Shoham Filhart
Manager - Finance

GE
3135 Easton Turnpike
Fairfield, CT 06828

T (203) 373-3583
F (203) 373-3342
Shoham.filhart@corporate.ge.com

March 2006

Financial Assurance

Dear Sir/Madam:

Attached please find documents relating to financial assurance for the General Electric Company.

Please direct all inquiries and responses related to it to:

Shoham Filhart
Corporate Environmental Programs
General Electric Company
3135 Easton Turnpike
Fairfield, CT 06828

(203) 373-3583 Phone
(203) 373-3342 Fax

Thank you.

iU 0055501

GE
3135 Easton Turnpike
Fairfield, CT 06828
USA

Letter from Chief Financial Officer to Demonstrate
Financial Assurance for **Decommissioning**

March 16, 2006

Director, Office of Nuclear Material and Safeguards
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

I am the chief financial officer of the General Electric Company, 1 River Road, Schenectady, N.Y. 12345, a corporation. This letter is in support of this firm's use of the financial test to demonstrate financial assurance, as specified in 10 CFR Part 70.

This firm guarantees, through the parent company guarantee submitted to demonstrate compliance under 10 CFR Part 70, the decommissioning of the following facility owned or operated by a subsidiary of this firm. The current cost estimates or certified amounts for decommissioning, so guaranteed, are shown for the facility:

Name of Facility	License Number	Location of Facility	Current Cost Estimates
Wilmington Nuclear Energy Production Facility	SNM-1097	Castle Haynes Road Wilmington, NC 28401	$107,700,000

This firm is required to file a Form 10-K with the U.S. Securities and Exchange Commission for the latest fiscal year.

The fiscal year of this firm ends on December 31. The figures on the attached Financial Test II that are marked with an asterisk are derived from this firm's independently audited, year-end financial statements and footnotes for the latest completed fiscal year, ended December 31, 2005. A copy of this firm's most recent financial statements is enclosed.

I hereby certify that the content of this letter is true and correct to the best of my knowledge.

Keith S. Sherin

Keith S. Sherin
Senior Vice President - Finance
March 16, 2006

GE
3135 Easton Turnpike
Fairfield, CT 06828
USA

March 16, 2006

Director, Office of Nuclear Material and Safeguards
U. S. Nuclear Regulatory Commission
Washington, D.C. 20555

SUBJECT: GENERAL ELECTRIC COMPANY SELF-GUARANTEE OF FUNDS FOR DECOMMISSIONING

I am the Chief Financial Officer of the General Electric Company (GE), 1 River Road, Schenectady, NY 12345, a corporation. This letter is in support of the firm's use of the financial test to demonstrate financial assurance, as specified in 10 CFR 70 AND 10 CFR 72. This firm has no parent company holding majority control of its voting stock.

This firm guarantees, through the Self-Guarantee, submitted to demonstrate compliance under 10 CFR 70 and 10CFR 72, the decommissioning of the following facilities owned and operated by this firm. The current cost estimates or certified amounts for decommissioning, so guaranteed, are shown for each facility:

NRC License No.	***Name & Address of Licensee***	***Address of Licensed Activity***	**($ in thousands)** ***Cost Estimate***
DPR-1	General Electric Company GE Nuclear Energy 175 Curtner Ave. San Jose, CA 95125	GE Nuclear Energy Vallecitos Nuclear Center 6705 Vallecitos Rd. Pleasanton, CA 94566	8,400
R-33	General Electric Company GE Nuclear Energy 175 Curtner Ave. San Jose, CA 95125	GE Nuclear Energy Vallecitos Nuclear Center 6705 Vallecitos Rd. Pleasanton, CA 94566	4,500
TR-1	General Electric Company GE Nuclear Energy 175 Curtner Ave. San Jose, CA 95125	GE Nuclear Energy Vallecitos Nuclear Center 6705 Vallecitos Rd. Pleasanton, CA 94566	9,700
DR-10	General Electric Company GE Nuclear Energy 175 Curtner Ave. San Jose, CA 95125	GE Nuclear Energy Vallecitos Nuclear Center 6705 Vallecitos Rd. Pleasanton, CA 94566	7,000
SNM-960	General Electric Company GE Nuclear Energy 175 Curtner Ave. San Jose, CA 95125	GE Nuclear Energy Vallecitos Nuclear Center 6705 Vallecitos Rd. Pleasanton, CA 94566	18,300
SNM-2500	General Electric Company Morris Operation 7555 East Collins Rd. Morris, IL 60450	GE Nuclear Energy Morris Operation 7555 East Collins Rd. Morris, IL 60450	38,900
Total Cost Estimate:			***$ 86,800***

I hereby certify that General Electric Company is currently a going concern, and that it possesses positive tangible net worth in the amount of $27,628,000.

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 2005. A copy of the firm's most recent financial statements is enclosed.

This firm is required to file a Form 10K with the U.S. Securities and Exchange Commission (SEC) for the latest fiscal year. The firm has at least one class of equity securities registered under the Securities Exchange Act of 1934.

The firm satisfies the following self-guarantee test:

				(*Dollars in Thousands*)
1.	Current decommissioning cost estimates or certified amounts:			
	a. Decommissioning amounts covered by this self-guarantee			$ 86,800
	b. All decommissioning amounts covered by other NRC or Agreement State parent company guarantees or self-guarantees			$110,900
	c. All amounts covered by parent company guarantees, self-guarantees, or financial tests of other Federal or State agencies (*e.g.*, EPA)			162,600
	TOTAL			$ 360,300
2.	Current bond rating of most recent unsecured issuance of this firm Rating: Aaa Name of rating service: Moody's			
3.	Date of issuance of bond: 12/09/05			
4.	Date of maturity of bond: 12/09/08			
*5.	Tangible net worth** (if any portion of estimates for decommissioning is included in total liabilities on your firm's financial statements, you may add the amount of that portion to this line)			$ 27,628,000
*6.	Total assets in United States (required only if less than 90 percent of firm's assets are located in the United States)			$327,704,000
		Yes	No	
7.	Is line 5 at least 10 times line 1?	X		
8.	Are at least 90 percent of firm's assets located in the United States? If not, complete line 9		X	
9.	Is line 6 at least 10 times line 1?	X		
10.	Is the rating specified on line 2 "A" or better?	X		
11.	Does the licensee have at least one class of equity securities registered under the Securities Exchange Act of 1934?	X		

* Denotes figures derived from financial statements.

** Tangible net worth is defined as net worth minus intangible assets.

I hereby certify that the contents of this letter are true and correct to the best of my knowledge.

Keith S. Sherin

Keith S. Sherin
Senior Vice President – Finance

March 16, 2006

Date

GENERAL ELECTRIC COMPANY SELF GUARANTEE OF DECOMMISSIONING FUNDING

Guarantee made this 16th day of March, 2006 by the General Electric Company, a corporation organized under the laws of the State of New York herein referred to as "guarantor," to the U.S. Nuclear Regulatory Commission (NRC), beneficiary, on behalf of ourselves as licensee.

Recitals

1. The guarantor has full authority and capacity to enter into this guarantee under its bylaws, articles of incorporation, and the laws of the State of New York, its State of incorporation. Guarantor has approval from its Board of Directors to enter into this guarantee.

2. This guarantee is being issued to comply with regulations issued by the NRC, an agency of the U.S. Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974. NRC has promulgated regulations in Title 10, Chapter I of the Code of Federal Regulations, Part 70 and Part 72 which require that a holder of, or an applicant for, a materials license issued pursuant to 10 CFR 70 and 10CFR 72 provide assurance that funds will be available when needed for required decommissioning activities.

3. The guarantee is issued to provide financial assurance for decommissioning activities for the following licenses:

NRC License No.	Name & Address of Licensee	Address of Licensed Activity	($ in thousands) Cost Estimate
DPR-1	General Electric Company GE Nuclear Energy 175 Curtner Ave. San Jose, CA 95125	GE Nuclear Energy Vallecitos Nuclear Center 6705 Vallecitos Rd. Pleasanton, CA 94566	8,400
R-33	General Electric Company GE Nuclear Energy 175 Curtner Ave. San Jose, CA 95125	GE Nuclear Energy Vallecitos Nuclear Center 6705 Vallecitos Rd. Pleasanton, CA 94566	4,500

TR-1	General Electric Company GE Nuclear Energy 175 Curtner Ave. San Jose, CA 95125	GE Nuclear Energy Vallecitos Nuclear Center 6705 Vallecitos Rd. Pleasanton, CA 94566	9,700
DR-10	General Electric Company GE Nuclear Energy 175 Curtner Ave. San Jose, CA 95125	GE Nuclear Energy Vallecitos Nuclear Center 6705 Vallecitos Rd. Pleasanton, CA 94566	7,000
SNM-960	General Electric Company GE Nuclear Energy 175 Curtner Ave. San Jose, CA 95125	GE Nuclear Energy Vallecitos Nuclear Center 6705 Vallecitos Rd. Pleasanton, CA 94566	18,300
SNM-2500	General Electric Company Morris Operation 7555 East Collins Rd. Morris, IL 60450	GE Nuclear Energy Morris Operation 7555 East Collins Rd. Morris, IL 60450	38,900

as required by 10 CFR 70 and 10 CFR 72. The decommissioning costs for these activities are as indicated above.

4. The guarantor meets or exceeds the financial test criteria in Financial Test II (10 CFR Part 30 App. C Section II.A.2) and agrees to comply with all notification requirements as specified in 10 CFR Parts 50 and 72, as well as Part 70.

The guarantor meets the following financial test:

(a) Tangible net worth at least 10 times the current decommissioning cost estimates for all decommissioning activities for which the company is responsible as a self-guaranteeing licensee as and a parent-guarantor; and

(b) Assets located in the United States amounting to at least 90 percent of total assets or at least 10 times the current decommissioning cost estimates for all decommissioning activities for which the company is responsible as a self-guaranteeing licensee and as a parent-guarantor; and

(c) At least one class of equity securities registered under the Security Exchange Act of 1934; and

(d) A current rating for its most recent bond issuance of AAA, AA, or A as issued by Standard & Poors" or Aaa, Aa, or A as issued by Moody's.

5. The guarantor does not have a parent company holding majority control of its voting stock.

6. Decommissioning activities as used below refer to the activities required by 10 CFR 70 and 10 CFR 72 for decommissioning of the facilities identified above.

7. Pursuant to the guarantor's authority to enter into this guarantee, the guarantor guarantees to the NRC that the guarantor shall:

   (a) carry out the required decommissioning activities, as required by License Numbers DPR-1, R-33, TR-1, DR-10, SNM-960 and SNM-2500. or

   (b) set up a trust fund in favor of the above identified beneficiary in the amount of the current cost estimate for these activities.

8. The guarantor agrees to submit revised financial statements, financial test data, and a special auditor's report and reconciling schedule annually within 90 days of the close of its fiscal year.

9. The guarantor agrees that if, at the end of any fiscal year before termination of this self-guarantee, it fails to meet the self-guarantee test criteria, it shall send, by certified mail, immediate notice to the NRC that the licensee intends to provide alternative financial assurance as specified in 10 CFR 70 and/or 10CFR 72. Within 120 days of such notice, the guarantor shall establish such financial assurance.

10. The guarantor also agrees to notify the beneficiary promptly if the ownership of the licensed activity is transferred, and to maintain this guarantee until the new licensee provides alternative financial assurance acceptable to the beneficiary.

11. The guarantor agrees that if it determines, at any time other than as described in Recital 9, that it no longer meets the self-guarantee test criteria or it is disallowed from continuing as a self-guarantor, it shall establish alternative financial assurance as specified in 10 CFR Part 70 or 10 CFR 72, as applicable, within 30 days

12. The guarantor, as well as its successors and assigns, agree to remain bound jointly and severally under this guarantee notwithstanding any or all of the following: amendment or modification of license or NRC-approved decommissioning funding plan for that facility, the extension or reduction of the time of performance of required activities, or any other modification or alteration of an obligation of the licensee pursuant 10 CFR 70 or 10 CFR 72.

13. The guarantor agrees that it shall be liable for all litigation costs incurred by the beneficiary, NRC, in any successful effort to enforce the agreement against the guarantor.

14. The guarantor agrees to remain bound under this self-guarantee for as long as it, as licensee, must comply with the applicable financial assurance requirements of 10 CFR 70 and 10 CFR 72, for the previously listed facilities, except that the guarantor may cancel this self-guarantee by sending notice by certified mail to the NRC, such cancellation to become effective no earlier than 120 days after receipt of such notice by the NRC, as evidenced by the return receipt.

15. The guarantor agrees that if it, as licensee, fails to provide alternative financial assurance as specified in 10 CFR 70 and / or 10 CFR 72, as applicable, and obtain written approval of such assurance from the NRC within 90 days after a notice of cancellation by the guarantor is received by the NRC from the guarantor, the guarantor shall make full payment under the self-guarantee.

16. The guarantor expressly waives notice of acceptance of this self-guarantee by the NRC. The guarantor also expressly waives notice of amendments or modification of the decommissioning requirements.

17. If the guarantor files financial reports with the U.S. Securities and Exchange Commission, then it shall promptly submit them to its independent auditor and to the NRC during each year in which this guarantee is in effect.

18. The guarantor agrees that if, at any time before termination of this self-guarantee, its most recent bond issuance ceases to be rated in the category of "A" or above by either Standard & Poor's or Moody's, it shall provide notice in writing of such fact to the NRC with 20 days after publication of the change by the rating service.

I hereby certify that this guarantee is true and correct to the best of my knowledge.

General Electric Company

Keith S. Sherin March 16, 2006
Keith S. Sherin Date
Senior Vice President - Finance

Witness of Notary

ANDREA E. RAMOS
NOTARY PUBLIC
MY COMMISSION EXPIRES MAR. 31, 2009

1-WA:1289857.1

CERTIFICATION

I, Keith S. Sherin, Senior Vice President - Finance, of the General Electric Company, do hereby certify that the attached Minute #10855 entitled "Execution of Contracts and Other Instruments" is a true and correct copy of a portion of the minutes of the meeting of the board of Directors of General Electric Company held on April 26, 1988, which minutes were approved by the Board of Directors at its meeting on May 27, 1988, and revised on December 20, 1991.

Dated this 16th day of March 2006

Keith S. Sherin

Keith S. Sherin
Senior Vice President-Finance

ATTEST:

B. W. Fran

Attesting Secretary

GENERAL ELECTRIC COMPANY PARENT-COMPANY GUARANTEE OF DECOMMISSIONING FUNDING FOR GLOBAL NUCLEAR FUEL (AMERICA), LLC

Guarantee made this 16th day of March, 2006 by the General Electric Company, a corporation organized under the laws of the State of New York herein referred to as "guarantor," to the U.S. Nuclear Regulatory Commission (NRC), obligee, on behalf of our subsidiary Global Nuclear Fuel (America), LLC, Wilmington Nuclear Energy Production Facility, P.O. Box 780, Wilmington, NC 28402.

Recitals

1. The guarantor has full authority and capacity to enter into this guarantee under its bylaws, articles of incorporation, and the laws of the State of New York, its State of incorporation. Guarantor has approval from its Board of Directors to enter into this guarantee.

2. This guarantee is being issued to comply with regulations issued by the NRC, an agency of the U.S. Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974. NRC has promulgated regulations in Title 10, Chapter I of the Code of Federal Regulations, Part 70 which require that a holder of, or an applicant for, a materials license issued pursuant to 10 CFR Part 70 provide assurance that funds will be available when needed for required decommissioning activities.

3. The guarantee is issued to provide financial assurance for decommissioning activities for the Wilmington Nuclear Energy Production Facility, P.O. Box 780, Wilmington, NC 28402, NRC License No. SNM-1097, as required by 10 CFR Part 70. The decommissioning costs for these activities are as follows: $103,800,000.

4. The guarantor meets or exceeds the financial test criteria in Financial Test II (10 CFR Part 30 App. A Section II.A.2) and agrees to comply with all notification requirements as specified in 10 CFR Part 70 and Appendix A to 10 CFR Part 30.

The guarantor meets the following financial test:

(i) A current rating for its most recent bond issuance of AAA, AA, A, or BBB as issued by Standard & Poor's, or Aaa, Aa, A or Baa as issued by Moody's; and

(ii) Tangible net worth at least six times the costs covered by financial tests; and

(iii) Tangible net worth of at least $10 million; and

(iv) Assets located in the United States amounting to at least 90 percent of total assets or at least six times the costs covered by financial tests.

5. The guarantor has majority control of the voting stock for the following licensee covered

by this guarantee: Global Nuclear Fuel (America), LLC, Wilmington Nuclear Energy Production Facility, P.O. Box 780, Wilmington, NC 28402, NRC License No. SNM-1097.

6. Decommissioning activities as used below refer to the activities required by 10 CFR Part 70 for decommissioning of the facilities identified above.

7. For value received from Global Nuclear Fuel (America), LLC and pursuant to the guarantor's authority to enter into this guarantee, the guarantor guarantees to the NRC that if the licensee fails to perform the required decommissioning activities, as required by License No. SNM-1097, the guarantor shall

   (a) carry out the required activities, <u>or</u>

   (b) set up a trust fund in favor of the above identified beneficiary in the amount of the current cost estimates for these activities.

8. The guarantor agrees to submit revised financial statements, financial test data, and a special auditor's report and reconciling schedule annually within 90 days of the close of the parent guarantor's fiscal year.

9. The guarantor agrees that if, at the end of any fiscal year before termination of this

guarantee, it fails to meet the financial test criteria, the licensee shall send within 90 days of the end of the fiscal year, by certified mail, notice to the NRC that the licensee intends to provide alternative financial assurance as specified in 10 CFR Part 70. Within 120 days after the end of the fiscal year, the guarantor shall establish such financial assurance if Global Nuclear Fuel (America), LLC has not done so.

10. The guarantor also agrees to notify the beneficiary promptly if the ownership of the licensee or the parent firm is transferred and to maintain this guarantee until the new parent firm or the licensee provides alternative financial assurance acceptable to the beneficiary.

11. The guarantor agrees that if it determines, at any time other than as described in Recital 9, that it no longer meets the financial test criteria or it is disallowed from continuing as a guarantor, it shall establish alternative financial assurance as specified in 10 CFR Part 30, 40, 70, as applicable, within 30 days, in the name of Global Nuclear Fuel (America), LLC unless Global Nuclear Fuel (America), LLC has done so.

12. The guarantor as well as its successors and assigns agree to remain bound jointly and severally under this guarantee notwithstanding any or all of the following: amendment or modification of license or NRC-approved decommissioning funding plan for that facility, the extension or reduction of the time of performance of required activities, or any other modification or alteration of an obligation of the licensee pursuant 10 CFR Part 70.

13. The guarantor agrees that all bound parties shall be jointly and severally liable for all litigation costs incurred by the beneficiary, NRC, in any successful effort to enforce the agreement against the guarantor.

14. The guarantor agrees to remain bound under this guarantee for as long as Global Nuclear Fuel (America), LLC must comply with the applicable financial assurance requirements of 10 CFR Part 70, for the previously listed facility, except that the guarantor may cancel this guarantee by sending notice by certified mail to the NRC and to Global Nuclear Fuel (America), LLC, such cancellation to become effective no earlier than 120 days after receipt of such notice by both the NRC and Global Nuclear Fuel (America), LLC as evidenced by the return receipts.

15. The guarantor agrees that if Global Nuclear Fuel (America), LLC fails to provide alternative financial assurance as specified in 10 CFR Part 70, as applicable, and obtain written approval of such assurance from the NRC within 90 days after a notice of cancellation by the guarantor is received by both the NRC and Global Nuclear Fuel (America), LLC from the guarantor, the guarantor shall provide such alternative financial assurance in the name of Global Nuclear Fuel (America), LLC or make full payment under the guarantee.

16. The guarantor expressly waives notice of acceptance of this guarantee by the NRC or by

Global Nuclear Fuel (America), LLC. The guarantor also expressly waives notice of amendments or modification of the decommissioning requirements and of amendments or modification of the license.

17. If the guarantor files financial reports with the U.S. Securities and Exchange Commission, then it shall promptly submit them to the NRC during each year in which this guarantee is in effect.

I hereby certify that this guarantee is true and correct to the best of my knowledge.

General Electric Company

Keith S. Sherin
Senior Vice President - Finance

Witness

ANDREA E. RAMOS
NOTARY PUBLIC
MY COMMISSION EXPIRES MAR. 31, 2009

FINANCIAL TEST II
(10 CFR Part 30 App. A Section II.A.2)
GENERAL ELECTRIC COMPANY PARENT-COMPANY GUARANTEE
OF DECOMMISSIONING FUNDING
FOR GLOBAL NUCLEAR FUEL (AMERICA), LLC

1. Current decommissioning cost estimates or certified amounts: (*Dollars in Thousands*)
   1. Decommissioning amounts covered by this parent company guarantee $ 107,700
   2. All decommissioning amounts covered by other NRC or Agreement State parent company guarantees or self-guarantees $ 90,000
   3. All amounts covered by parent company guarantees, self-guarantees, or financial tests of other Federal or State agencies (*e.g.*, EPA) $ 162,600 -a)

   a) Total Company Financial Assurance net of NRC

   TOTAL $ 360,300

2. Current bond rating of most recent unsecured issuance of this firm
   Rating: Aaa
   Name of rating service: Moody's

3. Date of issuance of bond: 12/09/05

4. Date of maturity of bond: 12/09/08

*5. Tangible net worth** (if any portion of estimates for decommissioning is included in total liabilities on your firm's financial statements, you may add the amount of that portion to this line) $ 27,628,000

*6. Total assets in United States (required only if less than 90 percent of firm's assets are located in the United States) $ 327,704,000

		Yes	No
7.	Is line 5 at least $10 million?	X	
8.	Is line 5 at least 6 times line 1?	X	
9.	Are at least 90 percent of firm's assets located in the United States? If not, complete line 10.		X
10.	Is line 6 at least 6 times line 1?	X	

		Yes	No
11.	Is the rating specified on line 2 BBB or better (if issued by Standard & Poor's) or Baa or better (if issued by Moody's)?	X	___

---

* Denotes figures derived from financial statements.

** Tangible net worth is defined as net worth minus intangible assets.

GENERAL ELECTRIC COMPANY PARENT-COMPANY GUARANTEE OF DECOMMISSIONING FUNDING FOR GLOBAL NUCLEAR FUEL (AMERICA), LLC

Guarantee made this 16th day of March 2006, by the General Electric Company, a corporation organized under the laws of the State of New York herein referred to as "guarantor," to the North Carolina Department of Environment and Natural Resources (DENR), obligee, on behalf of our subsidiary Global Nuclear Fuel (America), LLC, Wilmington Field Services Center, P.O. Box 780, Wilmington, NC 28402.

Recitals

1. The guarantor has full authority and capacity to enter into this guarantee under its bylaws, articles of incorporation, and the laws of the State of New York, its State of incorporation. Guarantor has approval from its Board of Directors to enter into this guarantee.

2. This guarantee is being issued to comply with regulations issued by the Radiation Protection Section (RPS) of the Department of Environment and Natural Resources of the State of North Carolina, pursuant to the North Carolina Radiation Protection Act (G.S. 104E). RPS has promulgated regulations in Title 15A, Chapter 11 of the North Carolina Administrative Code, which require that a holder of, or an applicant for, a materials license provide assurance that funds will be available when needed for required decommissioning activities.

3. The guarantee is issued to provide financial assurance for decommissioning activities for the Wilmington Field Services Center, P.O. Box 780, Wilmington, NC, 28402, RPS License No. 065-0317-3, as required by 15A NCAC 11.0300. The decommissioning costs for these activities are as follows: $7,246,635

4. The guarantor meets or exceeds the financial test criteria in 15A NCAC 11.0355(b)(2), and agrees to comply with the notification requirements as specified in 15A NCAC 11.0355(e).

   The guarantor meets the following financial test:

   (A) A current rating for its most recent bond issuance of AAA, AA, A or BBB as issued by Standard & Poor's, or Aaa, Aa, A or Baa as issued by Moody's; and

   (B) Tangible net worth at least six times the costs covered by financial tests; and

   (C) Tangible net worth of at least $10 million; and

   (D) Assets located in the United States amounting to at least 90 percent of total assets or at least six times the costs covered by financial tests.

5. The guarantor has majority control of the voting stock for the following licensee covered by this guarantee; Global Nuclear Fuel (America), LLC, Wilmington Field Services Center, P.O. Box 780, Wilmington, NC 28402, RPS License No. 065-0317-3.

6. Decommissioning activities as used below refer to the activities required by 15A NCAC 11 for decommissioning of the facilities identified above.

7. For value received from Global Nuclear Fuel (America), LLC and pursuant to the guarantor's authority to enter into this guarantee, the guarantor guarantees to the DENR that if the licensee fails to perform the required decommissioning activities, as required by License No. 065-0317-3, the guarantor shall

   (a) carry out the required activities, or

   (b) set up a trust fund in favor of the above identified beneficiary in the amount of the current cost estimates for these activities.

8. The guarantor agrees to submit revised financial statements, financial test data, and a special auditor's report and reconciling schedule annually within 90 days of the close of the parent guarantor's fiscal year.

9. The guarantor agrees that if, at the end of any fiscal year before termination of this guarantee, it fails to meet the financial test criteria, the licensee shall send with 90 days of the end of the fiscal year, by certified mail, notice to the RPS that the licensee intends to provide alternative financial assurance as specified in 15A NCAC 11. Within 120 days after the end of the fiscal year, the guarantor shall establish such financial assurance if Global Nuclear Fuel (America), LLC has not done so.

10. The guarantor also agrees to notify the beneficiary promptly if the ownership of the licensee or the parent firm is transferred and to maintain this guarantee until the new parent firm or the licensee provided alternative financial assurance acceptable to the beneficiary.

11. The guarantor agrees that if it determines, at any time other than as described in Recital 9, that it no longer meets the financial test criteria or it is disallowed from continuing as a guarantor, it shall establish alternative financial assurance as specified in 15A NCAC 11, within 30 days, in the name of Global Nuclear Fuel (America), LLC unless Global Nuclear Fuel (America), LLC has done so.

12. The guarantor as well as its successors and assigns agree to remain bound jointly and severally under this guarantee notwithstanding any or all of the following: amendment or modification of license or RPS approved decommissioning funding plan for that facility, the extension or reduction of the time of performance of required activities, or any other modification or alteration of an obligation of the licensee pursuant 15A NCAC 11.

13. The guarantor agrees that all bound parties shall be jointly and severally liable for all litigation costs incurred by the beneficiary, DENR, in any successful effort to enforce the agreement against the guarantor.

14. The guarantor agrees to remain bound under this guarantee for as long a Global Nuclear Fuel (America), LLC must comply with the applicable financial assurance requirements of 15A NCAC 11, for the previously listed facility, except that the guarantor may cancel this guarantee by sending notice by certified mail to the RPS and to Global Nuclear Fuel (America), LLC, such cancellation to become effective no earlier than 120 days after receipt of such notice by both the RPS and Global Nuclear Fuel (America), LLC as evidenced by the return receipts.

15. The guarantor agrees that if Global Nuclear Fuel (America), LLC fails to provide alternative financial assurance as specified in 15A NCAC 11, as applicable, and obtain written approval of such assurance from the RPS within 90 days after a notice of cancellation by the guarantor is received by both the RPS and Global Nuclear Fuel (America), LLC form the guarantor, the guarantor shall provide such alternative financial assurance in the name of Global Nuclear Fuel (America), LLC or make full payment under the guarantee.

16. The guarantor expressly waives notice of acceptance of this guarantee by the RPS or by Global Nuclear Fuel (America), LLC. The guarantor also expressly waives notice of amendments or modification of the decommissioning requirements and of amendments or modification of the license.

17. If the guarantor files financial reports with the U.S. Securities and Exchange Commission, then it shall promptly submit them to the RPS during each year in which this guarantee is in effect.

I hereby certify that this guarantee is true and correct to the best of my knowledge.

General Electric Company

Keith S. Sherin

Keith S. Sherin
Senior Vice President - Finance

Witness

ANDREA E. RAMOS
NOTARY PUBLIC
MY COMMISSION EXPIRES MAR. 31, 2009

FINANCIAL TEST
(15A NCAC 11.0355)
GENERAL ELECTRIC COMPANY PARENT-COMPANY GUARANTEE
OF DECOMMISSIONING FUNDING
FOR GLOBAL NUCLEAR FUEL (AMERICA), LLC

1. Current decommissioning cost estimates or certified amounts: (*Dollars in Thousands*)

   1. Decommissioning amounts covered by this parent company guarantee $86,800

   2. All decommissioning amounts covered by other NRC or Agreement State parent company guarantees or self-guarantees $110,900

   3. All amounts covered by parent company guarantees, self-guarantees, or financial tests of other Federal or State agencies (*e.g.*, EPA) $162,600
      a) Total Company Financial Assurance net of NRC

   TOTAL $360,300

2. Current bond rating of most recent unsecured issuance of this firm
   Rating: Aaa
   Name of rating service: Moody's

3. Date of issuance of bond: 12/09/05

4. Date of maturity of bond: 12/09/08

*5. Tangible net worth ** (if any portion of estimates for decommissioning is included in total liabilities on your firm's financial statements, you may add the amount of that portion to this line) $ 27,628,000,000

*6. Total assets in United States (required only if less than 90 percent of firm's assets are located in the United States) $ 327,704,000,000

	Yes	No
7. Is line 5 at least $10 million?	X	
8. Is line 5 at least 6 times line 1?	X	
9. Are at least 90 percent of firm's assets located in the United States? If not, complete line 10.		X
10. Is line 6 at least 6 times line 1?	X	

	Yes	No
11. Is the rating specified on line 2, BBB or better (if issued by Standard & Poor's) or Baa or better (if issued by Moody's)?	X	

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* Denotes figures derived from financial statements.

** Tangible net worth is defined as net worth minus intangible assets.

KPMG

KPMG LLP
Stamford Square
3001 Summer Street
Stamford, CT 06905

Independent Registered Public Accounting Firm's Report
on Applying Agreed-Upon Procedures

The Board of Directors
General Electric Company:

We have performed the procedures enumerated below, which were agreed to by management of General Electric Company (the "Company"), solely to assist you in the filing of selected financial information included in the "Financial Test II" of your letter dated March 16, 2006 to the United States Nuclear Regulatory Commission. The Company's management is responsible for the selected financial information. This agreed-upon procedures engagement was conducted in accordance with attestation standards of the Public Company Accounting Oversight Board (United States). The sufficiency of the procedures is solely the responsibility of management of General Electric Company. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

- Bond Rating – We compared the Aaa bond rating in Item 2 to the Moody's Investors Service bond rating and compared the December 9, 2005 date of issuance of the bond in Item 3 and December 9, 2008 date of maturity of the bond in Item 4 to the Company's LIBOR Floating Rate Notes due 2008 and found them to be in agreement.

- Tangible Net Worth - We compared the dollar amount of tangible net worth at December 31, 2005, \$27,628,000,000, as shown in Item 5, to the difference between Total Shareowners' Equity at December 31, 2005, \$109,354,000,000, and Intangible Assets at December 31, 2005, \$81,726,000,000, each reflected in the Statement of Financial Position on page 66 of the Company's 2005 Annual Report, and found such amount to be in agreement.

- Total Assets in the United States - We compared the Company's Total Assets in the United States at December 31, 2005, \$327,704,000,000, as shown in Item 6, to a schedule prepared by the Company entitled "Geographic Segments," which is derived from the Company's regularly maintained accounting records, and found such amount to be in agreement.

- Is Line 5 At Least 6 Times Line 1? – We multiplied the total amount in line 1 by 6 and found that the amount in line 5 is at least 6 times the total amount in line 1. Accordingly, we agree with the Company's response of "Yes" in Item 8. We have not performed any procedures as it relates to the calculation or derivation of the amount on line 1.

- Are At Least 90% of Firm's Assets Located in the United States? - We divided the Company's Total Assets in the United States at December 31, 2005, \$327,704,000,000, as shown in Item 6, by the Company's Total Assets at December 31, 2005, \$673,342,000,000, reflected in the Statement of Financial Position on page 66 of the Company's 2005 Annual Report, and found that the Company's Total Assets in the United States were less than 90% of the Company's Total Assets. Accordingly, we agree with the Company's response of "No" in Item 9.

- Is Line 6 At Least 6 Times Line 1? – We multiplied the total amount in line 1 by 6 and found that the amount in line 6 is at least 6 times the amount in line 1. Accordingly, we agree with the Company's response of "Yes" in Item 10. We have not performed any procedures as it relates to the calculation or derivation of the amount on line 1.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the selected financial information. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Company, and is not intended to be and should not be used by anyone other than this specified party.

KPMG LLP

March 24, 2006

go Big

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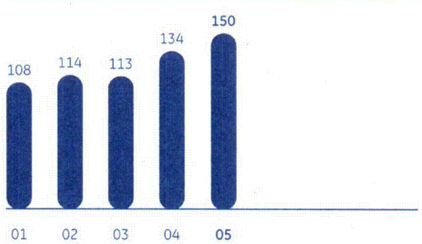
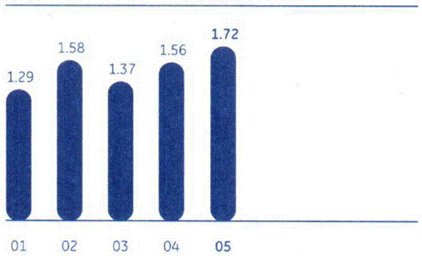
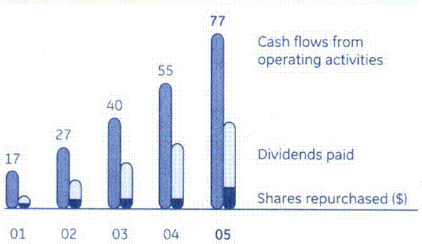
CONSOLIDATED REVENUES (In $ billions)



DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS BEFORE ACCOUNTING CHANGES (In dollars)



GE CUMULATIVE CASH FLOWS 2001–2005 (In $ billions)



Performance Summary

Throughout the economic cycles, GE's long-term financial goals are: 8% organic revenue growth; greater than 10% annual earnings growth; operating cash flow growth exceeding earnings growth; and a return on average total capital exceeding 20%.

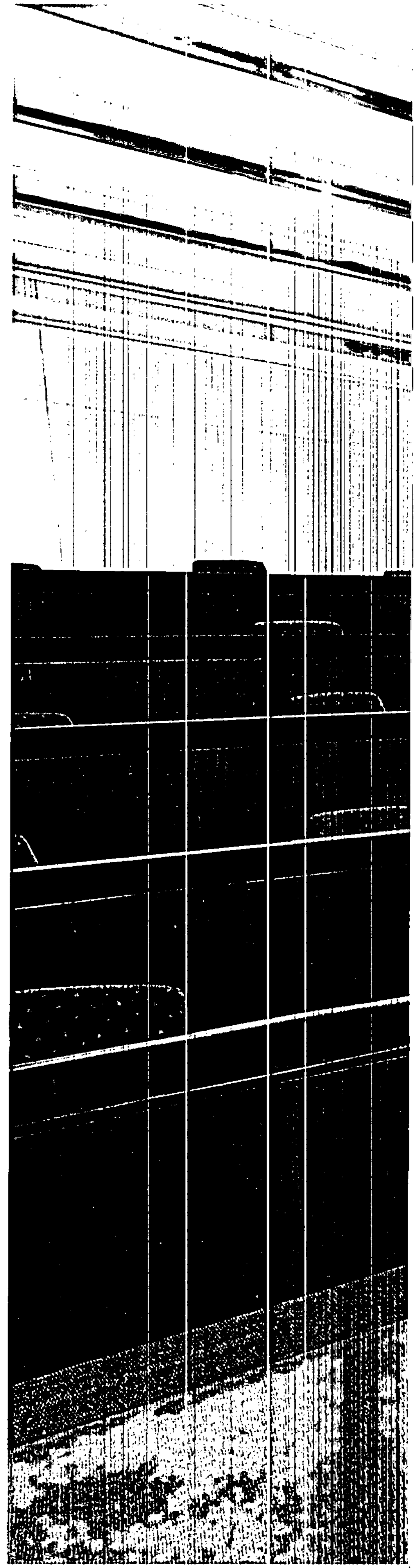
HERE IS HOW GE PERFORMED IN 2005:

- Continuing revenues increased 11% to $150 billion. Organic revenue growth was 8%.
- Earnings from continuing operations grew 12% to $18.3 billion. Earnings in the six business segments grew 20% with at least 10% growth in each. Industrial operating profit expanded from 13.7% to 14.4%.
- Cash flow from operating activities (CFOA) was $21.6 billion, an increase of 42%. Industrial cash flow grew 14%.
- Return on average total capital (ROTC) was 16.4%, up 40 basis points from 2004. Incremental return on invested capital, an important indicator of ROTC expansion, was a robust 50%.
- The Board of Directors increased the dividend 14% for GE's 30th consecutive annual increase. In addition, the Board increased the share repurchase program to $25 billion from 2005–2008. At year end, GE's dividend yield was 2.9%, a 60% premium to the S&P 500. In all, GE returned $14 billion to investors in 2005.
- Total return for GE shareowners (stock price appreciation assuming reinvested dividends) was -1.4% versus the S&P 500's total return of 4.9%. Over the last three years GE's total shareowner return was 55%, a 12% premium to the S&P 500. At year end, GE traded at a forward price/earnings ratio (PE) of 17.7, a 13% premium to the S&P 500.
- GE continued to earn the respect of the business world. GE was named "America's Most Admired Company" and "Global Most Admired Company" by *FORTUNE* magazine. GE ranked second in the *Financial Times* annual "World's Most Respected Companies" survey and again placed first for corporate governance. GE has been in the top five in these surveys for each of the last five years. In addition, the Company was named "World's Most Respected" by *Barron's* in its inaugural investor survey.
- GE has substantial financial strength. The Company remained one of only six "Triple-A"-rated U.S. industrial companies. GE's global pension plans have more than $54 billion in assets, a surplus of nearly $3 billion, and the Company expects to meet its obligations to pensioners with no significant increase in funding for the forseeable future.
- GE invested $14 billion in its intellectual foundation. This included more than $5 billion in product, services and information technologies; nearly $4 billion in marketing; $4 billion in media programming; and $1 billion in training and executive development. GE filed 2,561 patents in 2005.

Even as the world seems to grow smaller, the challenges—and opportunities—of a global economy are bigger than ever.

And that's good news for GE.

In a more complex world, GE's size is an advantage. GE dreams big ideas, tackles big problems and anticipates big growth now and in the years to come.



Big Bench Strength

With an average of 20 years of global, multi-business experience each, the Corporate Executive Council (CEC) led by Chairman and CEO Jeff Immelt knows how to solve big challenges and post big results. A new organization of six businesses is helping this team get closer to customers and deliver greater operating efficiencies.

REFER TO PAGE 40 FOR PHOTO LEGEND

To All Our Stakeholders,

GE is a big company. We think big is beautiful. At GE, our size is the consequence of our employees' commitment to excellence and determination to win. We are a fast-growth, multi-business enterprise that is expanding around the world. Our goal is not just to be big, but to use our size to be great.

But sometimes accomplishing this goal is harder than it sounds. Size with complexity breeds bureaucracy. Size without a face makes you the target of cynicism. Size with no heart will turn away the best people. Size can insulate a company from failure until it is too late to change. The corporate landscape is littered with companies that allowed themselves to be trapped by size.

But GE has thrived because we use our size to help us grow. Our depth allows us to lead in big markets by providing unmatched solutions for our customers; our breadth allows us to spread concepts across the Company, leveraging one small idea to create a big financial gain; and our strength allows us to take the risks required to grow. We make size an advantage without ever allowing it to be a disadvantage.

Recent history provides some examples of the advantages of size. Our commercial aviation business endured a terrible cycle after the 9/11 tragedy. Yet, we were able to sustain R&D investment at more than $1 billion each year so that we could launch eight new engines by 2006. At the same time, our market knowledge allowed us to keep virtually all of our leased aircraft "flying" while helping the industry to restructure. Our financial expertise and knowledge of aviation helped GE win even during a time of market stress.

With our global reach, we could see the importance of China, and we have grown significantly in the past five years in this critical market. Today, we have $5 billion in revenues and 12,000 employees. Winning in China has required depth in infrastructure technology, supported by the breadth of our multi-business approach. We can build partnerships in businesses such as energy, healthcare, aviation, plastics and consumer finance. We can use the totality of GE to grow.

In 2005, we launched a strategic, multi-disciplined campaign called ecomagination™ focused on applying GE technology to drive energy efficiency and improve environmental performance. Our technical depth, product breadth and reputation gave GE the foundation to lead this growth initiative.

Through the years, investors have used their GE stock to build retirement plans or put children through college. Each year, I do many "city swings" to visit retail investors. Many have owned our stock for decades, and have been rewarded with a 17% average return over the past 25 years.

Investors will be rewarded in the future as well. The stock is currently trading at one of the lowest earnings multiples in a decade. Yet, as I will describe in this letter, we have a great team generating record results with more valuable businesses that have high visibility on future growth. Investors decide the stock price, but we love the way GE is positioned. We know it is time to go big!

Sized to Perform for Investors

There are many companies that have been created through acquisitions that are frequently compared to GE, called conglomerates. However, our business model is designed to achieve superior performance through the synergies of a large, multi-business company structure. The following strategic imperatives provide the foundation for creating shareowner value:

1. SUSTAIN A STRONG PORTFOLIO OF LEADERSHIP BUSINESSES THAT FIT TOGETHER TO GROW CONSISTENTLY THROUGH THE CYCLES;
2. DRIVE COMMON INITIATIVES ACROSS THE COMPANY THAT ACCELERATE GROWTH, SATISFY CUSTOMERS AND EXPAND MARGINS; AND
3. DEVELOP PEOPLE TO GROW A COMMON CULTURE THAT IS ADAPTIVE, ETHICAL AND DRIVES EXECUTION.

It is our profound commitment to the integration of the elements mentioned above that makes GE different. It is not an easy model to copy, as it requires financial and cultural commitments over decades.

We use our size to perform for investors. Since 1990, GE's continuing earnings have grown every year but one, and most of these years have had double-digit earnings growth. Our dividend has increased for 30 straight years, growing 12% on average.

Going forward, we should generate more than $10 billion of free cash flow each year. This is cash available after we have invested back in the Company and paid your dividend. Our industrial businesses do not require much investment to grow, while our financial services businesses have inherently high return on equity (ROE). Because of this excess cash, we have increased our share repurchase to $25 billion through 2008.

The next few years should be good ones for your Company. We are well positioned for accelerating growth, expanding returns and strategic success.

1. Strong Portfolio

Our foundation is a set of leadership businesses constructed to achieve long-term targets of more than 10% annual earnings growth and 20% return on total capital (ROTC). In 2005, we restructured the Company into six businesses focused on the broad markets we serve: Infrastructure, Commercial Finance, Consumer Finance, Healthcare, NBC Universal and Industrial. Each business has scale, market leadership and superior customer offerings.

Over the past few years, we have aggressively strengthened our portfolio. We had two goals in mind: improve our industrial growth rate and expand financial services returns. Since 2002, we have completed $65 billion of acquisitions, and announced or completed approximately $30 billion of divestitures.

We feel good about the results. Our organic growth has expanded to 8% versus an historical level of 5%. At the same time, our ROE in our financial services businesses has increased to 26%. Our businesses fit well with the big demographic themes of our era. As a result, we are positioned to grow organically at two to three times the global gross domestic product (GDP).

Our team generated 20% earnings growth in 2005 and expects another strong year in 2006.

Infrastructure

Infrastructure, led by Dave Calhoun, represents about 35% of our segment profit. In 2005, revenues grew 12% and earnings grew 14%. We compete in big infrastructure markets such as energy, aviation, rail, water and oil & gas. We have a successful business model: win with technology, grow with service and serve customers globally.

Orders of our Infrastructure products grew 13% in 2005. New products are at the heart of our growth. We captured more than $6 billion of commercial aircraft engine orders in 2005, behind the success of the CFM™ engine and new launches of our GE90™ and GEnx™ engines. Our advanced Evolution™ locomotive captured market-share leadership and we will ship more than 900 units in 2006. Our renewable energy portfolio received more than $3 billion in orders in 2005, up almost 15%.

Based on our product wins, our installed base grew by 6% in 2005. We now have $81 billion of long-term service agreement commitments, creating a high-margin revenue source for the future. Our Infrastructure service revenues totaled $21 billion in 2005 and are growing 10% annually.

More than 60% of our orders are from customers outside the U.S. We are benefiting from the massive investment going into developing country infrastructure, predicted to be $3 trillion over the next 10 years. As energy costs increase, we benefit from technologies that support exploration as well as products that create fuel conservation for our customers.

Our Infrastructure business is projecting 10% revenue growth and more than 15% earnings growth for 2006 and into the future.

Commercial Finance

Commercial Finance, led by Mike Neal, represents about 20% of our segment profit. We grew earnings 20% in 2005 and expanded ROE to 24%. We had another year of 18% volume growth, while losses were at an all-time low. Our markets are strong. We have 8,500 great salespeople, so we see more deals than our competition. The combination of strong origination, low cost of funds and great risk management allows us to grow earnings through every cycle.

We have driven significant growth outside the U.S. In Europe, we have created strong platforms in real estate, leasing and commercial lending. We have built local capabilities and our earnings have grown four times since 2000. We are on a similar trajectory in Asia.

Nearly all of our Commercial Finance assets are in industry verticals, such as healthcare, real estate and entertainment. This gives us unique origination, funding and risk management advantages. Our financing in trucking is a great example. We have $10 billion in assets, 90,000 customers and deep domain expertise. This business is too "grunty" for some finance companies. For us, it is a 20% ROE "jewel." We understand our customers' businesses and market cycles, giving us a real competitive advantage.

We have less than 2% share of the global commercial finance market. We should be able to grow 10–15% in 2006 and beyond.

Consumer Finance

Consumer Finance, led by Dave Nissen, represents about 15% of our segment profit. It has been a consistent growth business and had a 21% earnings gain in 2005, with a 29% ROE. Our strategy has been to expand globally, while making organic growth a core competency.

Consumer Finance is expanding globally, with 70% of our earnings outside the U.S. We are small in big markets, with substantial room for growth. We have also built significant capability in developing markets. In 2005, we made major investments in China, Korea, Spain, Central America, Turkey and the Philippines. Our earnings in developing markets grew 30% for the year.

Consumer Finance has averaged 16% growth annually for the last five years. In 2005, we introduced 364 new products, expanding our products per consumer by almost 20%. We have an endless pipeline of growth ideas in this big global market where our share is less than 3%.

Consumer Finance is benefiting from accelerating consumer wealth around the world. We expect 15% growth in 2006 and beyond.

Healthcare

Our Healthcare business, led by Joe Hogan, represents about 10% of our segment profit. We grew revenues by 13% and earnings by 17% in 2005. This business continues to benefit from demographics and new technology.

There are three technical themes that GE will target to cement our role as an industry leader. We will lead in molecular imaging, which allows physicians to see disease at the molecular level. We are working to commercialize more diagnostic compounds. One example is Pittsburgh Compound B (PIB), which will be used along with positron emission tomography (PET) imaging to spot the onset of neurological disorders and diseases such as breast cancer and heart failure, while tracking the impact of therapy.

We are working on the convergence between diagnostics and therapy. We have active partnerships underway with companies such as Eli Lilly and Roche to impact product development in cardiology, cancer and neurology. Our diagnostic technologies can help to accelerate drug discovery by leveraging our information and process skills.

Information technology is critical to increasing the quality and lowering the cost of healthcare. A key strategy in Healthcare is building an effective and broad-based Electronic Medical Record (EMR). GE's pioneering position in the EMR will be enhanced through our acquisition of IDX and a unique collaboration with one of America's leading providers, Intermountain Healthcare.

We are well positioned for the future of the industry. Our focus is on understanding, preventing, diagnosing and treating disease at the earliest possible point in time. We lead in a massive healthcare market and should be able to grow earnings by 10–15% into the future.

NBC Universal

NBC Universal (NBCU), led by Bob Wright, represents about 10% of our segment profit. We grew revenues by 14% and earnings by 21% in 2005. We like our strategy to be a content leader with diversified revenue streams. Our entertainment cable business made excellent progress behind successes in Bravo, USA and SCI FI. We increased our leadership in news, as Brian Williams had a great "rookie year" and the "Today Show" sustained its dominance. Our Universal team had a successful year both financially and artistically.

But we struggled in a visible area of our franchise, primetime entertainment. In fact, our ratings declined by 20% as we were unable to replace some aging hits with solid new programming. Frequently, people tell me how different entertainment is from the rest of the Company. They tend to forget that when you have lagging products in any business, you cannot be successful.

Today, our entertainment team has become more creative. We are taking more risks, and we are making progress. We like our team, and I am convinced we will get back on top.

We know that content is highly valued in a digital world. At the same time, we will adjust our approach to consumers and advertisers based on digital technologies. There is a growing market for our content, but it will require creativity in our approach to customers who want access to more digital platforms.

NBCU should hold earnings flat in 2006 as we strengthen our primetime programming. Over the long term, this business should grow earnings 10% annually.

Industrial

Our Industrial business, led by John Rice, represents about 10% of our segment profit. We had a strong year in 2005, with revenue growth of 6% and earnings up 40%. Our Industrial businesses are the most cyclical part of GE and have benefited from an improving economy. We have increased our margins by launching great new products, pricing ahead of inflation and reducing structural cost.

The Appliances business is representative of our strategy in these industrial markets. Over the last three years, we have introduced 225 new products. We have gained high-end market share in our Monogram™ and Profile™ lines. We have improved our service to key retail and contract customers. We have lowered costs by sourcing products from Mexico and China. Our margin rates have expanded. We generated approximately $2 billion in cash over the last three years with a 60% ROTC. Winning in these businesses requires strong execution.

Our Industrial platform is positioned for another year of 15% growth in an expanding global economy.

STRATEGIC IMPERATIVES To go big in a company such as GE, you need to create focus. We have a business model designed to achieve performance through integrating a large, multi-business structure. We have strategic imperatives that are the foundation for creating shareowner value.

1 **Strong Portfolio**
We have a set of businesses built to achieve more than 10% annual earnings growth and 20% ROTC. In 2005, we restructured the Company to better organize around markets and customers.

2 **Common Initiatives: Organic Growth**
We are driving common initiatives so everyone is focused on one goal: organic growth. Everyone is working on some part of this initiative.

3 **People + Culture**
We use our size to develop good people within a strong culture.

Insurance Exit
In 2002, we told you of our intention to exit the Insurance business. At that time, we had one-third of the Company's equity in Insurance, with no return. We had taken on excess leverage to grow the business and needed to reduce $17 billion of debt. Adverse development on reinsurance that we had written in the late '90s required reserve strengthening of close to $10 billion from 2001 through 2005.

We have reduced our exposure to Insurance in a disciplined fashion and our exit is now in sight. In November, we announced the sale of our reinsurance business to Swiss Re for $8.5 billion including the assumption of debt. While another insurance loss—$2.9 billion in 2005—was hard to accept, this action provides a path to final resolution for our investors. All insurance claims will become the responsibility of the acquirer. Certainty was critical for us, so that our investors could view GE's future without Insurance. As a part of this transaction, GE will obtain an approximate 12% ownership of Swiss Re. We believe that Swiss Re, as a dedicated leader in this industry, is well positioned to perform.

Exiting Insurance is important for GE. Our poor performance in insurance has dampened a strong performance by the rest of the Company. I am confident you will now benefit by having a faster-growth, less volatile Company.

Simpler Structure + Lower Cost
Our businesses strive to lower cost and improve margins every year. At the same time, we want to increase investment in growth through new products, programming and advertising. I have always believed that we should fund innovation with an intent to lead, but pay for it by driving productivity. This requires a constant attack on overhead cost and complexity.

So we launched an initiative called **Simplification** to attack "non-growth" cost. In 2004, overhead cost as a percentage of revenue was 11%. Our target is to hit 8%. This will be a reduction of $6 billion and the savings will be redeployed into growth and profit enhancement.

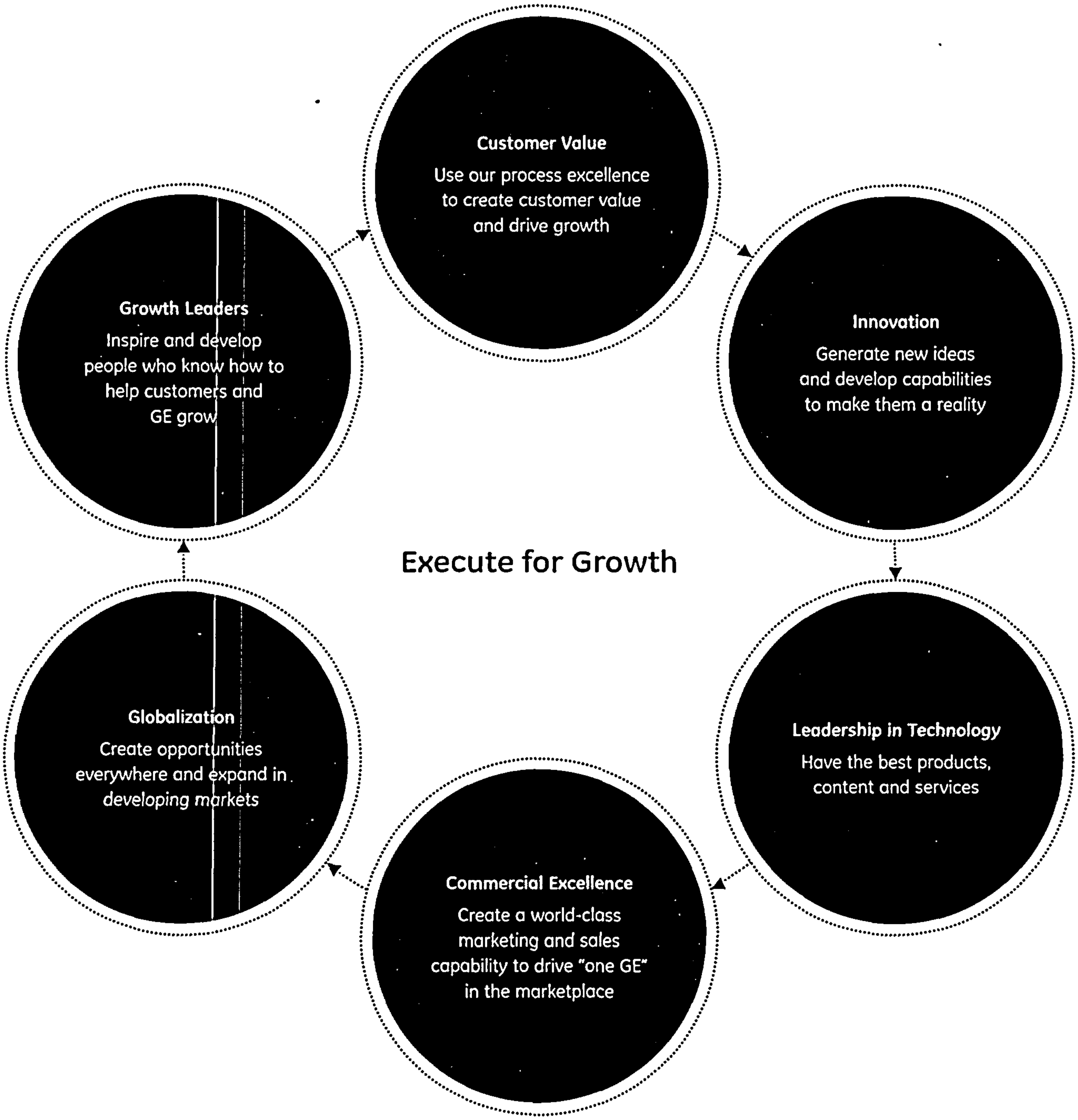
Our new organization will accelerate simplification. Infrastructure is a great example. We expect to generate $400 million of savings through sourcing commonality, consolidating structures or common IT platforms. Reducing complexity enables us to accelerate investments in technology.

Portfolio: Value of Size
We expect every business to be a leader in its industry. We have the financial strength so that we can invest to win. And no business is allowed to rest while others perform. At the same time, our diversity protects investors. Businesses will go through economic or performance cycles. The Company can grow through these cycles because of our portfolio depth and breadth. Size and diversity create consistent and strong performance for investors.

2. Common Initiatives: Organic Growth
Our first imperative of size is to sustain a strong portfolio of leadership businesses. The second is to drive common initiatives across the portfolio to expand performance. The GE team embraces these initiatives. We measure, learn and drive initiatives until they become part of the culture.

Our most important initiative is to drive 8% organic revenue growth. We launched this in 2004, when we had an historical growth rate of 5%. Our total continuing revenue growth was 11% in 2005, and organic growth was 8%. This was about twice the rate of our industrial and financial peers.

We use our size to accelerate growth and innovation using the principles of depth, breadth and strength that I mentioned earlier. We apply this philosophy against the major elements of growth: technology, customer value, commercial excellence, globalization and innovation. Our aim is to make organic growth a process that is both predictable and reliable.



GROWTH IS THE GE INITIATIVE After growing historically at an average of 5% revenue growth, in 2004, we launched this initiative to achieve 8% organic growth per year. This is about twice the rate of our industrial and financial peers. We want to make organic growth a process that is predictable and reliable.

Leadership in Technology

Products, services and content represent GE's value added and are the key to our growth. We invest about $14 billion each year in this intellectual foundation for the Company, which includes R&D, content development and marketing. The scale of this investment—the depth and the breadth—makes GE unique.

"Cleaner Coal" technology is a great example of GE's depth. This technology is important for our customers and the global economy. The world has about a 200-year supply of coal. Our Cleaner Coal technology will produce energy with emissions approaching that of gas. The cost to produce Cleaner Coal energy is not competitive today, but we know we can reduce it substantially. This is transformational for GE, and great partners like Bechtel, AEP and Cinergy will help us make it happen.

We leverage breadth to lead in service technology. An exciting new service technology is non-destructive testing. This takes imaging technology from our healthcare business and applies it to energy, rail, aviation and oil & gas. For our customers, testing infrastructure for failure could save billions of dollars each year.

We use our technological strength to win. The GE90 engines and their offspring, the GEnx, have established leadership in commercial aviation. Our leadership goes back to a bet we made almost 15 years ago on composite fan blades developed at our Global Research Center. This was an innovative approach, which will result in decades of leadership.

The bounty of great technology is not just the products we sell today, but also the large installed base of long-lived assets where we sell service. Our service business is profitable and grows quickly. More importantly, our services are aligned to solve customer problems in areas such as fuel efficiency, environmental performance and quality.

We have a talented group of engineers and technologists at GE. Our renewed focus on innovative products gives them a platform of leadership in our Company.

Linking Process Excellence to Customer Value

In 2005, we accelerated our progress to link our internal processes to the success of our customers. And we are working hard to get customer perspectives inside the Company.

It starts by creating formal ways to listen to customer input. Last year, I mentioned "dreaming sessions" which involves taking unique customer groupings and having them help us shape our strategy. Recently, I hosted 20 CEOs of major utilities to give us input into the future of nuclear and coal technology. We have hosted similar sessions in Rail, Aviation, Healthcare, Water and Financial Services.

Next, we improved our customer facing processes using **Lean Six Sigma**, a process for reducing cycle time. Every GE employee wakes up in the morning wanting to help a customer. Sometimes our internal complexities get in the way. Lean helps us look at our processes from a customer point of view and engages our team to create solutions. This is exciting and embarrassing at the same time. Our cycle time to approve a deal in our specialized Real Estate business used to be 168 days with 117 steps in the process. Lean has helped us reduce the cycle by 70%. We have hundreds of Lean activities that are improving speed and quality across the Company.

In several businesses we are linking Lean directly to growth, through what we call "Lean Showcases." The purpose of these showcases is not just to improve our cycle time for the benefit of customers. We know we can. Rather, it is to be so good that we generate incremental growth ... $50 million in each "showcase."

Lastly, we are using a simple metric called **Net Promoter Score** (NPS) to measure how customers view GE. NPS creates a view of customer loyalty. The absolute score is less important than the trend. We learn from both promoters and detractors. Most importantly, we have been able to associate NPS improvement with growth. NPS is simple and we can use it across the Company. Our ultimate goal is to use improvements in NPS as a measure in how leaders get compensated.

Commercial Excellence

GE has prided itself on our operating capability, and our financial processes are among the best in the world. Our goal is to make our commercial processes just as good by developing our skills in sales and marketing.

One place where we have improved is by selling the breadth of GE for the benefit of customers, which we call Enterprise selling. Many of our customers want a more complete relationship of products, services and financing. We have made it a priority to be more flexible to meet their needs.

Our Commercial Finance business has been a leader in this effort. This is a business where we might have had 50 separate sales forces. We would only sell one financial product per customer, while some of our competition were selling more than five. In 2005, we identified 2,000 Enterprise accounts and trained our sales force to offer a total package. Our team loves the approach and we will grow assets by $6 billion in 2006.

We are putting our Enterprise focus on big projects such as the Olympic Games. Our Company-wide Enterprise teams are driving sales in Torino, Beijing, Vancouver and London. Over these four Olympic Games, we should generate $1 billion of incremental sales of energy, healthcare, security and lighting products.

We are thinking big about marketing as well. Beth Comstock, our chief marketing officer, led our launch of the ambitious ecomagination initiative. In essence, this packaged our technology in energy-efficiency and environmental services to drive growth.

Across the Company, we saw how our customers needed technology to solve their energy-efficiency and emission-reduction needs. We could sense a real change in thinking as to the importance of reducing greenhouse gas (GHG) emissions. As a global player, we could see markets in Europe and Asia diverging from the U.S. as to their interest in technical solutions for environmental challenges.

Ecomagination is a strategic initiative that makes specific commitments. We committed to double our R&D investment to $1.5 billion by 2010. We launched with 17 products, and now have 21, with more in the pipeline. We committed to work constructively in the public policy arena to shape actions that get results without compromising industrial competitiveness And, we have set a 30% GHG intensity reduction goal by the end of 2008, along with a 1% absolute reduction by 2012.

Most importantly, we think "Green is Green." We had $10 billion of revenue in environmental technology in 2005. We are working with our customers to double our sales to $20 billion by 2010. With 20% growth in 2005 and a similar target for 2006, we are well on our way.

Ecomagination has rallied our teams. They love to see us use our products to solve tough problems. We will be at the leading edge of a world that is increasingly carbon and resource constrained, and we will make money in the process.

Globalization

Globalization is one of our key strengths as a Company. We move quickly to recognize global opportunities. We are realizing significant global growth as our non-U.S. revenues reached $78 billion in 2005, an increase of 16%. Globalization is an area where size creates an immense advantage.

About 50% of our global revenue is in the "developed world" of Western Europe and Japan. These markets continue to grow. Our business in Western Europe exceeds $24 billion, and we have a strong presence across the region. We have worked hard to become established in Europe and see the results in our market-share growth. Japan has been a long-term source of customer partnerships and technology.

Our most dynamic global growth is in developing markets, where we have close to $25 billion in revenue, growing 20% each year. These countries need infrastructure, financial investment, capability and partnership. GE has the breadth to offer a "company-to-country" approach.

The Middle East is a good example of GE's unique position. Our orders have grown to $8 billion in 2005, doubling since 2003. The region is putting oil profits to work by building infrastructure. We are winning across our Infrastructure portfolio. We are co-investing with local partners in infrastructure financing. We are building capability. We have opened a service and research center in Qatar. We are building relationships with the next generation of leaders.

India is becoming another great growth story. We generated over $1 billion in revenues in 2005. India is focused on infrastructure and GE already has a significant position in energy, transportation, water and healthcare. We received $2 billion in commercial engine orders in 2005, more than the last 20 years combined! India could have a growth trajectory for the next five years similar to China.

In 2006, we plan to accelerate the ability of our global teams to develop their own products. Increasingly, products used in developing markets will be designed by local teams that understand their application. To grow over the long term, we must be able to anticipate the unique customer needs in important markets.

Innovation

Size is a great platform for innovation. Last year we described our process for innovation called Imagination Breakthroughs (IBs). We have 100 IBs that each have the potential for at least $100 million of incremental revenue. We started this in 2003, and 25 of these projects generated revenue in 2005. We are targeting $3 billion of incremental revenue from this source each year.

About half of the new IBs are commercial innovations. These are investments in new market approaches to accelerate growth. An example is our Entertainment Vertical in Commercial Finance. We launched this in 2004 to leverage our unique entertainment industry knowledge through NBCU with financing expertise. In our first year, we earned more than $200 million.

Desalination is an example of a technical IB that is higher risk and requires a longer time horizon. There is a major market need for clean water: 2.5 billion people in 40 countries are affected by water scarcity. In 2005, we announced our participation in the largest desalination project in Algeria. The desalination market is expected to grow to $10 billion in the next few years. GE is a leader with energy, filtration and financial capability.

Imagination Breakthroughs allow me to play the role of "program manager" on significant growth ideas. Our employees want to live their dreams. It is up to me to give them that platform. I can help them take smart risks that will win over time, while spreading best practices across the Company.

Size facilitates growth. It gives us the chance to take swings, spread successes and learn from failure. We have developed a large pipeline of Imagination Breakthroughs that can create growth in the short and long terms.

Initiatives: Value of Size

One important value of size is the ability to scale ideas quickly. We aim to be the best in the world at turning small ideas into huge businesses.

About 10 years ago, we acquired Nuovo Pignone, the state-owned Italian oil & gas supplier. It had $800 million in sales and 50% of its business was in Europe. We knew this could be a growth platform.

Over the last decade, we have added GE process disciplines, global distribution, technology, customer relationships and talent. We invested in growth and created a services business with more than $1.1 billion in revenues. In 2006, revenues from this business—now called GE Oil & Gas—should surpass $4 billion. We operate out of the same Italian buildings we acquired, but everything else has changed.

Our leader, Claudi Santiago, and his team have transformed this business. In a world where significant investments will be made to get oil and gas from the wellhead to the consumer, this business has a great future. We have a vision and an appetite for a business that could reach $10 billion in the near future.

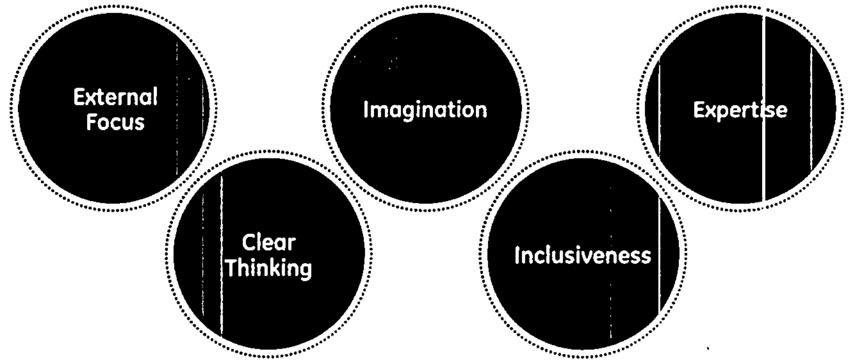
We never make an investment to leave it alone. Rather, we use our size to "scale ideas," giving us new opportunities for rapid growth.

3. People + Culture

We have discussed the first two imperatives of size: sustaining a strong portfolio of leadership businesses, and driving common initiatives to expand performance. The final imperative—and maybe the most important—is to use our size to develop great people in a strong culture.

Developing and motivating people is the most important part of my job. I spend one third of my time on people. We invest $1 billion each year in training to make them better. I spend the

GROWTH TRAITS To achieve our growth goals, we need a new type of leader. We studied the attributes of companies that have had long-term success with organic growth and found they had five traits in common. We call these our growth traits.



entire month of April in our talent development process called Session C. During this month, I discuss the future of GE's key leaders and try to make a personal connection. We make every moment a learning opportunity and every activity a source of evaluation.

I spend most of my time on the top 600 leaders in the Company. This is how you create a culture. These people all get selected and paid by me. I treat them as if they were a direct extension of my mission for the Company. At the top, we don't run GE like a big company. We run it like a big partnership, where every leader can make a contribution not just to their job, but to the entire Company. All of our leaders get exposure to the Board, who are an important part of the culture.

We are committed to teach our leaders new skills that make them contemporary in every era. Consistent with our initiatives, we are teaching them to be growth leaders. To achieve consistent growth, every leader in every function must make it their mission. This will require personal intervention with customers and protection of the funding of Imagination Breakthroughs. It will require risk-taking based on deep market instincts.

We studied the attributes of companies that had long-term success with organic growth. We found that they had five traits in common:

- They had **external focus** that defined success in market terms.
- They were **clear thinkers** who simplified strategy into specific actions, made decisions and communicated priorities.
- They had **imagination** and courage to take risks on both people and ideas.
- They were energized by **inclusiveness** and a connection with people, which builds loyalty and commitment.
- They developed **expertise** in a function or domain, using depth as a source of confidence to drive change.

In 2005, we developed training to teach these skills. In 2006, we will assess our leaders on these traits. This is important for every function and every business. We are treating this as a major, multi-year culture change.

The restructuring I mentioned earlier also had a human dimension, by stretching our leadership team. We appointed three new Vice Chairmen: Mike Neal, John Rice and Dave Calhoun. At the same time, we elevated leaders inside the Company into bigger roles with important businesses to run. We have a new generation of GE leaders on the field, many of whom I have worked with for more than 20 years. We must perform for you today and in the future. We are unified in executing the strategy.

People: Value of Size

Why do great people work for a big company? Why do they stay at GE? I get asked this question by our own employees, by business colleagues and even by headhunters. To be honest with you, this is one of the most important questions you should ask any CEO.

We do have great jobs and good performers get paid well. But people that are in it strictly for money or to stroke their egos typically leave over time.

The people who stay are those who think big about the team, their careers and the Company. They are people who want to build their dreams with teammates they admire. You can't do that in two or three years, or by hopping from one company to the next. It takes years of contribution. Warren Buffett once said to me that he loved business and wanted to paint a masterpiece in his career. At GE, you can paint the *Mona Lisa*.

Omar Ishrak is one of our "artists." We hired Omar to run our Ultrasound business in 1996. He was a Ph.D. engineer and an expert in Ultrasound. Our business had $175 million in revenues and was a distant number seven. Omar had a lot of ideas about Ultrasound and wanted to create an industry leader.

He has. Omar was smart enough to tap into GE's process and financial strength. We were smart enough to let Omar teach us the Ultrasound business. Today we have an Ultrasound and device business that has $3 billion in revenues. We are number one in the market and the leader in innovation. Omar has built his dream and investors have benefited from his performance. He is just one example; there are thousands of builders in GE.

Our Commitment to Investors

The GE Board has continued to focus on our definition of good governance. The key elements are perform with integrity; build a strong and independent board; align management compensation with investors; talk about the Company externally the way we run it internally; and create a culture where the Company comes first. We know that good governance will lead to a more valuable Company.

Our Board understands the impact of our size, and that GE is frequently in the spotlight of the business community, the press and regulators. We do not want to use this platform to preach, but we try to set a good example. We have supported the changes in financial reporting and try to achieve good governance scores from credible sources. We have used our size to be a good citizen. GE, with the support of our employees, was a leading contributor to relief aid for victims of the Pacific Tsunami, Hurricane Katrina and Pakistan's earthquake.

The key to good governance is to have a strong and independent Board. We have one at GE. We focus on those areas that are important to investors: strategy, risk management and people. We want our Board to be engaged and tough-minded. A.G. Lafley and Andrea Jung gave us strong counsel as we made important new investments around the world. Shelly Lazarus provided excellent insights on brand and marketing. Sam Nunn and Ann Fudge had many good perspectives on our ecomagination launch. In 2005, we added Bob Lane, the CEO of Deere & Company. His views on globalization and brand building will be enormously valuable. Sandy Warner continues to provide strong leadership to our Audit Committee, assisted by Bob Swieringa and Jim Cash. Twice each year Sandy attends a GE Capital Board meeting and can see how we think about risk and returns.

Ralph Larsen leads the Compensation Committee and is presiding director. He, along with Roger Penske and Claudio Gonzalez, has a good working knowledge of the top leaders in the Company. Our Compensation Committee is totally focused on attracting, training, motivating and retaining the world's best team.

There is mutual trust between the Board and management because we communicate openly about successes and issues. Frequently, governance focuses on rules, processes or auditors. But big companies run on trust. Our Company is set up so that information—both good and bad—travels upward at a rapid pace. And I insist that none of our leaders block the information flow. At the heart of every good team is open and honest communication.

The Board treats us the same way. We discuss acquisitions, risk or organization changes months before they take place. They have open access to every level of the management team. Each Board member visits at least two GE businesses each year without the involvement of corporate management. That way, they can develop their own "feel" for the Company.

We have good results and good governance. What will it take to move the stock?

Over time, a stock reflects the performance of the company. Our performance is strong. We earn significantly more income and generate substantially more cash than we did when the stock traded at an all-time high. At the same time, we have done a lot of heavy lifting on our portfolio to create a more valuable Company. My job is to make the Company perform. We have, and we will.

I made a few tough calls in 2005 that may have had a short-term impact on the stock. The sale of Insurance Solutions for a loss is one of them. But I know you will be happy with these decisions over time.

I am so confident, in fact, that I have asked the Compensation Committee of our Board to pay my cash incentive bonus in GE performance shares for 2005. This replaces certain cash with the potential to get more GE shares if we perform in the future. I am totally aligned with you.

Go Big

Great companies want to grow and become big. GE is a big company that uses its size as a platform to be great and drive future growth. The next few years will have an excellent profile for GE: double-digit earnings growth; expanding operating profit rate and ROTC; increasing operating cash flow; and the return of cash to investors through dividends and our share repurchase. I love how the Company is positioned and you will too!

Sustaining our performance requires superior execution around the three imperatives of size: we will sustain a strong portfolio of leadership businesses; we will drive common initiatives that expand performance; and we will develop people to grow a culture that is adaptive and ethical. We are committed to this model in good times and bad.

I love the GE team. They will fight to perform and win for you. We are indebted to you, our long-term investors. We will deliver for you, now and in the future.

Go Big!

Jeffrey R. Immelt
Chairman of the Board
and Chief Executive Officer

February 10, 2006

GE recognizes that the value of "Go Big" means different things to different people. We are committed to delivering big in every dimension — for investors, customers, employees and markets — and to helping address some of the world's toughest challenges.

Serving Big (and small) Investors

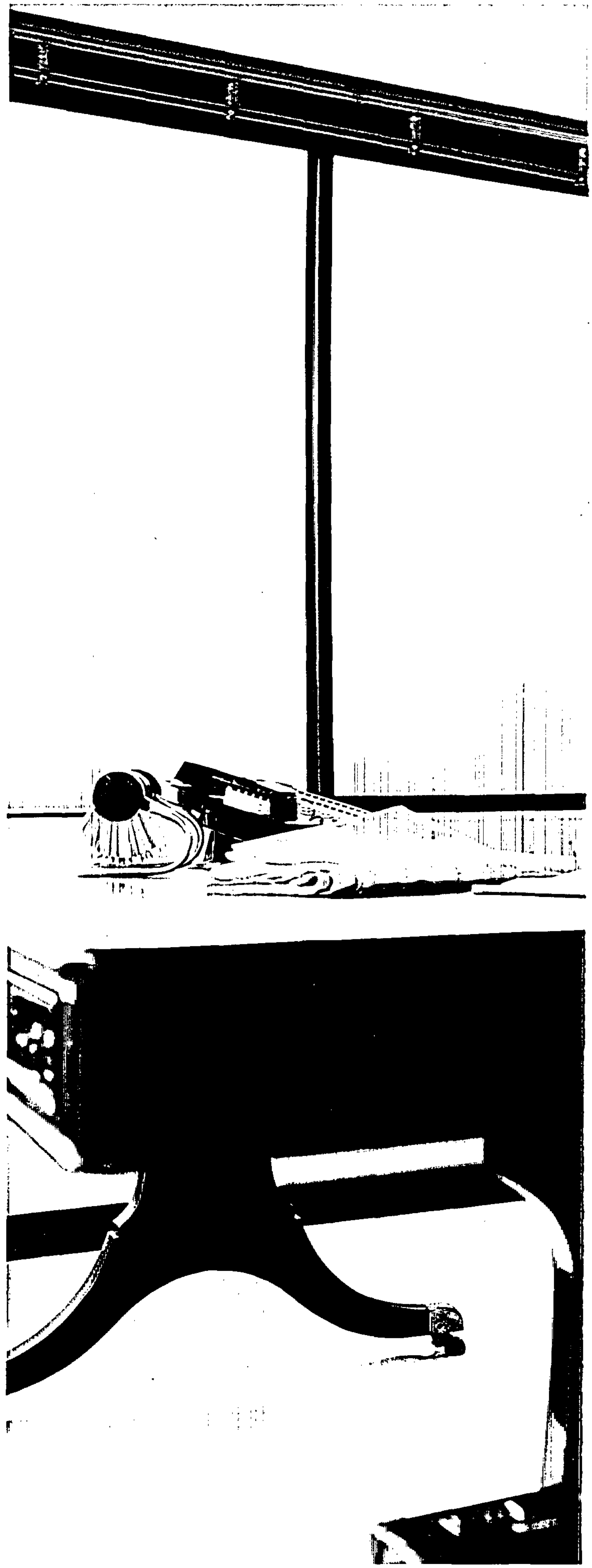
With approximately six million shareowners, GE is one of the most widely-held stocks in the world with a rich mix of institutional and individual shareowners. We are proud of the fact that GE has been a safe haven and sound investment for generations of investors. Over the last 10 years, GE has returned 13.5% versus the S&P 500 total return of 9.1%. GE has paid a dividend every year since 1899 and has increased it for 30 consecutive years. With such a diverse and broad shareowner base, GE puts a premium on serving every investor—from the big number of small retail holders to the big number of large institutional investors—with frequent, consistent and transparent communications.

◄ GENERATIONS OF GROWTH

Pauline Greenberg, 99 years young and still actively investing, is the matriarch of a multi-generational family that lives all over the U.S., yet remains close to her. Over the years, Pauline has taught her family many valuable lessons, including how to buy and sell stock. Her investment advice has consistently been to "buy good, solid companies, like GE," wisdom that has inspired many generations of her family to join one of the largest bases of individual shareowners of all the companies listed on the New York Stock Exchange.

LEFT TO RIGHT

Brandon Walker, Janet Zambuto, Raymond Zambuto, Pauline Greenberg, Virginia Benzier, Joe Zambuto, Sara Zambuto and David Wright



▸ INSTITUTIONAL KNOWLEDGE

"Big positions in great companies" has been the investment philosophy of Larkspur, California-based Tukman Capital Management, Inc. for the last 25 years. With close to $10 billion in managed assets, Tukman Capital screens a big universe of 1,500 companies every year for investment. It holds shares in just 10 to 20 of the very best companies, including GE. Tukman Capital has owned GE shares for over 11 years.

LEFT TO RIGHT

Melvin Tukman, President of Tukman Capital Management, Inc.
Daniel Grossman, Vice President of Tukman Capital Management, Inc.

Creating Big Value

In becoming a more customer-centric company, GE strives to play a bigger role in the success of its customers by acting as a partner. By doing so, GE's growth is in direct correlation to the growth of its customers. This means going beyond simply selling products, to understanding a customer's unique market, competitive advantage, business processes and needs. By taking a more holistic view, GE can deliver value across multiple measures—making customers more efficient, more profitable and more innovative—together.

◄ COLLABORATIVE DIAGNOSIS GE and Intermountain Healthcare are embarking on a 10-year collaboration that combines Intermountain's expertise in clinical outcomes research with GE's leading clinical software applications to set a new industry standard in healthcare IT. By partnering with the nation's top integrated healthcare system, GE is establishing a model that will accelerate the adoption of electronic medical records in the United States and other developed countries.

William H. Nelson, President and Chief Executive Officer of Intermountain Healthcare

◂ A MILESTONE IN MEXICO In 1994 when Sergio Argüelles was looking to expand his FINSA portfolio of industrial real estate, he called on GE to do one of its first real estate transactions in Mexico. What started as a $60 million refinancing has grown into a $450 million joint venture relationship with the Argüelles family. Today, Mr. Argüelles is the largest national industrial developer in Mexico with an 11 million-square-foot portfolio. GE and Mr. Argüelles have expanded their relationship beyond traditional lending to a true equity partnership and continue to explore new ways to grow big in Mexico.

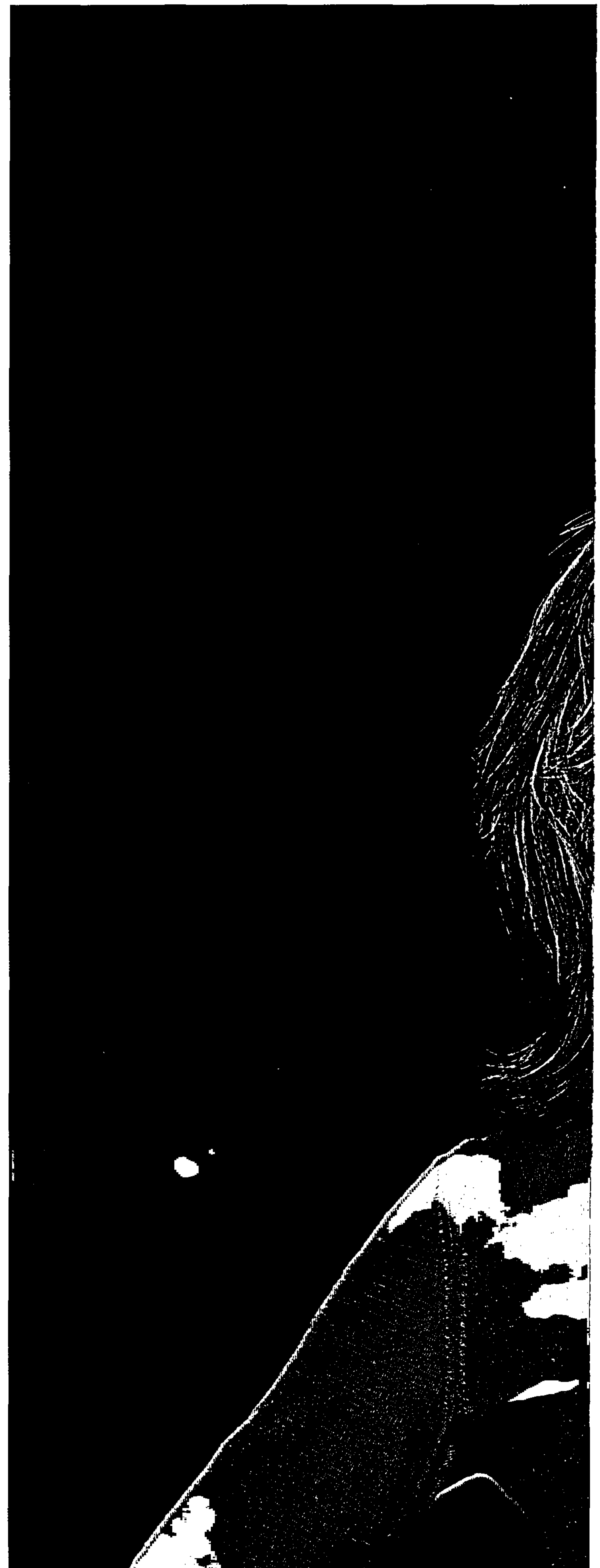
▸ BETTER HOMES AND PARTNERS GE is partnering with Pardee Homes on multiple fronts, providing energy-efficient, state-of-the-art appliances for kitchens; photovoltaics for resource conservation; and lighting, SmartWater and security options for Pardee homeowners. GE's combination of ecomagination products and Six Sigma training is helping Pardee Homes become a leader in sustainable building, while improving the efficiency of its processes and bottom line.

LEFT
Sergio Argüelles, President and Chief Executive Officer of FINSA
RIGHT
Michael V. McGee, President and Chief Executive Officer of Pardee Homes


I ♥ LA

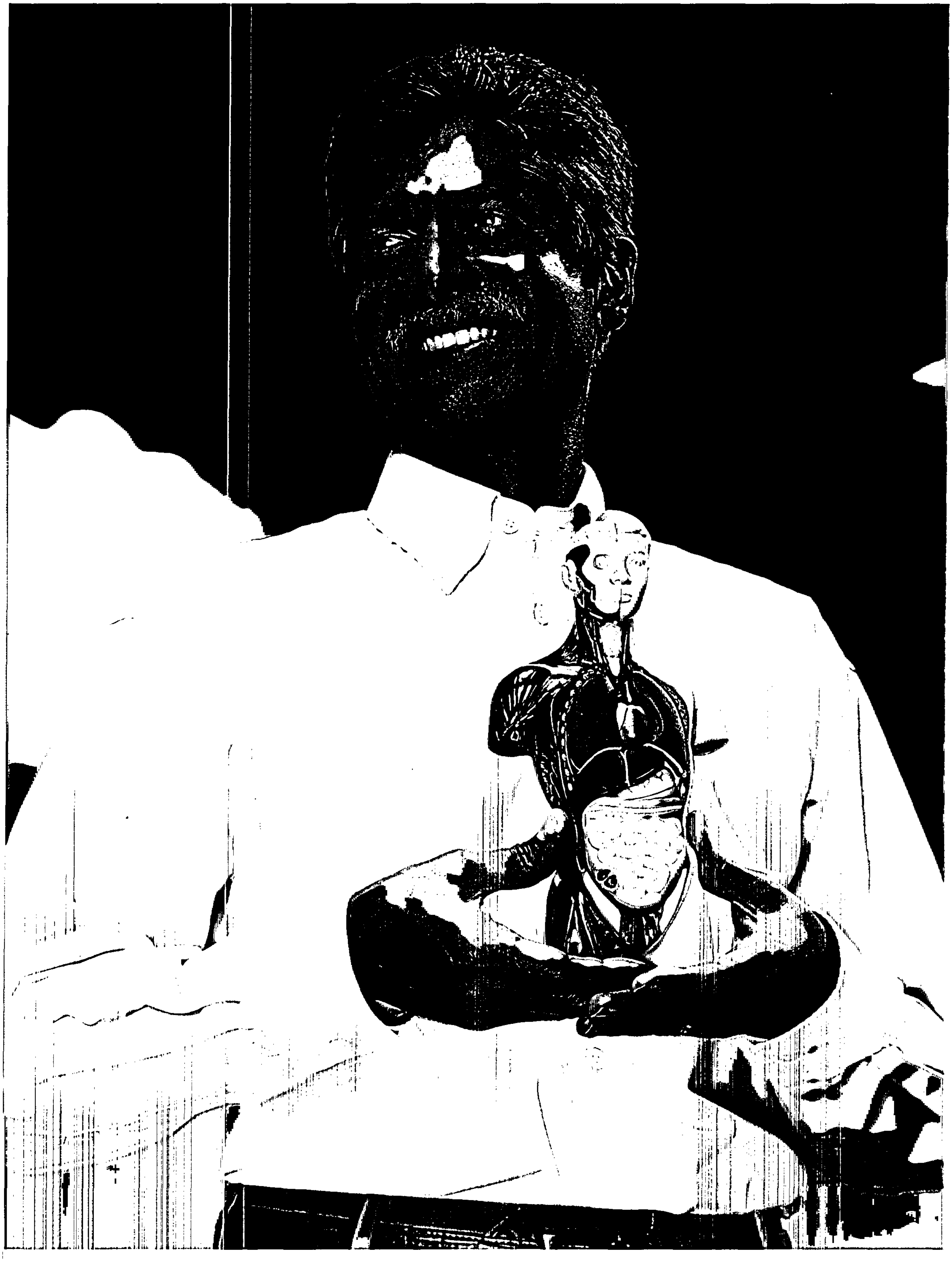
Building Big Dreams

Today's workforce is more global and more dynamic than ever before. One of the benefits of size is the ability to provide employees with a challenging and rewarding forum to stretch and reach their full potential—effectively moving through multiple careers in one company. With six businesses and operations in more than one hundred countries, GE employees have an unparalleled foundation on which to build their dreams—and GE.



◂ BUILDING BRANDS From her beginnings in sourcing in 1986 to her current role as President and CEO of the Americas, Lynn knows the Consumer and Industrial business inside and out. Her ability to create award-winning advertising and promotional campaigns for lighting and appliance products has generated increased sales and driven double-digit growth of the Profile and Monogram brands for four consecutive years.

Lynn Pendergrass, President & Chief Executive Officer, Consumer & Industrial, Americas

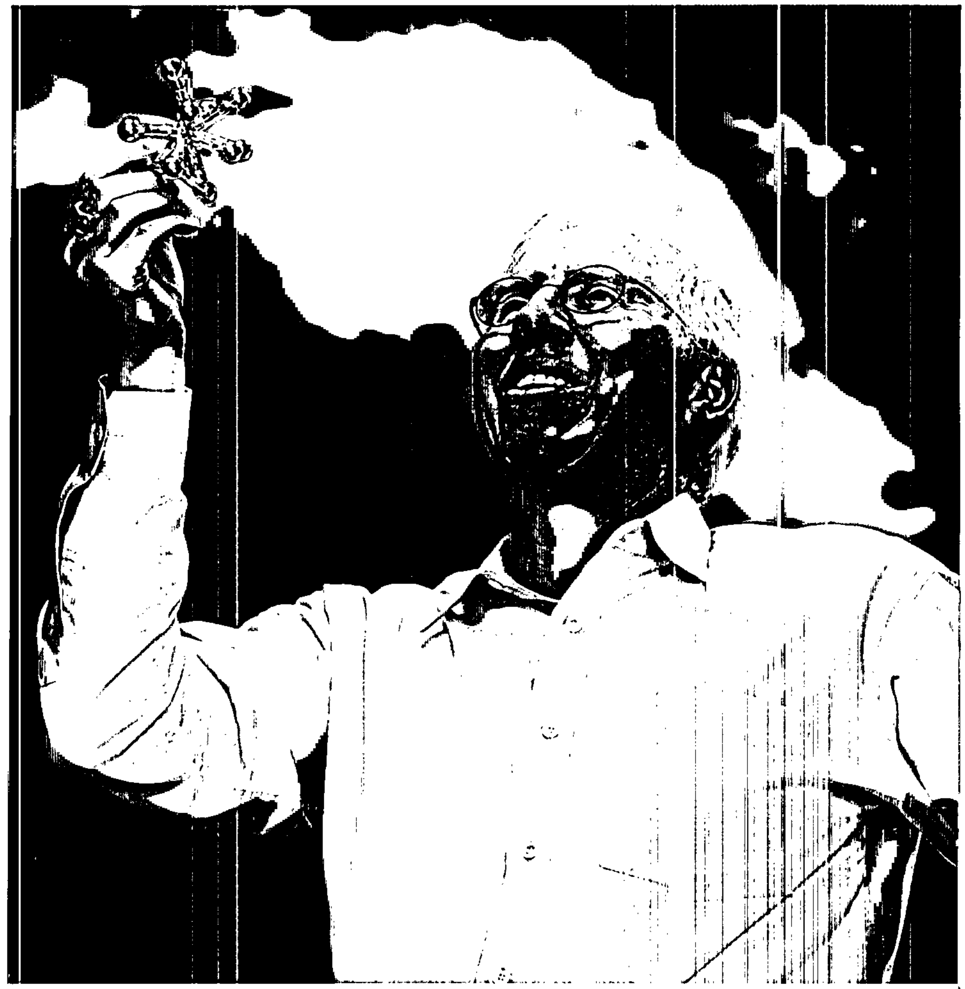


► BUILDING BREAKTHROUGHS After beginning as an engineer at GE Aviation in 1978, Michael has been part of multiple technology "firsts"—the first all-metal X-ray tube, the first multi-slice CT scanner, the first digital jet engine control and the first digital X-ray detector. Today, Michael is Vice President of Advanced Technology Programs for Global Research—broadening GE's R&D efforts around the world in new centers in Shanghai, Munich and Bangalore.

◄ BUILDING BACKBONE Since joining GE in 1997, Vishal has built a "virtual backbone" for a digital community that will enable the distribution of higher quality healthcare at lower cost. One of the key components of this system is the Electronic Medical Record (EMR). Vishal has grown this business from $100 million in sales in 1998 to a projected $1.9 billion in sales in 2006. As President and CEO of GE Healthcare Integrated IT Solutions, Vishal is a passionate advocate for an open and integrated system that will enable the practice of medicine that is not limited by time, location, specialty or geography.

► BUILDING BELIEVERS Laura started in GE's Financial Management Program 20 years ago, and today serves as the President and Chief Executive Officer of GE Healthcare Interventional, Cardiology & Surgery. Laura has been a passionate investor in new technologies and collaborative partnerships to create believers in minimally invasive medicine, enabling early detection for patients and improved clinical efficacy and effectiveness for physicians. In the process, Laura has pumped up a thriving organization that generated 20% growth in earnings and set a new record for sales in 2005.

CLOCKWISE FROM TOP LEFT
Vishal Wanchoo, President & Chief Executive Officer, Healthcare Integrated IT Solutions
Michael Idelchik, Vice President, Advanced Technology Programs, Global Research
Laura King, President & Chief Executive Officer, Healthcare Interventional, Cardiology & Surgery



◄ BUILDING BALANCE Over her 30-year career at GE, Jeanne has helped the Company balance risk and reward—leading the team that designed the GEnx engine by investing in new technologies 10 years before they reached the market. Jeanne's instincts paid off in an aircraft engine that offers the balance customers want in meeting both performance and cost-of-ownership goals—allowing it to stay "on wing" 30% longer than the engine it will replace. Today, Jeanne oversees the global engineering team that designs new technologies and products for commercial, military, marine and industrial applications.

► BUILDING BRIDGES Eddy's energy and enthusiasm have placed him on a rapid ascent within GE since he joined the Company in 1992—culminating in his recent promotion to President and CEO of GE Toshiba Silicones. He grew from being an individual sales manager to leading a business operation with more than 1,200 employees, five manufacturing sites and sales of more than $600 million. In the past two years alone, Eddy has doubled the silicones business in China, and was instrumental in working with China's Ministry of Agriculture to sell GE's Silwet® Super-Spreader—an ecomagination product that will help thousands of farmers significantly reduce water usage and allow them to use pesticides more effectively.

