates and maturities. Through 1988, "other" also included an adjustment to bring RCA borrowings at acquisition date to fair market value. Such RCA borrowings have now all been retired.

Long-term borrowing maturities during the next five years, including the portion classified as current, are $150 million in 1990, $861 million in 1991, $442 million in 1992, $982 million in 1993 and $179 million in 1994. These amounts are after deducting debentures that have been reacquired for sinking-fund needs.

Outstanding balances in long-term b(wings for GEFS at December 31, 1989 and 1988 are as follows.

December 31 (In millions)	Weighted average interest rate	Maturities	1989	1988
Senior notes				
Master notes	(a)	1991	$ 165	$ 181
Foreign currency notes (b)	9.64%	1991-1998	1,493	757
Zero coupon/deep discount notes	14.08	1992-2001	2,270	2,270
Extendible, reset or remarketed notes (c)	8.25	1991-2018	2,456	2,998
Floating rate notes	(d)	2049	269	164
Other notes	8.99	1991-2009	6,209	5,304
Less unamortized discount/premium			(984)	(1,136)
Total senior notes			11,878	10,538
Subordinated notes	9.32	1991-1997	287	324
			$12,165	$10,862

(a) Notes have a rolling 13-month or 15-month maturity and bear floating interest rates based principally on GE Capital's 180-day open-market notes.
(b) For notes denominated in pounds sterling (equal to US $158 million), European Currency Units (US $499 million) and Canadian dollars (US $315 million), GEFS has entered into currency swap or interest-rate swap agreements under which GEFS assumes a fixed principal liability and pays fixed or floating rate interest to a commercial bank counterparty. For the notes denominated in Swiss francs (US $153 million), there is no stated maturity date but issuer calls and investor puts are available at 10-year intervals. GEFS can limit the ultimate retirement to US $153 million and interest is fixed for the first 10-year period. In connection with a US $125 million note issue due in 1998, GEFS entered into a currency swap agreement under which GEFS assumes a fixed pound sterling liability (74 million) for payment of principal in 1993.
(c) GEFS will reset interest rates at end of initial and each subsequent interest period. For Extendible notes, at each rate-reset date, holders may redeem notes at face value plus accrued interest. Current interest periods range from February 20, 1990 to March 4, 1993. Notes are included in the current portion of long-term debt when the interest-rate-reset date is within one year.
(d) The rate of interest payable on each note is a variable rate based on the commercial paper rate each month. Interest is payable at the option of GEFS either monthly or semiannually.

Long-term borrowing maturities during the next five years, including the current portion of notes payable after one year, are: 1990 — $1,365 million; 1991 — $1,427 million (including $165 million of notes having a rolling 13-month or 15-month maturity); 1992 — $1,678 million; 1993 — $1,890 million; and 1994 — $1,073 million.

In December 1987, GE Capital initiated a debt extinguishment program to use the proceeds from the issuance of new long-term debt to repurchase or redeem approximately $1.1 billion of existing debt at market prices or redemption premiums in excess of the net carrying amounts. This resulted in an after-tax loss of $62 million (net of $39 million tax credit) that was reported as an extraordinary item in the consolidated Statement of Earnings for the year 1987. The extinguishments were completed during the first quarter of 1988.

Note 26 GE A ther Liabilities

For GE except GEFS, this account includes noncurrent compensation and benefit accruals at year-ends 1989 and 1988 of $1,511 million and $1,516 million, respectively. Other noncurrent liabilities include amounts for product warranties, deferred incentive compensation, deferred investment tax credit, deferred income and a wide variety of other sundry items.

Note 27 Deferred Income Taxes

The tax effects of principal temporary differences between the carrying amounts of assets and liabilities and their tax bases are summarized below.

December 31 (In millions)	1989	1988
GE except GEFS		
Provisions for expenses	$(1,785)	$(1,723)
Accumulated depreciation	929	852
Assets and liabilities related to pensions	409	331
Other — net	(189)	(101)
Net deferred tax asset	(636)	(641)
GEFS		
Financing leases	3,651	3,624
Tax transfer leases	332	335
Operating leases	331	177
Provision for losses	(392)	(377)
Other — net	257	255
Net deferred tax liability	4,179	4,014
Net deferred tax liability	$ 3,543	$ 3,373

Note 28 Minority Interest in Equity of Consolidated Affiliates

December 31 (In millions)	1989	1988
GE	$ 283	$ 228
GEFS	718	753
	$1,001	$ 981

Minority interest in equity of consolidated GEFS affiliates includes the issuance by GE Capital in 1988 of six thousand shares of $100 par value variable cumulative preferred stock for net proceeds of approximately $600 million. No additional preferred shares were issued in 1989. Dividend rates on this preferred stock during 1989 ranged from 6.42% to 7.85%.

Note 29 Share Owners' Equity

GE preferred stock up to 50,000,000 shares ($1.00 par value) is authorized, but no such shares have been issued. Authorized shares of common stock (par value $0.63) total 1,100,000,000.

Shares of GE common stock December 31 (In thousands)	1989	1988	1987
Issued	926,564	926,564	926,564
In treasury	(21,783)	(24,448)	(23,611)
Outstanding	904,781	902,116	902,953

GE share owners' equity is as follows.

GE share owners' equity (In millions)	1989	1988	1987
Common stock issued			
Balance at January 1	$ 584	$ 584	$ 579
Adjustment for stock split	—	—	5
Balance at December 31	$ 584	$ 584	$ 584
Other capital			
Balance at January 1	$ 823	$ 878	$ 733
Adjustment for stock split	—	—	(5)
Foreign currency translation adjustments	(4)	(39)	145
Unrealized gains (losses) on securities held by insurance affiliates	5	18	(33)
Gains (losses) on treasury stock dispositions	2	(34)	30
Other	—	—	8
Balance at December 31	$ 826	$ 823	$ 878
Retained earnings			
Balance at January 1	$17,950	$15,878	$14,172
Net earnings	3,939	3,386	2,915
Dividends declared	(1,537)	(1,314)	(1,209)
Balance at December 31	$20,352	$17,950	$15,878
Common stock held in treasury			
Balance at January 1	$ 891	$ 860	$ 375
Purchases — net	362	387	846
Dispositions			
Employee savings plans	(124)	(213)	(148)
Stock options and appreciation rights	(212)	(77)	(96)
Employee stock ownership plan	—	(11)	(39)
Dividend reinvestment and share purchase plan	(47)	(49)	(42)
Contribution to GE Pension Trust	—	—	(25)
Conversion of long-term debt	—	(1)	(24)
Incentive compensation plans	2	(5)	13
Balance at December 31	$ 872	$ 891	$ 860

In November 1989, GE's Board of Directors authorized the repurchase of up to $10 billion of Company common stock over a five-year period. This repurchase program is designed to be flexible. Shares will be acquired with funds from a combination of borrowings and free cash flow. Should world economic conditions, a major acquisition or other circumstances warrant, the Company would modify the pace and dimension of the repurchase program to maintain the solidity of its financial position. As of December 31, 1989, 3,765 thousand shares having an aggregate cost of $236 million had been repurchased under the program and placed in treasury.