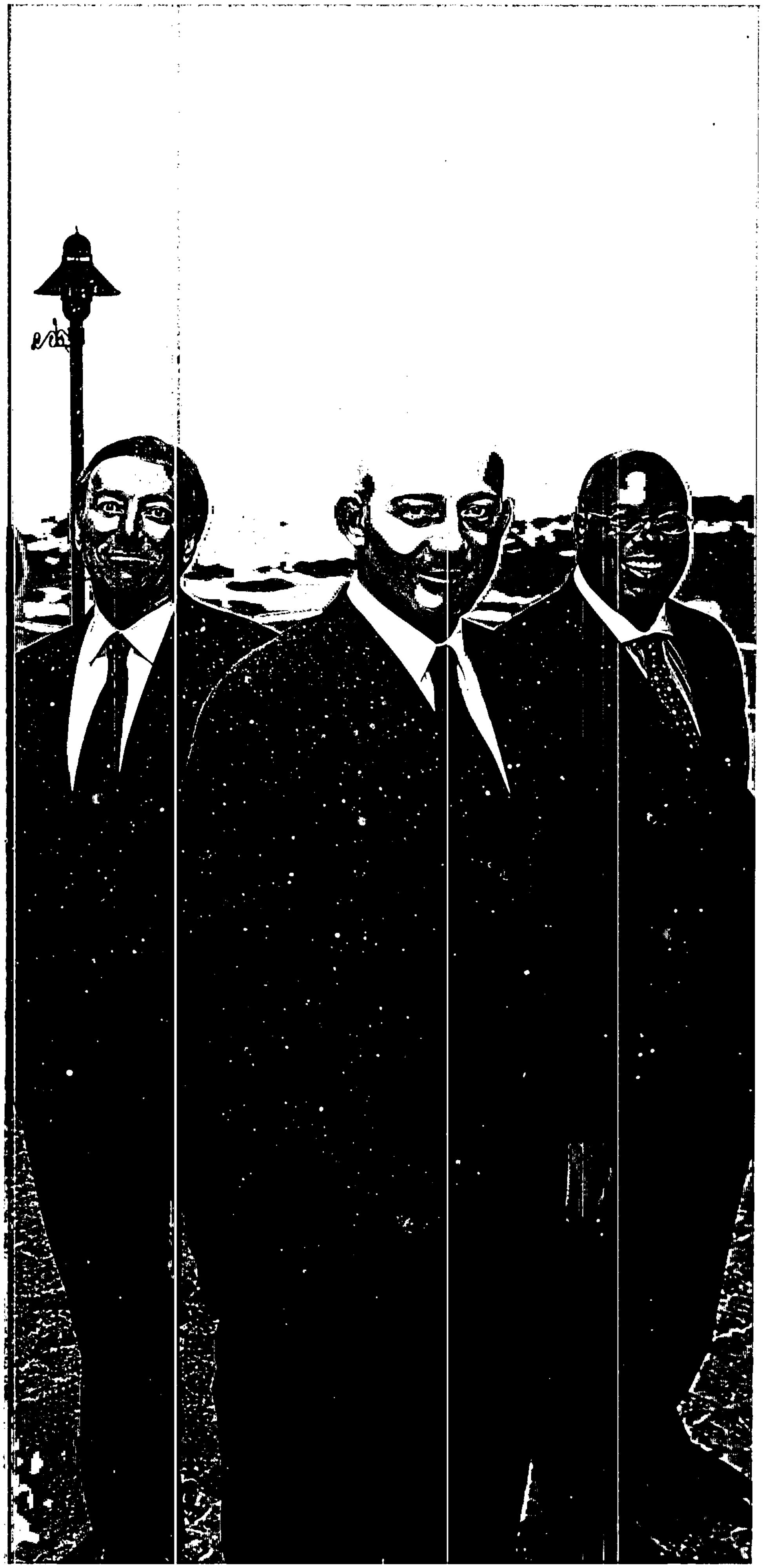
◄ BUILDING BUILDERS With a desire to "see the world," Mike began in GE's Commercial Equipment Finance sales department right out of college in 1984. Over Mike's 21-year career with GE, he has had five different careers and eight separate jobs, rising to President of Capital Solutions, U.S. Equipment Financing, where he oversees almost $30 billion in assets. His innovative sales strategies have reinvented a 30-year-old business, resulting in a 44% increase in retail volume and a doubling of net income in the last two years.

CLOCKWISE FROM TOP LEFT
Jeanne Rosario, Vice President, Engineering, Aviation
Eddy Wu, President & Chief Executive Officer, GE Toshiba Silicones
Mike Pilot, President, Capital Solutions, U.S. Equipment Financing

Growing Big Markets

Growth is accelerating around the world—creating opportunities and challenges of an unprecedented scale.

Mega trends creating mega cities with mega needs—a whole new definition of big. The very nature of these demographic trends is unstoppable. But within them lie enormous opportunities for GE to contribute infrastructure; technologies for alternative energy, clean water and healthcare; and financing for businesses and consumers to thrive. GE generated close to $25 billion in revenue in developing countries in 2005 alone.

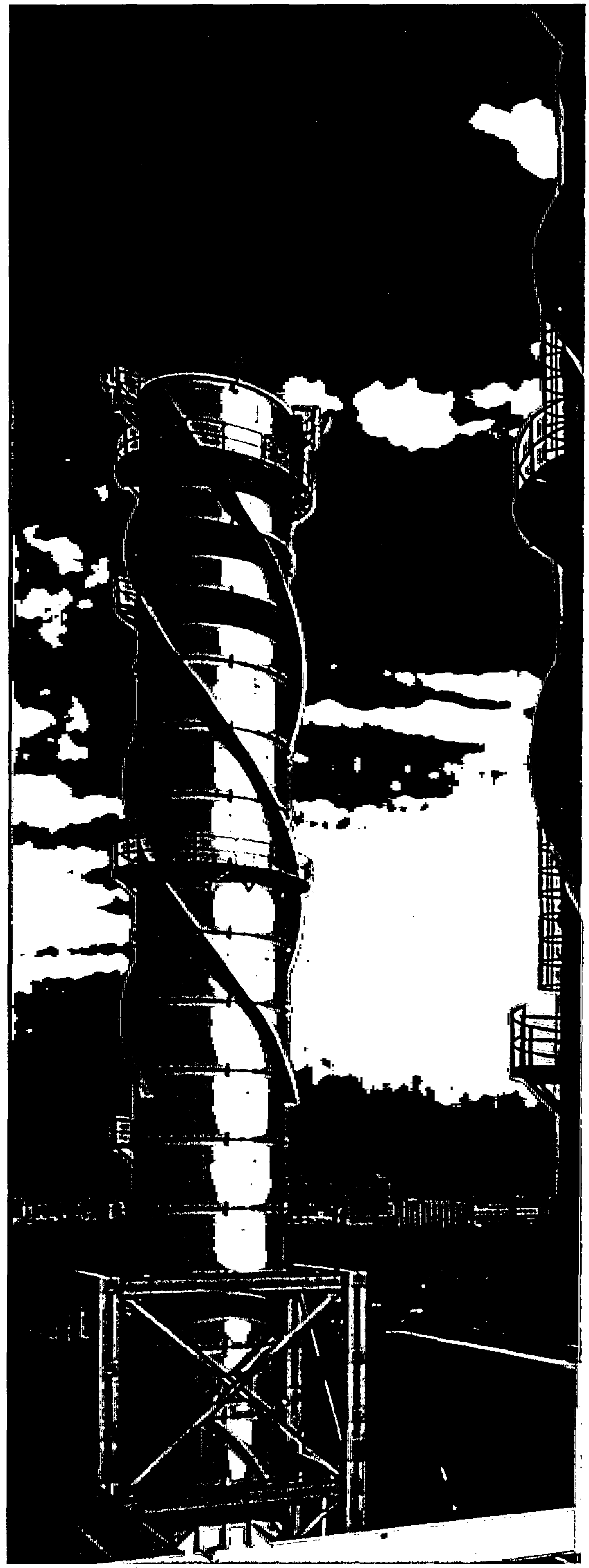


◄ BANKING ON GROWTH Despite the country's biggest snowstorm in 10 years (where GE employees and partners braved the elements), the economy in Turkey is heating up.

Turkey's population of 72 million consumers comprises Europe's second largest credit-card market and drove 78% growth in consumer lending since 2001. GE Consumer Finance has entered one of the fastest growing emerging markets through a partnership with the Dogus Group by acquiring a 25.5% stake in Garanti Bank—the country's third-largest privately-held bank. By combining GE's global best practices with Garanti's stellar management team, Garanti Bank will exemplify GE's broader growth strategy in emerging markets: to invest early in local talent and infrastructure in order to drive growth.

LEFT TO RIGHT

Charles Alexander, President, GE Capital, Europe
Ergun Ozen, Chief Executive Officer, Garanti Bank
Ferit Sahenk, Chairman, Garanti Bank
Dmitri Stockton, Chief Executive Officer, GE Consumer Finance, Central & Eastern Europe



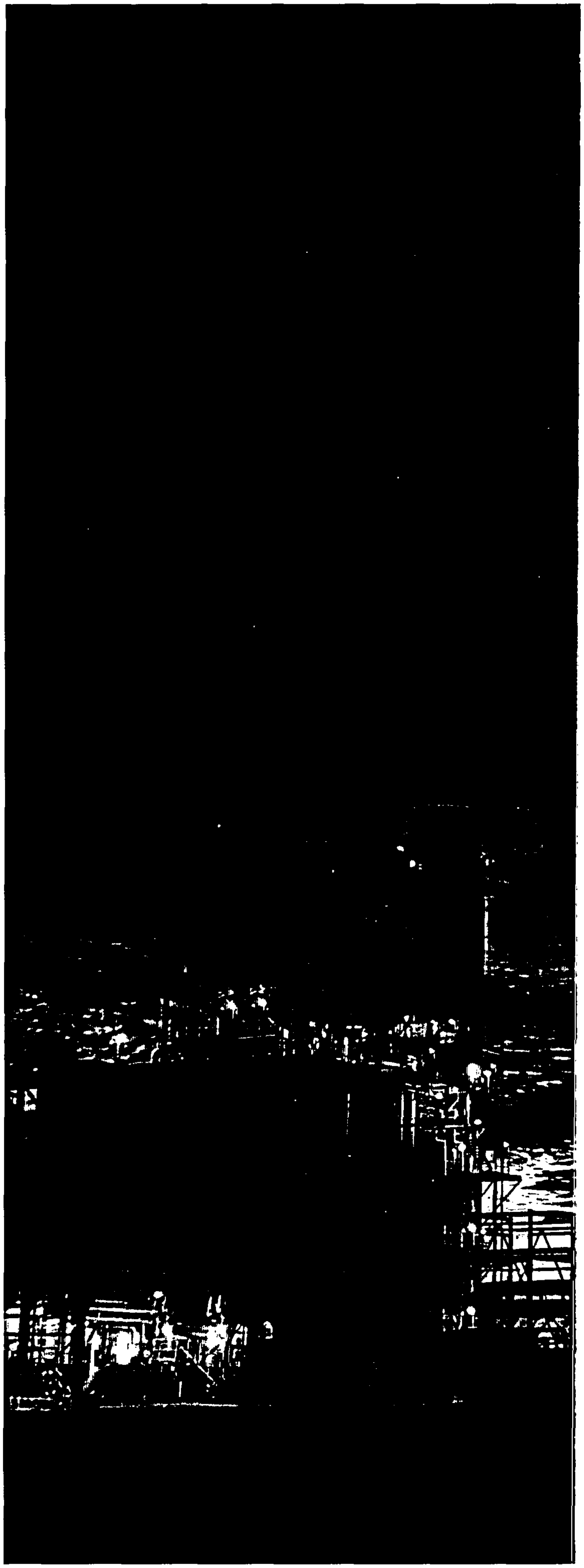
▸ THE POWER TO GROW India's GDP is expanding at an estimated rate of 7% per year. Major investments in infrastructure and energy are planned to support this kind of robust growth. GE is helping customers such as NTPC Limited and more than 200 others deliver on India's *Power for All* program, which is targeting 100 gigawatts of new power capacity by 2012. GE Energy is targeting orders of more than $1 billion in India by 2010. In addition to gas turbine combined-cycle power plants, GE has identified wind, hydropower, IGCC (Integrated Gasification Combined Cycle) technologies, rural electrification and energy user segments as major growth areas. Energy is just one of the many infrastructure needs India has that GE can provide.

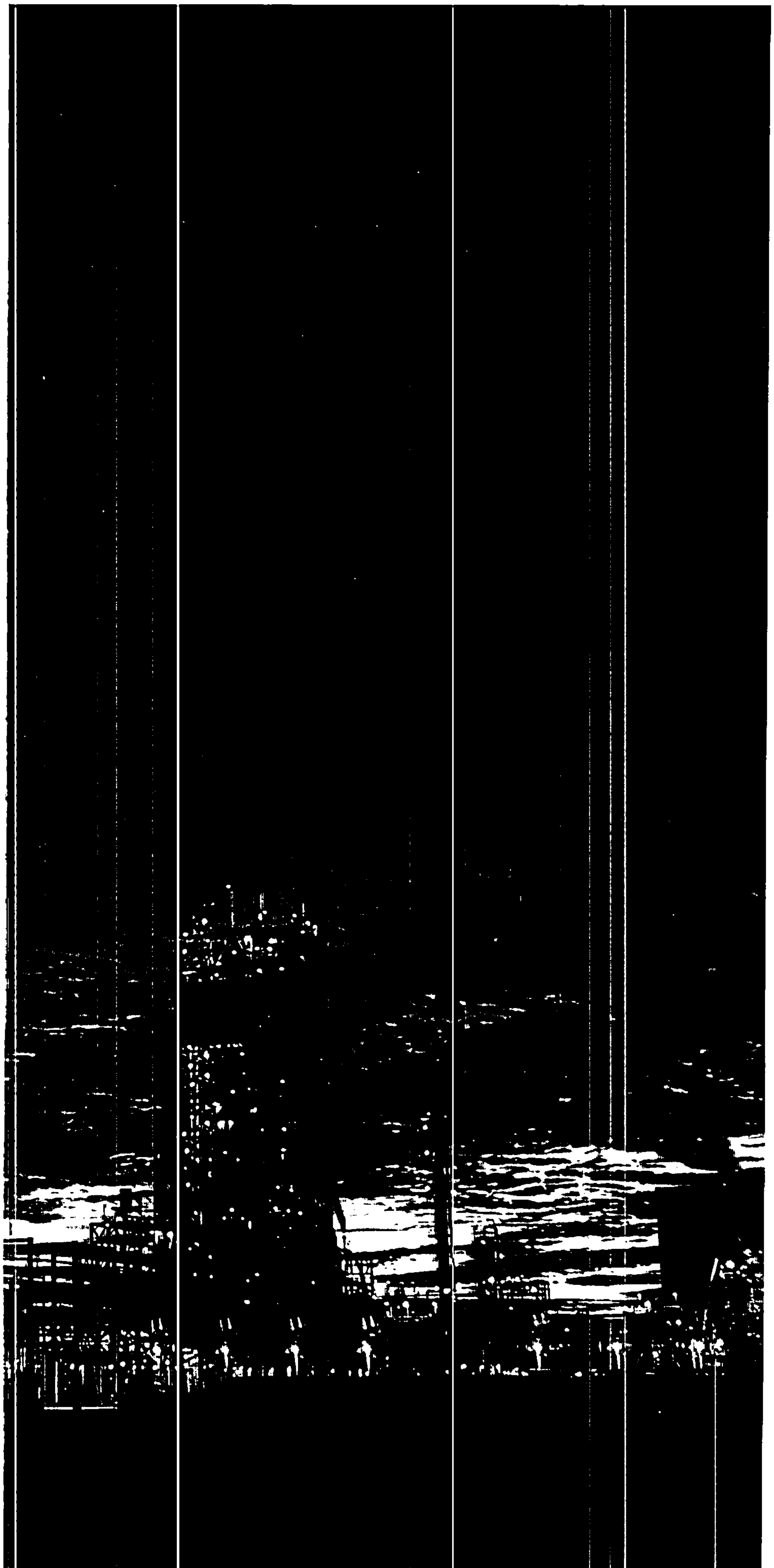
LEFT TO RIGHT
C.P. Jain, Chairman and Managing Director of NTPC Limited (National Thermal Power Corporation)
Nandkumar Dhekne, Region Executive, GE Energy

Solving Big Challenges

The challenges facing society today are growing exponentially. The need for clean water, better healthcare, new infrastructure and alternative energy is immediate. And as the global economy becomes more interdependent, these are no longer needs that affect any one region alone—they are issues that affect all of us.

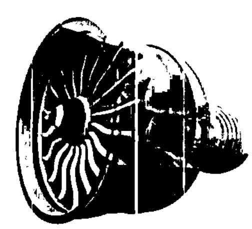
GE's size can be a significant force in solving problems of this scope and complexity. Our breadth of businesses, depth of experience, and ability to take big risks all add up to powerful solutions to help solve tough problems.



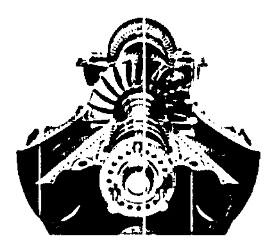


◂ INNOVATING FOR A CLEANER, BRIGHTER FUTURE Technology will be a vital asset in providing solutions that help to balance economic growth with the environmental and infrastructure pressures this growth creates. Ecomagination is GE's technology-led commitment to develop more energy-efficient products for our customers and ourselves. GE's IGCC technology (Integrated Gasification Combined Cycle—pictured at left) is just one example, enabling power plants to reduce key pollutants by as much as 50%. To date, we are well on our way to meeting our four ecomagination commitments: 1) double revenues from eco products to $20 billion by 2010, 2) double R&D investments to $1.5 billion by 2010, 3) decrease our greenhouse gas emissions by 2010 and 4) keep the public informed through our first ecomagination annual report to be available in May 2006.

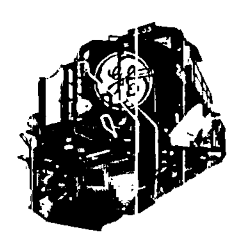
GEnx Engine
The GEnx delivers 15% better fuel consumption than the engines it replaces, and its emissions are up to 90% less than 2008 regulatory limits.

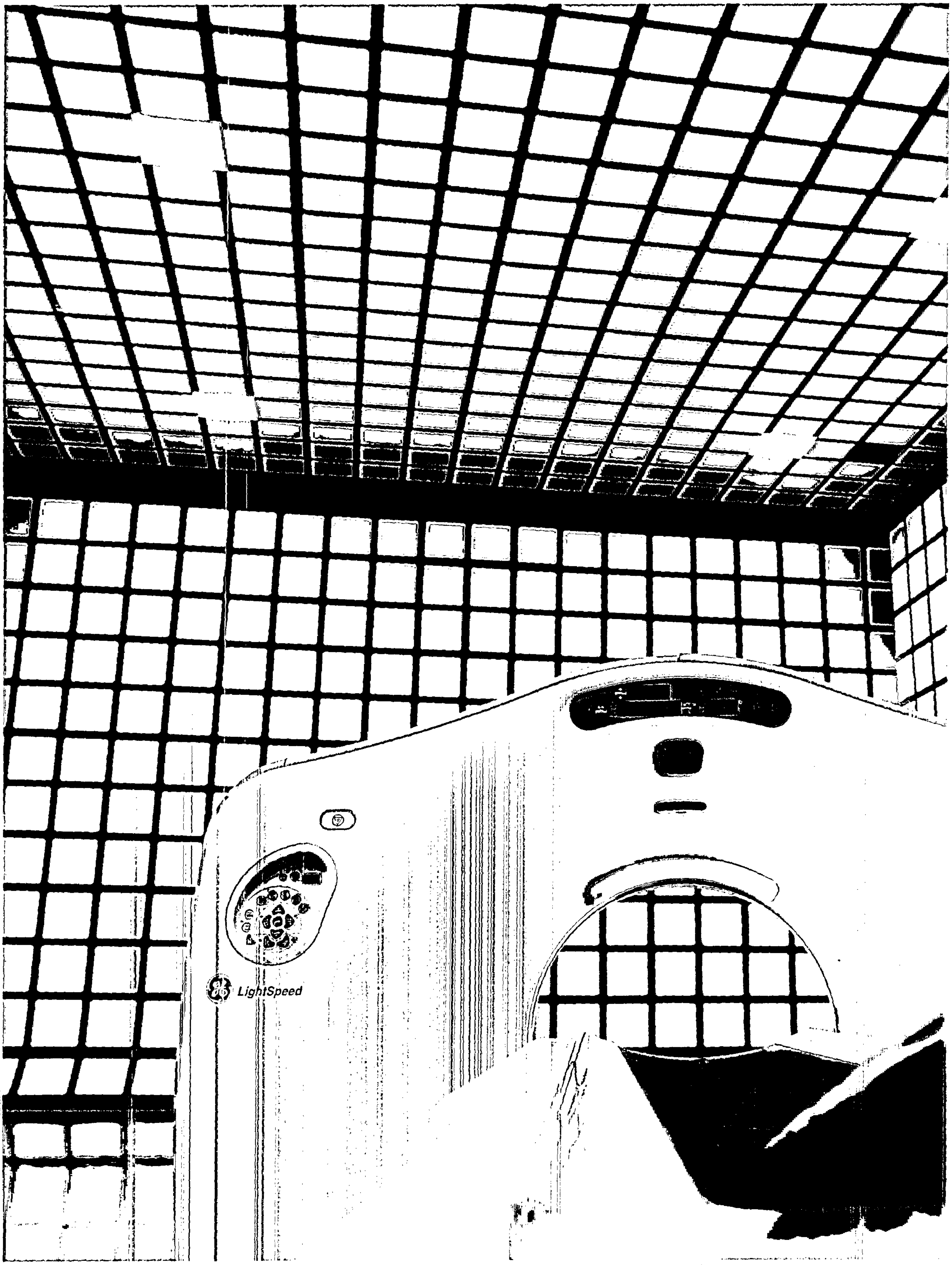


H-Turbine
GE's H-turbine is one of the most efficient gas turbines in the world—resulting in a decrease of nearly one million tons of greenhouse gases over its lifetime.



Evolution
The Evolution locomotive cuts key emissions up to 40% compared to prior models and was the first locomotive to meet the U.S. Environmental Protection Agency's new emission standards.

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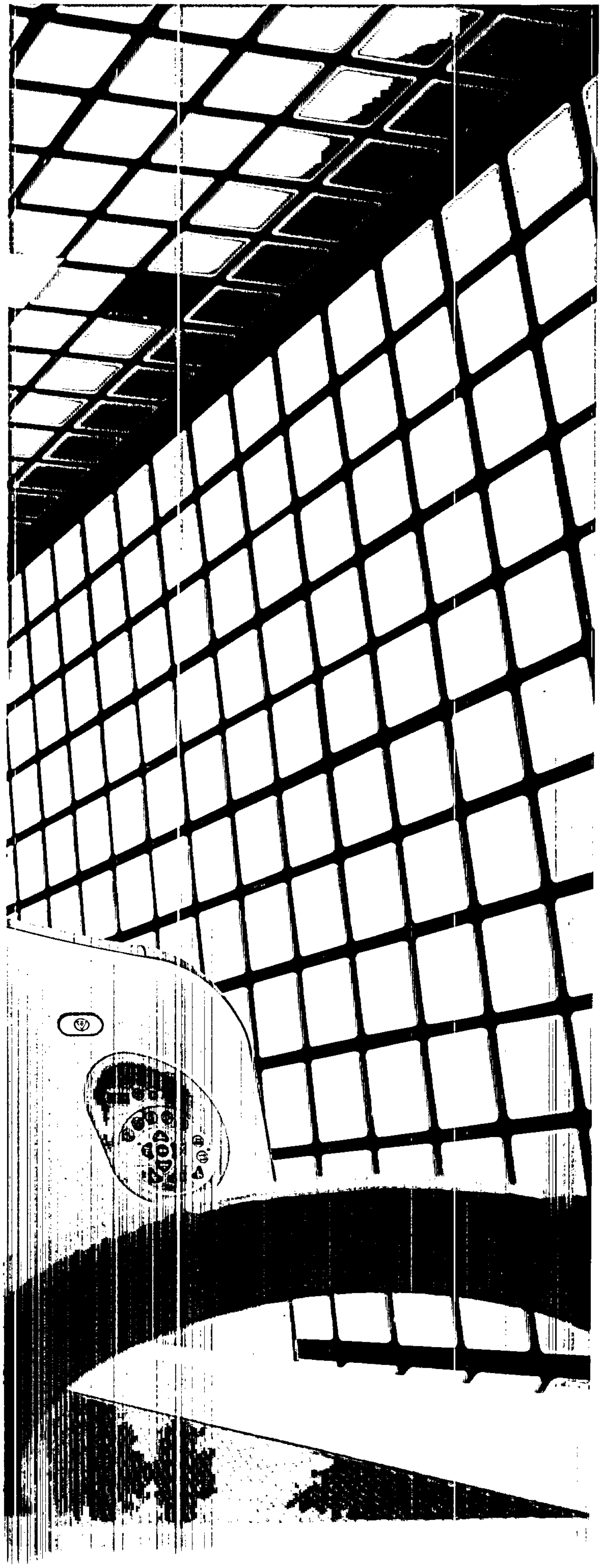
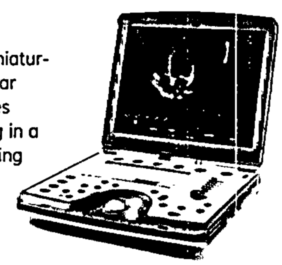


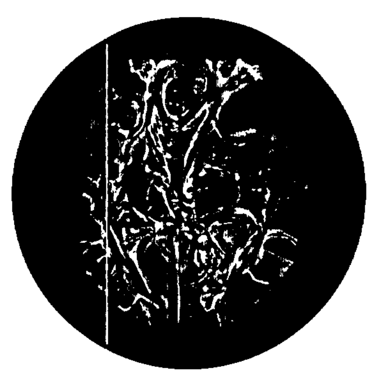
◄ BRIDGING THE GAP Nowhere is the gap between the potential of technological innovation and the reality more keenly felt than in the healthcare industry. GE's portfolio of product offerings, including diagnostic agents, imaging equipment and information technology, positions it uniquely to help solve some of healthcare's toughest problems.

Healthcare Re-imagined is GE's vision for transforming healthcare. At the core of this transformation is a shift in thinking from an emphasis on treating late-stage disease to a focus on "early health"—where pre-symptomatic disease detection, prevention and information management are critical.

Products such as GE's Lightspeed® VCT™ (Volume Computed Tomography—pictured at left), which can scan the human body with extraordinary detail, combined with breakthroughs in biosciences, give GE the ability to change the way healthcare is delivered. The ability to predict, diagnose and treat disease much earlier will improve patient outcomes and drive efficiencies across the healthcare industry.

Portable Ultrasound
Vivid *i*, the world's first miniaturized portable cardiovascular ultrasound system provides high-performance imaging in a lightweight design—enabling physicians to deliver care to the patient wherever it is needed.





Advanced Imaging
GE's imaging technologies in combination with advanced diagnostics will give doctors the ability to see disease years before symptoms arise in their patients. Above is an image of a human brain captured with GE's unique Magnetic Resonance Diffusion Tensor Imaging (DTI) which can help guide a neurosurgeon to successfully perform procedures, such as brain tumor resection.

Meeting Big Needs

One of the greatest benefits of size is using it to address truly big needs throughout the world. GE uses the full expanse of its organization to be responsive in the face of natural disasters and in being proactive by focusing on education and infrastructure needs in targeted countries around the world.

HIGHLIGHTS FROM 2005 CONTRIBUTIONS INCLUDE:

- Total giving exceeded $215 million in contributions from the GE Foundation, GE businesses, employees and retirees, and more than one million volunteer hours for key community initiatives.
- The GE Foundation made donations around the world totaling over $71 million with a key goal of strengthening education.
- GE expanded its African healthcare initiative to three additional hospitals in Ghana—providing healthcare and power generation equipment, water filtration systems, appliances and lighting.
- GE and its employees have contributed $50 million and helped raise more than $82 million to help the disaster relief efforts in South Asia, the United States Gulf Coast and earthquake-ravaged Pakistan.

◂ KASHTRA CAMP IN MANSEHRA, PAKISTAN
GE has donated $6 million to assist in the Pakistan earthquake relief effort, and is committed to ongoing recovery efforts through Chairman and CEO Jeff Immelt's appointment by U.S. President George W. Bush to a private-sector relief panel. GE's contribution includes $1 million to UNICEF to meet basic food, water and medicine needs; $1 million to the Red Cross to provide 2,000 insulated and winterized tents—pictured at left; $2 million to the South Asia Earthquake Relief fund; and $2 million in GE equipment including ultrasounds, X-ray machines, patient monitors and power generators.

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GOVERNANCE

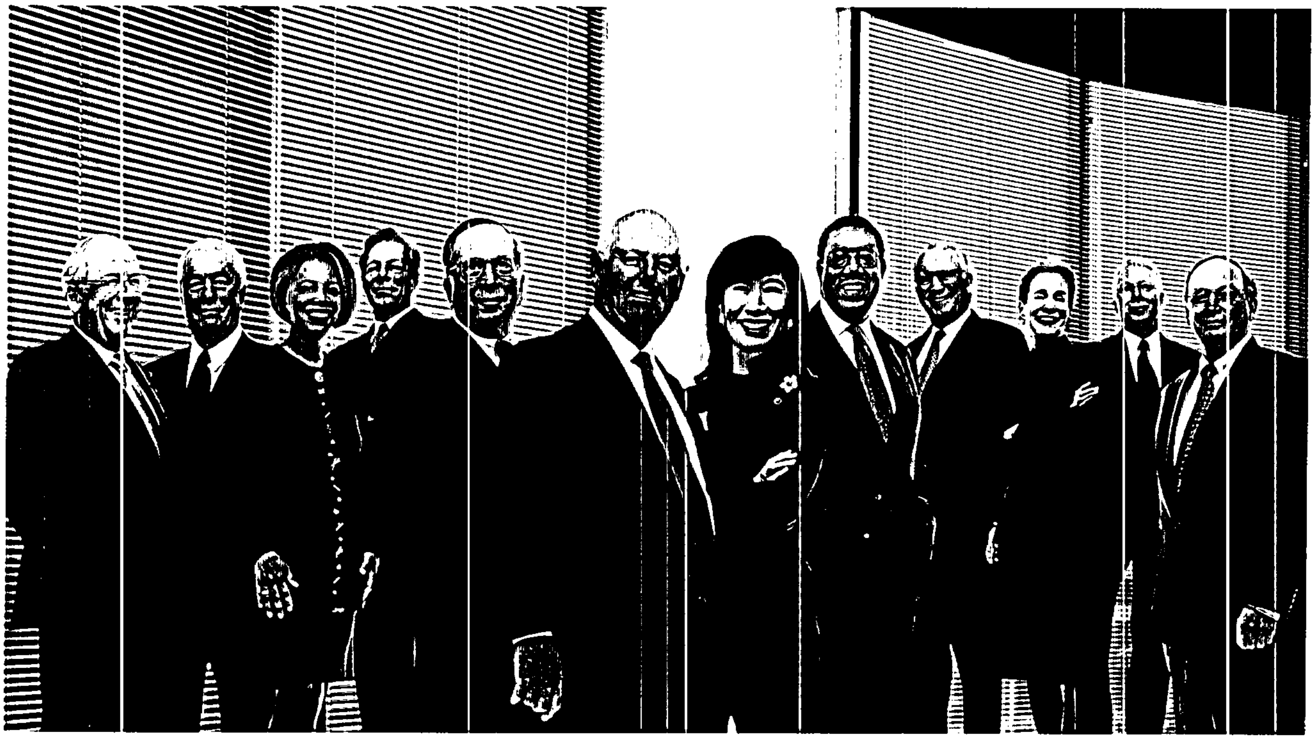
The primary role of GE's Board of Directors is to oversee how management serves the interests of shareowners and other stakeholders. To do this, GE's directors have adopted corporate governance principles aimed at ensuring that the Board is independent and fully informed on the key risks and strategic issues facing GE. GE has met its goal to have two-thirds of its Board be independent under a strict definition of independence. Today, 11 of GE's 15 directors are independent.

In November 2005, the *Financial Times* annual survey of CEOs from around the world recognized the Board's commitment by rating the Company number one in corporate governance for the third straight year.

The GE Board held 12 meetings in 2005, and each outside Board member visited at least two GE businesses in 2005 without the involvement of corporate management in order to develop their own feel for the Company. The Board focuses on the areas that are important to shareowners—strategy, risk management and people—and, in 2005, received briefings on a variety of issues including: controllership and risk management, global strategy, potential acquisitions and dispositions, organization changes, environmental trends, organic growth, competitive strategy, compliance trends and the impact of macro-economic trends on the Company. At the end of the year, the Board and each of its committees conducted a thorough self-evaluation as part of its normal governance cycle.

The Audit Committee, composed entirely of independent directors, held 10 meetings in 2005 to oversee our financial reporting activities, the activities and independence of GE's external auditors, and the organization and activities of GE's internal audit staff. It also reviewed our progress in meeting the internal control requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and compliance with key GE policies and applicable laws. The Management Development and Compensation Committee, comprised entirely of independent directors, held eight meetings to approve executive compensation actions for our executive officers and to review executive compensation plans, policies and practices, changes in executive assignments and responsibilities, and key succession plans. The Nominating and Corporate Governance Committee, comprised entirely of independent directors, met two times to consider GE's response to corporate governance trends and to nominate directors. The Public Responsibilities Committee, in three meetings, reviewed GE's 2005 Citizenship Report, Environmental, Health and Safety operations, GE's public policy agenda and the GE Foundation budget.

Finally, we are grateful for the energetic, insightful and constructive service given to GE by Dennis Dammerman, who retired from the Board as Vice Chairman at the end of 2005, and by Ben Heineman, who retired from the Company as Senior Vice President, Law and Public Affairs, also at the end of 2005.



EXTERNAL DIRECTORS
(left to right)

Claudio X. Gonzalez [1, 2, 3]
Chairman of the Board and Chief Executive Officer, Kimberly-Clark de Mexico, S.A. de C.V., Mexico City, and Director, Kimberly-Clark Corporation, consumer products. Director since 1993.

Roger S. Penske [4]
Chairman of the Board, Penske Corporation, Penske Truck Leasing Corporation and United Auto Group, Inc., transportation and automotive services, Detroit, Michigan. Director since 1994.

Ann M. Fudge [4]
Chairman and Chief Executive Officer, Young & Rubicam Brands, global marketing communications network, New York, New York. Director since 1999.

Robert W. Lane [1]
Chairman of the Board and Chief Executive Officer, Deere & Company, agriculture and forestry equipment, Moline, Illinois. Director since 2005.

Sam Nunn [2, 4]
Co-Chairman and Chief Executive Officer, Nuclear Threat Initiative, Washington, D.C. Director since 1997.

Ralph S. Larsen [2, 3, 5]
Former Chairman of the Board and Chief Executive Officer, Johnson & Johnson, pharmaceutical, medical and consumer products, New Brunswick, New Jersey. Director since 2002.

Andrea Jung [2, 3]
Chairman of the Board and Chief Executive Officer, Avon Products, Inc., cosmetics, New York, New York. Director since 1998.

James I. Cash, Jr. [1, 4]
Retired James E. Robison Professor of Business Administration, Harvard Graduate School of Business, Boston, Massachusetts. Director since 1997.

Douglas A. Warner III [1, 2, 3]
Former Chairman of the Board, J.P. Morgan Chase & Co., The Chase Manhattan Bank, and Morgan Guaranty Trust Company of New York, investment banking, New York, New York. Director since 1992.

Rochelle B. Lazarus [3, 4]
Chairman and Chief Executive Officer, Ogilvy & Mather Worldwide, advertising, New York, New York. Director since 2000.

A.G. Lafley [3]
Chairman of the Board, President and Chief Executive, The Procter & Gamble Company, personal and household products, Cincinnati, Ohio. Director since 2002.

Robert J. Swieringa [1]
Anne and Elmer Lindseth Dean and Professor of Accounting, S.C. Johnson Graduate School of Management, Cornell University, Ithaca, New York. Director since 2002.

INTERNAL DIRECTORS
(pictured on pages 3-4)

Jeffrey R. Immelt [4]
Chairman of the Board and Chief Executive Officer, General Electric Company. Director since 2000.

Sir William M. Castell [4]
Vice Chairman of the Board and Executive Officer, General Electric Company, and Chairman, GE Healthcare. Director since 2004.

Robert C. Wright [4]
Vice Chairman of the Board and Executive Officer, General Electric Company, and Chairman and Chief Executive Officer, NBC Universal, Inc. Director since 2000.

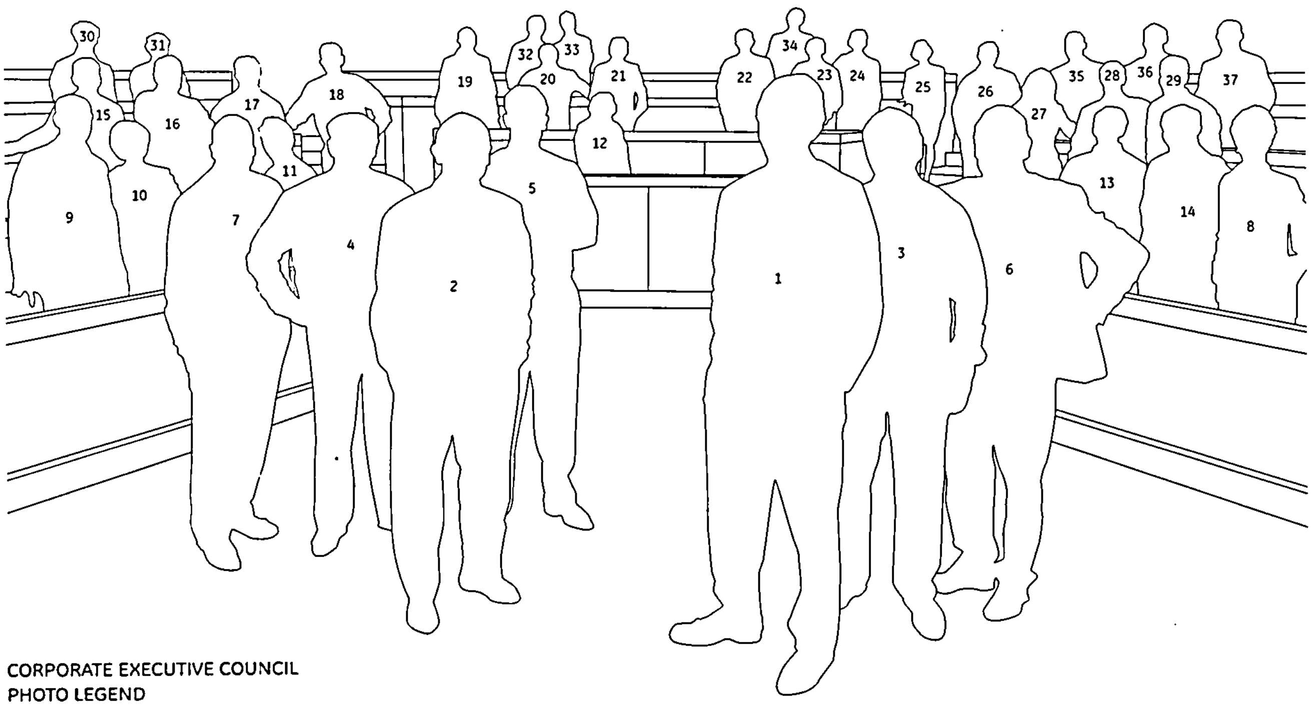
1 Audit Committee

2 Management Development and Compensation Committee

3 Nominating and Corporate Governance Committee

4 Public Responsibilities Committee

5 Presiding Director



CORPORATE EXECUTIVE COUNCIL
PHOTO LEGEND
(from pages 2–3)

1. Jeffrey R. Immelt
Chairman of the Board & Chief Executive Officer

2. David L. Calhoun
Vice Chairman, GE and President &
Chief Executive Officer, GE Infrastructure

3. Michael A. Neal
Vice Chairman, GE and President &
Chief Executive Officer, GE Capital Services

4. Robert C. Wright
Vice Chairman of the Board & Executive Officer, GE;
and Chairman & Chief Executive Officer,
NBC Universal, Inc

5. John G. Rice
Vice Chairman, GE and President &
Chief Executive Officer, GE Industrial

6. William M. Castell
Vice Chairman of the Board & Executive Officer, GE
and Chairman, GE Healthcare

7. Lloyd G. Trotter
Executive Vice President & Senior Operations Officer

8. Pamela Daley
Senior Vice President, Corporate Business
Development

9. Wayne M. Hewett
President & Chief Executive Officer,
Silicones/Quartz

10. Charlene T. Begley
President & Chief Executive Officer, Plastics

11. Brackett B. Denniston, III
Senior Vice President & General Counsel

12. Kathryn A. Cassidy
Vice President & GE Treasurer

13. Mark W. Begor
President & Chief Executive Officer,
Consumer Finance, Americas

14. Yoshiaki Fujimori
President & Chief Executive Officer,
Consumer Finance, Asia

15. Mark M. Little
Senior Vice President, Global Research

16. John M. Dineen
President & Chief Executive Officer, Transportation

17. John Krenicki, Jr.
President & Chief Executive Officer, Energy

18. Scott C. Donnelly
President & Chief Executive Officer, Aviation

19. John H. Myers
Chairman and President, GE Asset Management

20. William H. Cary
President & Chief Executive Officer,
Consumer Finance, Europe

21. Ferdinando Beccalli-Falco
President & Chief Executive Officer, International

22. Keith S. Sherin
Senior Vice President & Chief Financial Officer

23. Claudi Santiago
President & Chief Executive Officer, Oil & Gas

24. Gary M. Reiner
Senior Vice President & Chief Information Officer

25. Kathryn K. McCarthy
Vice President & Chief Financial Officer,
GE Healthcare

26. David R. Nissen
President & Chief Executive Officer,
GE Consumer Finance

27. Elizabeth J. Comstock
President, Digital Media & Market Development,
NBC Universal

28. James P. Campbell
President & Chief Executive Officer,
Consumer & Industrial

29. Shane Fitzsimons
Vice President, Corporate Financial Planning
& Analysis

30. Ronald R. Pressman
President & Chief Executive Officer,
Insurance Solutions

31. Michael E. Pralle
President & Chief Executive Officer, Real Estate

32. William J. Conaty
Senior Vice President, Human Resources

33. Joseph M. Hogan
President & Chief Executive Officer, GE Healthcare

34. Peter H. Loescher
President & Chief Executive Officer, Biosciences

35. A. Louis Parker
President & Chief Executive Officer, Security

36. Paul T. Bossidy
President & Chief Executive Officer,
GE Capital Solutions

37. John M. Samuels
Vice President & Senior Tax Counsel

Contents

We also present our financial information electronically at *www.ge.com/investor. This award-winning site is interactive* and informative.

Management's Discussion of Financial Responsibility

We believe that great companies are built on a foundation of reliable financial information and compliance with the spirit and letter of the law. For GE, that foundation includes rigorous management oversight of, and an unyielding dedication to, controllership. The financial disclosures in this report are one product of our commitment to high quality financial reporting. In addition, we make every effort to adopt appropriate accounting policies, we devote our full resources to ensuring that those policies are applied properly and consistently and we do our best to fairly present our financial results in a manner that is complete and understandable. While we take pride in our financial reporting, we tirelessly seek improvements, and we welcome your suggestions.

RIGOROUS MANAGEMENT OVERSIGHT

Members of our corporate leadership team review each of our businesses routinely on matters that range from overall strategy and financial performance to staffing and compliance. Our business leaders monitor financial and operating systems, enabling us to identify potential opportunities and concerns at an early stage and positioning us to respond rapidly. Our Board of Directors oversees management's business conduct, and our Audit Committee, which consists entirely of independent directors, oversees our internal control over financial reporting. We continually examine our governance practices in an effort to enhance investor trust and improve the Board's overall effectiveness. The Board and its committees annually conduct a performance self-evaluation and recommend improvements. Our Presiding Director led three meetings of non-management directors this year, helping us sharpen our full Board meetings to better cover significant topics. Compensation policies for our executives are aligned with the long-term interests of GE investors. For example, payout of CEO equity grants is contingent on our Company meeting key performance metrics.

DEDICATION TO CONTROLLERSHIP

We maintain a dynamic system of internal controls and procedures—including internal control over financial reporting—designed to ensure reliable financial record-keeping, transparent financial reporting and disclosure, and protection of physical and intellectual property. We recruit, develop and retain a world-class financial team. Our internal audit function, 563 auditors, including 405 members of our Corporate Audit Staff, conducts thousands of financial, compliance and process improvement audits each year, in every geographic area, at every GE business. We recognized the contributions of our controllers and these auditors with a Chairman's Leadership Award in 2005. The Audit Committee oversees the scope and evaluates the overall results of these audits. Our Audit Committee Chairman regularly attends GE Capital Services Board of Directors, Corporate Audit Staff and Controllership Council meetings. Our global integrity policies—"The Spirit & The Letter"—require compliance with law and policy, and pertain to such vital issues as upholding financial integrity and avoiding conflicts of interest. These integrity policies are available in 31 languages, and we have provided them to every one of GE's more than 300,000 global employees, holding each of these individuals—from factory floor through top management—personally accountable for compliance. Our integrity policies reinforce key employee responsibilities around the world, and we inquire extensively about compliance. Our strong compliance culture reinforces these efforts by requiring employees to raise any compliance concerns and by prohibiting retribution for doing so. To facilitate open and candid communication, we have designated ombudspersons throughout the Company to act as independent resources for reporting integrity or compliance concerns. We hold our directors, consultants, agents and independent contractors to the same integrity standards.

INFORMATIVE DISCLOSURE AND VISIBILITY TO INVESTORS

We are keenly aware of the importance of full and open presentation of our financial position and operating results and rely for this purpose on our disclosure controls and procedures, including our Disclosure Committee, which comprises senior executives with detailed knowledge of our businesses and the related needs of our investors. We ask this committee to review our compliance with accounting and disclosure requirements, to evaluate the fairness of our financial and non-financial disclosures, and to report their findings to us. We further ensure strong disclosure by holding more than 350 analyst and investor meetings every year. Recognizing the effectiveness of our disclosure policies, investors surveyed annually by *Investor Relations* magazine have given us 27 awards during the last 10 years, including "Best Report" and "Best Communication with the Retail Market" in 2005 and "Best Overall Investor Relations Program" by a mega-cap company for 2005 (and for seven of the last 10 years). We were also ranked "First Team" by *Institutional Investor*. We are in regular contact with representatives of the major rating agencies, and our debt continues to receive their highest ratings.

GE continues to earn the respect of the business world. We were named "Global Most Admired Company" and "America's Most Admired Company" by *FORTUNE* magazine; "World's Most Respected" by *Barron's* in its inaugural investor survey; and number two in the *Financial Times*/PricewaterhouseCoopers annual CEO survey—again placing first for corporate governance. GE was also named to the *Dow Jones Sustainability Index* for the second year in a row, which recognizes GE as a global leader in social responsibility and citizenship. We also published our first annual citizenship report in 2005, entitled "Our Actions."

CONCLUSION

We welcome the strong oversight of our financial reporting activities by our independent registered public accounting firm, KPMG LLP, engaged by and reporting directly to the Audit Committee. U.S. legislation requires management to report on internal control over financial reporting and for auditors to render an opinion on such controls. Our report and the KPMG LLP report for 2005 appear on the following page.

We present our financial information proudly, with the expectation that those who use it will understand our Company, recognize our commitment to performance with integrity, and share our confidence in GE's future.

Jeff Immelt | Keith S. Sherin

JEFFREY R. IMMELT
Chairman of the Board and
Chief Executive Officer

KEITH S. SHERIN
Senior Vice President, Finance
and Chief Financial Officer

Management's Annual Report on Internal Control Over Financial Reporting

The management of General Electric Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. With the participation of the Chief Executive Officer and the Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in *Internal Control—Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2005.

General Electric Company's auditor, KPMG LLP, an independent registered public accounting firm, has issued an audit report on our management's assessment of our internal control over financial reporting. This audit report appears below.

Jeff Immelt   Keith S. Sherin

JEFFREY R. IMMELT
Chairman of the Board and
Chief Executive Officer

KEITH S. SHERIN
Senior Vice President, Finance
and Chief Financial Officer

February 10, 2006

Report of Independent Registered Public Accounting Firm

To Shareowners and Board of Directors of General Electric Company

We have audited the accompanying statement of financial position of General Electric Company and consolidated affiliates ("GE") as of December 31, 2005 and 2004, and the related statements of earnings, changes in shareowners' equity and cash flows for each of the years in the three-year period ended December 31, 2005. We also have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, that GE maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). GE management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on these consolidated financial statements, an opinion on management's assessment, and an opinion on the effectiveness of GE's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements appearing on pages 64, 66, 68, 70–105 and the Summary of Operating Segments table on page 49 present fairly, in all material respects, the financial position of GE as of December 31, 2005 and 2004, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, management's assessment that GE maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in *Internal Control—Integrated Framework* issued by COSO. Furthermore, in our opinion, GE maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

As discussed in note 1 to the consolidated financial statements, GE in 2004 and 2003 changed its method of accounting for variable interest entities and in 2003 changed its method of accounting for asset retirement obligations.

Our audits of GE's consolidated financial statements were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating information appearing on pages 65, 67 and 69 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual entities. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

KPMG LLP
Stamford, Connecticut

February 10, 2006

Operations

Our consolidated financial statements combine the industrial manufacturing, services and media businesses of General Electric Company (GE) with the financial services businesses of General Electric Capital Services, Inc. (GECS or financial services).

In the accompanying analysis of financial information, we sometimes use information derived from consolidated financial information but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). Certain of these data are considered "non-GAAP financial measures" under the U.S. Securities and Exchange Commission (SEC) rules. For such measures, we have provided supplemental explanations and reconciliations in the Supplemental Information section.

We present Management's Discussion of Operations in five parts: Overview of Our Earnings from 2003 through 2005, Global Risk Management, Segment Operations, Global Operations and Environmental Matters.

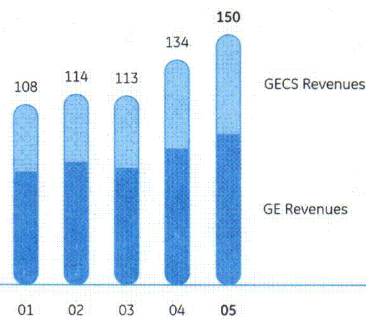
Overview of Our Earnings from 2003 through 2005

Our results over the last several years reflect the global economic environment in which we operate. During these years, the economy has grown, but at a rate that, in historic terms, has been relatively modest. Long-term interest rates have been stable. We also experienced a weaker, but recently strengthening, U.S. dollar, escalating energy costs and higher fossil fuel-related raw material prices. Market developments in two industries in which we operate — power generation and commercial aviation — also had significant effects on our results. As the following pages show, our diversification and risk management strategies enabled us to continue to grow revenues and earnings to record levels during this challenging time.

Of our six segments, Infrastructure (29% and 36% of consolidated three-year revenues and total segment profit, respectively) was one of the most significantly affected by the recent economic environment. Infrastructure's Energy business was particularly affected by the period of unprecedented U.S. power industry demands that peaked in 2002. The return to normal demand levels was reflected in subsequent lower shipments of large heavy-duty gas turbine units. In 2003, we sold 175 such units, compared with 122 in 2004 and 127 in 2005. During these years we invested in other lines of power generation such as wind power and developed product services that we believe will position the Energy business well for continued growth in 2006 and beyond. We also continued to invest in market-leading technology and services at Aviation, Transportation and Water. We had 1,405 commercial aircraft on lease at December 31, 2005, an increase of 63 aircraft from last year. All of our aircraft were on lease at the end of 2005, and at that time we held $10.6 billion (list price) of multiple-year orders for various Boeing, Airbus and other aircraft, including 73 aircraft ($4.8 billion list price) scheduled for delivery in 2006, all under agreement to commence operations with commercial airline customers. Product services and sales of our Evolution Series locomotives continue to be strong.

Industrial (22% and 10% of consolidated three-year revenues and total segment profit, respectively) is particularly sensitive to economic conditions. Higher capacity, in combination with declining or weak volume growth in many of the industries in which it operates, resulted in increased competitive price pressures. The Consumer & Industrial business continued to grow through product innovation and its focus on high-end appliances. The Plastics business was hit particularly hard during these three years because of additional pressure from significant inflation in natural gas and certain raw materials such as benzene. Increased earnings at Plastics reflected improved product pricing.

CONSOLIDATED REVENUES (In $ billions)



We have achieved strong growth in our Healthcare and NBC Universal segments with a combination of organic growth and strategic acquisitions. Healthcare (10% and 11% of consolidated three-year revenues and total segment profit, respectively) realized benefits of acquisitions of Amersham plc (Amersham) in 2004 and Instrumentarium in 2003, expanding the breadth of our product and services offerings to the healthcare industry, and positioning us well for continued growth. NBC Universal (9% and 13% of consolidated three-year revenues and total segment profit, respectively) has developed into a diversified world-class media company over the last several years as the combination of NBC with Vivendi Universal Entertainment LLLP (VUE) in 2004 followed successful acquisitions of Telemundo and Bravo in 2002. NBC Universal revenues and segment profit rose 14% and 21%, respectively, in 2005, and 88% and 28%, respectively, in 2004, largely on acquisitions. We expect the technology and business model for the entertainment media industry to continue to evolve in the coming years and believe that NBC Universal is well positioned to compete in this challenging environment.

Commercial Finance and Consumer Finance (together, 26% and 31% of consolidated three-year revenues and total segment profit, respectively) are large, profitable growth businesses in which we continue to invest with confidence. In a challenging economic environment, these businesses grew earnings by a combined $1.3 billion and $1.0 billion in 2005 and 2004, respectively. Commercial Finance and Consumer Finance have delivered strong results through solid core growth, disciplined risk management and successful acquisitions. The most significant acquisitions affecting Commercial Finance and Consumer Finance results in

C01

2005 were the commercial lending business of Transamerica Finance Corporation; WMC Finance Co. (WMC), a U.S. wholesale mortgage lender; Australian Financial Investments Group (AFIG), a residential mortgage lender in Australia; and the Transportation Financial Services Group of CitiCapital. These acquisitions collectively contributed $1.9 billion and $0.2 billion to 2005 revenues and net earnings, respectively.

Overall, acquisitions contributed $9.6 billion, $12.3 billion and $5.4 billion to consolidated revenues in 2005, 2004 and 2003, respectively. Our consolidated net earnings in 2005, 2004 and 2003 included approximately $0.9 billion, $1.2 billion and $0.5 billion, respectively, from acquired businesses. We integrate acquisitions as quickly as possible. Only revenues and earnings from the date we complete the acquisition through the end of the fourth following quarter are attributed to such businesses. Dispositions also affected our operations through lower revenues of $2.0 billion, $3.0 billion and $2.3 billion in 2005, 2004 and 2003, respectively. This resulted in lower earnings of $0.1 billion and $0.5 billion in 2005 and 2004, respectively, and higher earnings of $0.2 billion in 2003.

Significant matters relating to our Statement of Earnings are explained below.

INSURANCE EXIT. In 2005, we reduced our exposure to insurance in a disciplined fashion and our exit is now in sight.

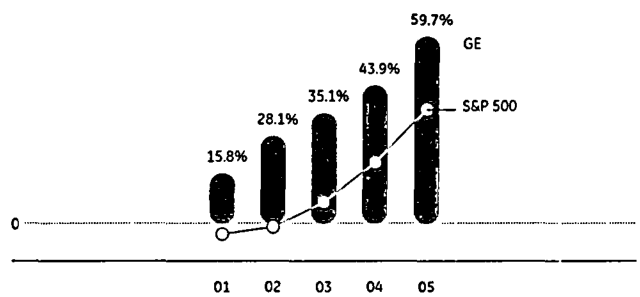
- On November 18, 2005, we announced that we had entered into an agreement with Swiss Reinsurance Company (Swiss Re) to sell the property and casualty insurance and reinsurance businesses and the European life and health operations of GE Insurance Solutions. The transaction is expected to close in the second quarter of 2006, subject to regulatory approvals and customary closing conditions.
- In May 2004, we completed the initial public offering of Genworth Financial, Inc. (Genworth), our formerly wholly-owned subsidiary that conducted most of our consumer insurance business, including life and mortgage insurance operations. Throughout 2005, we continued to reduce our ownership in Genworth, currently at 18%. We intend to continue to dispose of our remaining shares in 2006, subject to market conditions.

We reported both the portions of GE Insurance Solutions described above and Genworth as discontinued operations for all periods presented. Unless otherwise indicated, we refer to captions such as revenues and earnings from continuing operations simply as "revenues" and "earnings" throughout this Management's Discussion and Analysis. Similarly, discussion of other matters in our consolidated financial statements relates to continuing operations unless otherwise indicated.

WE DECLARED $9.6 BILLION IN DIVIDENDS IN 2005. Per-share dividends of $0.91 were up 11% from 2004, following a 6% increase from the preceding year. In December 2005, our Board of Directors raised our quarterly dividend 14% to $0.25 per share. We have rewarded our shareowners with over 100 consecutive years of dividends, with 30 consecutive years of dividend growth, and our dividend growth for the past five years has significantly outpaced that of companies in the Standard & Poor's (S&P) 500 stock index.

Except as otherwise noted, the analysis in the remainder of this section presents the results of GE (with GECS included on a one-line basis) and GECS. See the Segment Operations section for a more detailed discussion of the businesses within GE and GECS.

GE/S&P CUMULATIVE DIVIDEND GROWTH 2001-2005



GE SALES OF PRODUCT SERVICES were $27.4 billion in 2005, a 9% increase over 2004. Increases in product services in 2005 and 2004 were widespread, led by continued strong growth at Infrastructure and Healthcare. Operating profit from product services was approximately $7.0 billion in 2005, up 14% from 2004, reflecting ongoing improvements at Infrastructure and Healthcare.

POSTRETIREMENT BENEFIT PLANS reduced pre-tax earnings by $1.7 billion, $1.2 billion and $0.2 billion in 2005, 2004 and 2003, respectively. Costs of our principal pension plans increased over the last three years primarily because of the effects of:

- Prior years investment losses which reduced pre-tax earnings by $0.5 billion, $0.6 billion and $0.4 billion in 2005, 2004 and 2003, respectively, and
- Lowering pension discount rates which reduced pre-tax earnings by $0.1 billion, $0.4 billion and $0.2 billion in 2005, 2004 and 2003, respectively.

Considering current and expected asset allocations, as well as historical and expected returns on various categories of assets in which our plans are invested, we have assumed that long-term returns on our principal pension plan assets would be 8.5% throughout this period and in 2006. U.S. generally accepted accounting principles provide for recognition of differences between assumed and actual returns over a period no longer than the average future service of employees.

We believe that our postretirement benefit costs will increase again in 2006 for a number of reasons, including further reduction in discount rates at December 31, 2005, and continued recognition of prior years investment losses relating to our principal pension plans.

Our principal pension plans had a surplus of $5.8 billion at December 31, 2005. We will not make any contributions to the GE Pension Plan in 2006. To the best of our ability to forecast the next five years, we do not anticipate making contributions to that plan so long as expected investment returns are achieved. At December 31, 2005, the fair value of assets for our other pension plans was $2.9 billion less than their respective projected benefit obligations. We expect to contribute $0.4 billion to these plans in 2006, the same amount that was contributed in 2005 and 2004, respectively.

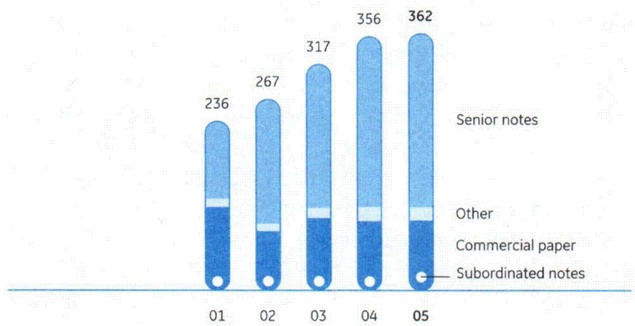
The funded status of our postretirement benefit plans and future effects on operating results depend on economic conditions and investment performance. See notes 6 and 7 for additional information about funded status, components of earnings effects and actuarial assumptions. See the Critical Accounting Estimates section for discussion of pension assumptions.

GE OTHER COSTS AND EXPENSES are selling, general and administrative expenses, which increased 11% to $13.3 billion in 2005, following a 22% increase in 2004, substantially the result of acquisitions in both years.

GE OPERATING PROFIT is earnings from continuing operations before interest and other financial charges, income taxes and the effects of accounting changes. GE operating profit was $13.3 billion in 2005, up from $11.4 billion in 2004 and $11.6 billion in 2003 (14.4%, 13.7% and 16.4% of GE total revenues in 2005, 2004 and 2003, respectively). The increase in 2005 operating profit reflected higher productivity (principally Healthcare and Infrastructure), volume (Infrastructure and NBC Universal) and prices (Industrial), partially offset by higher other costs across all segments. The decrease in 2004 reflected the combination of higher material and other costs (Industrial and NBC Universal), higher pension costs, lower prices (Infrastructure and Healthcare) and lower productivity (Infrastructure and NBC Universal), partially offset by increased volume (NBC Universal and Healthcare, reflecting 2004 combination/acquisition activity).

INTEREST ON BORROWINGS AND OTHER FINANCIAL CHARGES amounted to $15.2 billion, $11.7 billion and $10.5 billion in 2005, 2004 and 2003, respectively. Substantially all of our borrowings are through GECS, where interest expense was $14.3 billion, $11.1 billion and $9.9 billion in 2005, 2004 and 2003, respectively. Changes over the three-year period reflected increased average borrowings and increased interest rates. GECS average borrowings were $346.1 billion, $319.2 billion and $305.0 billion in 2005, 2004 and 2003, respectively. GECS average composite effective interest rate was 4.2% in 2005, compared with 3.5% in 2004 and 3.2% in 2003. Proceeds of these borrowings were used in part to finance asset growth and acquisitions. In 2005, GECS average assets of $487.0 billion were 10% higher than in 2004, which in turn were 15% higher than in 2003. See the Financial Resources and Liquidity section for a discussion of interest rate risk management.

GECS BORROWINGS (In $ billions)



INCOME TAXES are a significant cost. As a global commercial enterprise, our tax rates are affected by many factors, including our global mix of earnings, legislation, acquisitions, dispositions and tax characteristics of our income. Our tax returns are routinely audited and settlements of issues raised in these audits sometimes affect our tax provisions.

Income taxes on consolidated earnings from continuing operations before accounting changes were 17.4% in 2005, compared with 17.6% in 2004 and 21.8% in 2003. Our consolidated income tax rate was essentially unchanged in 2005 from 2004 because the 2005 tax benefits from a reorganization of our aircraft leasing business and from the growth in lower-taxed global operations were about the same as the 2004 tax benefits from favorable U.S. Internal Revenue Service (IRS) settlements, the NBC Universal combination, the 2004 reorganization of our aircraft leasing business and a lower tax rate on the sale of a portion of Gecis, our business process outsourcing operation (now Genpact). Our consolidated income tax rate decreased by 4.2 percentage points in 2004 as the benefits listed above for 2004 were greater than the tax benefits from certain business dispositions in 2003. A more detailed analysis of differences between the U.S. federal statutory rate and the consolidated rate, as well as other information about our income tax provisions, is provided in note 8. The nature of business activities and associated income taxes differ for GE and for GECS and a separate analysis of each is presented in the paragraphs that follow.

Because GE tax expense does not include taxes on GECS earnings, the GE effective tax rate is best analyzed in relation to GE earnings excluding GECS. GE pre-tax earnings from continuing operations before accounting changes excluding GECS earnings from continuing operations before accounting changes were $11.9 billion, $10.4 billion and $10.7 billion for 2005, 2004 and 2003, respectively. On this basis, GE's effective tax rate was 23.1% in 2005, 19.0% in 2004 and 26.7% in 2003. The increase in the 2005 rate over the 2004 rate was primarily attributable to the lack of current-year counterparts to the 2004 settlements with the IRS and 2004 tax benefits associated with the NBC Universal combination, both discussed below, that together reduced the 2004 rate by 7.2 percentage points. Partially offsetting this increase were the favorable impact of a number of audit

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resolutions with taxing authorities and our 2005 repatriation of earnings at the reduced U.S. tax rate provided in 2004 legislation (together representing a 3.2 percentage point reduction of the GE tax rate). These 2005 tax benefits are reflected in note 8 in the lines "All other—net" (1.6 percentage points) and "Tax on global activities including exports" (1.6 percentage points).

The 2004 rate reduction was primarily a result of two items that decreased the 2004 GE tax rate by 7.2 percentage points—settling several issues with the IRS for the years 1985 through 1999 and tax benefits associated with the NBC Universal combination. As part of the IRS settlements, we closed two significant issues: the 1997 tax-free exchange of the Lockheed Martin convertible preferred stock we received on the disposition of our Aerospace business in 1993, and a 1998 tax loss on the sale of a Puerto Rican subsidiary. The tax portion of these settlements is included in the line "IRS settlements of Lockheed Martin tax-free exchange/Puerto Rico subsidiary loss" in note 8. The tax benefits associated with the NBC Universal combination are included in the line "All other—net" in note 8. The 2004 GE effective tax rate also reflects lower pre-tax income primarily from lower earnings in the Energy business and higher costs related to our principal pension plans. Partially offsetting these changes was the nonrecurrence of certain 2003 tax benefits.

GECS effective tax rate decreased to 10.8% in 2005 from 16.2% in 2004 and 14.3% in 2003. The 2005 GECS rate reflects the net benefits, discussed below, of a reorganization of our aircraft leasing business; and an increase in lower-taxed earnings from global operations. Together, these items more than account for the 6.9 percentage point decrease in rate from 2004 reflected in the line "Tax on global activities including exports" in note 8. Partially offsetting these benefits was the nonrecurrence of the benefits from 2004 favorable settlements with the IRS and the low-taxed disposition of a majority interest in Genpact. The lack of counterparts to these items increased the 2005 GECS tax rate by 2.2 percentage points.

The increase in the GECS effective tax rate from 2003 to 2004 also reflected the net benefits, discussed below, of a reorganization of our aircraft leasing business, which decreased the 2004 effective tax rate 1.7 percentage points and is included in the line "Tax on global activities including exports" in note 8; tax benefits from favorable IRS settlements, which decreased the 2004 effective tax rate 1.3 percentage points and is included in the line "All other—net" in note 8; and the low-taxed disposition of a majority interest in Genpact which decreased the 2004 effective tax rate 0.9 percentage points, and is included in the line "Tax on global activities including exports" in note 8. Offsetting these benefits were the effects of higher pre-tax income and the nonrecurrence of a 2003 tax benefit on the disposition of shares of ERC Life Reinsurance Corporation.

As a result of the repeal of the extraterritorial income (ETI) taxing regime as part of the American Jobs Creation Act of 2004 (the Act), our aircraft leasing business no longer qualifies for a reduced U.S. tax rate. However, the Act also extended to aircraft leasing, the U.S. tax deferral benefits that were already available to other GE non-U.S. active operations. These legislative changes, coupled with a reorganization of our aircraft leasing business and a favorable Irish tax ruling, decreased the GECS effective tax rate 3.0 percentage points in 2005 and 1.7 percentage points in 2004.

Global Risk Management

A disciplined approach to risk is important in a diversified organization such as ours in order to ensure that we are executing according to our strategic objectives and that we only accept risk for which we are adequately compensated. It is necessary for us to manage risk at the individual transaction level, and to consider aggregate risk at the customer, industry, geography and collateral-type levels, where appropriate.

The GE Board of Directors oversees the risk management process through clearly established delegation of authority. Board and committee meeting agendas are jointly developed with management to cover risk topics presented to our Corporate Risk Committee, including environmental, compliance, liquidity, credit, market and event risks.

The GECS Board of Directors oversees the risk management process for financial services, and approves directly or by delegation all significant acquisitions and dispositions as well as borrowings and investments. All participants in the risk management process must comply with approval limits established by the Board.

The GECS Chief Risk Officer is responsible, through the Corporate Risk Function, for establishing standards for the measurement, reporting and limiting of risk; for managing and evaluating risk managers; for approving risk management policies; and for reviewing major risk exposures and concentrations across the organization. The GECS Corporate Risk Function analyzes certain business risks and assesses them in relation to aggregate risk appetite and approval limits set by the GECS Board of Directors.

Threshold responsibility for identifying, quantifying and mitigating risks is assigned to our individual businesses. Because the risks and their interdependencies are complex, we apply a Six Sigma-based analytical approach to each major product line that monitors performance against external benchmarks, proactively manages changing circumstances, provides early warning detection of risk and facilitates communication to all levels of authority. Other corporate functions such as Financial Planning and Analysis, Treasury, Legal and our Corporate Audit Staff support business-level risk management. Businesses that, for example, hedge financial risk with derivative financial instruments must do so using our centrally-managed Treasury function, providing assurance that the business strategy complies with our corporate policies and achieves economies of scale. We review risks periodically with business-level risk managers, senior management and our Board of Directors.

GECS employs about 11,000 dedicated risk professionals, including 6,600 involved in collection activities and 400 specialized asset managers who evaluate leased asset residuals and remarket off-lease equipment.

GE and GECS manage a variety of risks including liquidity, credit, market and event risks.

- Liquidity risk is the risk of being unable to accommodate liability maturities, fund asset growth and meet contractual obligations through access to funding at reasonable market rates. Additional information about our liquidity and how we manage this risk can be found in the Financial Resources and Liquidity section and in notes 18 and 27.
- Credit risk is the risk of financial loss arising from a customer or counterparty failure to meet its contractual obligations. We face credit risk in our lending and leasing activities (see the Financial Resources and Liquidity and Critical Accounting Estimates sections and notes 1, 13, 14 and 29) and derivative financial instruments activities (see note 27).
- Market risk is the potential loss in value of investment and other asset and liability portfolios, including financial instruments, caused by changes in market variables, such as interest and currency exchange rates and equity and commodity prices. We are exposed to market risk in the normal course of our business operations as a result of our ongoing investing and funding activities. We attempt to mitigate the risks to our various portfolios arising from changes in interest and currency exchange rates in a variety of ways that often include offsetting positions in local currencies or selective use of derivatives. Additional information about how we mitigate the risks to our various portfolios from changes in interest and currency exchange rates can be found in the Financial Resources and Liquidity section and in note 27.
- Event risk is that body of risk beyond liquidity, credit and market risk. Event risk includes the possibility of adverse occurrences both within and beyond our control. Examples of event risk include natural disasters, availability of necessary materials, guarantees of product performance and business interruption. This type of risk is often insurable, and success in managing this risk is ultimately determined by the balance between the level of risk retained or assumed and the cost of transferring the risk to others. The decision as to the appropriate level of event risk to retain or cede is evaluated in the framework of business decisions. Additional information about certain event risk can be found in note 29.

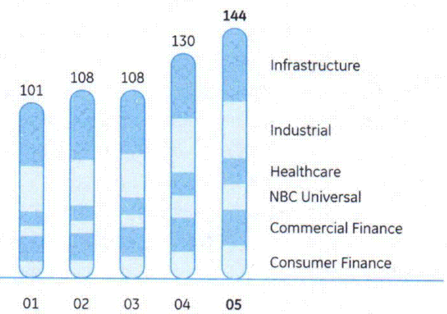
Segment Operations

Operating segments comprise our six businesses focused on the broad markets they serve: Infrastructure, Industrial, Healthcare, NBC Universal, Commercial Finance and Consumer Finance. For segment reporting purposes, certain GECS businesses are included in the industrial operating segments that actively manage such businesses and report their results for internal performance measurement purposes. These include Aviation Financial Services, Energy Financial Services and Transportation Finance reported in the Infrastructure segment, and Equipment Services reported in the Industrial segment.

In the fourth quarter of 2005, we commenced reporting businesses affected by our insurance exit as discontinued operations for all periods presented. These businesses were previously reported in the Commercial Finance segment. Also, during the fourth quarter of 2005, our insurance activities, previously reported in the Commercial Finance segment, were transferred to Corporate items and eliminations for all periods presented.

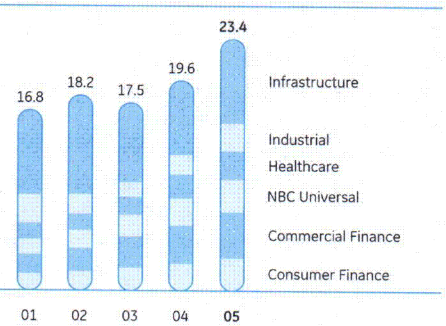
Segment profit is determined based on internal performance measures used by the Chief Executive Officer to assess the performance of each business in a given period. In connection with that assessment, the Chief Executive Officer may exclude matters such as charges for restructuring; rationalization and other similar expenses; in-process research and development and certain other acquisition-related charges and balances; technology development costs; certain gains and losses from dispositions; and litigation settlements or other charges, responsibility for which preceded the current management team.

SEGMENT REVENUES (In $ billions)



Segment profit always excludes the effects of principal pension plans and results reported as discontinued operations and accounting changes. Segment profit excludes or includes interest and other financial charges and income taxes according to how a particular segment's management is measured — excluded in determining segment profit, which we refer to as "operating profit," for Healthcare, NBC Universal and the industrial businesses of the Industrial and Infrastructure segments; included in determining segment profit, which we refer to as "net earnings," for Commercial Finance, Consumer Finance, and the financial services businesses of the Industrial segment (Equipment Services) and the Infrastructure segment (Aviation Financial Services, Energy Financial Services and Transportation Finance).

SEGMENT PROFIT (In $ billions)



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Summary of Operating Segments

	General Electric Company and consolidated affiliates				
(In millions)	2005	2004	2003	2002	2001
REVENUES					
Infrastructure	$ 41,803	$ 37,373	$ 36,569	$ 40,119	$ 36,419
Industrial	32,631	30,722	24,988	26,154	26,101
Healthcare	15,153	13,456	10,198	8,955	8,409
NBC Universal	14,689	12,886	6,871	7,149	5,769
Commercial Finance	20,646	19,524	16,927	15,688	14,610
Consumer Finance	19,416	15,734	12,845	10,266	9,508
Total segment revenues	144,338	129,695	108,398	108,331	100,816
Corporate items and eliminations	5,364	4,786	4,488	5,525	6,742
CONSOLIDATED REVENUES	$149,702	$134,481	$112,886	$113,856	$107,558
SEGMENT PROFIT					
Infrastructure	$ 7,769	$ 6,797	$ 7,362	$ 9,178	$ 7,869
Industrial	2,559	1,833	1,385	1,837	2,642
Healthcare	2,665	2,286	1,701	1,546	1,498
NBC Universal	3,092	2,558	1,998	1,658	1,408
Commercial Finance	4,290	3,570	2,907	2,170	1,784
Consumer Finance	3,050	2,520	2,161	1,799	1,602
Total segment profit	23,425	19,564	17,514	18,188	16,803
Corporate items and eliminations	(968)	(327)	50	2,016	1,155
GE interest and other financial charges	(1,432)	(979)	(941)	(569)	(817)
GE provision for income taxes	(2,750)	(1,973)	(2,857)	(3,837)	(4,193)
Earnings from continuing operations before accounting changes	18,275	16,285	13,766	15,798	12,948
Earnings (loss) from discontinued operations, net of taxes	(1,922)	534	2,057	(616)	1,130
Earnings before accounting changes	16,353	16,819	15,823	15,182	14,078
Cumulative effect of accounting changes	—	—	(587)	(1,015)	(287)
CONSOLIDATED NET EARNINGS	$ 16,353	$ 16,819	$ 15,236	$ 14,167	$ 13,791

The notes to consolidated financial statements are an integral part of this summary.

In addition to providing information on segments in their entirety, we have also provided supplemental information for certain businesses within the segments.

For additional information about our segments, see note 26.

INFRASTRUCTURE

(In millions)	2005	2004	2003
REVENUES	$41,803	$37,373	$36,569
SEGMENT PROFIT	$ 7,769	$ 6,797	$ 7,362

(In millions)	2005	2004	2003
REVENUES			
Aviation	$11,904	$11,094	$ 9,808
Aviation Financial Services	3,504	3,159	2,881
Energy	16,525	14,586	16,611
Energy Financial Services	1,349	972	805
Oil & Gas	3,598	3,135	2,842
Transportation	3,577	3,007	2,543
SEGMENT PROFIT			
Aviation	$ 2,573	$ 2,238	$ 1,809
Aviation Financial Services	764	520	506
Energy	2,665	2,543	3,875
Energy Financial Services	646	376	280
Oil & Gas	411	331	264
Transportation	524	516	450

Infrastructure revenues rose 12%, or $4.4 billion, in 2005 as higher volume ($4.3 billion) was partially offset by lower prices ($0.6 billion) at the industrial businesses in the segment. The increase in volume was primarily at Energy, Aviation and Transportation. The decrease in prices was primarily at Energy, and was partially offset by increased prices at Transportation and Aviation. Revenues also increased as a result of organic revenue growth at Energy Financial Services ($0.4 billion) and Aviation Financial Services ($0.3 billion).

Segment profit rose 14% to $7.8 billion, compared with $6.8 billion in 2004, as higher volume ($1.0 billion) and productivity ($0.2 billion including customer settlements and contract terminations) more than offset lower prices ($0.6 billion) and the effects of higher material and other costs ($0.3 billion) at the industrial businesses in the segment. The increase in volume primarily related to Energy, Aviation and Transportation. Segment profit also increased as a result of increased net earnings at the financial services businesses. This increase reflected core growth at Energy Financial Services ($0.3 billion) and core growth at Aviation Financial Services ($0.2 billion), including growth in lower-taxed earnings from global operations related to a reorganization of our aircraft leasing operations.

Infrastructure revenues increased 2%, or $0.8 billion, in 2004 as the weaker U.S. dollar ($0.5 billion), primarily at Energy, and higher volume ($0.4 billion) were partially offset by lower prices ($0.6 billion) at the industrial businesses of the segment, primarily at Energy. The increase in volume was the net result of increased sales in commercial services and military engines at Aviation and locomotives at Transportation, partially offset by lower sales at Energy. Energy sold 122 large heavy-duty gas turbines in 2004, compared with 175 in 2003. Financial services activity, primarily at Aviation Financial Services and Energy Financial Services, increased revenues primarily from organic revenue growth ($0.4 billion) and acquisitions ($0.1 billion).

Segment profit fell 8%, or $0.6 billion, in 2004 as lower material costs ($0.3 billion), primarily at Energy, and higher volume ($0.1 billion) were more than offset by lower prices ($0.6 billion) and lower productivity ($0.6 billion) at the industrial businesses of the segment. The lower productivity was the net effect of lower productivity at Energy, primarily from the anticipated decline in higher margin gas turbine sales and a decrease in customer contract termination fees, partially offset by higher productivity at Aviation. Segment profit from the financial services businesses, primarily Energy Financial Services, increased $0.1 billion as a result of core growth.

Infrastructure orders were $38.4 billion in 2005, up from $34.0 billion in 2004. The $29.2 billion total backlog at year-end 2005 comprised unfilled product orders of $18.8 billion (of which 65% was scheduled for delivery in 2006) and product service orders of $10.4 billion scheduled for 2006 delivery. Comparable December 31, 2004, total backlog was $27.8 billion, of which $18.2 billion was for unfilled product orders and $9.6 billion for product services orders.

INDUSTRIAL

(In millions)	2005	2004	2003
REVENUES	$32,631	$30,722	$24,988
SEGMENT PROFIT	$ 2,559	$ 1,833	$ 1,385

(In millions)	2005	2004	2003
REVENUES			
Consumer & Industrial	$14,092	$13,767	$12,843
Equipment Services	6,627	6,571	3,357
Plastics	6,606	6,066	5,501
SEGMENT PROFIT			
Consumer & Industrial	$ 871	$ 716	$ 577
Equipment Services	197	82	(76)
Plastics	867	566	503

Industrial revenues rose 6%, or $1.9 billion, in 2005 on higher prices ($1.5 billion), higher volume ($0.2 billion) and the weaker U.S. dollar ($0.2 billion) at the industrial businesses in the segment. We realized price increases primarily at Plastics and Consumer & Industrial. Volume increases related primarily to the acquisitions of Edwards Systems Technology and InVision Technologies, Inc. by our Security business, but were partially offset by lower volume at Plastics. Revenues at Equipment Services also increased as a result of organic revenue growth ($0.4 billion) and acquisitions ($0.1 billion), partially offset by the effects of the 2004 disposition of IT Solutions ($0.4 billion). Segment profit rose 35%, or $0.6 billion, at the industrial businesses in the segment in 2005 as price increases ($1.5 billion) and higher volume ($0.1 billion) more than offset higher material and other costs ($0.8 billion), primarily from commodities such as benzene and natural gas at Plastics, and lower productivity ($0.2 billion). Segment profit at Equipment Services also increased as a result of improved operating performance, reflecting core growth ($0.1 billion).

Industrial revenues rose 23%, or $5.7 billion, in 2004 on higher volume ($2.0 billion), primarily at Consumer & Industrial and Plastics, the weaker U.S. dollar ($0.5 billion) and higher prices ($0.1 billion) at the industrial businesses in the segment. Higher prices at Plastics, as demand for plastic resins increased, were partially offset by lower prices at Consumer & Industrial. On January 1, 2004, we consolidated Penske Truck Leasing Co., L.P. (Penske), previously accounted for using the equity method. As a result, consolidated operating lease rentals and other income increased by $2.6 billion and $0.6 billion, respectively, from 2003 levels. Segment profit rose 32%, or $0.4 billion in 2004, as productivity ($0.8 billion), primarily at Consumer & Industrial and Plastics, higher volume ($0.1 billion) and higher prices ($0.1 billion) more than offset higher material and other costs ($0.8 billion), primarily from commodities such as benzene and natural gas at Plastics. Segment profit at Equipment Services also rose on improved operating performance ($0.2 billion). See Corporate Items and Eliminations for a discussion of items not allocated to this segment.

HEALTHCARE revenues increased 13% to $15.2 billion in 2005 as higher volume ($2.1 billion), including $0.8 billion from the Amersham acquisition in the second quarter of 2004, and the weaker U.S. dollar ($0.1 billion) more than offset lower prices ($0.4 billion). Operating profit of $2.7 billion was 17% higher than in 2004 as productivity ($0.5 billion) and higher volume ($0.4 billion) more than offset lower prices ($0.4 billion) and higher labor and other costs ($0.1 billion).

Healthcare revenues increased 32% to $13.5 billion in 2004 as higher volume ($3.3 billion), primarily from acquisitions including Amersham ($2.2 billion) and Instrumentarium ($1.0 billion), and the weaker U.S. dollar ($0.4 billion) more than offset lower prices ($0.4 billion). Operating profit of $2.3 billion in 2004 was 34% higher than in 2003 as the effects of higher volume ($0.5 billion) and productivity ($0.5 billion) more than offset the effects of lower prices ($0.4 billion). See Corporate Items and Eliminations for a discussion of items not allocated to this segment.

Orders received by Healthcare in 2005 were $15.6 billion, compared with $13.7 billion in 2004. The $5.4 billion total backlog at year-end 2005 comprised unfilled product orders of $3.5 billion (of which 90% was scheduled for delivery in 2006) and product services orders of $1.9 billion scheduled for 2006 delivery. Comparable December 31, 2004, total backlog was $4.7 billion, of which $2.8 billion was for unfilled product orders and $1.9 billion for product services orders.

NBC UNIVERSAL revenues rose 14%, or $1.8 billion, to $14.7 billion in 2005, reflecting a number of factors, the largest of which was the full-year contribution from the May 2004 combination of NBC with VUE. The full-year ownership of VUE was reflected in higher film revenues ($1.6 billion), growth of our entertainment cable business ($0.6 billion), and higher revenues from television production operations ($0.3 billion) and theme parks operations ($0.1 billion). Also contributing to the increase in 2005 revenues was $0.6 billion, partially from settling obligations related to preferred interests previously issued by VUE and partially from settling certain contracts as part of our MSNBC restructuring. Partial offsets arose from the lack of a current-year counterpart to the 2004 Olympic Games broadcasts ($0.9 billion), effects of lower ratings on network and station ad sales ($0.4 billion) and an investment impairment ($0.1 billion). Segment profit rose 21%, or $0.5 billion, in 2005 as the full-year ownership of VUE contributed $0.6 billion to higher earnings, including improvements in the film ($0.3 billion), entertainment cable ($0.3 billion) and television production ($0.2 billion) businesses. Effects of the preferred interests and restructuring transactions ($0.6 billion) were more than offset by the effects of lower earnings from network and station operations ($0.6 billion) and the investment impairment loss ($0.1 billion).

Revenues were up sharply in 2004, to $12.9 billion, and segment profit was up 28% to $2.6 billion. Operations were significantly affected by the May combination of NBC and VUE, which increased revenues by $4.7 billion and, net of effects of the 20% minority interest, operating profit by $0.6 billion. Other significant 2004 factors affecting results were the Olympic Games broadcasts ($0.9 billion higher revenues), price increases ($0.2 billion of revenues and operating profit), volume ($0.3 billion of revenues and $0.1 billion of operating profit) and $0.3 billion higher NBC Universal operating costs.

COMMERCIAL FINANCE

(In millions)	2005	2004	2003
REVENUES	$20,646	$19,524	$16,927
SEGMENT PROFIT	$ 4,290	$ 3,570	$ 2,907

December 31 (In millions)	2005	2004
TOTAL ASSETS	$190,546	$184,388

(In millions)	2005	2004	2003
REVENUES			
Capital Solutions	$11,476	$11,503	$ 9,893
Real Estate	3,492	3,084	2,956
SEGMENT PROFIT			
Capital Solutions	$ 1,515	$ 1,325	$ 1,184
Real Estate	1,282	1,124	947

December 31 (In millions)	2005	2004
ASSETS		
Capital Solutions	$87,306	$80,514
Real Estate	35,323	39,515

Commercial Finance revenues and net earnings increased 6% and 20%, respectively, compared with 2004. Revenues during 2005 and 2004 included $1.0 billion and $0.3 billion from acquisitions, respectively, and in 2005 were reduced by $0.7 billion as a result of dispositions. Revenues during 2005 also increased $1.1 billion as a result of organic revenue growth ($0.8 billion) and the weaker U.S. dollar ($0.3 billion). The increase in net earnings resulted primarily from core growth ($0.6 billion), including growth in lower-taxed earnings from global operations, acquisitions ($0.2 billion) and the weaker U.S. dollar ($0.1 billion), partially offset by lower securitizations ($0.1 billion).

Commercial Finance revenues and net earnings increased 15% and 23%, respectively, compared with 2003. The increase in revenues resulted primarily from acquisitions ($2.2 billion) and the weaker U.S. dollar ($0.6 billion), partially offset by lower securitizations ($0.2 billion). The increase in net earnings resulted primarily from acquisitions ($0.4 billion), core growth ($0.3 billion) and the weaker U.S. dollar ($0.1 billion), partially offset by lower securitizations ($0.1 billion).

CONSUMER FINANCE

(In millions)	2005	2004	2003
REVENUES	$19,416	$15,734	$12,845
SEGMENT PROFIT	$ 3,050	$ 2,520	$ 2,161

December 31 (In millions)	2005	2004
TOTAL ASSETS	$158,829	$151,255

Consumer Finance revenues and net earnings increased 23% and 21%, respectively, compared with 2004. Revenues for 2005 included $1.9 billion from acquisitions. Revenues during 2005 also increased $1.8 billion as a result of organic revenue growth ($1.5 billion) and the weaker U.S. dollar ($0.3 billion). The increase in net earnings resulted primarily from core growth ($0.6 billion), including growth in lower-taxed earnings from global operations, and acquisitions ($0.1 billion), partially offset by increased costs to launch new products and promote brand awareness ($0.2 billion).

Consumer Finance revenues and net earnings increased 22% and 17%, respectively, from 2003. The increase in revenues resulted primarily from organic revenue growth ($1.0 billion), acquisitions ($1.0 billion) and the weaker U.S. dollar ($0.8 billion). Organic revenue growth was achieved despite the absence of a 2004 counterpart to the 2003 gain on sale of The Home Depot private-label credit card receivables ($0.9 billion). The increase in net earnings resulted from core growth ($0.6 billion), including growth in lower-taxed earnings from global operations, acquisitions ($0.1 billion), and the weaker U.S. dollar ($0.1 billion), partially offset by the effects of The Home Depot private-label credit card receivables ($0.4 billion) and increased costs to launch new products and promote brand awareness in 2004 ($0.1 billion).

CORPORATE ITEMS AND ELIMINATIONS

(In millions)	2005	2004	2003
REVENUES			
Insurance activities	$ 6,469	$4,711	$4,466
Eliminations and other	(1,105)	75	22
Total	$ 5,364	$4,786	$4,488
OPERATING PROFIT (COST)			
Insurance activities	$ 131	$ 30	$ 21
Principal pension plans	(329)	124	1,040
Underabsorbed corporate overhead	(464)	(498)	(630)
Other	(306)	17	(381)
Total	$ (968)	$ (327)	$ 50

Corporate Items and Eliminations include the effects of eliminating transactions between operating segments; results of our insurance activities remaining in continuing operations; cost of, and cost reductions from, our principal pension plans; results of liquidating businesses such as consolidated, liquidating securitization entities; underabsorbed corporate overhead; certain non-allocated amounts described below; and a variety of sundry items. Corporate Items and Eliminations is not an operating segment. Rather, it is added to operating segment totals to reconcile to consolidated totals on the financial statements.

Certain amounts included in the line "Other" above are not allocated to GE operating segments because they are excluded from the measurement of their operating performance for internal purposes. In 2004, these comprised $0.4 billion of Healthcare charges, principally related to the write-off of in-process research and development projects and other transitional costs associated with Amersham; and a $0.1 billion charge at Industrial as the gain on sale of the motors business was more than offset by costs for inventory obsolescence and other charges. In 2003, amounts not allocated to GE operating segments included charges of $0.2 billion for settlement of litigation, restructuring and other charges at Healthcare; and $0.1 billion for restructuring and other charges at Industrial.

Changes in Other operating profit (cost) also reflect gains of $0.1 billion and $0.3 billion from partial sales of an interest in Genpact, in 2005 and 2004, respectively.

DISCONTINUED INSURANCE OPERATIONS

(In millions)	2005	2004	2003
Earnings (loss) from discontinued operations, net of taxes	$(1,922)	$534	$2,057

Discontinued operations comprise the property and casualty insurance and reinsurance businesses and the European life and health operations of GE Insurance Solutions and most of its affiliates, that we agreed to sell in the fourth quarter of 2005; and Genworth, our formerly wholly-owned subsidiary that conducted most of our consumer insurance business, including life and mortgage insurance operations. Results of these businesses are reported as discontinued operations for all periods presented.

Loss from discontinued operations in 2005 reflected losses from the portions of GE Insurance Solutions described above ($2.8 billion), partially offset by Genworth earnings ($0.9 billion). GE Insurance Solutions results will be included in our 2006 discontinued operations to the date of closing, which is expected to be in the second quarter. Dividends we receive from Genworth and any gains or losses on sales of our remaining 18% position in Genworth common stock will also be reported in discontinued operations.

Earnings from discontinued operations in 2004 reflected earnings of Genworth ($0.4 billion), including our share of 2004 earnings from operations ($0.8 billion), partially offset by the loss on the Genworth initial public offering in May 2004 ($0.3 billion), and GE Insurance Solutions ($0.1 billion), primarily 2004 operations.

For additional information related to discontinued operations see note 2.

Global Operations

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

Estimated results of global activities include the results of our operations located outside the United States plus all U.S. exports. We classify certain GECS operations that cannot meaningfully be associated with specific geographic areas as "Other Global" for this purpose.

GLOBAL REVENUES BY REGION

(In millions)	2005	2004	2003
Europe	$36,900	$32,400	$24,400
Pacific Basin	16,000	13,000	13,000
Americas	7,500	7,000	5,600
Other Global	6,100	5,700	4,600
	66,500	58,100	47,600
Exports from the U.S. to external customers	11,400	8,800	6,700
Total [a]	$77,900	$66,900	$54,300

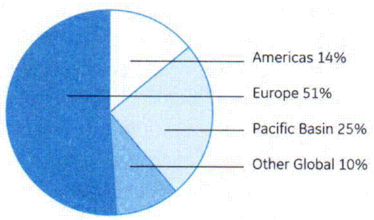
(a) Included $6.6 billion, $5.8 billion and $4.7 billion of intercompany revenues in 2005, 2004 and 2003, respectively.

Global revenues rose 16% to $77.9 billion in 2005 compared with $66.9 billion and $54.3 billion in 2004 and 2003, respectively. Global revenues to external customers as a percentage of consolidated revenues were 48% in 2005, compared with 45% and 44% in 2004 and 2003, respectively. The effects of the weaker U.S. dollar on reported results were to increase revenues by

$0.9 billion, $4.1 billion and $3.1 billion in 2005, 2004 and 2003, respectively; and to increase earnings by $0.1 billion, $0.1 billion and $0.2 billion in 2005, 2004 and 2003, respectively.

GE global revenues were $48.2 billion in 2005, up 15% over 2004, led by increases at Infrastructure and NBC Universal, mainly in Europe and the Pacific Basin. Exports from the U.S. were up 30%, led by Infrastructure, again showing strength in Europe and the Pacific Basin. GE global revenues in 2004 were $41.7 billion, up 27% over 2003, led by Healthcare, including the effects of the Amersham acquisition, and NBC Universal, reflecting the combination of NBC and VUE. U.S. exports grew 31% in 2004 on strong growth at Infrastructure.

2005 GLOBAL REVENUES BY REGION



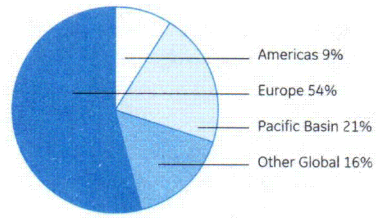
GECS global revenues were $29.7 billion, $25.2 billion and $21.3 billion in 2005, 2004 and 2003, respectively. GECS revenues in the Pacific Basin increased 28% in 2005, primarily as a result of the acquisition of AFIG at Consumer Finance and organic revenue growth at Consumer Finance and Commercial Finance. GECS revenues increased 25% in Europe primarily as a result of higher investment income (largely offset by policyholder dividends) at our insurance activities, and organic revenue growth and acquisitions at Consumer Finance and Commercial Finance. Revenues in Other Global decreased 4% primarily as a result of the absence of a current-year counterpart to the 2004 gain on the sale of a majority interest in Genpact, partially offset by organic revenue growth at the financial services businesses in Infrastructure.