In April 1987, GE share owners authorized: (a) an increase in the number of authorized shares of common stock from 550,000,000 shares each with a par value of $1.25 to 1,100,000,000 shares each with a par value of $0.63; (b) the split of each previously issued common share, including shares held in treasury, into two shares of common stock each with a par value of $0.63; and (c) an increase in the number of authorized shares of preferred stock from 2,000,000 shares with a par value of $1.00 per share to 50,000,000 shares with a par value of $1.00 per share. All share data have been adjusted for this change.

The effects of translating to U.S. dollars the financial statements of foreign affiliates whose functional currency is the local currency are included in other capital. Cumulative foreign currency translation adjustments were $133 million, $137 million and $176 million of additions to other capital at December 31, 1989, 1988 and 1987, respectively.

Note 30 Other Stock-Related Information

Stock option plans, appreciation rights and performance units are described in the Company's current Proxy Statement. Requirements for stock option shares may be met within certain restrictions either from unissued or treasury shares. During 1989, options were granted to 3,800 employees and 15 nonemployee Directors. As of December 31, 1989, a total of 456 individuals were eligible to receive class-grant options, and all exempt salaried employees were eligible for special option grants. A total of 4,633 persons held options exercisable at the end of 1989 or in the future.

Stock option information		Average per share	
(Shares in thousands)	Shares subject to option	Option price	Market price
Balance at January 1, 1989	19,936	$36.41	$44.75
Options granted	5,038	57.19	57.19
Options exercised	(3,954)	28.28	55.64
Options surrendered on exercise of appreciation rights	(712)	30.77	56.37
Options terminated	(217)	44.45	—
Balance at December 31, 1989	20,091	43.34	64.50

Outstanding options and rights expire and the award period for outstanding performance units ends on various dates from January 1, 1990 to December 15, 1999. Shares available for granting additional options at the end of 1989 were 6,473,950 (11,936,568 at the end of 1988).

Note 31 Commitments and Contingent Liabilities

At December 31, 1989, there were no known contingent liabilities (including guarantees, pending litigation, taxes and other claims) that, in the opinion of management, would be material in relation to General Electric Company and consolidated affiliates' financial position, nor were there any material commitments outside the normal course of business.

Note 32 Supplemental Cash Flows Information

"All other operating activities" in the Statement of Cash Flows consists principally of adjustments to current and noncurrent accruals of costs and expenses, amortization of premium and discount on debt, and adjustments to assets such as amortization of goodwill and intangibles.

Information about acquisitions and dispositions can be found in note 2. The Statement of Cash Flows excludes certain noncash transactions that had no significant effects on the investing or financing activities of GE or GEFS. The transfer of GE Americom from GE to GEFS at the end of 1989 increased GEFS' equity by $332 million.

Cash used in each of the last three years included:

(In millions)	1989	1988	1987
Interest (paid)			
GE	$ (793)	$ (640)	$ (577)
GEFS	(5,876)	(4,030)	(3,301)
	$(6,669)	$(4,670)	$(3,878)
Income taxes (paid) recovered (federal, foreign, state and local)			
GE	$(1,163)	$(1,284)	$(1,096)
GEFS	(168)	251	403
	$(1,331)	$(1,033)	$ (693)

"Net change in certain broker-dealer accounts" included:

(In millions)	1989	1988	1987
Marketable securities of broker-dealer	$(3,356)	$(1,009)	$ 1,826
Securities purchased under agreements to resell	(2,209)	(922)	72
Securities sold under agreements to repurchase	2,691	677	117
Securities sold but not yet purchased	2,002	681	(2,118)
	$ (872)	$ (573)	$ (103)

"Net increase in GEFS financing receivables" included:

(In millions)	1989	1988	1987
Increase in loans to customers	$(24,699)	$(23,731)	$(18,990)
Principal collections from customers	21,350	19,802	15,370
Investment in equipment for financing leases	(4,766)	(5,031)	(3,117)
Principal collections on financing leases	3,214	3,974	2,291
Net change in credit card receivables	(1,641)	(957)	(181)
	$ (6,542)	$ (5,943)	$ (4,627)

GEFS' "all other investing activities" included:

(In millions)	1989	1988	1987
Purchases of marketable securities by insurance affiliates	$(4,879)	$(3,188)	$(3,769)
Dispositions of marketable securities by insurance affiliates	4,481	2,334	2,624
Other	(403)	(1,153)	(137)
	$ (801)	$(2,007)	$(1,282)

GEFS' "debt having maturities more than 90 days" included:

(In millions)	1989	1988	1987
Newly issued debt			
Short-term (91-365 days)	$ 4,571	$ 5,916	$ 5,546
Long-term senior	2,842	3,936	1,927
Long-term subordinated	—	58	—
Proceeds – nonrecourse, leveraged lease debt	461	381	345
	$ 7,874	$10,291	$ 7,818
Repayments and other reductions			
Short-term	$ (5,556)	$ (6,220)	$ (5,836)
Long-term senior	(230)	(2,284)	(526)
Long-term subordinated	(7)	(6)	(20)
Principal payments – nonrecourse, leveraged lease debt	(253)	(261)	(263)
	$ (6,046)	$ (8,771)	$ (6,645)

Note 33 Industry Segment Details

(In millions)	Revenues For the years ended December 31 Total revenues 1989	1988	1987	Intersegment revenues 1989	1988	1987	External revenues 1989	1988	1987
GE									
Aerospace	$ 5,282	$ 5,343	$ 5,262	$ 77	$ 166	$ 78	$ 5,205	$ 5,177	$ 5,184
Aircraft Engines	6,863	6,481	6,773	69	119	48	6,794	6,362	6,725
Broadcasting	3,392	3,638	3,241	1	—	—	3,391	3,638	3,241
Industrial	7,059	7,061	6,662	701	706	708	6,358	6,355	5,954
Major Appliances	5,620	5,289	4,721	—	—	—	5,620	5,289	4,721
Materials	4,929	3,539	2,751	33	40	32	4,896	3,499	2,719
Power Systems	5,129	4,805	4,995	128	126	125	5,001	4,679	4,870
Technical Products and Services	4,545	4,431	3,670	194	161	337	4,351	4,270	3,333
Earnings of GEFS	927	788	552	—	—	—	927	788	552
All Other	319	394	3,176	—	—	4	319	394	3,172
Corporate Items and Eliminations	(1,415)	(1,477)	(1,287)	(1,203)	(1,318)	(1,332)	(212)	(159)	45
Total GE	42,650	40,292	40,516	—	—	—	42,650	40,292	40,516
GEFS									
Financing	7,333	5,827	3,507	—	—	—	7,333	5,827	3,507
Insurance	2,710	2,478	2,217	—	—	—	2,710	2,478	2,217
Securities Broker-Dealer	2,897	2,316	2,491	—	—	—	2,897	2,316	2,491
All Other	5	34	10	—	—	—	5	34	10
Total GEFS	12,945	10,655	8,225	—	—	—	12,945	10,655	8,225
Eliminations	(1,021)	(858)	(583)	—	—	—	(1,021)	(858)	(583)
Consolidated revenues	$54,574	$50,089	$48,158	$ —	$ —	$ —	$54,574	$50,089	$48,158