Global operating profit was $12.7 billion in 2005, an increase of 20% over 2004, which was 35% higher than in 2003. GE global operating profit in 2005 rose 30% reflecting solid growth in Europe and Other Global, mainly at Infrastructure.

Total assets of global operations on a continuing basis were $299.4 billion in 2005, an increase of $2.8 billion, or 1%, over 2004. GECS global assets on a continuing basis of $261.9 billion at the end of 2005 were 1% higher than at the end of 2004, reflecting acquisitions and core growth, almost fully offset by the recently strengthening U.S. dollar.

Financial results of our global activities reported in U.S. dollars are affected by currency exchange. We use a number of techniques to manage the effects of currency exchange, including selective borrowings in local currencies and selective hedging of significant cross-currency transactions. Such principal currencies are the pound sterling, the euro, the Japanese yen and the Canadian dollar.

2005 GLOBAL ASSETS BY REGION



Environmental Matters

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

We are involved in a sizable number of remediation actions to clean up hazardous wastes as required by federal and state laws. Such statutes require that responsible parties fund remediation actions regardless of fault, legality of original disposal or ownership of a disposal site. Expenditures for site remediation actions amounted to $0.1 billion in each of the last two years. We presently expect that such remediation actions will require average annual expenditures in the range of $0.2 billion to $0.3 billion over the next two years.

The U.S. Environmental Protection Agency (EPA) ruled in February 2002 that approximately 150,000 pounds of polychlorinated biphenyls (PCBs) must be dredged from a 40-mile stretch of the upper Hudson River in New York state. On October 6, 2005, GE and the EPA entered into and filed in the U.S. District Court for the Northern District of New York a consent decree that, subject to approval of that court, represents a comprehensive framework for implementation of the EPA's 2002 decision to dredge PCB-containing sediments in the upper Hudson River. The dredging will be performed in two phases with an intervening peer review of performance after phase 1. Under this consent decree, we have committed up to $0.1 billion to reimburse the EPA for its past and future project oversight costs and agreed to perform the first phase of dredging. We further committed that, subject to future agreement with the EPA about completion of dredging after completion of phase 1 and the peer review, we will be responsible for further costs, including costs of phase 2 dredging. Our Statement of Financial Position as of December 31, 2005 and 2004, included liabilities for the estimated costs of this remediation.

Financial Resources and Liquidity

This discussion of financial resources and liquidity addresses the Statement of Financial Position, the Statement of Changes in Shareowners' Equity, the Statement of Cash Flows, Contractual Obligations, Off-Balance Sheet Arrangements, and Debt Instruments, Guarantees and Covenants.

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

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Overview of Financial Position

Major changes in our financial position resulted from the following:

- In the fourth quarter of 2005, we announced the planned sale of most of GE Insurance Solutions and completed a Genworth secondary public offering, which reduced our ownership in Genworth from 27% to 18%. We have separately reported the assets and liabilities related to these discontinued operations for all periods presented.
- Our discontinued operations assets and liabilities decreased by $83.4 billion on September 27, 2005, when we reduced our ownership of Genworth to 27%, a level of investment that is reported as an associated company. As an associated company, our ongoing interest in Genworth operating results were presented on a one-line basis. This deconsolidation had a significant effect on our assets and liabilities of discontinued operations.
- During 2005, we completed the acquisitions of Edwards Systems Technology at Industrial and Ionics, Inc. at Infrastructure. GECS completed acquisitions of the Transportation Financial Services Group of CitiCapital, the Inventory Finance division of Bombardier Capital, Antares Capital Corp., a unit of Massachusetts Mutual Life Insurance Co., and ING's portion of Heller AG.
- The U.S. dollar was stronger at December 31, 2005, than it was at December 31, 2004, reducing the translated levels of our non-U.S. dollar assets and liabilities. However, on average, the U.S. dollar in 2005 has been weaker than during the comparable 2004 period, resulting in increases in reported levels of non-U.S. dollar operations as noted in the preceding Operations section.
- Minority interest in equity of consolidated affiliates decreased $4.5 billion during 2005 principally from settlement of the VUE preferred interests and our acquisition of the previously outstanding minority interest in VUE common stock (together $1.9 billion), and redemption of preferred stock at General Electric Capital Corporation (GE Capital) ($2.5 billion). See notes 16 and 22.

Statement of Financial Position

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

INVESTMENT SECURITIES comprise mainly available-for-sale investment-grade debt securities supporting obligations to annuitants and policyholders, and debt and equity securities designated as trading and associated with certain non-U.S. insurance contractholders who retain the related investment risks and rewards except in the event of our bankruptcy or liquidation. Investment securities were $53.1 billion at December 31, 2005, compared with $56.9 billion at December 31, 2004.

We regularly review investment securities for impairment based on both quantitative and qualitative criteria. Quantitative criteria include length of time and amount that each security is in an unrealized loss position and, for fixed maturities whether the issuer is in compliance with terms and covenants of the security. Qualitative criteria include the financial health of and specific prospects for the issuer, as well as our intent and ability to hold the security to maturity or until forecasted recovery. Our impairment reviews involve our finance, risk and asset management teams as well as the portfolio management and research capabilities of our internal and third-party asset managers. Our qualitative review attempts to identify those issuers with a greater than 50% chance of default in the following 12 months. These securities are characterized as "at-risk" of impairment. Of available-for-sale securities with unrealized losses at December 31, 2005, approximately $0.1 billion was at risk of being charged to earnings in the next 12 months; substantially all of this amount related to the automotive and commercial aviation industries.

Impairment losses for 2005 totaled $0.1 billion compared with $0.2 billion in 2004. We recognized impairments in both periods for issuers in a variety of industries; we do not believe that any of the impairments indicate likely future impairments in the remaining portfolio.

Gross unrealized gains and losses were $2.5 billion and $0.5 billion, respectively, at December 31, 2005, compared with $2.9 billion and $0.5 billion, respectively, at December 31, 2004, primarily reflecting a decrease in the estimated fair value of debt securities as interest rates increased. At December 31, 2005, available accounting gains could be as much as $0.7 billion, net of consequential adjustments to certain insurance assets that are amortized based on anticipated gross profits. The market values we used in determining unrealized gains and losses are those defined by relevant accounting standards and should not be viewed as a forecast of future gains or losses. See note 10.

We also hold collateralized investment securities issued by various airlines, including those operating in bankruptcy. Total amortized cost of these securities was $1.7 billion at December 31, 2005, and total fair value was $1.6 billion. Unrealized losses totaling $0.1 billion were associated with securities in an unrealized loss position for more than 12 months, an improvement from the comparable $0.3 billion a year earlier. All of these securities have remained current on all payment terms; we do not expect the borrowers to default. Current appraised market values of associated aircraft collateral exceeded both the market value and the amortized cost of our related securities at December 31, 2005, offering protection in the event of foreclosure. Therefore, we expect full recovery of our investment as well as our contractual returns.

WORKING CAPITAL, representing GE inventories and receivables from customers, less trade payables and progress collections, was $8.4 billion at December 31, 2005, up $0.1 billion from December 31, 2004, reflecting the effects of 2005 acquisitions.

We discuss current receivables and inventories, two important elements of working capital, in the following paragraphs.

CURRENT RECEIVABLES for GE amounted to $15.1 billion at the end of 2005 and $14.5 billion at the end of 2004, and included $10.3 billion due from customers at the end of 2005 compared with $10.2 billion at the end of 2004. Turnover of customer receivables from sales of goods and services was 9.0 in 2005, compared with 9.4 in 2004. Other current receivables are primarily amounts that did not originate from sales of GE goods or services, such as advances to suppliers in connection with large contracts. See note 11.

INVENTORIES for GE amounted to $10.3 billion at December 31, 2005, up $0.7 billion from the end of 2004. This increase reflected higher inventories at Aviation and the effects of 2005 acquisitions. GE inventory turnover was 8.3 in 2005 compared with 8.4 in 2004. See note 12.

FINANCING RECEIVABLES is our largest category of assets and represents one of our primary sources of revenues. The portfolio of financing receivables, before allowance for losses, was $292.2 billion at December 31, 2005, and $288.3 billion at December 31, 2004. The related allowance for losses at December 31, 2005, amounted to $4.6 billion, compared with $5.6 billion at December 31, 2004, representing our best estimate of probable losses inherent in the portfolio. The allowance for losses decreased $1.0 billion from 2004. The 2005 decrease reflected write-offs of previously reserved financing receivables ($0.8 billion), principally commercial aviation loans and leases in our Infrastructure segment, and the recently strengthening U.S. dollar ($0.2 billion). During 2005, changes in U.S. bankruptcy laws prompted certain customers to accelerate filing for bankruptcy protection. These changes had an inconsequential effect on our allowance and earnings. Balances at December 31, 2005 and 2004, included securitized, managed GE trade receivables of $3.9 billion and $3.5 billion, respectively. See notes 13 and 14.

A discussion of the quality of certain elements of the financing receivables portfolio follows. For purposes of that discussion, "delinquent" receivables are those that are 30 days or more past due; "nonearning" receivables are those that are 90 days or more past due (or for which collection has otherwise become doubtful); and "reduced-earning" receivables are commercial receivables whose terms have been restructured to a below-market yield.

Commercial Finance financing receivables, before allowance for losses, totaled $131.8 billion at December 31, 2005, compared with $124.5 billion at December 31, 2004, and consisted of loans and leases to the equipment and leasing, commercial and industrial and real estate industries. This portfolio of receivables increased primarily from core growth ($39.9 billion) and acquisitions ($10.6 billion), partially offset by securitizations and sales ($37.3 billion) and the recently strengthening U.S. dollar ($2.0 billion). Related nonearning and reduced-earning receivables were $1.3 billion (1.0% of outstanding receivables) at December 31, 2005, and $1.4 billion (1.1% of outstanding receivables) at year-end 2004. Commercial Finance financing receivables are generally backed by assets and there is a broad spread of geographic and credit risk in the portfolio.

Consumer Finance financing receivables, before allowance for losses, were $130.1 billion at December 31, 2005, compared with $127.8 billion at December 31, 2004, and consisted primarily of card receivables, installment loans, auto loans and leases, and residential mortgages. This portfolio of receivables increased primarily as a result of core growth ($11.3 billion) and acquisitions ($0.4 billion), partially offset by the recently strengthening U.S. dollar ($7.8 billion), securitizations ($0.7 billion), loans transferred to assets held for sale ($0.5 billion) and dispositions ($0.4 billion). Nonearning consumer receivables were $2.8 billion at December 31, 2005, compared with $2.5 billion at December 31, 2004, representing 2.1% and 2.0% of outstanding receivables, respectively. The increase was primarily related to higher nonearning receivables in our European secured financing business, a business that tends to experience relatively higher delinquencies but lower losses than the rest of our consumer portfolio.

Infrastructure financing receivables, before allowance for losses, were $19.1 billion at December 31, 2005, compared with $20.9 billion at December 31, 2004, and consisted primarily of loans and leases to the commercial aircraft and energy industries. Related nonearning and reduced-earning receivables were insignificant at December 31, 2005, down from $0.2 billion (0.8% of outstanding receivables) at December 31, 2004.

Other financing receivables, before allowance for losses, were $11.2 billion and $15.1 billion at December 31, 2005 and December 31, 2004, respectively, and consisted primarily of financing receivables in consolidated, liquidating securitization entities. This portfolio of receivables decreased because we have stopped transferring assets to these entities. Nonearning receivables at December 31, 2005, were $0.1 billion (0.7% of outstanding receivables) compared with $0.2 billion (1.2% of outstanding receivables) at December 31, 2004.

Delinquency rates on managed Commercial Finance equipment loans and leases and managed Consumer Finance financing receivables follow.

December 31	2005	2004	2003
Commercial Finance	1.31%	1.40%	1.38%
Consumer Finance	5.08	4.85	5.62

Delinquency rates at Commercial Finance decreased from December 31, 2004, to December 31, 2005, primarily resulting from improved credit quality across all portfolios. The increase from December 31, 2003, to December 31, 2004, reflected the effect of certain acquired portfolios, partially offset by improvement in the overall core portfolio.

Delinquency rates at Consumer Finance increased from December 31, 2004, to December 31, 2005, as a result of higher delinquencies in our European secured financing business, discussed above. The decrease from December 31, 2003, to December 31, 2004, reflected the results of the standardization of our write-off policy, the acquisition of AFIG, and the U.S. acquisition of WMC, with lower relative delinquencies as a result of whole loan sales, partially offset by higher delinquencies in our European secured financing business, discussed above. See notes 13 and 14.

OTHER GECS RECEIVABLES totaled $19.1 billion at December 31, 2005, and $15.0 billion at December 31, 2004, and consisted primarily of nonfinancing customer receivables, insurance receivables, amounts due from GE (generally related to certain material procurement programs), amounts due under operating leases, receivables due on sale of securities and various sundry items.

PROPERTY, PLANT AND EQUIPMENT amounted to $67.5 billion at December 31, 2005, up $4.4 billion from 2004, primarily reflecting acquisitions of commercial aircraft at the Aviation Financial Services business of Infrastructure. GE property, plant and equipment consisted of investments for its own productive use, whereas the largest element for GECS was equipment provided to third parties on operating leases. Details by category of investment are presented in note 15.

GE expenditures for plant and equipment during 2005 totaled $2.8 billion, compared with $2.4 billion in 2004. Total expenditures for the past five years were $12.7 billion, of which 32% was investment for growth through new capacity and product development; 37% was investment in productivity through new equipment and process improvements; and 31% was investment for other purposes such as improvement of research and development facilities and safety and environmental protection.

GECS additions to property, plant and equipment were $11.6 billion and $10.7 billion during 2005 and 2004, respectively, primarily reflecting additions of commercial aircraft at the Aviation Financial Services business of Infrastructure and vehicles at Commercial Finance and the Equipment Services business of Industrial.

INTANGIBLE ASSETS were $81.7 billion at year-end 2005, up from $78.5 billion at year-end 2004. GE intangibles increased $3.1 billion from $54.7 billion at the end of 2004, principally as a result of goodwill and other intangibles related to the Edwards Systems Technology acquisition by Industrial, the Ionics, Inc. acquisition by Infrastructure and the acquisitions of an additional interest in MSNBC and the previously outstanding minority interest in VUE by NBC Universal. GECS intangibles increased $0.2 billion to $23.9 billion at December 31, 2005, resulting from goodwill associated with acquisitions partially offset by the recently strengthening U.S. dollar and purchase accounting adjustments. See note 16.

ALL OTHER ASSETS totaled $87.4 billion at year-end 2005, a decrease of $2.1 billion, reflecting NBC Universal settling obligations related to preferred interests previously issued by VUE and dispositions affecting real estate, partially offset by increases in assets held for sale. See notes 16 and 17.

CONSOLIDATED BORROWINGS amounted to $370.4 billion at December 31, 2005, compared with $365.1 billion at the end of 2004.

GE total borrowings were $10.2 billion at year-end 2005 ($1.1 billion short term, $9.1 billion long term) compared with $11.0 billion at December 31, 2004. GE total debt at the end of 2005 equaled 8.1% of total capital compared with 9.0% at the end of 2004.

GECS borrowings amounted to $362.1 billion at December 31, 2005, of which $157.7 billion is due in 2006 and $204.4 billion is due in subsequent years. Comparable amounts at the end of 2004 were $355.5 billion in total, $154.3 billion due within one year and $201.2 billion due thereafter. Included in GECS total borrowings were borrowings of consolidated, liquidating securitization entities amounting to $16.8 billion and $25.8 billion at December 31, 2005 and 2004, respectively. A large portion of GECS borrowings ($97.4 billion and $96.9 billion at the end of 2005 and 2004, respectively) was issued in active commercial paper markets that we believe will continue to be a reliable source of short-term financing. The average remaining terms and interest rates of GE Capital commercial paper were 45 days and 4.09% at the end of 2005, compared with 42 days and 2.39% at the end of 2004. The GE Capital ratio of debt to equity was 7.09 to 1 at the end of 2005 and 6.46 to 1 at the end of 2004. See note 18.

EXCHANGE RATE AND INTEREST RATE RISKS are managed with a variety of straightforward techniques, including match funding and selective use of derivatives. We use derivatives to mitigate or eliminate certain financial and market risks because we conduct business in diverse markets around the world and local funding is not always efficient. In addition, we use derivatives to adjust the debt we are issuing to match the fixed or floating nature of the assets we are acquiring. We apply strict policies to manage each of these risks, including prohibitions on derivatives trading, derivatives market-making or other speculative activities. Following is an analysis of the potential effects of changes in interest rates and currency exchange rates using so-called "shock" tests that model effects of shifts in rates. These are not forecasts.

- It is our policy to minimize exposure to interest rate changes. We fund our financial investments using debt or a combination of debt and hedging instruments so that the interest rates and terms of our borrowings match the expected yields and terms on our assets. To test the effectiveness of our positions, we assumed that, on January 1, 2006, interest rates increased by 100 basis points across the yield curve (a "parallel shift" in that curve) and further assumed that the increase remained in place for 2006. We estimated, based on that year-end 2005 portfolio and holding everything else constant, that our 2006 GE consolidated net earnings would decline by $0.2 billion.
- It is our policy to minimize currency exposures and to conduct operations either within functional currencies or using the protection of hedge strategies. We analyzed year-end 2005 consolidated currency exposures, including derivatives designated and effective as hedges, to identify assets and liabilities denominated in other than their relevant functional currencies. For such assets and liabilities, we then evaluated the effects of a 10% shift in exchange rates between those currencies and the U.S. dollar. This analysis indicated that there would be an inconsequential effect on 2006 earnings of such a shift in exchange rates.

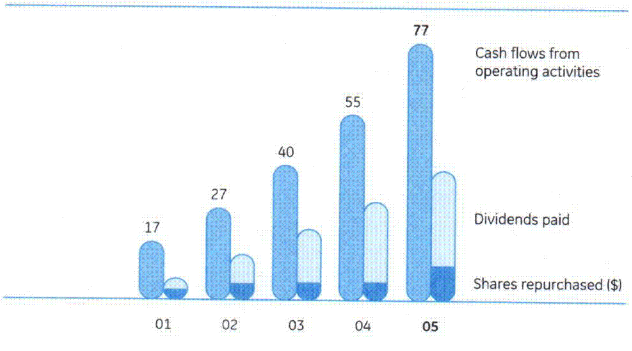
Statement of Changes in Shareowners' Equity

Shareowners' equity decreased $1.5 billion in 2005, and increased $31.2 billion in 2004 and $15.6 billion in 2003. Changes over the three-year period were largely attributable to net earnings, partially offset by dividends declared of $9.6 billion, $8.6 billion and $7.8 billion in 2005, 2004 and 2003, respectively. In 2005, we purchased $5.3 billion of GE stock (153.3 million shares) under our $25 billion share repurchase program. In 2004, we issued 341.7 million shares of stock in connection with the Amersham acquisition, which increased equity by $10.7 billion, and 119.4 million shares of stock to partially fund the combination of NBC and VUE, which increased equity by $3.8 billion. Currency translation adjustments decreased equity by $4.3 billion in 2005, compared with a $3.9 billion increase in 2004. Changes in currency translation adjustments reflect the effects of changes in currency exchange rates on our net investment in non-U.S. subsidiaries that have functional currencies other than the U.S. dollar. In 2005, the U.S. dollar strengthened against the pound sterling and euro. In 2004, the pound sterling, euro and, to a lesser extent, Asian currencies strengthened against the U.S. dollar. See note 23. Accumulated currency translation adjustments affect net earnings only when all or a portion of an affiliate is disposed of or substantially liquidated.

Overview of Our Cash Flow from 2003 through 2005

GE cash from operating activities (CFOA) is a useful measure of performance for our non-financial businesses and totaled $21.6 billion in 2005, $15.2 billion in 2004 and $12.9 billion in 2003. Generally, factors that affect our earnings—for example, pricing, volume, costs and productivity—affect CFOA similarly. However, while management of working capital, including timing of collections and payments and levels of inventory, affects operating results only indirectly, the effect of these programs on CFOA can be significant. Excluding progress collections, working capital improvements benefited CFOA by $2.8 billion since 2002, as we applied our Lean Six Sigma and other working capital management tools broadly.

GE CUMULATIVE CASH FLOWS 2001–2005 (In $ billions)



Our GE Statement of Cash Flows shows CFOA in the required format. While that display is of some use in analyzing how various assets and liabilities affected our year-end cash positions, we believe that it is also useful to supplement that display and to examine in a broader context the business activities that provide and require cash.

December 31 (In billions)	2005	2004	2003
Operating cash collections	$ 89.9	$ 81.6	$ 68.4
Operating cash payments	(76.1)	(69.5)	(58.9)
Cash dividends from GECS	7.8	3.1	3.4
GE cash from operating activities	$ 21.6	$ 15.2	$ 12.9

The most significant source of cash in CFOA is customer-related activities, the largest of which is collecting cash following a product or services sale. GE operating cash collections increased by $8.3 billion during 2005 and by $13.2 billion during 2004. These increases are consistent with the changes in comparable GE operating segment revenues, comprising Healthcare, NBC Universal and the industrial businesses of the Industrial and Infrastructure segments, and which also reflect the effects of the second quarter 2004 acquisition of Amersham and combination of NBC and VUE. Analyses of operating segment revenues discussed in the preceding Segment Operations section is the best way of understanding their customer-related CFOA.

The most significant operating use of cash is to pay our suppliers, employees, tax authorities and others for the wide range of material and services necessary in a diversified global organization. GE operating cash payments increased in 2005 by $6.6 billion and by $10.6 billion in 2004, comparable to the increases in GE total costs and expenses, and also reflect the second quarter 2004 acquisition of Amersham and combination of NBC and VUE.

Dividends from GECS represented distribution of a portion of GECS retained earnings, including proceeds from certain business sales, and are distinct from cash from continuing operating activities within the financial services businesses, which increased in 2005 by $0.8 billion to $20.9 billion and in 2004 by $6.1 billion to $20.1 billion. The amount we show in CFOA is the total dividend, including the normal dividend as well as any special dividends from excess capital primarily resulting from GECS business sales. Financial services cash is not necessarily freely available for alternative uses. For example, use of cash generated by our regulated activities is often restricted by such regulations. Further, any reinvestment in financing receivables is shown in cash used for investing activities, not operating activities. Therefore, maintaining or growing financial services assets requires that we invest much of the cash they generate from operating activities in their earning assets.

Based on past performance and current expectations, in combination with the financial flexibility that comes with a strong balance sheet and the highest credit ratings, we believe that we are in a sound position to grow dividends, continue to execute our $25 billion share repurchase program, which is an expansion of the $15 billion share repurchase program announced in 2004, and continue making selective investments for long-term growth.

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Contractual Obligations

As defined by reporting regulations, our contractual obligations for future payments as of December 31, 2005, follow.

		Payments due by period			
(In billions)	Total	2006	2007–2008	2009–2010	2011 and thereafter
Borrowings (note 18)	$370.4	$158.2	$87.1	$45.5	$79.6
Interest on borrowings	66.0	12.0	18.0	10.0	26.0
Operating lease obligations (note 5)	6.8	1.4	2.2	1.5	1.7
Purchase obligations (a)(b)	58.0	37.0	13.0	4.0	4.0
Insurance liabilities (note 19) (c)	28.0	5.0	6.0	4.0	13.0
Other liabilities (d)	60.0	13.0	6.0	4.0	37.0
Contractual obligations of discontinued operations (e)	12.0	1.0	1.0	1.0	9.0

(a) Included all take-or-pay arrangements, capital expenditures, contractual commitments to purchase equipment that will be classified as equipment leased to others, software acquisition/license commitments, contractual minimum programming commitments and any contractually required cash payments for acquisitions.

(b) Excluded funding commitments entered into in the ordinary course of business by our financial services businesses. Further information on these commitments and other guarantees is provided in note 29.

(c) Included guaranteed investment contracts (GICs), structured settlements and single premium immediate annuities based on scheduled payouts, as well as those contracts with reasonably determinable cash flows such as deferred annuities, universal life, term life, long-term care, whole life and other life insurance contracts.

(d) Included an estimate of future expected funding requirements related to our pension and postretirement benefit plans. Because their future cash outflows are uncertain, the following non-current liabilities are excluded from the table above: deferred taxes, derivatives, deferred revenue and other sundry items. See notes 21 and 27 for further information on certain of these items.

(e) Included payments for borrowings and interest on borrowings of $3.6 billion, operating lease obligations of $0.2 billion, other liabilities of $2.8 billion, and insurance liabilities of $5.4 billion. Insurance liabilities primarily included workers' compensation tabular indemnity loan and long-term liability claims.

Off-Balance Sheet Arrangements

We use off-balance sheet arrangements in the ordinary course of business to improve shareowner returns. These securitization transactions also serve as funding sources for a variety of diversified lending and securities transactions. Our securitization transactions are similar to those used by many financial institutions.

In a typical securitization transaction, we sell assets to a special purpose entity (SPE), which has obtained cash by issuing beneficial interests, usually debt, to third parties. Securitization entities commonly use derivatives such as interest rate swaps to match interest rate characteristics of the assets with characteristics of the related beneficial interests. An example is an interest rate swap that serves to convert fixed rate assets to a variable rate, matching the cash flows on SPE floating rate debt.

An investor in a beneficial interest usually has recourse to assets in the associated SPE, and often benefits from credit enhancements supporting those assets. The most common credit enhancement is overcollateralization, where we securitize a greater principal amount of assets than debt issued by the SPE. Our other credit enhancements are in the form of liquidity and credit support agreements and guarantee and reimbursement contracts. We have provided $0.1 billion at year-end 2005 representing our best estimate of the fair value of potential losses under these arrangements.

Historically, we executed securitization transactions using entities sponsored by us and by third parties. Beginning in 2003, we only have executed securitization transactions with third parties in the asset-backed commercial paper and term markets. Securitization entities hold receivables secured by equipment, commercial and residential real estate, credit card and trade receivables and other assets. Our total securitized assets at year-end 2005 amounted to $61.7 billion, a $3.5 billion increase from year-end 2004. Of that total, the off-balance sheet amount was $43.8 billion, up $11.6 billion from December 31, 2004, and the amount in consolidated, liquidating securitization entities was $17.9 billion, down $8.1 billion from December 31, 2004, reflecting repayments. See note 28 for further information.

We have extensive experience in evaluating economic, liquidity and credit risk related to the assets we securitize. Assets held by these entities are of high quality and we actively monitor them in accordance with our servicing role. We apply rigorous controls to the execution of securitization transactions and continuously monitor developments affecting credit. In view of our experience and taking into consideration the historical depth and liquidity of global commercial paper markets, we believe that, under any plausible future economic scenario, the likelihood is remote that the financial support arrangements we provide to securitization entities could have an adverse effect on our financial position or results of operations.

Debt Instruments, Guarantees and Covenants

The major debt rating agencies routinely evaluate the debt of GE, GECS and GE Capital, the major borrowing affiliate of GECS. These agencies have given the highest debt ratings to GE and GE Capital (long-term rating AAA/Aaa; short-term rating A-1+/P-1). One of our strategic objectives is to maintain these ratings, as they serve to lower our cost of funds and to facilitate our access to a variety of lenders. We manage our businesses in a fashion that is consistent with maintaining these ratings.

GE, GECS and GE Capital have distinct business characteristics that the major debt rating agencies evaluate both quantitatively and qualitatively.

Quantitative measures include:

- Earnings and profitability, revenue growth, the breadth and diversity of sources of income and return on assets,
- Asset quality, including delinquency and write-off ratios and reserve coverage,

- Funding and liquidity, including cash generated from operating activities, leverage ratios such as debt-to-capital, market access, back-up liquidity from banks and other sources, composition of total debt and interest coverage, and
- Capital adequacy, including required capital and tangible leverage ratios.

Qualitative measures include:

- Franchise strength, including competitive advantage and market conditions and position,
- Strength of management, including experience, corporate governance and strategic thinking, and
- Financial reporting quality, including clarity, completeness and transparency of all financial performance communications.

GE Capital's ratings are supported contractually by a GE commitment to maintain the ratio of earnings to fixed charges at a specified level as described below.

As of January 1, 2003, we extended a business-specific, market-based leverage to the performance measurement of each of our financial services businesses. As a result, at January 1, 2003, debt of $12.5 billion previously allocated to our financial services segments was allocated to Corporate items and eliminations. We refer to this as "parent-supported debt." As of December 31, 2004, $3.2 billion of such debt remained and was paid down during the first quarter of 2005.

During 2005, GECS paid $3.9 billion of special dividends to GE, which was a portion of the proceeds from the Genworth secondary public offerings.

During 2005, GE issued $1.5 billion of senior, unsecured three-year floating rate debt. The proceeds were used primarily for repayment of maturing long-term debt. During 2005, GECS and GECS affiliates issued $58 billion of senior, unsecured long-term debt and $2 billion of subordinated debt. This debt was both fixed and floating rate and was issued to institutional and retail investors in the U.S. and 15 other global markets. Maturities for these issuances ranged from one to 40 years. We used the proceeds primarily for repayment of maturing long-term debt, but also to fund acquisitions and organic growth. We anticipate that we will issue between $55 billion and $65 billion of additional long-term debt during 2006, mostly to repay maturing long-term debt. The ultimate amount we issue will depend on our needs and on the markets.

Following is the composition of GECS debt obligations excluding any asset-backed debt obligations, such as debt of consolidated, liquidating securitization entities.

December 31	2005	2004
Senior notes and other long-term debt	57%	58%
Commercial paper	26	25
Current portion of long-term debt	12	11
Other—bank and other retail deposits	5	6
Total	100%	100%

We target a ratio for commercial paper of 25% to 35% of outstanding debt based on the anticipated composition of our assets and the liquidity profile of our debt. GE Capital is the most widely held name in global commercial paper markets.

We believe that alternative sources of liquidity are sufficient to permit an orderly transition from commercial paper in the unlikely event of impaired access to those markets. Funding sources on which we would rely would depend on the nature of such a hypothetical event, but include $57.2 billion of contractually committed lending agreements with 75 highly-rated global banks and investment banks. Total credit lines extending beyond one year increased $0.3 billion to $57.1 billion at December 31, 2005. See note 18.

Beyond contractually committed lending agreements, other sources of liquidity include medium and long-term funding, monetization, asset securitization, cash receipts from our lending and leasing activities, short-term secured funding on global assets and potential sales of other assets.

PRINCIPAL DEBT CONDITIONS are described below.

The following two conditions relate to GE and GECS:

- Swap, forward and option contracts are required to be executed under master-netting agreements containing mutual downgrade provisions that provide the ability of the counterparty to require assignment or termination if the long-term credit rating of either GE or GECS were to fall below A-/A3. Had this provision been triggered at December 31, 2005, we could have been required to disburse $2.2 billion.
- If GE Capital's ratio of earnings to fixed charges, which was 1.66:1 at the end of 2005, were to deteriorate to 1.10:1 or, upon redemption of certain preferred stock, its ratio of debt to equity, which was 7.09:1 at the end of 2005, were to exceed 8:1, GE has committed to contribute capital to GE Capital. GE also has guaranteed certain issuances of subordinated debt of GECS with a face amount of $1.0 billion at December 31, 2005 and 2004.

The following three conditions relate to consolidated, liquidating securitization entities:

- If the short-term credit rating of GE Capital or certain consolidated, liquidating securitization entities discussed further in note 28 were to fall below A-1/P-1, GE Capital would be required to provide substitute liquidity for those entities or provide funds to retire the outstanding commercial paper. The maximum net amount that GE Capital would be required to provide in the event of such a downgrade is determined by contract, and amounted to $12.8 billion at January 1, 2006. Amounts related to non-consolidated SPEs were $1.7 billion.
- If the long-term credit rating of GE Capital were to fall below AA/Aa2, GE Capital would be required to provide substitute credit support or liquidate the consolidated, liquidating securitization entities. The maximum amount that GE Capital would be required to substitute in the event of such a downgrade is determined by contract, and amounted to $0.6 billion at December 31, 2005.

- For certain transactions, if the long-term credit rating of GE Capital were to fall below A/A2 or BBB+/Baa1 or its short-term credit rating were to fall below A-2/P-2, GE Capital could be required to provide substitute credit support or fund the undrawn commitment. GE Capital could be required to provide up to $2.0 billion in the event of such a downgrade based on terms in effect at December 31, 2005.

One group of consolidated SPEs holds high quality investment securities funded by the issuance of GICs. If the long-term credit rating of GE Capital were to fall below AA-/Aa3 or its short-term credit rating were to fall below A-1+/P-1, GE Capital could be required to provide up to $4.1 billion of capital to such entities.

In our history, we have never violated any of the above conditions either at GE, GECS or GE Capital. We believe that under any reasonable future economic developments, the likelihood that any such arrangements could have a significant effect on our operations, cash flows or financial position is remote.

Selected Financial Data

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

GE'S TOTAL RESEARCH AND DEVELOPMENT expenditures were $3.4 billion in 2005, compared with $3.1 billion and $2.7 billion in 2004 and 2003, respectively. In 2005, expenditures from GE's own funds were $2.7 billion compared with $2.4 billion in 2004. Expenditures funded by customers (mainly the U.S. government) were $0.7 billion and $0.6 billion in 2005 and 2004, respectively.

Expenditures reported above reflect the definition of research and development required by U.S. generally accepted accounting principles. For operating and management purposes, we consider amounts spent on product and services technology to include our reported research and development expenditures, but also amounts for improving our existing products and services, and the productivity of our plant, equipment and processes. On this basis, our technology expenditures in 2005 were $5.2 billion.

GE'S TOTAL BACKLOG of firm unfilled orders at the end of 2005 was $36.1 billion, an increase of 6% from year-end 2004, reflecting increased demand for wind turbines, locomotives and product services. Of the total backlog, $23.8 billion related to products, of which 70% was scheduled for delivery in 2006. Product services orders, included in this reported backlog for only the succeeding 12 months, were $12.3 billion at the end of 2005. Orders constituting this backlog may be canceled or deferred by customers, subject in certain cases to penalties. See the Segment Operations section for further information.

Critical Accounting Estimates

Accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to an understanding of our financial statements because they inherently involve significant judgments and uncertainties. For all of these estimates, we caution that future events rarely develop exactly as forecast, and the best estimates routinely require adjustment. Also see note 1, Summary of Significant Accounting Policies, which discusses accounting policies that we have selected from acceptable alternatives.

LOSSES ON FINANCING RECEIVABLES are recognized when they are incurred, which requires us to make our best estimate of probable losses inherent in the portfolio. Such estimate requires consideration of historical loss experience, adjusted for current conditions, and judgments about the probable effects of relevant observable data, including present economic conditions such as delinquency rates, financial health of specific customers and market sectors, collateral values, and the present and expected future levels of interest rates. Our risk management process, which includes standards and policies for reviewing major risk exposures and concentrations, ensures that relevant data are identified and considered either for individual loans or leases, or on a portfolio basis, as appropriate.

Our lending and leasing experience and the extensive data we accumulate and analyze facilitate estimates that have proven reliable over time. Our actual loss experience was in line with expectations for 2005, 2004 and 2003. While prospective losses depend to a large degree on future economic conditions, we do not anticipate significant adverse credit development in 2006. Further information is provided in the Financial Resources and Liquidity — Financing Receivables section, the Asset Impairment section that follows and in notes 1, 13 and 14.

REVENUE RECOGNITION ON LONG-TERM AGREEMENTS to provide product services (product services agreements) requires estimates of profits over the multiple-year terms of such agreements, considering factors such as the frequency and extent of future monitoring, maintenance and overhaul events; the amount of personnel, spare parts and other resources required to perform the services; and future billing rate and cost changes. We routinely review estimates under product services agreements and regularly revise them to adjust for changes in outlook. We also regularly assess customer credit risk inherent in the carrying amounts of receivables and contract costs and estimated earnings, including the risk that contractual penalties may not be sufficient to offset our accumulated investment in the event of customer termination. We gain insight into future utilization and cost trends, as well as credit risk, through our knowledge of the installed base of equipment and the close interaction with our customers that comes with supplying critical services and parts over extended periods. Revisions that affect a product services agreement's total estimated profitability will also result in an immediate adjustment of earnings. We provide for probable losses.

Selected Financial Data

(In millions; per-share amounts in dollars)	2005	2004	2003	2002	2001
GENERAL ELECTRIC COMPANY AND CONSOLIDATED AFFILIATES					
Revenues	$149,702	$134,481	$112,886	$113,856	$107,558
Earnings from continuing operations before accounting changes	18,275	16,285	13,766	15,798	12,948
Earnings (loss) from discontinued operations, net of taxes	(1,922)	534	2,057	(616)	1,130
Earnings before accounting changes	16,353	16,819	15,823	15,182	14,078
Cumulative effect of accounting changes	—	—	(587)	(1,015)	(287)
Net earnings	16,353	16,819	15,236	14,167	13,791
Dividends declared	9,647	8,594	7,759	7,266	6,555
Return on average shareowners' equity[a]	17.6%	17.6%	19.6%	27.2%	24.7%
Per share					
Earnings from continuing operations before accounting changes—diluted	$ 1.72	$ 1.56	$ 1.37	$ 1.58	$ 1.29
Earnings (loss) from discontinued operations—diluted	(0.18)	0.05	0.20	(0.06)	0.11
Earnings before accounting changes—diluted	1.54	1.61	1.57	1.51	1.40
Cumulative effect of accounting changes—diluted	—	—	(0.06)	(0.10)	(0.03)
Net earnings—diluted	1.54	1.61	1.51	1.41	1.37
Earnings from continuing operations before accounting changes—basic	1.73	1.57	1.37	1.59	1.30
Earnings (loss) from discontinued operations—basic	(0.18)	0.05	0.21	(0.06)	0.11
Earnings before accounting changes—basic	1.55	1.62	1.58	1.52	1.42
Cumulative effect of accounting changes—basic	—	—	(0.06)	(0.10)	(0.03)
Net earnings—basic	1.55	1.62	1.52	1.42	1.39
Dividends declared	0.91	0.82	0.77	0.73	0.66
Stock price range	37.34-32.67	37.75-28.88	32.42-21.30	41.84-21.40	52.90-28.25
Year-end closing stock price	35.05	36.50	30.98	24.35	40.08
Total assets of continuing operations	626,586	618,241	503,610	441,768	373,550
Total assets	673,342	750,507	647,828	575,236	495,012
Long-term borrowings	212,281	207,871	170,309	138,570	77,818
Shares outstanding—average (in thousands)	10,569,805	10,399,629	10,018,587	9,947,113	9,932,245
Shareowner accounts—average	634,000	658,000	670,000	655,000	625,000
Employees at year end					
United States	161,000	165,000	155,000	161,000	158,000
Other countries	155,000	142,000	150,000	154,000	152,000
Total employees	316,000[b]	307,000	305,000	315,000	310,000
GE DATA					
Short-term borrowings	$ 1,127	$ 3,409	$ 2,555	$ 8,786	$ 1,722
Long-term borrowings	9,081	7,625	8,388	970	787
Minority interest	5,806	7,701	1,079	1,028	948
Shareowners' equity	109,354	110,821	79,631	64,079	55,000
Total capital invested	$125,368	$129,556	$ 91,653	$ 74,863	$ 58,457
Return on average total capital invested[a]	16.4%	16.0%	17.7%	25.8%	24.9%
Borrowings as a percentage of total capital invested[a]	8.1%	9.0%	11.9%	13.0%	4.3%
Working capital[a]	$ 8,399	$ 8,328	$ 5,282	$ 3,821	$ (2,398)
Additions to property, plant and equipment	2,812	2,427	2,158	2,386	2,876
GECS DATA					
Revenues	$ 59,297	$ 52,894	$ 42,978	$ 40,345	$ 39,998
Earnings from continuing operations before accounting changes	9,141	7,853	5,931	5,291	4,406
Earnings (loss) from discontinued operations, net of taxes	(1,922)	534	2,057	(616)	1,130
Earnings before accounting changes	7,219	8,387	7,988	4,675	5,536
Cumulative effect of accounting changes	—	—	(339)	(1,015)	(12)
Net earnings	7,219	8,387	7,649	3,660	5,524
Shareowner's equity	50,815	54,292	45,759	37,302	28,766
Minority interest	2,248	4,902	5,115	4,445	4,267
Total borrowings	362,069	355,501	316,593	267,014	236,449
Ratio of debt to equity at GE Capital	7.09:1	6.46:1	6.63:1	6.46:1	7.21:1
Total assets of continuing operations	$493,849	$486,238	$410,653	$356,352	$304,011
Total assets	540,605	618,504	554,871	489,820	425,473

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

(a) Indicates terms are defined in the Glossary.

(b) Excludes employees of Genworth in 2005 as a result of the third quarter deconsolidation.

Carrying amounts for product services agreements in progress at December 31, 2005 and 2004, were $4.4 billion and $3.7 billion, respectively, and are included in the line, "Contract costs and estimated earnings" in note 17. Adjustments to earnings resulting from revisions to estimates on product services agreements have been insignificant for each of the years in the three-year period ended December 31, 2005.

Further information is provided in note 1.

ASSET IMPAIRMENT assessment involves various estimates and assumptions as follows:

INVESTMENTS. We regularly review investment securities for impairment based on both quantitative and qualitative criteria that include the extent to which cost exceeds market value, the duration of that market decline, our intent and ability to hold to maturity or until forecasted recovery and the financial health of and specific prospects for the issuer. We perform comprehensive market research and analysis and monitor market conditions to identify potential impairments. Further information about actual and potential impairment losses is provided in the Financial Resources and Liquidity—Investment Securities section and in notes 1 and 10.

LONG-LIVED ASSETS. We review long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which undiscounted cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. We derive the required undiscounted cash flow estimates from our historical experience and our internal business plans. To determine fair value, we use our internal cash flow estimates discounted at an appropriate interest rate, quoted market prices when available and independent appraisals, as appropriate.

Commercial aircraft are a significant concentration of assets in Infrastructure, and are particularly subject to market fluctuations. Therefore, we test recoverability of each aircraft in our operating lease portfolio at least annually. Additionally, we perform quarterly evaluations in circumstances such as when aircraft are re-leased, current lease terms have changed or a specific lessee's credit standing changes. Future rentals and residual values are based on historical experience and information received routinely from independent appraisers. Estimated cash flows from future leases are reduced for expected downtime between leases and for estimated technical costs required to prepare aircraft to be redeployed. Fair value used to measure impairment is based on current market values from independent appraisers.

We recognized impairment losses on our operating lease portfolio of commercial aircraft of $0.3 billion and $0.1 billion in 2005 and 2004, respectively. In addition to these impairment charges relating to operating leases, we recorded provisions for losses on financing receivables related to commercial aircraft of $0.2 billion in 2005, primarily related to Northwest Airlines Corporation (Northwest Airlines), and $0.3 billion in 2004, primarily related to US Airways and ATA Holdings Corp.

Certain of our commercial aviation customers are operating under bankruptcy protection while they implement steps to return to profitable operations with a lower cost structure. At December 31, 2005, our largest exposures to carriers operating in bankruptcy were to Delta Air Lines, $2.4 billion; UAL Corp., $1.4 billion; and Northwest Airlines, $1.3 billion. Our financial exposures to these carriers are substantially secured by various Boeing, Airbus and Bombardier aircraft and operating equipment. On February 1, 2006, UAL Corp. emerged from bankruptcy protection.

Further information on impairment losses and our exposure to the commercial aviation industry is provided in the Operations—Overview section and in notes 10, 15 and 29.

GOODWILL AND OTHER IDENTIFIED INTANGIBLE ASSETS. We test goodwill for impairment annually and whenever events or circumstances make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose of a reporting unit. Determining whether an impairment has occurred requires valuation of the respective reporting unit, which we estimate using a discounted cash flow method. When available and as appropriate, we use comparative market multiples to corroborate discounted cash flow results. In applying this methodology, we rely on a number of factors, including actual operating results, future business plans, economic projections and market data.

If this analysis indicates goodwill is impaired, measuring the impairment requires a fair value estimate of each identified tangible and intangible asset. In this case we supplement the cash flow approach discussed above with independent appraisals, as appropriate.

We test other identified intangible assets with defined useful lives and subject to amortization by comparing the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset. We test intangible assets with indefinite lives annually for impairment using a fair value method such as discounted cash flows.

Further information is provided in the Financial Resources and Liquidity—Intangible Assets section and in notes 1 and 16.

PENSION ASSUMPTIONS are significant inputs to the actuarial models that measure pension benefit obligations and related effects on operations. Two assumptions—discount rate and expected return on assets—are important elements of plan expense and asset/liability measurement. We evaluate these critical assumptions at least annually on a plan and country-specific basis. We evaluate other assumptions involving demographic factors such as retirement age, mortality and turnover periodically and update them to reflect our experience and expectations for the future. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors.

Accumulated and projected benefit obligations are expressed as the present value of future cash payments. We discount those cash payments using the weighted average of market-observed yields for high quality fixed income securities with maturities that correspond to the payment of benefits. Lower discount rates increase present values and subsequent year pension expense; higher discount rates decrease present values and subsequent year pension expense.

To reflect market interest rate conditions, we reduced our discount rate for principal pension plans at December 31, 2005, from 5.75% to 5.50% and at December 31, 2004, from 6.0% to 5.75%.

To determine the expected long-term rate of return on pension plan assets, we consider the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. Assets in our principal pension plans earned 10.2% in 2005 and had average annual earnings of 4.7%, 10.1% and 11.8% per year in the five, 10 and 25-year periods ended December 31, 2005, respectively. We believe that these results, in connection with our current and expected asset allocations, support our assumed long-term return of 8.5% on those assets.

Sensitivity to changes in key assumptions for our principal pension plans follows.

- Discount rate—A 25 basis point reduction in discount rate would increase pension cost in the following year by $0.2 billion.
- Expected return on assets—A 50 basis point increase in the expected return on assets would decrease pension cost in the following year by $0.2 billion.

Further information on our pension plans is provided in the Operations—Overview section and in note 7.

DERIVATIVES AND HEDGING. We use derivatives to manage a variety of risks, including risks related to interest rates, foreign exchange and commodity prices. Accounting for derivatives as hedges requires that, at inception and over the term of the arrangement, the hedged item and related derivative meet the requirements for hedge accounting. The accounting guidance related to derivatives accounting is complex. Failure to apply this complex guidance correctly will result in all changes in the fair value of the derivative being reported in earnings, while offsetting changes in the fair value of the hedged item are reported in earnings only upon realization, regardless of whether the hedging relationship is economically effective.

In evaluating whether a particular relationship qualifies for hedge accounting, we first determine whether the relationship meets the strict criteria to qualify for exemption from ongoing effectiveness testing. For a relationship that does not meet these criteria, we test effectiveness at inception and quarterly thereafter by determining whether changes in the fair value of the derivative offset, within a specified range, changes in the fair value of the hedged item. This test is conducted on a cumulative basis each reporting period. If fair value changes fail this test, we discontinue applying hedge accounting to that relationship prospectively. Fair values of both the derivative instrument and the hedged item are calculated using internal valuation models incorporating market-based assumptions, subject to third party confirmation.

At December 31, 2005, derivative assets and liabilities were $1.9 billion and $2.2 billion, respectively. Further information about our use of derivatives is provided in notes 18 and 27.

OTHER LOSS CONTINGENCIES are recorded as liabilities when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. Disclosure is required when there is a reasonable possibility that the ultimate loss will materially exceed the recorded provision. Contingent liabilities are often resolved over long time periods. Estimating probable losses requires analysis of multiple forecasts that often depend on judgments about potential actions by third parties such as regulators. Further information is provided in notes 20 and 29.

Other Information

New Accounting Standard

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 123 (revised 2004), *Share-Based Payment* (SFAS 123R), which will be effective for us on January 1, 2006. Among other things, SFAS 123R requires expensing the fair value of stock options, previously optional accounting that we adopted voluntarily in 2002. The transitional effect of this provision of SFAS 123R will be modest, consisting of a reduction in full-year 2006 net earnings of $9 million to expense the unvested portion of options granted in 2001. SFAS 123R also will require us to change the classification of certain tax benefits from share-based compensation deductions to financing rather than operating cash flows. While the effects of these future tax deductions will depend on several variables, had SFAS 123R been in effect, approximately $0.3 billion would have been required to be classified as financing, not operating, cash flows in both 2005 and 2004. Prior periods will not be restated as a result of this accounting change.

Statement of Earnings

For the years ended December 31 (In millions; per-share amounts in dollars)	General Electric Company and consolidated affiliates 2005	2004	2003
REVENUES			
Sales of goods	$ 59,837	$ 55,005	$ 49,963
Sales of services	32,752	29,700	22,391
Other income (note 3)	1,683	1,064	602
GECS earnings from continuing operations before accounting changes	—	—	—
GECS revenues from services (note 4)	55,430	48,712	39,930
Total revenues	149,702	134,481	112,886
COSTS AND EXPENSES (note 5)			
Cost of goods sold	46,169	42,645	37,189
Cost of services sold	20,645	19,114	14,017
Interest and other financial charges	15,187	11,656	10,460
Investment contracts, insurance losses and insurance annuity benefits	5,474	3,583	3,069
Provision for losses on financing receivables (note 14)	3,841	3,888	3,752
Other costs and expenses	35,271	33,096	26,480
Minority interest in net earnings of consolidated affiliates	986	728	308
Total costs and expenses	127,573	114,710	95,275
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND ACCOUNTING CHANGES	22,129	19,771	17,611
Provision for income taxes (note 8)	(3,854)	(3,486)	(3,845)
EARNINGS FROM CONTINUING OPERATIONS BEFORE ACCOUNTING CHANGES	18,275	16,285	13,766
Earnings (loss) from discontinued operations, net of taxes (note 2)	(1,922)	534	2,057
EARNINGS BEFORE ACCOUNTING CHANGES	16,353	16,819	15,823
Cumulative effect of accounting changes (note 1)	—	—	(587)
NET EARNINGS	$ 16,353	$ 16,819	$ 15,236
Per-share amounts (note 9)			
Per-share amounts—earnings from continuing operations before accounting changes			
Diluted earnings per share	$ 1.72	$ 1.56	$ 1.37
Basic earnings per share	1.73	1.57	1.37
Per-share amounts—earnings before accounting changes			
Diluted earnings per share	1.54	1.61	1.57
Basic earnings per share	1.55	1.62	1.58
Per-share amounts—net earnings			
Diluted earnings per share	1.54	1.61	1.51
Basic earnings per share	1.55	1.62	1.52
DIVIDENDS DECLARED PER SHARE	$ 0.91	$ 0.82	$ 0.77

Consolidated Statement of Changes in Shareowners' Equity

(In millions)	2005	2004	2003
CHANGES IN SHAREOWNERS' EQUITY (note 23)			
Balance at January 1	$110,821	$ 79,631	$ 64,079
Dividends and other transactions with shareowners	(13,249)	10,009	(5,520)
Changes other than transactions with shareowners			
Increase attributable to net earnings	16,353	16,819	15,236
Investment securities—net	(437)	412	710
Currency translation adjustments—net	(4,318)	3,936	5,061
Cash flow hedges—net	401	435	226
Minimum pension liabilities—net	(217)	(421)	(161)
Total changes other than transactions with shareowners	11,782	21,181	21,072
Balance at December 31	$109,354	$110,821	$ 79,631

The notes to consolidated financial statements are an integral part of these statements.

GE			GECS		
2005	2004	2003	2005	2004	2003
$ 57,378	$52,260	$47,767	$ 2,528	$ 2,840	$ 2,228
33,052	29,954	22,675	—	—	—
1,764	1,076	645	—	—	—
9,141	7,853	5,931	—	—	—
—	—	—	56,769	50,054	40,750
101,335	91,143	77,018	59,297	52,894	42,978
43,870	39,999	35,102	2,369	2,741	2,119
20,945	19,368	14,301	—	—	—
1,432	979	941	14,308	11,121	9,897
—	—	—	5,674	3,800	3,069
—	—	—	3,841	3,888	3,752
13,279	12,001	9,870	22,658	21,788	17,095
784	538	181	202	190	127
80,310	72,885	60,395	49,052	43,528	36,059
21,025	18,258	16,623	10,245	9,366	6,919
(2,750)	(1,973)	(2,857)	(1,104)	(1,513)	(988)
18,275	16,285	13,766	9,141	7,853	5,931
(1,922)	534	2,057	(1,922)	534	2,057
16,353	16,819	15,823	7,219	8,387	7,988
—	—	(587)	—	—	(339)
$ 16,353	$16,819	$15,236	$ 7,219	$ 8,387	$ 7,649

In the consolidating data on this page, "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. and all of its affiliates and associated companies. Transactions between GE and GECS have been eliminated from the "General Electric Company and consolidated affiliates" columns.

Statement of Financial Position

At December 31 (In millions, except share amounts)	General Electric Company and consolidated affiliates 2005	2004
ASSETS		
Cash and equivalents	$ 9,011	$ 12,152
Investment securities (note 10)	53,144	56,923
Current receivables (note 11)	14,851	14,233
Inventories (note 12)	10,474	9,778
Financing receivables—net (notes 13 and 14)	287,639	282,699
Other GECS receivables	14,767	11,340
Property, plant and equipment—net (note 15)	67,528	63,103
Investment in GECS	—	—
Intangible assets—net (note 16)	81,726	78,456
All other assets (note 17)	87,446	89,557
Assets of discontinued operations (note 2)	46,756	132,266
Total assets	$673,342	$750,507
LIABILITIES AND EQUITY		
Short-term borrowings (note 18)	$158,156	$157,195
Accounts payable, principally trade accounts	21,273	19,137
Progress collections and price adjustments accrued	4,456	3,937
Dividends payable	2,623	2,329
All other current costs and expenses accrued	18,419	17,539
Long-term borrowings (note 18)	212,281	207,871
Investment contracts, insurance liabilities and insurance annuity benefits (note 19)	45,432	48,076
All other liabilities (note 20)	40,632	42,779
Deferred income taxes (note 21)	16,330	15,285
Liabilities of and minority interest in discontinued operations (note 2)	36,332	112,935
Total liabilities	555,934	627,083
Minority interest in equity of consolidated affiliates (note 22)	8,054	12,603
Common stock (10,484,268,000 and 10,586,358,000 shares outstanding at year-end 2005 and 2004, respectively)	669	669
Accumulated gains (losses)—net		
Investment securities	1,831	2,268
Currency translation adjustments	2,532	6,850
Cash flow hedges	(822)	(1,223)
Minimum pension liabilities	(874)	(657)
Other capital	25,227	24,265
Retained earnings	98,117	91,411
Less common stock held in treasury	(17,326)	(12,762)
Total shareowners' equity (notes 23 and 24)	109,354	110,821
Total liabilities and equity	$673,342	$750,507

The sum of accumulated gains (losses) on investment securities, currency translation adjustments, cash flow hedges and minimum pension liabilities constitutes "Accumulated nonowner changes other than earnings," as shown in note 23, and was $2,667 million and $7,238 million at December 31, 2005 and 2004, respectively.

The notes to consolidated financial statements are an integral part of this statement.

GE		GECS	
2005	2004	2005	2004
$ 2,015	$ 3,155	$ 7,316	$ 9,191
461	413	52,706	56,539
15,058	14,533	—	—
10,315	9,589	159	189
—	—	287,639	282,699
—	—	19,060	14,965
16,504	16,756	51,024	46,347
50,815	54,292	—	—
57,839	54,720	23,887	23,736
36,752	38,123	52,058	52,572
—	—	46,756	132,266
$189,759	$191,581	$540,605	$618,504
$ 1,127	$ 3,409	$157,672	$154,292
11,870	11,013	13,133	11,374
4,456	3,937	—	—
2,623	2,329	—	—
18,436	17,569	—	—
9,081	7,625	204,397	201,209
—	—	45,722	48,393
23,273	23,561	17,453	19,300
3,733	3,616	12,597	11,669
—	—	36,568	113,073
74,599	73,059	487,542	559,310
5,806	7,701	2,248	4,902
669	669	1	1
1,831	2,268	1,754	2,345
2,532	6,850	2,287	5,104
(822)	(1,223)	(813)	(1,354)
(874)	(657)	(179)	(150)
25,227	24,265	12,386	12,370
98,117	91,411	35,379	35,976
(17,326)	(12,762)	—	—
109,354	110,821	50,815	54,292
$189,759	$191,581	$540,605	$618,504

In the consolidating data on this page, "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. and all of its affiliates and associated companies. Transactions between GE and GECS have been eliminated from the "General Electric Company and consolidated affiliates" columns.

Statement of Cash Flows

For the years ended December 31 (In millions)	General Electric Company and consolidated affiliates 2005	2004	2003
CASH FLOWS—OPERATING ACTIVITIES			
Net earnings	$ 16,353	$ 16,819	$ 15,236
Loss (earnings) from discontinued operations	1,922	(534)	(2,057)
Adjustments to reconcile net earnings to cash provided from operating activities			
Cumulative effect of accounting changes	—	—	587
Depreciation and amortization of property, plant and equipment	8,538	8,349	6,864
Earnings before accounting changes retained by GECS	—	—	—
Deferred income taxes	(1,121)	(172)	1,206
Decrease (increase) in GE current receivables	(360)	(849)	534
Decrease (increase) in inventories	(578)	(468)	874
Increase in accounts payable	1,238	4,090	232
Increase (decrease) in GE progress collections	510	(464)	(2,268)
Increase (decrease) in insurance liabilities	1,034	1,959	(729)
Provision for losses on GECS financing receivables	3,841	3,888	3,752
All other operating activities	2,410	(2,136)	(2,391)
Cash from operating activities—continuing operations	33,787	30,482	21,840
Cash from operating activities—discontinued operations	3,854	6,002	7,389
CASH FROM OPERATING ACTIVITIES	37,641	36,484	29,229
CASH FLOWS—INVESTING ACTIVITIES			
Additions to property, plant and equipment	(14,441)	(13,092)	(9,751)
Dispositions of property, plant and equipment	6,027	5,838	4,918
Net increase in GECS financing receivables	(16,954)	(15,280)	(4,687)
Payments for principal businesses purchased	(11,498)	(18,703)	(14,352)
All other investing activities	6,535	10,785	7,974
Cash used for investing activities—continuing operations	(30,331)	(30,452)	(15,898)
Cash used for investing activities—discontinued operations	(4,718)	(7,962)	(5,945)
CASH USED FOR INVESTING ACTIVITIES	(35,049)	(38,414)	(21,843)
CASH FLOWS—FINANCING ACTIVITIES			
Net increase (decrease) in borrowings (maturities of 90 days or less)	(4,600)	(1,558)	(20,559)
Newly issued debt (maturities longer than 90 days)	66,523	58,538	67,719
Repayments and other reductions (maturities longer than 90 days)	(53,133)	(47,106)	(43,479)
Net dispositions (purchases) of GE shares for treasury	(4,844)	3,993	726
Dividends paid to shareowners	(9,352)	(8,278)	(7,643)
All other financing activities	(1,191)	(3,397)	286
Cash from (used for) financing activities—continuing operations	(6,597)	2,192	(2,950)
Cash from (used for) financing activities—discontinued operations	478	2,402	(682)
CASH FROM (USED FOR) FINANCING ACTIVITIES	(6,119)	4,594	(3,632)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS DURING YEAR	(3,527)	2,664	3,754
Cash and equivalents at beginning of year	15,328	12,664	8,910
Cash and equivalents at end of year	11,801	15,328	12,664
Less cash and equivalents of discontinued operations at end of year	2,790	3,176	2,734
Cash and equivalents of continuing operations at end of year	$ 9,011	$ 12,152	$ 9,930
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION			
Cash paid during the year for interest	$(16,446)	$(11,907)	$(10,910)
Cash recovered (paid) during the year for income taxes	(3,254)	(1,339)	(1,539)

The notes to consolidated financial statements are an integral part of this statement.

GE			GECS		
2005	2004	2003	2005	2004	2003
$16,353	$16,819	$15,236	$ 7,219	$ 8,387	$ 7,649
—	—	—	1,922	(534)	(2,057)
—	—	587	—	—	339
2,501	2,533	2,277	6,037	5,816	4,587
597	(5,282)	(4,553)	—	—	—
(287)	(175)	389	(834)	3	817
(266)	(908)	585	—	—	—
(608)	(459)	909	30	(9)	(35)
983	1,888	676	596	2,927	96
510	(464)	(2,268)	—	—	—
—	—	—	1,034	1,959	(729)
—	—	—	3,841	3,888	3,752
1,826	1,252	(913)	1,065	(2,312)	(360)
21,609	15,204	12,925	20,910	20,125	14,059
—	—	—	3,854	6,002	7,389
21,609	15,204	12,925	24,764	26,127	21,448
(2,812)	(2,427)	(2,158)	(11,629)	(10,665)	(7,593)
—	—	—	6,027	5,838	4,918
—	—	—	(16,954)	(15,280)	(4,687)
(4,331)	(4,815)	(3,870)	(7,167)	(13,888)	(10,482)
702	632	236	4,644	8,386	6,103
(6,441)	(6,610)	(5,792)	(25,079)	(25,609)	(11,741)
—	—	—	(4,718)	(7,962)	(5,945)
(6,441)	(6,610)	(5,792)	(29,797)	(33,571)	(17,686)
(392)	(1,690)	(6,704)	(4,044)	33	(13,487)
1,704	434	7,356	65,054	58,143	60,113
(3,424)	(1,568)	(277)	(49,709)	(45,538)	(43,202)
(4,844)	3,993	726	—	—	—
(9,352)	(8,278)	(7,643)	(7,816)	(3,105)	(3,435)
—	—	—	(1,191)	(3,397)	286
(16,308)	(7,109)	(6,542)	2,294	6,136	275
—	—	—	478	2,402	(682)
(16,308)	(7,109)	(6,542)	2,772	8,538	(407)
(1,140)	1,485	591	(2,261)	1,094	3,355
3,155	1,670	1,079	12,367	11,273	7,918
2,015	3,155	1,670	10,106	12,367	11,273
—	—	—	2,790	3,176	2,734
$ 2,015	$ 3,155	$ 1,670	$ 7,316	$ 9,191	$ 8,539
$ (928)	$ (603)	$ (248)	$(15,518)	$(11,304)	$(10,662)
(1,829)	(2,261)	(2,685)	(1,425)	922	1,146

In the consolidating data on this page, "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. and all of its affiliates and associated companies. Transactions between GE and GECS have been eliminated from the "General Electric Company and consolidated affiliates" columns.

Note 1

Summary of Significant Accounting Policies

Accounting principles

Our financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP).

Consolidation

Our financial statements consolidate all of our affiliates—companies that we control and in which we hold a majority voting interest. Associated companies are companies that we do not control but over which we have significant influence, most often because we hold a shareholder voting position of 20% to 50%. Results of associated companies are presented on a one-line basis. Investments in and advances to associated companies are presented on a one-line basis in the caption "All other assets" in our Statement of Financial Position, net of allowance for losses that represents our best estimate of probable losses inherent in such assets.

Because of new accounting requirements that became effective in 2004 and 2003, we consolidated certain non-affiliates, including certain special purpose entities (SPEs) and investments previously considered associated companies, in each of those years.

Financial statement presentation

We have reclassified certain prior-year amounts to conform to the current year's presentation.

Financial data and related measurements are presented in the following categories:

- GE This represents the adding together of all affiliates other than General Electric Capital Services, Inc. (GECS), whose operations are presented on a one-line basis.
- GECS This affiliate owns all of the common stock of General Electric Capital Corporation (GE Capital) and GE Insurance Solutions Corporation (GE Insurance Solutions), the parent of Employers Reinsurance Corporation. GE Capital and its respective affiliates are consolidated in the accompanying GECS columns and constitute its business.

  In 2005, most of GE Insurance Solutions was classified as part of our discontinued insurance operations. See note 2.
- CONSOLIDATED This represents the adding together of GE and GECS.
- OPERATING SEGMENTS These comprise our six businesses focused on the broad markets they serve: Infrastructure, Industrial, Healthcare, NBC Universal, Commercial Finance and Consumer Finance. For segment reporting purposes, certain GECS businesses are included in the industrial operating segments that actively manage such businesses and report their results for internal performance measurement purposes. These include Aviation Financial Services, Energy Financial Services and Transportation Finance reported in the Infrastructure segment, and Equipment Services reported in the Industrial segment.

Unless otherwise indicated, information in these notes to consolidated financial statements relates to continuing operations.

The effects of translating to U.S. dollars the financial statements of non-U.S. affiliates whose functional currency is the local currency are included in shareowners' equity. Asset and liability accounts are translated at year-end exchange rates, while revenues and expenses are translated at average rates for the period.

Effects of transactions between related companies are eliminated. Transactions between GE and GECS are immaterial and consist primarily of GECS services for material procurement and trade receivables management, buildings and equipment leased by GE from GECS, information technology (IT) and other services sold to GECS by GE, aircraft engines manufactured by GE that are installed on aircraft purchased by GECS from third-party producers for lease to others, medical equipment manufactured by GE that is leased by GECS to others, and various investments and loans.

Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

Sales of goods and services

We record sales of goods when a firm sales agreement is in place, delivery has occurred and collectibility of the fixed or determinable sales price is reasonably assured. If customer acceptance of products is not assured, we record sales only upon formal customer acceptance.

Consumer lighting products, home videos and computer hardware and software products are often sold with a right of return. Accumulated experience is used to estimate and provide for such returns when we record the sale.

Sales of goods in the Industrial businesses typically do not include multiple product and/or services elements. In contrast, sales of goods in the Infrastructure and Healthcare businesses sometimes include multiple components and sometimes include services such as installation. In such contracts, amounts assigned to each component are based on that component's objectively determined fair value, such as the sales price for the component when it is sold separately or competitor prices for similar components. Sales are recognized individually for delivered components only if they have value to the customer on a standalone basis and the undelivered components have objectively determined fair values and are not essential to the functionality of the delivered components. When undelivered components are inconsequential or perfunctory and not essential to the functionality of the delivered components (like certain training commitments), we recognize sales on the total contract and make a provision for the cost of the incomplete components.

We record sales of product services, certain power generation equipment, military aircraft engines, Healthcare IT projects and water treatment equipment in accordance with their respective contracts. For long-term product services agreements, we use estimated contract profit rates to record sales as work is performed. For other contracts, we use estimated contract profit rates to record sales as major components are completed and delivered to customers. Estimates are subject to revisions. Revisions that affect an agreement's total estimated profitability result in an immediate adjustment of earnings. We provide for any loss when that loss is probable.

We expense costs to acquire or originate sales agreements as incurred.

NBC Universal, Inc. (NBC Universal) records broadcast and cable television advertising sales when advertisements are aired, net of provision for any viewer shortfalls (make goods). We record sales from theatrical distribution of films as the films are exhibited; sales of home videos, net of a return provision, when the videos are shipped and available for sale by retailers; fees from cable and satellite operators when services are provided; and licensing of film and television programming when we make the material available for airing.

GECS revenues from services (earned income)

We use the interest method to recognize income on all loans. Interest on loans includes origination, commitment and other non-refundable fees related to funding (recorded in earned income on the interest method). We stop accruing interest at the earlier of the time at which collection of an account becomes doubtful or the account becomes 90 days past due. We recognize interest income on nonearning loans either as cash is collected or on a cost-recovery basis as conditions warrant. We resume accruing interest on nonearning, non-restructured commercial loans only when (a) payments are brought current according to the loan's original terms and (b) future payments are reasonably assured. When we agree to restructured terms with the borrower, we resume accruing interest only when reasonably assured that we will recover full contractual payments, and such loans pass underwriting reviews equivalent to those applied to new loans. We resume accruing interest on nonearning consumer loans when the customer's account is less than 90 days past due.

We record financing lease income on the interest method to produce a level yield on funds not yet recovered. Estimated unguaranteed residual values at the date of lease inception represent our initial estimates of the fair value of the leased assets at the expiration of the lease and are based primarily on independent appraisals, which are updated periodically. Guarantees of residual values by unrelated third parties are considered part of minimum lease payments. Significant assumptions we use in estimating residual values include estimated net cash flows over the remaining lease term, results of future remarketing, and future component part and scrap metal prices, discounted at an appropriate rate.

We recognize operating lease income on a straight-line basis over the terms of underlying leases.

Fees include commitment fees related to loans that we do not expect to fund and line-of-credit fees. We record these fees in earned income on a straight-line basis over the period to which they relate. We record syndication fees in earned income at the time related services are performed, unless significant contingencies exist.

See the Investment securities and GECS investment contracts, insurance liabilities and insurance annuity benefits sections of this note for a description of accounting policies for these activities.

Depreciation and amortization

The cost of GE manufacturing plant and equipment is depreciated over its estimated economic life. U.S. assets are depreciated using an accelerated method based on a sum-of-the-years digits formula; non-U.S. assets are depreciated on a straight-line basis.

The cost of GECS equipment leased to others on operating leases is amortized on a straight-line basis to estimated residual value over the lease term or over the estimated economic life of the equipment. See note 15.

NBC Universal film and television costs

We defer film and television production costs, including direct costs, production overhead, development costs and interest. We do not defer costs of exploitation, which principally comprise costs of film and television program marketing and distribution. We amortize deferred film and television production costs, as well as associated participation and residual costs, on an individual production basis using the ratio of the current period's gross revenues to estimated total remaining gross revenues from all sources; we state such costs at the lower of amortized cost or fair value. We defer the costs of acquired broadcast material, including rights to material for use on NBC Universal's broadcast and cable networks, at the earlier of acquisition or when the license period begins and the material is available for use. We amortize acquired broadcast material and rights when we broadcast the associated programs; we state such costs at the lower of amortized cost or net realizable value.

Losses on financing receivables

Our allowance for losses on financing receivables represents our best estimate of probable losses inherent in the portfolio. Our method of calculating estimated losses depends on the size, type and risk characteristics of the related receivables. Write-offs are deducted from the allowance for losses and subsequent recoveries are added. Impaired financing receivables are written down to the extent that we judge principal to be uncollectible.

Our portfolio consists entirely of homogenous consumer loans and of commercial loans and leases. The underlying assumptions, estimates and assessments we use to provide for losses are continually updated to reflect our view of current conditions. Changes in such estimates can significantly affect the allowance and provision for losses. It is possible to experience credit losses that are different from our current estimates.

Our consumer loan portfolio consists of smaller balance, homogenous loans including card receivables, installment loans, auto loans and leases and residential mortgages. We collectively evaluate each portfolio for impairment. The allowance for losses on these receivables is established through a process that estimates the probable losses inherent in the portfolio based upon statistical analyses of portfolio data. These analyses include migration analysis, in which historical delinquency and credit loss experience is applied to the current aging of the portfolio, together with other analyses that reflect current trends and conditions. We also consider overall portfolio indicators including nonearning loans, trends in loan volume and lending terms, credit policies and other observable environmental factors.

During 2004, Consumer Finance adopted a global policy for uncollectible receivables that accelerated write-offs to follow one consistent basis. We write off unsecured closed-end installment loans at 120 days contractually past due and unsecured open-ended revolving loans at 180 days contractually past due. We write down loans secured by collateral other than real estate to the fair value of the collateral, less costs to sell, when such loans are 120 days past due. Consumer loans secured by residential real estate (both revolving and closed-end loans) are written down to the fair value of collateral, less costs to sell, no later than when they become 360 days past due. Unsecured loans in bankruptcy are written off within 60 days of notification of filing by the bankruptcy court or within contractual write-off periods, whichever occurs earlier.

Our commercial loan and lease portfolio consists of a variety of loans and leases, including both larger balance, non-homogenous loans and leases and smaller balance homogenous commercial and equipment loans and leases. Losses on such loans and leases are recorded when probable and estimable. We routinely survey our entire portfolio for potential specific credit or collection issues that might indicate an impairment. For larger balance, non-homogenous loans and leases, this survey first considers the financial status, payment history, collateral value, industry conditions and guarantor support related to specific customers. Any delinquencies or bankruptcies are indications of potential impairment requiring further assessment of collectibility. We routinely receive financial, as well as rating agency reports, on our customers, and we elevate for further attention those customers whose operations we judge to be marginal or deteriorating. We also elevate customers for further attention when we observe a decline in collateral values for asset-based loans. While collateral values are not always available, when we observe such a decline, we evaluate relevant markets to assess recovery alternatives—for example, for real estate loans, relevant markets are local; for aircraft loans, relevant markets are global. We provide allowances based on our evaluation of all available information, including expected future cash flows, fair value of collateral, net of disposal costs, and the secondary market value of the financing receivables. After providing for specific incurred losses, we then determine an allowance for losses that have been incurred in the balance of the portfolio but cannot yet be identified to a specific loan or lease. This estimate is based on historical and projected default rates and loss severity, and it is prepared by each respective line of business.

Experience is not available with new products; therefore, while we are developing that experience, we set loss allowances based on our experience with the most closely analogous products in our portfolio.

When we repossess collateral in satisfaction of a loan, we write down the receivable against the allowance for losses. Repossessed collateral is included in All other assets in the Statement of Financial Position and carried at the lower of cost or estimated fair value less costs to sell.

The remainder of our commercial loans and leases are portfolios of smaller balance homogenous commercial and equipment positions that we evaluate collectively for impairment based upon various statistical analyses considering historical losses and aging.

Sales of stock by affiliates

We record gains or losses on sales by an affiliate of its own shares as revenue unless realization of gains is not reasonably assured, in which case we record the results in shareowners' equity.

Cash and equivalents

Debt securities with original maturities of three months or less are included in cash equivalents unless designated as available-for-sale and classified as investment securities.

Investment securities

We report investments in debt and marketable equity securities, and equity securities in our insurance portfolio, at fair value based on quoted market prices or, if quoted prices are not available, discounted expected cash flows using market rates commensurate with the credit quality and maturity of the investment. Unrealized gains and losses on available-for-sale investment securities are included in shareowners' equity, net of applicable taxes and other adjustments. We regularly review investment securities for impairment based on both quantitative and qualitative criteria that include the extent to which cost exceeds market value, the duration of that market decline, our intent and ability to hold to maturity or until forecasted recovery and the financial health of and specific prospects for the issuer. Unrealized losses that are other than temporary are recognized in earnings. For investment securities designated as trading, unrealized gains and losses are recognized currently in earnings. Realized gains and losses are accounted for on the specific identification method.

Inventories

All inventories are stated at the lower of cost or realizable values. Cost for substantially all of GE's U.S. inventories is determined on a last-in, first-out (LIFO) basis. Cost of other GE inventories is determined on a first-in, first-out (FIFO) basis. GECS inventories consist of finished products held for sale, and cost is determined on a FIFO basis.

Intangible assets

We do not amortize goodwill, but test it annually for impairment using a fair value approach at the reporting unit level. A reporting unit is the operating segment, or a business one level below that operating segment (the component level) if discrete financial information is prepared and regularly reviewed by segment management. However, components are aggregated as a single reporting unit if they have similar economic characteristics. We recognize an impairment charge for any amount by which the carrying amount of a reporting unit's goodwill exceeds its fair value. We use discounted cash flows to establish fair values. When available and as appropriate, we use comparative market multiples to corroborate discounted cash flow results. When a business within a reporting unit is disposed of, goodwill is allocated to the gain or loss on disposition using the relative fair value method.

We amortize the cost of other intangibles over their estimated useful lives unless such lives are deemed indefinite. Amortizable intangible assets are tested for impairment based on undiscounted cash flows and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Intangible assets with indefinite lives are tested annually for impairment and written down to fair value as required.

GECS investment contracts, insurance liabilities and insurance annuity benefits

Certain SPEs, which we consolidate, provide guaranteed investment contracts to states, municipalities and municipal authorities.

Our insurance activities also include providing insurance and reinsurance for life and health risks and providing certain annuity products. Three product groups are provided: traditional insurance contracts, investment contracts and universal life insurance contracts. Insurance contracts are contracts with significant mortality and/or morbidity risks, while investment contracts are contracts without such risks. Universal life insurance contracts are a particular type of long-duration insurance contract whose terms are not fixed and guaranteed.

For short-duration insurance contracts, including accident and health insurance, we report premiums as earned income over the terms of the related agreements, generally on a pro-rata basis. For traditional long-duration insurance contracts including term, whole life and annuities payable for the life of the annuitant, we report premiums as earned income when due.

Premiums received on investment contracts (including annuities without significant mortality risk) and universal life contracts are not reported as revenues but rather as deposit liabilities. We recognize revenues for charges and assessments on these contracts, mostly for mortality, contract initiation, administration and surrender. Amounts credited to policyholder accounts are charged to expense.

Liabilities for traditional long-duration insurance contracts represent the present value of such benefits less the present value of future net premiums based on mortality, morbidity, interest and other assumptions at the time the policies were issued or acquired. Liabilities for investment contracts and universal life policies equal the account value, that is, the amount that accrues to the benefit of the contract or policyholder including credited interest and assessments through the financial statement date.

Liabilities for unpaid claims and claims adjustment expenses represent our best estimate of the ultimate obligations for reported and incurred-but-not-reported claims and the related estimated claim settlement expenses. Liabilities for unpaid claims and claims adjustment expenses are continually reviewed and adjusted through current operations.

Accounting changes

On July 1, 2003, we adopted FIN 46, *Consolidation of Variable Interest Entities*, and, on January 1, 2004, the related subsequent amendment (FIN 46R). Consequently, in 2003 we recorded a $372 million ($0.04 per share) after-tax charge related to the first-time consolidation of certain SPEs, reported in the caption "Cumulative effect of accounting changes." There was no earnings effect arising from our adoption of FIN 46R. Additional information about entities consolidated under these rules is provided in note 28.

Statement of Financial Accounting Standards (SFAS) 143, *Accounting for Asset Retirement Obligations*, became effective for us on January 1, 2003. Under SFAS 143, obligations associated with the retirement of long-lived assets are recorded when there is a legal obligation to incur such costs and the fair value of the liability can be reasonably estimated. This amount is accounted for like an additional element of cost, and, like other cost elements, is depreciated over the corresponding asset's useful life. On January 1, 2003, we recorded a one-time, non-cash transition charge of $330 million ($215 million after tax, or $0.02 per share), which is reported in the caption "Cumulative effect of accounting changes." SFAS 143 primarily affects our accounting for costs associated with the future retirement of facilities used for storage and production of nuclear fuel and, with our acquisition of Amersham plc (Amersham) in April 2004, radio-pharmaceuticals and special radio-labeled chemicals.

In 2002, we adopted on a prospective basis the stock option expense provisions of SFAS 123, *Accounting for Stock-Based Compensation*. A comparison of reported and pro-forma net earnings, including effects of expensing stock options, follows.

(In millions; per-share amounts in dollars)	2005	2004	2003
Net earnings, as reported	$16,353	$16,819	$15,236
Earnings per share, as reported			
Diluted	1.54	1.61	1.51
Basic	1.55	1.62	1.52
Stock option expense included in net earnings	106	93	81
Total stock option expense[a]	191	245	315
PRO-FORMA EFFECTS			
Net earnings, on pro-forma basis	16,268	16,667	15,002
Earnings per share, on pro-forma basis			
Diluted	1.53	1.60	1.49
Basic	1.54	1.60	1.50

Other stock-based compensation expense recognized in earnings was $87 million, $95 million and $75 million in 2005, 2004 and 2003, respectively.

(a) As if we had applied SFAS 123 to expense stock options in all periods. Included amounts we actually recognized in earnings.

Note 2

Discontinued Operations

Planned sale of GE Insurance Solutions

On November 18, 2005, Swiss Reinsurance Company (Swiss Re) agreed to buy the property and casualty insurance and reinsurance businesses and the European life and health operations of GE Insurance Solutions for $8.5 billion, including the assumption of $1.7 billion of debt. Of the consideration other than assumed debt, 55%, or $3.7 billion, will consist of some combination of cash and mandatory convertible instruments and 45%, or $3.1 billion, of newly issued Swiss Re common stock that will be restricted from sale for 360 days. The common stock position is expected to represent about a 12% ownership position in Swiss Re. Operating results through closing will be controlled by us and be for our benefit, we will be subject to certain restrictions with respect to conducting the businesses being sold, and we and Swiss Re will mutually indemnify each other. Effective at closing, all claims liabilities will be the responsibility of Swiss Re.

We presently expect this transaction to close in the second quarter of 2006, subject to regulatory approvals and customary closing conditions.

Sale of Genworth

In May 2004, we completed the initial public offering of Genworth Financial Inc. (Genworth), our formerly wholly-owned subsidiary that conducted most of our consumer insurance business, including life and mortgage insurance operations. During 2005, we reduced our ownership in Genworth to 18% through further sales of stock in three secondary public offerings. Our remaining available-for-sale investment in Genworth common stock is included in assets of discontinued operations, and results of future sales will be reported in discontinued operations.

Discontinued operations

At December 31, 2005, most of GE Insurance Solutions and Genworth were classified as discontinued operations and their results of operations, financial position and cash flows are separately reported for all periods presented. Summarized financial information for discontinued operations is set forth below. Gain (loss) on disposal included actual (Genworth) and estimated (GE Insurance Solutions) effects of these sales.

	Total			Genworth			GE Insurance Solutions		
(In millions)	2005	2004	2003	2005	2004	2003	2005	2004	2003
DISCONTINUED OPERATIONS BEFORE DISPOSAL									
Revenues from services	$15,359	$18,773	$21,755	$7,908	$10,148	$11,790	$ 7,451	$8,625	$9,965
Earnings (loss) from discontinued operations before minority interest and income taxes	$ (1,748)	$ 1,479	$ 2,682	$1,388	$ 1,546	$ 2,039	$(3,136)	$ (67)	$ 643
Minority interest	394	200	2	394	200	2	—	—	—
Earnings (loss) from discontinued operations before income taxes	(2,142)	1,279	2,680	994	1,346	2,037	(3,136)	(67)	643
Income tax benefit (expense)	602	(409)	(623)	(618)	(566)	(640)	1,220	157	17
Earnings (loss) from discontinued operations before disposal, net of taxes	$ (1,540)	$ 870	$ 2,057	$ 376	$ 780	$ 1,397	$(1,916)	$ 90	$ 660
DISPOSAL									
Gain (loss) on disposal before income taxes	$ 629	$ (570)	$ —	$ 932	$ (570)	$ —	$ (303)	$ —	$ —
Income tax benefit (expense)	(1,011)	234	—	(380)	234	—	(631)	—	—
Gain (loss) on disposal, net of taxes	$ (382)	$ (336)	$ —	$ 552	$ (336)	$ —	$ (934)	$ —	$ —
EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAXES	$ (1,922)	$ 534	$ 2,057	$ 928	$ 444	$ 1,397	$(2,850)	$ 90	$ 660

	Total		Genworth		GE Insurance Solutions	
December 31 (In millions)	2005	2004	2005	2004	2005	2004
Cash and equivalents	$ 2,790	$ 3,176	$ —	$ 1,407	$ 2,790	$ 1,769
Investment securities	26,637	78,613	2,981	54,064	23,656	24,549
Other GECS receivables	13,480	25,140	—	11,684	13,480	13,456
Other	3,849	25,337	—	20,642	3,849	4,695
Assets of discontinued operations	46,756	132,266	2,981	87,797	43,775	44,469
ELIMINATIONS	—	—	—	—	—	—
Total	$46,756	$132,266	$2,981	$87,797	$43,775	$44,469
Investment contracts, insurance liabilities and insurance annuity benefits	$31,043	$ 92,509	$ —	$61,857	$31,043	$30,652
Other	5,525	16,784	—	11,437	5,525	5,347
Minority interest	—	3,780	—	3,780	—	—
Liabilities of and minority interest in discontinued operations	36,568	113,073	—	77,074	36,568	35,999
ELIMINATIONS	(236)	(138)	—	—	(236)	(138)
Total	$36,332	$112,935	$ —	$77,074	$36,332	$35,861
Accumulated gains (losses)—net						
Investment securities	$ 532	$ 869	$ 465	$ 707	$ 67	$ 162
Currency translation adjustments	(48)	591	—	332	(48)	259
Cash flow hedges	—	189	—	191	—	(2)
Total accumulated nonowner changes other than earnings	$ 484	$ 1,649	$ 465	$ 1,230	$ 19	$ 419

Note 3

GE Other Income

(In millions)	2005	2004	2003
Sales of business interests	$ 630	$ 464	$110
Associated companies	256	191	118
Licensing and royalty income	227	145	135
Marketable securities and bank deposits	96	92	75
Other items	555	184	207
Total	$1,764	$1,076	$645

Note 4

GECS Revenues from Services

(In millions)	2005	2004	2003
Interest on loans	$20,096	$17,314	$15,448
Operating lease rentals	11,582	10,744	7,199
Investment income	4,278	2,801	1,628
Fees	4,180	3,254	2,494
Financing leases	3,990	4,160	4,206
Premiums earned by insurance activities	2,951	2,428	3,432
Other income	9,692	9,353	6,343
Total[a]	$56,769	$50,054	$40,750

(a) Included $1,295 million, $962 million and $867 million from consolidated, liquidating securitization entities in 2005, 2004 and 2003, respectively. Of these amounts, $634 million in 2005 related to Australian Financial Investments Group (AFIG), a December 2004 acquisition.

Note 5

Supplemental Cost Information

Total expenditures for research and development were $3,425 million, $3,091 million and $2,656 million in 2005, 2004 and 2003, respectively. The portion we funded was $2,741 million in 2005, $2,443 million in 2004 and $2,103 million in 2003.

Rental expense under operating leases is shown below.

(In millions)	2005	2004	2003
GE	$939	$874	$733
GECS	994	931	827

At December 31, 2005, minimum rental commitments under noncancelable operating leases aggregated $2,779 million and $4,039 million for GE and GECS, respectively. Amounts payable over the next five years follow.

(In millions)	2006	2007	2008	2009	2010
GE	$596	$499	$408	$330	$285
GECS	778	679	582	521	388

GE's selling, general and administrative expenses totaled $13,279 million in 2005, $12,001 million in 2004 and $9,870 million in 2003.

Note 6

Retiree Health and Life Benefits

We sponsor a number of retiree health and life insurance benefit plans (retiree benefit plans). Principal retiree benefit plans are discussed below; other such plans are not significant individually or in the aggregate.

PRINCIPAL RETIREE BENEFIT PLANS provide health and life insurance benefits to employees who retire under the GE Pension Plan with 10 or more years of service. Eligible retirees share in the cost of healthcare benefits. Effective January 1, 2005, we amended our principal retiree benefit plans to provide that, upon retirement of salaried employees who commenced service after that date, such retirees will pay in full for their participation in the GE retiree health benefit plans. These plans cover approximately 240,000 retirees and dependents.

The effect on operations of principal retiree benefit plans follows.

COST OF PRINCIPAL RETIREE BENEFIT PLANS

(In millions)	2005	2004	2003
Expected return on plan assets	$ (138)	$(149)	$ (159)
Service cost for benefits earned	243	210	307
Interest cost on benefit obligation	507	518	535
Prior service cost	326	298	191
Net actuarial loss recognized	70	60	127
Retiree benefit plans cost	$1,008	$ 937	$1,001

ACTUARIAL ASSUMPTIONS. The discount rates at December 31 were used to measure the year-end benefit obligations and the earnings effects for the subsequent year. Actuarial assumptions used to determine benefit obligations and earnings effects for principal retiree benefit plans follow.

ACTUARIAL ASSUMPTIONS

December 31	2005	2004	2003	2002
Discount rate[a]	5.25%	5.75%	6.00%	6.75%
Compensation increases	5.00	5.00	5.00	5.00
Expected return on assets	8.50	8.50	8.50	8.50
Initial healthcare trend rate[b]	10.00	10.30	10.50	13.00

(a) Weighted average discount rates of 5.90% and 6.40% were used for determination of costs in 2004 and 2003, respectively.

(b) For 2005, gradually declining to 5% for 2015 and thereafter.

To determine the expected long-term rate of return on retiree life plan assets, we consider the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. We apply our expected rate of return to a market-related value of assets, which stabilizes variability in assets to which we apply that expected return.

We amortize experience gains and losses, as well as the effects of changes in actuarial assumptions and plan provisions, over a period no longer than the average future service of employees.

FUNDING POLICY. We fund retiree health benefits on a pay-as-you-go basis. We expect to contribute approximately $700 million in 2006 to fund such benefits. We fund retiree life insurance benefits at our discretion.

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

ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION (APBO)

(In millions)	2005	2004
Balance at January 1	$9,250	$9,701
Service cost for benefits earned	243	210
Interest cost on benefit obligation	507	518
Participant contributions	41	37
Actuarial gain	(55)	(509)
Benefits paid	(856)	(797)
Other	(46)	90
Balance at December 31[a]	$9,084	$9,250

(a) The APBO for the retiree health plans was $6,713 million and $6,979 million at year-end 2005 and 2004, respectively.

Increasing or decreasing the healthcare cost trend rates by one percentage point would have had an insignificant effect on the December 31, 2005, accumulated postretirement benefit obligation and the annual cost of retiree health plans. Our principal retiree benefit plans are collectively bargained and have provisions that limit our per capita costs.

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

FAIR VALUE OF ASSETS

(In millions)	2005	2004
Balance at January 1	$1,652	$1,626
Actual gain on plan assets	107	160
Employer contributions	675	626
Participant contributions	41	37
Benefits paid	(856)	(797)
Balance at December 31	$1,619	$1,652

Plan assets are held in trust, as follows:

PLAN ASSET ALLOCATION

	2005		2004
December 31	Target allocation	Actual allocation	Actual allocation
U.S. equity securities	35–55%	51%	53%
Non-U.S. equity securities	15–25	19	18
Debt securities	15–30	20	19
Real estate	1–10	2	1
Other	1–18	8	9
Total		100%	100%

Plan fiduciaries set investment policies and strategies for the trust. Long-term strategic investment objectives include preserving the funded status of the trust and balancing risk and return. The plan fiduciaries oversee the investment allocation process, which includes selecting investment managers, setting long-term strategic targets and monitoring asset allocations. Target allocation ranges are guidelines, not limitations, and occasionally plan fiduciaries will approve allocations above or below a target range.

Trust assets invested in short-term securities must be invested in securities rated A1/P1 or better, other than 15% of short-term holdings which may be rated A2/P2. GE common stock represented 6.1% and 6.2% of trust assets at year-end 2005 and 2004, respectively and is subject to a statutory limit when it reaches 10% of total trust assets.

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

RETIREE BENEFIT ASSET (LIABILITY)

December 31 (In millions)	2005	2004
Funded status[a]	$(7,465)	$(7,598)
Unrecognized prior service cost	2,409	2,747
Unrecognized net actuarial loss	902	1,004
Net liability recognized	$(4,154)	$(3,847)
Amounts recorded in the Statement of Financial Position:		
Retiree life plans prepaid asset (liability)	$ (19)	$ 38
Retiree health plans liability	(4,135)	(3,885)
Net liability recognized	$(4,154)	$(3,847)

(a) Fair value of assets less APBO, as shown in the preceding tables.

Estimated future benefit payments are as follows:

ESTIMATED FUTURE BENEFIT PAYMENTS

(In millions)	2006	2007	2008	2009	2010	2011-2015
	$825	$875	$825	$800	$750	$3,300

Note 7

Pension Benefits

We sponsor a number of pension plans. Principal pension plans, together with affiliate and certain other pension plans (other pension plans), detailed in this note represent about 99% of our total pension assets.

PRINCIPAL PENSION PLANS are the GE Pension Plan and the GE Supplementary Pension Plan.

The GE Pension Plan provides benefits to certain U.S. employees based on the greater of a formula recognizing career earnings or a formula recognizing length of service and final average earnings. Certain benefit provisions are subject to collective bargaining.

The GE Supplementary Pension Plan is an unfunded plan providing supplementary retirement benefits primarily to higher-level, longer-service U.S. employees.

OTHER PENSION PLANS in 2005 included 33 U.S. and non-U.S. pension plans with pension assets or obligations greater than $50 million. These defined benefit plans provide benefits to employees based on formulas recognizing length of service and earnings.

To determine the expected long-term rate of return on pension plan assets, we consider the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. For the principal pension plans, we apply our expected rate of return to a market-related value of assets, which stabilizes variability in assets to which we apply that expected return.

We amortize experience gains and losses and effects of changes in actuarial assumptions and plan provisions over a period no longer than the average future service of employees.

PENSION PLAN PARTICIPANTS

December 31, 2005 (In thousands)	Total	Principal pension plans	Other pension plans
Active employees	188	143	45
Vested former employees	210	173	37
Retirees and beneficiaries	230	207	23
Total	628	523	105

COST OF PENSION PLANS

	Total			Principal pension plans			Other pension plans		
(In millions)	2005	2004	2003	2005	2004	2003	2005	2004	2003
Expected return on plan assets	$(4,242)	$(4,256)	$(4,243)	$(3,885)	$(3,958)	$(4,072)	$(357)	$(298)	$(171)
Service cost for benefits earned	1,618	1,436	1,374	1,359	1,178	1,213	259	258	161
Interest cost on benefit obligation	2,609	2,511	2,385	2,248	2,199	2,180	361	312	205
Prior service cost	262	316	252	256	311	248	6	5	4
Net actuarial loss (gain) recognized	480	242	(548)	351	146	(609)	129	96	61
Total cost (income)	$ 727	$ 249	$ (780)	$ 329	$ (124)	$(1,040)	$ 398	$ 373	$ 260

ACTUARIAL ASSUMPTIONS are described below. The discount rates at December 31 were used to measure the year-end benefit obligations and the earnings effects for the subsequent year.

ACTUARIAL ASSUMPTIONS

	Principal pension plans				Other pension plans (weighted average)			
December 31	2005	2004	2003	2002	2005	2004	2003	2002
Discount rate	5.50%	5.75%	6.00%	6.75%	4.74%	5.28%	5.53%	5.88%
Compensation increases	5.00	5.00	5.00	5.00	4.20	4.03	3.87	3.92
Expected return on assets	8.50	8.50	8.50	8.50	7.47	7.67	7.56	7.66

FUNDING POLICY for the GE Pension Plan is to contribute amounts sufficient to meet minimum funding requirements as set forth in employee benefit and tax laws plus such additional amounts as we may determine to be appropriate. We have not made contributions to the GE Pension Plan since 1987. We will not make any contributions to the GE Pension Plan in 2006; any GE contribution to that plan would require payment of excise taxes and would not be deductible for income tax purposes. In 2006, we expect to pay approximately $120 million for the GE Supplementary Pension Plan benefit payments and administrative expenses for our principal pension plans ($106 million in 2005), and expect to contribute approximately $385 million to other pension plans ($366 million in 2005).