(In millions)	Assets At December 31 1989	1988	1987	Property, plant and equipment (including equipment leased to others) For the years ended December 31 Additions 1989	1988	1987	Depreciation, depletion and amortization 1989	1988	1987
GE									
Aerospace	$ 3,806	$ 3,838	$ 3,943	$ 173	$ 208	$ 178	$ 153	$ 170	$ 151
Aircraft Engines	5,341	5,164	5,066	341	234	242	273	251	242
Broadcasting	4,428	4,104	3,948	81	147	115	79	70	64
Industrial	4,016	3,729	4,041	354	301	274	248	249	315
Major Appliances	2,825	2,284	1,529	149	215	118	112	105	93
Materials	8,023	7,130	3,901	722	757	378	319	252	202
Power Systems	2,604	2,531	3,266	138	127	118	136	138	162
Technical Products and Services	2,772	3,183	3,873	219	203	235	154	168	170
Investment in GEFS	6,069	4,819	3,980	—	—	—	—	—	—
All Other	951	1,122	2,046	3	5	72	—	17	62
Corporate Items and Eliminations	3,272	3,379	2,707	71	91	48	50	102	83
Total GE	44,107	41,283	38,300	2,251	2,288	1,778	1,524	1,522	1,544
GEFS									
Financing	54,056	44,874	34,163	3,174	1,738	503	679	695	325
Insurance	9,663	8,025	6,577	17	26	3	8	6	4
Securities Broker-Dealer	27,118	21,891	20,041	33	19	60	32	32	28
All Other	91	155	625	33	14	13	13	11	12
Total GEFS	90,928	74,945	61,406	3,257	1,797	579	732	744	369
Eliminations	(6,691)	(5,363)	(4,292)	—	—	—	—	—	—
Consolidated totals	$128,344	$110,865	$95,414	$5,508	$4,085	$2,357	$2,256	$2,266	$1,913

Revenues include income from all s[illegible]es: i.e., for GE, both sales of products and services to customers and "other income"; for GEFS, "earned income" as described in note 1. In general, it is GE policy to price sales from one Company component to another as nearly as practical to equivalent commercial selling prices. About one-sixth of GE's consolidated revenues are from agencies of the U.S. government, GE's largest single customer. Most of these were for aerospace and aircraft engine products and services.

Operating profit by industry segment is on page 35 of this report.

A description of each of General Electric Company and consolidated affiliates' industry segments follows.

GE

▪ ***Aerospace*** products and services encompass electronics, avionic systems, military vehicle equipment, automated test systems, computer software, armament systems, missile system components, simulation systems, spacecraft, communication systems, radar, sonar and systems integration. Most aerospace sales are to agencies of the U.S. government, principally the Department of Defense and the National Aeronautics and Space Administration.

▪ ***Aircraft Engines*** and replacement parts are manufactured and sold by GE for use in commercial and military aircraft, in naval ships and as industrial power sources. GE's military engines are used in a wide variety of aircraft that includes fighters, bombers, tankers and helicopters. GE's large CFM56 and CF6 engines power all categories of commercial aircraft: short/medium, intermediate and long-range. Applications for GE's CFM56 engine, produced jointly by GE and SNECMA of France, include: Boeing's 737-300/-400/-500 series; Airbus Industrie's A320, A321 and A340 series; and military aircraft such as the KC-135, E/KE-3 and E-6. The CFM56-3-powered 737 has become the fastest selling aircraft/engine combination in commercial aviation history. GE's CF6 family of engines powers intermediate and long-range aircraft such as Boeing's 747 and 767 series, Airbus Industrie's A300, A310 and A330 series, and McDonnell Douglas' DC-10 and MD-11 series. GE also produces jet engines for executive aircraft and regional commuter airlines.

▪ ***Broadcasting*** co[illegible]s primarily of the National Broadcasting Company (NBC), which is the current leader in network television. NBC's principal businesses are the furnishing within the United States of network television services to affiliated television stations, the production of live and recorded television programs, and the operation, under licenses from the Federal Communications Commission (FCC), of seven VHF television broadcasting stations. The NBC Television Network is one of three competing major national commercial broadcast television networks and serves more than 200 regularly affiliated stations within the United States. The television stations NBC owns and operates are located in Chicago, Cleveland, Denver, Los Angeles, Miami, New York and Washington, D.C. Broadcasting operations are subject to FCC regulation and station licensing. NBC is currently expanding its operations, including investment and programming activities in cable television.

▪ ***Industrial*** encompasses factory automation products, motors, electrical equipment for industrial and commercial construction, GE Supply Company, transportation systems and lighting products. Customers for many of these products and services include electrical distributors, original equipment manufacturers and industrial end users. Motors and motor-related products serve the appliance, commercial, industrial, heating, air conditioning and automotive markets. Motor products are used within GE and also are sold externally. Electrical distribution and control equipment, for which European operations were expanded with a new joint venture in 1989, is sold for installation in commercial, industrial and residential facilities. Factory automation products cover a broad range of electrical and electronic products, including drive systems, with emphasis on manufacturing and advanced engineering automation applications. GE Supply operates a nationwide network of electrical supply houses. Transportation systems include diesel-electric and electric locomotives, transit propulsion equipment, motorized wheels for off-highway vehicles, such as those used in mining operations, and drilling devices. Locomotives are sold principally to domestic and foreign railroads, while markets for other products include state and urban transit authorities and industrial users. Lighting products include a wide variety of lamps — incandescent, fluorescent, high intensity discharge, halogen and specialty — as well as wiring devices and quartz products. Markets and customers are principally in the United States, although foreign markets are becoming increasingly important. Markets are extremely varied, ranging from household consumers to commercial and industrial end users and original equipment manufacturers. Until the fourth quarter of 1988, the Industrial segment also included semiconductor operations that have since been sold.

■ *Major Appliances* includes kitchen and laundry equipment such as refrigerators, ranges, microwave ovens, freezers, dishwashers, clothes washers and dryers, and room air conditioners. These are sold under GE, Hotpoint and Monogram brands and, increasingly, under private brands for retailers. Distribution of appliances using the RCA brand began in 1989. GE microwave ovens and room air conditioners are mainly sourced from foreign suppliers while investment in Company-owned domestic facilities is focused on refrigerators, dishwashers, ranges and home laundry equipment. Acquisition of Roper Corporation in 1988 added to GE's productive capacity and broadened its product offerings, including gas ranges. A large portion of major appliance sales is to a variety of retail outlets with a significant portion of sales of certain products such as laundry equipment and refrigerators being for replacement of older products. The other principal market consists of residential building contractors who install major appliances in new dwellings. A nationwide service network supports GE's appliance business. European market participation was expanded significantly in 1989 with the formation of a new joint venture.