BENEFIT OBLIGATIONS are described in the following table. Accumulated and projected benefit obligations (ABO and PBO) represent the obligations of a pension plan for past service as of the measurement date. ABO is the present value of benefits earned to date with benefits computed based on current compensation levels. PBO is ABO increased to reflect expected future compensation.

PROJECTED BENEFIT OBLIGATION

	Principal pension plans		Other pension plans	
(In millions)	2005	2004	2005	2004
Balance at January 1	$39,969	$37,827	$7,122	$4,761
Service cost for benefits earned	1,359	1,178	259	258
Interest cost on benefit obligations	2,248	2,199	361	312
Participant contributions	174	163	36	31
Plan amendments	—	—	3	15
Actuarial loss[a]	1,988	969	909	363
Benefits paid	(2,407)	(2,367)	(256)	(226)
Acquired plans	—	—	54	1,170
Exchange rate adjustments and other	—	—	(391)	438
Balance at December 31[b]	$43,331	$39,969	$8,097	$7,122

(a) Principally associated with discount rate changes.

(b) The PBO for the GE Supplementary Pension Plan was $3,534 million and $3,266 million at year-end 2005 and 2004, respectively.

ABO balances for our pension plans follow.

ACCUMULATED BENEFIT OBLIGATION

December 31 (In millions)	2005	2004
GE Pension Plan	$38,044	$35,296
GE Supplementary Pension Plan	2,178	1,916
Other pension plans	7,194	6,320

Following is information about our pension plans in which the accumulated benefit obligation exceeds the fair value of plan assets.

PLANS WITH ASSETS LESS THAN ABO

December 31 (In millions)	2005	2004
Funded plans with assets less than ABO:		
Plan assets	$4,737	$3,943
Accumulated benefit obligations	6,096	5,075
Projected benefit obligations	6,967	5,825
Unfunded plans covered by book reserves:[a]		
Accrued pension liability	3,323	2,880
Accumulated benefit obligations	2,859	2,564
Projected benefit obligations	4,235	3,931

(a) Primarily related to the GE Supplementary Pension Plan.

Pension plan assets are described below.

FAIR VALUE OF ASSETS

	Principal pension plans		Other pension plans	
(In millions)	2005	2004	2005	2004
Balance at January 1	$46,665	$43,879	$4,602	$2,989
Actual gain on plan assets	4,558	4,888	670	294
Employer contributions	106	102	365	364
Participant contributions	174	163	36	31
Benefits paid	(2,407)	(2,367)	(256)	(226)
Acquired plans	—	—	29	868
Exchange rate adjustments and other	—	—	(233)	282
Balance at December 31	$49,096	$46,665	$5,213	$4,602

Our pension plan assets are held in trust, as follows:

PLAN ASSET ALLOCATION

	Principal pension plans		
	2005		2004
December 31	Target allocation	Actual allocation	Actual allocation
U.S. equity securities	30–45%	42%	44%
Non-U.S. equity securities	15–25	21	19
Debt securities	15–30	18	19
Real estate	4–10	6	6
Private equities	5–11	7	6
Other	1–12	6	6
Total		100%	100%

Plan fiduciaries of the GE Pension Plan set investment policies and strategies for the GE Pension Trust. Long-term strategic investment objectives include preserving the funded status of the trust and balancing risk and return. These plan fiduciaries oversee the investment allocation process, which includes selecting investment managers, commissioning periodic asset-liability studies, setting long-term strategic targets and monitoring asset allocations. Target allocation ranges are guidelines, not limitations, and occasionally plan fiduciaries will approve allocations above or below a target range.

GE Pension Trust assets are invested subject to the following additional guidelines:

- Short-term securities must be rated A1/P1 or better, other than 15% of short-term holdings which may be rated A2/P2,
- Real estate may not exceed 25% of total assets (6% of trust assets at December 31, 2005),
- Investments in securities not freely tradable may not exceed 20% of total assets (12% of trust assets at December 31, 2005), and
- GE stock is limited by statute when it reaches 10% of total trust assets (6.4% and 7.0% at the end of 2005 and 2004, respectively).

	Other pension plans (weighted average)		
	2005		2004
December 31	Target allocation	Actual allocation	Actual allocation
Equity securities	63%	65%	65%
Debt securities	30	28	27
Real estate	3	3	3
Other	4	4	5
Total		100%	100%

Our recorded assets and liabilities for pension plans are as follows:

PREPAID PENSION ASSET (LIABILITY)

	Principal pension plans		Other pension plans	
December 31 (In millions)	2005	2004	2005	2004
Funded status[a]	$ 5,765	$ 6,696	$(2,884)	$(2,520)
Unrecognized prior service cost	1,004	1,260	37	40
Unrecognized net actuarial loss	8,445	7,481	2,046	1,658
Net amount recognized	$15,214	$15,437	$ (801)	$ (822)
Amounts recorded in the Statement of Financial Position:				
Prepaid pension asset	$17,853	$17,629	$ 114	$ 153
Accrued pension obligation[b]	(2,639)	(2,192)	(2,197)	(1,993)
Intangible assets	—	—	54	57
Accumulated other comprehensive income	—	—	1,228	961
Net amount recognized	$15,214	$15,437	$ (801)	$ (822)

(a) Fair value of assets less PBO, as shown in the preceding tables.

(b) For principal pension plans, represents the GE Supplementary Pension Plan liability.

Estimated future benefit payments for our pension plans are as follows:

ESTIMATED FUTURE BENEFIT PAYMENTS

(In millions)	2006	2007	2008	2009	2010	2011-2015
Principal pension plans	$2,400	$2,450	$2,500	$2,500	$2,550	$14,000
Other pension plans	250	275	275	300	300	1,650

Note 8

Provision for Income Taxes

(In millions)	2005	2004	2003
GE			
Current tax expense	$ 3,037	$ 2,148	$2,468
Deferred tax expense (benefit) from temporary differences	(287)	(175)	389
	2,750	1,973	2,857
GECS			
Current tax expense	1,938	1,510	171
Deferred tax expense (benefit) from temporary differences	(834)	3	817
	1,104	1,513	988
CONSOLIDATED			
Current tax expense	4,975	3,658	2,639
Deferred tax expense (benefit) from temporary differences	(1,121)	(172)	1,206
Total	$ 3,854	$ 3,486	$3,845

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

Consolidated current tax expense includes amounts applicable to U.S. federal income taxes of $2,527 million, $587 million and $1,314 million in 2005, 2004 and 2003, respectively, and amounts applicable to non-U.S. jurisdictions of $2,241 million, $2,577 million and $1,276 million in 2005, 2004 and 2003, respectively. Consolidated deferred taxes related to U.S. federal income taxes were benefits of $380 million and $211 million in 2005 and 2004, respectively, compared with an expense of $653 million in 2003.

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases, as well as from net operating loss and tax credit carryforwards, and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. We evaluate the recoverability of these future tax deductions by assessing the adequacy of future expected taxable income from all sources, including reversal of temporary differences and forecasted operating earnings. See note 21 for details.

We have not provided U.S. deferred taxes on cumulative earnings of non-U.S. affiliates and associated companies that have been reinvested indefinitely. These earnings relate to ongoing operations and, at December 31, 2005, were approximately $36 billion. Because of the availability of U.S. foreign tax credits, it is not practicable to determine the U.S. federal income tax liability that would be payable if such earnings were not reinvested indefinitely. Deferred taxes are provided for earnings of non-U.S. affiliates and associated companies when we plan to remit those earnings.

The American Jobs Creation Act of 2004 (the Act) allowed U.S. companies a one-time opportunity to repatriate non-U.S. earnings through 2005 at a 5.25% rate of tax rather than the normal U.S. tax rate of 35%, provided that certain criteria, including qualified U.S. reinvestment of those earnings, were met. Available U.S. foreign tax credits related to the repatriation are reduced under provisions of the Act. During the fourth quarter of 2005, we reached a final decision concerning repatriation. Because the vast majority of our non-U.S. earnings have been permanently reinvested in active business operations, we repatriated only $1.2 billion of non-U.S. earnings. Because a U.S. tax provision at normal tax rates had been provided on the majority of this amount, the result was a reduction of the GE and consolidated tax rates of approximately 0.5 percentage points.

Consolidated U.S. earnings from continuing operations before income taxes and accounting changes were $9,921 million in 2005, $9,093 million in 2004 and $9,545 million in 2003. The corresponding amounts for non-U.S.-based operations were $12,208 million in 2005, $10,678 million in 2004 and $8,066 million in 2003.

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

RECONCILIATION OF U.S. FEDERAL STATUTORY INCOME TAX RATE TO ACTUAL INCOME TAX RATE

	Consolidated			GE			GECS		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
U.S. federal statutory income tax rate	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Increase (reduction) in rate resulting from:									
Inclusion of after-tax earnings of GECS in before-tax earnings of GE	—	—	—	(15.2)	(15.1)	(12.5)	—	—	—
Tax-exempt income	(0.2)	(0.3)	(0.5)	—	—	—	(0.5)	(0.6)	(1.2)
Tax on global activities including exports	(15.9)	(12.7)	(9.8)	(5.9)	(5.9)	(4.8)	(22.2)	(15.3)	(13.5)
IRS settlements of Lockheed Martin tax-free exchange/Puerto Rico subsidiary loss	—	(3.5)	—	—	(3.8)	—	—	—	—
All other—net	(1.5)	(0.9)	(2.9)	(0.8)	0.6	(0.5)	(1.5)	(2.9)	(6.0)
	(17.6)	(17.4)	(13.2)	(21.9)	(24.2)	(17.8)	(24.2)	(18.8)	(20.7)
Actual income tax rate	17.4%	17.6%	21.8%	13.1%	10.8%	17.2%	10.8%	16.2%	14.3%

Note 9

Earnings Per Share Information

	2005		2004		2003	
(In millions; per-share amounts in dollars)	Diluted	Basic	Diluted	Basic	Diluted	Basic
CONSOLIDATED						
Earnings from continuing operations before accounting changes for per-share calculation[a]	$18,276	$18,275	$16,286	$16,285	$13,767	$13,766
Earnings (loss) from discontinued operations for per-share calculation[b]	(1,933)	(1,922)	532	534	2,057	2,057
Earnings before accounting changes for per-share calculation	16,343	16,353	16,818	16,819	15,824	15,823
Cumulative effect of accounting changes	—	—	—	—	(587)	(587)
Net earnings available for per-share calculation	$16,343	$16,353	$16,818	$16,819	$15,237	$15,236
AVERAGE EQUIVALENT SHARES						
Shares of GE common stock outstanding	10,570	10,570	10,400	10,400	10,019	10,019
Employee compensation-related shares, including stock options	41	—	45	—	56	—
Total average equivalent shares	10,611	10,570	10,445	10,400	10,075	10,019
PER-SHARE AMOUNTS						
Earnings from continuing operations before accounting changes	$ 1.72	$ 1.73	$ 1.56	$ 1.57	$ 1.37	$ 1.37
Earnings (loss) from discontinued operations	(0.18)	(0.18)	0.05	0.05	0.20	0.21
Earnings before accounting changes	1.54	1.55	1.61	1.62	1.57	1.58
Cumulative effect of accounting changes	—	—	—	—	(0.06)	(0.06)
Net earnings per share	$ 1.54	$ 1.55	$ 1.61	$ 1.62	$ 1.51	$ 1.52

(a) Included dividend equivalents of approximately $1 million in each of the three years ended December 31, 2005.

(b) Included dilutive effects of subsidiary-issued stock-based awards of approximately $11 million in 2005 and $2 million in 2004.

Note 10
Investment Securities

December 31 (In millions)	Estimated fair value 2005	2004
Available-for-sale securities	$45,002	$48,577
GECS trading securities	8,142	8,346
Total	$53,144	$56,923

AVAILABLE-FOR-SALE SECURITIES

December 31 (In millions)	2005 Amortized cost	2005 Gross unrealized gains	2005 Gross unrealized losses	2005 Estimated fair value	2004 Amortized cost	2004 Gross unrealized gains	2004 Gross unrealized losses	2004 Estimated fair value
GE								
Debt—U.S. corporate	$ 307	$ 2	$ —	$ 309	$ 350	$ —	$ —	$ 350
Equity	26	131	(5)	152	58	8	(3)	63
GE available-for-sale securities	333	133	(5)	461	408	8	(3)	413
GECS								
Debt:								
U.S. corporate	20,578	1,317	(339)	21,556	22,703	1,596	(362)	23,937
State and municipal	810	47	(2)	855	802	63	—	865
Mortgage-backed[a]	5,677	44	(56)	5,665	5,983	78	(25)	6,036
Asset-backed	8,434	205	(19)	8,620	7,610	251	(46)	7,815
Corporate—non-U.S.	4,796	404	(11)	5,189	5,309	405	(7)	5,707
Government—non-U.S.	694	92	—	786	1,423	100	—	1,523
U.S. government and federal agency	803	61	(5)	859	759	59	(1)	817
Equity	838	229	(33)	1,034	1,194	314	(15)	1,493
GECS available-for-sale securities	42,630	2,399	(465)	44,564[b]	45,783	2,866	(456)	48,193[b]
ELIMINATIONS	(17)	(6)	—	(23)	(17)	(12)	—	(29)
Total	$42,946	$2,526	$(470)	$45,002	$46,174	$2,862	$(459)	$48,577

(a) *Substantially collateralized by U.S. residential mortgages.*

(b) Included $16 million in 2005 and $684 million in 2004 of debt securities related to consolidated, liquidating securitization entities. See note 28.

The following tables present the gross unrealized losses and estimated fair values of our available-for-sale investment securities.

	Less than 12 months		12 months or more	
December 31 (In millions)	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
2005				
Debt:				
U.S. corporate	$ 3,640	$(131)	$2,584	$(208)
State and municipal	77	(2)	—	—
Mortgage-backed	1,859	(22)	1,190	(34)
Asset-backed	1,495	(10)	383	(9)
Corporate -- non-U.S.	286	(9)	73	(2)
U.S. government and federal agency	297	(5)	—	—
Equity	84	(25)	38	(13)
Total	$ 7,738	$(204)	$4,268	$(266)
2004				
Debt:				
U.S. corporate	$ 3,198	$ (88)	$1,346	$(274)
Mortgage-backed	2,465	(19)	197	(6)
Asset-backed	1,586	(15)	429	(31)
Corporate -- non-U.S.	2,512	(2)	168	(5)
U.S. government and federal agency	116	(1)	—	—
Equity	148	(14)	49	(4)
Total	$10,025	$(139)	$2,189	$(320)

Securities in an unrealized loss position for 12 months or more at December 31, 2005 and 2004, included investment securities collateralized by commercial aircraft, primarily Enhanced Equipment Trust Certificates, with unrealized losses of $96 million and $259 million, respectively, and estimated fair values of $1,207 million and $810 million, respectively. We review all of our investment securities routinely for other than temporary impairment as described in note 1. In accordance with that policy, we have provided for all amounts that we did not expect either to collect in accordance with the contractual terms of the instruments or to recover based on underlying collateral values. For our securities collateralized by commercial aircraft, that review included our best estimates of the securities' cash flows and underlying collateral values, and assessment of whether the borrower was in compliance with terms and conditions. We believe that these securities, which are current on all payment terms, were trading at a discount to market value since the respective stated interest rates on the securities were below what was perceived as a market rate based on the ongoing negative market reaction to difficulties in the commercial airline industry. We do not anticipate changes in the timing and amount of estimated cash flows and we expect full recovery of our amortized cost. Should our cash flow expectation prove to be incorrect, the current appraised market values of associated collateral exceeded both the market value and the amortized cost of our related securities at December 31, 2005.

We presently intend to hold our investment securities in an unrealized loss position at December 31, 2005, at least until we can recover their respective amortized cost. We have the ability to hold our debt securities until their maturities.

CONTRACTUAL MATURITIES OF GECS INVESTMENT IN AVAILABLE-FOR-SALE DEBT SECURITIES (EXCLUDING MORTGAGE-BACKED AND ASSET-BACKED SECURITIES)

(In millions)	Amortized cost	Estimated fair value
Due in		
2006	$ 2,447	$ 2,444
2007–2010	4,603	4,601
2011–2015	4,786	4,874
2016 and later	15,845	17,326

We expect actual maturities to differ from contractual maturities because borrowers have the right to call or prepay certain obligations.

Supplemental information about gross realized gains and losses on available-for-sale investment securities follows.

(In millions)	2005	2004	2003
GE			
Gains	$ 6	$ 15	$ 3
Losses, including impairments	(5)	—	(38)
Net	1	15	(35)
GECS			
Gains	514	413	522
Losses, including impairments	(133)	(209)	(317)
Net	381	204	205
Total	$ 382	$ 219	$ 170

Proceeds from available-for-sale investment securities sales amounted to $14,100 million, $12,000 million and $12,400 million in 2005, 2004 and 2003, respectively.

GECS TRADING SECURITIES

Gains and losses on trading securities are for the benefit of certain non-U.S. insurance contractholders. In 2005 and 2004, we recognized net pre-tax gains on such securities of $862 million and $284 million, respectively, and recognized corresponding insurance losses of $860 million and $280 million, respectively, reflecting the contractholders participation in the actual returns generated by these investments.

Note 11

GE Current Receivables

December 31 (In millions)	2005	2004
Infrastructure	$ 6,827	$ 5,861
Industrial	2,255	2,230
Healthcare	2,947	2,862
NBC Universal	3,633	4,067
Corporate items and eliminations	154	251
	15,816	15,271
Less allowance for losses	(758)	(738)
Total	$15,058	$14,533

Receivables balances at December 31, 2005 and 2004, before allowance for losses, included $10,250 million and $10,182 million, respectively, from sales of goods and services to customers, and $246 million at both December 31, 2005 and 2004, from transactions with associated companies.

Current receivables of $563 million and $435 million at December 31, 2005 and 2004, respectively, arose from sales, principally of aircraft engine goods and services on open account to various agencies of the U.S. government, our largest single customer. About 4% of our sales of goods and services were to the U.S. government in 2005, 2004 and 2003.

Note 12

Inventories

December 31 (In millions)	2005	2004
GE		
Raw materials and work in process	$ 5,527	$ 5,042
Finished goods	5,152	4,806
Unbilled shipments	333	402
	11,012	10,250
Less revaluation to LIFO	(697)	(661)
	10,315	9,589
GECS		
Finished goods	159	189
Total	$10,474	$ 9,778

As of December 31, 2005, we were obligated to acquire certain raw materials at market prices through the year 2027 under various take-or-pay or similar arrangements. Annual minimum commitments under these arrangements are insignificant.

Note 13

GECS Financing Receivables (investments in loans and financing leases)

December 31 (In millions)	2005	2004
Loans, net of deferred income	$227,923	$220,593
Investment in financing leases, net of deferred income	64,309	67,754
	292,232	288,347
Less allowance for losses (note 14)	(4,593)	(5,648)
Financing receivables—net	$287,639	$282,699

Included in the above are the financing receivables of consolidated, liquidating securitization entities as follows:

December 31 (In millions)	2005	2004
Loans, net of deferred income	$15,868	$20,728
Investment in financing leases, net of deferred income	769	2,125
	16,637	22,853
Less allowance for losses	(22)	(5)
Financing receivables—net	$16,615	$22,848

Details of financing receivables—net follow.

December 31 (In millions)	2005	2004
COMMERCIAL FINANCE		
Equipment and leasing	$ 70,851	$ 64,540
Commercial and industrial	41,402	39,481
Real estate	19,555	20,470
	131,808	124,491
CONSUMER FINANCE		
Non-U.S. residential mortgages	46,205	42,201
Non-U.S. installment and revolving credit	31,849	33,889
Non-U.S. auto	22,803	23,517
U.S. installment and revolving credit	21,963	21,385
Other	7,286	6,771
	130,106	127,763
INFRASTRUCTURE [a]	19,124	20,991
OTHER [b]	11,194	15,102
	292,232	288,347
Less allowance for losses	(4,593)	(5,648)
Total	$287,639	$282,699

(a) Included loans and financing leases of $11,192 million and $13,562 million at December 31, 2005 and 2004, respectively, related to commercial aircraft at Aviation Financial Services and loans and financing leases of $5,419 million and $4,659 million at December 31, 2005 and 2004, respectively, related to Energy Financial Services.

(b) Included loans and financing leases of $10,160 million and $13,759 million at December 31, 2005 and 2004, respectively, related to certain consolidated, liquidating securitization entities.

GECS financing receivables include both loans and financing leases. Loans represent transactions in a variety of forms, including revolving charge and credit, mortgages, installment loans, intermediate-term loans and revolving loans secured by business assets. The portfolio includes loans carried at the principal amount on which finance charges are billed periodically, and loans carried at gross book value, which includes finance charges.

Investment in financing leases consists of direct financing and leveraged leases of aircraft, railroad rolling stock, autos, other transportation equipment, data processing equipment, medical equipment, commercial real estate and other manufacturing, power generation, and commercial equipment and facilities.

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

Investment in direct financing and leveraged leases represents net unpaid rentals and estimated unguaranteed residual values of leased equipment, less related deferred income. GECS has no general obligation for principal and interest on notes and other instruments representing third-party participation related to leveraged leases; such notes and other instruments have not been included in liabilities but have been offset against the related rentals receivable. The GECS share of rentals receivable on leveraged leases is subordinate to the share of other participants who also have security interests in the leased equipment.

NET INVESTMENT IN FINANCING LEASES

	Total financing leases		Direct financing leases[a]		Leveraged leases[b]	
December 31 (In millions)	2005	2004	2005	2004	2005	2004
Total minimum lease payments receivable	$86,436	$91,840	$60,594	$63,733	$25,842	$28,107
Less principal and interest on third-party nonrecourse debt	(19,061)	(20,992)	—	—	(19,061)	(20,992)
Net rentals receivable	67,375	70,848	60,594	63,733	6,781	7,115
Estimated unguaranteed residual value of leased assets	9,379	10,323	6,260	6,898	3,119	3,425
Less deferred income	(12,445)	(13,417)	(9,305)	(9,966)	(3,140)	(3,451)
Investment in financing leases, net of deferred income	64,309	67,754	57,549	60,665	6,760	7,089
Less amounts to arrive at net investment						
Allowance for losses	(525)	(1,090)	(380)	(903)	(145)	(187)
Deferred taxes	(8,037)	(9,767)	(3,495)	(5,099)	(4,542)	(4,668)
Net investment in financing leases	$55,747	$56,897	$53,674	$54,663	$ 2,073	$ 2,234

(a) Included $475 million and $489 million of initial direct costs on direct financing leases at December 31, 2005 and 2004, respectively.

(b) Included pre-tax income of $248 million and $340 million and income tax of $96 million and $131 million during 2005 and 2004, respectively. Net investment credits recognized during 2005 and 2004 were inconsequential.

CONTRACTUAL MATURITIES

(In millions)	Total loans	Net rentals receivable
Due in		
2006	$ 74,232	$17,812
2007	30,610	14,320
2008	23,696	10,756
2009	13,812	7,261
2010	14,306	4,164
2011 and later	71,267	13,062
Total	$227,923	$67,375

We expect actual maturities to differ from contractual maturities.

Individually "impaired" loans are defined by GAAP as larger balance or restructured loans for which it is probable that the lender will be unable to collect all amounts due according to original contractual terms of the loan agreement. An analysis of impaired loans follows.

December 31 (In millions)	2005	2004
Loans requiring allowance for losses	$1,479	$1,689
Loans expected to be fully recoverable	451	520
	$1,930	$2,209
Allowance for losses	$ 627	$ 749
Average investment during year	2,118	2,403
Interest income earned while impaired[a]	46	26

(a) Recognized principally on cash basis.

Note 14

GECS Allowance for Losses on Financing Receivables

(In millions)	2005	2004	2003
BALANCE AT JANUARY 1			
Commercial Finance	$ 1,562	$ 1,952	$ 2,407
Consumer Finance	3,473	3,984	2,782
Infrastructure	583	293	258
Other	30	27	53
	5,648	6,256	5,500
PROVISION CHARGED TO OPERATIONS			
Commercial Finance	293	327	874
Consumer Finance	3,337	3,219	2,808
Infrastructure	210	325	28
Other	1	17	42
	3,841	3,888	3,752
OTHER ADDITIONS (REDUCTIONS)	(487)	(74)	679
GROSS WRITE-OFFS			
Commercial Finance	(892)	(928)	(1,312)
Consumer Finance[a]	(4,447)	(4,423)	(3,114)
Infrastructure	(572)	(27)	(24)
Other	(48)	(74)	(73)
	(5,959)	(5,452)	(4,523)
RECOVERIES			
Commercial Finance	180	161	124
Consumer Finance	1,359	846	710
Infrastructure	—	2	2
Other	11	21	12
	1,550	1,030	848
BALANCE AT DECEMBER 31			
Commercial Finance	1,110	1,562	1,952
Consumer Finance	3,234	3,473	3,984
Infrastructure	220	583	293
Other	29	30	27
Total	$ 4,593	$ 5,648	$ 6,256

(a) Included $889 million in 2004 related to the standardization of our write-off policy.

See note 13 for amounts related to consolidated, liquidating securitization entities.

SELECTED FINANCING RECEIVABLES RATIOS

December 31	2005	2004
ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES AS A PERCENTAGE OF TOTAL FINANCING RECEIVABLES		
Commercial Finance	0.84%	1.25%
Consumer Finance	2.49	2.72
Infrastructure	1.15	2.78
Other	0.26	0.20
Total	1.57	1.96
NONEARNING AND REDUCED EARNING FINANCING RECEIVABLES AS A PERCENTAGE OF TOTAL FINANCING RECEIVABLES		
Commercial Finance	1.0%	1.1%
Consumer Finance	2.1	2.0
Infrastructure	0.1	0.8
Other	0.7	1.2
Total	1.4	1.5

Note 15

Property, Plant and Equipment

December 31 (Dollars in millions)	Estimated useful lives-new (years)	2005	2004
ORIGINAL COST			
GE			
Land and improvements	8[a]	$ 1,366	$ 1,562
Buildings, structures and related equipment	8-40	10,044	9,617
Machinery and equipment	4-20	25,811	25,026
Leasehold costs and manufacturing plant under construction	1-10	2,157	2,942
		39,378	39,147
GECS[b]			
Buildings and equipment	2-40	5,547	5,684
Equipment leased to others			
Aircraft	20	32,941	26,837
Vehicles	1-14	23,208	23,056
Railroad rolling stock	3-30	3,327	3,390
Mobile and modular space	12-18	2,889	2,965
Construction and manufacturing	5-25	1,609	1,772
All other	2-33	2,834	3,021
		72,355	66,725
Total		$111,733	$105,872
NET CARRYING VALUE			
GE			
Land and improvements		$ 1,269	$ 1,464
Buildings, structures and related equipment		4,823	4,405
Machinery and equipment		8,525	8,206
Leasehold costs and manufacturing plant under construction		1,887	2,681
		16,504	16,756
GECS[b]			
Buildings and equipment		3,116	3,295
Equipment leased to others			
Aircraft[c]		27,116	21,991
Vehicles		14,064	14,062
Railroad rolling stock		2,188	2,193
Mobile and modular space		1,496	1,636
Construction and manufacturing		1,088	1,157
All other		1,956	2,013
		51,024	46,347
Total		$ 67,528	$ 63,103

(a) Estimated useful lives exclude land.

(b) Included $1,935 million and $2,243 million of original cost of assets leased to GE with accumulated amortization of $298 million and $377 million at December 31, 2005 and 2004, respectively.

(c) The Aviation Financial Services business of Infrastructure recognized impairment losses of $295 million in 2005 and $148 million in 2004 recorded in the caption "Other costs and expenses" in the Statement of Earnings to reflect adjustments to fair value based on current market values from independent appraisers.

Amortization of GECS equipment leased to others was $5,642 million, $5,365 million and $4,224 million in 2005, 2004 and 2003, respectively. Noncancelable future rentals due from customers for equipment on operating leases at December 31, 2005, are due as follows:

(In millions)	
Due in	
2006	$ 7,615
2007	6,099
2008	4,743
2009	3,375
2010	2,642
2011 and later	7,840
Total	$32,314

Note 16

Intangible Assets

December 31 (In millions)	2005	2004
GE		
Goodwill	$48,274	$45,775
Intangible assets subject to amortization	7,478	6,911
Indefinite-lived intangible assets[a]	2,087	2,034
	57,839	54,720
GECS		
Goodwill	21,337	21,590
Intangible assets subject to amortization	2,550	2,146
	23,887	23,736
Total	$81,726	$78,456

(a) Indefinite-lived intangible assets principally comprised trademarks, tradenames and U.S. Federal Communications Commission licenses.

Changes in goodwill balances, net of accumulated amortization, follow.

	2005				2004			
(In millions)	Balance January 1	Acquisitions/ purchase accounting adjustments	Currency exchange and other	Balance December 31	Balance January 1	Acquisitions/ purchase accounting adjustments	Currency exchange and other	Balance December 31
Infrastructure	$ 9,759	$ 770	$ (363)	$10,166	$ 9,355	$ 212	$ 192	$ 9,759
Industrial	7,674	1,236	(208)	8,702	5,885	666	1,123[a]	7,674
Healthcare	13,259	226	(81)	13,404	4,766	8,422	71	13,259
NBC Universal	16,672	946	(84)	17,534	6,730	9,944	(2)	16,672
Commercial Finance	10,141	766	(286)	10,621	9,145	929	67	10,141
Consumer Finance	9,860	(24)	(652)	9,184	8,163	1,275	422	9,860
Total	$67,365	$3,920	$(1,674)	$69,611	$44,044	$21,448	$1,873	$67,365

(a) Included $1,055 million of goodwill associated with the consolidation of Penske effective January 1, 2004.

The amount of goodwill related to new acquisitions recorded during 2005 was $3,705 million, the largest of which were Edwards Systems Technology ($996 million) by Industrial, Ionics, Inc. ($681 million) by Infrastructure, Antares Capital Corp. ($407 million) by Commercial Finance, an additional interest in MSNBC ($402 million) and the previously outstanding minority interest in Vivendi Universal Entertainment LLLP (VUE) ($329 million) by NBC Universal.

The amount of goodwill related to purchase accounting adjustments to prior-year acquisitions during 2005 was $215 million, primarily associated with the 2004 acquisition of Amersham by Healthcare and the combination of NBC and VUE.

The amount of goodwill related to new acquisitions during 2004 was $20,948 million, the largest of which were the combination of NBC and VUE and the acquisition of Amersham by Healthcare, both discussed on the following page, and InVision Technologies, Inc. ($618 million) by Industrial.

The amount of goodwill related to purchase accounting adjustments to prior-year acquisitions during 2004 was $500 million, primarily associated with the 2003 acquisition of Instrumentarium at Healthcare and Allbank and First National Bank at Consumer Finance.

Upon closing an acquisition, we estimate the fair values of assets and liabilities acquired and consolidate the acquisition as quickly as possible. Given the time it takes to obtain pertinent information to finalize the acquired company's balance sheet (frequently with implications for the price of the acquisition), then to adjust the acquired company's accounting policies, procedures, books and records to our standards, it is often several quarters before we are able to finalize those initial fair value estimates. Accordingly, it is not uncommon for our initial estimates to be subsequently revised.

INTANGIBLE ASSETS SUBJECT TO AMORTIZATION

December 31 (In millions)	Gross carrying amount	Accumulated amortization	Net
GE			
2005			
Patents, licenses and trademarks	$ 4,814	$(1,134)	$3,680
Capitalized software	4,109	(2,261)	1,848
All other	2,172	(222)	1,950
Total	$11,095	$(3,617)	$7,478
2004			
Patents, licenses and trademarks	$ 4,736	$ (757)	$3,979
Capitalized software	3,763	(1,869)	1,894
All other	1,171	(133)	1,038
Total	$ 9,670	$(2,759)	$6,911
GECS			
2005			
Patents, licenses and trademarks	$ 497	$ (272)	$ 225
Capitalized software	1,478	(799)	679
All other	2,661	(1,015)	1,646
Total	$ 4,636	$(2,086)	$2,550
2004			
Patents, licenses and trademarks	$ 438	$ (226)	$ 212
Capitalized software	1,268	(672)	596
All other	2,226	(888)	1,338
Total	$ 3,932	$(1,786)	$2,146

Consolidated amortization expense related to intangible assets subject to amortization was $1,413 million and $1,375 million for 2005 and 2004, respectively.

SIGNIFICANT ACQUISITIONS AND COMBINATIONS

In April 2004, we acquired all of the outstanding common shares of Amersham, a world leader in medical diagnostics and life sciences. The total purchase price of $11,279 million included 341.7 million shares of GE common stock valued at $10,674 million, cash of $150 million and assumed debt of $455 million. Final allocation of the purchase price assigned $8,452 million to goodwill, $2,704 million to identified intangible assets that are being amortized over periods ranging from five to 25 years, $158 million to acquired inventories and $99 million to acquired in-process research and development projects charged to operations in the second quarter of 2004.

In May 2004, we completed the combination of NBC with VUE and certain related assets to create one of the world's leading media companies, NBC Universal, Inc. (NBC Universal). Twenty percent of NBC Universal's shares were issued to a subsidiary of Vivendi Universal (VU) as partial consideration for VU's interest in VUE and the related assets. NBC's acquired interest in VUE and the related assets were valued at $14,429 million, for which we exchanged the NBC Universal shares, paid cash to certain VUE interest holders of $3,650 million and assumed debt of $2,498 million. In March 2004, we had issued 119.4 million shares of our common stock for net cash proceeds of $3,765 million, and we used most of those proceeds to fund the $3,650 million we paid in this transaction. The final allocation of our acquired interest assigned $10,156 million to goodwill, $1,503 million to indefinite-lived intangibles and $307 million to identified intangible assets that are being amortized over periods ranging from two to 20 years. As a result of issuing the NBC Universal shares, we essentially disposed of 20% of NBC, and therefore recorded an increase in shareowners' equity of $2,153 million, net of taxes of $1,439 million. IAC/InteractiveCorp (IAC), the holder of 5.44% of the VUE common interests, did not participate in the transaction and remained a minority interest holder of VUE at December 31, 2004. IAC also owned two series of VUE preferred interests at that date—$758 million of mandatorily redeemable Preferred A interests that we recorded as a liability and $1,582 million of cumulative redeemable Preferred B interests that we included in minority interest. As of the same date and in approximately the same amounts, VUE held U.S. Treasury securities as an economic hedge of the redemption of the Preferred A interests; and NBC Universal held IAC securities that could be used to redeem the Preferred B interests. We also agreed to provide VU any excess value in the IAC securities. The combined position provided an effective hedge of the disposition of those shares.

In June 2005, NBC Universal, VU and IAC jointly agreed to unwind various interrelated financial interests pertaining to the IAC investments described above. As part of that agreement, NBC Universal fully settled its obligations in connection with both the Preferred A and B interests in exchange for the U.S. Treasury securities, the IAC securities and $200 million cash. NBC Universal recognized a $318 million pre-tax gain on the final fair value adjustments to its various affected financial instruments as of the transaction date ($127 million, net of taxes and minority interest of $133 million and $58 million, respectively); and recorded an increase in shareowners' equity of $108 million on the fair value exchange, net of taxes and minority interest of $82 million and $32 million, respectively. Also as part of that agreement, NBC Universal acquired IAC's 5.44% common interest in VUE for cash of $800 million, including $160 million funded by VU, and other consideration of $115 million. The preliminary allocation of its acquired interest assigned $329 million to goodwill and $31 million to intangible assets. VU's right to monetize its ownership interest over time at fair value was amended to begin in 2007.

Note 17

All Other Assets

December 31 (In millions)	2005	2004
GE		
Investments		
Associated companies	$ 1,824	$ 1,830
Other [a][b]	1,089	3,974
	2,913	5,804
Prepaid pension asset—principal plans	17,853	17,629
Contract costs and estimated earnings	4,664	4,089
Film and television costs	3,828	3,441
Long-term receivables, including notes	2,790	2,821
Derivative instruments	247	628
Other	4,457	3,711
	36,752	38,123
GECS		
Investments		
Associated companies	13,481	10,644
Real estate [c]	16,467	19,163
Assets held for sale [d]	8,574	6,501
Cost method [e]	2,280	2,392
Other	3,072	3,876
	43,874	42,576
Deferred acquisition costs	1,541	1,619
Derivative instruments	1,622	3,052
Advances to suppliers	1,762	1,754
Other	3,259	3,571
	52,058	52,572
ELIMINATIONS	(1,364)	(1,138)
Total [f]	$87,446	$89,557

(a) The fair value of and unrealized loss on cost method investments in a continuous loss position in 2005 were insignificant. The fair value of and unrealized loss on cost method investments in a continuous loss position for less than 12 months in 2004 were $373 million and $34 million, respectively. Also included available-for-sale securities of $1,200 million in 2004, of which the unrealized loss on those in a continuous loss position for less than 12 months in 2004 was $111 million.

(b) 2004 amounts included investments associated with the VUE settlement in 2005. See note 16 for further information.

(c) GECS investment in real estate consisted principally of two categories: real estate held for investment and equity method investments. Both categories contained a wide range of properties including the following at December 31, 2005: office buildings (52%), apartment buildings (20%), retail facilities (7%), industrial properties (6%), parking facilities (5%), franchise properties (3%) and other (7%). At December 31, 2005, investments were located in Europe (46%), North America (35%) and Asia (19%).

(d) Assets were classified as held for sale on the date a decision was made to dispose of them through sale, securitization or other means. Such assets consisted primarily of real estate properties and mortgage and credit card receivables, and were accounted for at the lower of carrying amount or estimated fair value less costs to sell.

(e) The fair value of and unrealized loss on those investments in a continuous loss position for less than 12 months in 2005 were $100 million and $31 million, respectively. The fair value of and unrealized loss on those investments in a continuous loss position for 12 months or more in 2005 were $22 million and $9 million, respectively. The fair value of and unrealized loss on those investments in a continuous loss position for less than 12 months in 2004 were $56 million and $25 million, respectively. The fair value of and unrealized loss on those investments in a continuous loss position for 12 months or more in 2004 were $55 million and $42 million, respectively.

(f) Included $1,235 million in 2005 and $2,384 million in 2004 related to consolidated, liquidating securitization entities. See note 28.

Note 18

Borrowings

SHORT-TERM BORROWINGS

	2005		2004	
December 31 (Dollars in millions)	Amount	Average rate [a]	Amount	Average rate [a]
GE				
Commercial paper				
U.S.	$ 497	4.40%	$ —	—%
Non-U.S.	1	2.85	131	2.52
Payable to banks	358	3.99	407	2.95
Current portion of long-term debt	129	4.84	2,563	2.17
Other	142		308	
	1,127		3,409	
GECS				
Commercial paper				
U.S.				
Unsecured	67,643	4.30	62,195	2.24
Asset-backed [b]	9,267	4.21	13,842	2.17
Non-U.S.	20,456	3.47	20,835	2.97
Current portion of long-term debt [c][d]	41,792	4.05	37,530	4.11
Other	18,514		19,890	
	157,672		154,292	
ELIMINATIONS	(643)		(506)	
Total	$158,156		$157,195	

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

(b) Entirely obligations of consolidated, liquidating securitization entities. See note 28.

(c) Included short-term borrowings by consolidated, liquidating securitization entities of $697 million and $756 million at December 31, 2005 and 2004, respectively. See note 28.

(d) Included $250 million of subordinated notes guaranteed by GE at December 31, 2005.

LONG-TERM BORROWINGS

December 31 (Dollars in millions)	2005 Average rate[a]	Maturities	2005	2004
GE				
Senior notes	4.88%	2008–2013	$ 6,486	$ 4,984
Industrial development/ pollution control bonds	3.83	2011–2027	299	307
Payable to banks, principally U.S.	4.99	2007–2023	1,912	1,927
Other[b]			384	407
			9,081	7,625
GECS				
Senior notes				
Unsecured	4.45	2007–2055	180,546	174,893
Asset-backed[c]	4.66	2007–2035	6,845	10,939
Extendible notes[d]	4.38	2007–2009	14,022	14,258
Subordinated notes[e]	6.00	2009–2037	2,984	1,119
			204,397	201,209
ELIMINATIONS			(1,197)	(963)
Total			$212,281	$207,871

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

(b) A variety of obligations having various interest rates and maturities, including certain borrowings by parent operating components and affiliates.

(c) Asset-backed senior notes were all issued by consolidated, liquidating securitization entities. See note 28.

(d) Included obligations of consolidated, liquidating securitization entities in the amount of $38 million and $267 million at December 31, 2005 and 2004, respectively. See note 28.

(e) Included $750 million and $1,000 million of subordinated notes guaranteed by GE at December 31, 2005 and 2004, respectively.

Our borrowings are addressed below from the perspectives of liquidity, interest rate and currency risk management. Additional information about borrowings and associated swaps can be found in note 27.

LIQUIDITY is affected by debt maturities and our ability to repay or refinance such debt. Long-term debt maturities over the next five years follow.

(In millions)	2006	2007	2008	2009	2010
GE	$ 129	$ 1,733	$ 1,574	$ 48	$ 18
GECS	41,598[a]	41,381[b]	42,385	26,928	18,549

(a) Floating rate extendible notes of $297 million are due in 2006, but are extendible at the option of the investors to a final maturity in 2008. Fixed and floating rate notes of $1,059 million contain put options with exercise dates in 2006, but have final maturity dates in 2007 ($250 million), 2008 ($350 million) and beyond 2010 ($459 million)

(b) Floating rate extendible notes of $14,022 million are due in 2007, of which $2,000 million are extendible at the option of the investors to a final maturity in 2009.

Committed credit lines totaling $57.2 billion had been extended to us by 75 banks at year-end 2005. Included in this amount was $47.7 billion provided directly to GECS and $9.5 billion provided by 19 banks to GE, to which GECS also has access. The GECS lines include $27.4 billion of revolving credit agreements under which we can borrow funds for periods exceeding one year. The remaining $29.8 billion are 364-day lines of which $29.7 billion contain a term-out feature that allows GE or GECS to extend the borrowings for one year from the date of expiration of the lending agreement. We pay banks for credit facilities, but compensation amounts were insignificant in each of the past three years.

INTEREST RATE AND CURRENCY RISK is managed through the direct issuance of debt or use of derivatives. We take positions in view of anticipated behavior of assets, including prepayment behavior. We use a variety of instruments, including interest rate and currency swaps and currency forwards, to achieve our interest rate objectives. The following table shows GECS borrowing positions considering the effects of swaps of currencies and interest rates.

GECS EFFECTIVE BORROWINGS (INCLUDING SWAPS)

	2005		2004
December 31 (Dollars in millions)	Amount	Average rate	Amount
Short-term[a]	$ 97,202	3.95%	$ 90,754
Long-term (including current portion)			
Fixed rate[b]	$161,771	4.65%	$142,510
Floating rate	103,096	4.32	122,237
Total long-term	$264,867		$264,747

(a) Included commercial paper and other short-term debt.

(b) Included fixed-rate borrowings and $16,868 million ($23,642 million in 2004) notional long-term interest rate swaps that effectively convert the floating-rate nature of short-term borrowings to fixed rates of interest.

At December 31, 2005, interest rate swap maturities ranged from 2006 to 2041, including swap maturities for hedges of commercial paper that ranged from 2006 to 2024. The use of commercial paper swaps allows us to match our actual asset profile more efficiently and provides more flexibility as it does not depend on investor demand for particular maturities.

The following table provides additional information about derivatives designated as hedges of borrowings in accordance with SFAS 133.

DERIVATIVE FAIR VALUES BY ACTIVITY/INSTRUMENT

December 31 (In millions)	2005	2004
Cash flow hedges	$ 96	$(1,134)
Fair value hedges	(39)	1,864
Total	$ 57	$ 730
Interest rate swaps	$(1,053)	$(1,464)
Currency swaps	1,110	2,194
Total	$ 57	$ 730

At December 31, 2005, approximately 49% of our interest rate swaps related to borrowings were exempt from ongoing tests of their effectiveness as hedges. We regularly assess the effectiveness of all other hedge positions using a variety of techniques, including cumulative dollar offset and regression analysis depending on which method was selected at inception of the respective hedge. See note 27.

Note 19

GECS Investment Contracts, Insurance Liabilities and Insurance Annuity Benefits

December 31 (In millions)	2005	2004
Investment contracts	$16,039	$18,268
Guaranteed investment contracts of SPEs	11,685	11,648
Total investment contracts	27,724	29,916
Life insurance benefits [a]	15,538	15,398
Unpaid claims and claims adjustment expenses	1,690	1,729
Unearned premiums	430	405
Universal life benefits	340	945
Total	$45,722	$48,393

(a) Life insurance benefits are accounted for mainly by a net-level-premium method using estimated yields generally ranging from 3.0% to 8.5% in both 2005 and 2004.

When insurance affiliates cede insurance to third parties, they are not relieved of their primary obligation to policyholders. Losses on ceded risks give rise to claims for recovery; we establish allowances for probable losses on such receivables from reinsurers as required.

We recognize reinsurance recoveries as a reduction of the Statement of Earnings caption "Investment contracts, insurance losses and insurance annuity benefits." Reinsurance recoveries were $183 million, $223 million and $434 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Note 20

All Other Liabilities

This caption includes liabilities for various items including non-current compensation and benefits, deferred income, interest on tax liabilities, accrued participation and residuals, environmental remediation, asset retirement obligations, derivative instruments, product warranties and a variety of sundry items.

Accruals for non-current compensation and benefits amounted to $13,832 million and $12,502 million for year-end 2005 and 2004, respectively. These amounts include post-retirement benefits, international and supplemental pension benefits, and other compensation and benefit accruals such as deferred incentive compensation.

We are involved in numerous remediation actions to clean up hazardous wastes as required by federal and state laws. Liabilities for remediation costs at each site are based on our best estimate of undiscounted future costs, excluding possible insurance recoveries. When there appears to be a range of possible costs with equal likelihood, liabilities are based on the low end of such range. Uncertainties about the status of laws, regulations, technology and information related to individual sites make it difficult to develop a meaningful estimate of the reasonably possible aggregate environmental remediation exposure. However, even in the unlikely event that remediation costs amounted to the high end of the range of costs for each site, the resulting additional liability would not be material to our financial position, results of operations or liquidity.

Note 21

Deferred Income Taxes

Aggregate deferred income tax amounts are summarized below.

December 31 (In millions)	2005	2004
ASSETS		
GE	$ 9,928	$ 9,464
GECS	6,317	6,762
	16,245	16,226
LIABILITIES		
GE	13,661	13,080
GECS	18,914	18,431
	32,575	31,511
Net deferred income tax liability	$16,330	$15,285

Principal components of our net liability (asset) representing deferred income tax balances are as follows:

December 31 (In millions)	2005	2004
GE		
Provisions for expenses [a]	$ (6,521)	$ (5,833)
Retiree insurance plans	(1,454)	(1,346)
Prepaid pension asset—principal plans	6,249	6,170
Depreciation	2,130	2,029
Intangible assets	1,490	1,204
Other—net	1,839	1,392
	3,733	3,616
GECS		
Financing leases	8,037	9,767
Operating leases	4,024	3,716
Intangible assets	1,195	892
Allowance for losses	(2,025)	(2,149)
Cash flow hedges	(354)	(961)
Other—net	1,720	404
	12,597	11,669
Net deferred income tax liability	$16,330	$15,285

(a) Represented the tax effects of temporary differences related to expense accruals for a wide variety of items, such as employee compensation and benefits, interest on tax liabilities, product warranties and other sundry items that are not currently deductible.

Note 22

Minority Interest in Equity of Consolidated Affiliates

Minority interest in equity of consolidated affiliates includes common shares in consolidated affiliates and preferred stock issued by GE Capital and by affiliates of GE Capital. Preferred shares that we are required to redeem at a specified or determinable date are classified as liabilities. The balance is summarized as follows:

December 31 (In millions)	2005	2004
Minority interest in consolidated affiliates		
NBC Universal [a]	$4,597	$ 6,529
Others [b]	2,073	2,156
Minority interest in preferred stock [c]		
GE Capital	70	2,600
GE Capital affiliates	1,314	1,318
Total	$8,054	$12,603

(a) 2004 amounts included preferred interests associated with VUE that were settled in 2005. See note 16 for further information.

(b) Included minority interest in consolidated, liquidating securitization entities, partnerships and common shares of consolidated affiliates.

(c) The preferred stock primarily pays cumulative dividends at variable rates. Dividend rates in local currency on the preferred stock ranged from 1.94% to 5.38% during 2005 and 0.99% to 5.46% during 2004.

Note 23

Shareowners' Equity

(In millions)	2005	2004	2003
COMMON STOCK ISSUED	$ 669	$ 669	$ 669
ACCUMULATED NONOWNER CHANGES OTHER THAN EARNINGS			
Balance at January 1	$ 7,238	$ 2,876	$ (2,960)
Investment securities—net of deferred taxes of $(307), $503 and $590	(231)	677	960
Currency translation adjustments—net of deferred taxes of $646, $(1,314) and $(1,409)	(4,315)	3,936	5,057
Cash flow hedges—net of deferred taxes of $577, $(97) and $(464)	863	(80)	(828)
Minimum pension liabilities—net of deferred taxes of $(159), $(184) and $(85)	(217)	(421)	(161)
Reclassification adjustments			
Investment securities—net of deferred taxes of $(100), $(142) and $(135)	(206)	(265)	(250)
Currency translation adjustments	(3)	—	4
Cash flow hedges—net of deferred taxes of $(306), $291 and $601	(462)	515	1,054
Balance at December 31 [a]	$ 2,667	$ 7,238	$ 2,876
OTHER CAPITAL			
Balance at January 1	$ 24,265	$ 17,497	$ 17,288
Gains on treasury stock dispositions and other [b]	962	4,615	209
Issuance of subsidiary shares [b][c]	—	2,153	—
Balance at December 31	$ 25,227	$ 24,265	$ 17,497
RETAINED EARNINGS			
Balance at January 1	$ 91,411	$ 83,186	$ 75,709
Net earnings	16,353	16,819	15,236
Dividends [b]	(9,647)	(8,594)	(7,759)
Balance at December 31	$ 98,117	$ 91,411	$ 83,186
COMMON STOCK HELD IN TREASURY			
Balance at January 1	$ (12,762)	$ (24,597)	$(26,627)
Purchases [b]	(6,868)	(1,892)	(1,177)
Dispositions [b][d]	2,304	13,727	3,207
Balance at December 31	$ (17,326)	$ (12,762)	$(24,597)
TOTAL EQUITY			
Balance at December 31	$109,354	$110,821	$ 79,631

(a) Included accumulated nonowner changes related to discontinued operations of $484 million, $1,649 million and $1,820 million at December 31, 2005, 2004 and 2003, respectively.

(b) Total dividends and other transactions with shareowners reduced equity by $13,249 million in 2005; increased equity by $10,009 million in 2004; and reduced equity by $5,520 million in 2003.

(c) Related to the issuance of 20% of NBC Universal's shares to a subsidiary of VU as part of the transaction described in note 16.

(d) In 2004, included 341.7 million shares valued at $10,674 million issued in the Amersham acquisition, and 119.4 million shares valued at $3,765 million sold to partially fund the NBC and VUE combination.

At December 31, 2005 and 2004, the aggregate statutory capital and surplus of the insurance activities and discontinued insurance operations totaled $9.8 billion and $19.4 billion, respectively. Accounting practices prescribed by statutory authorities are used in preparing statutory statements.

In December 2004, our Board of Directors authorized a three-year, $15 billion share repurchase program, expanded that program in 2005 to $25 billion and extended it through 2008. Under this share repurchase program, we repurchased 153.3 million shares for a total of $5.3 billion during 2005.

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

SHARES OF GE COMMON STOCK

December 31 (In thousands)	2005	2004	2003
Issued	11,145,212	11,145,212	11,145,212
In treasury	(660,944)	(558,854)	(1,082,092)
Outstanding	10,484,268	10,586,358	10,063,120

GE has 50 million authorized shares of preferred stock ($1.00 par value), but has not issued any such shares as of December 31, 2005.

Note 24
Other Stock-Related Information

We grant stock options, restricted stock units (RSUs) and performance share units (PSUs) to employees under the 1990 Long-Term Incentive Plan as described in our current Proxy Statement. In addition, we grant options and RSUs in limited circumstances to consultants, advisors and independent contractors (primarily non-employee talent at NBC Universal) under a plan approved by our Board of Directors in 1997 (the consultants' plan). There are outstanding grants under two separate shareowner-approved option plans for non-employee directors; the last grant was made in 2002 and no further grants are expected to be made under these plans. Requirements for stock option shares may be met from either unissued or treasury shares. RSUs give the recipients the right to receive shares of our stock upon the lapse of their related restrictions. Restrictions on RSUs lapse in various increments and at various dates, beginning after three years from date of grant through grantee retirement. Although the plan permits us to issue RSUs settleable in cash, we have only issued RSUs settleable in shares of our stock. PSUs give recipients the right to receive shares of our stock upon the achievement of certain performance targets.

We measure the total cost of each stock option grant at the date of grant using a market-based option trading model. We recognize the cost of each stock option, RSU and PSU on a straight-line basis over its vesting period.

Stock options expire 10 years from the date they are granted and vest over service periods that range from one to five years.

All grants of GE options under all plans must be approved by the Management Development and Compensation Committee, which consists entirely of outside directors.

STOCK OPTION ACTIVITY

		Average per share	
(Shares in thousands)	Shares subject to option	Exercise price	Market price
Balance at December 31, 2002	362,058	$26.26	$24.35
Options granted	8,261	31.19	31.19
Options exercised	(43,829)	9.45	27.59
Options terminated	(10,643)	38.98	(a)
Balance at December 31, 2003	315,847	28.30	30.98
Options granted [(b)]	27,141	32.26	32.26
Options exercised	(43,110)	10.54	32.68
Options terminated	(13,409)	36.91	(a)
Balance at December 31, 2004	286,469	30.94	36.50
Options granted	12,779	34.54	34.54
Options exercised	(31,568)	12.54	35.37
Options terminated	(9,746)	37.62	(a)
Balance at December 31, 2005	257,934	$33.12	$35.05

(a) Not applicable.

(b) Included approximately 3.5 million options that replaced canceled stock appreciation rights and have identical terms.

STOCK COMPENSATION PLANS

December 31, 2005 (Shares in thousands)	Securities to be issued upon exercise	Weighted average exercise price	Securities available for future issuance
APPROVED BY SHAREOWNERS			
Options	256,584	$33.16	(a)
RSUs	31,877	(b)	(a)
PSUs	950	(b)	(a)
NOT APPROVED BY SHAREOWNERS (CONSULTANTS' PLAN)			
Options	1,350	25.17	(c)
RSUs	98	(b)	(c)
Total [(d)]	290,859	$33.12	130,261

(a) Under the 1990 Long-Term Incentive Plan, 0.95% of issued common stock (including treasury shares) as of the first day of each calendar year during which the Plan is in effect becomes available for awards in that calendar year. Total shares available for future issuance under the 1990 Long-Term Incentive Plan amounted to 105.9 million shares.

(b) Not applicable.

(c) Total shares available for future issuance under the consultants' plan amount to 24.4 million shares.

(d) In connection with various acquisitions, there are an additional 1.2 million options outstanding, with a weighted average exercise price of $21.81.

Outstanding options expire on various dates through December 8, 2015.

The following table summarizes information about stock options outstanding at December 31, 2005.

STOCK OPTIONS OUTSTANDING

(Shares in thousands)	Outstanding			Exercisable	
Exercise price range	Shares	Average life(a)	Average exercise price	Shares	Average exercise price
Under $14.00	10,115	0.5	$13.45	10,115	$13.45
14.01–21.00	16,390	0.7	14.91	16,390	14.91
21.01–28.00	70,980	4.5	25.72	56,919	25.40
28.01–35.00	46,379	8.5	32.69	10,559	31.85
35.01–42.00	49,327	4.3	37.18	41,329	37.47
42.01–49.00	51,243	5.0	43.30	51,242	43.30
Over $49.00	13,500	4.7	56.88	13,500	56.88
Total	257,934	4.9	$33.12	200,054	$33.48

At year-end 2004, options with an average exercise price of $29.40 were exercisable on 204 million shares; at year-end 2003, options with an average exercise price of $24.63 were exercisable on 214 million shares.

(a) Average contractual life remaining in years.

OPTION VALUE INFORMATION(a)

	2005	2004	2003
Fair value per option (in dollars)(b)	$8.87	$8.33	$9.44
Valuation assumptions			
Expected option term (in years)	6	6	6
Expected volatility	28%	28%	35%
Expected dividend yield	2.5	2.5	2.5
Risk-free interest rate	4.1	4.0	3.5

(a) Weighted averages of option grants during each period.

(b) Estimated using Black-Scholes option pricing model.

Note 25

Supplemental Cash Flows Information

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

Amounts reported in the "Payments for principal businesses purchased" line in the Statement of Cash Flows is net of cash acquired and included debt assumed and immediately repaid in acquisitions.

Amounts reported in the "All other operating activities" line in the Statement of Cash Flows consists primarily of adjustments to current and noncurrent accruals and deferrals of costs and expenses, adjustments for gains and losses on assets, increases and decreases in assets held for sale and adjustments to assets.

Non-cash transactions include the following: in 2005, NBC Universal acquired IAC's 5.44% common interest in VUE for a total purchase price that included $115 million of non-cash consideration, representing the fair value of future services to be performed by NBC Universal (see note 16); in 2004, the issuance of GE common stock valued at $10,674 million in connection with the acquisition of Amersham and the issuance of NBC Universal shares valued at $5,845 million in connection with the combination of NBC and VUE; and in 2003, the acquisition of Osmonics, Inc. for GE common stock valued at $240 million.

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

December 31 (In millions)	2005	2004	2003
GE			
NET DISPOSITIONS (PURCHASES) OF GE SHARES FOR TREASURY			
Open market purchases under share repurchase program	$ (5,024)	$ (203)	$ (340)
Other purchases	(1,844)	(1,689)	(837)
Dispositions	2,024	5,885	1,903
	$ (4,844)	$ 3,993	$ 726
GECS			
ALL OTHER OPERATING ACTIVITIES			
Net change in assets held for sale	$ 2,192	$ 84	$ 1,168
Amortization of intangible assets	459	519	618
Realized gains on sale of investment securities	(381)	(204)	(205)
Other	(1,205)	(2,711)	(1,941)
	$ 1,065	$ (2,312)	$ (360)
NET INCREASE IN GECS FINANCING RECEIVABLES			
Increase in loans to customers	$(315,697)	$(342,357)	$(263,815)
Principal collections from customers—loans	267,728	305,846	238,518
Investment in equipment for financing leases	(23,508)	(22,649)	(22,825)
Principal collections from customers—financing leases	21,770	19,715	18,909
Net change in credit card receivables	(21,391)	(20,651)	(11,483)
Sales of financing receivables	54,144	44,816	36,009
	$ (16,954)	$ (15,280)	$ (4,687)
ALL OTHER INVESTING ACTIVITIES			
Purchases of securities by insurance activities	$ (9,264)	$ (7,474)	$ (7,942)
Dispositions and maturities of securities by insurance activities	10,892	9,305	9,509
Proceeds from principal business dispositions	209	472	3,337
Other	2,807	6,083	1,199
	$ 4,644	$ 8,386	$ 6,103
NEWLY ISSUED DEBT HAVING MATURITIES LONGER THAN 90 DAYS			
Short-term (91 to 365 days)	$ 4,675	$ 3,940	$ 3,661
Long-term (longer than one year)	60,176	53,641	55,661
Proceeds—nonrecourse, leveraged lease	203	562	791
	$ 65,054	$ 58,143	$ 60,113
REPAYMENTS AND OTHER REDUCTIONS OF DEBT HAVING MATURITIES LONGER THAN 90 DAYS			
Short-term (91 to 365 days)	$ (38,132)	$ (41,443)	$ (38,756)
Long-term (longer than one year)	(10,746)	(3,443)	(3,664)
Principal payments—nonrecourse, leveraged lease	(831)	(652)	(782)
	$ (49,709)	$ (45,538)	$ (43,202)
ALL OTHER FINANCING ACTIVITIES			
Proceeds from sales of investment contracts	$ 15,743	$ 11,079	$ 766
Redemption of investment contracts	(16,934)	(14,476)	(480)
	$ (1,191)	$ (3,397)	$ 286

Note 26
Operating Segments

REVENUES

	Total revenues			Intersegment revenues			External revenues		
(In millions)	2005	2004	2003	2005	2004	2003	2005	2004	2003
Infrastructure	$ 41,803	$ 37,373	$ 36,569	$ 405	$ 481	$ 449	$ 41,398	$ 36,892	$ 36,120
Industrial	32,631	30,722	24,988	702	493	308	31,929	30,229	24,680
Healthcare	15,153	13,456	10,198	9	—	2	15,144	13,456	10,196
NBC Universal	14,689	12,886	6,871	—	—	—	14,689	12,886	6,871
Commercial Finance	20,646	19,524	16,927	204	279	197	20,442	19,245	16,730
Consumer Finance	19,416	15,734	12,845	52	33	23	19,364	15,701	12,822
Corporate items and eliminations	5,364	4,786	4,488	(1,372)	(1,286)	(979)	6,736	6,072	5,467
Total	$149,702	$134,481	$112,886	$ —	$ —	$ —	$149,702	$134,481	$112,886

Revenues of GE businesses include income from sales of goods and services to customers and other income.

Sales from one component to another generally are priced at equivalent commercial selling prices.

Revenues originating from operations based in the United States were $89,887 million, $82,148 million and $69,998 million in 2005, 2004 and 2003, respectively. Revenues originating from operations based outside the United States were $59,815 million, $52,333 million and $42,888 million in 2005, 2004 and 2003, respectively.

	Assets[a]			Property, plant and equipment additions[b]			Depreciation and amortization		
	At December 31			For the years ended December 31			For the years ended December 31		
(In millions)	2005	2004	2003	2005	2004	2003	2005	2004	2003
Infrastructure	$ 89,555	$ 82,798	$ 76,185	$ 4,188	$ 3,938	$ 3,540	$2,436	$2,162	$2,077
Industrial	41,556	42,040	40,359	4,367	4,111	2,205	3,292	3,292	2,288
Healthcare	24,661	24,871	10,816	460	1,590	289	617	565	278
NBC Universal	31,196	34,206	11,619	275	1,189	121	339	273	117
Commercial Finance	190,546	184,388	172,471	5,426	4,573	5,141	2,648	2,772	2,444
Consumer Finance	158,829	151,255	106,530	189	217	191	393	334	276
Corporate items and eliminations	136,999	230,949	229,848	199	194	252	208	245	373
Total	$673,342	$750,507	$647,828	$15,104	$15,812	$11,739	$9,933	$9,643	$7,853

(a) Assets of discontinued operations are included in Corporate items and eliminations for all periods presented.

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

	Interest and other financial charges			Provision for income taxes		
(In millions)	2005	2004	2003	2005	2004	2003
Infrastructure[a]	$ 1,706	$ 1,436	$ 1,236	$ (202)	$ 62	$ 243
Industrial[a]	536	526	601	64	(124)	(165)
Commercial Finance	5,893	4,720	4,630	971	1,144	493
Consumer Finance	5,443	3,564	2,696	529	449	458
Corporate items and eliminations[b]	1,609	1,410	1,297	2,492	1,955	2,816
Total	$15,187	$11,656	$10,460	$3,854	$3,486	$ 3,845

(a) Included only portions of the segment that are financial services businesses.

(b) Included amounts for Healthcare, NBC Universal and the industrial businesses of Infrastructure and Industrial, for which our measure of segment profit excludes interest and other financial charges and income taxes.

Property, plant and equipment associated with operations based in the United States were $26,140 million, $25,219 million and $20,591 million at year-end 2005, 2004 and 2003, respectively. Property, plant and equipment associated with operations based outside the United States were $41,388 million, $37,884 million and $32,560 million at year-end 2005, 2004 and 2003, respectively.

Basis for presentation

Our operating businesses are organized based on the nature of markets and customers. Segment accounting policies are the same as described in note 1.

A description of our operating segments can be found on page 105 and details of segment profit by operating segment can be found in the Summary of Operating Segments table on page 49 of this report.

Note 27

Derivatives and Other Financial Instruments

Derivatives and hedging

We conduct our business activities in diverse markets around the world, including countries where obtaining local funding may not be efficient. The nature of our activities exposes us to risks of changes in interest rates, currency exchange rates and commodity prices. We manage these risks using a variety of straightforward techniques, including issuing debt funding that matches the interest rate nature and currency denomination of the related asset. In addition, we selectively use derivatives to reduce our exposure to interest rate and currency risk. For example, if we make a fixed rate loan and fund that loan with variable rate debt, we will enter into an interest rate swap to pay a fixed rate of interest and receive a variable rate of interest, and designate the swap as a hedge of the variable rate borrowing. We apply strict policies to manage each of these risks, including prohibitions on derivatives trading, derivatives market-making or other speculative activities.

To qualify for hedge accounting, details of the hedging relationship must be formally documented at inception of the arrangement, including the risk management objective, hedging strategy, hedged item, specific risks that are to be hedged, the derivative instrument and how effectiveness is being assessed. The derivative must be highly effective in offsetting either changes in fair value or cash flows, as appropriate, for the risk being hedged. Effectiveness is assessed at the inception of the relationship. If specified criteria for the assumption of effectiveness are not met at hedge inception, effectiveness is assessed quarterly on a retrospective and prospective basis. Ineffectiveness is also measured quarterly, with the results recognized in earnings.

For derivatives that are not exchange-traded instruments, we use internal valuation models that incorporate market-based information. With the exception of foreign currency forwards and commodity derivatives, we also obtain valuations from our derivative counterparties to validate the valuations produced by our own models and to value a limited number of products that our internal models do not cover.

Cash flow hedges

Our cash flow hedging arrangements use simple derivatives to offset the variability of expected future cash flows. We use interest rate and currency swaps to convert variable rate borrowings to match the nature of the assets we acquire. We use currency forwards and options to manage exposures to changes in currency exchange rates associated with commercial purchase and sale transactions, including commodities. These instruments permit us to reduce the cash flow variability, in local currency, of costs or selling prices denominated in currencies other than the functional currency. For derivatives designated as cash flow hedges, we record changes in fair value in a separate component of equity to the extent effective, then release those changes to earnings contemporaneously with the earnings effects of the hedged items. If the hedge relationship is terminated, then the change in fair value of the derivative recorded in equity is recognized contemporaneously with the earnings effects of the hedged item, consistent with the original hedge strategy.

At December 31, 2005, amounts related to derivatives qualifying as cash flow hedges amounted to a reduction of equity of $822 million, of which we expect to transfer $151 million to earnings in 2006 along with the earnings effects of the related forecasted transactions. At December 31, 2005, the amount of unrecognized losses related to cash flow hedges of short-term borrowings was $1,019 million. At that date, the maximum term of derivative instruments that hedge forecasted transactions, other than interest rate swaps designated as hedges of commercial paper (discussed in note 18), was 27 years and related to hedges of anticipated bond purchases. Funding for those purchases is provided by contractual premiums on insurance policies of similar duration.

Fair value hedges

Fair value hedges are hedges that reduce the risk of changes in the fair values of assets, liabilities and certain types of firm commitments. We use interest rate swaps, currency swaps and interest rate and currency forwards to hedge the effects of interest rate and currency exchange rate changes on local and nonfunctional currency denominated fixed-rate borrowings and certain types of fixed-rate assets. We record changes in fair value of a derivative designated and effective as a fair value hedge in earnings, offset by corresponding changes in the fair value of the hedged item.

Fair value adjustments decreased the carrying amount of debt outstanding at December 31, 2005, by $114 million.

Net investment hedges

Net investment hedges consist of currency forwards and currency swaps that reduce our exposure to changes in currency exchange rates on our investments in non-U.S. financial services subsidiaries. For qualifying net investment hedges, changes in the intrinsic value of the derivative are recorded in equity. Amounts excluded from the measure of effectiveness of net investment hedges are recognized in earnings in the period in which they arise. Derivative gains included in equity amounted to $977 million and $867 million at December 31, 2005 and 2004, respectively.

Derivatives not designated as hedges

We must meet specific criteria in order to apply any of the three forms of hedge accounting discussed above. For example, hedge accounting is not permitted for hedged items that are marked to market through earnings. However, we use derivatives to hedge exposures when it makes economic sense to do so, including circumstances in which the hedging relationship does not qualify for hedge accounting, as described in the following paragraph. Derivatives that do not qualify for hedge accounting are marked to market through earnings.

We use swaps, futures and option contracts, including caps, floors and collars, as economic hedges of changes in interest rates, currency exchange rates and equity prices on certain types of assets and liabilities. We sometimes use credit default swaps to hedge the credit risk of various counterparties with which we have entered into loan or leasing arrangements. We occasionally obtain equity warrants as part of sourcing or financing transactions. Although these instruments are considered to be derivatives, their economic risks are similar to, and managed on the same basis as, risks of other equity instruments we hold.

Earnings effects of derivatives

In the context of hedging relationships, "effectiveness" refers to the degree to which fair value changes in the hedging instrument offset the corresponding expected earnings effects of the hedged item. At December 31, 2005, approximately 35 percent of our total interest rate swaps were exempt from ongoing tests of their effectiveness as hedges. For derivatives designated and qualifying as hedges but not qualifying for the assumption of effectiveness, we use a variety of techniques to assess effectiveness and measure ineffectiveness, including cumulative dollar offset and regression analysis, depending on which method was selected at inception of the respective hedge. Certain elements of hedge positions may be excluded from the measure of effectiveness, for example, changes in the value of purchased options attributable to volatility and passage of time.

The following table provides additional information about the earnings effects of derivatives.

PRE-TAX GAINS (LOSSES)

December 31 (In millions)	2005	2004	2003
CASH FLOW HEDGES			
Ineffectiveness	$(31)	$ 2	$(19)
Amounts excluded from the measure of effectiveness	17	25	—
FAIR VALUE HEDGES			
Ineffectiveness	4	11	—
Amounts excluded from the measure of effectiveness	(8)	3	—

For hedge relationships discontinued because the forecasted transaction is not expected to occur by the end of the originally specified period, any related derivative amounts recorded in equity are reclassified to earnings.

In 2005, we recognized an insignificant loss related to hedged forecasted transactions and firm commitments that did not occur by the end of the originally specified period.

In 2004, we recognized a pre-tax loss of $46 million, before cancelation penalties, for terminating a forward euro contract when our customer canceled its hedged, firm order for equipment and services.

Additional information regarding the use of derivatives related to our financing activities is provided in note 18.

Counterparty credit risk

The risk that counterparties to derivative contracts will default and not make payments to us according to the terms of the agreements is counterparty credit risk. We manage counterparty credit risk on an individual counterparty basis, which means that we net exposures on transactions by counterparty where legal right of offset exists and include the value of collateral to determine the amount of exposure to each counterparty. When the net exposure to a counterparty, based on the current market value of transactions, exceeds credit exposure limits (see table below), actions are taken to reduce exposure. Actions can include prohibiting the counterparty from entering into additional transactions, requiring collateral from the counterparty (as described below) and terminating or restructuring transactions.

Swaps are required to be executed under master agreements containing mutual credit downgrade provisions that provide the ability to require assignment or termination in the event either party is downgraded below A3 or A-. To mitigate credit risk, in certain cases we have entered into collateral arrangements that provide us with the right to hold collateral when the current market value of derivative contracts exceeds an exposure threshold. Under these arrangements, we may receive rights to cash or U.S. Treasury or other highly-rated securities to secure our exposure. Such collateral is available to us in the event that a counterparty defaults. We evaluate credit risk exposures and compliance with credit exposure limits net of such collateral.

Fair values of our derivatives assets and liabilities represent the replacement value of existing derivatives at market prices and can change significantly from period to period based on, among other factors, market movements and changes in our positions. At December 31, 2005, our exposure to counterparties, after consideration of netting arrangements and collateral, was $779 million.

Following is GECS policy relating to initial credit rating requirements and to exposure limits to counterparties.

COUNTERPARTY CREDIT CRITERIA

	Credit rating	
	Moody's	S&P
Foreign exchange forwards and other derivatives less than one year	P-1	A-1
All derivatives between one and five years	Aa3[a]	AA-[a]
All derivatives greater than five years	Aaa[a]	AAA[a]

(a) Counterparties that have an obligation to provide collateral to cover credit exposure in accordance with a credit support agreement must have a minimum A3/A-rating.

EXPOSURE LIMITS

(In millions)

Minimum rating		Exposure[a]	
Moody's	S&P	With collateral arrangements	Without collateral arrangements
Aaa	AAA	$100	$75
Aa3	AA-	50	50
A3	A-	5	—

(a) For derivatives with maturities less than one year, counterparties are permitted to have unsecured exposure up to $150 million with a minimum rating of A-1/P-1.

FINANCIAL INSTRUMENTS

	2005				2004			
		Assets (liabilities)				Assets (liabilities)		
December 31 (In millions)	Notional amount	Carrying amount (net)	Estimated fair value		Notional amount	Carrying amount (net)	Estimated fair value	
GE								
Assets								
Investments and notes receivable[a]	$ (b)	$ 573	$ 625		$ (b)	$ 3,465	$ 3,545	
Liabilities								
Borrowings[c][d]	(b)	(10,208)	(10,223)		(b)	(11,034)	(11,144)	
Other financial instruments[a]	(b)	—	—		(b)	(758)	(855)	
GECS								
Assets								
Loans	(b)	223,855	224,259		(b)	216,035	217,155	
Other commercial and residential mortgages held for sale	(b)	6,696	6,696		(b)	5,143	5,113	
Other financial instruments	(b)	4,138	4,494		(b)	2,972	3,184	
Liabilities								
Borrowings[c][d]	(b)	(362,069)	(369,972)		(b)	(355,501)	(362,851)	
Investment contract benefits	(b)	(9,877)	(9,862)		(b)	(12,539)	(12,520)	
Insurance — credit life[e]	2,365	(8)	(8)		2,210	(13)	(13)	

(a) 2004 amounts included financial instruments associated with VUE that were settled in 2005. See note 16 for further information.

(b) These financial instruments do not have notional amounts.

(c) Included effects of interest rate and cross-currency swaps.

(d) See note 18.

(e) Net of reinsurance of $292 million and $105 million at December 31, 2005 and 2004, respectively.

Assets and liabilities that are reflected in the accompanying financial statements at fair value are not included in the above disclosures; such items include cash and equivalents, investment securities and derivative financial instruments. Other assets and liabilities — those not carried at fair value — are discussed below. Apart from certain of our borrowings and certain marketable securities, few of the instruments discussed below are actively traded and their fair values must often be determined using financial models. There is no assurance that such estimates could actually have been realized at December 31, 2005 or 2004.

A description of how we estimate fair values follows.

Loans
Based on quoted market prices, recent transactions and/or discounted future cash flows, using rates at which similar loans would have been made to similar borrowers.

Borrowings
Based on discounted future cash flows using current market rates which are comparable to market quotes.

Investment contract benefits
Based on expected future cash flows, discounted at currently offered rates for immediate annuity contracts or cash surrender values for single premium deferred annuities.

All other instruments
Based on comparable market transactions, discounted future cash flows, quoted market prices, and/or estimates of the cost to terminate or otherwise settle obligations.

Additional information about certain categories in the table above follows.

Residential mortgages
Residential mortgage products amounting to $12,633 million at December 31, 2005, were either high loan-to-value loans or those permitting interest-only payments. We originate such loans either for our portfolio or for sale in secondary markets. In both cases, higher yields compensate for the increased risk. The portfolio was geographically diverse, with Europe and North America the most significant market segments.

Insurance — credit life
Certain insurance affiliates, primarily in Consumer Finance, issue credit life insurance designed to pay the balance due on a loan if the borrower dies before the loan is repaid. As part of our overall risk management process, we cede to third parties a portion of this associated risk, but are not relieved of our primary obligation to policyholders.

LOAN COMMITMENTS

	Notional amount	
December 31 (In millions)	2005	2004
Ordinary course of business		
lending commitments		
Fixed rate	$ 4,648	$ 2,260
Variable rate	7,026	8,145
Unused revolving credit lines[a]		
Commercial		
Fixed rate	779	1,210
Variable rate	20,779	21,411
Consumer—principally credit cards		
Fixed rate	170,367	141,965
Variable rate	281,113	200,219

(a) Excluded inventory financing arrangements, which may be withdrawn at our option, of $11.4 billion and $8.9 billion as of December 31, 2005 and 2004, respectively.

Note 28

Securitization Entities

We securitize financial assets in the ordinary course of business to improve shareowner returns. The securitization transactions we engage in are similar to those used by many financial institutions. Beyond improving returns, these securitization transactions serve as funding sources for a variety of diversified lending and securities transactions. Historically, we have used both GE-supported and third-party entities to execute securitization transactions funded in the commercial paper and term bond markets.

Securitized assets that are on-balance sheet include assets consolidated upon adoption of FIN 46. Although we do not control these entities, consolidation was required because we provided a majority of the credit and liquidity support for their activities. A majority of these entities were established to issue asset-backed securities, using assets that were sold by us and by third parties. These entities differ from others included in our consolidated financial statements because the assets they hold are legally isolated and are unavailable to us under any circumstances. Repayment of their liabilities depends primarily on cash flows generated by their assets. Because we have ceased transferring assets to these entities, balances will decrease as the assets repay. We refer to these entities as "consolidated, liquidating securitization entities."

The following table represents assets in securitization entities, both consolidated and off-balance sheet.

December 31 (In millions)	2005	2004
Receivables secured by:		
Equipment	$12,949	$13,941
Commercial real estate	13,010	14,626
Residential real estate	8,882	9,094
Other assets	12,869	9,880
Credit card receivables	10,039	7,075
GE trade receivables	3,960	3,582
Total securitized assets	$61,709	$58,198

December 31 (In millions)	2005	2004
Off-balance sheet[a][b]	$43,805	$32,205
On-balance sheet[c]	17,904	25,993
Total securitized assets	$61,709	$58,198

(a) At December 31, 2005 and 2004, liquidity support amounted to $2,000 million and $2,300 million, respectively. These amounts are net of $3,800 million and $4,300 million, respectively, participated or deferred beyond one year. Credit support amounted to $6,000 million and $6,600 million at December 31, 2005 and 2004, respectively.

(b) Liabilities for recourse obligations related to off-balance sheet assets were $93 million and $64 million at December 31, 2005 and 2004, respectively.

(c) At December 31, 2005 and 2004, liquidity support amounted to $10,000 million and $14,400 million, respectively. These amounts are net of $100 million and $1,200 million, respectively, participated or deferred beyond one year. Credit support amounted to $4,800 million and $6,900 million at December 31, 2005 and 2004, respectively.

The portfolio of financing receivables consisted of loans and financing lease receivables secured by equipment, commercial and residential real estate and other assets; credit card receivables; and trade receivables. Examples of these assets include loans and leases on manufacturing and transportation equipment, loans on commercial property, commercial loans, and balances of high credit quality accounts from sales of a broad range of products and services to a diversified customer base.

Assets in consolidated, liquidating securitization entities are shown in the following captions in the Statement of Financial Position.

December 31 (In millions)	2005	2004
Financing receivables—net (note 13)	$16,615	$22,848
Other assets	1,235	2,384
Other, principally investment securities	54	761
Total	$17,904	$25,993

Off-balance sheet arrangements

We engage in off-balance sheet securitization transactions with third-party entities and use public market term securitizations. As discussed above, assets in off-balance sheet securitization entities amounted to $43.8 billion and $32.2 billion at December 31, 2005 and 2004, respectively. Gross securitization gains amounted to $939 million in 2005 compared with $1,195 million in 2004 and $1,351 million in 2003.

Amounts recognized in our financial statements related to sales to off-balance sheet securitization entities are as follows:

December 31 (In millions)	2005	2004
Retained interests	$4,515	$3,671
Servicing assets	29	33
Recourse liability	(93)	(64)
Total	$4,451	$3,640

- RETAINED INTERESTS. When we securitize receivables, we determine fair value of retained interests based on discounted cash flow models that incorporate, among other things, assumptions about loan pool credit losses, prepayment speeds and discount rates. These assumptions are based on our experience, market trends and anticipated performance related to the particular assets securitized. We classify retained interests in securitized receivables as investment securities and mark them to fair value each reporting period, updating our models for current assumptions. These assets decrease as cash is received in payment. When the carrying amounts exceed fair value, we evaluate whether the unrealized loss is other than temporary and, if so, record any indicated loss in earnings currently.
- SERVICING ASSETS. Following a securitization transaction, we also may provide servicing for a market-based fee based on remaining outstanding principal balances. Servicing assets are primarily associated with residential mortgage loans. Their value is subject to credit, prepayment and interest rate risk.
- RECOURSE LIABILITY. Certain transactions involve credit support agreements. As a result, we provide for expected credit losses at amounts that approximate fair value.

The following table summarizes data related to securitization sales that we completed during 2005 and 2004.

(Dollars in millions)	Equipment	Commercial real estate	Other assets	Credit card receivables
2005				
Cash proceeds from securitization	$3,702	$5,571	$ 4,705	$ 6,985
Proceeds from collections reinvested in new receivables	—	—	27,697	10,067
Cash received on retained interests	190	69	10	1,644
Cash received from servicing and other sources	75	36	91	155
Weighted average lives (in months)	37	80	35	8
Assumptions as of sale date[a]				
Discount rate	8.8%	13.4%	12.6%	11.7%
Prepayment rate	8.8%	6.5%	21.2%	12.6%
Estimate of credit losses	2.3%	0.8%	0.6%	7.5%
2004				
Cash proceeds from securitization	$5,367	$4,578	$ —	$ 8,121
Proceeds from collections reinvested in new receivables	—	—	21,389	5,208
Cash received on retained interests	107	70	128	1,788
Cash received from servicing and other sources	85	6	62	138
Weighted average lives (in months)	37	68	—	7
Assumptions as of sale date[a]				
Discount rate	8.2%	13.0%	—	12.2%
Prepayment rate	9.1%	11.2%	—	14.9%
Estimate of credit losses	1.9%	1.1%	—	8.9%

(a) Based on weighted averages.

Key assumptions used in measuring the fair value of retained interests in securitizations and the sensitivity of the current fair value of residual cash flows to changes in those assumptions related to all outstanding retained interests as of December 31, 2005, are noted in the following table.

(Dollars in millions)	Equipment	Commercial real estate	Other assets	Credit card receivables
DISCOUNT RATE[a]	6.4%	11.0%	5.5%	11.1%
Effect of:				
10% Adverse change	$(12)	$(14)	$ (4)	$ (10)
20% Adverse change	(24)	(26)	(8)	(23)
PREPAYMENT RATE[a]	9.7%	1.8%	8.4%	12.8%
Effect of:				
10% Adverse change	$ (6)	$ (5)	$ (7)	$ (40)
20% Adverse change	(12)	(10)	(12)	(77)
ESTIMATE OF CREDIT LOSSES[a]	2.0%	1.1%	0.5%	7.1%
Effect of:				
10% Adverse change	$(11)	$ (7)	$ (5)	$ (39)
20% Adverse change	(22)	(13)	(9)	(81)
Remaining weighted average lives (in months)	27	51	15	7
Net credit losses	$ 63	$ —	$ 8	$588
Delinquencies	93	5	59	374

(a) Based on weighted averages.

GUARANTEE AND REIMBURSEMENT CONTRACTS. We provide protection to certain counterparties of interest rate swaps entered into by securitization-related entities related to changes in the relationship between commercial paper interest rates and the timing and amount of the payment streams. These arrangements provide protection for the life of the assets held by the securitization entities but generally amortize in proportion to the decline in underlying asset principal balances. At December 31, 2005, the notional amount of such support was $1,259 million and related assets and liabilities were insignificant.

Note 29

Commitments and Guarantees

Commitments, including guarantees

In our Aviation business of Infrastructure, we had committed to provide financial assistance on $2,269 million of future customer acquisitions of aircraft equipped with our engines, including commitments made to airlines in 2005 for future sales under our GE90 and GEnx engine campaigns. The Aviation Financial Services business of Infrastructure had placed multiple-year orders for various Boeing, Airbus and other aircraft with list prices approximating $10,595 million at December 31, 2005.

At December 31, 2005, we were committed under the following guarantee arrangements beyond those provided on behalf of securitization entities. See note 28.

- LIQUIDITY SUPPORT. Liquidity support provided to holders of certain variable rate bonds issued by municipalities amounted to $2,510 million at December 31, 2005. If holders elect to sell supported bonds that cannot be remarketed, we are obligated to repurchase them at par. If called upon, our position would be secured by the repurchased bonds. While we hold any such bonds, we would receive interest payments from the municipalities at a rate that is in excess of the stated rate on the bond. To date, we have not been required to perform under such arrangements and our existing liquidity support will decrease $1,437 million in 2006 and the remaining $1,073 million by the end of 2008 as the underlying variable rate bonds reach their maturity date. We are currently not providing any such new liquidity facilities.
- CREDIT SUPPORT. We have provided $7,227 million of credit support on behalf of certain customers or associated companies, predominantly joint ventures and partnerships, using arrangements such as standby letters of credit and performance guarantees. These arrangements enable our customers and associated companies to execute transactions or obtain desired financing arrangements with third parties. Should the customer or associated company fail to perform under the terms of the transaction or financing arrangement, we would be required to perform on their behalf. Under most such arrangements, our guarantee is secured, usually by the asset being purchased or financed, but possibly by certain other assets of the customer or associated company. The length of these credit support arrangements parallels the length of the related financing arrangements or transactions. The liability for such credit support was $268 million at December 31, 2005.
- INDEMNIFICATION AGREEMENTS. These are agreements that require us to fund up to $711 million under residual value guarantees on a variety of leased equipment and $229 million of other indemnification commitments arising primarily from sales of businesses or assets. Under most of our residual value guarantees, our commitment is secured by the leased asset at termination of the lease. The liability for these indemnification agreements was $69 million at December 31, 2005.
- CONTINGENT CONSIDERATION. These are agreements to provide additional consideration in a business combination to the seller if contractually specified conditions related to the acquired entity are achieved. At December 31, 2005, we had recognized liabilities for estimated payments amounting to $27 million of our total exposure of $434 million.

At year-end 2005, NBC Universal had $11,595 million of commitments to acquire film and broadcast material and the rights to broadcast television programs, including U.S. television rights to future Olympic Games and National Football League (NFL) games, contractual commitments under various creative talent arrangements and commitments under long-term television station affiliation agreements that require payments through 2014.

Our guarantees are provided in the ordinary course of business. We underwrite these guarantees considering economic, liquidity and credit risk of the counterparty. We believe that the likelihood is remote that any such arrangements could have a significant adverse effect on our financial position, results of operations or liquidity. We record liabilities for guarantees at estimated fair value, generally the amount of the premium received, or if we do not receive a premium, the amount based on appraisal, observed market values or discounted cash flows. Any associated recoveries from third parties are recorded as other receivables; not netted against the liabilities.

Product warranties

We provide for estimated product warranty expenses when we sell the related products. Because warranty estimates are forecasts that are based on the best available information—mostly historical claims experience—claims costs may differ from amounts provided. An analysis of changes in the liability for product warranties follows.

(In millions)	2005	2004	2003
Balance at January 1	$1,326	$1,437	$1,304
Current year provisions	448	720	751
Expenditures[a]	(699)	(838)	(749)
Other changes	—	7	131
Balance at December 31	$1,075	$1,326	$1,437

(a) Primarily related to Infrastructure and Healthcare.

Note 30
Quarterly Information (Unaudited)

	First quarter		Second quarter		Third quarter		Fourth quarter	
(In millions; per-share amounts in dollars)	2005	2004	2005	2004	2005	2004	2005	2004
CONSOLIDATED OPERATIONS								
Earnings from continuing operations	$ 3,562	$ 2,968	$ 4,372	$ 3,658	$ 4,569	$ 3,941	$ 5,772	$ 5,718
Earnings (loss) from discontinued operations	403	398	275	93	108	130	(2,708)	(87)
Net earnings	$ 3,965	$ 3,366	$ 4,647	$ 3,751	$ 4,677	$ 4,071	$ 3,064	$ 5,631
Per-share amounts—earnings from continuing operations								
Diluted earnings per share	$ 0.33	$ 0.29	$ 0.41	$ 0.35	$ 0.43	$ 0.37	$ 0.55	$ 0.54
Basic earnings per share	0.34	0.29	0.41	0.35	0.43	0.37	0.55	0.54
Per-share amounts—earnings (loss) from discontinued operations								
Diluted earnings per share	0.04	0.04	0.03	0.01	0.01	0.01	(0.26)	(0.01)
Basic earnings per share	0.04	0.04	0.03	0.01	0.01	0.01	(0.26)	(0.01)
Per-share amounts—net earnings								
Diluted earnings per share	0.37	0.33	0.44	0.36	0.44	0.38	0.29	0.53
Basic earnings per share	0.37	0.33	0.44	0.36	0.44	0.39	0.29	0.53
SELECTED DATA								
GE								
Sales of goods and services	$20,833	$16,680	$22,408	$19,995	$21,567	$20,967	$25,622	$24,572
Gross profit from sales	5,824	4,467	6,358	5,503	5,978	5,648	7,455	7,229
GECS								
Total revenues	14,227	11,994	14,375	12,749	15,570	13,030	15,125	15,121
Earnings from continuing operations	1,865	1,573	2,024	1,430	2,577	2,123	2,675	2,727

For GE, gross profit from sales is sales of goods and services less costs of goods and services sold.

Earnings-per-share amounts are computed independently each quarter for earnings from continuing operations, earnings from discontinued operations, and net earnings. As a result, the sum of each quarter's per-share amount may not equal the total per-share amount for the respective year; and the sum of per-share amounts from continuing operations and discontinued operations may not equal the total per-share amounts for net earnings for the respective quarters.

Our Businesses

A description of operating segments for General Electric Company and consolidated affiliates as of December 31, 2005, and the basis for presentation in this report, follows.

Infrastructure

Jet engines and replacement parts and repair and maintenance services for all categories of commercial aircraft; for a wide variety of military aircraft, including fighters, bombers, tankers and helicopters; and for executive and regional aircraft. Products and services are sold worldwide to airframe manufacturers, airlines and government agencies. Rail systems products and maintenance services including diesel electric locomotives, transit propulsion equipment, motorized wheels for off-highway vehicles, and railway signaling communications systems.

Financial products to airlines, aircraft operators, owners, lenders and investors including leases, aircraft purchasing and trading, loans, engine/spare parts financing, pilot training, fleet planning and financial advisory services.

Power plant products and services, including design, installation, operation and maintenance services sold into global markets. Gas, steam and aeroderivative turbines, generators, combined cycle systems, controls and related services, including total asset optimization solutions, equipment upgrades and contractual services, are sold to power generation and other industrial customers. Renewable energy solutions including wind turbines and hydro turbines and generators. Advanced turbomachinery products and related services for the oil and gas market, including total pipeline integrity solutions. Substation automation, network solutions and power equipment sold to power transmission and distribution customers. Also includes portable and rental power plants, nuclear reactors, fuel and nuclear support services.

Chemical water treatment program services and equipment including mobile treatment systems and desalination processes.

Financial products to the global energy industry including structured equity, leveraged leasing, partnerships, project finance and broad-based commercial finance.

Industrial

Major appliances and related services for products such as refrigerators, freezers, electric and gas ranges, cooktops, dishwashers, clothes washers and dryers, microwave ovens, room air conditioners and residential water system products. These products are distributed to both retail outlets and direct to consumers, mainly for the replacement market, and to building contractors and distributors for new installations. Lighting products include a wide variety of lamps and lighting fixtures. Electrical distribution and control equipment includes power delivery and control products such as transformers, meters and relays. Also includes GE Supply, a network of electrical supply houses. Products and services are sold in North America and in global markets under various GE and private-label brands.

High-performance engineered plastics used in a variety of applications such as automotive parts, computer enclosures, telecommunications equipment and construction materials. Products also include structured products, silicones and high-purity quartzware. Products and services are sold worldwide to a diverse customer base consisting mainly of manufacturers.

Rentals, leases, sales and asset management services of commercial and transportation equipment, including tractors, trailers, railroad rolling stock, modular space units, intermodal shipping containers and, primarily through an associated company, marine containers.

Measurement and sensing equipment (products and subsystems for sensing temperature, flow rates, humidity, pressure and detection of material defects); security equipment and systems (including card access systems, video and sensor monitoring equipment, integrated facility monitoring systems and explosive detection systems); a broad range of automation hardware and software. Markets are extremely diverse. Products and services are sold to commercial and industrial end-users, including utilities; original equipment manufacturers; electrical distributors; retail outlets; airports; railways; and transit authorities. Increasingly, products and services are developed for and sold in global markets.

Healthcare

Medical imaging systems such as magnetic resonance (MR) and computed tomography (CT) scanners, x-ray, nuclear imaging and ultrasound, as well as diagnostic cardiology and patient monitoring devices; related services, including equipment monitoring and repair, computerized data management and customer productivity services. Diagnostic imaging agents used in medical scanning procedures, protein separations products including chromotography purification systems used in the manufacture of biopharmaceuticals, and high-throughput systems for applications in genomics, proteomics and bioassays. Products and services are sold worldwide to hospitals, medical facilities, pharmaceutical and biotechnology companies and to the life science research market.

NBC Universal

Principal businesses are the furnishing of U.S. network television services to 230 affiliated stations, production of television programs, the production and distribution of motion pictures, operation of 30 VHF and UHF television broadcasting stations, operation of cable/satellite networks around the world, operation of theme parks, and investment and programming activities in multimedia and the Internet.

Commercial Finance

Loans, leases and other financial services to customers, including manufacturers, distributors and end-users for a variety of equipment and major capital assets. These assets include industrial-related facilities and equipment; commercial and residential real estate; vehicles; corporate aircraft; and equipment used in many industries, including the construction, manufacturing, telecommunications and healthcare industries.

Consumer Finance

Private-label credit cards; bank cards; Dual Cards™; corporate travel and purchasing cards; personal loans; auto loans; leases and inventory financing; residential mortgages; home equity loans; debt consolidation loans; current and savings accounts and insurance products for customers on a global basis.

Financial Measures that Supplement Generally Accepted Accounting Principles

We sometimes use information derived from consolidated financial information but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). Certain of these data are considered "non-GAAP financial measures" under U.S. Securities and Exchange Commission rules. Specifically, we have referred, in various sections of this Annual Report, to:

- Organic revenue growth in 2005
- Growth in Industrial cash from operating activities (CFOA) in 2005
- GE pre-tax earnings from continuing operations before accounting changes excluding GECS earnings from continuing operations before accounting changes, and the corresponding effective tax rates, for the three years ended December 31, 2005
- Delinquency rates on certain financing receivables of the Commercial Finance and Consumer Finance segments for 2005, 2004 and 2003
- Average total shareowners' equity, excluding effects of discontinued operations

The reasons we use these non-GAAP financial measures and their reconciliation to their most directly comparable GAAP financial measures follow.

Organic Revenue Growth

(In millions)	*2005*	*2004*	*% change*
GE consolidated revenues as reported	$149,702	$134,481	11%
Less the effects of:			
Acquisitions, business dispositions (other than dispositions of businesses acquired for investment) and currency exchange rates	10,561	4,526	
The 2004 Olympics broadcasts	—	927	
The May 2005 SFAS 133 correction	—	503	
GE consolidated revenues excluding the effects of acquisitions, business dispositions (other than dispositions of businesses acquired for investment), currency exchange rates, the 2004 Olympics broadcasts and the May 2005 SFAS 133 correction (organic revenues)	$139,141	$128,525	8%

Growth in Industrial CFOA

(In millions)	2005	2004	% change
Cash from GE's operating activities as reported	$21,609	$15,204	42%
Less GECS dividends	7,816	3,105	
Cash from GE's operating activities excluding dividends from GECS (Industrial CFOA)	$13,793	$12,099	14%

GE Tax Rate, Excluding GECS Earnings

(In millions)	2005	2004	2003
GE earnings from continuing operations before income taxes, and accounting changes	$21,025	$18,258	$16,623
Less GECS earnings from continuing operations before accounting changes	9,141	7,853	5,931
Total	$11,884	$10,405	$10,692
GE provision for income taxes	$ 2,750	$ 1,973	$ 2,857
GE effective tax rate, excluding GECS earnings	23.1%	19.0%	26.7%

We believe that meaningful analysis of our financial performance requires an understanding of the factors underlying that performance and our judgments about the likelihood that particular factors will repeat. In some cases, short-term patterns and long-term trends may be obscured by large factors or events. For example, events or trends in a particular segment may be so significant as to obscure patterns and trends of our industrial or financial services businesses in total. For this reason, we believe that investors may find it useful to see our 2005 revenue growth without the effect of acquisitions, dispositions and currency exchange rates, and without the effects of the 2004 Olympics broadcasts and the May 2005 SFAS 133 correction which effects have no counterpart in 2005, and if included would overshadow trends in ongoing revenues. Similarly, we believe that investors would find it useful to compare our 2005 operating cash flow against our 2004 operating cash flow without the impact of GECS dividends.

Delinquency Rates on Certain Financing Receivables

Delinquency rates on managed Commercial Finance equipment loans and leases and managed Consumer Finance financing receivables follow.

COMMERCIAL FINANCE

December 31	2005	2004	2003
Managed	1.31%	1.40%	1.38%
Off-book	0.76	0.90	1.27
On-book	1.53	1.58	1.41

CONSUMER FINANCE

December 31	2005	2004	2003
Managed	5.08%	4.85%	5.62%
Off-book	5.28	5.09	5.04
On-book	5.07	4.84	5.67

We believe that delinquency rates on managed financing receivables provide a useful perspective on our on and off-book portfolio quality and are key indicators of financial performance.

Average Total Shareowners' Equity, Excluding Effects of Discontinued Operations[a]

December 31 (In millions)	2005	2004	2003	2002	2001
Average total shareowners' equity[b]	$111,683	$95,656	$71,336	$59,174	$52,674
Less:					
Cumulative effect of losses from discontinued operations[c]	3,094	2,980	925	1,007	226
Average net investment in discontinued operations[d]	4,620	—	—	—	—
Average total shareowners' equity, excluding effects of discontinued operations[a]	$103,969	$92,676	$70,411	$58,167	$52,448

(a) Used for computing return on average shareowners' equity and return on average total capital invested shown on page 61.

(b) On an annual basis, calculated using a five-point average.

(c) Represented the average cumulative net earnings effects of discontinued operations from 2001 to 2005 (on an annual basis, calculated using a five-point average).

(d) Represented the average net investment in discontinued operations for the second half of 2005 only—see below.

U.S. GAAP requires earnings of discontinued operations to be displayed separately in the Statement of Earnings. Accordingly, the numerators used in our calculations of returns on average shareowners' equity and average total capital invested presented in Selected Financial Data on page 61 exclude those earnings (losses). Further we believe it is appropriate to exclude from the denominators, specifically the average total shareowners' equity component the cumulative effect of those earnings (losses) since 2000 for each of the five years for which such returns are presented, as well as our average net investment in discontinued operations for the second half of 2005 only. Had we disposed of these operations before mid-2005, proceeds would have been applied to reduce parent-supported debt at GE Capital; however since parent-supported debt at GE Capital was retired in the first half of 2005, we have assumed that any proceeds after that time would have been distributed to shareowners by means of share repurchases, thus reducing average total shareowners' equity.

Definitions indicating how the above-named ratios are calculated using average total shareowners' equity, excluding effects of discontinued operations, can be found in the Glossary.

BACKLOG Unfilled customer orders for products and product services (12 months for product services).

BORROWING Financial liability (short or long-term) that obligates us to repay cash or another financial asset to another entity.

BORROWINGS AS A PERCENTAGE OF TOTAL CAPITAL INVESTED For GE, the sum of borrowings and mandatorily redeemable preferred stock, divided by the sum of borrowings, mandatorily redeemable preferred stock, minority interest and total shareowners' equity.

CASH EQUIVALENTS Highly liquid debt instruments with original maturities of less than three months, such as commercial paper. Typically included with cash for reporting purposes, unless designated as available-for-sale and included with investment securities.

CASH FLOW HEDGES Qualifying derivative instruments that we use to protect ourselves against exposure to volatility in future cash flows. The exposure may be associated with an existing asset or liability, or with a forecasted transaction. See "Hedge."

COMMERCIAL PAPER Unsecured, unregistered promise to repay borrowed funds in a specified period ranging from overnight to 270 days.

CUSTOMER SERVICE AGREEMENTS (also referred to as "product services agreements") Contractual commitments, with multiple-year terms, to provide specified services for products in our industrial installed base—for example, monitoring, maintenance, overhaul and spare parts for a gas turbine/generator set installed in a customer's power plant.

DERIVATIVE INSTRUMENT A financial instrument or contract with another party (counterparty) that is structured to meet any of a variety of financial objectives, including those related to fluctuations in interest rates, currency exchange rates or commodity prices. Options, forwards and swaps are the most common derivative instruments we employ. See "Hedge."

DISCONTINUED OPERATIONS Certain businesses we have sold or committed to sell within the next year and which will no longer be part of our ongoing operations. The net earnings, assets and liabilities and cash flows of such businesses are separately classified on our Statement of Earnings, Statement of Financial Position and Statement of Cash Flows, respectively for all periods presented.

EARNED PREMIUMS Portion of the premium, net of any amount ceded, pertaining to the segment of the policy period for which insurance coverage has been provided.

EFFECTIVE TAX RATE Provision for income taxes as a percentage of earnings from continuing operations before income taxes and accounting changes. Does not represent cash paid for income taxes in the current accounting period. Also referred to as "actual tax rate" or "tax rate."

EQUIPMENT LEASED TO OTHERS Rental equipment we own that is available to rent and is stated at cost less accumulated depreciation.

FAIR VALUE HEDGE Qualifying derivative instruments that we use to reduce the risk of changes in the fair value of assets, liabilities or certain types of firm commitments. Changes in the fair values of derivative instruments that are designated and effective as fair value hedges are recorded in earnings, but are offset by corresponding changes in the fair values of the hedged items. See "Hedge."

FINANCIAL LEVERAGE The relationship of debt to equity. Expressed for financial services businesses as borrowings divided by equity. Expressed for industrial businesses as borrowings divided by total capital.

FINANCING RECEIVABLES Investment in contractual loans and leases due from customers (not investment securities).

FORWARD CONTRACT Fixed price contract for purchase or sale of a specified quantity of a commodity, security, currency or other financial instrument with delivery and settlement at a specified future date. Commonly used as a hedging tool. See "Hedge."

GOODWILL The premium paid for acquisition of a business. Calculated as the purchase price less the fair value of net assets acquired (net assets are identified tangible and intangible assets, less liabilities assumed).

GUARANTEED INVESTMENT CONTRACTS (GICS) Deposit-type products that guarantee a minimum rate of return, which may be fixed or floating.

HEDGE A technique designed to eliminate risk. Often refers to the use of derivative financial instruments to offset changes in interest rates, currency exchange rates or commodity prices, although many business positions are "naturally hedged"—for example, funding a U.S. fixed-rate investment with U.S. fixed-rate borrowings is a natural interest rate hedge.

INTANGIBLE ASSET A non-financial asset lacking physical substance, such as goodwill, patents, trademarks and licenses.

INTEREST RATE SWAP Agreement under which two counterparties agree to exchange one type of interest rate cash flow for another. In a typical arrangement, one party periodically will pay a fixed amount of interest, in exchange for which that party will receive variable payments computed using a published index. See "Hedge."

INVESTMENT SECURITIES Generally, an instrument that provides an ownership position in a corporation (a stock), a creditor relationship with a corporation or governmental body (a bond), or rights to ownership such as those represented by options, subscription rights and subscription warrants.

MANAGED RECEIVABLES Total receivable amounts on which we continue to perform billing and collection activities, including receivables that have been sold with and without credit recourse and are no longer reported on our balance sheet.

MATCH FUNDING A risk control policy that provides funds for a particular financial asset having the same currency, maturity and interest rate characteristics as that asset. Match funding ensures that we maintain initial financing spreads or margins for the life of a financial asset, and is executed directly, by issuing debt, or synthetically, through a combination of debt and derivative financial instruments. For example, when we lend at a fixed interest rate in the U.S., we can borrow those U.S. dollars either at a fixed rate of interest or at a floating rate executed concurrently with a pay-fixed interest rate swap. See "Hedge."

MONETIZATION Sale of financial assets to a third party for cash. For example, we sell certain loans, credit card receivables and trade receivables to third-party financial buyers, typically providing at least some credit protection and often agreeing to provide collection and processing services for a fee. Monetization normally results in gains on interest-bearing assets and losses on non-interest bearing assets. See "Securitization" and "Variable Interest Entity."

OPERATING PROFIT GE earnings from continuing operations before interest and other financial charges, income taxes and effects of accounting changes.

OPTION The right, not the obligation, to execute a transaction at a designated price, generally involving equity interests, interest rates, currencies or commodities. See "Hedge."

PREMIUM Rate that is charged under insurance/reinsurance contracts.

PRODUCT SERVICES For purposes of the financial statement display of sales and costs of sales in our Statement of Earnings, "goods" is required by U.S. Securities and Exchange Commission regulations to include all sales of tangible products, and "services" must include all other sales, including broadcasting and other services activities. In our Management's Discussion and Analysis of Operations we refer to sales of both spare parts (goods) and related services as sales of "product services," which is an important part of our operations.

PRODUCT SERVICES AGREEMENTS See "Customer Service Agreements."

PRODUCTIVITY The rate of increased output for a given level of input, with both output and input measured in constant currency. A decline in output for a given level of input is "negative" productivity.

PROGRESS COLLECTIONS Payments received from customers as deposits before the associated work is performed or product is delivered.

REINSURANCE A form of insurance that insurance companies buy for their own protection.

RETAINED INTEREST A portion of a transferred financial asset retained by the transferor that provides rights to receive portions of the cash inflows from that asset.

RETURN ON AVERAGE SHAREOWNERS' EQUITY Earnings from continuing operations before accounting changes divided by average total shareowners' equity, excluding effects of discontinued operations (on an annual basis, calculated using a five-point average). Average total shareowners' equity, excluding effects of discontinued operations, as of the end of each of the years in the five-year period ended December 31, 2005, is described in the Supplemental Information section.

RETURN ON AVERAGE TOTAL CAPITAL INVESTED For GE, earnings from continuing operations before accounting changes plus the sum of after-tax interest and other financial charges and minority interest, divided by the sum of the averages of total shareowners' equity (excluding effects of discontinued operations), borrowings, mandatorily redeemable preferred stock and minority interest (on an annual basis, calculated using a five-point average). Average total shareowners' equity, excluding effects of discontinued operations as of the end of each of the years in the five-year period ended December 31, 2005, is described in the Supplemental Information section.

SECURITIZATION A process whereby loans or other receivables are packaged, underwritten and sold to investors. In a typical transaction, assets are sold to a special purpose entity (SPE), which purchases the assets with cash raised through issuance of beneficial interests (usually debt instruments) to third-party investors. Whether or not credit risk associated with the securitized assets is retained by the seller depends on the structure of the securitization. See "Monetization" and "Variable Interest Entity."

TURNOVER Broadly based on the number of times that working capital is replaced during a year. Accounts receivable turnover is total sales divided by the five-point average balance of customer receivables from sales of goods and services (trade receivables). Inventory turnover is total sales divided by a five-point average balance of inventories. See "Working Capital."

UNEARNED PREMIUMS Portion of the premium received, net of any amount ceded, that relates to future coverage periods.

UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES Claims reserves for events that have occurred, including both reported and incurred-but-not-reported (IBNR) reserves, and the expenses of settling such claims.

VARIABLE INTEREST ENTITY Entity defined by Financial Accounting Standards Board Interpretation No. 46 (as amended), and that must be consolidated by its primary beneficiary. A variable interest entity has one or both of the following characteristics: (1) its equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) as a group, the equity investors lack one or more of the following characteristics: (a) direct/indirect ability to make decisions, (b) obligation to absorb expected losses, or (c) right to receive expected residual returns.

WORKING CAPITAL Sum of receivables from the sales of goods and services, plus inventories, less trade accounts payables and progress collections.

CORPORATE MANAGEMENT (as of February 10, 2006)

Senior Executive Officers

Jeffrey R. Immelt
Chairman of the Board & Chief Executive Officer

David L. Calhoun
Vice Chairman, GE and President & Chief Executive Officer, GE Infrastructure

William M. Castell
Vice Chairman of the Board & Executive Officer, GE and Chairman, GE Healthcare

Michael A. Neal
Vice Chairman, GE and President & Chief Executive Officer, GE Capital Services

John G. Rice
Vice Chairman, GE and President & Chief Executive Officer, GE Industrial

Lloyd G. Trotter
Executive Vice President & Senior Operations Officer

Robert C. Wright
Vice Chairman of the Board & Executive Officer, GE and Chairman & Chief Executive Officer, NBC Universal, Inc.

Senior Corporate Officers

Ferdinando Beccalli-Falco
President & Chief Executive Officer, International

William J. Conaty
Senior Vice President, Human Resources

Pamela Daley
Senior Vice President, Corporate Business Development

Brackett B. Denniston III
Senior Vice President & General Counsel

Mark M. Little
Senior Vice President, Global Research

Gary M. Reiner
Senior Vice President & Chief Information Officer

Keith S. Sherin
Senior Vice President & Chief Financial Officer

Corporate Staff Officers

Philip D. Ameen
Vice President & Comptroller

Scott R. Bayman
President & Chief Executive Officer, India

Stefano P. Bertamini
Vice President, & Chief Executive Officer, China

Kathryn A. Cassidy
Vice President & GE Treasurer

James A. Colica
Vice President, Global Risk Management, GE Capital

Robert L. Corcoran
Vice President, Corporate Citizenship, & Chief Learning Officer

Richard D'Avino
Vice President & Senior Tax Counsel, GE Capital

Q. Todd Dickinson
Vice President & Chief Intellectual Property Counsel

Nancy P. Dorn
Vice President, Government Relations

Deborah Elam
Vice President & Chief Diversity Officer

Shane Fitzsimons
Vice President, Corporate Financial Planning & Analysis

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

Jonathan P. Graham
Vice President, Litigation & Legal Policy

Nabil A. Habayeb
President & Chief Executive Officer, Middle East/Africa

Daniel S. Henson
Vice President & Chief Marketing Officer

Michael S. Idelchik
Vice President, Advanced Technology Programs

Daniel C. Janki
Vice President, Corporate Investor Relations

Mark J. Krakowiak
Vice President, Corporate Risk & Financing

John H. Myers
Chairman & President, GE Asset Management

Stephen M. Parks
Vice President, Taxes, Europe

Susan P. Peters
Vice President, Executive Development

Stephen D. Ramsey
Vice President, Environmental Programs

John M. Samuels
Vice President & Senior Tax Counsel

Ronald A. Stern
Vice President & Senior Counsel, Antitrust

Edmundo M. Vallejo
President & Chief Executive Officer, Latin America

Brian B. Worrell
Vice President, Corporate Audit Staff

OPERATING MANAGEMENT (as of February 10, 2006)

Commercial Finance

Michael A. Neal
Vice Chairman, GE and President & Chief Executive Officer, GE Commercial Finance

Charles E. Alexander
President, GE Capital, Europe

Carol S. Anderson
Vice President, Human Resources

Jeffrey S. Bornstein
Vice President & Chief Financial Officer

Paul T. Bossidy
President & Chief Executive Officer, GE Capital Solutions

Kathryn V. Marinello
President & Chief Executive Officer, Fleet Services

Christopher P. Perretta
Vice President & Chief Information Officer

Michael J. Pilot
President, U.S. Equipment Financing

John L. Flannery Jr.
President & Chief Executive Officer, Commercial Finance, Asia

Michael A. Gaudino
President and Chief Executive Officer, Corporate Financial Services

Ronald F. Carapezzi
President, Corporate Financial Services, Bank Loans

Richard A. Laxer
President, Corporate Financial Services, Europe

Thomas M. Quindlen
President, Corporate Financial Services, Corporate Lending

Jeffrey A. Malehorn
President & Chief Executive Officer, Healthcare Financial Services

J. Keith Morgan
Vice President & General Counsel

Michael E. Pralle
President & Chief Executive Officer, Real Estate

Joseph E. Parsons
President, North American Equity

Olivier Piani
President, Real Estate, Europe

Ronald R. Pressman
President & Chief Executive Officer, Insurance Solutions

Mark E. Elborne
Vice President & General Counsel

Marc A. Meiches
Vice President & Chief Financial Officer

Consumer Finance

David R. Nissen
President & Chief Executive Officer, GE Consumer Finance

George M. Awad
Vice President, Global Marketing

Mark W. Begor
President & Chief Executive Officer, Consumer Finance, Americas

Margaret M. Keane
President & Chief Executive Officer, Retail Consumer Finance

William H. Cary
President & Chief Executive Officer, Consumer Finance, Europe

Dmitri L. Stockton
Chief Executive Officer, Central & Eastern Europe

Charles M. Crabtree
Vice President, Operations

Ray B. Duggins Jr.
Vice President, Risk Management

Yoshiaki Fujimori
President & Chief Executive Officer, Consumer Finance, Asia

Akihiko Kumagai
Vice President & Chief Executive Officer, Consumer Finance, Japan

Thomas C. Gentile III
President & Chief Executive Officer, GE Money, Australia/New Zealand

Elizabeth A. Lee
Vice President & General Counsel

Maive F. Scully
Vice President & Chief Financial Officer

Stuart W. Sinclair
President & Chief Executive Officer, China

Steven D. Thorne
Vice President, Human Resources

Healthcare

Joseph M. Hogan
President & Chief Executive Officer, GE Healthcare

William R. Clarke
Vice President, Chief Technology & Medical Officer

Reinaldo A. Garcia
President & Chief Executive Officer, Healthcare, International

Chih Chen
President, Healthcare, China

S. Omar Ishrak
President & Chief Executive Officer, Clinical Systems

Laura G. King
President & Chief Executive Officer, Interventional Cardiology & Surgery

Peter H. Loescher
President & Chief Executive Officer, Biosciences

Peter Ehrenheim
President, Protein Separations

Daniel L. Peters
President, Medical Diagnostics

John F. Lynch
Vice President, Human Resources

Russel P. Mayer
Vice President & Chief Information Officer

Kathryn K. McCarthy
Vice President & Chief Financial Officer

Diane P. Mellor
Vice President, Global Services

Paul J. Mirabella
Vice President, Global Customer Development

Hiroyuki Mitani
President & Chief Executive Officer, Healthcare, Japan

Peter Y. Solmssen
Vice President & General Counsel

Mark L. Vachon
President & Chief Executive Officer, Diagnostic Imaging

John R. Chiminski
Vice President & General Manager, Global MR

Iain J. Mackay
Vice President & Chief Financial Officer, Diagnostic Imaging & Services

Eugene L. Saragnese
Vice President & General Manager, Global FCT

Vishal K. Wanchoo
President & Chief Executive Officer, Healthcare Information Technologies

Industrial

John G. Rice
Vice Chairman, GE and President & Chief Executive Officer, GE Industrial

Charlene T. Begley
President & Chief Executive Officer, Plastics

Gregory A. Adams
Vice President, Plastics Automotive

Charles E. Crew Jr.
Vice President, Cycolac & Geloy Resins

Brian T. Gladden
Vice President, Lexan & Global Product Companies

Gary W. Pritchard
Vice President,
Plastics Operations

Alan M. S. Leung
Vice President,
Plastics, Pacific

Golnar Motaharipour
Vice President,
Plastics, Europe

Robert E. Muir, Jr.
Vice President,
Human Resources

Timothy J. O'Brien
Vice President,
Plastics, Americas

James P. Campbell
President & Chief Executive Officer, Consumer & Industrial

Raymond M. Burse
Vice President &
General Counsel

John D. Fish
Vice President,
Consumer Supply Chain

M. Roger Gasaway
Vice President,
Industrial Supply Chain

Andre Horbach
President & Chief Executive Officer, Consumer & Industrial, Europe

Gregory L. Levinsky
Vice President & Chief Information Officer

Lynn S. Pendergrass
President & Chief Executive Officer, Consumer & Industrial, Americas

Michael B. Petras, Jr.
Vice President,
Electrical Distribution & Lighting Sales

Paul A. Raymont
Vice President,
Technology

Joseph B. Ruocco
Vice President,
Human Resources

J. Jeffrey Schaper
President & Chief Executive Officer, Supply

Darryl L. Wilson
President & Chief Executive Officer, Consumer & Industrial, Asia

Wayne M. Hewett
President & Chief Executive Officer, Silicones/Quartz

John C. Loomis
Vice President,
Human Resources

A. Louis Parker
President & Chief Executive Officer, Security

Ruben C. Berumen
Vice President,
Supply Chain

Gregory Burge
Vice President & General Manager, Network Solutions

Dennis C. Cooke
Vice President & General Manager, Homeland Protection

Daniel L. Smytka
Vice President & General Manager, Engineered Systems

Caroline A. Reda
President & Chief Executive Officer, Sensing

Deborah M. Reif
President & Chief Executive Officer, Equipment Services

Glen A. Messina
Vice President &
Chief Financial Officer

John L. Oliver
President &
Chief Executive Officer, Equipment Services, Europe

Theodore H. Torbeck
President &
Chief Executive Officer, Rail Services

Stephen J. Sedita, Jr.
Vice President &
Chief Financial Officer

Maryrose T. Sylvester
President & Chief Executive Officer, GE Fanuc

Infrastructure

David L. Calhoun
Vice Chairman, GE and President & Chief Executive Officer, GE Infrastructure

Lorraine A. Bolsinger
Vice President,
Ecomagination

Marc A. Chini
Vice President,
Human Resources

John M. Dineen
President & Chief Executive Officer, Transportation

Steven J. Gray
Vice President,
Global Technology

David B. Tucker
Vice President,
Global Sales

Scott C. Donnelly
President & Chief Executive Officer, Aviation

Thomas E. Cooper
Vice President,
Washington Operations

Herbert D. Depp
Vice President,
Boeing Engine Programs

Scott A. Ernest
Vice President & General Manager, Supply Chain

William A. Fitzgerald
Vice President,
Global Services Overhaul

David L. Joyce
Vice President & General Manager, Commercial Engines

Roger N. Seager
Vice President, Sales

Paul McElhinney
Vice President,
Legal Operations

Kenneth V. Meyer
Vice President, Business Practices and Processes

Bradley D. Mottier
Vice President,
Engine Services

Jeanne M. Rosario
Vice President,
Engineering

Russell F. Sparks
Vice President,
Military Engines

John J. Falconi
Vice President &
Chief Financial Officer

Jeff R. Garwood
President & Chief Executive Officer, Water Technologies

Jeffrey W. Connelly
Vice President, Water & Process Technologies

Steven M. Fludder
Vice President,
Sales, Water Technologies

Dennis M. Murray
Vice President & Chief Financial Officer

Henry A. Hubschman
President & Chief Executive Officer, Aviation Services

Norman Liu
Vice President,
Commercial Operations

John Krenicki, Jr.
President & Chief Executive Officer, Energy

Lawrence K. Blystone
Vice President,
Global Supply Chain

Stephen R. Bolze
Vice President,
Power Generation

Victor R. Abate
Vice President,
Renewables

Sharon R. Daley
Vice President,
Human Resources

Daniel C. Heintzelman
Vice President,
Energy Services

Candace F. Carson
Vice President &
Chief Financial Officer

Happy R. Perkins
Vice President &
General Counsel

Thomas P. Saddlemire
Vice President &
Chief Financial Officer

John M. Serafi
Vice President &
Chief Information Officer

Richard L. Stanley
Vice President,
Engineering

Luciano J. Cerone
Vice President,
Advanced Technology Operation

Richard R. Stewart
Vice President,
Aero Energy

James N. Suciu
Vice President,
Global Sales

Chi H. Choi
Vice President,
Energy Services Sales

Andrew C. White
Vice President,
Nuclear Energy

George R. Oliver
Vice President,
Infrastructure Integration

Claudi Santiago
President & Chief Executive Officer, Oil & Gas

Anders E. Solem
Vice President,
Infrastructure, China

Alex Urquhart
President & Chief Executive Officer, Energy Financial Services

NBC Universal

Robert C. Wright
Vice Chairman of the Board & Executive Officer, GE and Chairman & Chief Executive Officer, NBC Universal, Inc.

Lynn A. Calpeter
Executive Vice President & Chief Financial Officer

Elizabeth J. Comstock
President, Digital Media & Market Development

John Miller
Chief Marketing Officer, NBCU Television Group & President, NBC Agency

Anna M. Perez
Executive Vice President & Chief Communications Officer

Richard Cotton
Executive Vice President & General Counsel

Ronald Meyer
President & Chief Operating Officer, Universal Studios

Stacey Snider
Chairman,
Univeral Pictures

Thomas L. Williams
Chairman &
Chief Executive Officer
Universal Parks & Resorts

Marc J. Saperstein
Senior Executive Vice President,Human Resources

Eileen G. Whelley
Executive Vice President,
Human Resources

Jeffrey A. Zucker
Chief Executive Officer, NBC Universal Television Group

Angela Bromstad
President,
NBCU Television Studio

Steve Capus
President, NBC News

Dick Ebersol
Chairman,
NBCU Sports & Olympics

Randel A. Falco
President & Chief Operating Officer, NBC Universal Television Group

Donald Browne
President,
Telemundo Network

John W. Eck
President,
NBCU Media Works

Frederick Huntsberry
President, NBC Universal Television Distribution & International Operations

James W. Ireland III
President, NBC & Telemundo Television Stations

Keith G. Turner
President,
Sales & Marketing

David M. Zaslav
President, NBCU Cable

Jeffrey M. Gaspin
President, NBCU Cable Entertainment & Digital Content

Marc Graboff
President, NBCU Television West Coast

Mark Hoffman
President, CNBC

Kevin P. Reilly
President,
NBC Entertainment

Corporate Headquarters

General Electric Company
3135 Easton Turnpike
Fairfield, CT 06828
(203) 373-2211

Annual Meeting

GE's 2006 Annual Meeting of Shareowners will be held on Wednesday, April 26, 2006 at the Philadelphia Convention Center in Philadelphia, Pennsylvania.

Shareowner Services

To transfer securities, write to GE Share Owner Services, c/o The Bank of New York, P.O. Box 11002, New York, NY 10286-1002.

For shareowner inquiries, including enrollment information and a prospectus for the Direct Purchase and Reinvestment Plan, "GE Stock Direct," write to GE Share Owner Services, c/o The Bank of New York, P.O. Box 11402, New York, NY 10286-1402; or call (800) 786-2543 (800-STOCK-GE) or (212) 815-3700; or send an e-mail to ge-shareowners@bankofny.com.

For Internet access to general shareowner information and certain forms, including transfer instructions or stock power, visit the Web site at www.stockbny.com/ge.

Stock Exchange Information

In the United States, GE common stock is listed on the New York Stock Exchange (its principal market) and the Boston Stock Exchange. It also is listed on certain non-U.S. exchanges, including the London Stock Exchange and Euronext Paris.

Trading and Dividend Information

	Common Stock Market Price		Dividends
(In dollars)	High	Low	Declared
2005			
Fourth quarter	$36.34	$32.67	$.25
Third quarter	35.78	32.85	.22
Second quarter	37.34	34.15	.22
First quarter	36.89	34.95	.22
2004			
Fourth quarter	$37.75	$32.65	$.22
Third quarter	34.53	31.42	.20
Second quarter	33.49	29.55	.20
First quarter	34.57	28.88	.20

As of December 31, 2005, there were about 646,000 shareowner accounts of record.

Form 10-K and Other Reports; Certifications

The financial information in this report, in the opinion of management, substantially conforms with information required in the "Form 10-K Report" to be filed with the Securities and Exchange Commission (SEC) in March 2006. However, the Form 10-K Report also contains additional information, and it can be viewed at www.ge.com/secreports.

Copies also are available, without charge, from GE Corporate Investor Communications, 3135 Easton Turnpike, Fairfield, CT 06828.

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

GE has included as exhibits to its Annual Report on Form 10-K for fiscal year 2005 filed with the Securities and Exchange Commission certifications of GE's Chief Executive Officer and Chief Financial Officer certifying the quality of the company's public disclosure. GE's Chief Executive Officer has also submitted to the New York Stock Exchange (NYSE) a certification certifying that he is not aware of any violations by GE of the NYSE corporate governance listing standards.

Information on the GE Foundation, GE's philanthropic organization, can be viewed at www.gefoundation.com.

Internet Address Information

Visit us online at www.ge.com for more information about GE and its products and services.

The 2005 GE Annual Report is available online at www.ge.com/annual05. For detailed news and information regarding our strategy and our businesses, please visit our Press Room online at www.ge.com/news and our Investor Information site at www.ge.com/investor.

Product Information

For information about GE's consumer products and services, visit us at www.geconsumerandindustrial.com.

Audio Recordings

For an audio version of this report, write to Target Mail, 705 Corporations Park, Scotia, NY 12302; or call (518) 381-3824; or send an e-mail to target.mail@corporate.ge.com.

Corporate Ombudsperson

To report concerns related to compliance with the law, GE policies or government contracting requirements, write to GE Corporate Ombudsperson, P.O. Box 911, Fairfield, CT 06825; or call (800) 227-5003 or (203) 373-2603; or send an e-mail to ombudsperson@corporate.ge.com.

Contact the GE Board of Directors

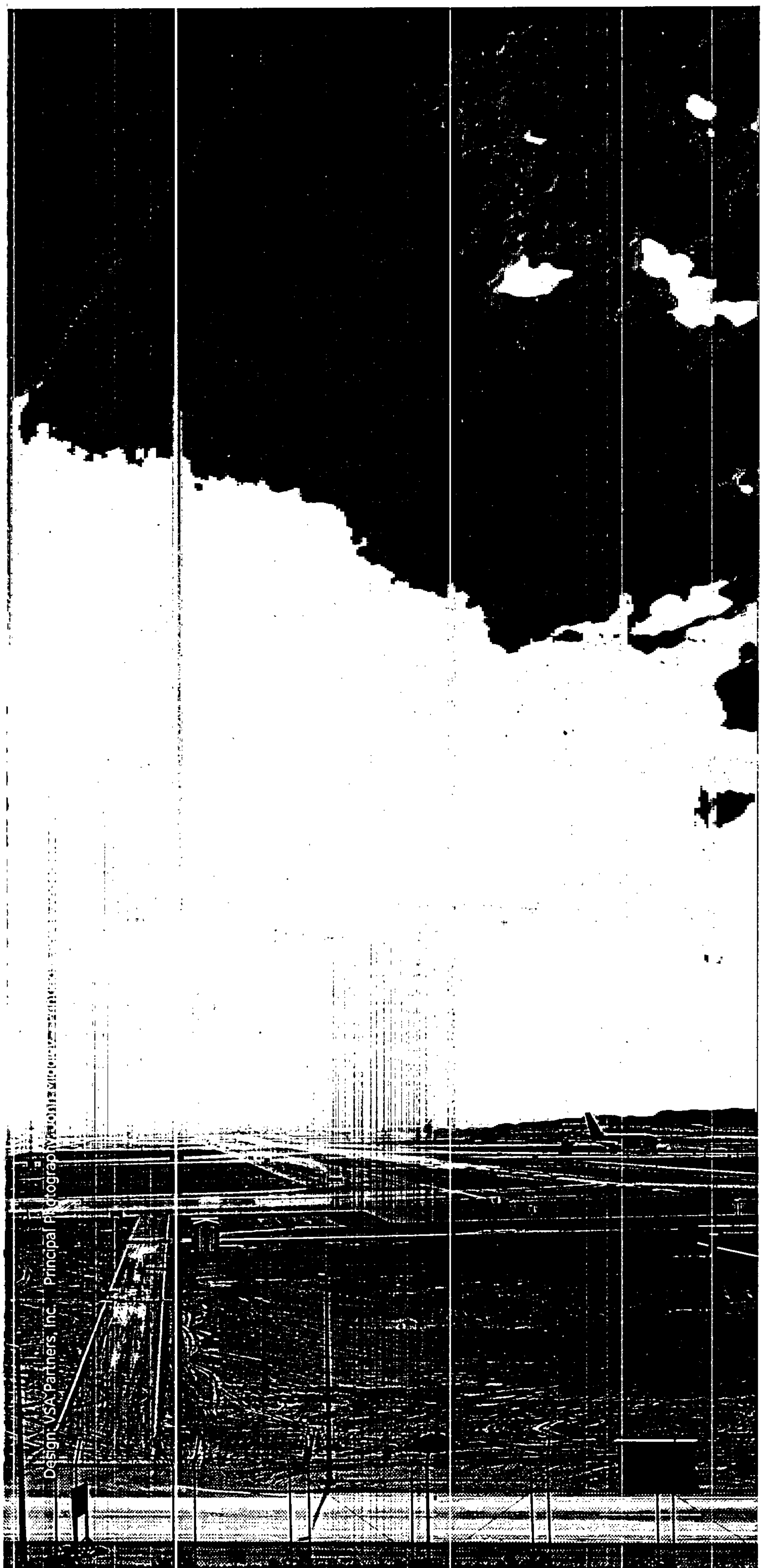
For reporting complaints about GE's financial reporting, internal controls and procedures, auditing matters or other concerns to the Board of Directors or the Audit Committee, write to GE Board of Directors, General Electric Company (W2E), 3135 Easton Turnpike, Fairfield, CT 06828; or call (800) 417-0575 or (203) 373-2652; or send an e-mail to directors@corporate.ge.com.

Note: Unless otherwise indicated by the context, the term "GE," "General Electric" and "Company" are used on the basis of consolidation described on page 70.

Patent applications filed in 2005 by GE include U.S. original and other applications.

Caution Concerning Forward-Looking Statements: This document contains "forward-looking statements"—that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties which could adversely or positively affect our future results include: the behavior of financial markets, including fluctuations in interest rates and commodity prices; strategic actions, including dispositions; future integration of acquired businesses; future financial performance of major industries which we serve, including, without limitation, the air and rail transportation, energy generation, media, real estate and healthcare industries; unanticipated loss development in our insurance businesses; and numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive and regulatory nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

Visit our interactive online annual report at www.ge.com/annual05



Thanks to the customers, partners, investors and GE employees who appear in this annual report for contributing their time and support.

This document was printed on paper that contains from 10% to 100% post-consumer material. The majority of the power utilized was renewable energy, most of which was produced with GE's wind, low-impact hydro and biogas technologies, and powered by GE steam engines and turbine engines. The paper was supplied by participants of the Sustainable Initative Programs. GE employed a printer that produces all of its own electricity and is a certified totally enclosed facility that produces virtually no volatile organic compound emissions.

General Electric Company
Fairfield, Connecticut 06828
www.ge.com

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☑ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2005
or

☐ Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from __________ to __________

Commission file number 1-35

General Electric Company
(Exact name of registrant as specified in charter)

New York		14-0689340
(State or other jurisdiction of incorporation or organization)		(I.R.S. Employer Identification No.)
3135 Easton Turnpike, Fairfield, CT	06828-0001	203/373-2211
(Address of principal executive offices)	(Zip Code)	(Telephone No.)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value $0.06 per share	New York Stock Exchange Boston Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

____

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of the outstanding common equity of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was $367.3 billion. Affiliates of the Company beneficially own, in the aggregate, less than one-tenth of one percent of such shares. There were 10,423,424,768 shares of voting common stock with a par value of $0.06 outstanding at February 10, 2006.

DOCUMENTS INCORPORATED BY REFERENCE

The Annual Report to Shareowners for the fiscal year ended December 31, 2005 is incorporated by reference in Parts I, II and III to the extent described therein. The definitive proxy statement relating to the registrant's Annual Meeting of Shareowners, to be held April 26, 2006, is incorporated by reference in Part III to the extent described therein.

Table of Contents

Part I

Item 1. Business

General

Unless otherwise indicated by the context, we use the terms "GE," "GECS" and "GE Capital" on the basis of consolidation described in note 1 to the consolidated financial statements on page 70 of the 2005 Annual Report to Shareowners of General Electric Company (the Company). The financial section of such Annual Report to Shareowners (pages 41 through 109 of that document) is described in Part IV Item 15(a)(1) and set forth in Exhibit 13 of this 10-K Report and is an integral part hereof. References in Parts I and II of this 10-K Report are to the page numbers of the 2005 Annual Report to Shareowners. Also, unless otherwise indicated by the context, "General Electric" means the parent company, General Electric Company.

General Electric's address is 1 River Road, Schenectady, NY 12345-6999; we also maintain executive offices at 3135 Easton Turnpike, Fairfield, CT 06828-0001.

GE is one of the largest and most diversified industrial corporations in the world. We have engaged in developing, manufacturing and marketing a wide variety of products for the generation, transmission, distribution, control and utilization of electricity since our incorporation in 1892. Over the years, we have developed or acquired new technologies and services that have broadened considerably the scope of our activities.

Our products include major appliances; lighting products; industrial automation products; medical diagnostic imaging systems; bioscience assays and separation technology products; electrical distribution and control equipment; locomotives; power generation and delivery products; nuclear power support services and fuel assemblies; commercial and military aircraft jet engines; chemicals and equipment for treatment of water and process systems; security equipment and systems; and engineered materials, such as plastics and silicones.

Our services include product services; electrical product supply houses; electrical apparatus installation, engineering, and repair and rebuilding services. Through our affiliate, NBC Universal, Inc., we produce and deliver network television services, operate television stations, produce and distribute motion pictures, operate cable/satellite networks, operate theme parks, and program activities in multimedia and the Internet. Through another affiliate, General Electric Capital Services, Inc., we offer a broad array of financial and other services including consumer financing, commercial and industrial financing, real estate financing, asset management and leasing, mortgage services, consumer savings and insurance services, and reinsurance.

In virtually all of our global business activities, we encounter aggressive and able competition. In many instances, the competitive climate is characterized by changing technology that requires continuing research and development, as well as customer commitments. With respect to manufacturing operations, we believe that, in general, we are one of the leading firms in most of the major industries in which we participate. The NBC Television Network is one of four major U.S. commercial broadcast television networks. We also compete with syndicated broadcast television programming, cable and satellite television programming activities and in the motion picture industry. The businesses in which GECS engages are subject to competition from various types of financial institutions, including commercial banks, thrifts, investment banks, broker-dealers, credit unions, leasing companies, consumer loan companies, independent finance companies, finance companies associated with manufacturers, and insurance and reinsurance companies.

This document contains "forward-looking statements" – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties which could adversely or positively affect our future results include: the behavior of financial markets, including fluctuations in interest rates and commodity prices; strategic actions, including dispositions; future integration of acquired businesses; future financial performance of major industries which we serve, including, without limitation, the air and rail transportation, energy generation, media, real estate and healthcare industries; unanticipated loss development in our insurance businesses; and numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive and regulatory nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

Our consolidated global revenues increased to $77.9 billion in 2005, compared with $66.9 billion in 2004 and $54.3 billion in 2003. For additional information about our global operations, see pages 52 and 53 of the 2005 Annual Report to Shareowners.

Operating Segments

Segment revenue and profit information is presented on page 49 of the 2005 Annual Report to Shareowners. Additional financial data and commentary on recent financial results for operating segments are provided on pages 48-52 of that report and in note 26 (page 97) to the consolidated financial statements.

In the fourth quarter of 2005, we announced the planned sale of the property and casualty insurance and reinsurance businesses and the European life and health operations of GE Insurance Solutions Corporation (GE Insurance Solutions) and completed a Genworth Financial, Inc. (Genworth) secondary public offering, which reduced our ownership in Genworth to 18%. We have reported both GE Insurance Solutions and Genworth as discontinued operations for all periods presented. These businesses were previously reported in the Commercial Finance segment. Also, during the fourth quarter of 2005, our insurance activities, previously reported in the Commercial Finance segment, were transferred to corporate items and eliminations for all periods presented.

Operating businesses that are reported as segments include Infrastructure, Industrial, Healthcare, NBC Universal, Commercial Finance and Consumer Finance. There is appropriate elimination of the net earnings of GECS and the immaterial effect of transactions between segments to arrive at total consolidated data. A summary description of each of our operating segments follows.

We will also continue our longstanding practice of providing supplemental information for certain businesses within the segments.

Infrastructure

Infrastructure (27.9%, 27.8% and 32.4% of consolidated revenues in 2005, 2004 and 2003, respectively) produces, sells, finances and services equipment for the air transportation and energy generation industries. We also produce, sell and service equipment for the rail transportation and water treatment industries. During 2005, we made a number of acquisitions, the most significant of which was Ionics, Inc.

Our operations are located in North America, Europe, Asia and South America.

Aviation and Aviation Financial Services

Aviation produces, sells and services jet engines, turboprop and turbo shaft engines, and related replacement parts for use in military and commercial aircraft. Our military engines are used in a wide variety of aircraft including fighters, bombers, tankers, helicopters and surveillance aircraft and our commercial engines power aircraft in all categories of range: short/medium, intermediate and long-range, as well as executive and regional aircraft. We also produce engines through CFM International, a company jointly owned by GE and Snecma Moteurs of France; and a new engine is being designed and marketed in a joint venture with the Pratt & Whitney division of United Technologies Corporation.

We provide maintenance, component repair and overhaul services (MRO), including sales of replacement parts, for many models of engines, including repair and overhaul of engines manufactured by competitors.

The worldwide competition in aircraft jet engines and MRO (including parts sales) is intense. Both U.S. and export markets are important. Product development cycles are long and product quality and efficiency are critical to success. Research and development expenditures, both customer-financed and internally funded, are important in this business, as are focused intellectual property strategies and protection of key aircraft engine design, manufacture, repair and product upgrade technologies.

Potential sales for any engine are limited by, among other things, its technological lifetime, which may vary considerably depending upon the rate of advance in technology, the small number of potential customers and the limited number of relevant airframe applications. Aircraft engine orders tend to follow military and airline procurement cycles, although these cycles differ from each other.

Aviation Financial Services is a global commercial aviation financial services business that offers a broad range of financial products to airlines, aircraft operators, owners, lenders, investors and airport developers. Financial products include leases, aircraft purchasing and trading, loans, engine/spare parts financing, pilot training, fleet planning and financial advisory services. We operate in a highly competitive environment. Our competitors include aircraft manufacturers, banks, financial institutions, and other finance and leasing companies. Competition is based on lease rates and terms, as well as aircraft delivery dates, condition and availability.

The U.S. commercial aviation industry continues to face challenges and financial pressure that affect a portion of our commercial aviation business. Many carriers are experiencing major restructuring and reorganization, including bankruptcies. These companies have experienced marginal returns and in some cases losses resulting from competitive pressures and increased fuel costs.

Energy and Energy Financial Services

Energy serves power generation, industrial, government and other customers worldwide with products and services related to energy production, distribution and management. We offer wind turbines as part of our renewable energy portfolio, which also includes hydropower, solar, and geothermal technology. We also sell aircraft engine derivatives for use as industrial power sources. Gas turbines and generators are used principally in power plants for generation of electricity and for industrial cogeneration and mechanical drive applications. We are a worldwide supplier of gas turbines for Integrated Gasification Combined Cycle (IGCC) applications, having provided gas turbines for a significant number of the world's operating IGCC plants. IGCC systems convert coal and other hydrocarbons into synthetic gas which, after cleanup, is used as the primary fuel for gas turbines in combined-cycle systems. IGCC systems produce fewer air pollutants compared with traditional pulverized coal power plants. We sell steam turbines and generators to the electric utility industry and to private industrial customers for cogeneration applications. Products also include portable and rental power plants. Nuclear reactors, fuel and support services for both new and installed boiling water reactors are also a part of this segment. We provide our customers with total solutions to meet their needs through a complete portfolio of aftermarket services, including equipment upgrades, contractual services agreements, repairs, equipment installation, monitoring and diagnostics, asset management and performance optimization tools, remote performance testing and Dry Low NOx (DLN) tuning. We continue to invest in advanced technology development that will provide more value to our customers and more efficient solutions that comply with today's strict environmental regulations.

Worldwide competition for power generation products and services is intense. Demand for most power generation products and services is global and, as a result, is sensitive to the economic and political environment of each country in which we do business. Regional load growth requirements and demand side management are important factors. The availability of fuels and related prices have a large impact on demand.

Energy Financial Services offers structured equity, leveraged leasing, partnerships, project finance and broad-based commercial finance to the global energy and water industries. We operate in a highly competitive environment. Our competitors include banks, financial institutions, energy companies, and other finance and leasing companies. Competition is based on price, that is interest rates and fees, as well as deal structure and terms. As we compete globally, our success is sensitive to the economic and political environment of each country in which we do business.

Oil & Gas

Oil & Gas offers advanced technology turbomachinery products and services for the production, transportation, storage, refining, and distribution of oil and natural gas. We have leading technology in total pipeline integrity solutions including analysis and pipeline asset management.

Transportation

Transportation provides technology solutions for customers in a variety of industries including railroad, transit, mining, oil and gas, power generation, and marine. We serve customers in more than 100 countries. Our products include high horsepower diesel-electric locomotives as well as parts and services for locomotives, including locomotives manufactured by competitors.

With the launch of the Evolution Series™ locomotive, we created our most technologically advanced, most fuel-efficient, diesel locomotive, while meeting or exceeding the U.S. Environmental Protection Agency's Tier II requirements. Commercial production of the Evolution Series™ locomotive began in January 2005.

The GE suite of locomotive services offerings, designed to improve fleet efficiency and reduce operating expenses, includes repair services, locomotive enhancements, modernizations, and information-based services like remote monitoring and diagnostics. We provide train control products, railway management services, and signaling systems to increase service levels, optimize asset utilization, and streamline operations for railroad owners and operators. We deliver leading edge tools that improve asset availability and reliability, optimize network planning, and control network execution to plan. We also offer leading drive technology solutions to the mining, transit, marine and stationary, and drilling industries. Our motors operate in thousands of applications, from electrical drive systems for large haulage trucks used in the mining industry to transit cars and drilling rigs, and our engines are used for marine power as well as stationary power generation applications. We also provide gearing technology for critical applications such as wind turbines.

Water

Water offers productivity solutions for pure water including the supply of specialty chemicals, pumps, valves, filters and fluid handling equipment for improving the performance of water, wastewater and process systems including mobile treatment systems and desalination processes.

For information about orders and backlog, see page 50 of the 2005 Annual Report to Shareholders.

Industrial

Industrial (21.8%, 22.8% and 22.1% of consolidated revenues in 2005, 2004 and 2003, respectively) produces and sells products including consumer appliances, industrial equipment and plastics, and related services. We also finance business equipment for a wide variety of customer applications. During 2005, we made a number of acquisitions, the most significant of which was Edwards Systems Technology.

Our operations are located in North America, Europe, Asia and South America.

Consumer & Industrial

Consumer & Industrial sells products characterized by high volume and relatively low unit prices. Our products share several characteristics – competitive design, efficient manufacturing and effective distribution and service. Strong global competition rarely permits premium pricing, so cost control, including productivity, is key. Despite pricing pressures on many of our products, we also invest in the development of differentiated, premium products that are more profitable. While some Consumer & Industrial products are primarily directed to consumer applications (major appliances, for example), and some primarily to industrial applications (switchgear, for example), others are directed to both markets (lighting, for example).

We sell and service major home appliances including refrigerators, freezers, electric and gas ranges, cooktops, dishwashers, clothes washers and dryers, microwave ovens, room air conditioners, and residential water systems for filtration, softening and heating. Brands are Monogram®, GE Profile™, GE®, and Hotpoint®.

We manufacture certain products, and also source finished product and component parts from third-party global manufacturers. A large portion of our appliances sales are through a variety of retail outlets for replacement of installed units. Residential building contractors installing units in new construction are our second major U.S. channel. We offer the largest manufacturer's service organization in the appliances industry, providing in-home repair, extended service plans, warranty administration and risk management services. We also manufacture and sell approximately 6,000 different lamp products for commercial, industrial and consumer markets, including full lines of incandescent, halogen, fluorescent, high-intensity discharge, light-emitting diode, automotive and miniature products.

Consumer & Industrial also provides integrated electrical equipment and systems used to distribute, protect and control energy and equipment. We manufacture and distribute electrical distribution and control products including transformers, meters, relays, circuit breakers, panel boards and general purpose controls that are used to distribute and manage power in a variety of residential, commercial, consumer and industrial applications. In addition, we design and manufacture motors and control systems used in end-industrial and consumer products such as heating, ventilation and air conditioning, dishwashers, and clothes washers and dryers. We also provide customer-focused solutions centered on the delivery and control of electric power, and market a wide variety of commercial lighting systems and lighting for aircraft, automotive and other transportation applications, front and rear video projection, medical, architectural, fiber optic, stage, studio, nightclub and theater applications.

The aggregate level of economic activity in markets for such products and services generally lags overall economic slowdowns as well as subsequent recoveries. In the United States, industrial markets are undergoing significant structural changes reflecting, among other factors, increased international competition and pressures to modernize productive capacity.

We also have a network of electrical product supply houses selling electrical products and parts, fasteners, voice and datacom parts, lighting equipment and supplies from GE and other leading manufacturers. Our business serves electrical contractors, industrial and commercial users, engineer constructors, original equipment manufacturers, utilities and the aerospace industry.

Equipment Services

Equipment Services helps customers manage, finance and operate a wide variety of business equipment worldwide. We provide rentals, leases, sales and asset management services of commercial and transportation equipment, including tractors, trailers, railroad rolling stock, modular space units, intermodal shipping containers and, primarily through an associated company, marine containers. Our operations are conducted in highly competitive markets. Economic conditions, geographic location, pricing and equipment availability are important factors in this business. Future success will depend upon our ability to maintain a large and diverse customer portfolio, optimize asset mix, maximize asset utilization and manage credit risk. In addition, we seek to understand our customers and to meet their needs with unique, efficient and cost effective product and service offerings.

Plastics

Plastics manufactures and sells high-performance plastics used by compounders, molders, and major original equipment manufacturers for use in a variety of applications, including fabrication of automotive parts, computer enclosures, compact disks and optical-quality media, major appliance parts, telecommunications equipment and construction materials. Our business has a significant operating presence around the world and we participate in numerous manufacturing and distribution joint ventures.

Our business environment is characterized by technological innovation and heavy capital investment. To remain competitive we must maintain emphasis on efficient manufacturing process implementation and devote significant resources to market and application development. Our competitors include large, technology-driven suppliers of the same, as well as other functionally similar, materials. Our business is cyclical and is sensitive to variations in price and to the effects of supply/demand factors on the cost of raw materials such as benzene, cumene and methanol. Competition is affected by availability of manufacturing capacity and anticipation of new product or material performance requirements. Our application development, often in association with our existing or potential customers, and associated technology assistance have added additional market demand. Product and manufacturing process patents establish barriers to entry in many product lines.

Other

Our Industrial business sells structured products, silicones and high-purity quartzware. Market opportunities are created by substituting many of these products for other materials, thereby providing our customers with productivity through improved material performance at lower system costs. We sell these materials to a diverse, worldwide customer base, mainly manufacturers. Our business has a significant operating presence around the world and we participate in numerous manufacturing and distribution joint ventures.

We also offer protection and productivity solutions to some of the most pressing issues that industries face: safe facilities, plant automation and sensing applications in the operating environment. From home to industry to national security, our technology covers the full spectrum of security solutions, including card access systems, high-tech video monitoring, intrusion and smoke detection, real estate and property control, and explosives and narcotics detection. We are an industry leader in the design and manufacture of sensing elements, devices, instruments and systems that enable customers to monitor, protect, control and ensure the safety of their critical applications. Other products include precision sensors for temperature flow rate, pressure, humidity, gas, infrared and ultrasonic applications; high-quality handheld and portable field calibrators; stand-alone measurement instrumentation; and systems that provide the end-to-end solutions necessary to validate or certify vital commercial and industrial processes. We deliver automation hardware and software designed to help users reduce costs, increase efficiency and enhance profitability through a diverse array of capabilities and products, including controllers, embedded systems, advanced software, motion control, computer numerical controls, operator interfaces, industrial computers, and lasers.

Our products and services are sold to a diverse worldwide commercial and residential customer base in the transportation, industrial, pharmaceutical and healthcare markets. Our business environment is characterized by technological innovation and market growth. Our competitors include technology-driven suppliers of the same, as well as other functionally equivalent products and services.

Healthcare

Healthcare (10.1%, 10.0% and 9.0% of consolidated revenues in 2005, 2004 and 2003, respectively) manufactures, sells and services a wide range of medical equipment including equipment for magnetic resonance (MR), computed tomography (CT), positron emission tomography (PET) imaging, x-ray, patient monitoring, diagnostic cardiology, nuclear imaging, ultrasound, bone densitometry, anesthesiology and oxygen therapy, neonatal and critical care, and therapy. In April 2004, we acquired Amersham plc, a world leader in medical diagnostics and life sciences. Products include diagnostic imaging agents used in medical scanning procedures, protein separations products including chromotography purification systems used in the manufacture of bio-pharmaceuticals, and high-throughput systems for applications in genomics, proteomics and bioassays. We sell product services to hospitals, medical facilities, and pharmaceutical and research companies worldwide. Our product services include remote diagnostic and repair services for medical equipment manufactured by GE and by others, as well as computerized data management and customer productivity services.

We compete with a variety of U.S. and non-U.S. manufacturers and services operations. Technological competence and innovation, excellence in design, high product performance, quality of services and competitive pricing are among the key factors affecting competition for these products and services. Throughout the world, we play a critical role in delivering new technology to improve patient outcomes and productivity tools to help control healthcare costs.

For information about orders and backlog, see page 50 of the 2005 Annual Report to Shareowners.

Our headquarters are in Chalfont St. Giles, United Kingdom and our operations are located in North America, Europe, Asia, Australia and South America.

NBC Universal

NBC Universal, Inc. (NBC Universal) (9.8%, 9.6% and 6.1% of consolidated revenues in 2005, 2004 and 2003, respectively) was formed in May 2004 upon the combination of NBC with Vivendi Universal Entertainment LLLP and certain related assets. NBC Universal is principally engaged in the broadcast of network television services to affiliated television stations within the United States; the production of live and recorded television programs; the production and distribution of motion pictures; the operation, under licenses from the U.S. Federal Communications Commission (FCC), of television broadcasting stations; the ownership of several cable/satellite networks around the world; the operation of theme parks; and investment and programming activities in multimedia and the Internet. The NBC Television Network is one of four major U.S. commercial broadcast television networks and serves 230 affiliated stations within the United States. Telemundo is a leading U.S. Spanish-language commercial broadcast television network. At December 31, 2005, we owned and/or operated 30 VHF and UHF television stations including those located in Birmingham, AL; Los Angeles, CA; San Diego, CA; Hartford, CT; Miami, FL; Chicago, IL; New York, NY; Raleigh-Durham, NC; Columbus, OH; Philadelphia, PA; Providence, RI; Dallas, TX; and Washington, DC. Broadcasting operations of the NBC Television Network, the Telemundo network, and the company's owned stations are subject to FCC regulation. Our operations include investment and programming activities in cable television, principally through USA Network, Bravo, CNBC, Sci Fi Channel, MSNBC, CNBC Europe, CNBC Asia Pacific, and entertainment channels across Europe and Latin America; equity investments in Arts and Entertainment, The History Channel, the Sundance Channel, ValueVision Media, Inc.; and a non-voting interest in Paxson Communications Corporation. We have secured exclusive United States television rights to the 2006, 2008, 2010 and 2012 Olympic Games.

NBC Universal's broadcast ratings and advertising revenue are affected by viewer demographics and the availability of other entertainment choices. In addition, recent technological advances like personal video recorders offer personal entertainment through new media, introducing additional uncertainty to future revenue sources. Other technologies enable copying content, increasing the risk of content piracy, particularly in international markets where the intellectual property laws may not be clear or strictly applied.

Our headquarters are in New York, New York and our operations are located in North America, Europe and Asia.

Commercial Finance

Commercial Finance (13.8%, 14.5% and 15.0% of consolidated revenues in 2005, 2004 and 2003, respectively) offers a broad range of financial services worldwide. We have particular mid-market expertise and offer loans, leases and other financial services to customers, including manufacturers, distributors and end-users for a variety of equipment and major capital assets. These assets include industrial-related facilities and equipment; commercial and residential real estate; vehicles; corporate aircraft; and equipment used in many industries, including the construction, manufacturing, telecommunications and healthcare industries.

During 2005, we made a number of acquisitions, the most significant of which were the Transportation Financial Services Group of CitiCapital; the Inventory Finance division of Bombardier Capital; Antares Capital Corp., a unit of Massachusetts Mutual Life Insurance Co.; and ING's portion of Heller AG.

We operate in a highly competitive environment. Our competitors include commercial banks, investment banks, leasing companies, financing companies associated with manufacturers, and independent finance companies. Competition related to our lending and leasing operations is based on price, that is interest rates and fees, as well as deal structure and terms. Profitability is affected not only by broad economic conditions that affect customer credit quality and the availability and cost of capital, but also by successful management of credit risk, operating risk and market risks such as interest rate and currency exchange risks. Success requires high quality risk management systems, customer and industry specific knowledge, diversification, service and distribution channels, strong collateral and asset management knowledge, deal structuring expertise and the ability to reduce costs through technology and productivity.

Our headquarters are in Stamford, Connecticut with offices throughout North America, South America, Europe, Australia and Asia.

Capital Solutions

Capital Solutions offers a broad range of financial services worldwide, and has particular mid-market expertise, offering loans, leases, inventory finance and other financial services to customers, including manufacturers, dealers and end-users for a variety of equipment and major capital assets. These assets include retail facilities; vehicles; corporate aircraft; and equipment used in many industries, including the construction, transportation, technology, and manufacturing industries.

Real Estate

Real Estate operates globally, both directly and through joint ventures. Our Real Estate business finances, with both equity and loan structures, the acquisition, refinancing and renovation of office buildings, apartment buildings, retail facilities, industrial properties, parking facilities and franchise properties. Our typical Real Estate loans are intermediate term, may be either senior or subordinated, fixed or floating-rate, and are secured by existing income-producing commercial properties. Our originations of low loan-to-value loans are conducted for term securitization within one year. We invest in, and provide restructuring financing for, portfolios of mortgage loans, limited partnerships and tax-exempt bonds.

Consumer Finance

Consumer Finance (13.0%, 11.7% and 11.4% of consolidated revenues in 2005, 2004 and 2003, respectively) offers credit and deposit products and services to consumers, retailers, brokers and auto dealers in over 50 countries. We offer a broad range of financial products, including private-label credit cards; bank cards; Dual Cards™; corporate travel and purchasing cards; personal loans; auto loans; leases and inventory financing; residential mortgages; home equity loans; debt consolidation loans; current and savings accounts and insurance products related to consumer finance offerings for customers on a global basis.

In 2005, as part of our continued global expansion, we made a number of acquisitions, the most significant of which was a 25.5 percent voting stake in Garanti Bank, a full service bank in Turkey.

Our operations are subject to a variety of bank and consumer protection regulations, including regulations controlling data privacy. Further, a number of countries have ceilings on rates chargeable to consumers in financial service transactions. We are subject to competition from various types of financial institutions including commercial banks, leasing companies, consumer loan companies, independent finance companies, manufacturers' captive finance companies, and insurance companies. Industry participants compete on the basis of price, servicing capability, promotional marketing, risk management, and cross selling. The markets in which we operate are also subject to the risks from fluctuations in retail sales, interest and currency exchange rates, and the consumer's capacity to repay debt.

Our headquarters are in Stamford, Connecticut and our operations are located in North America, South America, Europe, Australia and Asia.

Discontinued Operations

On November 18, 2005, we announced that we had entered into an agreement with Swiss Reinsurance Company (Swiss Re) to sell the property and casualty insurance and reinsurance businesses and the European life and health operations of GE Insurance Solutions. The transaction is expected to close in the second quarter of 2006, subject to regulatory approvals and customary closing conditions.

In May 2004, we completed the initial public offering of Genworth, our formerly wholly-owned subsidiary that conducted most of our consumer insurance business, including life and mortgage insurance operations. Throughout 2005, we continued to reduce our ownership in Genworth, currently at 18%. We intend to continue to dispose of our remaining shares in 2006, subject to market conditions.

We reported both the portions of GE Insurance Solutions described above and Genworth as discontinued operations for all periods presented.

Geographic Data, Exports from the U.S. and Total Global Operations

Geographic data (based on the location of the Company operation supplying goods or services and including exports from the U.S. to unaffiliated customers) are reported in note 26 to the consolidated financial statements on page 97 of the 2005 Annual Report to Shareowners.

Additional financial data about our exports from the U.S. and total global operations are provided on pages 52-53 of the 2005 Annual Report to Shareowners.

Orders Backlog

See pages 50 and 60 of the 2005 Annual Report to Shareowners for information about our backlog of unfilled orders.

Research and Development

Total expenditures for research and development were $3,425 million in 2005. Total expenditures were $3,091 million in 2004 and $2,656 million in 2003. Of these amounts, $2,741 million in 2005 was GE-funded ($2,443 million in 2004 and $2,103 million in 2003); and $684 million in 2005 was funded by customers ($648 million in 2004 and $553 million in 2003), principally the U.S. government. Infrastructure's Aviation business accounts for the largest share of GE's research and development expenditures from both GE and customer funds. Healthcare and Infrastructure's Energy business also made significant expenditures of GE and customer research and development funds.

Environmental Matters

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

We are involved in a sizable number of remediation actions to clean up hazardous wastes as required by federal and state laws. Such statutes require that responsible parties fund remediation actions regardless of fault, legality of original disposal or ownership of a disposal site. Expenditures for site remediation actions amounted to $0.1 billion in each of the last two years. We presently expect that such remediation actions will require average annual expenditures in the range of $0.2 billion to $0.3 billion over the next two years.

The U.S. Environmental Protection Agency (EPA) ruled in February 2002 that approximately 150,000 pounds of polychlorinated biphenyls (PCBs) must be dredged from a 40-mile stretch of the upper Hudson River in New York State. On October 6, 2005, GE and the U.S. Environmental Protection Agency (EPA) entered into and filed in the U.S. District Court for the Northern District of New York a consent decree that, subject to approval of that court, represents a comprehensive framework for implementation of the EPA's 2002 decision to dredge PCB-containing sediments in the upper Hudson River. The dredging will be performed in two phases with an intervening peer review of performance after phase 1. Under this consent decree, we have committed up to $0.1 billion to reimburse the EPA for its past and future project oversight costs and agreed to perform the first phase of dredging. We further committed that, subject to future agreement with the EPA about completion of dredging after completion of phase 1 and the peer review, we will be responsible for further costs, including costs of phase 2 dredging. Our Statement of Financial Position as of December 31, 2005 and 2004, included liabilities for the estimated costs of this remediation.

See page 92 of the 2005 Annual Report to Shareowners for additional discussion of environmental matters.

Employee Relations

At year-end 2005, General Electric Company and consolidated affiliates employed approximately 316,000 persons, of whom approximately 161,000 were employed in the United States. For further information about employees, see page 61 of the 2005 Annual Report to Shareowners.

Approximately 22,650 GE manufacturing and service employees in the United States are represented for collective bargaining purposes by a total of approximately 150 different local collective bargaining groups. A majority of such employees are represented by union locals that are affiliated with, and bargain in conjunction with, the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers (IUE/CWA-AFL-CIO). During 2003, General Electric Company negotiated four-year contracts with unions representing a substantial majority of those United States employees who are represented by unions. Most of these contracts will terminate in June 2007. NBC Universal is party to approximately 160 labor agreements covering about 3,500 staff employees (and a large number of freelance employees) in the United States. These agreements are with various labor unions, expire at various dates and are generally for a term ranging from three to five years.

Executive Officers

See Part III, Item 10 of this 10-K Report for information about Executive Officers of the Registrant.

Other

Because of the diversity of our products and services, as well as the wide geographic dispersion of our production facilities, we use numerous sources for the wide variety of raw materials needed for our operations. We have not been adversely affected by the inability to obtain raw materials.

We own, or hold licenses to use, numerous patents. New patents are continuously being obtained through our research and development activities as existing patents expire. Patented inventions are used both within the Company and are licensed to others, but no operating segment is substantially dependent on any single patent or group of related patents.

Agencies of the U.S. Government constitute our largest single customer. An analysis of sales of goods and services as a percentage of revenues follows:

	% of Consolidated Revenues			% of GE Revenues		
	2005	2004	2003	2005	2004	2003
Total sales to U.S. Government Agencies	2%	2%	3%	3%	4%	4%
Infrastructure segment defense-related sales	2	2	2	3	3	3

GE is a trademark and service mark of General Electric Company; NBC is a trademark and service mark of NBC Universal, Inc.; and MSNBC is a trademark and service mark of MSNBC Cable, LLC.

The Company's Internet address is www.ge.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available, without charge, on our website, www.ge.com/en/company/investor/secfilings.htm, as soon as reasonably practicable after they are filed electronically with the SEC. Copies are also available, without charge, from GE Corporate Investor Communications, 3135 Easton Turnpike, Fairfield, CT 06828.

Item 1A. Risk Factors

The following discussion of risk factors contains "forward-looking statements," as discussed in Item 1. These risk factors may be important to understanding any statement in this Annual Report on Form 10-K or elsewhere. The following information should be read in conjunction with Management's Discussion and Analysis (MD&A), and the consolidated financial statements and related notes incorporated by reference in this report.

Our businesses routinely encounter and address risks, some of which will cause our future results to be different – sometimes materially different – than we presently anticipate. Discussion about the important operational risks that our businesses encounter can be found in the MD&A section of our 2005 Annual Report to Shareowners and in the business descriptions in Item 1. of this Form 10-K. Below, we have described our present view of certain important strategic risks. Our reactions to material future developments as well as our competitors' reactions to those developments will determine our future results.

Our global growth is subject to a number of economic, political and regulatory risks

We conduct our operations in virtually every part of the world. Global economic and regulatory developments affect businesses such as ours in many ways. Operations are subject to the effects of global competition. Particular local jurisdiction risks include regulatory risks arising from local laws and from local liquidity regulations, including risks of not being able to retrieve assets. Our global business is affected by local economic environments, including inflation, recession and currency volatility. Political changes, some of which may be disruptive, can interfere with our supply chain, our customers and all of our activities in a particular location. While some of these risks can be hedged using derivatives or other financial instruments and some are insurable, such attempts to mitigate these risks are costly and not always successful.

Our credit ratings are important to our cost of capital

The major debt agencies routinely evaluate our debt and have given their highest debt ratings to us. One of our strategic objectives is to maintain these "Triple A" ratings as they serve to lower our borrowing costs and facilitate our access to a variety of lenders. Failure to maintain our Triple A debt rating could adversely affect our cost of funds and related margins.

The disposition of businesses that do not fit with our evolving strategy can be highly uncertain

We will continue to evaluate the potential disposition of assets and businesses that may no longer help us meet our objectives. Our decisions to sell Genworth and GE Insurance Solutions are recent examples of disposition decisions. When we decide to sell assets or a business, we may encounter difficulty in finding buyers or alternative exit strategies on acceptable terms in a timely manner, which could delay the accomplishment of our strategic objectives, or we may dispose of a business at a price or on terms which are less than we had anticipated. In addition, there is a risk that we sell a business whose subsequent performance exceeds our expectations, in which case our decision would have potentially sacrificed enterprise value. Correspondingly, we may be too optimistic about a particular business's prospects, in which case we may be unable to find a buyer at a price acceptable to us and therefore may have potentially sacrificed enterprise value.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Manufacturing operations are carried out at approximately 216 manufacturing plants located in 35 states in the United States and Puerto Rico and at 237 manufacturing plants located in 40 other countries.

Item 3. Legal Proceedings

In January 2005, the Boston District Office of the U.S. Securities and Exchange Commission (SEC) informed us that it had commenced an investigation and requested that GE and GE Capital voluntarily provide certain documents and information with respect to the use of hedge accounting for derivatives by us and GE Capital. The SEC Staff advised us in August 2005 that the SEC had issued a formal order of investigation in connection with this matter, which we believe to be a common step in the process in such matters. We and GE Capital have continued to voluntarily provide documents and information to the SEC Staff and we are cooperating fully with its investigation.

On June 14, 2005, we received a subpoena from the U.S. Attorney's Office for the Southern District of New York seeking documents relating to finite risk insurance. The subpoena is general in nature. GE received a similar subpoena from the Northeast Regional Office of the SEC on April 29, 2005. We are cooperating fully with the SEC and the U.S. Attorney's Office.

On October 6, 2005, GE and the U.S. Environmental Protection Agency (EPA) entered into and filed in the U.S. District Court for the Northern District of New York a consent decree that, subject to approval of that court, represents a comprehensive framework for implementation of the EPA's 2002 decision to dredge PCB-containing sediments in the upper Hudson River. The dredging will be performed in two phases with an intervening peer review of performance after phase 1. Under this consent decree, we have committed up to $111 million to reimburse the EPA for its past and future project oversight costs and agreed to perform the first phase of dredging. We further committed that, subject to future agreement with the EPA about completion of dredging after completion of phase 1 and the peer review, we will be responsible for further costs, including costs of phase 2 dredging. Our Statement of Financial Position as of December 31, 2005, included liabilities for our estimates of the future costs of this remediation.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Part II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

With respect to "Market 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 The London Stock Exchange and on Euronext Paris. Trading prices, as reported on the New York Stock Exchange, Inc., Composite Transactions Tape, and dividend information follow:

	Common stock market price		Dividends
(In dollars)	High	Low	declared
2005			
Fourth quarter	$36.34	$32.67	$.25
Third quarter	35.78	32.85	.22
Second quarter	37.34	34.15	.22
First quarter	36.89	34.95	.22
2004			
Fourth quarter	$37.75	$32.65	$.22
Third quarter	34.53	31.42	.20
Second quarter	33.49	29.55	.20
First quarter	34.57	28.88	.20

As of January 31, 2006, there were about 646,000 shareowner accounts of record.

Period[(a)] *(Shares in thousands)*	Total number of shares purchased[(a)(b)]	Average price paid per share	Total number of shares purchased as part of our share repurchase program[(c)]	Approximate dollar value of shares that may yet be purchased under our share repurchase program
2005				
October	34,008	$33.84	28,737	
November	18,663	$35.48	11,853	
December	45,911	$35.63	43,339	
Total	98,582	$34.99	83,929	$ 19.7 billion

(a) Information is presented on a fiscal calendar basis, consistent with our quarterly financial reporting.

(b) This category includes 14,653 thousand shares repurchased from our various benefit plans, primarily the GE Savings and Security Program (the S&SP). Through the S&SP, a defined contribution plan with 401(k) features, we repurchase shares resulting from changes in investment options by plan participants.

(c) This balance represents the number of shares that were repurchased through the 2004 GE Share Repurchase Program as modified by the GE Board in November 2005 (the Program) under which we were authorized to repurchase up to $25 billion of Company common stock through 2008. The Program is flexible and shares are acquired with a combination of borrowings and free cash flow from the public markets and other sources, including GE Stock Direct, a stock purchase plan that is available to the public. As major acquisitions or other circumstances warrant, we modify the frequency and amount of share repurchases under the Program.

Item 6. Selected Financial Data

Incorporated by reference to data for revenues; net earnings; net earnings per share (basic and diluted); dividends declared; dividends declared per share; long-term borrowings; and total assets appearing on page 61 and for data relating to mandatorily redeemable preferred shares appearing on page 89 of the Annual Report to Shareowners for the fiscal year ended December 31, 2005.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Incorporated by reference to pages 44-63 and 106-107 of the Annual Report to Shareowners for the fiscal year ended December 31, 2005.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Incorporated by reference to page 56 of the Annual Report to Shareowners for the fiscal year ended December 31, 2005.

Item 8. Financial Statements and Supplementary Data

See index under item 15.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated our disclosure controls and procedures and internal control over financial reporting and concluded that (i) our disclosure controls and procedures were effective as of December 31, 2005 and (ii) no change in internal control over financial reporting occurred during the quarter ended December 31, 2005 that has materially affected, or is reasonably likely to materially affect, such internal control over financial reporting.

Management's annual report on internal control over financial reporting and the report of independent registered public accounting firm are incorporated by reference to page 43 of the Annual Report to Shareowners for the fiscal year ended December 31, 2005.

Item 9B. Other Information

Not applicable.

Part III

Item 10. Directors and Executive Officers of the Registrant

Executive Officers of the Registrant (As of March 1, 2006)

Name	Position	Age	Date assumed Executive Officer Position
Jeffrey R. Immelt	Chairman of the Board and Chief Executive Officer	50	January 1997
Philip D. Ameen	Vice President and Comptroller	57	April 1994
Ferdinando Beccalli-Falco	Senior Vice President, GE International	56	September 2003
Charlene T. Begley	Senior Vice President, GE Plastics	39	January 2003
Mark W. Begor	Senior Vice President, GE Consumer Finance, Americas	47	July 2005
Paul T. Bossidy	Senior Vice President, GE Capital Solutions	45	July 2005
David L. Calhoun	Vice Chairman of General Electric Company; President & CEO, GE Infrastructure	48	June 1995
James P. Campbell	Senior Vice President, GE Consumer & Industrial	48	April 2001
Kathryn A. Cassidy	Vice President and GE Treasurer	51	March 2003
William M. Castell	Vice Chairman of the Board and Executive Officer, General Electric Company; Chairman, GE Healthcare	58	April 2004
William J. Conaty	Senior Vice President, Human Resources	60	October 1993
Pamela Daley	Senior Vice President, Corporate Business Development	53	July 2004
Brackett B. Denniston	Senior Vice President and General Counsel	58	February 2004
Scott C. Donnelly	Senior Vice President, GE Aviation	44	August 2000
Shane Fitzsimons	Vice President, Corporate Financial Planning and Analysis	38	February 2004
Yoshiaki Fujimori	Senior Vice President, GE Consumer Finance, Asia	54	June 2001
Joseph M. Hogan	Senior Vice President, GE Healthcare	48	November 2000
John Krenicki, Jr.	Senior Vice President, GE Energy	43	March 2000
Mark M. Little	Senior Vice President, Global Research	53	November 2005
Michael A. Neal	Vice Chairman of General Electric Company; President & CEO, GE Capital Services	52	September 2002
David R. Nissen	Senior Vice President, GE Consumer Finance	54	September 2002
Michael E. Pralle	Senior Vice President, GE Real Estate	49	July 2005
Ronald R. Pressman	Senior Vice President, GE Insurance Solutions	47	September 2002
Gary M. Reiner	Senior Vice President and Chief Information Officer	51	January 1991
John G. Rice	Vice Chairman of General Electric Company; President & CEO, GE Industrial	49	September 1997
Keith S. Sherin	Senior Vice President and Chief Financial Officer	47	January 1999
Lloyd G. Trotter	Executive Vice President and Senior Operations Officer	60	November 1992
Robert C. Wright	Vice Chairman of the Board and Executive Officer, General Electric Company; Chairman and Chief Executive Officer, NBC Universal, Inc.	62	July 2000

All Executive Officers are elected by the Board of Directors for an initial term which continues until the Board meeting immediately preceding the next annual statutory meeting of shareowners, and thereafter are elected for one-year terms or until their successors have been elected. All Executive Officers have been executives of GE for the last five years except Sir William M. Castell. Prior to joining GE in April 2004, Sir William Castell was the CEO of Amersham plc, since 1989.

The policies comprising GE's code of conduct are set forth in the Company's integrity manual, *The Spirit & The Letter*. These policies satisfy the SEC's requirements for a "code of ethics," and apply to all directors, officers and employees. The integrity manual is published on the Company's website at *www.ge.com/files/usa/citizenship/compliance/spirit/english.pdf*. The Board will not permit any waiver of any ethics policy for any director or executive officer.

The remaining information called for by this item is incorporated by reference to "Election of Directors," "Board of Directors and Committees," "Information Relating to Directors, Nominees and Executive Officers" and "Additional Information" in the definitive proxy statement relating to the registrant's Annual Meeting of Shareowners to be held April 26, 2006.

Item 11. Executive Compensation

Incorporated by reference to "Information Relating To Directors, Nominees and Executive Officers," "Contingent Long-Term Performance Awards," "Summary Compensation Table," "Stock Options," "Compensation Committee Report," "Five-Year Financial Performance Graph: 2001-2005" and "Retirement Benefits" in the definitive proxy statement relating to the registrant's Annual Meeting of Shareowners to be held April 26, 2006.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

Incorporated by reference to "Information Relating to Directors, Nominees and Executive Officers" in the registrant's definitive proxy statement relating to its Annual Meeting of Shareowners to be held April 26, 2006.

The remaining information called for by this item relating to "Securities Authorized for Issuance under Equity Compensation Plans" is incorporated by reference to note 24 on pages 94 and 95 of the Annual Report to Shareowners for the fiscal year ended December 31, 2005.

Item 13. Certain Relationships and Related Transactions

Incorporated by reference to "Information Relating to Directors, Nominees and Executive Officers" in the registrant's definitive proxy statement relating to its Annual Meeting of Shareowners to be held April 26, 2006.

Item 14. Principal Accounting Fees and Services

Incorporated by reference to "Independent Auditor" in the registrant's definitive proxy statement relating to its Annual Meeting of Shareowners to be held April 26, 2006.

Part IV

Item 15. Exhibits, Financial Statement Schedules

(a)1. Financial statements applicable to General Electric Company and consolidated affiliates are contained on the page(s) indicated in the GE Annual Report to Shareowners for the fiscal year ended December 31, 2005, a copy of which is attached as Exhibit 13.

	Annual Report Page(s)
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(a)2. The schedules listed in Reg. 210.5-04 have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

(a)3. Exhibit Index

(3) The Certificate of Incorporation, as amended, and By-Laws, as amended, of General Electric Company (Incorporated by reference to Exhibit (3) of General Electric's Current Report on Form 8-K dated April 27, 2000 (Commission file number 1-35)).

4(a) Amended and Restated General Electric Capital Corporation (GECC) Standard Global Multiple Series Indenture Provisions dated as of February 27, 1997 (Incorporated by reference to Exhibit 4(a) to GECC's Registration Statement on Form S-3, File No. 333-59707 (Commission file number 1-6461)).

4(b) Third Amended and Restated Indenture dated as of February 27, 1997 between GECC and JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank), as successor trustee (Incorporated by reference to Exhibit 4(c) to GECC's Registration Statement on Form S-3, File No. 333-59707 (Commission file number 1-6461)).

4(c) First Supplemental Indenture dated as of May 3, 1999, supplemental to Third Amended and Restated Indenture dated as of February 27, 1997 (Incorporated by reference to Exhibit 4(dd) to GECC's Post-Effective Amendment No. 1 to Registration Statement on Form S-3, File No. 333-76479 (Commission file number 1-6461)).

4(d) Second Supplemental Indenture dated as of July 2, 2001, supplemental to Third Amended and Restated Indenture dated as of February 27, 1997 (Incorporated by reference to Exhibit 4 (f) to GECC's Post-Effective Amendment No.1 to Registration Statement on Form S-3, File No. 333-40880 (Commission file number 1-6461)).

4(e) Third Supplemental Indenture dated as of November 22, 2002, supplemental to Third Amended and Restated Indenture dated as of February 27, 1997 (Incorporated by reference to Exhibit 4(cc) to GECC's Post-Effective Amendment No. 1 to the Registration Statement on Form S-3, File No. 333-100527 (Commission file number 1-6461)).

4(f) Senior Note Indenture dated as of January 1, 2003, between GE and The Bank of New York, as trustee for the senior debt securities. (Incorporated by reference to Exhibit 4(a) to GE's Current Report on Form 8-K filed on January 29, 2003 (Commission file number 1-35)).

4(g) Form of Global Medium-Term Note, Series A, Fixed Rate Registered Note (Incorporated by reference to Exhibit 4(m) to GECC's Registration Statement on Form S-3, File No. 333-100527 (Commission file number 1-6461)).

4(h) Form of Global Medium-Term Note, Series A, Floating Rate Registered Note (Incorporated by reference to Exhibit 4(n) to the GECC's Registration Statement on Form S-3, File No. 333-100527 (Commission file number 1-6461)).

4(i) Form of LIBOR Floating Rate Note (Incorporated by reference to Exhibit 4 of General Electric's Current Report on Form 8-K dated October 29, 2003 (Commission file number 1-35)).

4(j) Fifth Amended and Restated Fiscal and Paying Agency Agreement among GECC, GE Capital Australia Funding Pty Ltd, GE Capital European Funding, GE Capital Canada Funding Company, GE Capital UK Funding and JPMorgan Chase Bank N.A., J.P. Morgan Bank Luxembourg, S.A. and J.P. Morgan Bank (Ireland) p.l.c., dated as of May 21, 2004 (Incorporated by reference to Exhibit 4(f) to General Electric Capital Services, Inc.'s Form 10-K Report for the fiscal year ended December 31, 2004).

4(k) Agreement to furnish to the Securities and Exchange Commission upon request a copy of instruments defining the rights of holders of certain long-term debt of the registrant and consolidated subsidiaries.*

(10) All of the following exhibits consist of Executive Compensation Plans or Arrangements:

(a) General Electric Incentive Compensation Plan, as amended effective July 1, 1991 (Incorporated by reference to Exhibit 10(a) to General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 1991).

(b) General Electric Financial Planning Program, as amended through September 1993 (Incorporated by reference to Exhibit 10(h) to General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 1993).

(c) General Electric Supplemental Life Insurance Program, as amended February 8, 1991 (Incorporated by reference to Exhibit 10(i) to General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 1990).

(d) General Electric 1987 Executive Deferred Salary Plan (Incorporated by reference to Exhibit 10(k) to General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 1987).

(e) General Electric 1991 Executive Deferred Salary Plan (Incorporated by reference to Exhibit 10(n) to General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 1990).

(f) General Electric 1994 Executive Deferred Salary Plan (Incorporated by reference to Exhibit 10(o) to General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 1993).

(g) General Electric Directors' Charitable Gift Plan, as amended through December 2002 (Incorporated by reference to Exhibit 10(i) to General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 2002).

(h) General Electric Leadership Life Insurance Program, effective January 1, 1994 (Incorporated by reference to Exhibit 10(r) to General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 1993).

(i) General Electric 1996 Stock Option Plan for Non-Employee Directors (Incorporated by reference to Exhibit A to the General Electric Proxy Statement for its Annual Meeting of Shareowners held on April 24, 1996 (Commission file number 1-35)).

(j) General Electric 1995 Executive Deferred Salary Plan (Incorporated by reference to Exhibit 10(t) to General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 1995).

(k) General Electric 1996 Executive Deferred Salary Plan (Incorporated by reference to Exhibit 10(v) to General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 1996).

(l) General Electric 1997 Executive Deferred Salary Plan (Incorporated by reference to Exhibit 10(t) to General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 1997).

(m) General Electric 1990 Long-Term Incentive Plan as restated and amended effective August 1, 1997 (Incorporated by reference to Exhibit 10(u) to General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 1997).

(n) General Electric 1998 Executive Deferred Salary Plan (Incorporated by reference to Exhibit 10(v) to General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 1998).

(o) General Electric 1999 Executive Deferred Salary Plan (Incorporated by reference to Exhibit 10(v) to General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 1999).

(p) General Electric 2000 Executive Deferred Salary Plan (Incorporated by reference to Exhibit 10(u) to General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 2000).

(q) General Electric Supplementary Pension Plan, as amended effective January 1, 2005 (Incorporated by reference to Exhibit 10(q) to the General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 2004).

(r) Form of GE Executive Life Insurance Agreement provided to GE officers, as revised November 2003 (Incorporated by reference to Exhibit 10(r) to the General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 2004).

(s) General Electric 2001 Executive Deferred Salary Plan (Incorporated by reference to Exhibit 10(x) to General Electric Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 2001).

(t) General Electric 2003 Non-Employee Director Compensation Plan (Incorporated by reference to Exhibit 10(w) to General Electric Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 2002).

(u) General Electric 2003 Executive Deferred Salary Plan (Incorporated by reference to Exhibit 10(x) to General Electric Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 2002).

(v) Amendment No. 1 to General Electric 1990 Long-Term Incentive Plan as restated and amended effective August 1, 1997 (Incorporated by reference to Exhibit 10(y) to General Electric Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 2002).

(w) Amendment to Nonqualified Deferred Compensation Plans, dated as of December 14, 2004 (Incorporated by reference to Exhibit 10(w) to the General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 2004).

(x) GE Retirement for the Good of the Company Program, as amended effective January 1, 2005 (Incorporated by reference to Exhibit 10(x) to the General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 2004).

(y) GE Excess Benefits Plan, effective July 1, 2003 (Incorporated by reference to Exhibit 10(y) to the General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 2004).

(z) General Electric 2002 Executive Deferred Salary Plan (Incorporated by reference to Exhibit 10(z) to the General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 2004).

(aa) Form of Agreement for Stock Option Grants to Executive Officers under the General Electric 1990 Long Term Incentive Plan (Incorporated by reference to Exhibit 10.1 of General Electric's Current Report on Form 8-K dated September 15, 2004 (Commission file number 1-35)).

(bb) Form of Agreement for Annual Restricted Stock Unit Grants to Executive Officers under the General Electric 1990 Long Term Incentive Plan (Incorporated by reference to Exhibit 10.2 of General Electric's Current Report on Form 8-K dated September 15, 2004 (Commission file number 1-35)).

(cc) Form of Agreement for RSU Career Retention Program Restricted Stock Unit Grants to Executive Officers under the General Electric 1990 Long Term Incentive Plan (Incorporated by reference to Exhibit 10 of General Electric's Current Report on Form 8-K dated July 28, 2005 (Commission file number 1-35)).

(dd) Form of Agreement for Long Term Performance Award Grants to Executive Officers under the General Electric 1990 Long Term Incentive Plan.*

(ee) Form of Agreement for Performance Stock Unit Grants to Executive Officers under the General Electric 1990 Long Term Incentive Plan (Incorporated by reference to Exhibit 10.5 of General Electric's Current Report on Form 8-K dated September 15, 2004 (Commission file number 1-35)).

(ff) General Electric 2006 Executive Deferred Salary Plan (Incorporated by reference to Exhibit 10 of General Electric's Current Report on Form 8-K dated September 16, 2005 (Commission file number 1-35)).

(gg) Transaction Agreement by and between Swiss Reinsurance Company and General Electric Company, dated November 18, 2005.*

(11) Statement re Computation of Per Share Earnings.**

(12) Computation of Ratio of Earnings to Fixed Charges.*

(13) GE's 2005 Annual Report to Shareowners, certain sections of which have been incorporated herein by reference.*

(21) Subsidiaries of Registrant.*

(23) Consent of independent registered public accounting firm incorporated by reference in each Prospectus constituting part of the Registration Statements on Form S-3 (Registration Nos. 33-50639, 33-39596, 33-39596-01, 33-29024, 333-59671, 333-120155, 333-72566 and 333-130117), on Form S-4 (Registration No. 333-107556), and on Form S-8 (Registration Nos. 333-01953, 333-42695, 333-74415, 333-83164, 333-98877, 333-94101, 333-65781, 333-88233, 333-117855, 333-99671 and 333-102111).*

(24) Power of Attorney.*

31(a) Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended. *

31(b) Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.*

(32) Certification Pursuant to 18 U.S.C. Section 1350.*

99(a) Income Maintenance Agreement, dated March 28, 1991, between the registrant and General Electric Capital Corporation (Incorporated by reference to Exhibit 28(a) to General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 1990).

99(b) Undertaking for Inclusion in Registration Statements on Form S-8 of General Electric Company (Incorporated by reference to Exhibit 99(b) to General Electric Annual Report on Form 10-K (Commission file number 1-35) for the fiscal year ended December 31, 1992).

99(c) Letter, dated February 4, 1999, from Dennis D. Dammerman of General Electric Company to Denis J. Nayden of General Electric Capital Corporation pursuant to which General Electric Company agrees to provide additional equity to General Electric Capital Corporation in conjunction with certain redemptions by General Electric Capital Corporation of shares of its Variable Cumulative Preferred Stock. (Incorporated by reference to Exhibit 99 (g) to General Electric Capital Corporation's Post-Effective Amendment No. 1 to Registration Statement on Form S-3, File No. 333-59707) (Commission file number 1-6461).

* Filed electronically herewith.

** Information required to be presented in Exhibit 11 is provided in note 9 to the 2005 Annual Report to Shareowners in accordance with the provisions of FASB Statement of Financial Accounting Standards (SFAS) No. 128, *Earnings per Share.*

Signatures

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this annual report on Form 10-K for the fiscal year ended December 31, 2005, to be signed on its behalf by the undersigned, and in the capacities indicated, thereunto duly authorized in the Town of Fairfield and State of Connecticut on the 3rd day of March 2006.

General Electric Company
(Registrant)

By /s/ Keith S. Sherin
Keith S. Sherin
Senior Vice President, Finance and
Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signer	Title	Date
/s/ Keith S. Sherin Keith S. Sherin Senior Vice President, Finance and Chief Financial Officer	Principal Financial Officer	March 3, 2006
/s/ Philip D. Ameen Philip D. Ameen Vice President and Comptroller	Principal Accounting Officer	March 3, 2006
Jeffrey R. Immelt*	Chairman of the Board of Directors (Principal Executive Officer)	
James I. Cash, Jr.*	Director	
William M. Castell*	Director	
Ann M. Fudge*	Director	
Claudio X. Gonzalez*	Director	
Andrea Jung*	Director	
Alan G. Lafley*	Director	
Robert W. Lane*	Director	
Ralph S. Larsen*	Director	
Rochelle B. Lazarus*	Director	
Sam Nunn*	Director	
Roger S. Penske*	Director	
Robert J. Swieringa*	Director	
Douglas A. Warner III*	Director	
Robert C. Wright*	Director	

A majority of the Board of Directors

*By /s/ Michael R. McAlevey
Michael R. McAlevey
Attorney-in-fact
March 3, 2006

Exhibit 4(k)

Kathryn A. Cassidy
Vice President and GE Treasurer

General Electric Company
3135 Easton Turnpike
Fairfield, CT 06828

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

March 3, 2006

Subject: General Electric Company Annual Report on Form 10-K for the fiscal year ended December 31, 2005 - File No. 1-35

Dear Sirs:

Neither General Electric Company (the "Company") nor any of its consolidated subsidiaries has outstanding any instrument with respect to its long-term debt, other than those filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, under which the total amount of securities authorized exceeds 10% of the total assets of the registrant and its subsidiaries on a consolidated basis. In accordance with paragraph (b)(4)(iii) of Item 601 of Regulation S-K (17 CFR Sec. 229.601), the Company hereby agrees to furnish to the Securities and Exchange Commission, upon request, a copy of each instrument that defines the rights of holders of such long term debt not filed or incorporated by reference as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

Very truly yours,

GENERAL ELECTRIC COMPANY

/s/ Kathryn A. Cassidy
Kathryn A. Cassidy
Vice President and GE Treasurer

Exhibit 10(dd)

GE 1990 LONG TERM INCENTIVE PLAN

Grant of Contingent Long Term Performance Award

1. **Grant of Contingent Long Term Performance Award.** The Management Development and Compensation Committee ("Committee") of the Board of Directors of General Electric Company ("Company") approved a Contingent Long Term Performance Award ("Award") for [NAME] ("Grantee), under and subject to the terms of the Company's 1990 Long Term Incentive Plan ("Plan"). This Award provides a potential payment to the Grantee in [PAYMENT DATE] that, in accordance with the terms of the Award, will be based upon the attainment of certain financial performance goals from [START DATE] through [END DATE] and the Grantee's annual total compensation rate as of [SALARY DATE], each as explained below.

2. **Purpose of Award and Financial Performance Goals.** This Award was made to provide additional emphasis on and incentive for the attainment of the following important financial performance goals for the Company on an overall basis during the three-year performance period from [START DATE] through [END DATE].

Financial Performance Measurements	**Company Performance Goals for the Period [START] – [END]** Threshold	Target	Maximum
Avg. Annual Revenue % Growth	X.X%	X.X%	X.X%
Avg. Annual EPS % Growth – excluding effect of pension on earnings	X.X%	X.X%	X.X%
Cumulative % Return on Total Capital	X.X%	X.X%	X.X%
Cumulative CFOA Generated (B$)	$XX.X	$XX.X	$XX.X

Attainment of the performance goals will be determined solely by the Committee and will be based on the financial performance results, adjusted for any unusual items, of the Company, all as defined and interpreted by the Committee.

3. **Payment.** The Award will be payable in cash, or Company common stock, or a combination thereof, at the discretion of the Committee, to the Grantee in [PAYMENT DATE], provided the Committee determines that the Company has attained or exceeded at least one of its threshold goals set forth in the table above. The table below shows the percentage of the Grantee's annual total compensation rate as of [COMPENSATION DATE] (i.e., annual base salary rate at [SALARY DATE] and incentive compensation earned for [IC YEAR] and paid in [IC PAYMENT DATE]) that would be payable in [PAYMENT DATE] if the specified goals were to be precisely attained (i.e., threshold, target or maximum) for all of the financial performance measurements set forth in the table above.