■ *Materials* includes high-performance engineered plastics used in applications such as substitutes for metal and glass in automobiles and as housings for computers and other business equipment; silicones; superabrasives such as man-made diamonds; and laminates. Market opportunities for many of these products are created by functional replacement that provides customers with an improved material at lower cost. These materials are sold to a diverse customer base (mainly manufacturers) in the United States and abroad. Acquisition of the chemicals businesses of Borg-Warner Corporation at the end of 1988's third quarter provided GE with another product — ABS resins, a family of thermoplastic resins used by custom molders and major original equipment manufacturers for use in a variety of applications, including fabrication of automotive parts, telecommunications equipment, computer enclosures, major appliance parts and pipe. The acquisition also added technical and manufacturing strength and domestic and offshore marketing facilities and expertise that complement GE's other plastics businesses. Materials also includes Ladd Petroleum Corporation, an oil and natural gas developer and supplier with operations mainly in the United States.

■ *Power Systems* serves worldwide utility, industrial and governmental customers with products for the generation, transmission and distribution of electricity and with related installation, engineering and repair services. GE has remained the leader in most power systems products in the face of a decline in domestic and foreign markets for a number of years. Worldwide competition continues to be intense. During [illegible] there were tangible signs of market improvement. GE management continues vigorous efforts to improve cost-competitiveness and to adapt products and marketing to the changing environment. Steam turbine-generators are sold to the electric utility industry, to the U.S. Navy and, for cogeneration, to private industrial customers. Marine steam turbines and propulsion gears also are sold to the U.S. Navy. Gas turbines are used principally as packaged power plants for electric utilities and for industrial cogeneration and mechanical drive applications. Centrifugal compressors are sold for application in gas reinjection, pipeline services and process applications such as refineries and ammonia plants. Although there have been no nuclear plant orders in the United States since the mid-1970s and international activity has been very low, GE continues to invest in advanced technology development and to focus its resources on refueling and serving its installed boiling-water reactors. Power delivery products include transformers, relays, electric load management systems, power conversion systems and meters, principally for electric utilities. Installation, engineering and repair services include management and technical expertise for large projects, such as power plants; maintenance, inspection, repair and rebuilding of electrical apparatus produced by GE and others; on-site engineering and upgrading of already installed products sold by GE and others; and environmental systems for utilities.

■ *Technical Products and Services* consists of technology operations providing products, systems and services to a variety of customers. Businesses in this segment include medical systems and services, communications and information services, and certain other specialized services. Medical systems include magnetic resonance (MR) scanners, computed tomography (CT) scanners, x-ray, nuclear imaging, ultrasound, and other diagnostic equipment and supporting services sold to domestic and foreign hospitals and medical facilities. Acquisitions and joint ventures in recent years have expanded GE's medical systems activities in world markets. GE Americom, a leading domestic satellite carrier, operates seven domestic satellites providing distribution services for cable television, broadcast television and radio, and voice, video and wideband data services to agencies of the federal government. Common carrier services of Americom are subject to regulation by the FCC. (As of December 31, 1989, GE Americom was transferred to GE Capital. GE Americom's operating results will be included in GEFS beginning in 1990.) Information services are provided both to internal and external customers by GE Information Services, GE Consulting Services and the GE Computer Service operation. These include enhanced computer-based communic(s services, such as data network services, electronic messaging and electronic data interchange, which are offered to commercial and industrial customers through a worldwide network; application software packages; custom system design and programming services; and independent maintenance and rental/leasing services for minicomputers and microcomputers, electronic test instruments and data communications equipment. A separate services component provides a variety of specialized services to government customers. In December 1989, GE's mobile communications business was placed in a joint venture with Ericsson of Sweden. This venture combines GE's mobile radio manufacturing and distribution strength in North America with Ericsson's European market strength and position in digital cellular technology.

- ***Earnings of and Investment in GEFS*** are shown on a "one-line" basis in GE's segment data but are eliminated in consolidation. A separate discussion of GEFS segments appears below.

- ***All Other*** for periods prior to 1988 consists mostly of former consumer electronics operations (principally video and audio products, including operations acquired from RCA in 1986) and results of miscellaneous other activities no longer part of GE's business. Ongoing operations mainly involve licensing use of GE know-how to others.

GEFS

The business of General Electric Financial Services, Inc. (GEFS) consists of the ownership of three affiliates that, together with their affiliates and other investments, constitute General Electric Company's principal financial services activities. GEFS owns all of the common stock of General Electric Capital Corporation (GECC) and of Employers Reinsurance Corporation (ERC) and owns 80% of Kidder, Peabody Group Inc. (the other 20% is held by or on behalf of certain Kidder, Peabody officers).

For industry segment purposes, Financing consists solely of activities of GE Capital; Insurance consists principally of activities of ERC but also includes certain insurance entities owned by GE Capital; Securities Broker-Dealer consists entirely of Kidder, Peabody's operations; and All Other is mainly GEFS' corporate activities not identifiable with specific industry segments.

Additional information about each GEFS segment follows.

- ***Financing*** activities of GE Capital include time sales, revolving credit and inventory financing for retail merchants (major appliances, television sets, furniture and other home furnishings, and personal computers); automobile leasing and automobile inventory financing; home and recreation financing (principally time sales and dealer inventory financing of mobile homes); commercial and industrial loans and equipment sales financing provided through leases, time sales and loans; leasing services for third-party investors; and commercial and residential real estate financing. Acquisition of Montgomery Ward & Co.'s credit operations in mid-1988 added to GE Capital's earning assets, particularly in credit card operations, which continue to expand. GE Capital also is an equity investor in certain other service and financial services organizations and participates in leveraged buyouts. Although leasing has been a major factor in GE Capital's growth over the years, GE Capital has actively changed its investment portfolio to place greater emphasis on asset ownership, management and operation. Virtually all products financed by GE Capital are manufactured by companies other than GE.

- ***Insurance*** consists mainly of ERC, a multiple-line property and casualty reinsurer that writes all lines of reinsurance other than title and annuities. ERC reinsures property and casualty risks written by more than 1,000 domestic and foreign insurers and augments its foreign business through subsidiaries located in the United Kingdom and Denmark. By way of other subsidiaries, ERC writes property and casualty reinsurance through brokers and provides reinsurance brokerage services. ERC also writes certain specialty lines of insurance on a direct basis, principally excess workers' compensation for self-insurers, libel and allied torts, and errors and omissions coverage for insurance agents and brokers. It is licensed in all states of the United States, the District of Columbia, certain provinces of Canada and in other jurisdictions. ERC's business is generally subject to regulation by various insurance regulatory agencies. Other insurance activities of GEFS include GE Capital affiliates that provide financial guarantee insurance on selected securities, private mortgage insurance, life reinsurance and, for GE Capital customers, credit life and certain types of property/casualty insurance.