	Threshold	**Target**	**Maximum**
Potential Payment as % of Annual Total Compensation Rate	XXX%	XXX%	XXX%

In calculating the actual amount of the payment, if any, that will be payable hereunder, each of the performance measurements will be weighted equally (i.e., 25%), and payment will be prorated if financial performance falls between goals. Payment will be reduced by any taxes that must be paid or withheld as determined by the Company.

-OVER-

4. **Alteration/Termination**. The Award will be cancelled if the Grantee's employment with the Company or any of its affiliates terminates before the payment of the Award for any reason other than death, retirement or disability. In addition, the Committee shall have the right at any time in its sole discretion to waive any provisions of, or amend, alter, suspend, discontinue or terminate the Award without the consent of the Grantee.

5. **Plan Terms Incorporated**. All terms used in this Award have the same meaning as given such terms in the Plan. This Award incorporates the provisions of the Plan, a copy of which will be furnished upon request, and such provisions shall be deemed a part of the grant for all purposes.

6. **Modification, Waiver or Amendment**. This Award and the Plan contain all of the provisions applicable to the Award granted herein and no other statements, documents or practices may modify, waive or alter such provisions unless expressly set forth in writing, authorized by the Committee, and delivered to the Grantee.

7. **Acknowledgement and Agreement**. The undersigned Grantee hereby acknowledges receipt of this Award and agrees to the terms herein. Without in any way limiting the authority of the Committee with respect to this Award, including Section 4 hereof, the Grantee agrees that:

   - If, prior to the payment of the Award, the Grantee voluntarily terminates employment, or if the Grantee is removed from his or her position for any reason, the Grantee will not be entitled to any payment under this Award.

   - If the Grantee retires, becomes disabled, or dies prior to [END DATE] and would have received a payment under this Award, but for such retirement, disability, or death, the Grantee or the Grantee's estate in the case of death, will be given a pro-rata payment in [PAYMENT DATE], based on the number of months worked during the performance period, subject to the discretion of the Committee to reduce or cancel such payment.

8. **Interpretation and Application of Terms**. Any and all determinations with respect to the interpretation and application of this Award, including the attainment or measurement of performance goals and the determination of the Grantee's right to, or the amount (if any) of, any payment pursuant hereto, shall lie solely with the Committee. All such determinations are final and binding upon the Grantee, their estate, and any person seeking to assert a claim through or on their behalf, and neither the Grantee nor any other person shall have any right to appeal such determinations.

____
General Electric Company
[Date]

____
Grantee's Signature

____
Date

Exhibit 10(gg)

EXECUTION COPY

TRANSACTION AGREEMENT

BY AND BETWEEN

SWISS REINSURANCE COMPANY

AND

GENERAL ELECTRIC COMPANY

November 18, 2005

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TRANSACTION AGREEMENT

This TRANSACTION AGREEMENT (this "Agreement") is entered into on November 18, 2005, by and between General Electric Company, a New York corporation ("GE"), and Swiss Reinsurance Company, a corporation organized and existing under the laws of Switzerland ("Acquiror").

W I T N E S S E T H:

WHEREAS, certain of the Subsidiaries (as defined below) of GE are engaged in the business of marketing, issuing, underwriting, selling and administering (a) property and casualty insurance products and services, (b) property and casualty reinsurance products and services, (c) life and health reinsurance products and services and (d) risk management and loss control services (such business, as conducted by the Polaris Companies (as defined below), but excluding the Excluded Business (as defined below) is referred to herein as the "Business");

WHEREAS, certain of the Subsidiaries of GE set forth on Exhibit A hereto (the "Equity Sellers") desire to sell to Acquiror and certain of the Subsidiaries of Acquiror (the "Equity Buyers"), and the Equity Buyers desire to purchase from the Equity Sellers, all of the outstanding shares of capital stock (or equivalent equity interests) of certain indirect Subsidiaries of GE set forth on Exhibit A hereto (the "Purchased Subsidiaries") owned by the Equity Sellers (the "Purchased Equity") upon the terms and conditions hereinafter set forth;

WHEREAS, (a) certain of the indirect Subsidiaries of GE set forth on Exhibit B hereto (the "Asset Sellers") desire to sell to certain of the Subsidiaries of Acquiror (the "Asset Buyers"), and the Asset Buyers desire to purchase from the Asset Sellers, all of the assets of each Asset Seller, other than certain excluded assets, and (b) the Asset Sellers desire to have the Asset Buyers assume, and each Asset Buyer is willing to assume, all of the liabilities of each Asset Seller, other than certain excluded liabilities;

WHEREAS, as part of such sale and assumption, each Asset Seller desires to transfer by novation or otherwise to the applicable Asset Buyer that portion of the Business consisting of Asset Sellers Reinsurance Agreements (as defined below), Asset Sellers Retrocession Agreements (as defined below) and Insurance Policies (as defined below) of each such Asset Seller;

WHEREAS, (a) OP Holdings, LLC ("OPH") desires to sell to a Subsidiary of Acquiror (the "OPH Asset Buyer"), and the OPH Asset Buyer desires to purchase from OPH, all of the assets of OPH, other than certain excluded assets, and (b) OPH desires to have the OPH Asset Buyer assume, and OPH Asset Buyer is willing to assume, all of the liabilities of OPH, other than certain excluded liabilities;

WHEREAS, simultaneously with the execution and delivery of this Agreement, GE is entering into agreements with Acquiror with respect to United States Tax matters (the "Tax Matters Agreement"), other international Tax matters (the "International Tax Matters Agreement") and employee matters (the "Employee Matters Agreement");

WHEREAS, as soon as practicable and in any event within thirty (30) days of the date of this Agreement, the Asset Sellers and the Asset Buyers will each enter into the relevant agreements for the purchase of certain assets and the assumption of certain liabilities in the United Kingdom (the "UK Asset Purchase Agreements"); and

WHEREAS, certain terms used in this Agreement are defined in Article I.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter contained, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1 Certain Definitions.

For purposes of this Agreement, the following terms shall have the meanings specified in this Section 1.1:

"Acquired Subsidiaries" means, collectively, the Purchased Subsidiaries and certain indirect Subsidiaries of GE set forth on Exhibit A hereto.

"Acquiror Convertible Instruments" means registered non-voting mandatorily convertible instrument of Acquiror or of a Subsidiary of Acquiror reasonably acceptable to GE convertible into registered shares of Acquiror of CHF 0.10 nominal value each having the terms set forth in Exhibit C; provided, however, that, upon at least sixty (60) days' notice prior to the Initial Closing, Acquiror shall be entitled to substitute a different instrument for such convertible instrument so long as (i) such substitute instrument can be resold by the Equity Sellers for $500 million (before underwriting spread on such resale) and (ii) the substitution of such instrument would not prevent GE from obtaining the opinions contemplated by Section 8.2(i) or (j).

"Acquiror Disclosure Letter" means the disclosure letter delivered by Acquiror to GE simultaneously with the execution of this Agreement.

"Acquiror Financing" means the sale of securities by Acquiror for the purpose of obtaining cash sufficient to pay the cash portion of the Purchase Price.

"Acquiror Insurance Contracts" means all policies, binders, slips and other Contracts of insurance (other than reinsurance and retrocession agreements), including endorsements, riders and amendments thereto, issued or administered by Acquiror or its Affiliates in connection with its or their business.

"Acquiror Material Adverse Effect" means a material adverse effect on the business, properties, assets, liabilities, results of operations or financial condition of Acquiror and its Subsidiaries taken as a whole, other than any adverse effect arising out of, resulting from or attributable to (a) changes in conditions in the United States or global economy or capital or financial markets generally, including changes in interest or exchange rates, to the extent that such changes do not have a materially disproportionate effect on Acquiror and its Subsidiaries taken as a whole, (b) changes in Law or in legal, regulatory, political, economic or business trends or conditions that, in each case, generally affect the industries in which Acquiror and its Subsidiaries conduct business, to the extent that such changes do not have a materially disproportionate effect on Acquiror and its Subsidiaries taken as a whole, (c) changes in Swiss GAAP FER or regulatory accounting principles, including SAP, after the date of this Agreement, (d) the announcement of this Agreement or the consummation of the transactions contemplated hereby, (e) any increase in (i) the reserves, funds or provisions of Acquiror or any of its Subsidiaries for losses, claims, premiums, policy benefits and expenses, including unearned premium reserves, reserves for incurred losses, technical reserves, incurred loss adjustment expenses, incurred but not reported losses and loss adjustment expenses, in respect of insurance, reinsurance and retrocession Contracts issued, reinsured or assumed by Acquiror or any of its Subsidiaries or (ii) the reserve for uncollectible reinsurance, or any write off of premium receivables or reinsurance recoverable assets as uncollectible, of Acquiror's business, (f) any change in the market price of Acquiror's shares (provided that this clause (f) shall not be construed as providing that the change, event, occurrence or state of facts giving rise to such change does not constitute or contribute to an Acquiror Material Adverse Effect), and (g) claims made under Acquiror Insurance Contracts or Acquiror Reinsurance Agreements related to (1) acts of war, sabotage or terrorism and (2) hurricanes, earthquakes, floods or other natural disasters.

"Acquiror Reinsurance Agreements" means, collectively, all policies, treaties, facultative certificates, binders, slips and other Contracts of reinsurance or retrocession and all binding quotations written by or on behalf of Acquiror or its Subsidiaries as reinsurer or retrocessionaire (including all supplements, endorsements and riders thereto and all ancillary agreements in connection therewith) that were issued by Acquiror or its Subsidiaries prior to the Final Closing.

"Action" means any claim, action, suit, arbitration, inquiry, proceeding or investigation (whether civil, criminal, administrative or investigative) by or before any Governmental Authority.

"Adjusted Allocation Schedule" means an updated Allocation Schedule based on the Allocation Schedule set forth in Section 3.6 of the GE Disclosure Letter to reflect the adjustments to the Base Purchase Price first, to the Asset Sellers, OPH and the Equity Sellers to the extent such adjustments can be identified with particular Asset Sellers, OPH and Equity Sellers, and second, the remaining adjustments to the Base Purchase Price, which shall be allocated *pro rata* in accordance with the Allocation Schedule.

"Affiliate" means, with respect to any specified Person, any other Person that, at the time of determination, directly or indirectly through one or more intermediaries, Controls, is Controlled by or is under common Control with such specified Person; provided, however, that for purposes of this Agreement, neither Genworth Financial, Inc. nor any of its Subsidiaries shall be deemed an Affiliate of GE, the Transferors or the Acquired Subsidiaries.

"After-Tax Basis" has the meaning specified in the Tax Matters Agreement.

"Asset Sellers Reinsurance Agreements" means, collectively, all policies, treaties, facultative certificates, binders, slips and other Contracts of reinsurance or retrocession and all binding quotations written by or on behalf of the Asset Sellers (or by a predecessor company to the Asset Sellers and subsequently transferred to the Asset Sellers) as reinsurer or retrocessionaire (including all supplements, endorsements and riders thereto and all ancillary agreements in connection therewith) that were issued by the Asset Sellers (or such predecessor company) prior to the Initial Closing.

"Asset Sellers Retrocession Agreements" means all agreements pursuant to which any portion of the Liabilities of the business of the Asset Sellers is or has been reinsured or retroceded.

"Asset Transfer Agreement" means an asset transfer agreement between OPH and OPH Asset Buyer providing for the transfer of certain assets to and the assumption of certain liabilities by OPH Asset Buyer, in a form to be agreed to between GE and Acquiror.

"Binding Producer Agreement" means all Contracts (other than direct insurance Contracts) with agents, brokers, intermediaries and other Persons that provide the authority to bind any insurance, reinsurance or retrocession business included in the Business for or on behalf of any Polaris Company.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in Zurich, Switzerland or the City of New York, New York are required or authorized by Law to be closed.

"Business Employee" means any individual who is (a) employed by a Polaris Company or (b) employed by GE or any of its Affiliates (excluding any Polaris Company) primarily in respect of the Business.

"Business Intellectual Property" means (a) the Intellectual Property (other than Business Trademarks) that is owned by the Polaris Companies and is used within the Business, and which, on the Initial Closing Date, has no substantial application to other products or services or other businesses of GE and its Affiliates outside of the Business, and (b) the Business Trademarks.

"Business Material Adverse Effect" means a material adverse effect on the business, properties, assets, liabilities, results of operations or financial condition of the Business taken as a whole, other than any adverse effect arising out of, resulting from or attributable to (a) changes in conditions in the United States or global economy or capital or financial markets generally, including changes in interest or exchange rates, to the extent that such changes do not have a materially disproportionate effect on the Business, (b) changes in Law or in legal, regulatory, political, economic or business trends or conditions that, in each case, generally affect the industries in which the Business conducts business, to the extent that such changes do not have a materially disproportionate effect on the Business, (c) changes in GAAP or regulatory accounting principles, including SAP, after the date of this Agreement, (d) the announcement of this Agreement or the consummation of the transactions contemplated hereby, (e) actions required to be taken pursuant to this Agreement or taken with Acquiror's consent, including the actions contemplated by Section 7.7 and the termination of the Capital Maintenance Agreements pursuant to Section 7.8 (including any ratings downgrade attributable to such actions or termination), and the actions set forth in Section 7.1 of the GE Disclosure Letter, (f) the effect of any action taken by Acquiror or its Affiliates with respect to the transactions contemplated hereby or with respect to GE, the Transferors or the Acquired Subsidiaries, (g) any increase in (i) the reserves, funds or provisions of any Polaris Company for losses, claims, premiums, policy benefits and expenses, including unearned premium reserves, reserves for incurred losses, technical reserves, incurred loss adjustment expenses, incurred but not reported losses and loss adjustment expenses, in respect of insurance, reinsurance and retrocession Contracts issued, reinsured or assumed by any Polaris Company or (ii) the reserve for uncollectible reinsurance, or any write off of premium receivables or reinsurance recoverable assets as uncollectible, of the Business, (h) claims made under Polaris Companies Insurance Contracts or Polaris Companies Reinsurance Agreements related to (1) acts of war, sabotage or terrorism and (2) hurricanes, earthquakes, floods or other natural disasters and (i) any of the matters set forth in Section 1.1(a) of the GE Disclosure Letter.

"Business Technology" means the Technology which is owned by the Polaris Companies and is used and existing within the Business, and which, on the Initial Closing Date, has no substantial application to other products or services or other businesses of GE and its Affiliates outside the Business.

"Business Trademarks" means all Trademarks, other than the GE Name and GE Marks, owned by the Polaris Companies and used exclusively within the Business on the Initial Closing Date or the Final Closing Date, as applicable, including the Trademarks identified in Section 1.1(b) of the GE Disclosure Letter.

"Capital Increase" means the increase in Acquiror's share capital through the issuance of the New Acquiror Shares to the Equity Sellers.

"Capital Maintenance Agreements" means the capital maintenance agreements through which General Electric Capital Corporation provides explicit support to GE ISC and certain of its operating Subsidiaries to ensure that the risk-adjusted capitalization of such companies will be maintained on a continuing basis at a superior level.

"Class C Stock" means the Class C Common Stock of GE Investments, Inc.

"Code" means the Internal Revenue Code of 1986, as amended.

"Contract" means any written contract, commitment, agreement, indenture, note, bond, mortgage, loan, instrument, lease or license.

"Control" means, as to any Person, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. The terms "*Controlled by,*" "*under common Control with*" and "*Controlling*" shall have correlative meanings.

"Copyrights" means all of the following, whether protected, created or arising under the Laws of the United States or the Laws of any other jurisdiction: copyrights, moral rights, mask work rights, database rights and design rights, whether or not registered, published or unpublished, and registrations and applications for registration thereof, along with all renewals, continuations, reversions and extensions of the foregoing, and all rights therein whether provided by international treaties or conventions or otherwise.

"Court Orders" means the orders of the High Court of England approving the UK Transfer Schemes and any orders which are ancillary thereto.

"Current Market Price" on any date shall be the closing price of Acquiror Shares on virt-x on such date.

"Earnings" means net income or losses calculated in accordance with (a) GAAP and consistent with the past practices of "GE ISC and its Consolidated Subsidiaries" and (b) the calculation of "net income" in the financial report called "GE Global Insurance Holding Corporation Consolidation", more commonly referred to as the consolidating financial statements as produced by the Hyperion system (the "Consolidated Financial Statements") for the relevant period; provided that "Earnings" shall exclude (i) net after-tax realized capital gains and losses; (ii) any net after-tax income or losses from ERAC and its consolidated subsidiaries; (iii) any after-tax adjustments to Net Reserves made pursuant to Section 7.7 (in respect of Net Reserves increases of not more than $3.4 billion); and (iv) any after-tax gain or loss resulting from the Retrocession Agreement.

"Environmental Law" means any Law relating to (a) the protection, investigation or restoration of the environment or natural resources, or (b) the protection of human health and safety as it relates to the environment, including the manufacturing, processing, distribution, use, handling, transportation, treatment, storage, disposal, release or discharge of any Hazardous Materials.

"Environmental Permit" means any Permit required under or issued pursuant to any Environmental Law.

"Equity Transfer Agreement" means each of the equity transfer agreements, in the form to be agreed to by GE and Acquiror, to be entered into as soon as practicable after the date hereof, and in any event within thirty (30) days, in order to give effect to the transactions contemplated by Section 2.1(a) and, to the extent Purchased Equity is acquired for cash, New Acquiror Shares, Acquiror Convertible Instruments or Notes, Section 2.1(b).

"ERAC" means Employers Reassurance Corporation.

"ERC" means Employers Reinsurance Corporation.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Excluded Business" means ERAC and its consolidated subsidiaries and the business ceded by ERC to the Reinsurer pursuant to the terms of the Retrocession Agreement.

"GAAP" means generally accepted accounting principles in the United States as in effect from time to time.

"GE Commercial Paper Rate" means the rate on any given day for U.S. commercial paper placed directly by GE having the specified maturity as posted daily on Bloomberg page "<DOCP>" and on Reuters page "GECP1". In the event that such rate is not published on the applicable date, then the applicable rate shall be the GECC Commercial Paper Rate.

"GECC Commercial Paper Rate" means the rate on any given day for U.S. commercial paper placed directly by General Electric Capital Corporation having the specified maturity as posted daily on Bloomberg page "<DOCP>" and on Reuters page "GECP1".

"GE Disclosure Letter" means the disclosure letter delivered by GE to Acquiror simultaneously with the execution of this Agreement.

"GE ISC" means GE Insurance Solutions Corporation.

"Governmental Authority" means any national, supra-national, federal, state, provincial or local government, political subdivision, governmental, regulatory, department, bureau, board or other administrative authority, instrumentality, agency, body or commission, self-regulatory organization or any court, tribunal, or judicial or arbitral body.

"Hazardous Materials" means (a) petroleum, petroleum products, by-products or breakdown products, radioactive materials, friable asbestos or polychlorinated biphenyls, and (b) any chemical, material or substance defined or regulated as hazardous, toxic, radioactive or as a pollutant, contaminant or waste under any Environmental Law, and any derivative or by-product thereof.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations under such Act.

"Indebtedness" of any Person means, without duplication, (a) the principal of and, accreted value and accrued and unpaid interest in respect of (i) indebtedness of such Person for money borrowed and (ii) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable; (b) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable and other accrued current liabilities); (c) all obligations of the type referred to in clauses (a) and (b) of any Persons the payment of which such Person is responsible or liable for, directly or indirectly, as obligor, guarantor, surety or otherwise; and (d) all obligations of the type referred to in clauses (a) through (c) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person).

"Independent Accountant" shall mean Deloitte & Touche, LLP or, if such firm is unable to serve, such other firm of independent public accountants as GE and Acquiror shall reasonably agree.

"Insurance Liabilities" has the meaning specified in the UK Asset Purchase Agreements.

"Insurance Policies" means, collectively, all policies, binders, slips, other Contracts of insurance and binding quotations written by or on behalf of the Asset Sellers (or by a predecessor company to the Asset Sellers and subsequently transferred to the Asset Sellers), as insurer (including all supplements, endorsements and riders thereto and all ancillary agreements in connection therewith) that were entered into by the Asset Sellers (or such predecessor company) prior to the Initial Closing.

"Intellectual Property" means all of the following, whether protected, created or arising under the Laws of the United States or any foreign jurisdiction: (a) Patents, (b) Copyrights, (c) trade secrets, (d) Trademarks, (e) all rights arising from or in respect of domain names and domain name registrations and reservations, (f) intellectual property rights arising from or in respect of Technology and (g) all other applications and registrations related to any of the rights set forth in the foregoing clauses (a) through (f) above.

"Intellectual Property Cross License Agreement" means the Intellectual Property Cross License Agreement to be entered into as of the Initial Closing substantially in the form of Exhibit F hereto.

"IRS" means the United States Internal Revenue Service and, to the extent relevant, the United States Department of Treasury.

"Knowledge of Acquiror" means the actual knowledge of the Persons identified in Section 1.1(c) of the Acquiror Disclosure Letter.

"Knowledge of GE" means the actual knowledge of the Persons identified in Section 1.1(d) of the GE Disclosure Letter.

"Law" means any law, ordinance, regulation, rule, statute, treaty, Order or requirement of any Governmental Authority.

"Leased Real Property" means any real property leased by a Polaris Company.

"Liability" means any debt or liability (whether direct or indirect, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, or due or to become due) and including all costs and expenses relating thereto.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, security interest, encumbrance, claim, lien or charge of any kind.

"Lloyd's" means the society incorporated by the Lloyd's Act of 1871 by the name of Lloyd's, 1 Lime Street, London EC3M 7HA.

"Losses" means all losses, disbursements, penalties, fines, settlements, awards, damages, costs, expenses, liabilities, obligations or claims of any kind (including any Action brought by any Governmental Authority or other Person and including reasonable attorneys' fees).

"Net Reserves" means the gross Reserves in respect of accident years prior to 2005, net of net retrocession recoverables against such Reserves.

"New Acquiror Shares" means a maximum number of 60,000,000 registered shares of Acquiror, each with a nominal value of CHF 0.10, to be issued by Acquiror to the Equity Sellers pursuant to Article III and Section 4.2 and to be listed on the SWX Swiss Exchange as described in Section 7.12(c).

"Order" means any order, injunction, judgment, decree, ruling, writ, assessment or arbitration award of a Governmental Authority.

"Owned Real Property" means any real property owned by a Polaris Company.

"Patents" means all of the following, whether protected, created or arising under the Laws of the United States or the Laws of any other jurisdiction: patents, patent applications (along with all patents issuing thereon), invention registrations, and any and all continuations, continuations-in-part, and divisions of the foregoing, along with any and all reissues, reexaminations, and extensions of the foregoing, and all rights therein provided by international treaties or conventions.

"Permits" means any approvals, authorizations, consents, registrations, franchises, licenses, permits or certificates of a Governmental Authority.

"Permitted Liens" means the following Liens: (a) Liens for Taxes, assessments or other governmental charges or levies that are not yet due or payable or that are being contested in good faith by appropriate proceedings; (b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen, repairmen and other Liens imposed by Law and incurred in the ordinary course of business consistent with past practice for amounts not yet due; (c) Liens incurred or deposits made in the ordinary course of business consistent with past practice in connection with workers' compensation, unemployment insurance or other types of social security; (d) defects of title, easements, rights-of-way, restrictions and other similar charges or encumbrances not materially and adversely detracting from the occupancy or value of the Owned Real Property or the occupancy of the Leased Real Property or materially interfering with the ordinary conduct of business; (e) Liens not created by the Polaris Companies that affect the underlying fee interest of any Leased Real Property; (f) Liens resulting from any facts or circumstances relating to Acquiror or its Affiliates; (g) any set of facts an accurate up-to-date survey would show, provided, however, such facts do not materially interfere with the present use, enjoyment and occupation of the relevant Owned Real Property or Leased Real Property, respectively; (h) in the case of the Business Intellectual Property and Business Technology, licenses, options to license, or covenants not to assert claims of infringement, in each case in existence as of the date hereof, from Transferors or any of their Affiliates to third parties; (i) Liens incurred in the ordinary course of business securing obligations pursuant to the Insurance Policies, the Asset Sellers Reinsurance Agreements and the Asset Sellers Retrocession Agreements; and (j) Liens incurred in the ordinary course of business pursuant to any insurance or reinsurance business underwritten worldwide by or on behalf of a Polaris Company through the Lloyd's market.

"Person" means any natural person, general or limited partnership, corporation, limited liability company, limited liability partnership, firm, joint venture, joint stock company, trust, unincorporated organization, association or organization or other legal entity.

"Polaris Companies" means, collectively, the Acquired Subsidiaries and the Asset Sellers.

"Polaris Companies Insurance Contracts" means all policies, binders, slips and other Contracts of insurance (other than reinsurance and retrocession agreements), including endorsements, riders and amendments thereto, issued or administered by the Polaris Companies in connection with the Business.

"Polaris Companies Reinsurance Agreements" means, collectively, all policies, treaties, facultative certificates, binders, slips and other Contracts of reinsurance or retrocession and all binding quotations written by or on behalf of the Polaris Companies as reinsurer or retrocessionaire (including all supplements, endorsements and riders thereto and all ancillary agreements in connection therewith) that were issued by the Polaris Companies prior to the applicable Closing.

"Polaris Companies Retrocession Agreements" means all agreements pursuant to which any portion of the Liabilities of the Business is or has been reinsured or retroceded.

"Reinsurance Liabilities" has the meaning specified in the UK Asset Purchase Agreements.

"Related Agreements" means the Transition Services Agreement, the Shareholding Agreement, the Employee Matters Agreement, the Transition Trademark License Agreement, the Tax Matters Agreement, the UK Tax Matters Agreement, the UK Asset Purchase Agreements, the International Tax Matters Agreement, the Equity Transfer Agreements, the Management Services Agreement, the Asset Transfer Agreement, the Retrocession Agreement and the Intellectual Property Cross License Agreement.

"Representative" of a Person means the directors, officers, employees or other representatives (including financial and other advisors, agents, consultants, accountants, actuaries, appraisers, legal counsel, investment bankers or experts retained by or acting on behalf of such Person or its Subsidiaries) of such Person.

"Reserves" means the reserves, funds and provisions for insurance, reinsurance and retrocessional losses, claims and expenses, including reserves for incurred losses, technical reserves, reserves for incurred loss adjustment expenses, and reserves for incurred but not reported losses and loss adjustment expenses and reserves with respect to uncollectible reinsurance and retrocession, in each case with respect to insurance, reinsurance and retrocession contracts written, issued, reissued, renewed or assumed with respect to the Business, other than any such reserve items attributable to the Excluded Business.

"SAP" means, as to any insurance or reinsurance company, the statutory accounting practices prescribed or permitted by the insurance regulatory authorities of the jurisdiction in which such company is domiciled.

"Shareholder New Acquiror Shares" means registered shares of Acquiror, each with a nominal value of CHF 0.10, to be issued to Acquiror's existing shareholders in connection with the Acquiror Financing.

"Shareholding Agreement" means the Shareholding Agreement to be entered into as of the Final Closing substantially in the form of Exhibit G hereto.

"SIS" means the Swiss securities clearing corporation SIS SegaInterSettle AG.

"Software" means any and all (a) computer programs, including any and all software implementations of algorithms, models and methodologies, whether in source code, object code, human readable form or other form, (b) databases and compilations, including any and all data and collections of data, whether machine readable or otherwise, (c) descriptions, flow-charts and other work product used to design, plan, organize and develop any of the foregoing, screens, user interfaces, report formats, firmware, development tools, templates, menus, buttons and icons, and (d) all documentation including user manuals and other training documentation related to any of the foregoing.

"Stock Price" means the daily volume weighted average U.S. dollar price of the Acquiror Shares on virt-x for the twenty (20) trading days ending on and including the day before the Initial Closing calculated using the CHF/USD Exchange Rate for each day as reported on FACTSET; provided that, subject to Section 3.8, if the Stock Price shall be lower than $61.84 (the "Lower Collar"), the Stock Price shall be the Lower Collar and if the Stock Price is greater than $72.15 (the "Upper Collar"), the Stock Price shall be the Upper Collar.

"Subsidiary" of any Person means any corporation, general or limited partnership, joint venture, limited liability company, limited liability partnership or other Person that is a legal entity, trust or estate of which (or in which) (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors (or a majority of another body performing similar functions) of such corporation or other Person (irrespective of whether at the time capital stock of any other class or classes of such corporation or other Person shall or might have voting power upon the occurrence of any contingency), (b) more than 50% of the interest in the capital or profits of such partnership, joint venture or limited liability company or (c) more than 50% of the beneficial interest in such trust or estate, is at the time of determination directly or indirectly owned or Controlled by such Person.

"Swiss Code of Obligations" means the Swiss Code of Obligations of 30 March 1911, as amended.

"Swiss GAAP FER" means Swiss generally accepted accounting principles ARR (Accounting and Reporting Regulations) as in effect from time to time.

"Tax" or "Taxes" means all income, excise, gross receipts, ad valorem, sales, use, employment, franchise, profits, gains, property, transfer, use, payroll, intangibles or other taxes, fees, stamp taxes, duties, charges, levies or assessments of any kind whatsoever (whether payable directly or by withholding), together with any interest and any penalties, additions to tax or additional amounts imposed by any Tax authority with respect thereto.

"Tax Returns" means all returns and reports (including elections, declarations, disclosures, schedules, estimates and information returns) required to be supplied to a Tax authority relating to Taxes, and including any amendment thereof.

"Technology" means, collectively, all technology, designs, formulae, algorithms, procedures, methods, discoveries, processes, techniques, ideas, know-how, Software, research and development, technical data, tools, materials, specifications, processes, inventions (whether patentable or unpatentable and whether or not reduced to practice), apparatus, creations, improvements, works of authorship in any media, confidential, proprietary or non-public information, and other similar materials, and all recordings, graphs, drawings, reports, analyses, and other writings, and other tangible embodiments of the foregoing, in any form whether or not specifically listed herein, and all related technology.

"Trademarks" means all of the following, whether protected, created or arising under the Laws of the United States or the Laws of any other jurisdiction: trademarks, service marks, trade names, service names, trade dress, logos, designs, slogans and other identifiers of source, including all goodwill associated therewith and all common law rights, registrations and applications for registration thereof, and all rights therein provided by international treaties or conventions, and all extensions and renewals of any of the foregoing.

"Transaction Agreements" means this Agreement and each of the Related Agreements.

"Transferors" means, collectively, the Asset Sellers and the Equity Sellers.

"Transferred Employees" has the meaning specified in the Employee Matters Agreement.

"Transition Trademark License Agreement" means the Transition Trademark License Agreement to be entered into as of the Initial Closing substantially in the form of Exhibit H hereto.

"UK Tax Matters Agreement" means the tax matters agreement, relating to the United Kingdom, in a form to be reasonably agreed upon by the parties hereto.

"UK Transfer Schemes" means each of the schemes for the Asset Sellers of their respective insurance businesses to the applicable Asset Buyer pursuant to Part VII of the Financial Services and Markets Act 2000, as amended, and, in the case of such businesses carried on outside of the European Economic Area, such other schemes of transfer as are necessary to effect such a transfer under the Laws of the relevant jurisdiction.

ARTICLE II

PURCHASE AND SALE OF PURCHASED EQUITY AND TRANSFERRED ASSETS;
ASSUMPTION OF LIABILITIES

2.1 Purchase and Sale of the Purchased Equity. On the terms and subject to the conditions set forth in this Agreement and the Equity Transfer Agreements:

(a) at the Initial Closing, in the case of Purchased Equity to be sold against payment of cash: pursuant to the Equity Transfer Agreements, each relevant Equity Seller shall sell, convey, assign, transfer and deliver to the applicable Equity Buyer, and the applicable Equity Buyer shall purchase, acquire and accept from each applicable Equity Seller, the Purchased Equity set forth in Section 2.1(a) of the GE Disclosure Letter owned by each such Equity Seller; provided, however, that each of the Equity Buyers on the Initial Closing Date shall be a wholly-owned Subsidiary of Acquiror organized under the laws of the jurisdiction where the applicable transferred entity is incorporated (or another non-U.S. jurisdiction); and

(b) at the Final Closing,

(i) in the case of Purchased Equity to be transferred against the issue of New Acquiror Shares to the Equity Sellers or their designated Affiliate: each relevant Equity Seller will subscribe at the Stock Price for such number of New Acquiror Shares as set out in the Adjusted Allocation Schedule and contribute in kind, assign, transfer and deliver to Acquiror, and Acquiror shall accept from each such Equity Seller, the Purchased Equity set forth in Section 2.1(b) of the GE Disclosure Letter owned by each such Equity Seller; subject to adjustment as a result of (x) an election by Acquiror or GE to increase or decrease the Stock Percentage pursuant to Section 3.2(b) or (y) a reduction of the number of New Acquiror Shares to be issued pursuant to Section 3.3; and

(ii) in the case of Purchased Equity to be sold against payment of cash, the Acquiror Convertible Instruments and the Notes, if any: pursuant to the Equity Transfer Agreements, each relevant Equity Seller shall sell, convey, assign, transfer and deliver to Acquiror or an Equity Buyer organized in the United States, and Acquiror or such Equity Buyer shall purchase, acquire and accept from each Equity Seller, the Purchased Equity set forth in Section 2.1(b) of the GE Disclosure Letter owned by each such Equity Seller which is not being used as contribution in kind for the issue of the New Acquiror Shares to the Equity Sellers.

2.2 Purchase and Sale of Transferred Assets.

(a) Transferred Assets. On the terms and subject to the conditions set forth in this Agreement, the Asset Transfer Agreement and the UK Asset Purchase Agreements, at the Initial Closing, subject to Section 2.2(b), OPH and each of the Asset Sellers, as the case may be, shall sell, convey, assign, transfer and deliver to OPH Asset Buyer and an Asset Buyer designated by Acquiror, as the case may be, and OPH Asset Buyer and each such Asset Buyer shall purchase, acquire and accept from OPH and each Asset Seller, as the case may be, all of the assets, properties, rights and Contracts (to the extent assignable) of every kind and description, wherever located, whether real, personal or mixed, tangible or intangible, that are owned, leased or licensed by OPH or such Asset Seller and used by OPH or such Asset Seller, as the same shall exist on the Initial Closing Date (other than the Excluded Assets, collectively, the "Transferred Assets"), and including all right, title and interest of OPH or such Asset Seller in, to and under:

(i) all assets held as of the Initial Closing Date by any Asset Seller as statutory reserves for the Insurance Liabilities and the Reinsurance Liabilities of such Asset Seller as reflected in the books and records of such Asset Seller;

(ii) all personal property and interests therein, including furniture, office equipment, communications equipment and other tangible personal property primarily used in connection with the Business;

(iii) all rights under Contracts that relate to the Business to which any Asset Seller is a party;

(iv) all real property owned or leased by such Asset Seller used in connection with the Business and all improvements thereto;

(v) all accounts, notes, premiums, reinsurance, retrocession and subrogation recoveries and other receivables that primarily relate to the Business;

(vi) all expenses that have been prepaid by such Asset Seller relating to the Business, including ad valorem Taxes and lease and rental payments;

(vii) all of such Asset Seller's causes of action against third parties relating to the Transferred Assets or the Assumed Liabilities, to the extent assignable;

(viii) all Business Intellectual Property and Business Technology;

(ix) all transferable Permits used in connection with the Business;

(x) the equity investments, to the extent owned by such Asset Seller;

(xi) subject to Section 2.2(b)(vi), all books, records, files and papers, whether in hard copy or computer format, of the Business, including insurance and reinsurance contracts, claims and underwriting files, sales and promotional literature, manuals and data, sales and purchase correspondence and lists of present and former customers;

(xii) all goodwill associated with the Transferred Assets; and

(xiii) the rights to all Tax refunds and Tax assets Acquiror and its Affiliates are entitled to under the Tax Matters Agreement, the UK Tax Matters Agreement and the International Tax Matters Agreement.

Notwithstanding any other provision of this Agreement to the contrary, neither the UK Transfer Schemes nor this Agreement shall constitute an agreement to transfer or assign any Transferred

Asset or any claim or right or any benefit arising thereunder or resulting therefrom if an attempted assignment thereof, without the consent of a third party thereto, would constitute a breach or other contravention thereof or in any way adversely affect the rights of the applicable Asset Buyer, the OPH Asset Buyer, OPH or the applicable Asset Seller thereunder. If such consent is not obtained, or if an attempted assignment thereof would be ineffective or would adversely affect the rights of OPH and the applicable Asset Sellers thereunder so that the applicable Asset Buyer and the OPH Asset Buyer would not in fact receive all such rights, OPH, the Asset Sellers, the OPH Asset Buyer and the Asset Buyers will, subject to Section 7.5(e), cooperate in a mutually agreeable arrangement under which the applicable Asset Buyer and the OPH Asset Buyer would obtain the benefits and assume the obligations and bear the economic burden thereunder in accordance with the UK Transfer Scheme or this Agreement, as applicable, including holding the same in trust, subcontracting, sublicensing or subleasing to the OPH Asset Buyer and the Asset Buyers, as the case may be, or under which OPH and the Asset Sellers would enforce for the benefit of the OPH Asset Buyer and the Asset Buyers any and all of their rights against a third party thereto, and OPH and the Asset Sellers would promptly pay to the OPH Asset Buyer and the Asset Buyers, as the case may be, when received all monies received by them under any Transferred Asset or any claim or right or any benefit arising thereunder or resulting therefrom.

(b) Excluded Assets. Acquiror expressly understands and agrees that the following assets and properties of OPH and the Asset Sellers as the same shall exist on the Initial Closing Date (the "Excluded Assets") shall be retained by OPH and the Asset Sellers, and shall be excluded from the Transferred Assets, notwithstanding any other provision of this Agreement:

(i) the GE Name and GE Marks, together with any Contracts granting rights to use the same;

(ii) [intentionally omitted];

(iii) all policies of or agreements for insurance of the Business (including the Transferred Assets and the Assumed Liabilities) and interests in insurance pools and programs related to the Business (including the Transferred Assets and the Assumed Liabilities), other than the Asset Sellers Reinsurance Agreements and the Asset Sellers Retrocession Agreements;

(iv) all Intellectual Property other than the Business Intellectual Property (with certain such Intellectual Property to be governed by the terms of the Intellectual Property Cross License Agreement as set forth in the Intellectual Property Cross License Agreement);

(v) all Technology other than the Business Technology (with certain Intellectual Property rights arising from or in respect of such Technology to be governed by the terms of the Intellectual Property Cross License Agreement as set forth in the Intellectual Property Cross License Agreement);

(vi) the corporate minute books and stock records of OPH and the Asset Sellers and any books and records to the extent relating to any other Excluded Asset or the Excluded Business;

(vii) all assets not used primarily in the conduct of the operation of the Business;

(viii) all rights that accrue to GE or any of its Subsidiaries under the Transaction Agreements; and

(ix) the assets and properties listed in Section 2.2(b)(ix) of the GE Disclosure Letter.

2.3 Assumed Liabilities; Excluded Liabilities. Pursuant to the UK Transfer Schemes (so far as the same shall be capable of giving effect to such assumption) and/or otherwise pursuant to and on the terms and subject to the conditions set forth in this Agreement, the Asset Transfer Agreement and the UK Asset Purchase Agreements, as applicable, effective at the time of the Initial Closing, OPH Asset Buyer and the Asset Buyers shall assume and agree to pay, discharge and perform all Liabilities and commitments of every kind and description of OPH and the Asset Sellers to the extent arising from or relating to the Business, as the same shall exist on the Initial Closing Date and irrespective of whether the same shall arise prior to or following the Initial Closing Date, including all Insurance Liabilities and Reinsurance Liabilities and Liabilities for Taxes, benefits and compensation for which Acquiror bears the ultimate responsibility pursuant to an obligation to assume, indemnify or reimburse under the Tax Matters Agreement, the UK Tax Matters Agreement, the International Tax Matters Agreement or Employee Matters Agreement (the "Assumed Liabilities"); provided, however, that OPH Asset Buyer and the Asset Buyers shall not assume or agree to pay or discharge any (a) Liabilities of OPH and the Asset Sellers to the extent relating to or arising under any Excluded Asset, (b) Liabilities for Taxes, benefits and compensation not otherwise assumed and (c) Liabilities set forth in Section 2.3 of the GE Disclosure Letter (all such Liabilities not being assumed being herein referred to as the "Excluded Liabilities").

2.4 Other Agreements.

(a) As soon as practicable after the date hereof, the following agreements will be executed and delivered by the appropriate parties: (i) an Equity Transfer Agreement with respect to each transfer of Purchased Equity set forth in Section 2.1(a) of the GE Disclosure Letter and (ii) the Asset Transfer Agreement.

(b) Within ten (10) days of the date of this Agreement, Acquiror shall provide GE with a list of reasonable written information requests (the "List") relating to the Transferred Assets (and related liabilities) to enable the UK Asset Purchase Agreements to be executed, delivered and satisfied. GE shall respond reasonably in writing to the questions set out in the List as soon as reasonably practicable following receipt from Acquiror. As soon as reasonably practicable following receipt of GE's responses to the questions set out in the List, and following such further discussions as may be required, and in any event within fifteen (15) days of the date on which GE responds to the questions set out in the List, the Asset Sellers and the Asset Buyers will enter into the relevant UK Asset Purchase Agreements.

(c) It is the intention of the parties that (i) GE and its Subsidiaries will retain beneficial ownership of (A) the Purchased Equity set forth on Section 2.1(a) of the GE Disclosure Letter and the Transferred Assets until the Initial Closing, (B) the Class C Stock until after the Initial Closing, but no longer than the day prior to the Final Closing and (C) the stock of GE ISC until the Final Closing, and (ii) to the extent reasonably practicable the adjustment, allocation and Earnings payment provisions included in Article III shall be implemented to give effect to the foregoing and to the allocation principles set forth in the definition of Adjusted Allocation Schedule.

2.5 Certain GE Records. Notwithstanding anything to the contrary contained in this Agreement or any of the other Transaction Agreements, Acquiror acknowledges and agrees that all of the following shall remain the property of GE, and neither Acquiror nor any of its Affiliates (including, after the applicable Closing, the Acquired Subsidiaries) shall have any interest therein:

(a) all records and reports prepared or received by GE or any of its Affiliates in connection with the sale of the Business and the transactions contemplated hereby, including all analyses relating to the Business or Acquiror so prepared or received;

(b) all confidentiality agreements with prospective purchasers of the Business or any portion thereof (except that, if an Acquired Subsidiary is not otherwise party thereto, GE shall assign to an Acquired Subsidiary at the Final Closing all of GE's rights under such agreements to confidential treatment of information with respect to the Business and with respect to solicitation and hiring of employees of the Business), and all bids and expressions of interest received from third parties with respect thereto; and

(c) all privileged materials, documents and records of GE in the possession of any of the Polaris Companies.

ARTICLE III

PURCHASE PRICE

3.1 Purchase Price.

(a) The aggregate consideration for the Purchased Equity and the Transferred Assets shall be an amount equal to $6.8 billion (the "Base Purchase Price") as adjusted for the following (as adjusted, the "Purchase Price"):

(i) plus, net deferred and current Tax liabilities (other than those created as a result of increases in Net Reserves after June 30, 2005 in Germany) of the Polaris Companies being acquired as of the Initial Closing and the Asset Sellers (collectively, the "Initial Closing Polaris Companies") (reflected in the Consolidating Financial Statements and measured immediately prior to the Initial Closing) assumed, retained or paid by, or transferred to, GE or one of its Affiliates, in connection with the

Initial Closing, or for which none of Acquiror or any of its Affiliates (including the Initial Closing Polaris Companies) continues to be responsible after the Initial Closing;

(ii) minus, net deferred and current Tax assets (other than those created as a result of increases in Net Reserves after June 30, 2005 in Germany) of the Initial Closing Polaris Companies (reflected in the Consolidating Financial Statements and measured immediately prior to the Initial Closing) retained by, or transferred to, GE or one of its Affiliates, in connection with the Initial Closing, or which none of Acquiror or any of its Affiliates (including the Initial Closing Polaris Companies) holds after the Initial Closing;

(iii) plus, net deferred and current Tax liabilities of OPH (reflected in the Consolidating Financial Statements and measured immediately prior to the Initial Closing) assumed, retained or paid by, or transferred to, GE or one of its Affiliates, in connection with the transactions contemplated by this Agreement, or for which none of Acquiror or any of its Affiliates (including the Polaris Companies (other than the Asset Sellers)) continues to be responsible after the Initial Closing;

(iv) minus, net deferred and current Tax assets of OPH (reflected in the Consolidating Financial Statements and measured immediately prior to the Initial Closing) retained by, or transferred to, GE or one of its Affiliates, in connection with the transactions contemplated by this Agreement, or which none of Acquiror or any of its Affiliates (including the Polaris Companies (other than the Asset Sellers)) holds after the Initial Closing;

(v) plus, net deferred and current Tax liabilities (other than those created as a result of increases in Net Reserves after June 30, 2005 in Bermuda) of the Polaris Companies being acquired as of the Final Closing (collectively, the "Final Closing Polaris Companies") (reflected in the Consolidating Financial Statements and measured immediately prior to the Final Closing) assumed, retained or paid by, or transferred to, GE or one of its Affiliates, in connection with the Final Closing, or for which none of Acquiror or any of its Affiliates (including the Polaris Companies) continues to be responsible after the Final Closing;

(vi) minus, net deferred and current Tax assets (other than those created as a result of increases in Net Reserves after June 30, 2005 in Bermuda) of the Final Closing Polaris Companies (reflected in the Consolidating Financial Statements and measured immediately prior to the Final Closing) retained by, or transferred to, GE or one of its Affiliates, in connection with the Final Closing, or which none of Acquiror or any of its Affiliates (including the Polaris Companies) holds after the Final Closing;

(vii) plus, the aggregate amount of the accrued net pension liabilities relating to the ERC Supplementary Pension Plan, ERC Pension Restoration Plan, ERC Pension Enhancement Plan and Medpro Supplementary Pension Plan transferred to GE or one of its Affiliates and reflected in the Consolidating Financial Statements as of the Final Closing.

(viii) plus, all obligations and liabilities owed by the Initial Closing Polaris Companies to GE or its Subsidiaries (other than GE ISC and its consolidated subsidiaries) reflected in the Consolidating Financial Statements and measured as of immediately prior to the Initial Closing assumed, retained or paid by, or transferred to, GE or one of its Affiliates, in connection with the Initial Closing, or for which none of Acquiror or any of its Affiliates (including the Polaris Companies) continues to be responsible after the Initial Closing;

(ix) minus, all receivables and other amounts owed to the Initial Closing Polaris Companies by GE or its Subsidiaries (other than GE ISC and its consolidated subsidiaries) reflected in the Consolidating Financial Statements and measured as of immediately prior to the Initial Closing retained by, or transferred to, GE or one of its Affiliates, in connection with the Initial Closing, or which none of Acquiror or any of its Affiliates (including the Polaris Companies) holds after the Initial Closing;

(x) plus, all other liabilities owed by the Final Closing Polaris Companies to GE or its Subsidiaries (other than GE ISC and its consolidated subsidiaries) reflected in the Consolidating Financial Statements and measured as of immediately prior to the Initial Closing assumed, retained or paid by, or transferred to, GE or one of its Affiliates, in connection with the Final Closing, or for which none of Acquiror or any of its Affiliates (including the Polaris Companies) continues to be responsible after the Final Closing (provided, that with respect to liabilities under the existing revolving credit facility between General Electric Capital Services, Inc. and GE ISC, the amount of liabilities shall be limited to the excess of the amount outstanding as of immediately prior to the Final Closing over $219 million);

(xi) minus, all receivables and other amounts owed to the Final Closing Polaris Companies by GE or its Subsidiaries (other than GE ISC and its consolidated subsidiaries) reflected in the Consolidating Financial Statements and measured as of immediately prior to the Initial Closing, retained by, or transferred to, GE or one of its Affiliates, in connection with the Final Closing, or which none of Acquiror or any of its Affiliates (including the Polaris Companies) holds after the Final Closing;

(xii) plus, the amount, as of the Initial Closing, of the payable from OPH to GE Investments, Inc. in respect of the dividend payable by GE Investments, Inc. on the Class C Stock, as such amount may change from time to time in accordance with past practice;

(xiii) minus, the amount (if any) by which Indebtedness (under clause (a) of the definition thereof) of the Polaris Companies owed to Persons other than GE and its Affiliates, as of the Final Closing, exceeds the amounts (whether or not drawn) set forth in Section 5.29 of the GE Disclosure Letter (plus accrued interest on any such Indebtedness);

(xiv) plus, $25 million;

(xv) in the event that the amount of the Net Reserves increases made in the United States after June 30, 2005 in respect of accident years prior to 2005 is less than $2 billion, minus (x) if such amount is less than $1 billion, (A) 35% of the difference between $1 billion and such Net Reserves increases plus (B) $150 million, or (y) if such amount is $1 billion or more, but less than $2 billion, 15% of the difference between $2 billion and such Net Reserves increases; and

(xvi) minus the sum of (A) $245 million, (B) 35% of the amount of the Net Reserves increases (in excess of $200 million) made in Bermuda after June 30, 2005 and prior to the Final Closing in respect of accident years prior to 2005 and (C) 35% of the amount of the Net Reserve increases (in excess of $500 million) made in Germany after June 30, 2005, and prior to the Initial Closing, in respect of accident years prior to 2005;

provided, that, (x) in the case of clauses (xv) and (xvi) above, Net Reserves increases shall reflect only the adjustments made pursuant to Section 7.7 (in respect of Net Reserves increases of not more than $3.4 billion) and (y) subject to Section 3.1(e) hereof, the net amount payable by Acquiror pursuant to the foregoing clauses (i) through (xvi) shall not exceed $800 million (the "Adjustment Ceiling").

(b) For purposes of clauses (i) through (vi) of Section 3.1(a), the deferred and current Tax liabilities for which none of Acquiror or any of its Affiliates continues to be responsible shall include any current or deferred Tax liability for which GE provides indemnification under any of the Transaction Agreements. No adjustment shall be made under Section 3.1(a) for any net deferred or current Tax asset of any Acquired Subsidiary in respect of which an election is made under Section 338(h)(10) of the Code pursuant to Section 7 of the Tax Matters Agreement except for pursuant to Section 7 of the Tax Matters Agreement. For the avoidance of doubt, any deferred or current Tax assets that are effectively transferred to an Acquiror pursuant to a U.K. Transfer Scheme (including any such Tax assets created as a result of an increase in Net Reserves after June 30, 2005), including as a consequence of any disclaimer of insurance provisions or reserves, shall not result in a Purchase Price adjustment pursuant to this Section 3.1, and any deferred or current Tax liabilities of GE Frankona Reassurance Limited (U.K.) shall result in a positive Purchase Price adjustment pursuant to Section 3.1(a).

(c) Attached as Section 3.1(c) of the GE Disclosure Letter is (i) a balance sheet of the Business as of September 30, 2005 (the "Reference Balance Sheet") and (ii) a calculation statement setting forth, in reasonable detail (including supporting schedules), the calculations that would have been made to adjust the Base Purchase Price pursuant to this Section 3.1, to obtain the Purchase Price (the "Reference Adjustment Statement"), in each case calculated as if all of the transactions contemplated hereby have been consummated as of September 30, 2005. The Reference Balance Sheet and the Reference Adjustment Statement each have been prepared solely to illustrate the application of the provisions of clauses (i) through (xvi) of Section 3.1(a), and the amounts set forth therein are preliminary and shall not be taken into account in determining the Purchase Price. No representation or warranty is made by GE with respect to either such document.

(d) As soon as reasonably practicable, and in any event within thirty (30) days following each fiscal quarter ending on or after December 31, 2005, GE shall deliver to Acquiror a calculation statement (including reasonably detailed supporting schedules) setting forth each of the adjustments provided for in Section 3.1(a), and the resulting calculation of the Purchase Price, calculated as if all of the transactions contemplated hereby has been consummated as of the last day of such quarter (each, an "Adjustment Statement"). Acquiror and its Representatives shall have the opportunity to review and comment on each such Adjustment Statement. Not later than five days prior to the Initial Closing, GE shall deliver to Acquiror an Adjustment Statement (including reasonably detailed supporting schedules) setting forth GE's good faith estimate of each of the adjustments provided in Section 3.1(a) as of the Initial Closing Date or the Final Closing Date, as the case may be, and the resulting calculation of the Purchase Price (the "Estimated Adjustment Statement").

(e) Pursuant to the Tax Matters Agreement, GE has the right to make certain elections under Section 338(h)(10) of the Code (as defined in the Tax Matters Agreement) (each, an "Election"). Not less than thirty (30) days before the Initial Closing, GE shall have the right to offer (which offer may be rejected by Acquiror in its sole discretion) to make a payment to Acquiror (an "Advance Election Payment") at the Final Closing, in an amount equal to GE's good faith estimate of the amount that would be due under Section 7(g) of the Tax Matters Agreement in respect of an Election. If GE makes an Advance Election Payment, Acquiror shall make a payment (the "Return Payment") to GE on the earlier of (i) the date any payment is made or deemed to have been made by GE pursuant to Section 7(g) of the Tax Matters Agreement in respect of any Election made pursuant to Section 7 of the Tax Matters Agreement and (ii) the fifteenth day of the tenth month after the month in which the Final Closing occurs. The amount of the Return Payment shall be the amount of the Advance Election Payment, together with interest thereon at the GE Commercial Paper Rate. If GE makes the Advance Election Payment, the Adjustment Ceiling shall be increased by an amount equal to the Advance Election Payment; provided, however that the amount of any Return Payment shall be reduced by the excess (if any) of (A) the Adjustment Ceiling over (B) $800 million.

3.2 Payment of Purchase Price.

(a) The Purchase Price for purposes of the Initial Closing and the Final Closing shall be the Purchase Price as calculated in the Estimated Adjustment Statement.

(b) (i) A portion (the "Stock Percentage") of the Purchase Price shall be paid by delivery of New Acquiror Shares. The Stock Percentage shall be 45%; provided that

(1) in the event that there is an offering of Shareholder New Acquiror Shares as part of the Acquiror Financing, Acquiror may elect upon written notice to GE on the same day that the offer price of such Shareholder New Acquiror Shares is determined, to reduce the Stock Percentage to not less than 34%; provided that GE can thereafter, but on the same day, upon written notice to Acquiror elect to increase the Stock Percentage to not be more than 40%;

(2) in the event that there is no offering of Shareholder New Acquiror Shares as part of the Acquiror Financing, Acquiror may elect upon

written notice to GE not less than five (5) Business Day's prior to the Initial Closing Date to reduce the Stock Percentage to not less than 34%; provided that GE can thereafter elect upon written notice to Acquiror not less than three (3) Business Days prior to the Final Closing Date to increase the Stock Percentage to not be more than 40%;

(3) in the event the Purchase Price as adjusted by the most recent Estimated Adjustment Statement exceeds the Base Purchase Price and as a result thereof the number of New Acquiror Shares to be issued to the Equity Sellers increases, GE and Acquiror shall agree on an Adjusted Allocation Schedule setting out the relevant Equity Seller, the Purchased Equity to be contributed in kind and the revised value of such Purchased Equity; and

(4) the number of New Acquiror Shares to be issued to the Equity Sellers shall not exceed the maximum number of shares which can be issued from the authorized capital created for this purpose. Any written notice provided pursuant to this Section 3.2(b) shall include the number of New Acquiror Shares to be issued to the Equity Sellers and identify the Purchased Equity to be used as a contribution in kind and the value allocated to it pursuant to the Adjusted Allocation Schedule.

(ii) $500 million of the Purchase Price not constituting the Stock Percentage shall be paid by delivery of the Acquiror Convertible Instruments, and the balance shall be paid in cash; provided that an amount of the cash portion of the Purchase Price equal to the lesser of (A) $750 million or (B) the difference between (x) the aggregate amount of the proceeds of the redemption of the Class C Stock minus (y) the principal aggregate amount of Notes actually delivered by Acquiror pursuant to Section 7.18(b), shall be payable, at Acquiror's option, in Notes.

(c) At the Initial Closing, the Equity Buyers and the Asset Buyers, as the case may be, shall deliver to each of the Equity Sellers and the Asset Sellers, as the case may be, a portion of the cash component of the Purchase Price consistent with the amounts set forth in the Adjusted Allocation Schedule.

(d) At the Final Closing, Acquiror shall (i) deliver or cause to be delivered by the relevant Equity Buyer to the relevant Equity Seller a portion of the cash component of the Purchase Price and the Acquiror Convertible Instruments, having an aggregate value equal to the amount set forth in the Adjusted Allocation Schedule and (ii) deliver or cause to be delivered by the relevant Equity Buyer to the relevant Equity Seller a number of New Acquiror Shares having an aggregate value equal to, and allocated in a manner consistent with, the amounts set forth in the Adjusted Allocation Schedule (as modified pursuant to Section 3.2(b)(i)(3)). The number of New Acquiror Shares to be delivered at the Final Closing, subject to adjustment as a result of a reduction of the number of New Acquiror Shares to be issued pursuant to Section 3.3, shall equal (x) such amount set forth in the Adjusted Allocation Schedule multiplied by the Stock Percentage (as modified pursuant to an election by the Acquiror or GE to modify the Stock Percentage pursuant to Section 3.2(b), if applicable), divided by (y) the Stock Price, and shall be rounded up to the next whole share. The balance shall in each case be paid in cash.

3.3 Valuation of Purchased Equity.

(a) No later than March 31, 2006 GE shall grant a mutually agreed independent expert (the "Independent Expert") access to the books and records of the Purchased Subsidiaries, the Purchased Equity of which will be used as contribution in kind for the issue of the New Acquiror Shares in order to verify that the fair value of the relevant Purchased Equity is not less than the aggregate Stock Price of the relevant New Acquiror Shares. GE shall provide the Independent Expert with the details of the valuation underlying the Purchase Price allocated to such Purchased Equity as set forth in the Adjusted Allocation Schedule). In addition, GE shall provide and shall cause each relevant Equity Seller to provide upon first demand such further information, books and records and work papers as may be reasonably requested by the Independent Expert in order to fulfill its verification duties.

(b) The Independent Expert shall complete its verification and issue a corresponding report to the Acquiror not later than twenty (20) Business Days prior to the Initial Closing.

(c) If the fair value of the relevant Purchased Equity as shown in the report is less than the aggregate Stock Price of the GE New Acquiror Shares to be issued in respect of such Purchased Equity, (i) the number of New Acquiror Shares to be delivered shall be reduced in amount equal to the shortfall (expressed in Swiss Francs) divided by the Stock Price and (ii) the applicable Equity Sellers shall be paid in cash instead in an amount equal to the number of New Acquiror Shares reduced multiplied by the Stock Price. Fractions shall be rounded up to the next whole share

(d) In the event that the Acquiror or GE, as the case may be, increase the Stock Percentage pursuant to Section 3.2(b) the above provisions shall apply *mutatis mutandis*.

3.4 Post-Closing Purchase Price Adjustment.

(a) As soon as practicable, but no later than ninety (90) days after the Final Closing Date, Acquiror shall cause to be prepared and delivered to GE a calculation statement setting forth, in reasonable detail (including supporting schedules), the calculations of the adjustments of the Base Purchase Price as set forth in Section 3.1 (the "Closing Date Statement"). The Closing Date Statement shall be prepared such that the amounts set forth therein shall be determined in a manner consistent with the preparation of the corresponding amounts set forth on the Reference Adjustment Statement.

(b) During the thirty (30) days immediately following GE's receipt of the Closing Date Statement (the "Adjustment Review Period"), GE and its Representatives will be permitted to review Acquiror's working papers relating to the Closing Date Statement, and Acquiror shall make reasonably available, consistent with the provisions set forth in Section 7.2 of this Agreement, the individuals in its employ responsible for and knowledgeable about the information used in, and the preparation of, the Closing Date Statement in order to respond to the reasonable inquiries of GE.

(c) GE shall notify Acquiror in writing (the "Notice of Adjustment Disagreement") prior to the expiration of the Adjustment Schedule Review Period if GE disputes amounts reflected in the Closing Date Statement. GE shall be permitted to dispute amounts reflected in the Closing Date Statement only on the basis that such amounts were not arrived at in a manner consistent with the preparation of the corresponding amounts set forth in the Consolidating Financial Statements used to prepare the Reference Adjustment Statement, or on the basis of arithmetic error. The Notice of Adjustment Disagreement shall set forth in reasonable detail the basis for such dispute, the amounts involved and GE's determination of the Purchase Price. If no Notice of Adjustment Disagreement is received by Acquiror prior to the expiration of the Adjustment Review Period, then the Closing Date Statement and the Purchase Price set forth in the Closing Date Statement shall be deemed to have been accepted by GE and shall be binding upon the parties in accordance with Section 3.4(e).

(d) During the thirty (30) days immediately following the delivery of a Notice of Adjustment Disagreement (the "Consultation Period"), Acquiror and GE shall seek in good faith to resolve any differences that they may have with respect to the matters specified in the Notice of Adjustment Disagreement.

(e) If, at the end of the Consultation Period, GE and Acquiror have been unable to resolve any differences that they may have with respect to the matters specified in the Notice of Adjustment Disagreement, GE and Acquiror shall submit all matters that remain in dispute with respect to the Notice of Adjustment Disagreement to the Independent Accountant within fifteen (15) days after the end of the Consultation Period. Within thirty (30) days after such submission, or as soon as practicable thereafter, the Independent Accountant shall make a final determination, which shall be binding on the parties to this Agreement and their Affiliates, of the appropriate amount of each of the line items in the Closing Date Statement as to which GE and Acquiror disagree as set out in the Notice of Adjustment Disagreement. With respect to each disputed item, such determination, if not in accordance with the position of either GE or Acquiror, shall not be in excess of the higher, nor less than the lower, of the amounts advocated by GE in the Notice of Adjustment Disagreement or Acquiror in the Closing Date Statement with respect to such disputed line item. Based on its final determination of the disputed items, the Independent Accountant shall make a final determination, binding on the parties to this Agreement, as to the Purchase Price. The amount of the Purchase Price that is final and binding on the parties, as determined either through agreement of the parties pursuant to Section 3.4(c) or 3.4(d) or through the action of the Independent Accountant pursuant to this Section 3.4(e), is referred to as the "Final Purchase Price".

(f) The cost of the Independent Accountant's review and determination shall be shared equally by GE, on the one hand, and Acquiror on the other hand. During the review by the Independent Accountant, Acquiror and GE will each make available to the Independent Accountant interviews with such individuals, and such information, books and records and work papers, as may be reasonably required by the Independent Accountant to fulfill its obligations under Section 3.4(e). In acting under this Agreement, the Independent Accountant will be entitled to the privileges and immunities of an arbitrator.

(g) If the Final Purchase Price exceeds the Purchase Price, Acquiror shall pay to GE, or if the Purchase Price exceeds the Final Purchase Price, GE shall pay to Acquiror, an amount equal to the difference between the Final Purchase Price and the Purchase Price (the "Final Adjustment Payment"). The Final Adjustment Payment shall be paid within two (2)

Business Days of the determination of the Final Purchase Price by wire transfer in of immediately available funds to an account or accounts designated by the party entitled to receive such fund.

3.5 Interim Earnings.

(a) Attached hereto as Section 3.5(a) of the GE Disclosure Letter is a calculation statement setting forth (i) the statement of earnings of the Business for the fiscal quarter ended September 30, 2005 and (ii) in reasonable detail (including supporting schedules), the calculations that would have been made to adjust the "net income (losses)" line item of such statement in accordance with the definition of Earnings contained in this Agreement (the "Reference Earnings Statement"). The Reference Earnings Statement has been prepared solely to illustrate the calculation of Earnings for the fiscal quarter ended September 30, 2005 as if such quarter were included in the period in respect of which a payment is to be made pursuant to this Section 3.5. The amounts set forth therein are preliminary and shall not be taken into account in determining the amount of any payment to this Section 3.5. No representation or warranty is made by GE with respect to either such document.

(b) As soon as reasonably practicable, and in any event within thirty (30) days following each fiscal quarter ending on or after December 31, 2005, GE shall deliver to Acquiror for each such period a calculation statement setting forth (i) the statement of earnings for the Business for the fiscal quarter then ended, calculated in accordance with the statement of earnings included in the Reference Earnings Statement and (ii) in reasonable detail, the calculations to be made to adjust the "net income (losses)" line item of such statement of earnings in accordance with the definition of Earnings contained in this Agreement (each, an "Interim Earnings Statement"). The quarterly Interim Earnings Statements, at the time of delivery thereof to Acquiror, shall be reviewed (based upon procedures to be reasonably agreed by the parties) by KPMG and GE shall also deliver to Acquiror with such statements a copy of KPMG's report. In addition, at least five (5) days prior to the Initial Closing, GE shall deliver to Acquiror estimated Interim Earnings Statements (with respect to the Initial Closing and the Final Closing) for the period from the end of the last quarter for which the Latest Agreed Earnings has been determined through the Initial Closing Date or the Final Closing Date, as the case may be (the "Stub Period Earnings Statement").

(c) GE and Acquiror shall meet to agree upon the calculation of Earnings for each period covered by an Interim Earning Statement. During the twenty (20) days immediately following Acquiror's receipt of the applicable Interim Earnings Statements and KPMG report (each, an "Earnings Review Period"), Acquiror and its Representatives shall be permitted to review GE's working papers relating to such Interim Earnings Statement, and GE shall make reasonably available, consistent with the provisions set forth in Section 7.2 of this Agreement, the individuals in its employ responsible for and knowledgeable about the information used in, and the preparation of, such Interim Earnings Statement in order to respond to the reasonable inquiries of Acquiror.

(d) Acquiror shall notify GE in writing (each a "Notice of Earnings Disagreement") prior to the expiration of the applicable Earnings Review Period if Acquiror disputes amounts reflected in the Interim Earnings Statement. Acquiror shall be permitted to dispute amounts reflected in the Interim Earnings Statement only on the basis that such amounts were not arrived at in a manner consistent with the preparation of the corresponding amounts set forth in the Consolidating Financial Statements used to prepare the Reference Earnings Statement and the previously delivered Interim Earnings Statements, or on the basis of arithmetic error. The Notice of Earnings Disagreement shall set forth in reasonable detail the basis for such dispute, the amounts involved and Acquiror's determination of Earnings. If no Notice of Earnings Disagreement is received by GE prior to the Expiration of any Earnings Review Period, then the Interim Earnings Statement and the calculation of Earnings set forth therein for such period shall be deemed to have been accepted by Acquiror and shall be binding upon the parties.

(e) During the fifteen (15) days immediately following the delivery of a Notice of Earnings Disagreement (the "Earnings Consultation Period"), Acquiror and GE shall seek in good faith to resolve any differences that they may have with respect to the matters specified in the Notice of Earnings Disagreement.

(f) If, at the end of the Earnings Consultation Period, GE and Acquiror have been unable to resolve any differences that they may have with respect to the matters specified in a Notice of Earnings Disagreement, GE and Acquiror shall submit all matters that remain in dispute to the Independent Accountant. Within thirty (30) days of such submission, or as soon as practicable thereafter, the Independent Accountant shall make a determination of the appropriate amount of each of the line items in the Interim Earnings Statement as to which GE and Acquiror disagree as set out in the applicable Notice of Earnings Disagreement. With respect to each disputed item, such determination, if not in accordance with the position of either GE or Acquiror, shall not be in excess of the higher, nor less than the lower, of the amounts advocated by Acquiror in the Notice of Earnings Disagreement or GE in the Interim Earnings Statement with respect to such disputed line item. Based on its final determination of the disputed items, the Independent Accountant shall make a final determination, binding on the parties to this Agreement, as to the amount of Earnings for either the Non-U.S. Polaris Companies or the U.S. Polaris Companies, as applicable. The amount of Earnings set forth in the most recent Interim Earnings Statement that as of a date prior to the Initial Closing has been determined either through agreement of the parties pursuant to Section 3.5(d) or 3.5(e) or through the action of the Independent Accountant pursuant to this Section 3.5(f) is referred to as the "Latest Agreed Earnings." The estimated amount of Earnings for the period from the end of the last quarter for which the Latest Agreed Earnings has been so determined through to the Initial Closing or the Final Closing, as applicable, set forth in the Stub Earnings Statement is referred to as the "Stub Period Earnings"). The amount of Earnings as of the Initial Closing or the Final Closing, as applicable, that is final and binding on the parties, as determined either through agreement of the parties pursuant to Section 3.5(d) or 3.5(e) or through the action of the Independent Accountant pursuant to this Section 3.5(f), is referred to as the "Final Earnings".

(g) The cost of the Independent Accountant's review and determination shall be shared equally by GE, on the one hand, and Acquiror on the other hand. During the review by the Independent Accountant, Acquiror and GE will each make available to the Independent Accountant interviews with such individuals, and such information, books and records and work papers, as may be reasonably required by the Independent Accountant to fulfill its obligations under Section 3.5(f). In acting under this Agreement, the Independent Accountant will be entitled to the privileges and immunities of an arbitrator.

(h) If the sum of (x) Latest Agreed Earnings and (y) Stub Period Earnings (the "Estimated Earnings"):

(i) for the Non-U.S. Polaris Companies are positive, an amount equal to Estimated Earnings shall be paid to the applicable Equity Sellers and the Asset Sellers by the applicable Equity Buyers and the Asset Buyers at the Initial Closing in accordance with this Section 3.5;

(ii) for the U.S. Polaris Companies are positive, an amount equal to Estimated Earnings shall be paid by Acquiror to the applicable Equity Sellers at the Final Closing in accordance with this Section 3.5;

(iii) for the Non-U.S. Polaris Companies are negative, an amount equal to Estimated Earnings shall be paid by the applicable Equity Sellers and Asset Sellers to the applicable Equity buyers and Asset Buyers at the Initial Closing in accordance with this Section 3.5; and

(iv) for the U.S. Polaris Companies are negative, an amount equal to Estimated Earnings shall be paid by the applicable Equity Sellers to Acquiror at the Final Closing in accordance with this Section 3.5.

(i) The processes set forth on this Section 3.5 shall continue following the Closings in order to finalize the amount of Earnings for all periods following a determination of Latest Agreed Earnings. At such time as Final Earnings has been determined pursuant to this Section 3.5, the parties shall determine the amount of any underpayment and/or overpayment made pursuant to Section 3.5(h), and the applicable Equity Sellers and Assets Sellers, or Equity Buyers or Asset Buyers, shall make such payments as shall be necessary to give effect to the provisions of Section 3.5(h) as if the term "Final Earnings" had been substituted for the term "Estimated Earnings." Any adjustment payment in respect of Final Earnings shall be paid within two (2) Business Days of the determination of Final Earnings by wire transfer in of immediately available funds to an account or accounts designated by the party entitled to receive such funds.

3.6 Purchase Price Allocation. The Base Purchase Price shall be allocated as set forth in Section 3.6 of the GE Disclosure Letter (the "Allocation Schedule"); provided that such schedule shall be adjusted from time to time to give effect to the allocation of the purchase price adjustments determined pursuant to Section 3.1 and to give effect to the provisions of Section 3.2.

3.7 Payment of Cash. Any cash payable pursuant to this Article III shall be paid by wire transfer of immediately available United States funds into an account or accounts designated by GE in writing (such designation to be made at least two (2) Business Days prior to the Initial Closing Date).

3.8 Anti-Dilution Provisions.

(a) If, between the date of this Agreement and the Final Closing Date, Acquiror shall pay a dividend in, subdivide, combine into a smaller number of shares or issue by reclassification of its shares, any Acquiror Shares, then the Upper Collar and the Lower Collar shall each be multiplied by a fraction, (i) the numerator of which shall be the number of Acquiror Shares outstanding immediately before, and (ii) the denominator of which shall be the number of Acquiror Shares outstanding immediately after, the occurrence of such event, and the resulting products shall from and after the date of such event be the Upper Collar and the Lower Collar, as the case may be, subject to further adjustment in accordance with this Section 3.8(a).

(b) In case, between the date of this Agreement and the Final Closing Date, Acquiror shall fix a record date for the issuance of rights (other than the rights offering contemplated as part of the Acquiror Financing), options or warrants to the holders of Acquiror Shares generally, entitling such holders to subscribe for or purchase Acquiror Shares (or securities convertible into Acquiror Shares) at a price per Acquiror Share (or having a conversion price per Acquiror Share, if a security convertible into Acquiror Shares) less than the Current Market Price on such record date (or if such date of issuance is more than sixty days after the record date, less than the Current Market Price on such date of issuance), then the maximum number of Acquiror Shares issuable upon exercise of such rights, options or warrants (or conversion of such convertible securities) shall be deemed to have been issued and outstanding as of the record date, and the Upper Collar and the Lower Collar shall each be multiplied by a fraction, (i) the numerator of which shall be the sum of (A) the product obtained by multiplying (1) the number of Acquiror Shares outstanding immediately prior to the time of such issuance or sale by (2) the Current Market Price immediately prior to such issuance or sale and (B) the aggregate consideration, if any, to be received by Acquiror upon such issuance or sale, and (ii) the denominator of which shall be the product obtained by multiplying (x) the aggregate number of Acquiror Shares outstanding immediately after such issuance or sale and (y) the Current Market Price immediately prior to such issuance or sale, and the resulting products shall from and after the date of such event be the Upper Collar and the Lower Collar, as the case may be. The consideration received by Acquiror for any rights, options or warrants or convertible securities shall be deemed to be the consideration received by Acquiror for such rights, options or warrants or convertible securities, plus the consideration or premiums stated in such rights, options or warrants or convertible securities to be paid for the Acquiror Shares covered thereby. Such adjustment shall be made successively whenever any such record date is fixed; and in the event such rights, options or warrants or securities convertible into Acquiror Shares are not so issued or expire unexercised, or in the event of a change in the number of Acquiror Shares to which holders of Acquiror Shares are entitled or the aggregate consideration payable by holders of such rights, options or warrants or convertible securities for such Acquiror Shares prior to their receipt of such Acquiror Shares (other than pursuant to adjustment provisions therein comparable to those contained in this paragraph), the Upper Collar and Lower Collar shall again be adjusted to be (I) the Upper Collar and Lower Collar which would then be in effect if such rights, options or warrants or securities convertible into Acquiror Shares that were not so issued or expired unexercised had never had their related record date fixed, in the former event, or (II) the Upper Collar and Lower Collar which would then be in effect if such holders had initially been entitled to such changed number of Acquiror Shares or required to pay such changed consideration, in the latter event.

(c) In case, between the date of this Agreement and the Final Closing Date, Acquiror shall issue and sell any Acquiror Shares (including any Shareholder New Acqiuror Shares to be issued pursuant to the rights offering contemplated as part of the Acquiror

Financing, but excluding Acquiror Shares issued pursuant to the any other right, or an option or warrant or convertible security issued in any transaction described in Section 3.8(b) above or pursuant to any option, warrant, right or convertible security outstanding on the date of this Agreement) at a price per Acquiror Share that is lower than the market price of the Shareholder New Acqiuror Shares (the "Measurement Price") on the pricing date for such offering then the Upper Collar and Lower Collar shall each be multiplied by a fraction, (i) the numerator of which shall be the sum of (A) the product obtained by multiplying (1) the number of Acquiror Shares outstanding immediately prior to the time of such issuance and sale by (2) the Measurement Price and (B) the aggregate consideration, if any, to be received by Acquiror upon such issuance and sale, and (ii) the denominator of which shall be the product obtained by multiplying (x) the aggregate number of Acquiror Shares outstanding immediately after such issuance and sale and (y) the Measurement Price, and the resulting products shall from and after the date of such event be the Upper Collar and the Lower Collar, as the case may be (it being understood that a rights offering conducted at "market" will be deemed to have been issued and sold at the Measurement Price).

(d) In case, between the date of this Agreement and the Final Closing Date, Acquiror shall make a distribution to holders of Acquiror Shares of (i) evidences of its indebtedness or assets, or (ii) any options, warrants or other rights to subscribe for or purchase evidences of its indebtedness or assets (excluding (1) distributions in connection with the dissolution, liquidation or winding- up of Acquiror and (2) distributions of securities referred to in Section 3.8(a), 3.8(b) or 3.8(c)), then, in each case, after the record date for the determination of shareholders entitled to receive such distribution, the Upper Collar and the Lower Collar shall be multiplied by a fraction, the numerator of which shall be the Current Market Price immediately prior to such record date less the then fair market value of the evidences of indebtedness or assets, or the options, warrants or subscription or purchase rights so distributed attributable to one Acquiror Share, and the denominator of which shall be the Current Market Price immediately prior to such date. The fair market value in the above formula shall be determined by the mutual agreement of the parties' financial advisors. In the event the parties' financial advisors fail to reach an agreement within twenty (20) calendar days of the date of the relevant record date, then such fair market value shall be determined by a nationally recognized investment bank selected by the parties' financial advisors. Such adjustment shall be made successively whenever any such record date is fixed; and in the event such evidences of indebtedness or assets, or such options, warrants or subscription or purchase rights are not so distributed or expire unexercised, or in the event of a change in the amount of indebtedness or assets to which holders of Acquiror Shares are entitled or the aggregate consideration payable by holders of such options, warrants or subscription or purchase rights prior to their receipt of such evidences of indebtedness or assets, the Upper Collar and Lower Collar shall again be adjusted to be (I) the Upper Collar and Lower Collar which would then be in effect if such evidences of indebtedness or assets, or such options, warrants or subscription or purchase rights that were not so distributed or expired unexercised had never had their related record date fixed, in the former event, or (II) the Upper Collar and Lower Collar which would then be in effect if such holders had initially been entitled to such changed amount of indebtedness or assets or required to pay such changed consideration, in the latter event.

(e) In case any portion of the consideration to be received by Acquiror in any transaction described in Section 3.8(b) or 3.8(c) shall be in a form other than cash, the fair market value of such non-cash consideration shall be utilized in the computation set forth in Section 3.8(b) or 3.8(c), as applicable. Such fair market value shall be determined by the mutual agreement of the parties' financial advisors. In the event the parties' financial advisors fail to reach an agreement within twenty (20) calendar days of the date of the relevant record date, in the case of Section 3.8(b), and the relevant issuance or sale in the case of Section 3.8(c), then such fair market value shall be determined by a nationally recognized investment bank selected by the parties' financial advisors.

3.9 Other Adjustment Verifications. If Acquiror disagrees with GE's certification of capital contributions provided under Section 7.17, within ninety (90) days of the Final Closing, Acquiror shall send a notice of disagreement to GE. If GE and the Acquiror cannot resolve any such disagreement within thirty (30) days of GE's receipt of such notice the parties shall submit such disagreement to the Independent Auditor for resolution, whose decision shall be final and binding.

ARTICLE IV

CLOSING

4.1 Closing Dates. (a) The closing of the sale and purchase of the Purchased Equity provided for in Section 2.1(a) and the Transferred Assets (the "Initial Closing") shall take place at the offices of Weil, Gotshal & Manges LLP located at 767 Fifth Avenue, New York, New York at 10:00 a.m. (New York City time) (the "WGM Offices") (i) two Business Days following the date on which the last of the conditions required to be satisfied or waived pursuant to Sections 8.1 and 8.2 is either satisfied or waived (other than those conditions that by their nature are to be satisfied at the Initial Closing, but subject to the satisfaction or waiver of those conditions at such time) or (ii) at such other time or date as the parties hereto shall agree upon in writing; provided that the closing of the sale and purchase of the asset and liabilities transferring under the UK Transfer Schemes shall take place in the United Kingdom pursuant to the applicable Court Order. The date on which the Initial Closing is to occur is referred to herein as the "Initial Closing Date."

(b) The closing of the sale and purchase of the Purchased Equity provided for in Section 2.1(b) (the "Final Closing"; the Initial Closing and the Final Closing are sometimes referred to herein as the "Closings") shall take place (i) in respect of the issue of New Acquiror Shares against contribution in kind, at the offices of Niederer Kraft & Frey, Bahnhofstrasse 13, 8001 Switzerland at 07.15 a.m. CET, and (ii) in respect of the sale of Purchased Equity for cash and the delivery of Acquiror Convertible Instruments against Purchased Equity, at the WGM Offices, (i) on the later of (x) the second Business Day following the Initial Closing Date and (y) the first Business Day following the date on which the last of the conditions required to be satisfied pursuant to Sections 8.3 and 8.4 is satisfied (other than those conditions that by their nature are to be satisfied at the Final Closing, but subject to the satisfaction of those conditions at such time) or (ii) at such other time or date as the parties hereto shall agree in writing. The date on which the Final Closing is to occur is referred to herein as the "Final Closing Date").

4.2 Closing of New Acquiror Shares. In connection with the transfer and contribution in kind of Purchased Equity and the subsequent issuance of the New Acquiror Shares the following steps shall be undertaken:

(a) Not later than the Business Day preceding the Final Closing Date the board of directors of Acquiror shall resolve the Capital Increase (*Erhöhungsbeschluss*).

(b) Following completion of the step under Section 4.2(a) above, on the Final Closing Date, the relevant Equity Sellers shall (i) enter into a contribution in kind agreement with Acquiror and subscribe for the New Acquiror Shares, (ii) deliver the corresponding subscription form to Acquiror, (iii) pursuant to the contribution in kind agreements pay the subscription price for the New Acquiror Shares by a contribution in kind consisting of the Purchased Equity as described in the Adjusted Allocation Schedule hereto and (iv) assign, convey, transfer ownership and deliver such Purchased Equity to Acquiror, together with stock certificates or other applicable instruments evidencing the Purchased Equity, duly endorsed in blank or accompanied by stock powers duly executed in blank.

(c) Following completion of the steps under Sections 4.2(a) and (b) above and the written confirmation issued by Acquiror and GE that the conditions to closing specified in Sections 8.3 and 8.4, respectively, have been satisfied, which written confirmation shall include a statement of the amount of funds dividended out of GE ISC prior to the Final Closing Date in respect of the redemption of the Class C Stock, on the Final Closing Date:

(i) Acquiror shall, through its board of directors:

(A) adopt a report on the Capital Increase out of authorized share capital (*Kapitalerhöhungsbericht*) and take note of the auditor's report (*Prüfungsbestätigung*) as required by Swiss statutory law;

(B) ascertain by way of resolution that the New Acquiror Shares are validly subscribed and paid-in and make all amendments to Acquiror's Articles of Association necessary in connection with the Capital Increase (*Feststellungsbeschluss*); and

(C) following completion of the steps under Sections 4.2(c)(i)(A) and (B), file the required application to register the Capital Increase with the commercial register; and

(ii) After registration of the Capital Increase in the journal of the commercial register (*Tagebuch*) Acquiror shall:

(A) deliver to GE and the Admission Board of the SWX Swiss Exchange, with a copy to GE's legal counsel, by 4:00 pm CET, an excerpt issued by the commercial register (after approval by the federal commercial register without reservation (*Tagebuchauszug*)) evidencing the Capital Increase;

(B) deliver to the relevant Equity Sellers a confirmation duly signed by two officers of Acquiror that the relevant Equity Sellers have been registered as shareholders with voting rights in the share register of Acquiror; and

(C) deliver the New Acquiror Shares as soon as possible after the Final Closing Date through the facilities of SIS to an account with a Swiss Bank of international repute designated by the relevant Equity Sellers in writing (such designation to be made at least three (3) Business Days prior to the Final Closing Date).

4.3 Transferors' Deliveries at Closings.

(a) At the Initial Closing:

(i) The applicable Transferors shall deliver to the applicable purchasers:

(A) stock certificates or other applicable instruments evidencing the Purchased Equity to be delivered pursuant to Section 2.1(a), duly endorsed in blank or accompanied by stock powers duly executed in blank;

(B) an executed counterpart of the Transition Services Agreement;

(C) an executed counterpart of the Transition Trademark License Agreement;

(D) an executed counterpart of the Intellectual Property Cross License Agreement;

(E) the officer's certificates required pursuant to Sections 8.1(a) and (b);

(F) all original books, records, files and papers, whether in hard copy or computer format, of the Non-U.S. Polaris Companies, except as provided in Sections 2.2(b)(vi) and 2.5 and except to the extent already in the possession of the Polaris Companies;

(G) copies (or other evidence) of all consents, authorizations, Orders, Permits and approvals required to be obtained in satisfaction of Section 8.1(g);

(H) all such additional instruments, documents and certificates provided for by this Agreement or as may be reasonably requested by Acquiror in connection with the closing of the transactions contemplated by this Agreement and the Related Agreements to be effected at the Initial Closing;

(I) an executed counterpart of the Asset Transfer Agreement;

(J) executed counterparts of the UK Asset Purchase Agreements; and

(K) executed counterparts of the Equity Transfer Agreements.

(ii) GE shall provide certification, in form reasonably satisfactory to Acquiror, that the transactions contemplated by this Agreement are exempt from withholding under Section 1445 of the Code; and

(iii) GE shall provide a counterpart of the Management Services Agreement executed by GE Asset Management.

(b) At the Final Closing, the applicable Equity Sellers shall deliver to Acquiror:

(i) stock certificates or other applicable instruments evidencing the Purchased Equity to be delivered pursuant to Sections 2.1(b) and 4.2(b), duly endorsed in blank or accompanied by stock powers duly executed in blank;

(ii) all original books, records, files and papers, whether in hard copy or computer format, of the U.S. Polaris Companies, including insurance and reinsurance contracts, claims and underwriting files, sales and promotional literature, manuals and data, sales and purchase correspondence and lists of present and former customers, except as provided in Section 2.5 and except to the extent already in the possession of the Polaris Companies or relating to the Excluded Business;

(iii) the officer's certificates required pursuant to Sections 8.3(a) and (b);

(iv) an executed counterpart of the Shareholding Agreement; and

(v) all such additional instruments, documents and certificates provided for by this Agreement or as may be reasonably requested by Acquiror in connection with the closing of the transactions contemplated by this Agreement and the Related Agreements to be effected at the Final Closing.

4.4 Acquiror's Deliveries at Closing.

(a) At the Initial Closing:

(i) the applicable purchasers shall deliver to the applicable Transferors:

(A) cash in the amounts set forth in Section 3.2(c) and 3.5(h);

(B) an executed counterpart of the Transition Services Agreement;

(C) an executed counterpart of the Transition Trademark License Agreement;

(D) an executed counterpart of the Intellectual Property Cross License Agreement;

(E) the officer's certificates required pursuant to Sections 8.2(a) and (b);

(F) copies (or other evidence) of all valid consents, authorizations, Orders, Permits and approvals required to be obtained in satisfaction of Section 8.2(g);

(G) all such additional instruments, documents and certificates provided for by this Agreement or as may be reasonably requested by GE in connection with the closing of the transactions contemplated by this Agreement and the Related Agreements to be effected at the Initial Closing;

(ii) Acquiror shall provide a counterpart of the Management Services Agreement executed by Acquiror or its designated Affiliate;

(A) an executed counterpart of the Asset Transfer Agreement;

(B) executed counterparts of the UK Asset Purchase Agreements;

(iii) executed counterparts of the Equity Transfer Agreements; and

(iv) the Notes, if any.

(b) At the Final Closing, Acquiror shall deliver or cause to be delivered to the applicable Transferors:

(i) cash in the amounts set forth in Section 3.2(d) and 3.5(h);

(ii) instruments evidencing the Acquiror Convertible Instruments;

(iii) the New Acquiror Shares pursuant to Section 4.2(c)(ii)(C) and a confirmation duly signed by two officers of Acquiror that the relevant Equity Sellers have been registered as shareholders with voting rights in the share register of Acquiror;

(iv) the officer's certificates required pursuant to Sections 8.4(a) and (b);

(v) an executed counterpart of the Shareholding Agreement;

(vi) the Notes, if any; and

(vii) all such additional instruments, documents and certificates provided for by this Agreement or as may be reasonably requested by GE in connection with the closing of the transactions contemplated by this Agreement and the Related Agreements to be effected at the Final Closing.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF GE

Except as otherwise provided in Sections 5.31 and 11.1 hereof, GE hereby represents and warrants to Acquiror that:

5.1 Organization and Good Standing. Each of GE, the Transferors and the Acquired Subsidiaries is a corporation or other organization duly organized, validly existing and, to the extent applicable in such jurisdiction, in good standing under the laws of the jurisdiction of its incorporation or organization. Each of the Polaris Companies has all requisite corporate power and authority to own, operate and lease their properties and assets and to operate the Business as now conducted. Each of the Equity Sellers and the Polaris Companies is duly qualified or authorized to do business as a foreign corporation and, to the extent applicable in such jurisdiction, is in good standing under the laws of each jurisdiction in which the conduct of its business or the ownership, leasing or operation of its properties and assets requires such qualification or authorization, except where the failure to be so qualified, authorized or in good standing (a) has not had and would not reasonably be expected to have, individually or in the aggregate, a Business Material Adverse Effect and (b) would not reasonably be expected to prevent, materially delay or materially impair the ability of GE or the Transferors to consummate the transactions contemplated by the Transaction Agreements.

5.2 Authorization. GE and each of its applicable Affiliates have all requisite power and authority to execute and deliver this Agreement (in the case of GE) and the other Transaction Agreements to which it is or is to be a party, to perform all of the obligations to be performed by each of them hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement by GE and of the other Transaction Agreements by GE or its applicable Affiliate, and the consummation by them of the transactions contemplated hereby and thereby, have been duly and validly authorized by all requisite corporate action on the part of GE and its applicable Affiliates. This Agreement, the Tax Matters Agreement, the International Tax Matters Agreement and the Employee Matters Agreement (in the case of GE) have been and, as of the applicable Closing Date, each of the other Transaction Agreements will be, duly and validly executed and delivered by GE and each of its applicable Affiliates and (assuming the due authorization, execution and delivery by the other parties hereto and thereto) this Agreement, the Tax Matters Agreement and the Employee Matters Agreement constitute, and upon execution and delivery, the other Transaction Agreements will constitute, the legal, valid and binding obligations of GE and each of its applicable Affiliates that is a party thereto, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including an implied covenant of good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

5.3 No Conflicts.

(a) The execution, delivery and performance of the Transaction Agreements by GE and its applicable Affiliates and the consummation by GE and its applicable Affiliates of the transactions contemplated by the Transaction Agreements do not and will not (i) violate or conflict with the organizational documents of GE, any of the Transferors or the Acquired Subsidiaries, (ii) provided that all consents, approvals, authorizations and other actions described in Section 5.4 have been obtained or taken, violate or conflict with any Law or Order applicable to GE, the Transferors or the Acquired Subsidiaries or any of their material assets or properties, or (iii) except as set forth in Section 5.3 of the GE Disclosure Letter and except for the Material Insurance Contracts, result in any breach of, or constitute a default (or event which, with the giving of notice or lapse of time, or both, would become a default) under, or result in the loss of a benefit under, or require any consent or approval under, or give to any Person any rights of termination, amendment, acceleration or cancellation of, or result in the creation of any Lien on any of the Transferred Assets pursuant to, any Material Contract, material Permit or other material instrument to which GE, any of the Acquired Subsidiaries, the Equity Sellers or the Asset Sellers (with respect to the Transferred Assets) is a party or by which any of the assets or properties of the Business (including the Transferred Assets) are bound or affected, except, in the case of clauses (ii) and (iii), any such conflicts, violations, breaches, Liens, defaults or rights as would not, individually or in the aggregate, reasonably be expected to (A) have a Business Material Adverse Effect or (B) prevent, materially delay or materially impair the ability of GE or the Transferors to consummate the transactions contemplated by the Transaction Agreements.

(b) GE has made available to Acquiror true and complete copies of the certificate of incorporation and by-laws (or comparable organizational documents) of each of the Acquired Subsidiaries.

5.4 Consents and Approvals. The execution and delivery of the Transaction Agreements by GE and its applicable Affiliates that are party thereto do not, and the performance by GE and its applicable Affiliates of, and the consummation by GE and its applicable Affiliates of the transactions contemplated by, the Transaction Agreements will not, require any consent, approval, authorization or other action or Order by, or any filing with or notification to, any Governmental Authority, except (a) in connection, or in compliance with, the notification and waiting period requirements of, and applicable filings or approvals under, Antitrust Laws, (b) in connection or in compliance with the insurance Laws of the jurisdictions set forth in Section 5.4(b) of the GE Disclosure Letter, (c) where the failure to obtain such consent, approval, authorization or action or to make such filing or notification has not had and would not reasonably be expected to have, individually or in the aggregate, a Business Material Adverse Effect or (d) as may be necessary as a result of any facts or circumstances relating to Acquiror or its Affiliates.

5.5 Capitalization.

(a) Section 5.5 of the GE Disclosure Letter sets forth a true and complete list of the Subsidiaries of the Purchased Subsidiaries, and, with respect to each Acquired Subsidiary, (i) the authorized capital stock, including par value, (ii) the jurisdiction of organization or incorporation and (iii) as of the date hereof, (A) the number and class of shares issued and outstanding, (B) the number of shares held as treasury stock and (C) the names of all stockholders or other equity owners and the number of shares of stock owned by each stockholder or the amount of equity owned by each equity owner. Except as set forth in Section 5.5 of the GE Disclosure Letter, all of the issued and outstanding shares of each

Acquired Subsidiary, as applicable, were duly authorized for issuance and are validly issued, fully paid and non-assessable and were not issued in violation of any Contract or preemptive rights, and are owned of record and beneficially by GE and its Affiliates as set forth in the GE Disclosure Letter, free and clear of all Liens, except for any Liens arising out of, under or in connection with this Agreement. Other than (x) as set forth in Section 5.5 of the GE Disclosure Letter, (y) investments in Persons held in any Polaris Company's investment portfolio and (z) equity or other similar interests with a value of less than $1,000,000, as of the date hereof there is no Person in which any of the Acquired Subsidiaries owns, of record or beneficially, any direct or indirect equity or other similar interest in excess of 5%, or any right (contingent or otherwise) to acquire the same.

(b) There is no existing option, warrant, call, right, or Contract of any character to which GE, Transferors or any Acquired Subsidiary is a party requiring, and there are no securities of GE, Transferors or any Acquired Subsidiary outstanding which upon conversion or exchange would require, the issuance, of any shares of capital stock of any Acquired Subsidiary or other securities convertible into, exchangeable for or evidencing the right to subscribe for or purchase shares of capital stock of any Acquired Subsidiary, including preemptive rights. None of GE, any Transferor or any of the Acquired Subsidiaries is a party to any voting trust, proxy or other Contract with respect to dividend rights or the voting, redemption, sale, transfer or other disposition of shares or equity of any of the Acquired Subsidiaries.