- ***Securities Broker-Dealer*** represents Kidder, Peabody, which is a major investment banking and securities firm. Principal businesses include securities underwriting; sales and trading of equity and fixed income securities; financial futures activities; advisory services for mergers, acquisitions and other corporate finance matters; merchant banking; research services; and asset management. These services are provided in the United States and abroad to domestic and foreign business entities, governments, government agencies, and individual and institutional investors. Kidder is a member of the principal domestic securities and commodities exchanges and is a primary dealer in U.S. government securities. Certain affiliates of Kidder, Peabody are subject to the rules and regulations of various federal, state and industry regulatory agencies that apply to securities broker-dealers, including the U.S. Securities and Exchange Commission, U.S. Commodity Futures Trading Commission, New York Stock Exchange, National Association of Securities Dealers and the Chicago Board of Trade.

Note 34 Geographic Segment Information (consolidated)

(In millions)	Revenues For the years ended December 31								
	Total revenues			Intersegment revenues			External revenues		
	1989	1988	1987	1989	1988	1987	1989	1988	1987
United States	$48,912	$45,364	$45,160	$ 1,107	$ 874	$ 801	$47,805	$45,490	$44,359
Other areas of the world	7,458	5,576	4,894	689	977	1,095	6,769	4,599	3,799
Intercompany eliminations	(1,796)	(1,851)	(1,896)	(1,796)	(1,851)	(1,896)	—	—	—
Total	$54,574	$50,089	$48,158	$ —	$ —	$ —	$54,574	$50,089	$48,158

	Operating profit For the years ended December 31			Assets At December 31		
	1989	1988	1987	1989	1988	1987
United States	$ 6,070	$ 4,941	$ 3,715	$117,109	$102,327	$89,480
Other areas of the world	974	1,009	725	11,346	8,641	6,027
Intercompany eliminations	(8)	(10)	10	(111)	(103)	(93)
Total	$ 7,036	$ 5,940	$ 4,450	$128,344	$110,865	$95,414

U.S. revenues include GE exports to external customers, and royalty and licensing income from foreign sources.

Exports to external customers by major areas of the world are shown on page 37.

Note 35 Quarterly Information (unaudited)

(Dollar amounts in millions; per-share amounts in dollars)	First quarter		Second quarter		Third quarter		Fourth quarter	
	1989	1988	1989	1988	1989	1988	1989	1988
Consolidated operations								
Net earnings	$ 849	$ 725	$ 972	$ 835	$ 945	$ 815	$1,173	$1,011
Net earnings per share	0.94	0.80	1.08	0.93	1.04	0.90	1.30	1.12
Dividends declared per share	0.41	0.35	0.41	0.35	0.41	0.35	0.47	0.41
Common stock market price								
High	49	$47\frac{7}{8}$	$56\frac{1}{4}$	$44\frac{1}{2}$	$59\frac{1}{8}$	$44\frac{3}{4}$	$64\frac{3}{4}$	$46\frac{5}{8}$
Low	$43\frac{1}{2}$	40	$44\frac{1}{2}$	$38\frac{5}{8}$	$51\frac{5}{8}$	39	$52\frac{3}{4}$	$42\frac{1}{8}$
Selected data								
GE								
Sales of products and services	8,868	7,975	10,188	9,245	9,616	9,306	12,347	12,298
Gross profit from sales	2,392	1,978	2,989	2,365	2,499	2,349	3,407	3,270
GEFS								
Revenues from operations	2,824	2,411	3,261	2,465	3,230	2,717	3,630	3,062
Operating profit	259	246	231	223	341	230	307	328

For GE, gross profit from sales is sales of goods and services less cost of goods and services sold. These costs of sales accounted for a relatively smaller proportion of GE operating costs in 1989 than in 1988, reflecting differences between the periods from acquisitions and dispositions as well as ongoing refinements among broad cost classifications. For GEFS, operating profit is as presented on page 35 of this report.

Second-, third- and fourth-quarter 1988 net earnings included negative effects ($23 million — 2 cents per share, $43 million — 5 cents per share and $231 million — 26 cents per share, respectively) of expenses and accruals for abnormally high warranty costs for certain refrigerator compressors.

Corporate Information

Corporate Headquarters

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

Annual Meeting

The 1990 Annual Meeting of the General Electric Company will be held on Wednesday, April 25, at the Warner Theatre in Erie, Pa.

Share Owner Inquiries

When inquiring about share owner matters, contact: GE Securities Ownership Services, P.O. Box 120065, Stamford, Conn. 06912. Telephone: (203) 326-4040.

Dividend Reinvestment Plan

Share owners who have one or more shares of GE stock registered in their names are eligible to invest cash up to $10,000 per month and/or reinvest their dividends in the GE Dividend Reinvestment and Share Purchase Plan. For an authorization form and prospectus, write to: Reinvestment Plan Services, P.O. Box 120068, Stamford, Conn. 06912.

Principal Transfer Agent and Registrar

To transfer securities, contact: The Bank of New York, Receive & Deliver Department, Church Street Station, P.O. Box 11002, New York, N.Y. 10249. Telephone: (800) 524-4458.

Stock Exchange Information

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

As of December 8, 1989, there were about 515,000 share owners of record.

Form 10-K and Other Reports

The financial information in this report, in the opinion of management, substantially conforms with or exceeds the information required in the "10-K Report" to be submitted to the Securities and Exchange Commission at the end of March. Certain supplemental information is in that report, however, and copies without exhibits will be available, without charge, from: Corporate Investor Communications, General Electric Company, Fairfield, Conn. 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 Corporate Investor Communications and specifying the information desired.

GE Financial Services has a separate Annual Report, and both it and GE Capital Corporation file Form 10-K Reports with the Securities and Exchange Commission. Copies of these reports may be obtained from: General Electric Financial Services, Inc., P.O. Box 8300, Stamford, Conn. 06927.

The Annual Reports of the General Electric Foundations also may be obtained by contacting their offices at 3135 Easton Turnpike, Fairfield, Conn. 06431.

Product Information

For information about GE consumer products and services, call The GE Answer Center® at (800) 626-2000. For information about GE technical, commercial and industrial products and services, call the GE Business Information Center at (518) 438-6500. For information about the varied financial products and services offered by GE Capital Corporation, call (800) 243-2222.

Note: Unless otherwise indicated by the context, the terms "GE," "General Electric" and "Company" are used on the basis of consolidation described on page 46. GENERAL ELECTRIC, , GE and RCA are registered trademarks of General Electric Company; and NBC are registered trademarks of National Broadcasting Company, Inc.; ® and ™ indicate registered and unregistered trade and service marks.

1989 Annual Report

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Exhibit 1 to Parent Company Guarantee of Availability of Funds for Decommissioning Costs - General Electric Company.

GENERAL ELECTRIC COMPANY

Certificate of Incorporation and By-laws

APB-9G(5/88)

Certificate of Incorporation and By-laws

TABLE OF CONTENTS

CERTIFICATE OF INCORPORATION

BY-LAWS

corporation, association, firm, or individual, and to dispose of, or otherwise deal with, such property, assets, business or good will.

D. To engage in any activity which may promote the interests of the corporation, or enhance the value of its property, to the fullest extent permitted by law, and in furtherance of the foregoing purposes to exercise all powers now or hereafter granted or permitted by law, including the powers specified in the New York Business Corporation Law.