5.6 Title and Transfer of Purchased Equity and Transferred Assets. Each Equity Seller is the record and beneficial owner of the Purchased Equity indicated as being owned by such Transferor on Exhibit A, free and clear of any Liens, except for any Liens arising out of this Agreement. Except for Permitted Liens or any Liens arising out of this Agreement, the Transferred Assets are owned, leased or licensed by or otherwise made available to the Asset Sellers, free and clear of any Liens. Upon consummation of the transactions contemplated by this Agreement, including the execution and delivery of the documents to be delivered at the applicable Closing, the Asset Buyers and Equity Buyers shall acquire all of the rights of each Transferor in and to the Purchased Equity and the Transferred Assets, free and clear of all Liens (other than, with respect to the Transferred Assets, Permitted Liens).

5.7 Insurance Subsidiaries. The Polaris Companies conduct all of their insurance and reinsurance operations through the Subsidiaries listed in Section 5.7(a) of the GE Disclosure Letter (each, a "GE Insurance Subsidiary", and collectively, the "GE Insurance Subsidiaries"). Section 5.7(a) of the GE Disclosure Letter lists the jurisdiction of incorporation of each GE Insurance Subsidiary. Except as set forth in Section 5.7(a) of the GE Disclosure Letter, none of the GE Insurance Subsidiaries is "commercially domiciled" in any other jurisdiction. Except as set forth in Section 5.7(b) of the GE Disclosure Letter, each of the GE Insurance Subsidiaries is, where required, (a) duly licensed or authorized as an insurance company or, where applicable, reinsurer in its jurisdiction of incorporation, (b) duly licensed or authorized as an insurance company or, where applicable, a reinsurer in each other jurisdiction where it is required to be so licensed or authorized and (c) duly authorized in its jurisdiction of incorporation and each other applicable jurisdiction to write each line of business reported as being written in the Business SAP Statements, except, in each case, where the failure to be so licensed or authorized has not had and would not reasonably be expected to have, individually or in the aggregate, a Business Material Adverse Effect. Except as set forth in Section 5.7(b) of the GE Disclosure Letter, all of such licenses that are material to the Business are in full force and effect, and there is no investigation pending or, to the Knowledge of GE, threatened which would reasonably be expected to lead to the revocation, amendment, failure to renew, limitation, suspension or restriction of any such material license. Except as set forth in Section 5.7(c) of the GE Disclosure Letter, the GE Insurance Subsidiaries have made all required material filings under applicable insurance holding company Laws.

5.8 Business Financial Statements. Section 5.8 of the GE Disclosure Letter contains true and correct copies of (a) the audited consolidated statement of financial position of "GE ISC and Consolidated Subsidiaries" as at December 31, 2004 and 2003, and the related audited consolidated statements of earnings, stockholder's equity and cash flows for each of the years in the three-year period ended December 31, 2004 (such audited statements, including related notes, are referred to herein as the "Audited Business Financial Statements"), and (b) the unaudited, condensed, consolidated statement of financial position of "GE ISC and Consolidated Subsidiaries" as at June 30, 2005 and the related unaudited, condensed, consolidated statements of current and retained earnings and cash flows for the six (6) month period then ended (such unaudited statements are referred to herein as the "Unaudited Business Financial Statements"). Each of the Audited Business Financial Statements has been prepared based on the accounting books and records of "GE ISC and its Consolidated Subsidiaries" in accordance with GAAP consistently applied throughout the periods involved and presents fairly, in all material respects, the consolidated financial position, results of operations and cash flows of "GE ISC and Consolidated Subsidiaries" as at the dates and for the periods indicated therein. Each of the Unaudited Business Financial Statements has been prepared based on the accounting books and records of GE ISC, the other Polaris Companies and ERAC in accordance with GAAP consistently applied throughout the periods involved and present fairly, in all material respects, the combined financial position and results of operations of GE ISC, the other Polaris Companies and ERAC; except that such Unaudited Business Financial Statements are (i) condensed and do not include footnotes, year-end adjustments and certain other disclosures which might be required for such information to be presented in accordance with GAAP and (ii) reflect a change in reporting entity as a result of the conversion of General Electric Capital Corporation's preferred stock investment in ERC into a direct common stock investment in GE ISC. For the purposes hereof, the unaudited condensed, consolidated statement of financial position included in the Unaudited Business Financial Statements is referred to as the "Balance Sheet." The Additional Financial Statements will be prepared, subject to the matters contemplated by Section 7.7, on a basis consistent with the prior quarterly financial statements of GE ISC and its Consolidated Subsidiaries, except (i) as otherwise required by changes in Law, GAAP or SAP after the date hereof and (ii) changes in accounting methods, principles or practices that affect GE Subsidiaries generally.

5.9 Business SAP Statements. As used herein, the term "Business SAP Statements" means the annual statutory statements or regulatory returns and, to the extent applicable, quarterly supplements, of each of the GE Insurance Subsidiaries as filed with the applicable insurance regulatory authorities for the years ended December 31, 2004 and 2003 and the quarterly periods ended March 31, 2005 and June 30, 2005, or the local equivalents in the applicable jurisdictions. GE has made available to Acquiror true and complete copies of the Business SAP Statements. Except as set forth in Section 5.9 of the GE Disclosure Letter: (i) each of the GE Insurance Subsidiaries has filed or submitted all Business SAP Statements required to be filed with or submitted to the appropriate insurance regulatory authorities of the jurisdiction in which it is domiciled on forms prescribed or permitted by such authority, (ii) the Business SAP Statements have been prepared in accordance with SAP consistently applied throughout the periods involved and present fairly, in all material respects, the statutory financial position and the statutory results of operations of the GE Insurance Subsidiaries as at the dates and for the periods indicated therein and (iii) each of the Business SAP Statements complied in all material respects with applicable Law when filed, and no material deficiency has been asserted in writing with respect to any Business SAP Statement by the applicable insurance regulatory body or any other Governmental Authority.

5.10 No Undisclosed Liabilities. Other than (a) Liabilities incurred after December 31, 2004 in the ordinary course of business consistent with past practice of the Polaris Companies, including Liabilities for losses and loss adjustment expenses arising under policies or contracts of insurance or reinsurance issued or assumed by a GE Insurance Subsidiary, (b) Liabilities accrued or reserved against in (i) the audited consolidated statement of financial position as of December 31, 2004 included in the Audited Business Financial Statements or (ii) the balance sheets as of December 31, 2004 in the Business SAP Statements, (c) Liabilities incurred in connection with the transactions contemplated hereby or permitted to be incurred by this Agreement, (d) Liabilities in respect of claims asserted by or against holders of Polaris Companies Insurance Contracts or Polaris Companies Reinsurance Agreements, (e) Liabilities set forth in Section 5.10 of the GE Disclosure Letter and (f) Liabilities that have not had and would not reasonably be expected to have, individually or in the aggregate, a Business Material Adverse Effect, none of the Polaris Companies has any Liabilities of any nature, whether or not required by GAAP or SAP to be reflected in, reserved against or otherwise described in a balance sheet.

5.11 Absence of Certain Developments.

(a) Except as expressly contemplated by this Agreement and as set forth in Section 5.11 of the GE Disclosure Letter, from December 31, 2004 through the date hereof, the Polaris Companies conducted their respective businesses only in the ordinary course of business consistent with past practice (including with regard to investment policies generally) and there has not been:

(i) to the extent payable by a Polaris Company or affecting a Business Employee, any (A) employment, deferred or incentive compensation, severance, retirement or other similar agreement entered into or plan or arrangement established with or with respect to any director, officer or employee (or any amendment to any such existing agreement), (B) grant of any severance or termination pay to any director, officer or employee other than in the ordinary course of business consistent with past practice or (C) change in compensation or other benefits payable to any director, officer or employee, other than (x) increases in compensation and bonuses made in the ordinary course of business consistent with past practice and (y) changes in benefits required by plans and arrangements under the terms in effect as of December 31, 2004;

(ii) any action which, if taken after the date hereof, would require the consent of Acquiror under Section 7.1(d)(ii), (iii), (iv) or (vii); and

(iii) other than claims arising under policies or contracts of insurance or reinsurance issued or assumed by any Polaris Company, any event, change, occurrence or circumstance that has had or would reasonably be expected to have, individually or in the aggregate, a Business Material Adverse Effect.

(b) From October 1, 2005 through the date hereof, none of the Polaris Companies declared or paid any dividends or other distributions to GE or any of its Affiliates (other than dividends or distributions made solely to another Polaris Company).

5.12 Intellectual Property.

(a) To the Knowledge of GE, the Polaris Companies own, license or otherwise have the right to use all material Intellectual Property in use by them that is necessary to the operation of the Business as conducted on the date of this Agreement and all such Intellectual Property included in the Transferred Assets is free and clear of all Liens, other than Permitted Liens.

(b) To the Knowledge of GE, no third Person is engaging in any activity that infringes, misappropriates or otherwise violates, in any material respect, the Business Intellectual Property.

(c) (i) None of the Polaris Companies has received any written claim or notice from any Person that the Polaris Companies are engaging in any activity that infringes, misappropriates or otherwise violates in any material respect any Intellectual Property of any third Person, (ii) there are no Actions pending or, to the Knowledge of GE, threatened against the Polaris Companies alleging any infringement, misappropriation or violation, or challenging or questioning the validity with respect to any material Intellectual Property used or owned by them.

(d) Section 5.12(d) of the GE Disclosure Letter sets forth a true and complete list as of the date hereof of all material Business Intellectual Property which is the subject of registrations or applications for registration. To the Knowledge of GE, such registrations and applications are valid and subsisting.

5.13 Material Contracts.

(a) Section 5.13(a) of the GE Disclosure Letter sets forth, as of the date hereof, all of the following Contracts to which any Polaris Company (or GE or its respective Affiliates (other than the Polaris Companies)) is a party or by which it or any of its assets or properties is bound with respect to the Business (collectively, the "Material Contracts"):

(i) Contracts between any of the Polaris Companies, on the one hand, and either (A) GE or any of its Affiliates (other than the Polaris Companies) or Blue Ridge or its Subsidiaries, involving payments by or to a Polaris Company in the last twelve (12) months in excess of $1,000,000, or (B) any current or former officer, director or employee of GE or any of its Affiliates (other than any U.S. Executive Agreement or comparable Contract with a non-U.S. employee of a Polaris Company), in either case on the other hand;

(ii) Contracts that contain covenants prohibiting or limiting the ability of any Polaris Company or, following consummation of the transactions contemplated by the Transaction Agreements, Acquiror's business, to engage in any business activity in any geographic area or in any line of business or to compete with any Person, to the extent that such covenants would be in effect after the Initial Closing Date;

(iii) Contracts with any labor union or association representing any employee of the Business;

(iv) Contracts for the sale of any of the assets (including equity interests) of any of the Polaris Companies other than in the ordinary course of business consistent with past practice, for consideration in excess of $10,000,000;

(v) Contracts relating to any acquisition to be made, after the date hereof, by any of the Polaris Companies of any operating business, assets or the capital stock of any other Person, in each case for consideration in excess of $10,000,000;

(vi) Contracts relating to the incurrence of Indebtedness by any of the Polaris Companies involving amounts in excess of $5,000,000, other than Contracts with Affiliates which are to be terminated pursuant to Section 7.8;

(vii) Contracts providing for the indemnification (other than any Tax indemnification) by any of the Polaris Companies (A) of any special purpose vehicle or other financing entity, including off balance sheet entities or (B) of any purchaser in connection with an acquisition (by merger, consolidation, acquisition of stock or assets or otherwise) of any former business of the Polaris Companies where the Polaris Company believes the amount of such indemnity would reasonably be expected to exceed $10,000,000;

(viii) any agency, broker, selling, marketing or similar Contract, individually or in the aggregate, relating to the direct insurance of the Business and involving payments in the last twelve (12) months in excess of $1,000,000;

(ix) any material joint venture or partnership agreement in which a Polaris Company participates as a partner, member, or joint venturer, other than in respect of joint ventures or similar investments held in an investment portfolio;

(x) (A) Contracts granting or obtaining any right to use or practice any rights under any material registered Intellectual Property, material information technology service Contracts and material outsourcing Contracts, in each case involving payments by or to a Polaris Company in the last twelve (12) months in excess of $5,000,000 and (B) Contracts containing covenants not to assert claims of infringement with respect to the Business Intellectual Property and Business Technology; and

(xi) Contracts restricting the payment of dividends or other distributions by any Polaris Company.

(b) Each Material Contract is a legal, valid and binding obligation of one of the Polaris Companies and is enforceable against the Polaris Company party thereto and, to the Knowledge of GE, of each other party thereto, in accordance with its terms (except in each case as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including an implied covenant of good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity)). Neither GE nor any of its Affiliates that is a party thereto (including the Polaris Companies) (i) is in material violation or material default of any Material Contract or (ii) has received any written notice of any event that with notice or lapse of time, or both, would constitute a material default by the Polaris Companies under any Material Contract. Complete and correct copies of each of the Material Contracts have been made available to Acquiror prior to the date hereof.

5.14 Employment and Employee Benefits Plans. Each representation in each subSection of this Section 5.14 is qualified, and an exception to such representation is hereby made, to the extent of any matters set forth in the corresponding subsections of Section 5.14 of the GE Disclosure Letter.

(a) All employee benefit plans (within the meaning of Section 3(3) of ERISA) and all bonus or other incentive compensation, stock option, stock purchase, restricted stock, deferred compensation, retiree health or life insurance, supplemental retirement, severance, vacation or educational assistance plans, programs or arrangements sponsored by GE or one of the Polaris Companies and as to which GE or its Affiliates has any obligation or liability for the benefit of any Business Employee are referred to herein as "Employee Plans". The Employee Plans sponsored solely by one or more of the Polaris Companies are referred to as "Subsidiary Plans", and the Employee Plans sponsored by GE and its Affiliates (excluding Polaris Companies) are referred to as "Parent Plans".

(b) Section 5.14(b) of the GE Disclosure Letter sets forth a list of all Employee Plans for the benefit of Business Employees employed in the United States ("U.S. Employee Plans") and separately identifies (i) the U.S. Employee Plans that are sponsored solely by one or more of the Polaris Companies ("U.S. Subsidiary Plans") and (ii) the U.S. Employee Plans that are sponsored, in whole or in part, by GE and its Affiliates other than Polaris Companies ("U.S. Parent Plans").

(c) Section 5.14(c) of the GE Disclosure Letter sets forth a list of all individual employment, retention, termination, severance or other similar agreements with any Business Employee who is within the Officer, Senior Executive Band or Executive Band (such agreements are hereinafter referred to as the "Executive Agreements"). Section 5.14(c) of the GE Disclosure Letter sets forth a list of all standard forms of employment agreements used in each jurisdiction in which Business Employees are employed (such agreements, "Form Employment Agreements").

(d) GE has previously made available to Acquiror (i) a true and complete copy of each U.S. Employee Plan and Employee Plan that is a defined benefit pension plan, (ii) a complete copy of each Executive Agreement and each Form Employment Agreement and (iii) a summary of all material Employee Plans for the benefit of Business Employees employed outside of the United States ("Foreign Benefit Plans"). Within 30 days after the date hereof, GE shall provide Acquiror with true and complete copies of each other Foreign Benefit Plan and make available all other individual employment agreements.

(e) None of the U.S. Subsidiary Plans is a multiemployer plan (within the meaning of Section 3(37) of ERISA).

(f) Each U.S. Subsidiary Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS that it is so qualified, and each related trust that is intended to be exempt from federal income Tax pursuant to Section 501(a) of the Code has received a determination letter from the IRS that it is so exempt, and no fact or event has occurred since the date of such determination letter that would reasonably be expected to adversely affect such qualification or exemption, as the case may be.

(g) With respect to each U.S. Employee Plan, none of the Acquired Subsidiaries is currently liable for any material Tax arising under Section 4971, 4972, 4975, 4979, 4980 or 4980B of the Code, and no fact or event exists that would give rise to any such material Tax liability. None of the Acquired Subsidiaries has incurred any material outstanding liability under or arising out of Title IV of ERISA, and no fact or event exists that would reasonably be expected to result in such a liability. None of the Acquired Subsidiaries is required to post any security under Section 307 of ERISA or Section 401(a)(29) of the Code with respect to any Employee Plan, and no fact or event exists that would reasonably be expected to give rise to any such Lien or requirement to post any such security.

(h) Each Employee Plan is now and has been operated in accordance in all material respects with the requirements of all applicable Laws, including, in the case of U.S. Employee Plans, ERISA and the Code.

(i) None of the compensation payable by any Acquired Subsidiary on or after the Closing Date to any Transferred Employee on account of the transactions contemplated by this Agreement shall not be deductible by reason of the application of Section 280G of the Code.

(j) There are no material controversies pending or, to the Knowledge of GE, threatened between the Polaris Companies and any of their respective employees.

(k) None of the Polaris Companies is a party to any collective bargaining, works council or other similar employee representative agreements covering Business Employees.

(l) There are no (i) strikes, work stoppages, work slowdowns or lockouts pending or, to the Knowledge of GE, threatened against or involving the Business Employees, or (ii) unfair labor practice charges, grievances or complaints pending or, to the Knowledge of GE, threatened by or on behalf of any Business Employee, except as would not reasonably be expected to have a Business Material Adverse Effect.

(m) The Polaris Companies are in compliance with all applicable laws respecting employment and employment practices, including all Laws respecting terms and conditions of employment, health and safety, wages and hours, child labor, immigration, employment discrimination, disability rights, equal opportunity, affirmative action, and employee leaves.

5.15 Litigation. Except as set forth in Section 5.15(a) of the GE Disclosure Letter or for ordinary course claims arising under Polaris Companies Insurance Contracts, the Polaris Companies Reinsurance Agreements and Polaris Companies Retrocession Agreements, there are no Actions pending or, to the Knowledge of GE, threatened against GE, Transferors or the Acquired Subsidiaries or any of the Polaris Companies' respective properties or assets, where such Action (a) seeks in excess of $10,000,000 or (b) with respect to GE or any Transferor, would reasonably be expected to prevent, materially delay or materially impair the ability of GE or any Transferor to consummate the transactions contemplated by, or to perform their obligations under, the Transaction Agreements. There are no Orders or settlement agreements binding upon GE, Transferors or the Acquired Subsidiaries that would reasonably be expected, individually or in the aggregate, to prevent, materially delay or materially impair the ability of GE or Transferors to consummate the transactions contemplated by the Transaction Agreements. No Order or Permit applicable to, binding on or held by any of the Polaris Companies or their respective properties or assets (A) limits the ability of any Polaris Company to pay dividends or make other distributions or (B) materially restricts the business of any of the Polaris Companies, except for limitations and restrictions generally applicable to other similarly situated Persons.

5.16 Compliance with Laws; Permits.

(a) Except as set forth in Section 5.16(a) of the GE Disclosure Letter, the Polaris Companies are in compliance in all material respects with all Laws of any Governmental Authority applicable to their respective businesses or operations, except where the failure to be in compliance would not reasonably be expected to prevent, materially delay or materially impair the ability of GE or Transferors to consummate the transactions contemplated by the Transaction Agreements, and since December 31, 2004, none of GE, the Equity Sellers or the Polaris Companies have received any written notice of or been charged with the violation in any material respects of any such Laws. Each of the Polaris Companies is in compliance in all material respects with its own and GE's policies applicable to its collection, use and disclosure of personal or private information of customers or consumers.

(b) GE has provided Acquiror access to all documents provided to the Office of the New York Attorney General ("NYAG") in response to the NYAG's subpoena dated November 17, 2004. To the Knowledge of GE, there are no non-privileged documents that are reasonably responsive to such subpoena, as modified by agreement with the NYAG, that were not provided to the NYAG and made available to Acquiror. GE has asserted privileges in this matter in the ordinary course with respect to certain documents not provided to the NYAG. As of the date hereof, Section 5.16(b) of the GE Disclosure Letter (i) identifies all other subpoenas and written requests for information received by GE or any of its Affiliates from any other Governmental Authority substantially covering the matters referred to in the NYAG's subpoena and (ii) sets forth a description of the scope of the response, if any, to the NYAG subpoena and the other subpoenas and written requests referred to in clause (i) above.

(c) The Polaris Companies have all Permits that are required for the operation of the Business as conducted on the date hereof, other than those the failure of which to possess has not had and would not reasonably be expected to have, individually or in the aggregate, a Business Material Adverse Effect. None of the Polaris Companies is in material default or material violation (and no event has occurred which, with notice or the lapse of time or both, would constitute a material default or material violation by a Polaris Company) of any term, condition or provision of any such Permit.

(d) Notwithstanding the foregoing, no representation or warranty is made in this Section 5.16 with respect to Environmental Laws, Tax matters or employment, employee benefit or labor matters.

5.17 Environmental Matters. Except as set forth in Section 5.17 of the GE Disclosure Letter: (a) none of the Owned Real Property or the Leased Real Property (collectively, the "Real Properties") is subject to a written notice, request for information or order from or agreement with a Governmental Authority or third party respecting the release or threatened release of a Hazardous Material into the environment; (b) to the Knowledge of GE, there has been no release, discharge or disposal of Hazardous Materials on, at or under the Real Properties or arising out of the conduct of the Business, which would reasonably be expected to result in the imposition of any material Liability on the Polaris Companies under Environmental Laws; (c) none of the Real Properties is subject to any Lien in favor of any Governmental Authority for (i) material Liability under any Environmental Laws or (ii) material costs incurred by a Governmental Authority in response to a release or threatened release of a Hazardous Material into the environment; (d) with respect to the Real Properties or the operation of the Business thereon, there are no material judicial or administrative proceedings pending or, to the Knowledge of GE, threatened arising under or relating to an Environmental Law or making any claim based on an Environmental Law for personal injury, wrongful death or property damage; (e) the Polaris Companies have operated and are operating the Business in compliance with applicable Environmental Laws except where the failure to be in compliance has not had and would not reasonably be expected to have, individually or in the aggregate, a Business Material Adverse Effect; and (f) the Polaris Companies currently have all Environmental Permits that are required for the operation of the Business as conducted on the date hereof, other than those the failure of which to possess has not had and would not reasonably be expected to have, individually or in the aggregate, a Business Material Adverse Effect.

5.18 Sufficiency of Assets. Except for the Excluded Assets, the Transferred Assets and the other assets of the Acquired Subsidiaries, taking into account the Transaction Agreements and services the Polaris Companies currently procure from third parties in the ordinary course of business, constitute all of the assets necessary to conduct the Business in all material respects as conducted on the date of this Agreement.

5.19 Reserves. Except as may be required as a result of a change in Law, GAAP or SAP, the reserves for payment of benefits, losses, claims and expenses pursuant to all insurance, reinsurance and retrocession policies and contracts of each GE Insurance Subsidiary reflected in or included with the consolidated financial statements of "GE ISC and Consolidated Subsidiaries" and the quarterly statements of the GE Insurance Subsidiaries for the period ended September 30, 2005 have been calculated in all material respects in accordance with the reserving practices and policies employed in connection with the preparation of the Unaudited Business Financial Statements and the Business SAP Statements as of, and for the period ended, June 30, 2005.

5.20 Investment Intention. The Equity Sellers are acquiring the New Acquiror Shares for their own account, for investment purposes only. The Equity Sellers are not acquiring the New Acquiror Shares with a view to the distribution (as such term is used in Section 2(a)(11) of the Securities Act of 1933, as amended (the "Securities Act")) thereof. GE understands that such securities have not been registered under the Securities Act and cannot be sold unless subsequently registered under the Securities Act or an exemption from such registration is available, and agrees that it will not, and will cause the Equity Sellers not to, reoffer or resell the New Acquiror Shares or the Acquiror Convertible Instruments in any transaction that would require the registration of New Acquiror Shares or Acquiror Convertible Instruments under the Securities Act or would require the preparation or publication of a prospectus under the EU Prospectus Directive and the EU Prospectus Directive Regulation or any other similar Law, regulation or stock exchange requirements in any jurisdiction, and will not, and will obtain agreements from each purchaser of New Acquiror Shares to not, deposit any New Acquiror Shares in Acquiror's American Depositary Receipts facility.

5.21 Financial Advisors. Except as set forth in Section 5.21 of the GE Disclosure Letter, no Person has acted, directly or indirectly, as a broker, finder or financial advisor for GE or any of its Affiliates in connection with the transactions contemplated by this Agreement and no such Person is entitled to any fee or commission or like payment from Acquiror in respect thereof. For the avoidance of doubt, the fees and expenses of each Person referred to in Section 5.21 of the GE Disclosure Letter will be paid by GE or its Affiliates (other than the Polaris Companies).

5.22 Material Insurance Contracts.

(a) Section 5.22(a) of the GE Disclosure Letter sets forth, as of the date hereof, a complete and correct list of all of the following Contracts (collectively, "Material Insurance Contracts"):

(i) reinsurance treaties entered into as an assuming reinsurer written by (A) ERC, GE Reinsurance Corporation, the Australian branch office of ERC, GE Frankona Ruckversicherungs-Aktiengesellschaft, GE Frankona Reinsurance A/S or GE Frankona Reinsurance Limited (U.K.) with written premium in excess of $10,000,000 attributable to a treaty period occurring between January 1, 2003 and September 30, 2005, and (B) ERC or GE Reinsurance Corporation with net written premium in excess of $5,000,000 during the 2005 calendar year;

(ii) primary insurance contracts in force as of August 31, 2005 and written by (A) Westport Insurance Corporation, First Specialty Insurance Corporation or ERC with annual premium in excess of $500,000 and (B) Industrial Risk Insurers with annual premium in excess of $1,000,000;

(iii) (A) facultative certificates written by GE Frankona Ruckversicherungs-Aktiengesellschaft or GE Frankona Reinsurance A/S with written premium in excess of $5,000,000 attributable to a certificate period occurring between January 1, 2003 and September 30, 2005 and (B) the thirty-two (32) largest facultative certificates written by ERC or GE Reinsurance Corporation attributable to a certificate period occurring between January 1, 2003 and September 30, 2005; and

(iv) the seventy-five (75) Contracts where a Polaris Company is the cedant which have the highest "recoverable" balances as of September 30, 2004, where "recoverable" is defined as the sum of paid amounts and case reserves.

(b) Except as would not, individually or in the aggregate, reasonably be expected to result in a Business Material Adverse Effect, each Material Insurance Contract is the legal, valid and binding obligation of one of the Polaris Companies and is enforceable against the Polaris Company party thereto and, to the Knowledge of GE, of each other party thereto, in accordance with its terms (except in each case as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity)).

(c) Except as set forth in Section 5.22(c) of the GE Disclosure Letter, neither GE nor any of its Affiliates has received (i) to the knowledge of the person set forth in Section 5.22(c) of the GE Disclosure Letter, any threat (written or oral) from any party to any Polaris Companies Retrocession Agreement that such party intends not to honor its obligations under such Polaris Companies Retrocession Agreement, which threat is reasonably likely to result in an Action, and (ii) any written notice from any such party that such party intends not to honor its obligations under such Polaris Companies Retrocession Agreement.

5.23 Portfolio Investments. All investments included in the investment portfolios of each of the Polaris Companies comply in all material respects with all Laws applicable to the Polaris Companies. Except as set forth in Section 5.23 of the GE Disclosure Letter, as of June 30, 2005, none of the material investments included in the investment portfolios of the Polaris Companies is in material default in the payment of principal or interest or dividends.

5.24 Real Property.

(a) Section 5.24(a) of the GE Disclosure Letter sets forth a true and complete list as of the date hereof of each material parcel of Owned Real Property. One or more of the Polaris Companies hold good and valid title to each such parcel of Owned Real Property in fee simple absolute, free and clear of all Liens other than Permitted Liens.

(b) Section 5.24(b) of the GE Disclosure Letter sets forth a true and complete list as of the date hereof of all material leases of Leased Real Property (the "Material Leases"). All of the Material Leases are in full force and effect and no Polaris Company (i) is in material default of any Material Lease or (ii) has received any written notice of any event that with notice or lapse of time, or both, would constitute a material default by the Polaris Companies under any Material Leases. GE has made available to Acquiror true and complete copies of the Material Leases.

(c) As of the date hereof, there are no condemnation proceedings or eminent domain proceedings of any kind pending, or to the Knowledge of GE, threatened with respect to any portion of the Real Property.

5.25 Investment Company. None of the Polaris Companies is an "investment company", as such term is defined in the Investment Company Act of 1940, as amended.

5.26 Internal Controls. The Business maintains a system of internal accounting controls sufficient to comply in all material respects with all legal and accounting requirements applicable to the Business. There are no significant deficiencies in the internal accounting controls of the Business which would reasonably be expected to adversely effect in any material respect the ability of the Business to record, process, summarize and report financial data. Neither GE, the Transferors nor any Polaris Company has received notice of any material complaint, allegation, assertion or claim that the Business has engaged in questionable accounting or auditing practices.

5.27 Books and Records. The books and records of the Polaris Companies (a) have been maintained in all material respects in accordance with accounting practices and applicable Law and (b) contain in all material respects true and accurate records of all information required to be recorded therein. The books and records relating primarily to the Business are, or as of the Final Closing will be, in the possession or under the control of the Polaris Companies.

5.28 Non-Traditional Products. GE has provided Acquiror access to all documents provided to the Securities and Exchange Commission ("SEC") in response to the SEC's subpoena to GE dated April 29, 2005. As of the date hereof, to the Knowledge of GE, all non-privileged, material documents that are reasonably responsive to such subpoena, as modified by agreement with the SEC, that were provided to the SEC have been made available to Acquiror. This is an ongoing investigation. GE has asserted privileges in this matter in the ordinary course with respect to certain documents not provided to the SEC. As of the date hereof, Section 5.28 of the GE Disclosure Letter (i) identifies all other subpoenas and written information requests received by GE or any of its affiliates from any other Governmental Authority substantially covering the matters referred to in the SEC's subpoena and (ii) sets forth a description of the scope of the response, if any, to the SEC subpoena and the other subpoenas and written requests referred to in clause (i) above.

5.29 Indebtedness. As of the date hereof, except as described in Section 5.29 of the GE Disclosure Letter and for Indebtedness less than $5,000,000 in the aggregate, none of the Polaris Companies has any outstanding Indebtedness.

5.30 Selected Matters.

(a) None of the "Polaris Subsidiaries" (as that term is defined in the Tax Matters Agreement) has foreign branches with the exception of those entities listed in Section 5.30 of the GE Disclosure Letter.

(b) No Polaris Subsidiary has been, within the last five (5) years, a managing member, general partner or partner that owns or owned 50% or more of the interests of any partnership or joint venture or the holder of a beneficial interest in any trust (other than any trust described in N.Y. Insurance Department Regulation 114 (N.Y. Comp. Codes R. & Regs., tit. 11, sec. 126) or any similar trust) for any period for which the statute of limitations for any Tax has not expired.

5.31 No Other Representations or Warranties. **EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS ARTICLE V (AS MODIFIED BY THE GE DISCLOSURE LETTER), THE TAX MATTERS AGREEMENT, THE UK TAX MATTERS AGREEMENT, THE INTERNATIONAL TAX MATTERS AGREEMENT AND THE SHAREHOLDING AGREEMENT, NEITHER GE NOR ANY OTHER PERSON MAKES ANY OTHER EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY WITH RESPECT TO GE, GE'S AFFILIATES, THE TRANSFERORS, THE ACQUIRED SUBSIDIARIES OR THE TRANSACTIONS CONTEMPLATED BY THE TRANSACTION AGREEMENTS, AND GE DISCLAIMS ANY OTHER REPRESENTATIONS OR WARRANTIES, WHETHER MADE BY GE, THE TRANSFERORS, THE ACQUIRED SUBSIDIARIES OR ANY OF THEIR RESPECTIVE AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR REPRESENTATIVES. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN ARTICLE V HEREOF (AS MODIFIED BY THE GE DISCLOSURE LETTER), THE TAX MATTERS AGREEMENT, THE UK TAX MATTERS AGREEMENT, THE INTERNATIONAL TAX MATTERS AGREEMENT AND THE SHAREHOLDING AGREEMENT), GE HEREBY DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR ANY REPRESENTATION, WARRANTY, PROJECTION, FORECAST, STATEMENT, OR INFORMATION MADE, COMMUNICATED, OR FURNISHED (ORALLY OR IN WRITING) TO ACQUIROR OR ANY OF ITS AFFILIATES OR REPRESENTATIVES (INCLUDING ANY OPINION, INFORMATION, PROJECTION, OR ADVICE THAT MAY HAVE BEEN OR MAY BE PROVIDED TO ACQUIROR OR ANY OF ITS AFFILIATES BY ANY DIRECTOR, OFFICER, EMPLOYEE, AGENT, CONSULTANT OR REPRESENTATIVE OF GE, THE TRANSFERORS, THE ACQUIRED SUBSIDIARIES OR ANY OF THEIR RESPECTIVE AFFILIATES).**

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF ACQUIROR

Acquiror hereby represents and warrants to GE that:

6.1 Organization and Corporate Existence.

(a) Acquiror is a company limited by shares (*Aktiengesellschaft*) duly, validly and lawfully incorporated and existing under the laws of Switzerland and has full corporate capacity and authority to own, operate, lease and use its properties and assets and to conduct its business as the same is currently being conducted.

(b) Except as set forth in Section 6.1(b) of the Acquiror Disclosure Letter, no material order has been made, petition presented, resolution passed or meeting convened for the winding-up (or other process whereby a business would be terminated and assets distributed amongst creditors and/or shareholders) of Acquiror or any of its Subsidiaries, there are no cases or proceedings under insolvency, reorganization or similar laws pending in relation to them, and no events have occurred that would justify any such case or proceeding. No receiver (including any administrative receiver), liquidator, administrator or similar official has been appointed with respect to Acquiror or any of its Subsidiaries and no step has been taken for or with a view to the appointment of any such person. None of Acquiror or any of its Subsidiaries is insolvent or unable to pay its debts as they fall due.

6.2 Authorization of Agreement; Voting Requirements. (a) Acquiror has all requisite power and authority to execute and deliver this Agreement and the other Transaction Agreements, and, subject to obtaining the Required Acquiror Vote and the registration of the Capital Increase with respect to the New Acquiror Shares, the registration of the conditional share capital for the Acquiror Convertible Instruments and the registration of the resolutions of the Acquiror Shareholder Meeting in the competent commercial register, to perform all of its obligations to be performed hereunder or thereunder and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the other Transaction Agreements and, subject to obtaining the Required Acquiror Vote, the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all requisite corporate action on the part of Acquiror. This Agreement, the Tax Matters Agreement, the International Tax Matters Agreement and the Employee Matters Agreement have been, and each of the other Transaction Agreements will be at or prior to the Closing, duly and validly executed and delivered by Acquiror and (assuming the due authorization, execution and delivery by the other parties hereto and thereto) this Agreement, the Tax Matters Agreement and the Employee Matters Agreement constitute, and upon execution and delivery, the other Transaction Agreements will constitute, the legal, valid and binding obligations of Acquiror, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

(b) Acquiror's Board of Directors, at a meeting duly called and held, has by majority vote (i) approved this Agreement, the Transaction Agreements and the transactions contemplated hereby and thereby and (ii) determined to recommend and propose that stockholders of Acquiror approve the resolutions described in Section 7.12(a) (the "Acquiror Board Recommendation").

(c) The affirmative vote in favor of the creation of the authorized share capital for the Capital Increase and the creation of conditional capital for the Acquiror Convertible Instruments at the Acquiror Shareholder Meeting or any adjournment or postponement thereof by two-thirds of the shares represented at the meeting (the "Required Acquiror Vote") are the only votes or approvals of the shareholders of Acquiror or any of its Subsidiaries which are necessary for the purpose of the Capital Increase and the issuance of the Acquiror Convertible Instruments.

6.3 No Conflicts.

(a) The execution, delivery and performance of the Transaction Agreements by Acquiror and the consummation by Acquiror of the transactions contemplated by the Transaction Agreements do not and will not (i) violate or conflict with the organizational documents of Acquiror, (ii) provided that all consents, approvals, authorizations and other actions described in Section 6.4 have been obtained or taken, violate or conflict with any Law or Order applicable to Acquiror or any of its Subsidiaries or any of their material assets or properties, or (iii) except as set forth in Section 6.3 of Acquiror Disclosure Letter, result in any breach of, or constitute a default (or event which, with the giving of notice or lapse of time, or both, would become a default) under, or result in the loss of a benefit under, or require any consent or approval under, or give to any Person any rights of termination, amendment, acceleration or cancellation of, any material, Contract, material Permit or other material instrument to which Acquiror or any of its Subsidiaries is a party or by which any of the assets or properties of Acquiror or any of its Subsidiaries are bound or affected, except, in the case of clauses (ii) and (iii), any such conflicts, violations, breaches, defaults or rights as, individually or in the aggregate, would not reasonably be expected to (A) have an Acquiror Material Adverse Effect or (B) prevent, materially delay or materially impair the ability of Acquiror to consummate the transactions contemplated hereby.

(b) Acquiror has made available to GE true and complete copies of its Articles of Association.

6.4 Consents and Approvals. The execution and delivery by Acquiror of the Transaction Agreements do not, and the performance by Acquiror of, and the consummation by Acquiror of the transactions contemplated by, the Transaction Agreements will not, require any consent, approval, authorization or other action or Order by, or any filing with or notification to, any Governmental Authority, except (a) in connection, or in compliance with, the notification and waiting period requirements of, and applicable filings or approvals under, Antitrust Laws, (b) in connection or in compliance with the insurance laws of the jurisdictions set forth in Section 6.4(b) of Acquiror Disclosure Letter, (c) the Required Acquiror Vote, the actions required to call the Acquiror Shareholder Meeting, the filing with and the registration of the Capital Increase with the commercial register, and the approval of the SWX Swiss Exchange for the listing of the New Acquiror Shares and the conditional capital created for purposes of the Acquiror Convertible Instruments and the approval of a prospectus (if required) by the Financial Services Authority ("FSA"), (d) where the failure to obtain such consent, approval, authorization or action or to make such filing or notification has not had and would not reasonably be expected to have, individually or in the aggregate, an Acquiror Material Adverse Effect or (e) as may be necessary as a result of any facts or circumstances relating to GE or its Affiliates.

6.5 Capitalization.

(a) As of the date hereof, the issued share capital of Acquiror amounts to CHF 32,209,092.20 (thirty-two million two hundred nine thousand ninety-two point twenty Swiss Francs), is divided into 322,090,922(three hundred twenty-two million ninety thousand nine hundred twenty-two) registered shares with a par value of CHF 0.10 (point ten Swiss Francs)each, and is fully paid up (the "Acquiror Shares"). Except as set forth in Section 6.5(a) of the Acquiror Disclosure Letter, as of the date hereof (i) there are no resolutions pending, planned or anticipated or rights or commitments outstanding regarding the issuance of Acquiror Shares, other than as set forth in Acquiror's Articles of Association as in effect as of the date hereof and as contemplated by this Agreement and (ii) all of the issued and outstanding Acquiror Shares were duly authorized for issuance and are validly issued and fully paid up and were not listed in violation of Contract, preemptive rights or applicable Law.

(b) Except as set forth in Section 6.5(b) of Acquiror Disclosure Letter, as of the date hereof, there is no existing option, warrant, call, right, or Contract of any character to which Acquiror is a party requiring, and there are no securities of Acquiror outstanding which upon conversion or exchange would require, the issuance of any shares of Acquiror or other securities convertible into, exchangeable for or evidencing the right to subscribe for or purchase shares of capital stock of Acquiror.

6.6 Issuance and Transfer of New Acquiror Shares and Acquiror Convertible Instruments.

(a) The New Acquiror Shares and the Acquiror Convertible Instruments when issued as contemplated by this Agreement will, assuming the Equity Sellers deliver the Purchased Equity, be duly and validly issued in accordance with the Laws of Switzerland and any other relevant jurisdiction, and the New Acquiror Shares will be fully paid up to at least their nominal value and non-assessable (it being understood that the contribution of the Purchased Equity in accordance with the terms hereof is the Equity Sellers' sole obligation with respect to their receipt of the New Acquiror Shares).

(b) Upon consummation of the transactions contemplated by this Agreement, including the execution and delivery of the documents to be delivered at the Closing, at the Closing Date, the Equity Sellers shall be vested with full legal ownership in and to the New Acquiror Shares and the Acquiror Convertible Instruments, free and clear of any and all Liens or transfer restrictions, except as set forth in this Agreement, the Shareholding Agreement or as imposed by applicable securities Laws.

6.7 Acquiror Financial Statements. Acquiror has made available to GE copies of (a) the audited stand-alone and consolidated balance sheets of Acquiror as at December 31, 2004 and 2003 and the related audited stand-alone and consolidated statements of income and of cash flows of Acquiror for the years then ended and (b) the unaudited consolidated balance sheet of Acquiror as at June 30, 2005 and the related unaudited consolidated statements of income and cash flows of Acquiror for the six (6) month period then ended (such audited and unaudited statements, including the related notes and schedules thereto, are referred to herein as the "Acquiror Financial Statements"). Except as set forth in the notes thereto and as disclosed in Section 6.7 of Acquiror Disclosure Letter, each of the consolidated Acquiror Financial Statements (a) has been prepared based on the books and records of Acquiror and of its consolidated group in accordance with Swiss GAAP FER and the Swiss Code of Obligations consistently applied throughout the periods involved and (b) in all material respects, gives a true and fair view of the financial position, the results of operations and the cash flows of Acquiror and of its consolidated group, respectively, in accordance with Swiss GAAP FER. The stand-alone Acquiror Financial Statements have been prepared in accordance with the accounting principles as consistently applied and required by the Swiss Code of Obligations.

6.8 Share Price and Disclosure of Price-Sensitive Facts.

(a) Acquiror is in compliance with (i) its disclosure duties under the Listing Rules of the SWX Swiss Exchange regarding maintenance of listing, including article 72 thereof concerning the disclosure of price-sensitive facts (*ad hoc* publicity) and (ii) the disclosure obligations applying to issuers of equity securities that are listed on the SWX "EU-Compatible Segment" whose shares are admitted to trading on the EU Regulated Market Segment of virt-x and whose EU home member state is the United Kingdom, in each case as applicable to Acquiror.

(b) As of the date hereof, except as set forth on Section 6.8(b) of the Acquiror Disclosure Letter, other than the transactions contemplated hereby, Acquiror does not have any plans for or with respect to any material acquisition or disposition (other than insurance securitization transactions in the ordinary course of business) the disclosure of which would be allowed to be deferred by Acquiror in reliance on the exceptions in paragraph 2 or 3 of article 72 SWX LR.

6.9 No Undisclosed Liabilities. Other than (a) Liabilities incurred after December 31, 2004 in the ordinary course of business consistent with past practice of Acquiror, including Liabilities for losses and loss adjustment expenses arising under policies or contracts of insurance or reinsurance issued or assumed by an insurance Subsidiary of Acquiror, (b) Liabilities accrued or reserved against in the Acquiror Financial Statements, (c) Liabilities incurred in connection with the transactions contemplated hereby or permitted to be incurred by this Agreement, (d) Liabilities in respect of claims asserted by or against holders of the Acquiror Insurance Contracts or the Acquiror Reinsurance Agreements, (e) Liabilities set forth in Section 6.9 of Acquiror Disclosure Letter and (f) Liabilities that have not had and would not reasonably be expected to have, individually or in the aggregate, an Acquiror Material Adverse Effect, Acquiror and its Subsidiaries have no Liabilities of any nature, whether or not required by Swiss GAAP FER or SAP to be reflected in, reserved against or otherwise described in a balance sheet.

6.10 Absence of Certain Developments. Except as expressly contemplated by this Agreement and as set forth in Section 6.10 of Acquiror Disclosure Letter, since December 31, 2004 (a) Acquiror and its Subsidiaries have conducted their respective businesses only in the ordinary course of business consistent with past practice and (b) other than ordinary course benefit claims arising under policies or contracts of insurance or reinsurance issued or assumed by an insurance Subsidiary of Acquiror, there has not been any event, change, occurrence or circumstance that has had or would reasonably be expected to have, individually or in the aggregate, an Acquiror Material Adverse Effect.

6.11 Litigation. Except as set forth in Section 6.11 of Acquiror Disclosure Letter or for ordinary course benefit claims arising under Acquiror Insurance Contracts or Acquiror Reinsurance Agreements, as of the date hereof, there are no Actions pending or, to the Knowledge of Acquiror, threatened against Acquiror or any of its Subsidiaries that would reasonably be expected to have, an Acquiror Material Adverse Effect or that would, with respect to Acquiror, reasonably be expected to materially impair or delay the ability of Acquiror to consummate the transactions contemplated by, or to perform its obligations under, the Transaction Agreements.

6.12 Compliance with Laws.

(a) Except as set forth on Section 6.12 of Acquiror Disclosure Letter, Acquiror and its Subsidiaries are in compliance in all material respects with all Laws of any Governmental Authority applicable to their respective businesses or operations except where the failure to be in compliance would not reasonably prevent, materially delay or materially impair the ability of Acquiror to consummate the transactions contemplated by the Transaction Agreements, and neither Acquiror nor any of its Subsidiaries has received any written notice of or been charged with the violation in any material respect of any such Laws.

(b) The documents produced and used in the Acquiror Financing, and the offerings contemplated by the Acquiror Financing, will be in compliance with the requirements of Swiss Law.

6.13 Investment Intention. Acquiror and the Equity Buyers are acquiring the Purchased Equity for their own account, for investment purposes only and not with a view to the distribution (as such term is used in Section 2(a)(11) of the Securities Act) thereof. Acquiror and the Equity Buyers that are acquiring Purchased Equity understand that the Purchased Equity have not been registered under the Securities Act and cannot be sold unless subsequently registered under the Securities Act or an exemption from such registration is available.

6.14 Financial Advisors. Except as set forth in Section 6.14 of Acquiror Disclosure Letter, no Person has acted, directly or indirectly, as a broker, finder or financial advisor for Acquiror in connection with the transactions contemplated by this Agreement and no Person is entitled to any fee or commission or like payment in respect thereof. For the avoidance of doubt, the fees and expenses of each Person listed in Section 6.14 of the Acquiror Disclosure Letter will be paid by Acquiror or its Affiliates.

6.15 Financial Capability. As of the date hereof, Acquiror has no reason to believe that, if the Required Acquiror Vote is received, it and its Affiliates will not be able to obtain sufficient funds prior to the Initial Closing Date to pay the cash portion of the Purchase Price.

6.16 Internal Controls. Acquiror and its Subsidiaries maintains a system of internal accounting controls sufficient to comply in all material respects with all legal and accounting requirements applicable to Acquiror and its Subsidiaries. There are no significant deficiencies in the internal accounting controls of Acquiror and its Subsidiaries which would reasonably be expected to adversely effect in any material respect the ability of Acquiror and its Subsidiaries to record, process, summarize and report financial data. Neither Acquiror nor its Subsidiaries has received notice of any material complaint, allegation, assertion or claim that Acquiror or its Subsidiaries has engaged in questionable accounting or auditing practices.

6.17 Tax. Acquiror and its Affiliates have filed all Tax returns that are required to be filed or have requested extensions thereof (except in any case in which the failure so to file would not have, individually or in the aggregate, a material adverse effect on Acquiror or its business), and has paid all Taxes required to be paid by it and any other assessment, fine, or penalty levied against it, to the extent that any of the foregoing is due and payable, except for any such assessment, fine, or penalty that is currently being contested in good faith or as would not have, individually or in the aggregate, a material adverse effect on Acquiror or its business.

6.18 Investigation. **ACQUIROR ACKNOWLEDGES THAT IT (A) HAS MADE ITS OWN INDEPENDENT INQUIRY AND INVESTIGATION INTO, AND, BASED THEREON, HAS FORMED AN INDEPENDENT JUDGMENT CONCERNING, THE POLARIS COMPANIES, THE TRANSFERRED ASSETS AND THE BUSINESS, INCLUDING ITS OPERATIONS, TECHNOLOGY, ASSETS, LIABILITIES, RESULTS OF OPERATIONS, FINANCIAL CONDITIONS AND PROSPECTS, AND (B) HAS BEEN FURNISHED WITH OR GIVEN ACCESS TO INFORMATION ABOUT THE POLARIS COMPANIES, THE TRANSFERRED ASSETS AND THE BUSINESS. ACQUIROR ACKNOWLEDGES THE TERMS OF SECTION 5.31.**

ARTICLE VII

COVENANTS

7.1 Conduct of Business Pending the Closing. Except as otherwise expressly contemplated by the Transaction Agreements, for matters identified in Section 7.1 of the GE Disclosure Letter or as required by Law, from the date of this Agreement through the Final Closing, unless Acquiror otherwise consents in writing in advance (which consent shall not be unreasonably withheld or delayed), GE will, and will cause the Polaris Companies to, (a) conduct the Business in the ordinary course consistent with past practice, (b) use reasonable best efforts to preserve intact the business organizations of the Polaris Companies, to retain the services of the executive officers and key employees of the Business and to preserve the current significant business relationships with its agents, producers, reinsurers, retrocessionaires and customers of the Business, (c) except as otherwise required by changes in GAAP or SAP, continue to reserve in all material respects in accordance with the reserving practices and policies employed in connection with the preparation of the Unaudited Business Financial Statements and the Business SAP Statements as of, and for the period ended, June 30, 2005, and (d) not do any of the following:

(i) amend the certificate of incorporation or by-laws (or comparable organizational documents) of any of the Polaris Companies;

(ii) except with respect to the Polaris Companies' investment portfolios, permit a Polaris Company to acquire (by merger, consolidation, acquisition of stock or assets or otherwise) any Person or assets comprising a business or division or any material amount of property or assets, in or of any other Person (other than for individual amounts not in excess of $5,000,000 or in the aggregate not in excess of $25,000,000);

(iii) with respect to the Business (1) incur any additional Indebtedness (other than (A) under letters of credit entered into or renewed in the ordinary course of business consistent with past practice or (B) incurred from GE or its Affiliates in the ordinary course consistent with past practice) or (2) make loans (other than to employees for reimbursement of ordinary course expenses or as permitted by the investment policies in effect as of the date hereof) or capital contributions to any other Person (other than another Polaris Company);

(iv) transfer the ownership of any shares of, or other equity interests in, or issue or sell any additional shares of, or other equity interests in, any of the Polaris Companies, or securities convertible into or exchangeable for such shares or equity interests, or issue or grant any options, warrants, calls, subscription rights or other rights of any kind to acquire such additional shares, such other equity interests or such securities;

(v) permit a Polaris Company to enter into any Contract that would constitute a Material Contract under Sections 5.13(a)(ii), (iii), (x) or (xi) or to enter into a joint venture or partnership agreement;

(vi) permit a Polaris Company to modify, amend or terminate any of the Material Contracts;

(vii) except with respect to the Polaris Companies' investment portfolios in the ordinary course of business, permit a Polaris Company (or Subsidiary thereof) to sell, transfer, encumber, pledge, lease, sublease or otherwise dispose of any assets of the Business or Transferred Assets (other than for individual transactions not in excess of $5,000,000 or in the aggregate not in excess of $25,000,000);

(viii) permit a Polaris Company to make any material change in any financial, investment, accounting or underwriting methods, principles or practices in connection with the Business, including in the preparation of its financial statements and the establishment of Reserves, other than changes required by changes in SAP, GAAP or Law or changes in accounting principles or practices that affect GE Subsidiaries generally;

(ix) permit a Polaris Company to settle or compromise any Action or pay, discharge, settle, waive, release or assign any of its rights or claims, in each case with respect to the Business, except for any settlement, compromise, payment, discharge, waiver, release or assignment (A) in the ordinary course of business consistent with past practice or (B) outside of the ordinary course of business consistent with past practice in individual amounts not in excess of $5,000,000 or in the aggregate not in excess of $25,000,000; provided that, in no event, will any such settlement materially impair or interfere with the ability of any Polaris Company to conduct its business as currently conducted in any jurisdiction(s);

(x) pledge or otherwise encumber the Purchased Equity or any other capital stock or equity interests in any of the Acquired Subsidiaries;

(xi) except for (A) any dividend paid solely to another Polaris Company, (B) dividends on the Class C Stock, (C) distribution of the Class C Stock or the proceeds from the redemption of the Class C Stock, and (D) distribution of assets (or the proceeds thereof), or liabilities that are not intended to be transferred to or assumed by Acquiror or any Affiliate of Acquiror pursuant to the Transaction Agreements, declare or pay any dividend with respect to the capital stock or other equity interests of any of the Polaris Companies; provided that no dividend or other distribution may be made with the proceeds of the disposition of the equity or assets of Core Reinsurance Company Limited;

(xii) permit a Polaris Company to make or dispose of any investments, other than pursuant to the investment guidelines applicable to the Business in effect on the date hereof;

(xiii) enter into or adopt a plan or agreement of recapitalization, reorganization, merger or consolidation or adopt a plan of complete or partial liquidation or dissolution, in each case with respect to any Polaris Company or affecting the Business;

(xiv) effectuate a "plant closing" or "mass layoff" as those terms are defined in the Worker Adjustment and Retraining Notification Act or any similar triggering event under applicable state or local Law, affecting in whole or in part any site of employment, facility, operating unit or employee of any of the Polaris Companies;

(xv) permit a Polaris Company to enter into any Binding Producer Agreements or renew, modify or amend any existing Binding Producer Agreement to extend the term of such agreement except, in either case, to the extent such Binding Producer Agreement can be terminated upon no more than 180 days notice;

(xvi) permit a Polaris Company to enter into any Contract of retrocession with a counterparty that has a financial strength rating of less than "A" as rated by AM Best, Moody's Investor Services or Standard & Poor's, or an equivalent rating by the relevant rating agency with respect to such counterparty (in each case, unless such Contract is fully collateralized including, for the avoidance of doubt, collateralized by a letter of credit issued by an institution with an "A" or better rating);

(xvii) permit a Polaris Company to enter into any insurance, reinsurance, risk management or loss control service Contracts or arrangements with GE and its Affiliates other than a renewal of such Contracts or arrangements on substantially the same terms;

(xviii) permit a Polaris Company, to the extent payable by a Polaris Company or affecting a Business Employee, to (A) enter into or establish any, deferred or incentive compensation, severance, retention (other than a retention plan that is to be paid by GE in accordance with the Employee Matters Agreement), retirement or similar plan with respect to any director, officer or employee, (B) enter into, amend or modify any employment agreement with any employee, officer or director other than in the ordinary course of business consistent with past practice, as required by contractual obligations in existence on the date hereof or by Law, (C) grant any severance or termination pay to any director, officer or employee other than in the ordinary course of business consistent with past practice or as required by contractual obligations in existence on the date hereof or by Law or (D) amend any Employee Plan or otherwise change the current compensation or other benefits payable to any director, officer or employee other than (1) in the ordinary course of business consistent with past practice, (2) as required by contractual obligations in existence on the date hereof or by Law, or (3) any change in any Parent Plan applicable to a group of GE employees generally including Business Employees;

(xix) enter into any Contract of property and casualty insurance or reinsurance that has a term of more than two years or amend any such existing Contract to extend the term of such a Contract for a period of more than two years (except for Contracts relating to any product currently being pursued that by its nature has a term of more than two years (e.g., bank trade finance, wrap-up treaties written in the construction industry and surety performance bonds for construction projects)); and

(xx) authorize, agree to, or enter into any legally binding commitment with respect to any of the foregoing;

7.2 Access to Information. (a) From the date of this Agreement until the Final Closing Date, subject to compliance by Acquiror with the procedures established by the Transition Committee, upon reasonable prior notice, and except as determined in good faith to be appropriate to ensure compliance with any applicable Laws and subject to any applicable privileges (including the attorney-client privilege) and contractual confidentiality obligations, GE shall, and shall cause each of the Polaris Companies and each such Persons' respective Representatives to, (i) afford the Representatives of Acquiror reasonable access, during normal business hours, to the offices, properties, financial records, personnel and books and records of the Business and (ii) furnish to the Representatives of Acquiror such additional financial and operating data and other information regarding the Business as is prepared or maintained by the Polaris Companies in the ordinary course of business as Acquiror or its Representatives may from time to time reasonably request; provided, however, that such investigation shall not unreasonably interfere with any of the businesses or operations of GE, the Transferors, the Acquired Subsidiaries or any of their Affiliates.

(b) From the date of this Agreement until the Final Closing Date, in connection with any reasonable business purpose related to the transactions contemplated by this Agreement, subject to compliance by GE with the procedures established by the Transition Committee, upon reasonable prior notice, and except as determined in good faith to be appropriate to ensure compliance with any applicable Laws and subject to any applicable privileges (including the attorney-client privilege) and contractual confidentiality obligations, Acquiror shall, and shall cause its Representatives to, (i) afford the Representatives of GE reasonable access, during normal business hours, to the offices, properties, financial records, personnel and books and records of Acquiror and (ii) furnish to the Representatives of GE such additional financial and operating data and other information regarding the business of Acquiror as GE or its Representatives may from time to time reasonably request; provided, however, that such investigation shall not unreasonably interfere with the business or operations of Acquiror or any of its Affiliates. Notwithstanding the foregoing, Acquiror shall afford GE substantially comparable access as that afforded to underwriters as part of their standard due diligence process in connection with securities offerings to the public; provided that such access shall not unreasonably interfere with the Acquiror Financing. From and after the Final Closing Date, in connection with the preparation of Tax Returns, financial statements, post-closing regulatory filings, a defense relating to a third party claim,, and the determination of the indemnification rights or obligations of GE under this Agreement, upon reasonable prior notice, and except as determined in good faith to be appropriate to ensure compliance with any applicable Laws and subject to any applicable privileges (including the attorney-client privilege) and contractual confidentiality obligations, in each case, Acquiror shall, and shall cause the Acquired Subsidiaries to, (x) afford the Representatives of GE reasonable access, during normal business hours, to the offices, properties, financial records, personnel and books and records of the Polaris Companies, in respect of the operation of the Polaris Companies, the Transferred Assets and the Business prior to the Final Closing and (y) make available to the Representatives of GE the employees of Acquiror and its Affiliates in respect of the Business whose assistance, expertise, testimony, notes and recollections or presence is necessary to assist GE in connection with the preparation of Tax Returns, financial statements, post-closing regulatory filings and the defense of a third party claim, including the presence of such persons as witnesses in hearings or trials for such purposes; provided, however, that such investigation shall not unreasonably interfere with the business or operations of Acquiror or any of its Affiliates, including the Acquired Subsidiaries and the Business. For the avoidance of doubt, nothing in this Agreement limits the access rights of any party as set forth in any of the Related Agreements.

(c) Notwithstanding anything in this Agreement to the contrary, neither GE nor Acquiror shall be required, prior to the Final Closing, to disclose, or cause the disclosure of, to the other party or its Affiliates or Representatives (or provide access to any of its or its Affiliates' officers, properties, books or records that could result in the disclosure to such persons or others of) any competitively sensitive information (the "Confidential Data"), nor shall either party hereto be required to permit or cause others to permit the other party or its Affiliates or Representatives to have access to or to copy or remove from the offices or properties of the other party or any of its Affiliates any documents or other materials that might reveal any Confidential Data. For greater certainty, until the Closing Date, if a party hereto should decide to provide the other party with Confidential Data, access to and exchange of Confidential Data as between the parties hereto shall be limited to that which is reasonably necessary for the purposes of securing all necessary regulatory approvals and the preparation and settlement of the Transaction Agreements and shall be further limited such that the dissemination of such Confidential Data shall be confined to those Representatives of the other party who have a need to know such information for these purposes and who agree to respect such confidentiality in their dealings with such Confidential Data.

(d) Subject to any relevant Antitrust Laws and compliance with any regulatory restrictions, GE and Acquiror shall establish a joint transition committee (the "Transition Committee") (the members of which shall be (on behalf of GE) Dennis Dammerman, Ronald Pressman, Brackett Denniston and Pamela Daley and (on behalf of Acquiror) Jacques Aigrain, Andreas Beerli, Markus Diethelm and Weldon Wilson to (i) establish procedures with respect to the access provisions of Sections 7.2(a) and 7.2(b) in respect of the period between the date hereof and the Closing Date and (ii) plan the steps necessary to efficiently implement the purchase of the Business by Acquiror. The Transition Committee shall be co-chaired by a representative of each of Acquiror and GE, shall have appropriate representatives of both GE and Acquiror and shall meet in person or telephonically as frequently as shall be reasonably determined by the parties hereto (subject to the limitation that such meetings or telephone conversations shall not unreasonably interfere with the conduct of the Business). All costs associated with the establishment and the operation of the Transition Committee shall be borne equally by GE and Acquiror. Prior to any meetings of the Transition Committee, GE and Acquiror shall implement appropriate procedures for the protection of the Confidential Data of both GE and Acquiror in the event the transaction is not concluded for any reason.

7.3 Preservation of Books and Records. GE agrees that it shall preserve and keep, or cause to be preserved and kept, all original books and records referred to in Section 2.2(b)(vi) (relating to the period prior to the Initial Closing) for the longer of any applicable statute of limitations and a period of six (6) years from the Closing Date. During such six-year or longer period, Representatives of Acquiror shall, upon reasonable notice and for any reasonable business purpose, have access during normal business hours to examine, inspect and copy such books and records. During such six-year or longer period, GE shall provide Acquiror with, or cause to be provided to Acquiror, such original books and records referred to in Section 2.2(b)(vi) as Acquiror shall reasonably request in connection with any Action to which Acquiror or its Affiliates are parties or in connection with the requirements of any Law applicable to Acquiror or its Affiliates. Acquiror shall return such books and records to GE or such Affiliate as soon as such books and records are no longer needed in connection with the circumstances described in the immediately preceding sentence. After such six-year or longer period, before GE or any Affiliate shall dispose of any of such books and records, GE shall give at least ninety (90) days' prior written notice of its intention to dispose of such books and records to Acquiror, and shall be given an opportunity, at its cost and expense, to remove and retain all or any part of such books and records as Acquiror may elect.

7.4 Confidentiality. (a) The terms of the letter agreement dated June 15, 2005 (the "Confidentiality Agreement") among GE, GE ISC, Acquiror and Acquiror America Holding Corporation are incorporated into this Agreement by reference and shall continue in full force and effect until the Closing, at which time the confidentiality obligations under the Confidentiality Agreement shall terminate with respect to information relating exclusively to the Business. For the avoidance of doubt, the Confidentiality Agreement shall continue in full force and effect with respect to the Excluded Business. If, for any reason, the transactions contemplated by the Transaction Agreements are not consummated, the Confidentiality Agreement shall nonetheless continue in full force and effect in accordance with its terms.

(b) GE recognizes that by reason of its ownership of the Polaris Companies and its operation of the Business it and its Affiliates have acquired confidential information and trade secrets concerning the operation of the Business, the use or disclosure of which could cause Acquiror or its Affiliates substantial loss and damages. Accordingly, GE covenants to Acquiror that GE and its Affiliates will not for a period of six years following the Closing Date, except in performance of its obligations to Acquiror or with the prior written consent of Acquiror, directly or indirectly, disclose confidential information relating to the Business that it may learn or has learned by reason of its ownership of the Business, unless (i) it is or becomes generally available to the public other than as a result of disclosure by GE or any of its Affiliates, (ii) it is generally made available to third parties without any limitations on its use or disclosure or (iii) disclosure is required by applicable Law.

7.5 Regulatory and Other Authorizations; Consents.

(a) Subject to the proviso in Section 7.5(d), each of the parties hereto shall cooperate with the other and use its reasonable best efforts to promptly (i) take, or cause to be taken, all actions, and do, or cause to be done, all things, necessary, proper or advisable to cause the conditions to Closing to be satisfied as promptly as practicable and to consummate and make effective the transactions contemplated hereby, including preparing and filing promptly and fully all documentation to effect all necessary filings, notices, petitions, statements, registrations, submissions of information,. applications and other documents (including any required or recommended filings under applicable Antitrust Laws), and (ii) obtain all approvals, consents, registrations, permits, authorizations and other confirmations from any Governmental Authority necessary, proper or advisable to consummate the transactions contemplated hereby. For purposes hereof, "Antitrust Laws" means the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, and all other applicable Laws issued by a Governmental Authority that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition.

(b) GE and Acquiror each agree to make an appropriate filing of a notification and report form pursuant to the HSR Act with respect to the transactions contemplated by this Agreement promptly after the date of this Agreement, but in no event later than twenty-one (21) days after the date hereof, and to supply promptly any additional information and documentary material that may be requested pursuant to the HSR Act. In addition, each party agrees to make promptly any filing that may be required under any other Antitrust Law. Each party shall have responsibility for its respective filing fees associated with the HSR filings and any other similar filings required in any other jurisdictions.

(c) Each of GE and Acquiror shall promptly notify one another of any material communication it receives from any Governmental Authority relating to the matters that are the subject of this Agreement and permit the other party to review in advance any proposed communication by such party to any Governmental Authority and shall provide each other with copies of all correspondence, filings or communications between such party or any of its Representatives, on the one hand, and any Governmental Authority or members of its staff, on the other hand, subject to Section 7.2(c). Neither GE nor Acquiror shall agree to participate in any meeting with any Governmental Authority in respect of any such filings, investigation or other inquiry unless it consults with the other party in advance and, to the extent permitted by such Governmental Authority, gives the other party the opportunity to attend and participate at such meeting. Subject to the Confidentiality Agreement and to Section 7.2(c), GE and Acquiror will coordinate and cooperate fully with each other in exchanging such information and providing such assistance as the other party may reasonably request in connection with the foregoing and in seeking early termination of any applicable waiting periods or other approval under the HSR Act and any other Antitrust Laws.

(d) In furtherance and not in limitation of the covenants of the parties contained in this Section 7.5, each of the parties hereto shall use its reasonable best efforts to resolve such objections, if any, as may be asserted by a Governmental Authority with respect to the transactions contemplated hereby. Notwithstanding the foregoing or any other provision of this Agreement, GE shall not, without Acquiror's prior written consent, commit to any divestiture transaction or agree to any restriction on the Business, and nothing in this Section 7.5 shall (i) limit any applicable rights a party may have to terminate this Agreement pursuant to Section 9.1 so long as such party has up to then complied in all material respects with its obligations under this Section 7.5, (ii) require either party hereto to offer, accept or agree to (A) dispose or hold separate any part of its or the Polaris Companies' businesses, operations, assets or product lines (or a combination of Acquiror's and the Polaris Companies' respective businesses, operations, assets or product lines), (B) not compete in any geographic area or line of business, and/or (C) restrict the manner in which, or whether, Acquiror, the Polaris Companies or any of their Affiliates may carry on business in any part of the world, (iii) require any party to this Agreement to contest or otherwise resist any administrative or judicial action or proceeding, including any proceeding by a private party, challenging any of the transactions contemplated hereby as violative of any Antitrust Law or (iv) require Acquiror to enter into a capital maintenance agreement, keepwell or similar agreement with respect to a Polaris Company; provided, however, that Acquiror shall be required to offer, accept, agree to, and undertake the actions described in clauses (ii), (iii) and (iv) above unless such actions would reasonably be expected to (x) materially impair or interfere with the ability of the Polaris Companies taken as a whole or Acquiror and its Subsidiaries taken as a whole to conduct their respective businesses substantially in the manner as such businesses are now being conducted, (y) have a Business Material Adverse Effect or (z) have a material adverse effect on Acquiror and its Subsidiaries, taken as a whole.

(e) GE and Acquiror agree to cooperate in obtaining any other consents and approvals that may be required in connection with the transactions contemplated by the Transaction Agreements. Notwithstanding anything to the contrary contained in this Agreement, but subject to Sections 7.5(d) and 7.11(b), neither GE nor Acquiror shall be required to compensate any third party (including any Governmental Authority), commence or participate in litigation or offer or grant any financial accommodation or any material non-financial accommodation to any third party (including any Governmental Authority) to obtain any such consent or approval; provided, however, each party hereto will take all other reasonable actions in order to obtain any consent or approval necessary to effect the transfer to Acquiror of the Transferred Assets effective as of the Initial Closing Date.

7.6 Insurance. (a) From and after the Initial Closing Date or the Final Closing Date, as applicable, the Acquired Subsidiaries shall cease to be insured by GE's or its Affiliates' (other than the Acquired Subsidiaries') insurance policies (other than pursuant to Polaris Companies' Retrocession Agreements) or by any of their self-insured programs to the extent such insurance policies or programs cover the Acquired Subsidiaries. With respect to events or circumstances relating to the Transferred Assets, the Assumed Liabilities, the Transferred Employees, the Polaris Companies or the assets of the Business that occurred or existed prior to the Initial Closing Date or the Final Closing Date, as applicable, that are covered by occurrence-based third party liability insurance policies and any workers' compensation insurance policies and/or comparable workers' compensation self-insurance programs sponsored by GE and/or its Affiliates and that apply to the locations at which the Business operates, Acquiror may make claims under such policies and programs; provided, however, that by making any such claims, Acquiror agrees to reimburse GE for any increased costs incurred by GE as a result of such claims, including any retroactive or prospective premium adjustments associated with such coverage, as such amounts are determined in accordance with those policies and programs generally applicable from time to time to GE and its Affiliates; and provided, further that neither Acquiror nor any of its Affiliates shall make any such claims if, and to the extent that, such claims are covered by insurance policies sponsored by Acquiror and/or its Affiliates (including, after the applicable Closing, the Acquired Subsidiaries).

(b) With respect to any open claims against GE's insurance policies relating to the Transferred Assets, the Assumed Liabilities, the Transferred Employees, the Polaris Companies or the assets of the Business prior to the Initial Closing Date or the Final Closing Date, as applicable, GE agrees to remit to Acquiror any net proceeds realized from such claims, but only upon full and final settlement of such claims.

7.7 Reserves.

(a) Not later than the Initial Closing Date, the GE Insurance Subsidiaries shall cause Net Reserves to be increased (including all such increases since June 30, 2005 other than adjustments as a result of premiums received for prior periods and accretion of any discount) from the aggregate Net Reserves reflected on the Balance Sheet by a net amount equal to approximately $3.4 billion or such different amount that, in the good faith judgment of the GE Insurance Subsidiaries, is supported by appropriate actuarial analysis. Notwithstanding the foregoing, and for the avoidance of doubt, no GE Insurance Subsidiary shall be required to cause such Net Reserves to be increased unless, in its good faith judgment, any such increase is in accordance with the applicable requirements of Law, GAAP and SAP and is supported by appropriate actuarial analysis. The GE Insurance Subsidiaries shall, from time to time as Acquiror shall reasonably request, review with Acquiror the allocation of the amount of such increase among the GE Insurance Subsidiaries by legal entity and line of business.

(b) Between the Initial Closing and the Final Closing, no GE Insurance Subsidiary that remains within GE's control shall reevaluate any of such GE Insurance Subsidiary's Reserves.

7.8 Intercompany Arrangements.

(a) Except for the intercompany arrangements set forth in Sections 7.8 and 7.11(b) of the GE Disclosure Letter and the Retrocession Agreement, GE shall, and shall cause its Affiliates to, take such action and make such payments as may be necessary so that, as of the applicable Closing Date, there shall be no intercompany arrangements, and no obligations thereunder (other than payables, receivables and accrued expenses arising in the ordinary course of business consistent with past practice), between the Acquired Subsidiaries or the Asset Sellers, on the one hand, and GE and its Affiliates (other than the Acquired Subsidiaries and the Asset Sellers), on the other hand, and all such intercompany arrangements shall be terminated on or prior to the applicable Closing Date, including the Capital Maintenance Agreements; provided that the foregoing shall not apply to the Asset Sellers to the extent that any such rights, Liabilities or obligations are not included in either the Transferred Assets or Assumed Liabilities.

(b) Notwithstanding anything to the contrary in Section 7.8(a), as of the Initial Closing and the Final Closing, as the case may be, all officers of any of the Polaris Companies who are not Transferred Employees shall relinquish any rights to bank accounts of the Polaris Companies and any cash of the Polaris Companies held by GE or its Affiliates (other than the Polaris Companies) shall be transferred to the relevant Polaris Companies or as Acquiror directs.

7.9 Non-Competition. (a) For a period of three (3) years from the Initial Closing Date, except as permitted by this Section 7.9 and subject to applicable Law, none of GE, Transferors or any of their Subsidiaries shall engage in the Business in a manner that competes with the Business as conducted by the Polaris Companies on the Final Closing Date in the United States and such other locations in which the Polaris Companies conducted such business on the Initial Closing Date (the "Covered Business"). This Section 7.9 shall cease to be applicable to any Person at such time as it is no longer a Subsidiary of GE or Transferors.

(b) Notwithstanding the provisions of Section 7.9(a) and without agreeing or acknowledging (implicitly or otherwise) that the following activities would be subject to the provisions of Section 7.9(a), nothing in this Agreement shall preclude, prohibit or restrict GE, any Transferor or any of their respective Subsidiaries from engaging in any manner in any (i) Financial Services Business, (ii) Existing Business Activities, (iii) Fleet Management Business, (iv) De Minimis Business or (v) business activity that would otherwise violate this Section 7.9 if such business is acquired from any Person (an "After-Acquired Business") or is carried on by any Person that is acquired by or combined with GE, any Transferor or any of their respective Affiliates, or otherwise becomes a Subsidiary of GE after the date of this Agreement (an "After-Acquired Company"); provided that, with respect to clause (iv) above, as soon as reasonably practicable after the purchase or other acquisition of the After-Acquired Business or the After-Acquired Company, but in no event after the expiration of this Section 7.9, GE, the applicable Transferor or such Subsidiary shall (A) use commercially reasonable efforts to dispose of (or enter into a binding agreement to dispose of) the After-Acquired Business or the relevant portion of the After-Acquired Company's business or capital stock or (B) cause the business of the After-Acquired Company to comply with this Section 7.9.

(c) The parties hereto agree that, if any court of competent jurisdiction determines that a specified time period, a specified geographical area, a specified business limitation or any other relevant feature of this Section 7.9 is unreasonable, arbitrary or against public policy, then a lesser period of time, geographical area, business limitation or other relevant feature which is determined by such court to be reasonable, not arbitrary and not against public policy may be enforced against the applicable party.

(d) Terms capitalized in this Section 7.9, but not defined elsewhere, shall have the following meanings:

"Capital Markets Activity" means any activity undertaken in connection with efforts by any Person to raise for or on behalf of any Person capital from any public or private source.

"Default Recovery Activities" means the exercise of any rights or remedies in connection with any Financing, Other Insurance, Leasing or Other Financial Services Activity (whether such rights or remedies arise under any agreement relating to such Financing, Insurance, Leasing or Other Financial Services Activity, under applicable Law or otherwise), including any foreclosure, realization or repossession of any collateral or other security for any Financing (including the equity in any entity or business), Insurance or Other Financial Services Activity or any property subject to Leasing.

"De Minimis Business" means (a) any minority equity investment by GE or any of its Subsidiaries in any Person (i) where the amount invested by GE and its Affiliates was less than $50 million or (ii) in which GE or such Subsidiary does not have the right to designate a majority, or such higher amount constituting a controlling number, of the members of the board of directors (or similar governing body) of such entity, or in which GE and its Subsidiaries collectively hold not more than 25% of the outstanding voting securities or similar equity interests, (b) any Subsidiary of GE in which a Person who is not a controlled Affiliate of GE holds over 25% of the outstanding voting securities or similar equity interests and with respect to whom GE or another Subsidiary, as applicable, has existing contractual or legal obligations limiting GE's discretion to impose on the subject Subsidiary a non-competition obligation such as that in this Section 7.9 and (c) any business activity that would otherwise violate this Section 7.9 that is carried on by an After-Acquired Company, but only if, at the time of such acquisition, the revenues derived from the Covered Business by the After-Acquired Company constitute less than 25% of the gross revenues of the After-Acquired Company in the most recently completed fiscal year.

"Existing Business Activities" means any business conducted by GE, Equity Sellers or their respective Subsidiaries (other than the Business), including the Excluded Business, as of the date hereof or contemplated by any existing contractual arrangements existing as of the date hereof applicable to GE, Equity Sellers or any of their respective Subsidiaries (other than the Business).

"Financial Services Business" means any activities undertaken in connection with or in furtherance of any (a) Capital Markets Activity, (b) Financing, (c) Leasing, (d) Default Recovery Activities, (e) Other Financial Services Activities, (f) Securities Activity or (g) marketing, issuing, underwriting, selling and administering of Other Insurance products and services or the provision of Other Insurance advisory services, business processes or software.

"Financing" means the making, entering into, purchase of, or participation in (including syndication or servicing activities) (a) secured or unsecured loans, conditional sales agreements, debt instruments or transactions of a similar nature, (b) non-voting preferred equity investments and (c) investments as a limited partner in a partnership or as a member of a limited liability company in which another person who is not an Affiliate is a management member.

"Fleet Management Business" the development and marketing of risk management and loss control services offered with respect to the management of trailer, container, truck, rail, and other like transportation fleets and the contents carried by those fleets, construction, power generation, water purification and similar equipment fleets and with respect to remote monitoring and management of static equipment arrays in factories, refineries, oil fields, and similar applications.

"Leasing" means the rental leasing, or financing under operating leases, finance leases or hire purchase or rental agreements, of property, whether real, personal, tangible or intangible.

"Other Financial Services Activities" means the offering, sale, distribution or provision, directly or through any distribution system or channel, of any financial products, financial services, asset management services, including investments on behalf of or for the benefit of third party and client accounts, credit card products or services, vendor financing, factoring, trade finance and trade payables services, back-office billing, processing, collection and administrative services or products or services related or ancillary to any of the foregoing.

"Other Insurance" means any product or service determined to constitute insurance, assurance or reinsurance (in each case, other than insurance or reinsurance of the type provided by the Business) by the Laws or regulations in effect in any jurisdiction in which the restriction set forth in this Section 7.9 applies, including the offering of damage waiver options and warranty products.

"Securities Activity" means any activity, function or service (without regard to where such activity function or service actually occurs) which, if undertaken or performed (a) in the United States would be subject to the United States federal securities laws or the securities laws of any state of the United States or (b) outside of the United States within any other jurisdiction in which the restrictions set forth in Section 7.9 apply, would be subject to any law or regulation in any such jurisdiction governing, regulating or pertaining to the sale, distribution or underwriting of securities or the provision of investment management, financial advisory or similar services.

7.10 Termination of Rights to the GE Name and GE Marks.

(a) Except as otherwise provided in the Transition Trademark License Agreement, as of the Initial Closing, Acquiror and its Affiliates (which, for the purposes of this Section 7.10(a), shall include the Acquired Subsidiaries and the Asset Buyers) shall not use in any manner any Trademarks of GE or any of its Affiliates, including "*GE*" (in block letters or otherwise), the GE monogram, "*GE Company*" and "*GE*", either alone or in combination with other words, phrases, symbols, or devices, or any other Trademarks confusingly similar to or embodying any of the foregoing (all of the foregoing collectively, the "GE Name and GE Marks"). The Acquiror acknowledges and agrees that Acquiror and its Affiliates are not acquiring any (i) ownership of the GE Name and GE Marks and (ii) except as expressly provided in the Transition Trademark License Agreement, any other rights to the GE Name and GE Marks. Notwithstanding the foregoing, Acquiror and its Affiliates may use the GE Name and GE Marks after the Initial Closing to accurately and in good faith describe the former ownership of the Acquired Subsidiaries by GE and the former conduct of the Business by the Asset Sellers, in each case in the manner and form agreed upon in writing by GE and Acquiror.

(b) Except as expressly set forth in the Transition Trademark License Agreement, as promptly as practicable after the Final Closing Date, and in no event later than six (6) months after the Final Closing Date, the Acquired Subsidiaries and the Asset Buyers shall relabel, destroy or exhaust all materials bearing the GE Name and GE Marks, including signage, advertising, promotional materials, electronic materials, collateral goods, stationery, business cards, Web sites, and other materials, and make all reasonably necessary filings with any office, agency or body to effect the elimination of any use of the GE Name and GE Marks from the businesses of the Acquired Subsidiaries and the Asset Buyers; provided, however, that the Acquired Subsidiaries and the Asset Buyers shall commence the removal of the GE Name and GE Marks from all such materials promptly following the Final Closing Date. Acquiror and its Affiliates agree not to contest the ownership or validity of any rights of GE or any of its Affiliates in or to the GE Name and GE Marks. Acquiror and its Affiliates agree that use of the GE Name and GE Marks during the period authorized by this Section shall be only with respect to the same goods and services and at a level of quality equal to, or greater than, the quality of goods and services with respect to which the GE Name and GE Marks were used by the Acquired Subsidiaries and the Asset Buyers prior to the Initial Closing or the Final Closing, as applicable. Subject to the terms of the Transition Trademark License Agreement, GE shall have the right, upon reasonable written notice to the Acquired Subsidiaries, to inspect the operations of the Acquired Subsidiaries and evaluate their products and services solely to ensure compliance with this Section 7.10. Except as expressly set forth in the Transition Trademark License Agreement, Acquiror and its Affiliates agree that after the Final Closing Date, Acquiror and its Affiliates will not expressly, or by implication, do business as, or represent themselves as controlled by, GE.

(c) Notwithstanding anything to the contrary contained in Section 7.10(a) and Section 7.10(b), unless required by an applicable Governmental Authority or by Law, and subject to the terms of the Transition Trademark License Agreement, Acquiror and its Affiliates shall not be required hereunder to (i) reissue any Polaris Companies Insurance Contracts, Polaris Companies Reinsurance Agreements or Polaris Companies Retrocession Agreements in existence prior to the Final Closing or (ii) refile any rate forms or similar regulatory filings in relation to the Polaris Companies Insurance Contracts, which forms or filings were in place prior to the Final Closing.

7.11 Letters of Credit; Other Obligations. (a) At or prior to the applicable Closing, Acquiror shall (i) arrange for substitute letters of credit, guarantees and other similar obligations to replace (A) the letters of credit, guarantees and other contractual obligations entered into by, on behalf of or at the instruction of GE, the Transferors or any of their respective Affiliates (other than the Acquired Subsidiaries) in connection with the Business (together, the "Transferors' LCs") outstanding as of the date of this Agreement (all such material letters of credit, guarantees and similar obligations are listed in Section 7.11 of the GE Disclosure Letter) and (B) any Transferors' LCs entered into on or after the date of this Agreement and prior to the applicable Closing or (ii) assume all obligations under each of the Transferors' LCs, obtaining from the creditor or other counterparty a full release of all parties liable, directly or indirectly, for reimbursement to the creditor or fulfillment of other obligations to a counterparty in connection with amounts drawn under the Transferors' LCs. Acquiror further agrees that to the extent the beneficiary or counterparty under any Transferors' LC refuses to accept any such substitute letter of credit, Acquiror guarantee or other obligation proffered by Acquiror, Acquiror shall indemnify, defend and hold harmless the Transferors against, and reimburse the Transferors for, any and all amounts paid, including costs or expenses in connection with such Transferors' LCs, including the Transferors' expenses in maintaining such Transferors' LCs, whether or not any such Transferors' LC is drawn upon or required to be performed, and shall in any event promptly reimburse the Transferors to the extent any Transferors' LC is called upon and the Transferors or their Affiliates make any payment or are obligated to reimburse the party issuing the Transferors' LC (provided that Acquiror shall have no obligation to indemnify or reimburse the Transferors for any material letters of credit, guarantees or other similar obligations that are not included in Section 7.11 of the GE Disclosure Letter). GE shall use its reasonable best efforts to assist and cooperate with Acquiror in its efforts to arrange for substitute letters of credit, guarantees and other similar obligations, including recalling any outstanding letters of credit, guarantees and other similar obligations to the extent required to effect the foregoing substitution. At the request of GE, Acquiror shall provide the Transferors with letters of credit in an amount equal to the Transferors' and their Affiliates' entire potential liability pursuant to the immediately preceding sentence; provided that if GE delivers such Letter of Credit, such Letter of Credit shall be in lieu of Acquiror's obligation to indemnify GE as set forth in the immediately preceding sentence.

(b) GE shall use its reasonable best efforts to terminate the Capital Maintenance Agreements set forth in Section 7.11(b) of the GE Disclosure Letter effective no earlier than the Final Closing, and Acquiror shall cooperate with GE to terminate such Capital Maintenance Agreements effective as of the Final Closing Date. If necessary to maintain any Polaris Company's rating at the time of the Initial Closing or the Final Closing, as applicable, or as a condition to the termination of any Capital Maintenance Agreement, Acquiror will enter into any capital maintenance, keepwell or guarantee agreement required by a rating agency unless entering into such capital maintenance, keepwell or guarantee agreement would reasonably be expected to (x) materially impair or interfere with the ability of the Polaris Companies taken as a whole or Acquiror and its Subsidiaries taken as a whole to conduct their respective businesses substantially in the manner as such businesses are now being conducted, (y) have a Business Material Adverse Effect or (z) have a material adverse effect on Acquiror and its Subsidiaries, taken as a whole. In the event that any Capital Maintenance Agreement is not terminated by the Final Closing, Acquiror shall cooperate with GE to terminate such Capital Maintenance Agreement as promptly as practicable thereafter. Acquiror further agrees to indemnify, defend and hold harmless GE and its Affiliates against, and reimburse GE and its Affiliates for, any and all Liabilities incurred by GE or any of its Affiliates under any of the Capital Maintenance Agreements that relate to capital contributions required in respect of periods after the Final Closing.

(c) GE further agrees (i) not to amend or terminate the Capital Maintenance Agreements other than pursuant to Section 7.11(b) and (ii) to cause capital to be contributed in respect of periods prior to the Final Closing, to the extent required by the terms of the Capital Maintenance Agreements.

(d) Notwithstanding anything in this Agreement to the contrary, Acquiror shall not be required to assume the Capital Maintenance Agreement between General Electric Capital Corporation and Standard & Poor's.

7.12 Acquiror Shareholder Meeting. (a) Acquiror shall, through its board of directors, call an extraordinary general meeting of Acquiror in accordance with article 699 et seq. of the Swiss Code of Obligations (the "Acquiror Shareholder Meeting") to be held prior to January 31, 2006, and propose, for the purpose of the Acquiror Shareholder Meeting, that the shareholders of Acquiror resolve, *inter alia*,

(i) to create authorized share capital, authorizing the board of directors within a period of two (2) years to issue the New Acquiror Shares to the Equity Sellers in connection with the transactions contemplated under this Agreement; the subscription rights of the existing shareholders of Acquiror shall be excluded;

(ii) to create authorized share capital, authorizing the board of directors to issue the Shareholder New Acquiror Shares; the subscription rights of the existing shareholders of Acquiror shall be maintained;

(iii) to increase the Acquiror's current conditional capital reserved for convertible bonds or similar instruments. The preemptive rights of the existing shareholders can be excluded by the board of directors subject to the conditions set out in the last sentence of Art. 3a of the Articles of Association; and

(iv) the election of a designee of GE to the board of directors of Acquiror, subject to the closing of the transactions contemplated by the Agreement.

Based on the resolutions of the Acquiror Shareholder Meeting, Acquiror shall as promptly as practicable register the amendments to Acquiror's Articles of Association with the competent commercial register. In no event shall Acquiror or its Board of Directors (i) withdraw (or propose to withdraw) the Acquiror Board Recommendation or (ii) take any action to rescind the resolutions described in this Section 7.12 after they have been adopted at the Acquiror Shareholder Meeting unless the shareholders have resolved to cancel such resolutions.

(b) Prior to mailing any document to its stockholders in connection with the Acquiror Shareholder Meeting, Acquiror (i) shall provide GE an opportunity to review and comment on such documents and (ii) shall include in such documents all comments reasonably proposed by GE that relate to GE, the Polaris Companies or the transactions contemplated by this Agreement. In connection with the calling of the Acquiror Shareholder Meeting, Acquiror will publish an invitation to such meeting which is in compliance with Swiss Law.

(c) Prior to the Initial Closing Date, Acquiror shall (i) apply for the listing of the New Acquiror Shares on the SWX Swiss Exchange and admission to trading on virt-x on the Business Day following the Final Closing Date, (ii) prepare and deliver copies of the listing prospectus and all other annexes to the application to the SWX Swiss Exchange as required by the applicable listing rules of the SWX Swiss Exchanges and (iii) take the necessary steps to record the New Acquiror Shares with SIS if possible on the Final Closing Date or as soon as reasonably possible thereafter.

7.13 Acquiror Financing. Acquiror shall use its reasonable best efforts to, prior to the Initial Closing, consummate the Acquiror Financing. Acquiror shall (a) keep GE apprised of all material developments in respect of the Acquiror Financing, and (b) promptly provide GE with copies of all drafts of documents or other material correspondence with third parties (including Governmental Authorities) related to the Acquiror Financing. GE shall, and shall cause its Subsidiaries and its and their respective Representatives to, assist Acquiror in connection with the Acquiror Financing. Such assistance shall include the preparation of such audited and unaudited historical financial statements for the Business and such other financial information for the Business to enable Acquiror to prepare pro forma financial statements, in each case as would be required under Regulation S-X (including Item 3-05 and Article 11 thereof) if the Acquiror Financing were registered under the Securities Act or as otherwise required by applicable stock exchange rules or applicable law (including, without limitation, the EU Prospectus Directive and Prospectus Regulation) and a reverse reconciliation of financial information for the Business to Swiss GAAP FER to enable the Acquiror to prepare pro forma financial statements (collectively, the "Business Financial Information") and making available documents and information of the Polaris Companies and the Transferred Assets for use in offering memoranda, private placement memoranda, prospectuses and similar offering documents (such documents and information, the "Other Business Information"), all at the expense of Acquiror, and participation in meetings, due diligence sessions, road shows and rating agency presentations, and requesting comfort letters of accountants and opinions of counsel, in each case as may be reasonably requested by Acquiror. GE also shall, and shall cause its Subsidiaries and its and their respective Representatives to, provide Acquiror with such Business Financial Information and Other Business Information as may be reasonably requested by Acquiror and shall request an accountants' comfort letter in connection with the arrangement by Acquiror of any other financing to be consummated prior to or contemporaneously with the Initial Closing, any refinancing or replacement of any existing, or the arrangement of any new, facility for Indebtedness of the Polaris Companies, or the commencement of any tender offer and/or consent solicitation (subject to consummation of the transactions contemplated hereby) with respect to any outstanding notes or bonds related to the Business. Notwithstanding the foregoing, nothing in this Section 7.13 shall require GE or any of its Affiliates, including the Acquired Subsidiaries and the Transferors, to modify its business plans or otherwise alter in any material respect the manner in which it conducts its business. In the event that any document prepared by Acquiror or its Representatives in connection with any such financing contains a description of GE or its business (other than the Business) or the transactions contemplated by this Agreement, Acquiror shall (i) give GE a reasonable opportunity to review and comment on such description and (ii) reflect in such documents all comments reasonably proposed by GE that relate to GE, the Polaris Companies or the transactions contemplated by this Agreement. Acquiror shall reimburse GE and its Subsidiaries for their reasonable documented out-of-pocket costs and expenses incurred in connection with providing any assistance with financing matters as contemplated by this Section 7.13. GE shall, and shall cause its Subsidiaries and its and their respective Representatives to, prepare the Business Financial Information and the Other Business Information in good faith and with the same degree of care that GE would use in a financing for its own account. Acquiror hereby agrees to indemnify and hold harmless GE and its Affiliates from any third party claims arising from any misstatement or omission or alleged misstatement or omission in any offering document in respect of any of such financing; provided that GE hereby agrees to indemnify and hold harmless Acquiror and its affiliates from any third party claims arising from any misstatement or omission or alleged misstatement or omission made in reliance upon and in conformity with written information furnished to Acquiror by GE expressly for use in any offering document in respect of the Acquiror Financing.

7.14 Additional Financial Statements. As soon as practicable following December 31, 2005, GE shall cause to be prepared and delivered to Acquiror an audited consolidated balance sheet of "GE ISC and Consolidated Subsidiaries" as at December 31, 2005 and the related audited consolidated statement of income for the year then ended (the "2005 Financial Statements"). In addition, between the date of this Agreement and the Initial Closing Date, as soon as practicable following each fiscal quarter of GE during 2006 (other than the fiscal quarter during which the Closing Date occurs), and in any event within 45 days following the end of each such fiscal quarter, GE shall cause to be prepared and delivered to Acquiror an unaudited consolidated balance sheet of "GE ISC and Consolidated Subsidiaries" as at the end of each fiscal quarter and the related unaudited consolidated statement of income for the fiscal quarter then ended. The 2005 Financial Statements and the unaudited financial statements delivered pursuant to this Section 7.14, including related notes and schedules thereto, are referred to as the "Additional Financial Statements."

7.15 Further Action. Subject to Section 7.5, GE and Acquiror (a) shall, at the earliest practicable date, execute and deliver, or shall cause to be executed and delivered, such documents and other papers and shall take, or shall cause to be taken, such further actions as may be reasonably required to carry out the provisions of the Transaction Agreements and give effect to the transactions contemplated by the Transaction Agreements, (b) shall refrain from taking any actions that would reasonably be expected to prevent, materially delay or materially impair the Initial Closing or the Final Closing and (c) without limiting the foregoing, shall use their respective reasonable best efforts to cause all of the conditions to the obligations of the other party to consummate the transactions contemplated by this Agreement to be met as promptly as practicable after the date hereof.

7.16 Tax Matters. All representations, warranties, covenants and agreements among the parties with respect to Tax matters are set forth in the Tax Matters Agreement, the UK Tax Matters Agreement and the International Tax Matters Agreement except for Sections 5.8, 5.9, 5.30, 6.17 and 11.1 (solely to the extent related to Tax matters).

7.17 Notice of Developments. Prior to the Initial Closing, each party shall, promptly after the occurrence (or non-occurrence) of any event, circumstance or fact arising subsequent to the date of this Agreement which would reasonably be expected to result in the breach of any representation, warranty or covenant of such party in this Agreement comes to the attention of a person on the respective knowledge list, give notice thereof to the other party and shall use its reasonable best efforts to prevent or to remedy promptly such breach; provided that the delivery of, or failure to deliver, any notice pursuant to this Section 7.17 shall not limit or otherwise affect the remedies available hereunder and shall not be or be deemed to be a cure for any such breach. In addition, prior to the Initial Closing, GE agrees to promptly give Acquiror

(i) notice of the receipt of any subpoena or other written request for information and (ii) once available, a description of the scope of the response to such subpoena or other written request for information, to the extent that such subpoena, written request or description would have been included in Sections 5.16(b) or 5.28 of the GE Disclosure Letter if such subpoena or written request had been received prior to the date hereof.