Section 3. *AUTHORIZED SHARES*

A. *General Authorization*

The aggregate number of shares which the corporation is authorized to issue is 1,150,000,000 shares, consisting of:

(1) 1,100,000,000 shares of common stock having a par value of $0.63 per share; and

(2) 50,000,000 shares of preferred stock having a par value of $1 per share.

B. *Preferred Stock*

(1) The Board of Directors is authorized, subject to limitations prescribed by law and the provisions of this subsection B, to provide for the issuance of the preferred shares in series, and by filing a certificate pursuant to the Business Corporation Law, to establish the number of shares to be included in each such series, and to fix the designation, relative rights, preferences and limitations of the shares of each such series. The authority of the Board with respect to each series shall include, but not be limited to, determination of the following:

(a) The number of shares constituting that series and the distinctive designation of that series;

(b) The dividend rate on the shares of that series, whether dividends shall be cumulative and, if so, from which date or dates;

(c) Whether that series shall have voting rights, in addition to the voting rights provided by law and, if so, the terms of such voting rights;

(d) Whether that series shall have conversion privileges and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(e) Whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

CERTIFICATE OF INCORPORATION

OF

GENERAL ELECTRIC COMPANY *

Section 1. *NAME*

The name of the corporation is General Electric Company.

Section 2. *PURPOSES*

The purposes of the corporation are as follows:

A. To manufacture, process, construct, develop, assemble, and produce in any way, to sell, lease, supply, and distribute in any way, to purchase, lease, mine, extract, and acquire in any way, to own, operate, experiment with, deal in, service, finance, and use in any way, equipment, apparatus, appliances, devices, structures, materials, processes, information, tangible and intangible property, services and systems of every kind, nature and description:

(1) for any electrical, or energy-conversion, application or purpose, including but not limited to the production, transmission, distribution, storage, regulation, control and use in any manner of electricity, or in any way connected with or deriving from any electrical, or energy-conversion, application or purpose, and,

(2) for any other application or purpose, whatsoever, including but not limited to industrial, utility, consumer, defense, governmental, scientific, educational, cultural, financial, recreational, agricultural, transportation, construction, mining, and communication applications or purposes.

B. To conduct studies and research and development, and to engage in any other activity relating to the development, application, and dissemination of information concerning science, technology, and other fields of endeavor.

C. To acquire by purchase, subscription or otherwise all or part of any interest in the property, assets, business, or good will of any

* Text of Certificate of Incorporation as set forth in Restated Certificate of Incorporation filed by the Department of State of New York on April 30, 1965. Section 3.A. was subsequently amended on April 29, 1971, to change the authorized number of common shares from 105,000,000 shares with a par value of $5 to 210,000,000 shares with a par value of $2.50, on December 20, 1976, to change the authorized number of common shares, par value $2.50, from 210,000,000 shares to 251,500,000 shares, on April 27, 1983, to change the authorized number of common shares, par value $1.25, from 251,500,000 shares to 550,000,000 shares and on April 23, 1987, to change the authorized number of common shares, par value $0.63, from 550,000,000 shares to 1,100,000,000 shares; and to change the authorized number of preferred shares, par value $1, from 2,000,000 to 50,000,000 shares. Section 3.C. relating to preemptive rights was added by amendment effective May 2, 1975. Section 6 relating to Directors was amended effective April 28, 1988, to limit their personal liability to the corporation and its shareholders. General Electric Company was created by a Special Act of the New York Legislature, Chapter 323, Laws of 1892, effective April 15, 1892.

(f) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the corporation;

(g) Any other relative rights, preferences and limitations of that series.

(2) Dividends on outstanding preferred shares shall be declared and paid, or set apart for payment, before any dividends shall be declared and paid, or set apart for payment, on the common shares with respect to the same dividend period.

C. *Preemptive Rights*

No present or future holder of any shares of the corporation of any class or series, whether heretofore or hereafter issued, shall have any preemptive rights with respect to (1) any shares of the corporation of any class or series, or (2) any other security of the corporation (including bonds and debentures) convertible into or carrying rights or options to purchase such shares.

Section 4. *OFFICE*

The office of the corporation is located in the City of Schenectady, County of Schenectady, State of New York.

Section 5. *BY-LAWS*

The by-laws may be amended or repealed, and new by-laws may be adopted, by the shareholders or the Board of Directors, except that the Board of Directors shall have no authority to amend or repeal any by-law which is adopted by the shareholders after April 20, 1948, unless such authority is granted to the Board by the specific provisions of a by-law adopted by the shareholders.

Section 6. *DIRECTORS*

The Board of Directors of the corporation shall consist of not less than fifteen nor more than twenty-one directors, the number to be determined, within these limits, as prescribed by the by-laws.

A person who is or was a director of the corporation shall have no personal liability to the corporation or its shareholders for damages for any breach of duty in such capacity except that the foregoing shall not eliminate or limit liability where such liability is imposed under the Business Corporation Law of the State of New York.

Section 7. *AGENT FOR PROCESS*

The Secretary of State of the State of New York is designated as the agent of the corporation upon whom process against it may be served, and the post office address to which the Secretary of State shall mail a copy of such process served upon him is Corporate Legal Operation, 1 River Road, Schenectady, New York 12305.

BY-LAWS

OF

GENERAL ELECTRIC COMPANY *

ARTICLE I

OFFICE

The office of this Company shall be in the City of Schenectady, County of Schenectady, State of New York.

ARTICLE II

DIRECTORS

A. The stock, property and affairs of this Company shall be managed by a Board of Directors consisting of not less than fifteen nor more than twenty-one members. The number of Directors shall be such number, within the aforesaid minimum and maximum limits, as shall be determined by vote of a majority of the entire Board of Directors, except as the number of Directors for any year shall be fixed by the shareholders at any annual statutory meeting by a majority vote of the outstanding shares entitled to vote thereon. The Directors shall be elected each year, at the annual statutory meeting of the shareholders, to hold office until the next annual statutory meeting, and until their successors have been elected and have qualified. One-third of the number of Directors constituting the entire Board, as that number shall be determined from time to time, shall be a quorum for the transaction of business.

B. Meetings of Directors

1. The Board of Directors may fix the time or times and the place or places of regular and special meetings of the Board. Special meetings of the Directors also may be held at any time by order of the Chairman of the Board, or in the absence of the Chairman of the Board, by order of the President, if then a separate officer, or upon the written direction of two of the Directors.
2. Notice of each special meeting shall be mailed or telegraphed to each Director at his residence or place of business at least two days before the meeting, and notice shall be deemed to be given at the time of mailing or delivery to a telegraph office for transmission, but the said two days' notice need not be given to any Director who submits a signed waiver of notice, whether before or after the meeting, or who attends the meeting without

* As last amended and restated by Board of Directors on September 10, 1976, except for Article XI which was amended by shareholders on April 22, 1987.

protesting prior thereto or at its commencement, the lack of notice to him. If the time and place of a regular meeting have not been fixed by the Board, notice of such meeting shall be given as in the case of a special meeting.

3. The Board of Directors may prescribe an order of business for its meetings.
4. Any action required or permitted to be taken by the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board or the committee consent in writing to the adoption of a resolution authorizing the action. The resolution and the written consent thereto by the members of the Board or committee shall be filed with the minutes of the proceedings of the Board or committee.
5. Any one or more members of the Board of Directors or of any committee of the Board of Directors may participate in a meeting of such Board or committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at any such meeting.

C. In respect to things not herein specially provided for, the Board of Directors may exercise the powers conferred on them by law.

ARTICLE III

COMMITTEES OF DIRECTORS

The Board of Directors, by resolution adopted by a majority of the entire Board, may designate from among its members, a Management Development and Compensation Committee, an Audit Committee, a Finance Committee, an Operations Committee, a Public Responsibilities Committee, a Technology and Science Committee, and other committees, each consisting of three or more directors, and each of which, to the extent provided in the applicable resolution, shall have all the authority of the Board to the fullest extent permitted by law. The Board may designate one or more directors as ex officio members of any such committee who may replace any absent member or members at any meeting of such committee.

ARTICLE IV

OFFICERS

A. As determined by the Board of Directors, the officers of this Company shall include:

1. A Chairman of the Board, who shall be chosen by the Directors from their own number. The Chairman of the Board shall be the Chief Executive Officer of the Company and in that capacity shall have general management, subject to the control of the Board of Directors, of the business of the Company, including

the appointment of all officers and employees of the Company for whose election or appointment no other provisions is made in these By-laws; he shall also have the power, at any time, to discharge or remove any officer or employee of the Company, subject to the action thereon of the Board of Directors, and shall perform all other duties appropriate to this office. The Chairman of the Board shall preside at all meetings of Directors, and he may at any time call any meeting of the Board of Directors; he may also at his discretion call or attend any meeting of any committee of the Board, whether or not a member of such committee.

2. One or more Vice Chairmen of the Board, who shall also be chosen by the Directors from their own number. The Board may designate one or more of the Vice Chairmen to be Executive Officers of the Company accountable to the Chief Executive Officer.
3. A President of the Company, who shall be chosen by the Directors from their own number. The office of President will normally be vested in the Chairman of the Board, provided, however, that in the discretion of the Board, the position of President may be established independent of, but accountable to, the Chairman during transition periods.
4. Two or more Vice Presidents, one or more of whom may also be designated Executive Vice Presidents or Senior Vice Presidents accountable to the Chief Executive Officer.
5. A Vice President — Finance, who shall be the principal financial officer of the Company, and who shall have such duties as the Board, by resolution, shall determine. In the absence or disability of the Vice President — Finance, the Chairman of the Board may designate a person to exercise the powers of such office.
6. A Comptroller and a Treasurer who shall be officers of the Company. The Treasurer and Comptroller shall perform such duties as may be assigned by the Vice President — Finance. In the absence or disability of the Comptroller or Treasurer, the Chairman of the Board may designate a person to execute the powers of such office.
7. A Secretary, who shall record in proper books to be kept for that purpose and have custody of the minutes of the meetings of the shareholders of the Company and of meetings of the Board of Directors and of committees of the Board (other than the Compensation Committee) and who shall be responsible for the custody and care of the seal of the Company. He shall attend to the giving and serving of all notices of the Company and perform such other duties as may be imposed upon him by the Board of Directors.

The Secretary may appoint an Associate Secretary and Attesting Secretaries, each of whom shall have the power to affix and attest the corporate seal of the Company, and to attest the execution of documents on behalf of the Company and who shall perform such other duties as may be assigned by the Secretary; and in the absence or disability of the Secretary, the Associate Secretary may be designated by the Chairman to exercise the powers of the Secretary.

8. Such other officers as the Board may from time to time appoint.

B. One person may hold two or more offices, except that no person shall simultaneously hold the offices of President and Secretary.

C. All officers shall be elected by the Board of Directors for an initial term which shall continue until the first Board meeting following the next annual statutory meeting of shareholders, and thereafter all officers shall be elected for one-year terms; provided, however, that all officers shall serve at the pleasure of the Board. Officers shall exercise such powers and perform such duties as the Chief Executive Officer may from time to time direct, provided that these powers and duties are not inconsistent with any outstanding Board resolutions.

D. In the event of the absence, incapacity, illness or the death of the Chairman of the Board, the President, if then a separate officer, shall assume the duties of the Chairman of the Board pending action by the Board of Directors; provided, however, that if there is not a separate President in office, the duties of the Chairman of the Board, pending action by the Board of Directors, shall be assumed by that Vice Chairman who is senior to the others in length of General Electric Company service.

ARTICLE V

REMOVAL OF OFFICERS AND EMPLOYEES

A. Any officer or employee of the Company may be at any time removed by the affirmative vote of at least a majority of the Board of Directors. In case of such removal the officer so removed shall forthwith deliver all the property of the Company in his possession, or under his control, to some person to be designated by the Board. Nothing herein contained shall limit the power of any officer to discharge any subordinate.

B. The Board may at any time, in the transaction of business, temporarily delegate any of the duties of any officer to any other officer or person selected by it.

ARTICLE VI

VACANCIES

Any vacancy occurring in the Board of Directors, or in any office, may be filled for the unexpired term by the Board of Directors.

ARTICLE VII

MEETINGS OF SHAREHOLDERS

Meetings of shareholders may be held at such time and in such place within or without the State of New York as the Board of Directors may determine, and the annual statutory meeting required by Section 602(b) of the New York Business Corporation Law shall be held on the fourth Wednesday in April of each year, or as the Board of Directors may from time to time otherwise determine.

Special meetings of the shareholders may be called by the Board, or upon the written request therefor of shareholders holding forty percent of the then issued stock of the Company, filed with the Secretary.

The Board of Directors may prescribe an order of business for meetings of shareholders. The Chairman of the Board, or in his absence, the President, if then a separate officer, shall preside at meetings of the shareholders; provided, however, that the Board of Directors may for any meeting of shareholders designate another officer or officers to preside.

ARTICLE VIII

STOCK AND TRANSFER

A. Certificates of stock, signed by the Chairman of the Board, or a Vice Chairman, or the President, if then a separate officer, or a Vice President and the Secretary or Treasurer, shall be issued to the shareholders. Such signatures may be facsimiles, engraved or printed, and in case any such officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such before such certificate is issued, such certificate may be issued by the Company with the same effect as if that officer had not ceased to be such at the date of its issue.

B. The stock shall be transferable only upon the books of the Company, by the holder thereof, in person, or by properly authenticated power of attorney.

C. The Board of Directors or Executive Committee may appoint suitable agents in the City of New York and elsewhere, to facilitate transfers by shareholders under such regulations as the Board may from time to time prescribe. The transfer books may be closed by the Board for such periods as may be deemed advisable for dividend or other purposes.

D. The Board of Directors or Executive Committee may appoint any Bank or Trust Company in the City of New York or elsewhere, to act as registrar of transfers of stock until otherwise ordered by the Board of Directors. After the appointment of any such registrar of transfers, no certificate thereafter issued for stock shall be binding upon the Company, or have any validity, unless countersigned by any such registrar of transfers, or by a successor of any such registrar appointed by the Board of Directors.

E. The Board of Directors may make such other and further regulations, with reference to the stock and its transfer, as to them may seem advisable from time to time.

F. The Board of Directors may call a meeting or meetings of shareholders for the purpose of authorizing an increase of the stock of this Company, at such time or times as to the Board may seem advisable.

ARTICLE IX

EXAMINATION OF BOOKS

The Board of Directors may, by resolution, make regulations respecting the examination of the books of the Company by shareholders.

ARTICLE X

ENGINEERING DECISIONS AND ACTIVITIES

All engineering decisions made in a particular state pertaining to any project or engineering activities conducted by the Company in such state where so required by law, or where the Chief Executive Officer so directs, shall be made (a) by the employee of the Company who holds a certificate of registration as an engineer in such state and who has been specified by the Chief Executive Officer or the person designated by the Chief Executive Officer to make such specification, as the engineer in responsible charge of such project or engineering activities, or (b) by other responsible engineers under his direction or supervision.

ARTICLE XI

INDEMNIFICATION

A. The Company shall, to the fullest extent permitted by applicable law as the same exists or may hereafter be in effect, indemnify any person who is or was or has agreed to become a director or officer of the Company and who is or was made or threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Company to procure a judgment in its favor and an action by or in the right of any other corporation of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, which such person is serving, has served or has agreed to serve in any capacity at the request of the Company, by reason of the fact that he or she is or was or has agreed to become a director or officer of the Company, or is or was serving or has agreed to serve such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in any capacity, against judgments, fines, amounts paid or to be paid in settlement, taxes or penalties, and costs, charges and expenses, including attorney's fees, incurred in connection with such action or proceeding or any appeal therein; provided, however, that no indemnification shall be provided to any such person if a judgment or other final adjudication adverse to the director or officer establishes that (i) his or her acts were committed in bad faith or were the result of active and deliberate dishonesty and, in either case, were material to the cause of action so adjudicated, or (ii) he or she personally gained in fact a financial profit or other advantage to which he or she was not legally entitled. The benefits of this Paragraph A shall extend to the heirs and legal representatives of any person entitled to indemnification under this paragraph.

B. The Company may, to the extent authorized from time to time by the Board of Directors, or by a committee comprised of members of the Board or members of management as the Board may designate for such purpose, provide indemnification to employees or agents of the Company who are not officers or directors of the Company with such scope and effect as determined by the Board, or such committee.

C. The Company may indemnify any person to whom the Company is permitted by applicable law to provide indemnification or the advancement of expenses, whether pursuant to rights granted pursuant to, or provided by, the New York Business Corporation Law or other rights created by (i) a resolution of shareholders, (ii) a resolution of directors, or (iii) an agreement providing for such indemnification, it being expressly intended that these By-laws authorize the creation of other rights in any such manner. The right to be indemnified and to the reimbursement or advancement of expenses incurred in defending a proceeding in advance of its final disposition authorized by this Paragraph C shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, By-laws, agreement, vote of shareholders or disinterested directors or otherwise.

D. The right to indemnification conferred by Paragraph A shall, and any indemnification extended under Paragraph B or Paragraph C may, be retroactive to events occurring prior to the adoption of this Article XI, to the fullest extent permitted by applicable law.

E. This Article XI may be amended, modified or repealed either by action of the Board of Directors of the Company or by the vote of the shareholders.

ARTICLE XII

AMENDMENTS OF BY-LAWS

These By-laws may be altered, amended or repealed, at any time, in the manner provided in the Certificate of Incorporation of this Company.

ARTICLE XIII

EMERGENCY BY-LAW

A. This Emergency By-law shall become effective if the Defense

Council of New York, as constituted under the New York State Defense Emergency Act now in effect or as it may hereafter be amended from time to time, shall order the effectiveness of emergency By-laws of New York Corporations and shall cease to be effective when the Council shall so declare. This Emergency By-law may also become effective in the manner outlined in Section E of this Article.

B. In the event this Emergency By-law shall become effective, the business of the Company shall continue to be managed by those members of the Board of Directors in office at the time the emergency arises who are available to act during the emergency. If less than three such Directors are available to act, additional Directors, in whatever number is necessary to constitute a Board of three Directors, shall be selected automatically from the first available officers or employees in the order provided in the emergency succession list established by the Board of Directors and in effect at the time an emergency arises.

C. For the purposes of Sections B and D(3) of this Article, a Director shall be deemed unavailable to act if he shall fail to attend a Directors meeting called in the manner provided in Section D(1) of this Article. This section, however, shall not affect in any way the right of a Director in office at the time an emergency arises to continue as a Director.

D. The Board of Directors shall be governed by the following basic procedures and shall have the following specific powers in addition to all other powers which it would otherwise have.

1. Meetings of the Board of Directors may be called by any Director, or by the first available officer or employee in the order provided in the emergency succession list referred to in Section B of this Article, by mailing to all Directors written notice thereof at their residence or place of business at least two days before the meeting and by using other reasonably available means of communication in an effort to contact each Director.
2. Three Directors shall constitute a quorum which may in all cases act by majority vote.
3. If the number of Directors who are available to act shall drop below three, additional Directors, in whatever number is necessary to constitute a Board of three Directors, shall be selected automatically from the first available officers or employees in the order provided in the emergency succession list referred to in Section B of this Article.
4. Additional Directors, beyond the minimum number of three Directors, but not more than three additional Directors, may be elected from any officers or employees on the emergency succession list referred to in Section B of this Article.
5. Any Director, other than a Director in office at the time an emergency arises, may be removed by a majority vote.
6. The Board of Directors may establish any additional procedures and may amend any of the provisions of this Article concerning the interim management of the affairs of the Com-

pany in an emergency if it considers it to be in the best interests of the Company to do so, except that it may not change Sections C or D(5) of this Article in any manner which excludes from participation any person who was a Director in office at the time an emergency arises.

7. To the extent that it considers it practical to do so, the Board of Directors shall manage the business of the Company during an emergency in a manner which is consistent with the Certificate of Incorporation and By-laws. It is recognized, however, that in an emergency it may not always be practical to act in this manner and this Emergency By-law is intended to and hereby empowers the Board of Directors with the maximum authority possible under the New York State Defense Emergency Act, and all other applicable law, to conduct the interim management of the affairs of the Company in an emergency in what it considers to be in the best interests of the Company.

E. If an obvious defense emergency exists because of an enemy attack and, if by reason of the emergency, the Defense Council of New York is itself unable to order the effectiveness of emergency by-laws as contemplated by Section A of this Article, then:

1. A quorum of the Board of Directors pursuant to Article II of these By-laws may order the effectiveness of this Emergency By-law or
2. If a quorum of the Board of Directors pursuant to Article II of these By-laws is not present at the first Board of Directors meeting called, in the manner provided in Section D(1) of this Article, after an emergency arises, then the provisions of this Emergency By-law shall automatically become effective and shall remain in effect until it is practical for a normally constituted Board of Directors to resume management of the business of the Company.