7.18 Closing Payments.

(a) In the event that GE or any of its Affiliates (i) provides capital to any of the Polaris Companies in response to (A) a general increase in any rating agency's capital requirements for the insurance or reinsurance industry or (B) a rating agency or Governmental Authority as a result of any reserve increase that may occur as described in Section 7.7, or (ii) otherwise provides capital to the Business after the date hereof, Acquiror or the applicable Equity Buyer or Asset Buyer, on the Initial Closing or Final Closing, shall pay to the applicable Equity Seller or Asset Seller by wire transfer to an account designated in writing by GE pursuant to Section 4.4, an amount equal to the amount of the capital increase attributable to the Purchased Equity or Transferred Assets sold by such Equity Seller or Asset Seller, as certified by GE (it being understood that the aggregate payment shall equal the sum of the amounts set forth in clauses (i) and (ii) above). GE shall, from time to time as Acquiror shall reasonably request, review with Acquiror the capital contributions made or proposed to be made to the Business by legal entity and line of business.

(b) In the event that any of the proceeds of the redemption of the Class C Stock are not distributed to the Equity Sellers of GE ISC on a date prior to the Final Closing, Acquiror shall deliver notes, having the terms set forth on Exhibit M (the "Notes"), in a principal aggregate amount equal to such undistributed proceeds or, alternatively, Acquiror shall pay cash to GE in an amount equal to the undistributed proceeds, or a combination thereof.

(c) Any amounts dividended from ERC simultaneously with the Final Closing shall be deemed to apply first to the repayment of capital contribution and then to the disbursement of the proceeds of the redemption of the Class C Stock.

(d) In the event that GE breaches the covenant contained in Section 7.1(d)(xi), GE shall pay to Acquiror on the Initial Closing an amount equal to the amount of all dividends paid in violation thereof.

7.19 ERC Retrocession Agreement. Prior to the Initial Closing, and subject to obtaining all required regulatory approvals from any Governmental Authority, GE shall cause ERC and ERAC (or another Subsidiary of GE designated by GE that is not an Acquired Subsidiary that is rated "A" (or the equivalent rating) or better by A.M. Best Company, Standard & Poor's or Moody's Investor Service, Inc. and is otherwise reasonably satisfactory to Acquiror) (the "Reinsurer") to enter into a retrocession agreement (the "Retrocession Agreement") substantially in the form attached as Exhibit I hereto. During the term of the Retrocession Agreement, without the prior consent of Acquiror, GE shall not, and shall cause its Affiliates not to, transfer Control of the Reinsurer to any Person unless (i) the acquiror of such Control is rated "A+" or better by A.M. Best Company, "AA+" or better by Standard & Poor's Corporation or "Aa1" or better by Moody's Investors Services, Inc. (or the equivalent rating in the event any such rating agency changes its rating designations) and (ii) GE obtains an undertaking from such transferee that a condition of any subsequent transfer shall be compliance with clause (i) in the event it (or any subsequent transferee) proposes to transfer Control of the Reinsurer to any Person during the term of the Retrocession Agreement without the prior written consent of Acquiror.

7.20 Guarantees.

(a) To the extent this Agreement requires actions to be taken by any Asset Seller or Equity Seller, such requirements shall be included in the Equity Transfer Agreements. GE shall cause each Asset Seller and each Equity Seller to enter into the Equity Transfer Agreements to which it is meant to be a party. GE guarantees the performance by each of the Asset Sellers and the Equity Sellers of their respective obligations under the Equity Transfer Agreements.

(b) To the extent this Agreement requires actions to be taken by any Asset Buyer or Equity Buyer, such requirements shall be included in the Equity Transfer Agreements. Acquiror shall cause each Asset Buyer and Equity Buyer to enter into the Equity Transfer Agreements to which it is meant to be a party. Acquiror guarantees the performance by each of the Asset Buyers and the Equity Buyers of their respective obligations under the Equity Transfer Agreements.

7.21 Standstill. From the date hereof until the earlier of the Final Closing Date or the termination of this Agreement in accordance with Article IX hereof, GE will not, and will cause its Affiliates not to, without the prior written approval of Acquiror, directly or indirectly acquire, directly or indirectly (including pursuant to a merger or other business combination involving Acquiror), any securities (including derivative securities) of Acquiror; provided that this clause shall not prohibit GE and its Affiliates from taking any such action in connection with any third party asset management business. Notwithstanding anything to the contrary, this Section 7.21 shall not apply to any of GE or any of its Affiliates in their capacity as an adviser or fiduciary for third parties, including GE Pension Trust or GE Asset Management Incorporation, or in their conduct of Default Recovery Activities.

7.22 Consultation with Employee Representatives. Notwithstanding anything to the contrary contained in this Agreement or any of the Related Agreements, the provisions of this Agreement and the Related Agreements relating to the sale of the Business operations and assets (and related employee transfers) in the jurisdiction set forth in Section 7.22 of the GE Disclosure Letter, shall not be effective until GE and Acquiror shall have complied with applicable Law regarding notice to and consultation with employee representatives of employees in such jurisdiction with respect to the transactions contemplated by this Agreement. GE and Acquiror shall undertake and reasonably cooperate with each other to effect such compliance as promptly as practicable.

7.23 Additional Agreements. Prior to the Initial Closing Date, GE and Acquiror shall enter into the following agreements:

(a) A Transition Services Agreement, among GE, the Acquired Subsidiaries and Acquiror (the "Transition Services Agreement"), which shall include each of the following terms: (i) GE shall provide, or cause one or more of its Affiliates to provide to the Acquired Subsidiaries, the Asset Buyers and their Subsidiaries, each of the services as are reasonably necessary for the orderly transition of the Business to Acquiror and the continued operation of the Business in substantially the same manner as operated on the Initial Closing Date, including certain of the services listed on Exhibit J-1 attached hereto (the "GE Transition Services") for a period of up to twenty-four months following the Initial Closing Date, (ii) Acquiror shall cause the Acquired Subsidiaries to provide, or cause one or more of its Affiliates to provide, to GE and its Affiliates (including ERAC), each of the services as are reasonably necessary for the orderly separation of the Business from GE (including the separation of ERAC from the Business) and the continued operation of ERAC and such other GE Affiliates in substantially the same manner as operated on the Initial Closing Date, including certain of the services listed on Exhibit J-2 attached hereto (the "Polaris Transition Services") for a period of twenty-four months following the Initial Closing Date, and (iii) each of GE and Acquiror shall reimburse the other party for all costs and expenses incurred by such party in providing the GE Transition Services or the Polaris Transition Services, as applicable, determined in accordance with past practice, or if there is no past practice with respect to a particular GE Transition Service or Polaris Transition Service, in accordance with GE's customary allocation methodology with respect to similar types of services provided to its Affiliates. Either party hereunder may terminate any service provided by the other pursuant to the Transition Services Agreement upon 60 days prior written notice. Each provider of services pursuant to the Transition Services Agreement shall agree to provide such services in a commercially reasonable manner consistent with past practice and neither party shall indemnify the other except for gross negligence or willful misconduct.

(b) An Asset Management Services Agreement (the "Management Services Agreement") between GE Asset Management Incorporated and Acquiror, which shall have the terms and conditions set forth on Exhibit K.

7.24 Cooperation Regarding Opinions. GE agrees to use its reasonable best efforts to obtain the opinions referred to in Sections 8.2(i) and (j) and if GE is unable to obtain such opinions in the times set forth therein, the parties shall cooperate in obtaining such opinions.

7.25 Acquiror Convertible Instruments. Acquiror agrees to pay 100 basis points of any spread payable to the underwriters of Acquiror Convertible Instruments in a resale by GE or any of its Affiliates.

ARTICLE VIII

CONDITIONS TO CLOSING

8.1 Conditions Precedent to Obligations of Acquiror at the Initial Closing. The obligation of Acquiror to consummate the transactions contemplated by this Agreement to occur at the Initial Closing is subject to the fulfillment, on or prior to the Initial Closing Date, of each of the following conditions (any or all of which may be waived by Acquiror in whole or in part to the extent permitted by applicable Law):

(a) The representations and warranties of GE set forth in this Agreement and the Related Agreements shall be true and correct (without giving effect to any limitations as to materiality or "Business Material Adverse Effect" set forth therein) on the date hereof and at and as of the Initial Closing as if made on the Initial Closing Date, except to the extent such representations and warranties relate to an earlier date (in which case such representations and warranties shall be true and correct on and as of such earlier date); provided, however, that in the event of a breach of a representation or warranty, the condition set forth in this Section 8.1(a) shall be deemed satisfied unless the effect of all such breaches of representations and warranties taken together results in a Business Material Adverse Effect, and Acquiror shall have received a certificate signed by an authorized officer of GE, dated the Initial Closing Date, to the foregoing effect;

(b) GE shall have performed and complied in all material respects with all covenants, obligations and agreements required by this Agreement and the Related Agreements that have been executed prior to the Initial Closing to be performed or complied with by GE on or prior to the Initial Closing Date, and Acquiror shall have received a certificate signed by an authorized officer of GE, dated the Initial Closing Date, to the foregoing effect;

(c) Since December 31, 2004, other than claims arising under policies or contracts of insurance, reinsurance or retrocession issued or assumed by any Polaris Company in the ordinary course of business consistent with past practice, there shall have been no change, event, effect or condition that has had or would reasonably be expected to have, individually or in the aggregate, a Business Material Adverse Effect;

(d) The Required Acquiror Vote shall have been obtained at the Acquiror Shareholder Meeting in accordance with applicable Law and the Articles of Association of Acquiror and the authorized capital required to issue the New Acquiror Shares and the conditional capital resolved by the Acquiror Shareholder Meeting pursuant to Section 7.12 have been registered in the competent commercial register;

(e) There shall not be in effect any Order by a Governmental Authority of competent jurisdiction (i) restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby or (ii) limiting in any material respect the ability of Acquiror to operate the Business as currently conducted; except, in the case of clause (ii), an Order that would not reasonably be expected to, individually or in the aggregate with other Orders, (x) materially impair or interfere with the ability of the Polaris Companies taken as a whole or Acquiror and its Subsidiaries taken as a whole to conduct their respective businesses substantially in the manner as such businesses are now being conducted, (y) have a Business Material Adverse Effect or (z) have a material adverse effect on Acquiror and its Subsidiaries, taken as a whole;

(f) There shall not be pending any Action by any Governmental Authority that seeks to prohibit, prevent or enjoin the consummation of any of the transactions contemplated hereby;

(g) (i) The waiting period applicable to the transactions contemplated by this Agreement under the HSR Act shall have expired or early termination shall have been granted,

(ii) the applicable filings or approvals under other Antitrust Laws which are required to be made or obtained shall have been made or obtained, and any applicable waiting periods thereunder shall have expired or been terminated, (iii) the consents, authorizations, Orders, Permits and approvals set forth on Exhibit L hereto shall have been obtained and shall be in full force and effect, in each case without any condition, restriction or limitation that would reasonably be expected to (x) materially impair or interfere with the ability of the Polaris Companies taken as a whole or Acquiror and its Subsidiaries taken as a whole to conduct their respective businesses substantially in the manner as such businesses are now being conducted, (y) have a Business Material Adverse Effect or (z) have a material adverse effect on Acquiror and its Subsidiaries, taken as a whole;

(h) GE or one of its Affiliates shall have executed and delivered to Acquiror each of the Transaction Agreements;

(i) GE shall have received from the Missouri Insurance Department a final report in connection with its most recent triennial review of certain of the Polaris Insurance Subsidiaries, which shall not impose any material adjustment or alteration to the accounting treatment employed by such Polaris Insurance Subsidiaries with respect to the reinsurance Contracts identified in Section 8.1(i) of the GE Disclosure Letter; and

(j) The conditions to consummation set out in the UK Asset Purchase Agreements shall have been satisfied or waived.

8.2 Conditions Precedent to Obligations of GE at the Initial Closing. The obligations of GE to consummate the transactions contemplated by this Agreement to occur at the Initial Closing are subject to the fulfillment, prior to or on the Initial Closing Date, of each of the following conditions (any or all of which may be waived by GE in whole or in part to the extent permitted by applicable Law):

(a) The representations and warranties of Acquiror set forth in this Agreement and the Related Agreements shall be true and correct (without giving effect to any limitations as to materiality or "Acquiror Material Adverse Effect" set forth therein) as of the date hereof and at and as of the Initial Closing as if made on the Initial Closing Date, except to the extent such representations and warranties relate to an earlier date (in which case such representations and warranties shall be true and correct on and as of such earlier date); provided, however, that in the event of a breach of a representation or warranty, the condition set forth in this Section 8.2(a) shall be deemed satisfied unless the effect of all such breaches of representations and warranties taken together results in an Acquiror Material Adverse Effect, and GE shall have received a certificate signed by an authorized officer of Acquiror, dated the Initial Closing Date, to the foregoing effect;

(b) Acquiror shall have performed and complied in all material respects with all covenants, obligations and agreements required by this Agreement and the Related Agreements that have been executed prior to the Initial Closing to be performed or complied with by Acquiror on or prior to the Initial Closing Date, and GE shall have received a certificate signed by an authorized officer of Acquiror, dated the Initial Closing Date, to the foregoing effect;

(c) Since December 31, 2004, other than ordinary course benefit claims arising under policies or contracts of insurance, reinsurance or retrocession issued or assumed by an insurance Subsidiary of Acquiror in the ordinary course of business consistent with past practice, there shall have been no change, event, effect or condition that has had or would reasonably be expected to have, individually or in the aggregate, an Acquiror Material Adverse Effect;

(d) The Required Acquiror Vote shall have been obtained at the Acquiror Shareholder Meeting in accordance with applicable Law and the Articles of Association of Acquiror and the authorized capital and the conditional capital resolved by the Acquiror Shareholder Meeting pursuant to Section 7.12 have been registered in the competent commercial register;

(e) There shall not be in effect any Order by a Governmental Authority of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby;

(f) There shall not be pending any Action by any Governmental Authority that seeks to prohibit, prevent or enjoin the consummation of any of the transactions contemplated hereby;

(g) (i) The waiting period applicable to the transactions contemplated by this Agreement under the HSR Act shall have expired or early termination shall have been granted, (ii) the applicable filings or approvals under other Antitrust Laws which are required to be made or obtained shall have been made or obtained, and any applicable waiting periods thereunder shall have expired or been terminated, and (iii) the consents, authorizations, Orders, Permits and approvals set forth on Exhibit L hereto shall have been obtained and shall be in full force and effect;

(h) Acquiror shall have executed and delivered to GE each of the Transaction Agreements;

(i) On or prior to February 1, 2006, GE shall have received opinions of Cahill Gordon & Reindel LLP and KPMG LLP, in form delivered to Acquiror prior to the date hereof, as to the U.S. federal income Tax consequence of the transactions contemplated by this Agreement;

(j) In the event (i) that Acquiror does not deliver Acquiror Convertible Instruments with the terms set forth in Exhibit C or (ii) if there is a change of Law after the date hereof relating to the treatment of the Acquiror Convertible Instruments, GE shall have received opinions of Cahill Gordon & Reindel LLP and KPMG LLP within 45 days of such change in the case of clause (i) and prior to the effective date thereof in the case of clause (ii), as to the U.S. federal income Tax consequence of the transactions contemplated by this Agreement, which opinions in each case shall be in the form delivered to Acquiror prior to the date hereof; and

(k) The conditions to consummation set out in the UK Asset Purchase Agreements shall have been satisfied or waived.

8.3 Conditions Precedent to Obligations of Acquiror at the Final Closing. The obligations of Acquiror to consummate the transactions contemplated by this Agreement to occur at the Final Closing are subject to the fulfillment, prior to or on the Final Closing Date, of each of the following conditions (any or all of which may be waived by Acquiror in whole or in part to the extent permitted by applicable Law):

(a) The Initial Closing shall have occurred;

(b) The representations and warranties of GE set forth in this Agreement and the Related Agreements shall be true and correct (without giving effect to any limitations as to materiality or "Business Material Adverse Effect" set forth therein) as of the date hereof and at and as of the Final Closing as if made on the Final Closing Date, except (i) to the extent such representations and warranties relate to an earlier date (in which case such representations and warranties shall be true and correct on and as of such earlier date) and (ii) breaches of representations or warranties with respect to Non-U.S. Polaris Companies; provided, however, that in the event of a breach of a representation or warranty, the condition set forth in this Section 8.3(b) shall be deemed satisfied unless the effect of all such breaches of representations and warranties taken together results in a Business Material Adverse Effect, and GE shall have received a certificate signed by an authorized officer of GE, dated the Final Closing Date, to the foregoing effect;

(c) GE shall have performed and complied in all material respects with all covenants, obligations and agreements required by this Agreement and the Related Agreements that have been executed prior to the Final Closing to be performed or complied with by the U.S. Polaris Companies after the Initial Closing and on or prior to the Final Closing Date, and Acquiror shall have received a certificate signed by an authorized officer of GE, dated the Final Closing Date, to the foregoing effect;

(d) Since December 31, 2004, other than claims arising under policies or contracts of insurance, reinsurance or retrocession issued or assumed by any U.S. Polaris Company in the ordinary course of business consistent with past practice, there shall have been no change, event, effect or condition that has had or would reasonably be expected to have, individually or in the aggregate, a Business Material Adverse Effect;

(e) There shall not be in effect any Order by a Governmental Authority of competent jurisdiction (i) restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby or (ii) limiting in any material respect the ability of Acquiror to operate the Business as currently conducted; except, in the case of clause (ii), an Order that would not reasonably be expected to, individually or in the aggregate with other Orders, (x) materially impair or interfere with the ability of the Polaris Companies taken as a whole or Acquiror and its Subsidiaries taken as a whole to conduct their respective businesses substantially in the manner as such businesses are now being conducted, (y) have a Business Material Adverse Effect or (z) have a material adverse effect on Acquiror and its Subsidiaries, taken as a whole;

(f) There shall not be pending any Action by any Governmental Authority that seeks to prohibit, prevent or enjoin the consummation of any of the transactions contemplated hereby;

(g) The admission board of SWX Swiss Exchange shall have given its approval for the listing and admission to trading of the New Acquiror Shares without imposing any limitation, commitment or restriction that is material in the context of the transactions contemplated by the Transaction Agreements shall have approved the listing and offering prospectus;

(h) (i) The consents, authorizations, Orders, Permits and approvals set forth on Exhibit L hereto shall have been obtained and shall be in full force and effect, in each case without any condition, restriction or limitation that would reasonably be expected to (x) materially impair or interfere with the ability of the Polaris Companies taken as a whole or Acquiror and its Subsidiaries taken as a whole to conduct their respective businesses substantially in the manner as such businesses are now being conducted, (y) have a Business Material Adverse Effect or (z) have a material adverse effect on Acquiror and its Subsidiaries, taken as a whole; and

(i) Subject to Section 7.18(b), each of the actions set forth in Section 8.3(i) of the GE Disclosure Letter shall have been completed.

8.4 Conditions Precedent to Obligations of GE at the Final Closing. The obligations of GE to consummate the transactions contemplated by this Agreement to occur at the Final Closing are subject to the fulfillment, prior to or on the Final Closing Date, of each of the following conditions (any or all of which may be waived by GE in whole or in part to the extent permitted by applicable Law):

(a) The Initial Closing shall have occurred;

(b) The representations and warranties of Acquiror set forth in this Agreement and the Related Agreements shall be true and correct (without giving effect to any limitations as to materiality or "Acquiror Material Adverse Effect" set forth therein) as of the date hereof and at and as of the Final Closing as if made on the Final Closing Date, except to the extent such representations and warranties relate to an earlier date (in which case such representations and warranties shall be true and correct on and as of such earlier date); provided, however, that in the event of a breach of a representation or warranty, the condition set forth in this Section 8.4(b) shall be deemed satisfied unless the effect of all such breaches of representations and warranties taken together results in an Acquiror Material Adverse Effect, and GE shall have received a certificate signed by an authorized officer of Acquiror, dated the Final Closing Date, to the foregoing effect;

(c) Acquiror shall have performed and complied in all material respects with all covenants, obligations and agreements required by this Agreement and the Related Agreements that have been executed prior to the Final Closing to be performed or complied with by Acquiror on or prior to the Final Closing Date, and GE shall have received a certificate signed by an authorized officer of Acquiror, dated the Final Closing Date, to the foregoing effect;

(d) Since December 31, 2004, other than ordinary course benefit claims arising under policies or contracts of insurance, reinsurance or retrocession issued or assumed by an insurance Subsidiary of Acquiror in the ordinary course of business consistent with past practice, there shall have been no change, event, effect or condition that has had or would reasonably be expected to have, individually or in the aggregate, an Acquiror Material Adverse Effect;

(e) There shall not be in effect any Order by a Governmental Authority of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby;

(f) There shall not be pending any Action by any Governmental Authority that seeks to prohibit, prevent or enjoin the consummation of any of the transactions contemplated hereby;

(g) the admission board of SWX Swiss Exchange shall have given its approval for the listing and admission to trading of the New Acquiror Shares and the listing of the conditional capital without imposing any limitation, commitment or restriction that is material in the context of the transactions contemplated by the Transaction Agreements and the FSA shall have approved the listing and offering prospectus;

(h) The consents, authorizations, Orders, Permits and approvals set forth on Exhibit L hereto shall have been obtained and shall be in full force and effect; and

(i) Subject to Section 7.18(b), each of the actions set forth in Section 8.3(i) of the GE Disclosure Letter shall have been completed.

8.5 Frustration of Closing Conditions. Neither GE nor Acquiror may rely on the failure of any condition set forth in Section 8.1, 8.2, 8.3 or 8.4, as the case may be, if such failure was caused by such party's failure to comply with any provision of this Agreement.

8.6 Conditions Subsequent.

(a) If the Initial Closing has occurred but, due to a failure to satisfy the conditions set forth in Sections 8.3 or 8.4, and the Final Closing has not occurred within 60 days of the Initial Closing Date, then Acquiror shall have the option, exercisable in writing within 10 days after such 60th day, to require the repurchase by GE, or Affiliates of GE designated by GE, of the Transferred Assets and Purchased Equity sold, and the reassumption of the Assumed Liabilities assumed, on the Initial Closing Date, which repurchase and reassumption shall be at a price equal to the price paid by Acquiror or its Affiliates, plus or minus Earnings that relate to the Non-U.S. Polaris Companies, as applicable, for the period from October 1, 2005 until the transactions contemplated by this Section 8.6(a) have been consummated, less any decline in value due to dividends or other transactions not in the ordinary course of business consistent with past practice or not on arm's-length terms. Promptly following the exercise by Acquiror of the option provided by this Section 8.6(a), GE will cause an Affiliate to reinsure 100% of the Liabilities of the Non-U.S. Polaris Companies (including 100% of the Liabilities transferred by the UK Transfer Scheme) pursuant to an assumption reinsurance agreement in form and substance reasonably satisfactory to Acquiror.

(b) If the Initial Closing has occurred but, due to a failure to satisfy the conditions set forth in Sections 8.3 and 8.4 and the Final Closing has not occurred within 90 days of the Initial Closing Date, and if Acquiror has not exercised the option provided in subSection (a) of this Section 8.6, then GE shall have the option, exercisable in writing after the 71st day following the Initial Closing Date but prior to the 90th day after the Initial Closing Date, to require resale to GE, or Affiliates of GE designated by GE, of the Transferred Assets and Purchased Equity acquired, and the reassumption of the Assumed Liabilities assumed, on the Initial Closing Date, which resale and reassumption shall be at a price equal to the price paid by Acquiror or its Affiliates, plus or minus Earnings that relate to the Non-U.S. Polaris Companies, as applicable, for the 90-day period from October 1, 2005 until the transactions contemplated by this Section 8.6(b) have been consummated, less any decline in value due to dividends or other transactions not in the ordinary course of business consistent with past practice or not on arm's-length terms. Promptly following the exercise by GE of the option provided by this Section 8.6(b), GE will cause an Affiliate to reinsure 100% of the Liabilities of the Non-U.S. Polaris Companies (including 100% of the Liabilities transferred by the UK Transfer Scheme) pursuant to an assumption reinsurance agreement in form and substance reasonably satisfactory to Acquiror.

ARTICLE IX

TERMINATION

9.1 Termination of Agreement. This Agreement may be terminated prior to the Initial Closing as follows:

(a) by GE or Acquiror on or after November 30, 2006, if the Initial Closing shall not have occurred by the close of business on such date; provided that the terminating party is not in breach in any material respect of any of its obligations hereunder;

(b) by mutual written consent of GE and Acquiror;

(c) by GE or Acquiror if there shall be in effect a final nonappealable Order of a Governmental Authority of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby; provided, however, that the right to terminate this Agreement under this Section 9.1(c) shall not be available to a party if such Order was primarily due to the failure of such party to perform any of its obligations under this Agreement;

(d) by GE or Acquiror if the Required Acquiror Vote shall not have been obtained upon a vote taken thereon at the duly convened Acquiror Shareholders Meeting or at an adjournment or postponement thereof;

(e) by GE if the Acquiror Board Recommendation shall not have been made or Acquiror or its Board of Directors shall have withdrawn (or proposed to withdraw) the Acquiror Board Recommendation;

(f) by GE if Acquiror or its Board of Directors takes any action to rescind the resolutions described in Section 7.12 after they have been adopted at the Acquiror Shareholder Meeting;

(g) by either GE or Acquiror if (i) there shall have been a material breach by the other of any of its representations, warranties, covenants or agreements contained in the Transaction Agreements, which breach would result in the failure to satisfy one or more of the conditions set forth in Sections 8.1 or 8.2, as applicable, and (ii) such breach shall be incapable of being cured or, if capable of being cured, shall not have been cured within ninety (90) days after written notice thereof shall have been received by the party alleged to have been in breach; or

(h) by GE if it does not receive the opinions set forth in Section 8.2(i) or (j) by the dates set forth therein.

9.2 Procedure Upon Termination. In the event of termination and abandonment by Acquiror or GE, or both, pursuant to Section 9.1 hereof, written notice thereof shall forthwith be given to the other party or parties, and this Agreement shall terminate, and the purchase of the Acquired Subsidiaries and the Transferred Assets, and the assumption of the Assumed Liabilities hereunder shall be abandoned, without further action by Acquiror or GE.

9.3 Effect of Termination. (a) In the event that this Agreement is terminated in accordance with Section 9.1 and 9.2, then, subject to Section 9.3(c), each of the parties shall be relieved of their duties and obligations arising under this Agreement after the date of such termination and such termination shall be without liability to Acquiror or GE; provided, that the obligations of the parties set forth in this Section 9.3, Section 9.4, Section 10.4 and Article XI hereof shall survive any such termination and shall be enforceable hereunder.

(b) If this Agreement is terminated pursuant to Section 9.1 hereof, Acquiror shall not oppose or seek to prevent or frustrate any transaction or agreement that GE or any of its Subsidiaries may propose or enter into relating to the sale of all or any portion of the Polaris Companies, the Transferred Assets or the Business to any third party. Nothing in this Section 9.3(b) is intended to, nor shall it be construed as, a waiver or discharge of any of the rights and obligations under the Confidentiality Agreement of the parties thereto.

(c) Subject to Section 10.4, nothing in this Section 9.3 or Section 9.4 shall relieve GE or Acquiror of any liability for a breach of any of its covenants or agreements or willful breach of its representations and warranties contained in this Agreement prior to the date of termination. The damages recoverable by the non-breaching party shall include all attorneys' fees reasonably incurred by such party in connection with the transactions contemplated hereby.

9.4 Expenses upon Termination.

(a) Without limiting the provisions of Section 9.3, in order for Acquiror to induce GE to enter into this Agreement, and to reimburse GE for its out-of-pocket costs and expenses related to the preparation, negotiation and execution of this Agreement, and seeking to consummate the transactions contemplated hereby, in the event that this Agreement is terminated

(i) by GE or Acquiror pursuant to Section 9.1(a) (but only if a Acquiror Shareholder Meeting to obtain the Required Acquiror Vote has not been held) or (ii) by GE pursuant to Sections 9.1(d) or (g), then in each case Acquiror shall reimburse GE for its reasonable, documented out-of-pocket expenses and costs of third parties (including reasonable fees and expenses of counsel, accountants, actuaries, financial advisors and investment bankers) incurred by GE or any of its Subsidiaries or on their behalf in connection with or related to the authorization, preparation, planning, negotiation, execution and performance of this Agreement, the other Transaction Agreements and the transactions contemplated hereby and thereby; provided, that in no event shall such payment exceed $25,000,000.

(b) Without limiting the provisions of Section 9.3, in order for GE to induce Acquiror to enter into this Agreement, and to reimburse Acquiror for its out-of-pocket costs and expenses related to the preparation, negotiation and execution of this Agreement, and seeking to consummate the transactions contemplated hereby, in the event that this Agreement is terminated (i) by GE or Acquiror pursuant to Section 9.1(a) (but only if GE has failed to receive the opinions contemplated by Section 8.2(j)) or Section 9.1(h) or (ii) by Acquiror pursuant to Section 9.1(g), then in each case GE shall reimburse Acquiror for its reasonable, documented out-of-pocket expenses and costs of third parties (including reasonable fees and expenses of counsel, accountants, actuaries, financial advisors and investment bankers) incurred by Acquiror or any of its Subsidiaries or on their behalf in connection with or related to the authorization, preparation, planning, negotiation, execution and performance of this Agreement, the other Transaction Agreements and the transactions contemplated hereby and thereby; provided, that in no event shall such payment exceed $25,000,000.

(c) Any payment required to be made pursuant to Section 9.4(a) or (b) shall be made to GE or Acquiror, as applicable, not later than two (2) Business Days after the termination event described in Section 9.4(a) or (b), as applicable.

(d) In the event that either Acquiror or GE, as applicable, shall fail to make the payment required pursuant to this Section 9.4 when due, such payment shall accrue interest for the period commencing on the date such payment became past due, at an annual rate equal to the GE Commercial Paper Rate. In addition, if either Acquiror or GE shall fail to make such payment when due, Acquiror or GE, as applicable, shall also pay to the other all of such party's reasonable out-of-pocket costs and expenses (including reasonable attorneys' fees) in connection with efforts to collect such payment. Each party hereto acknowledges that the required payment and the other provisions of this Section 9.4 are an integral part of this Agreement and that, without this Section 9.4, the other party would not have entered into this Agreement.

ARTICLE X

INDEMNIFICATION

10.1 Indemnification by GE.

(a) Subject to Sections 10.1(b), 10.3, 10.5 and 10.8, from and after the applicable Closing, GE shall indemnify, defend and hold harmless Acquiror and its Affiliates and Representatives (collectively, the "Acquiror Indemnified Parties") against, and reimburse any Acquiror Indemnified Party for:

(i) all Losses that such Acquiror Indemnified Party may at any time suffer or incur, or become subject to, as a result of or in connection with any breach as of the applicable Closing of Section 5.1, 5.2, 5.5 or 5.6;

(ii) all Losses that such Acquiror Indemnified Party may at any time suffer or incur, or become subject to, as a result of or in connection with the breach of any covenant or agreement of GE in this Agreement to the extent such breach relates to obligations to be performed following the Initial Closing (with respect to the Non-U.S. Polaris Companies) or Final Closing and any Losses that such Acquiror Indemnified Party may at any time suffer or incur, or become subject to, as a result of or in connection with the breach of Section 7.8(b);

(iii) any broker, finder or financial advisor fee payable by GE or any of its Affiliates in connection with the transactions contemplated by this Agreement;

(iv) any Excluded Liabilities;

(v) the amount of all monetary penalties, fines, assessments and other similar monetary sanctions that arise from the matters set forth in Section 10.1(a)(v) of the GE Disclosure Letter, and are mandated by, or agreed to with, and payable to, the applicable Governmental Authority identified in Section 10.1(a)(v) of the GE Disclosure Letter;

(vi) all Losses under any Contract providing for the indemnification by any Polaris Company of any purchaser in connection with any acquisition by such purchaser (from a Polaris Company) prior to the Initial Closing (by merger, consolidation, acquisition of stock or assets or otherwise) of any former business of the Polaris Companies; provided that such indemnification (other than with respect to any Tax indemnification) shall not apply (x) except to the extent such Losses exceed $1,000,000 in the aggregate and (y) to the sale of ERC Life Reinsurance Corporation to an Affiliate of the Scottish Re Group;

(vii) all Losses that such Acquiror Indemnified Party may at any time suffer or incur, or become subject to, as a result of or in connection with the claim described on Section 10.1(a)(vii) of the GE Disclosure Letter;

(viii) all Losses that such Acquiror Indemnified Party may at any time suffer or incur, or become subject to, related to any liabilities that are assumed by GE or its Affiliates (other than GE ISC and its consolidated Subsidiaries) pursuant to Section 3.1; and

(ix) all Losses that such Acquiror Indemnified Party may at any time suffer or incur, or become subject to, related to any pension liabilities of any Polaris Company that are retained or assumed by GE or its Affiliates pursuant to the Employee Matters Agreement.

(b) Notwithstanding any other provision to the contrary, the cumulative indemnification obligation of GE under Section 10.1(a) shall in no event exceed the Purchase Price; provided, however, that the foregoing limitation shall not apply to any claims involving fraud or intentional misrepresentation.

10.2 Indemnification by Acquiror.

(a) Subject to Sections 10.2(b), 10.3, 10.5 and 10.8, from and after the Closing, Acquiror shall indemnify, defend and hold harmless GE and its Affiliates and Representatives (collectively, the "GE Indemnified Parties") against, and reimburse any GE Indemnified Party for:

(i) all Losses that such GE Indemnified Party may at any time suffer or incur, or become subject to, as a result of or in connection with any breach as of the Closing of Sections 6.1, 6.2, 6.5 and 6.6;

(ii) all Losses that such GE Indemnified Party may at any time suffer or incur, or become subject to, as a result of or in connection with the breach of any covenant or agreement of Acquiror in this Agreement to the extent such breach relates to obligations to be performed following the Closing;

(iii) any broker, finder or financial advisor fee payable by Acquiror or any of its Affiliates (other than the Polaris Companies) in connection with the transactions contemplated by this Agreement; and

(iv) any Assumed Liability.

(b) Notwithstanding any other provision to the contrary, the cumulative indemnification obligation of Acquiror under Section 10.2(a) shall in no event exceed the Purchase Price; provided, however, that the foregoing limitation shall not apply to any claims involving fraud or intentional misrepresentation.

10.3 Notification of Claims.

(a) A Person that may be entitled to be indemnified under this Agreement (the "Indemnified Party") shall promptly notify the party or parties liable for such indemnification (the "Indemnifying Party") in writing of any pending or threatened claim or demand that the Indemnified Party has determined has given or could reasonably give rise to a right of indemnification under this Agreement (including a pending or threatened claim or demand asserted by a third party against the Indemnified Party, such claim being a "Third Party Claim"), describing in reasonable detail the facts and circumstances with respect to the subject matter of such claim or demand; provided, however, that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Article X except to the extent the Indemnifying Party is materially prejudiced by such failure, it being understood that notices for claims in respect of a breach of a representation or warranty must be delivered prior to the expiration of any applicable survival period specified in Section 10.8 for such representation and warranty.

(b) Within thirty (30) days following receipt of a notice of a claim for indemnity from an Indemnified Party pursuant to Section 10.3(a), the Indemnifying Party may, at its sole option, assume the defense and control of any Third Party Claim and, if such option is elected, shall allow the Indemnified Party a reasonable opportunity to participate in the defense of such Third Party Claim with its own counsel and at its own expense. The parties acknowledge and agree that GE has elected to assume the defense and control of the matters referred to in Section 10.1(a)(v) of the GE Disclosure Letter. If the Indemnifying Party elects to assume the defense against such Third Party Claim, the Indemnifying Party shall (i) select counsel, contractors and consultants of recognized standing and competence, (ii) take all steps reasonably necessary in the defense or settlement of such Third Party Claim and (iii) be authorized to consent to a settlement of, or the entry of any judgment arising from, any Third Party Claim, without the consent of any Indemnified Party, provided that, in the case of clause (iii), the Indemnifying Party shall (A) pay or cause to be paid all amounts arising out of such settlement or judgment concurrently with the effectiveness of such settlement, (B) not encumber any of the material assets of any Indemnified Party or agree to any restriction or condition that would materially adversely affect any Indemnified Party or the conduct of any Indemnified Party's business and (C) obtain, as a condition of any settlement or other resolution, a complete release of any Indemnified Party potentially affected by such Third Party Claim; provided that if such Third Party Claim involves a Governmental Authority as claimant and such Governmental Authority will not provide a complete release, such Indemnified Party shall have the right to consent to such settlement or other resolution (which consent shall not be unreasonably withheld or delayed); provided, further, that if such consent is withheld the Indemnifying Party shall be liable only for proposed settlement amounts and the Indemnified Party shall be liable for any Losses in excess thereof. GE or Acquiror, as the case may be, shall, and shall cause each of its Affiliates and Representatives to, cooperate fully with the Indemnifying Party in the defense of any Third Party Claim.

(c) If the Indemnifying Party does not elect to assume the defense, or fails to assume the defense thereof within 30 days of receipt of notice of a claim for indemnity from an Indemnified Party, against such Third Party Claim, the Indemnified Party shall undertake the defense of such Third Party Claim for the account of the Indemnified Party; provided, however, the Indemnified Party shall pursue such defense in good faith and shall not be authorized to consent to a settlement, or the entry of any judgment arising from, any Third Party Claim, without the consent of any Indemnifying Party (which consent shall not be unreasonably withheld or delayed).

10.4 Exclusive Remedies. GE and Acquiror acknowledge and agree that (i) subject to Sections 9.3 and 9.4, prior to the applicable Closing, the sole and exclusive remedy of Acquiror for any breach or inaccuracy of any representation or warranty contained herein or in the Related Agreements shall be refusal to close the purchase and sale of the Purchased Equity and Transferred Assets hereunder and (ii) following the applicable Closing and other than in the case of actual fraud by Acquiror or GE or any of their respective Affiliates or Representatives, the indemnification provisions of Article X and, with respect to Taxes, the applicable indemnification sections of the Tax Matters Agreement, the UK Tax Matters Agreement and the International Tax Matters Agreement, shall be the sole and exclusive remedies of GE and Acquiror, respectively, for any breach of the representations and warranties in this Agreement or the Related Agreements and for any failure to perform or comply with any covenants or agreements that, by their terms, were to have been performed or complied with prior to the applicable Closing.

10.5 Additional Indemnification Provisions. GE and Acquiror agree, for themselves and on behalf of their respective Affiliates and Representatives, that with respect to each indemnification obligation in this Agreement or any other document executed in connection with the applicable Closing (a) each such obligation shall be calculated on an After-Tax Basis and (b) all Losses shall be net of any third-party insurance proceeds which either have been recovered by, or are recoverable by, the Indemnified Party in connection with the facts giving rise to the right of indemnification and (c) in no event shall the Indemnifying Party have liability to the Indemnified Party for any lost profits, consequential damages or punitive damages, other than consequential or punitive damages actually awarded to a third party pursuant to a Third Party Claim in an Action. In any case where an Indemnified Party recovers from a third Person any amount in respect of a matter for which an Indemnifying Party has indemnified it pursuant to this Article X, such Indemnified Party shall promptly pay over to the Indemnifying Party the amount so recovered (after deducting therefrom the amount of expenses incurred by it in procuring such recovery), but not in excess of the sum of (a) any amount previously paid by the Indemnifying Party to or on behalf of the Indemnified Party in respect of such claim and (b) any amount expended by the Indemnifying Party in pursuing or defending any claim arising out of such matter.

10.6 Mitigation. Each of the parties agrees to take all reasonable steps to mitigate their respective Losses upon and after becoming aware of any event or condition which would reasonably be expected to give rise to any Losses that are indemnifiable hereunder.

10.7 Indemnification for Taxes. Notwithstanding anything contained herein to the contrary, with respect to indemnification related to Taxes, the Tax Matters Agreement, the UK Tax Matters Agreement and the International Tax Matters Agreement shall control.

10.8 Survival. The representations and warranties and covenants and agreements of GE and Acquiror contained in this Agreement shall not survive the Initial Closing or the Final Closing, as applicable (in the case of covenants and agreements, to the extent such covenants and agreements are to be performed prior to the Initial Closing or the Final Closing, as applicable), except that the representations and warranties in Sections 5.1, 5.2, 5.5, 5.6, 6.1, 6.2, 6.5 and 6.6 and the covenants and agreements set forth in Sections 7.1(d)(xi) and 7.7(b) shall survive the Final Closing forever and shall not terminate. Unless a specified period is set forth in this Agreement (in which event such specified period will control), covenants and agreements to be performed following a Closing shall survive such Closing and remain in effect indefinitely to the extent such covenants and agreements are to be performed following such Closing.

ARTICLE XI

MISCELLANEOUS

11.1 Reserves. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT (INCLUDING ANY PROVISION OF ARTICLE V OR ARTICLE VII HEREOF, EXCEPT FOR THE MATTERS SPECIFICALLY ADDRESSED IN SECTIONS

5.19, SECTION 7.1 AND SECTION 7.7), NEITHER GE NOR ANY OF ITS AFFILIATES IS MAKING ANY EXPRESS OR IMPLIED REPRESENTATION, WARRANTY, COVENANT OR AGREEMENT, IN OR PURSUANT TO THIS AGREEMENT OR ANY OTHER TRANSACTION AGREEMENT (A) CONCERNING THE RESERVES, FUNDS OR PROVISIONS FOR LOSSES, CLAIMS, PREMIUMS, POLICY BENEFITS AND EXPENSES, INCLUDING UNEARNED PREMIUM RESERVES, RESERVES FOR INCURRED LOSSES, TECHNICAL RESERVES, INCURRED LOSS ADJUSTMENT EXPENSES, INCURRED BUT NOT REPORTED LOSSES AND LOSS ADJUSTMENT EXPENSES WITH RESPECT TO INSURANCE AND REINSURANCE CONTRACTS ISSUED, REISSUED OR ASSUMED, OR RESERVES WITH RESPECT TO UNCOLLECTIBLE REINSURANCE OF ANY OF THE POLARIS COMPANIES, INDIVIDUALLY OR IN THE AGGREGATE, INCLUDING (I) WHETHER SUCH RESERVES ARE ADEQUATE OR SUFFICIENT OR WHETHER SUCH ASSET IS COLLECTIBLE OR (II) WHETHER SUCH RESERVES WERE DETERMINED IN ACCORDANCE WITH ANY ACTUARIAL, STATUTORY OR OTHER STANDARD, (B) THE COLLECTIBILITY OF ANY AMOUNTS FROM ANY REINSURERS OR RETROCESSIONARIES OF ANY OF THE POLARIS COMPANIES OR (C) CONCERNING ANY FINANCIAL STATEMENT "LINE ITEM" OR ASSET, LIABILITY OR EQUITY AMOUNT TO THE EXTENT AFFECTED BY ANY OF THE MATTERS REFERRED TO IN THE PRECEDING CLAUSES (A) OR (B).

11.2 Expenses. Except as may be otherwise specified in this Agreement or any other Transaction Agreement, all costs and expenses, including fees and disbursements of counsel, financial advisers and accountants, incurred in connection with the Transaction Agreements and the transactions contemplated by the Transaction Agreements shall be paid by the Person incurring such costs and expenses, whether or not the Closings shall have occurred.

11.3 Notices. All notices, requests, claims, demands and other communications under the Transaction Agreements shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service, by facsimile with receipt confirmed (followed by delivery of an original via overnight courier service) or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 11.3):

(a) if to GE:

General Electric Company
3135 Easton Turnpike
Fairfield, CT 06828
Facsimile: (203) 373-3008
Attention: Senior Counsel, Transactions

With a copy (which shall not constitute notice) to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
Facsimile: (212) 310-8007
Attention: Howard Chatzinoff, Esq.

(b) if to Acquiror:

Swiss Reinsurance Company
Mythenquai 50/60
8022 Zurich, Switzerland
Facsimile +41 43 282 2162
Attention: Group Chief Legal Officer

With a copy (which shall not constitute notice) to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017-3954
Facsimile: (212) 455-2502
Attention: Charles I. Cogut, Esq.
Gary I. Horowitz, Esq.

11.4 Public Announcements. Except as may be required by Law or stock exchange rules, prior to the Initial Closing no party to this Agreement or any Affiliate or Representative of such party shall make any public announcements or otherwise communicate with any news media in respect of this Agreement or the transactions contemplated by this Agreement without prior notification to the other party, and prior to any announcement or communication the parties shall cooperate as to the timing and contents of any such announcement or communication.

11.5 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced under any Law or as a matter of public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties to this Agreement shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated by this Agreement be consummated as originally contemplated to the greatest extent possible.

11.6 Entire Agreement. Except as otherwise expressly provided in the Transaction Agreements, the Transaction Agreements, the GE Disclosure Letter and Acquiror Disclosure Letter constitute the entire agreement of GE, on the one hand, and Acquiror, on the other hand, with respect to the subject matter of the Transaction Agreements and supersede all prior agreements and undertakings, both written and oral, other than the Confidentiality Agreement to the extent not in conflict with this Agreement, between or on behalf of GE and/or its Affiliates, on the one hand, and Acquiror and/or its Affiliates, on the other hand, with respect to the subject matter of the Transaction Agreements.

11.7 Assignment. This Agreement shall not be assigned by operation of Law or otherwise, except that GE and Acquiror may assign any or all of its rights and obligations under this Agreement to any of its Affiliates; provided, however, that no such assignment by GE or Acquiror, as applicable, shall (x) release GE or Acquiror, as applicable, from any liability or obligation under this Agreement or (y) be permissible if it could reasonably be expected to delay, hinder or jeopardize the consummation of any transactions contemplated by this Agreement. This Agreement shall be binding upon, shall inure to the benefit of, and shall be enforceable by the parties hereto and their permitted successors and assigns.

11.8 No Third-Party Beneficiaries. Except as provided in Article X with respect to GE Indemnified Parties and Acquiror Indemnified Parties, this Agreement is for the sole benefit of the parties to this Agreement and their permitted successors and assigns and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

11.9 Licenses. To the extent that any Business Intellectual Property or Business Technology is transferred to Acquiror or any of its Affiliates hereunder, such Business Intellectual Property and Business Technology shall be subject to all of the terms and conditions of all agreements between GE and its Affiliates and third parties pursuant to which such Business Intellectual Property and Business Technology was licensed prior to the applicable Closing.

11.10 Amendment. No provision of any Transaction Agreement may be amended or modified except by a written instrument signed by all the parties to such agreement.

11.11 Dispute Resolution.

(a) Except as set forth in Sections 3.3 and 3.4 and except with respect to any request for equitable relief (including interim relief) by either GE or Acquiror on or prior to the Closing Date, any dispute, controversy or claim arising out of or relating to the transactions contemplated by the Transaction Agreements (other than the Tax Matters Agreement, the UK Tax Matters Agreement or the International Tax Matters Agreement), or the validity, interpretation, breach or termination of any such agreement, including claims seeking redress or asserting rights under any Law (a "Dispute"), shall be resolved in accordance with the procedures set forth in this Section 11.11 and Section 11.12. Until completion of such procedures, no party may take any action to force a resolution of a Dispute by any judicial or similar process, except to the limited extent necessary to (i) avoid expiration of a claim that might eventually be permitted by this Agreement or (ii) obtain interim relief, including injunctive relief, to preserve the status quo or prevent irreparable harm or ensure performance under Section 7.9.

(b) Any party seeking resolution of a Dispute shall first endeavor to resolve the Dispute at the working team level (i.e., among the persons principally responsible for discharging the parties' respective obligations hereunder). If the parties are unable to resolve such Dispute at the working team level, such Dispute shall be referred to a member of the Transition Committee of each of GE and Acquiror for resolution. The parties shall have thirty (30) days from the date on which such Dispute is referred to their respective members of senior management to resolve the matters being disputed. If the parties are unable to resolve the Dispute within such thirty (30) day period, the parties shall submit the Dispute for resolution by mediation pursuant to the Center of Public Resources Model Procedure for Mediation of Business Disputes as then in effect. Mediation will continue for at least sixty (60) days unless the mediator chooses to withdraw sooner.

(c) All communications among the parties or their Representatives in connection with the attempted resolution of any Dispute shall be deemed to have been delivered in furtherance of a Dispute settlement and shall be exempt from discovery and production and shall not be admissible in evidence (whether as an admission or otherwise) in any proceeding for the resolution of the Dispute.

11.12 Governing Law; Submission to Jurisdiction; Waivers. This Agreement shall be governed by, and construed in accordance with, the Laws of the State of New York. GE and Acquiror agree that if any Dispute is not resolved by mediation undertaken pursuant to Section 11.11, such Dispute shall be resolved only in the Courts of the State of New York sitting in the County of New York or the United States District Court for the Southern District of New York and the appellate courts having jurisdiction of appeals in such courts. In that context, and without limiting the generality of the foregoing, each of GE and Acquiror by this Agreement irrevocably and unconditionally:

(a) submits for itself and its property in any Action relating to the Transaction Agreements, or for recognition and enforcement of any judgment in respect thereof, to the exclusive jurisdiction of the courts of the State of New York sitting in the County of New York, the court of the United States of America for the Southern District of New York, and appellate courts having jurisdiction of appeals from any of the foregoing, and agrees that all claims in respect of any such Action shall be heard and determined in such New York State court or, to the extent permitted by Law, in such federal court;

(b) consents that any such Action may and shall be brought in such courts and waives any objection that it may now or hereafter have to the venue or jurisdiction of any such Action in any such court or that such Action was brought in an inconvenient court and agrees not to plead or claim the same;

(c) waives all right to trial by jury in any Action (whether based on contract, tort or otherwise) arising out of or relating to any of the Transaction Agreements, or its performance under or the enforcement of the Transaction Agreements;

(d) agrees that service of process in any such Action may be effected by mailing a copy of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party at its address as provided in Section 11.3; and

(e) agrees that nothing in the Transaction Agreements shall affect the right to effect service of process in any other manner permitted by the Laws of the State of New York.

11.13 Disclosure Letter. Any disclosure with respect to a Section of this Agreement shall be deemed to be disclosed for other Sections of this Agreement to the extent that such disclosure sets forth on its face facts in sufficient detail so that the relevance of such disclosure would be reasonably apparent to a reader of such disclosure; provided that the only qualifications or exceptions to Sections 5.11(a)(iii) and 7.1 shall be as explicitly set forth in Sections 5.11(a)(iii) and 7.1 of the GE Disclosure Letter. No reference to or disclosure of any item or other matter in any Section of this Agreement shall be construed as an admission or indication that such item or other matter is material or that such item or other matter is required to be referred to or disclosed in this Agreement.

11.14 Rules of Construction. Interpretation of the Transaction Agreements (except as specifically provided in any such agreement, in which case such specified rules of construction shall govern with respect to such agreement) shall be governed by the following rules of construction: (a) words in the singular shall be held to include the plural and vice versa, and words of one gender shall be held to include the other gender as the context requires; (b) references to the terms Article, Section, paragraph and Exhibit are references to the Articles, Sections, paragraphs and Exhibits to this Agreement unless otherwise specified; (c) references to "*$*" shall mean U.S. dollars; (d) the word "*including*" and words of similar import when used in the Transaction Agreements shall mean "*including without limitation,*" unless otherwise specified; (e) the word "*or*" shall not be exclusive; (f) provisions shall apply, when appropriate, to successive events and transactions; (g) the headings contained in the Transaction Agreements are for reference purposes only and shall not affect in any way the meaning or interpretation of the Transaction Agreements; and (h) the Transaction Agreements shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted.

11.15 Counterparts. Each of the Transaction Agreements may be executed in one or more counterparts, and by the different parties to each such agreement in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to any Transaction Agreement by facsimile shall be as effective as delivery of a manually executed counterpart of any such Agreement.

11.16 Specific Performance. The parties hereto agree that irreparable damage would occur if the provisions of Section 7.4 or 7.9 were not performed in accordance with the terms thereof and that the parties shall be entitled to seek an injunction or injunctions to prevent breaches of any such covenant to enforce specifically the terms thereof.

11.17 Conflicts. In the case of any discrepancy between the terms of this Agreement and the terms of any Related Agreement, the terms of this Agreement shall control.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective authorized officers, on the date first written above.

SWISS REINSURANCE COMPANY

By: ______________________________

Name:

Title:

GENERAL ELECTRIC COMPANY

By: ______________________________

Name:

Title:

Exhibit G

FINAL FORM OF AGREEMENT

SHAREHOLDING AGREEMENT

dated as of •, 2006

among

GENERAL ELECTRIC COMPANY,

GENERAL ELECTRIC CAPITAL CORPORATION,

GENERAL ELECTRIC CAPITAL SERVICES, INC.

and

SWISS REINSURANCE COMPANY

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SHAREHOLDING AGREEMENT

This **SHAREHOLDING AGREEMENT** (this "Agreement") is dated as of •, 2006, and is by and among Swiss Reinsurance Company, a corporation organized under the laws of Switzerland (the "Company"), General Electric Company, a New York corporation ("GE"), General Electric Capital Corporation, a Delaware corporation ("GECC"), and General Electric Capital Services, Inc., a Delaware corporation ("GECS").

BACKGROUND

1. Pursuant to a Transaction Agreement, dated as of November 18, 2005, by and between the Company and GE, as amended from time to time (the "Transaction Agreement"), the Company acquired the Business (as defined in the Transaction Agreement) from GE and its Affiliates (as defined below) in exchange for cash and securities of the Company, as more fully described in the Transaction Agreement.

2. Through this Agreement and for their mutual benefit, GE, GECC, GECS, the Company and any other Person that subsequently becomes a party to this Agreement are setting forth their respective rights and obligations applicable to their ownership of securities of the Company.

ARTICLE I

DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the following terms have the meanings indicated:

"Affiliate" means, with respect to any specified Person, any other Person that, at the time of determination, directly or indirectly through one or more intermediaries, Controls, is Controlled by or is under common Control with such specified Person.

"Affiliate Transferee" means GE and any Affiliate of GE that (i) holds Equity Securities pursuant to a Transfer from GECC, GECS or another Affiliate Transferee and (ii) is required to become a party to this Agreement pursuant to Section 2.5 hereof.

"Business Day" means any day that is not a Saturday, a Sunday or other day on which commercial banks in Zurich, Switzerland or the City of New York are required or authorized by Law to be closed.

"Common Stock" means the registered shares, CHF 0.10 par value, of the Company and any securities issued in respect thereof, or in substitution therefor, in connection with any stock split, dividend, spin-off or combination, or any reclassification, recapitalization, merger, consolidation, exchange or other similar reorganization or business combination. For the avoidance of doubt, the term "Common Stock" includes all registered shares, CHF 0.10 par value, of the Company underlying the Company's American Depositary Receipts, but does not include such American Depositary Receipts.

"Common Stock Equivalents" means any stock, warrants, rights, calls, options, debt or other securities exchangeable or exercisable for or convertible into Common Stock, including the Acquiror Convertible Instruments (as defined in the Transaction Agreement). Any reference herein to the number of Common Stock Equivalents shall be deemed to refer to the maximum number of shares of Common Stock into which such Common Stock Equivalents are exchangeable or exercisable for or convertible into at the time of any such determination.

"Company Board" means the Board of Directors of the Company.

"Control" (including its correlative meanings, "Controlled by" and "under common Control with") means possession, directly or indirectly, of the power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise) of a Person.

"Encumbrance" means any lien, mortgage, lease, easement, servitude, levy, right of way, deed of trust, charge, pledge, hypothecation, security interest, covenant, condition, restriction, claim or other encumbrance of any kind, or any conditional sale contract, title retention contract or other contract or agreement creating any of the foregoing.

"Equity Derivative Transaction" means any derivative transaction(s) or structured product(s) (and/or any security or collateral arrangement entered into in connection therewith) the payments under which are (and/or the value of which is) based on any Equity Securities, including any securities lending transaction, short sale, equity swap, equity swaption, put option, call option, cap transaction, floor transaction, collar transaction, forward transaction, repurchase transaction, reverse repurchase transaction, buy/sell-back transaction, contract for differences or other sale transaction, transactions or products similar to the foregoing or combination or securitized version of any of the foregoing that is (in the case of each of the named types of transactions or products) so based.

"Equity Securities" means shares of Common Stock or Common Stock Equivalents, whether outstanding on the date hereof or issued hereafter.

"Governmental Authority" means any national, supra-national, federal, state, provincial, or local government, political subdivision, governmental, regulatory, department, bureau, board or other administrative authority, instrumentality, agency, body or commission, self-regulatory organization or any court, tribunal, or judicial or arbitral body.

"Law" means any law, ordinance, regulation, rule, statute, treaty, Order or requirement of any Governmental Authority.

"Order" means any order, injunction, judgment, decree, ruling, writ, assessment or arbitration award of a Governmental Authority.

"Person" means any natural person, general or limited partnership, corporation, limited liability company, limited liability partnership, firm, joint venture, joint stock company, trust, unincorporated organization, association or organization or other legal entity.

"Permit" means any approval, authorization, consent, license, permit, registration, franchise or certificate of a Governmental Authority.

"Shareholders" means GECC, GECS and all Affiliate Transferees, and "Shareholder" means any one of them.

"Subsidiary" of any Person means any corporation, general or limited partnership, joint venture, limited liability company, limited liability partnership or other Person that is a legal entity, trust or estate of which (or in which) (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors (or a majority of another body performing similar functions) of such corporation or other Person (irrespective of whether at the time capital stock of any other class or classes of such corporation or other Person shall or might have voting power upon the occurrence of any contingency), (b) more than 50% of the interest in the capital or profits of such partnership, joint venture or limited liability company or (c) more than 50% of the beneficial interest in such trust or estate, is at the time of determination directly or indirectly owned or Controlled by such Person.

"Transfer" (including its correlative meaning, "Transferred") means any direct or indirect transfer, sale, assignment, distribution, contribution, exchange, gift, Encumbrance or other disposition (other than a hypothecation) of any Equity Securities or any interest therein.

1.2 Other Definitional Provisions; Interpretation.

(a) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section references are to this Agreement unless otherwise specified. Any pronoun used herein shall be deemed to cover all genders.

(b) The headings in this Agreement are included for convenience of reference only and shall not limit or otherwise affect the meaning or interpretation of this Agreement.

(c) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(d) Unless the context otherwise requires, the words "include," "includes" and "including" and words of similar import when used in this Agreement shall be deemed to be followed by the phrase "without limitation."

(e) The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises regarding this Agreement, this Agreement will be construed as if drafted jointly by the parties and no presumption or burden of proof will arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

ARTICLE II

TRANSFER RESTRICTIONS

2.1 General Restrictions. No Shareholder may Transfer any Equity Securities held by it at any time unless this Agreement permits such Transfer. Any purported Transfer not permitted by this Agreement will be null and void, and the Company shall not record on its stock transfer books or otherwise any such purported Transfer.

2.2 **Prohibition on Transfers During the Transfer Restriction Period.**

(a) From the date of this Agreement through and including •, 2007[1] (the "Transfer Restriction Period"), no Shareholder may Transfer (or agree to Transfer) any Equity Securities without the written consent of the Company except for Transfers (or agreements to Transfer):

(i) made in accordance with Section 2.5;

(ii) pursuant to any business combination, tender or exchange offer to acquire any Common Stock or any other extraordinary transaction, in each case that is approved by the Company Board;

(iii) to the Company or a direct or indirect Subsidiary of the Company; or

(iv) of the Acquiror Convertible Instruments issued to GE pursuant to the Transaction Agreement (so long as such Transfer occurs on or before •, 2006)[2].

(b) Except as set forth in Section 2.3 below, after the expiration of the Transfer Restriction Period, each Shareholder shall be entitled to Transfer any or all of the Equity Securities owned by it at any time without limitation.

(c) Notwithstanding anything here to the contrary, until the expiration of the Transfer Restriction Period, no Shareholder shall, and each Shareholder will cause its Affiliates not to, engage in any Equity Derivative Transaction, other than an Equity Derivative Transaction based solely upon the Swiss Market Index or another group, basket or index of securities (whether or not such group, basket or index includes any Equity Securities).

2.3 **Prohibition on Transfers to Certain Persons.** Notwithstanding any other provision of this Agreement, no Shareholder may Transfer, in any private placement transactions, an aggregate of 2.5% or more of the then outstanding Common Stock to any one of the Persons listed on Annex A hereto without the prior written consent of the Company.

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[1] 360 days from the date hereof.

[2] 30 days following the date hereof.

2.4 <u>**Compliance with Securities Laws**</u>. Each Shareholder hereby agrees that it shall not Transfer any Equity Securities unless such Transfer complies with the provisions hereof and with all applicable Laws.

2.5 <u>**Transfers to Affiliates**</u>.

(a) Notwithstanding anything in this Agreement to the contrary, each Shareholder is entitled, from time to time, without the consent of the Company, to Transfer any or all of the Equity Securities owned by it to any of its Affiliates; <u>provided</u> that any such Transfer made during the Transfer Restriction Period to an Affiliate (other than an Affiliate that is also a Subsidiary) does not involve any economic realization in respect of the Transferred Equity Securities. As a condition to such a Transfer made during or after the Transfer Restriction Period (including to Affiliates that are also Subsidiaries), any such transferee must execute and deliver to the Company an instrument in form and substance reasonably satisfactory to the Company agreeing to become a party to, and be bound by the provisions of, this Agreement as an Affiliate Transferee.

(b) During the Transfer Restriction Period, if, while any Affiliate Transferee of a Shareholder under Section 2.5(a) holds any Equity Securities, and a transaction is contemplated in which such transferee will cease to qualify as an Affiliate of the Shareholder (an "<u>Unwinding Event</u>"), then:

(i) such Shareholder and its Affiliate Transferee will promptly notify the Company of the pending occurrence of such Unwinding Event; and

(ii) prior to such Unwinding Event, such Shareholder and its Affiliated transferee will take all actions necessary to effect a Transfer of all the Equity Securities held by such Affiliated transferee either back to the Shareholder or, to the extent permitted by this Section 2.5, to another Person that qualifies as an Affiliate of the Shareholder.

2.6 <u>**Company Cooperation**</u>. The Company acknowledges that the Shareholders may sell the Equity Securities on the SWX Swiss Exchange without any additional action on the part of the Company. The parties acknowledge that it would be in the interests of both parties for resales to be effected by the Shareholders in an orderly manner and agree to consider how best to effect such resales to minimize disruptions to the market and maximize the Shareholders' liquidity. The Company agrees to consider the ways in which it can facilitate such resales including providing offering materials, particularly if it has prepared such for other purposes or can reasonably do so without significant additional work, and making members of senior management available. The Company acknowledges that it expects to continue to maintain a European Medium-Term Note program with a Rule 144A component, renewable annually, the disclosure for which is prepared to standards customary in the Rule 144A market.

ARTICLE III

CORPORATE GOVERNANCE

3.1 **Nomination of Director**. At the extraordinary general meeting of the Company held on •, the Company elected a designee of the Shareholders as a member of the Company Board for a four (4) year term. If, upon expiration of the initial term or any subsequent term, the Shareholders and their Affiliates, in the aggregate, hold shares of Common Stock representing more than 7.5% of the then outstanding Equity Securities and no other individual shareholder (together with its Affiliates) of the Company holds a larger percentage of the then outstanding Equity Securities at such time, the Company agrees to propose to the ordinary general meeting of shareholders, at which the initial term or subsequent term of the Shareholders' director-designee is expiring, the election of a Person chosen by the Shareholders as a member of the Company Board, who in the reasonable assessment of the Company Board, is qualified to serve as a director for a further term as specified in the Company's articles of association as then in effect.

3.2 **Removal and Replacement**. The Shareholders and (for the avoidance of doubt) the general meeting of shareholders shall be entitled at any time (with or without cause) to cause the Shareholders' director-designee nominated pursuant to Section 3.1 to be removed from the Company Board, and in such event the Company will take such action as is reasonably required to effectuate the necessary changes with the competent commercial register. In the event that a vacancy is created at any time by the death, disability, retirement, resignation or removal (with or without cause) of the director specified in Section 3.1, the Company shall, during such 4-year term, subject to the requirements of applicable Law and the terms of the Company's articles of association, and as long as, at such time, the Shareholders and their Affiliates, in the aggregate, hold shares of Common Stock representing more than 7.5% of the then outstanding Equity Securities and no other individual shareholder (together with its Affiliates) of the Company holds a larger percentage of Equity Securities at such time, propose to the next ordinary general meeting of shareholders of the Company and propose and recommend at such extraordinary general meeting of shareholders the election of a successor proposed by the Shareholders who, in the reasonable assessment of the Company Board, is qualified to serve as director for the remaining term of the replaced director.

3.3 **Status of GE Representative**. The Shareholders and the Company agree that acceptance and credibility of the representation right granted to the Shareholders under this Article III among the shareholders of the Company is essential. Accordingly, the Shareholders acknowledge (i) that their designee on the Company Board will be subject to certain confidentiality obligations, applicable Law and stock exchange regulation, including laws and stock exchange regulations regarding insider trading, ad hoc publicity and business secrets and (ii) that the securities Laws of Switzerland prohibit any Person who has received from a public company material, non-public information from Transferring securities of such company on the basis of such information (until such time as the information becomes generally available to the public).

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

4.1 **Representations of Each of the Parties**. Except as otherwise specified below, as of the date hereof, each of the parties hereto represents and warrants solely with respect to itself to the other party hereto as follows:

(a) **Due Organization and Good Standing**. Each party that is an entity is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization.

(b) **Authority Relative to This Agreement**. Each party has all necessary power and authority to execute and deliver this Agreement and to perform its obligations hereunder. Each Person executing and delivering this Agreement is duly authorized to execute and deliver this Agreement on behalf of such party. The execution and delivery of this Agreement by it has been duly and validly authorized by all requisite action and no other proceedings on its part are necessary to authorize this Agreement. This Agreement has been duly and validly executed and delivered by it and, assuming the due authorization, execution and delivery by the other parties hereto, constitutes a legal, valid and binding obligation of it, subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(c) **No Conflict**. The execution, delivery, and performance by it of this Agreement do not and shall not (i) violate or conflict with the organizational documents of such party, (ii) violate or conflict with any applicable Law or (iii) conflict with or constitute a default, breach, or violation of the terms, conditions, or provisions of any contract, agreement or instrument to which such party is subject which would prevent such party from performing any of its obligations hereunder or thereunder.

(d) **Required Filings and Consents**. The execution and delivery by it of this Agreement do not, and the performance of this Agreement will not, require any Permit, except for (i) any such Permits as have been already obtained or made or are otherwise expressly contemplated hereby or (ii) where failure to obtain any such Permits would not prevent or materially delay it from performing any of its obligations under this Agreement.

(e) **Ownership of Stock**. GECC and GECS represent and warrant that, as of the date hereof, they are the sole record owner and a beneficial owner of the Equity Securities listed beside their respective names on Annex B hereto and as of the date hereof, such Equity Securities are the only securities of the Company and any of its Subsidiaries held of record or beneficially owned by them.

ARTICLE V

AFTER-ACQUIRED SECURITIES; STANDSTILL

5.1 __After-Acquired Securities__. All of the provisions of this Agreement shall apply to all of the Equity Securities now owned or that may be issued or Transferred hereafter to any Shareholder in consequence of any additional issuance, purchase, exchange or reclassification of any of the Equity Securities, corporate reorganization, or any other form of recapitalization, consolidation, merger, share split or share dividend, or that are acquired by a Shareholder in any other manner.

5.2 __Standstill.__

(a) Until the first date on which a Shareholder and its Affiliates cease to hold, in the aggregate, Equity Securities representing 5% or more of the then outstanding shares of Common Stock of the Company, such Shareholder may not, and the Shareholder will cause its Affiliates not to:

(i) acquire or offer, propose or agree to acquire, directly or indirectly (including pursuant to a merger or other business combination involving the Company), (x) ownership (including beneficial ownership) of Equity Securities, except pursuant to share splits, reverse share splits, share dividends or distributions or any similar recapitalization on or after the date hereof or (y) a material portion of the assets of the Company or any of its Subsidiaries;

(ii) make or participate in any solicitation of proxies to vote, or seek to advise or influence any Person with respect to the voting of any Equity Securities; __provided__, that this subsection shall not be deemed to restrict any designee of the Shareholders from participating as members of the Company Board in their capacity as such;

(iii) form, join or participate in a "group" (within the meaning of the Swiss federal Stock Exchange and Securities Act and its implementing ordinances) with respect to any voting securities of the Company;

(iv) other than through its designee to the Company Board, if any, made pursuant to Article III hereof, act or seek to control or influence the management or the policies of the Company; or

(v) disclose any intention, plan or arrangement inconsistent with the foregoing or take any action which might require the Company to make a public announcement regarding the possibility of a business combination or merger.

(b) Section 5.2 shall terminate automatically in the event that any Person other than a Shareholder or any of its Affiliates notifies the Company or the Company Board, or publicly announces, that it has acquired or offers to acquire and has the ability to acquire (including any offer to acquire by means of a tender offer), direct or indirect, ownership (including beneficial ownership) of Equity Securities representing, together with any Equity

Securities already owned or beneficially owned by such Person, at least a majority of the then outstanding Equity Securities.

5.3 Advisory or Fiduciary Capacities. Notwithstanding anything herein to the contrary, the provisions of this Agreement shall not apply to any of the Equity Securities now owned or that may be issued or Transferred hereafter to any business entity of GE or any of its Affiliates holding such Equity Securities in its capacity as an advisor or fiduciary for third parties, including General Electric Pension Trust or GE Asset Management Incorporated.

ARTICLE VI

MISCELLANEOUS

6.1 Amendments. No provision of this Agreement may be amended or modified, except by a written instrument signed by all the parties to this Agreement; provided that the written consent of the Shareholders shall not be required for any amendment to Annex B hereto made to reflect the addition of a party to this Agreement or to change the contact information for any party hereto (provided that a copy of such amended Annex B shall be sent to all Shareholders).

6.2 Successors, Assigns and Transferees; No Third Party Beneficiaries. The provisions of this Agreement shall be binding upon and shall inure to the benefit of the Company, GE and the Shareholders and any of their respective permitted successors. Except to the extent expressly set forth herein, no party hereto may assign its rights or obligations hereunder. This Agreement is not intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

6.3 Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service, by facsimile with receipt confirmed (followed by delivery of an original via overnight courier service) or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the address specified in Annex B (or at such other address for a party as shall be specified in a notice given in accordance with this Section 6.3).

6.4 Entire Agreement. Except as otherwise expressly provided in this Agreement, this Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter of this Agreement. There are no agreements, representations, warranties, covenants or undertakings with respect to the subject matter hereof and thereof other than those expressly set forth herein and therein. This Agreement supersedes all prior agreements and undertakings, both written and oral, between the parties with respect to the subject matter of this Agreement.

6.5 Delays or Omissions. It is agreed that no delay or omission to exercise any right, power or remedy accruing to any party, upon any breach, default or noncompliance by another party shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of or in any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent or approval of any kind or character on the part of any party hereto of any breach, default or noncompliance under this Agreement or any waiver on such party's part of any provisions or conditions of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by Law, or otherwise afforded to any party, shall be cumulative and not alternative.

6.6 **Validity**. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, each of which shall remain in full force and effect, and the parties hereto shall use commercially reasonable efforts to arrive at an accommodation which effectuates to the greatest extent legally permissible the intent of the parties with respect to the benefits and obligations of the invalid or unenforceable provision.

6.7 **Counterparts**. This Agreement may be executed in one or more counterparts, and by the different parties to the agreement in separate counterparts, each of which, when executed, shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of any executed counterpart of a signature page to this Agreement by facsimile shall be as effective as delivery of a manually executed counterpart of this Agreement.

6.8 **Governing Law; Submission to Jurisdiction; Waivers**. This Agreement shall be governed by, and construed in accordance with, the internal Laws of Switzerland. Each of the parties agrees that any dispute, controversy, or claim arising out of or relating to the transactions contemplated by this Agreement, or the validity, interpretation, breach or termination of this Agreement, shall fall within the exclusive jurisdiction of the Commercial Court of the Canton of Zurich, Switzerland, the place of jurisdiction being Zurich 3, with the right to appeal to the Swiss Federal Supreme Court, whose decision shall be final. Each party hereby submits for any such action or proceeding to the jurisdiction of the aforesaid courts to the exclusion of any other court.

6.9 **Termination**. This Agreement shall terminate with respect to GE and its Affiliates at such time as GE and its Affiliates own, in the aggregate less than 1% of the then issued and outstanding Equity Securities; and, with respect to any Shareholder, when that Shareholder ceases to own any Equity Securities.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the individuals whose names appear below and by the duly authorized representatives of each party hereto as of the first date written.

GENERAL ELECTRIC COMPANY

By:________________________________
Name:
Title:

GENERAL ELECTRIC CAPITAL CORPORATION

By:________________________________
Name:
Title:

GENERAL ELECTRIC CAPITAL SERVICES, INC.

By:________________________________
Name:
Title:

SWISS REINSURANCE COMPANY

By:________________________________
Name:
Title:

Annex A

Berkshire Hathaway
Gen Re
Alliance
Munich Re
Hanover
AIG

Annex B

	Address for Notices	Ownership of Equity Securities
Swiss Reinsurance Company General Electric Capital Corporation General Electric Capital Services, Inc.		

Exhibit 12

General Electric Company
Ratio of Earnings to Fixed Charges

(Dollars in millions)	Years ended December 31				
	2005	**2004**	**2003**	**2002**	**2001**
General Electric Company and consolidated affiliates					
Earnings[(a)]	$ 23,115	$ 20,499	$ 17,919	$ 20,662	$ 18,472
Plus: Interest and other financial charges included in expense	15,276	11,721	10,542	9,883	10,775
One-third of rental expense[(b)]	644	601	520	558	538
Adjusted "earnings"	$ 39,035	$ 32,821	$ 28,981	$ 31,103	$ 29,785
Fixed Charges:					
Interest and other financial charges	$ 15,276	$ 11,721	$ 10,542	$ 9,883	$ 10,775
Interest capitalized	108	92	48	53	98
One-third of rental expense[(b)]	644	601	520	558	538
Total fixed charges	$ 16,028	$ 12,414	$ 11,110	$ 10,494	$ 11,411
Ratio of earnings to fixed charges	2.44	2.64	2.61	2.96	2.61

(a) Earnings before income taxes, minority interest, discontinued operations and cumulative effect of accounting changes.

(b) Considered to be representative of interest factor in rental expense.

Contents

We also present our financial information electronically at www.ge.com/investor. This award-winning site is interactive and informative.

Management's Discussion of Financial Responsibility

We believe that great companies are built on a foundation of reliable financial information and compliance with the spirit and letter of the law. For GE, that foundation includes rigorous management oversight of, and an unyielding dedication to, controllership. The financial disclosures in this report are one product of our commitment to high quality financial reporting. In addition, we make every effort to adopt appropriate accounting policies, we devote our full resources to ensuring that those policies are applied properly and consistently and we do our best to fairly present our financial results in a manner that is complete and understandable. While we take pride in our financial reporting, we tirelessly seek improvements, and we welcome your suggestions.

RIGOROUS MANAGEMENT OVERSIGHT

Members of our corporate leadership team review each of our businesses routinely on matters that range from overall strategy and financial performance to staffing and compliance. Our business leaders monitor financial and operating systems, enabling us to identify potential opportunities and concerns at an early stage and positioning us to respond rapidly. Our Board of Directors oversees management's business conduct, and our Audit Committee, which consists entirely of independent directors, oversees our internal control over financial reporting. We continually examine our governance practices in an effort to enhance investor trust and improve the Board's overall effectiveness. The Board and its committees annually conduct a performance self-evaluation and recommend improvements. Our Presiding Director led three meetings of non-management directors this year, helping us sharpen our full Board meetings to better cover significant topics. Compensation policies for our executives are aligned with the long-term interests of GE investors. For example, payout of CEO equity grants is contingent on our Company meeting key performance metrics.

DEDICATION TO CONTROLLERSHIP

We maintain a dynamic system of internal controls and procedures—including internal control over financial reporting—designed to ensure reliable financial record-keeping, transparent financial reporting and disclosure, and protection of physical and intellectual property. We recruit, develop and retain a world-class financial team. Our internal audit function, 563 auditors, including 405 members of our Corporate Audit Staff, conducts thousands of financial, compliance and process improvement audits each year, in every geographic area, at every GE business. We recognized the contributions of our controllers and these auditors with a Chairman's Leadership Award in 2005. The Audit Committee oversees the scope and evaluates the overall results of these audits. Our Audit Committee Chairman regularly attends GE Capital Services Board of Directors, Corporate Audit Staff and Controllership Council meetings. Our global integrity policies—"The Spirit & The Letter"—require compliance with law and policy, and pertain to such vital issues as upholding financial integrity and avoiding conflicts of interest. These integrity policies are available in 31 languages, and we have provided them to every one of GE's more than 300,000 global employees, holding each of these individuals—from factory floor through top management—personally accountable for compliance. Our integrity policies reinforce key employee responsibilities around the world, and we inquire extensively about compliance. Our strong compliance culture reinforces these efforts by requiring employees to raise any compliance concerns and by prohibiting retribution for doing so. To facilitate open and candid communication, we have designated ombudspersons throughout the Company to act as independent resources for reporting integrity or compliance concerns. We hold our directors, consultants, agents and independent contractors to the same integrity standards.

INFORMATIVE DISCLOSURE AND VISIBILITY TO INVESTORS

We are keenly aware of the importance of full and open presentation of our financial position and operating results and rely for this purpose on our disclosure controls and procedures, including our Disclosure Committee, which comprises senior executives with detailed knowledge of our businesses and the related needs of our investors. We ask this committee to review our compliance with accounting and disclosure requirements, to evaluate the fairness of our financial and non-financial disclosures, and to report their findings to us. We further ensure strong disclosure by holding more than 350 analyst and investor meetings every year. Recognizing the effectiveness of our disclosure policies, investors surveyed annually by *Investor Relations* magazine have given us 27 awards during the last 10 years, including "Best Report" and "Best Communication with the Retail Market" in 2005 and "Best Overall Investor Relations Program" by a mega-cap company for 2005 (and for seven of the last 10 years). We were also ranked "First Team" by *Institutional Investor*. We are in regular contact with representatives of the major rating agencies, and our debt continues to receive their highest ratings.

GE continues to earn the respect of the business world. We were named "Global Most Admired Company" and "America's Most Admired Company" by *FORTUNE* magazine; "World's Most Respected" by *Barron's* in its inaugural investor survey; and number two in the *Financial Times*/PricewaterhouseCoopers annual CEO survey—again placing first for corporate governance. GE was also named to the *Dow Jones Sustainability Index* for the second year in a row, which recognizes GE as a global leader in social responsibility and citizenship. We also published our first annual citizenship report in 2005, entitled "Our Actions."

CONCLUSION

We welcome the strong oversight of our financial reporting activities by our independent registered public accounting firm, KPMG LLP, engaged by and reporting directly to the Audit Committee. U.S. legislation requires management to report on internal control over financial reporting and for auditors to render an opinion on such controls. Our report and the KPMG LLP report for 2005 appear on the following page.

We present our financial information proudly, with the expectation that those who use it will understand our Company, recognize our commitment to performance with integrity, and share our confidence in GE's future.

Jeff Immelt | Keith S. Sherin

JEFFREY R. IMMELT
Chairman of the Board and
Chief Executive Officer

KEITH S. SHERIN
Senior Vice President, Finance
and Chief Financial Officer

Management's Annual Report on Internal Control Over Financial Reporting

The management of General Electric Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. With the participation of the Chief Executive Officer and the Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in *Internal Control—Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2005.

General Electric Company's auditor, KPMG LLP, an independent registered public accounting firm, has issued an audit report on our management's assessment of our internal control over financial reporting. This audit report appears below.

Jeff Immelt   Keith S. Sherin

JEFFREY R. IMMELT
Chairman of the Board and
Chief Executive Officer

KEITH S. SHERIN
Senior Vice President, Finance
and Chief Financial Officer

February 10, 2006

Report of Independent Registered Public Accounting Firm

To Shareowners and Board of Directors of General Electric Company

We have audited the accompanying statement of financial position of General Electric Company and consolidated affiliates ("GE") as of December 31, 2005 and 2004, and the related statements of earnings, changes in shareowners' equity and cash flows for each of the years in the three-year period ended December 31, 2005. We also have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, that GE maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). GE management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on these consolidated financial statements, an opinion on management's assessment, and an opinion on the effectiveness of GE's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements appearing on pages 64, 66, 68, 70–105 and the Summary of Operating Segments table on page 49 present fairly, in all material respects, the financial position of GE as of December 31, 2005 and 2004, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, management's assessment that GE maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in *Internal Control—Integrated Framework* issued by COSO. Furthermore, in our opinion, GE maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

As discussed in note 1 to the consolidated financial statements, GE in 2004 and 2003 changed its method of accounting for variable interest entities and in 2003 changed its method of accounting for asset retirement obligations.

Our audits of GE's consolidated financial statements were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating information appearing on pages 65, 67 and 69 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual entities. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

KPMG LLP
Stamford, Connecticut

February 10, 2006

Operations

Our consolidated financial statements combine the industrial manufacturing, services and media businesses of General Electric Company (GE) with the financial services businesses of General Electric Capital Services, Inc. (GECS or financial services).

In the accompanying analysis of financial information, we sometimes use information derived from consolidated financial information but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). Certain of these data are considered "non-GAAP financial measures" under the U.S. Securities and Exchange Commission (SEC) rules. For such measures, we have provided supplemental explanations and reconciliations in the Supplemental Information section.

We present Management's Discussion of Operations in five parts: Overview of Our Earnings from 2003 through 2005, Global Risk Management, Segment Operations, Global Operations and Environmental Matters.

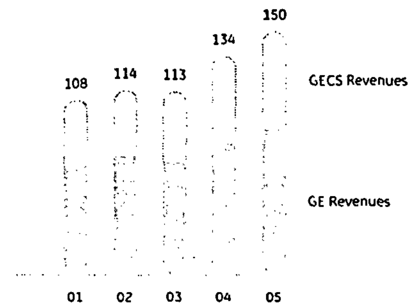
Overview of Our Earnings from 2003 through 2005

Our results over the last several years reflect the global economic environment in which we operate. During these years, the economy has grown, but at a rate that, in historic terms, has been relatively modest. Long-term interest rates have been stable. We also experienced a weaker, but recently strengthening, U.S. dollar, escalating energy costs and higher fossil fuel-related raw material prices. Market developments in two industries in which we operate—power generation and commercial aviation—also had significant effects on our results. As the following pages show, our diversification and risk management strategies enabled us to continue to grow revenues and earnings to record levels during this challenging time.

Of our six segments, Infrastructure (29% and 36% of consolidated three-year revenues and total segment profit, respectively) was one of the most significantly affected by the recent economic environment. Infrastructure's Energy business was particularly affected by the period of unprecedented U.S. power industry demands that peaked in 2002. The return to normal demand levels was reflected in subsequent lower shipments of large heavy-duty gas turbine units. In 2003, we sold 175 such units, compared with 122 in 2004 and 127 in 2005. During these years we invested in other lines of power generation such as wind power and developed product services that we believe will position the Energy business well for continued growth in 2006 and beyond. We also continued to invest in market-leading technology and services at Aviation, Transportation and Water. We had 1,405 commercial aircraft on lease at December 31, 2005, an increase of 63 aircraft from last year. All of our aircraft were on lease at the end of 2005, and at that time we held $10.6 billion (list price) of multiple-year orders for various Boeing, Airbus and other aircraft, including 73 aircraft ($4.8 billion list price) scheduled for delivery in 2006, all under agreement to commence operations with commercial airline customers. Product services and sales of our Evolution Series locomotives continue to be strong.

Industrial (22% and 10% of consolidated three-year revenues and total segment profit, respectively) is particularly sensitive to economic conditions. Higher capacity, in combination with declining or weak volume growth in many of the industries in which it operates, resulted in increased competitive price pressures. The Consumer & Industrial business continued to grow through product innovation and its focus on high-end appliances. The Plastics business was hit particularly hard during these three years because of additional pressure from significant inflation in natural gas and certain raw materials such as benzene. Increased earnings at Plastics reflected improved product pricing.

CONSOLIDATED REVENUES (In $ billions)



We have achieved strong growth in our Healthcare and NBC Universal segments with a combination of organic growth and strategic acquisitions. Healthcare (10% and 11% of consolidated three-year revenues and total segment profit, respectively) realized benefits of acquisitions of Amersham plc (Amersham) in 2004 and Instrumentarium in 2003, expanding the breadth of our product and services offerings to the healthcare industry, and positioning us well for continued growth. NBC Universal (9% and 13% of consolidated three-year revenues and total segment profit, respectively) has developed into a diversified world-class media company over the last several years as the combination of NBC with Vivendi Universal Entertainment LLLP (VUE) in 2004 followed successful acquisitions of Telemundo and Bravo in 2002. NBC Universal revenues and segment profit rose 14% and 21%, respectively, in 2005, and 88% and 28%, respectively, in 2004, largely on acquisitions. We expect the technology and business model for the entertainment media industry to continue to evolve in the coming years and believe that NBC Universal is well positioned to compete in this challenging environment.

Commercial Finance and Consumer Finance (together, 26% and 31% of consolidated three-year revenues and total segment profit, respectively) are large, profitable growth businesses in which we continue to invest with confidence. In a challenging economic environment, these businesses grew earnings by a combined $1.3 billion and $1.0 billion in 2005 and 2004, respectively. Commercial Finance and Consumer Finance have delivered strong results through solid core growth, disciplined risk management and successful acquisitions. The most significant acquisitions affecting Commercial Finance and Consumer Finance results in

2005 were the commercial lending business of Transamerica Finance Corporation; WMC Finance Co. (WMC), a U.S. wholesale mortgage lender; Australian Financial Investments Group (AFIG), a residential mortgage lender in Australia; and the Transportation Financial Services Group of CitiCapital. These acquisitions collectively contributed $1.9 billion and $0.2 billion to 2005 revenues and net earnings, respectively.

Overall, acquisitions contributed $9.6 billion, $12.3 billion and $5.4 billion to consolidated revenues in 2005, 2004 and 2003, respectively. Our consolidated net earnings in 2005, 2004 and 2003 included approximately $0.9 billion, $1.2 billion and $0.5 billion, respectively, from acquired businesses. We integrate acquisitions as quickly as possible. Only revenues and earnings from the date we complete the acquisition through the end of the fourth following quarter are attributed to such businesses. Dispositions also affected our operations through lower revenues of $2.0 billion, $3.0 billion and $2.3 billion in 2005, 2004 and 2003, respectively. This resulted in lower earnings of $0.1 billion and $0.5 billion in 2005 and 2004, respectively, and higher earnings of $0.2 billion in 2003.

Significant matters relating to our Statement of Earnings are explained below.

INSURANCE EXIT. In 2005, we reduced our exposure to insurance in a disciplined fashion and our exit is now in sight.

- On November 18, 2005, we announced that we had entered into an agreement with Swiss Reinsurance Company (Swiss Re) to sell the property and casualty insurance and reinsurance businesses and the European life and health operations of GE Insurance Solutions. The transaction is expected to close in the second quarter of 2006, subject to regulatory approvals and customary closing conditions.
- In May 2004, we completed the initial public offering of Genworth Financial, Inc. (Genworth), our formerly wholly-owned subsidiary that conducted most of our consumer insurance business, including life and mortgage insurance operations. Throughout 2005, we continued to reduce our ownership in Genworth, currently at 18%. We intend to continue to dispose of our remaining shares in 2006, subject to market conditions.

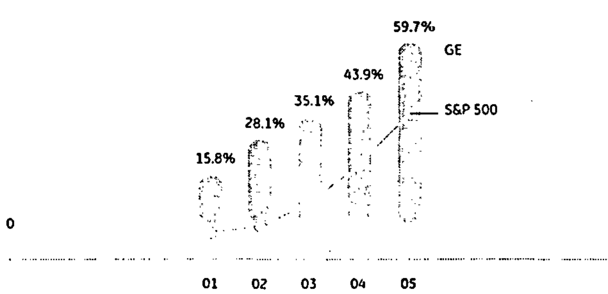
We reported both the portions of GE Insurance Solutions described above and Genworth as discontinued operations for all periods presented. Unless otherwise indicated, we refer to captions such as revenues and earnings from continuing operations simply as "revenues" and "earnings" throughout this Management's Discussion and Analysis. Similarly, discussion of other matters in our consolidated financial statements relates to continuing operations unless otherwise indicated.

WE DECLARED $9.6 BILLION IN DIVIDENDS IN 2005. Per-share dividends of $0.91 were up 11% from 2004, following a 6% increase from the preceding year. In December 2005, our Board of Directors raised our quarterly dividend 14% to $0.25 per share.

We have rewarded our shareowners with over 100 consecutive years of dividends, with 30 consecutive years of dividend growth, and our dividend growth for the past five years has significantly outpaced that of companies in the Standard & Poor's (S&P) 500 stock index.

Except as otherwise noted, the analysis in the remainder of this section presents the results of GE (with GECS included on a one-line basis) and GECS. See the Segment Operations section for a more detailed discussion of the businesses within GE and GECS.

GE/S&P CUMULATIVE DIVIDEND GROWTH 2001–2005



GE SALES OF PRODUCT SERVICES were $27.4 billion in 2005, a 9% increase over 2004. Increases in product services in 2005 and 2004 were widespread, led by continued strong growth at Infrastructure and Healthcare. Operating profit from product services was approximately $7.0 billion in 2005, up 14% from 2004, reflecting ongoing improvements at Infrastructure and Healthcare.

POSTRETIREMENT BENEFIT PLANS reduced pre-tax earnings by $1.7 billion, $1.2 billion and $0.2 billion in 2005, 2004 and 2003, respectively. Costs of our principal pension plans increased over the last three years primarily because of the effects of:

- Prior years investment losses which reduced pre-tax earnings by $0.5 billion, $0.6 billion and $0.4 billion in 2005, 2004 and 2003, respectively, and
- Lowering pension discount rates which reduced pre-tax earnings by $0.1 billion, $0.4 billion and $0.2 billion in 2005, 2004 and 2003, respectively.

Considering current and expected asset allocations, as well as historical and expected returns on various categories of assets in which our plans are invested, we have assumed that long-term returns on our principal pension plan assets would be 8.5% throughout this period and in 2006. U.S. generally accepted accounting principles provide for recognition of differences between assumed and actual returns over a period no longer than the average future service of employees.

We believe that our postretirement benefit costs will increase again in 2006 for a number of reasons, including further reduction in discount rates at December 31, 2005, and continued recognition of prior years investment losses relating to our principal pension plans.

Our principal pension plans had a surplus of $5.8 billion at December 31, 2005. We will not make any contributions to the GE Pension Plan in 2006. To the best of our ability to forecast the next five years, we do not anticipate making contributions to that plan so long as expected investment returns are achieved. At December 31, 2005, the fair value of assets for our other pension plans was $2.9 billion less than their respective projected benefit obligations. We expect to contribute $0.4 billion to these plans in 2006, the same amount that was contributed in 2005 and 2004, respectively.

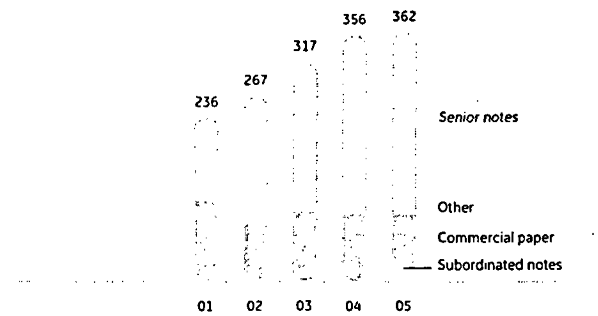
The funded status of our postretirement benefit plans and future effects on operating results depend on economic conditions and investment performance. See notes 6 and 7 for additional information about funded status, components of earnings effects and actuarial assumptions. See the Critical Accounting Estimates section for discussion of pension assumptions.

GE OTHER COSTS AND EXPENSES are selling, general and administrative expenses, which increased 11% to $13.3 billion in 2005, following a 22% increase in 2004, substantially the result of acquisitions in both years.

GE OPERATING PROFIT is earnings from continuing operations before interest and other financial charges, income taxes and the effects of accounting changes. GE operating profit was $13.3 billion in 2005, up from $11.4 billion in 2004 and $11.6 billion in 2003 (14.4%, 13.7% and 16.4% of GE total revenues in 2005, 2004 and 2003, respectively). The increase in 2005 operating profit reflected higher productivity (principally Healthcare and Infrastructure), volume (Infrastructure and NBC Universal) and prices (Industrial), partially offset by higher other costs across all segments. The decrease in 2004 reflected the combination of higher material and other costs (Industrial and NBC Universal), higher pension costs, lower prices (Infrastructure and Healthcare) and lower productivity (Infrastructure and NBC Universal), partially offset by increased volume (NBC Universal and Healthcare, reflecting 2004 combination/acquisition activity).

INTEREST ON BORROWINGS AND OTHER FINANCIAL CHARGES amounted to $15.2 billion, $11.7 billion and $10.5 billion in 2005, 2004 and 2003, respectively. Substantially all of our borrowings are through GECS, where interest expense was $14.3 billion, $11.1 billion and $9.9 billion in 2005, 2004 and 2003, respectively. Changes over the three-year period reflected increased average borrowings and increased interest rates. GECS average borrowings were $346.1 billion, $319.2 billion and $305.0 billion in 2005, 2004 and 2003, respectively. GECS average composite effective interest rate was 4.2% in 2005, compared with 3.5% in 2004 and 3.2% in 2003. Proceeds of these borrowings were used in part to finance asset growth and acquisitions. In 2005, GECS average assets of $487.0 billion were 10% higher than in 2004, which in turn were 15% higher than in 2003. See the Financial Resources and Liquidity section for a discussion of interest rate risk management.

GECS BORROWINGS (In $ billions)



INCOME TAXES are a significant cost. As a global commercial enterprise, our tax rates are affected by many factors, including our global mix of earnings, legislation, acquisitions, dispositions and tax characteristics of our income. Our tax returns are routinely audited and settlements of issues raised in these audits sometimes affect our tax provisions.

Income taxes on consolidated earnings from continuing operations before accounting changes were 17.4% in 2005, compared with 17.6% in 2004 and 21.8% in 2003. Our consolidated income tax rate was essentially unchanged in 2005 from 2004 because the 2005 tax benefits from a reorganization of our aircraft leasing business and from the growth in lower-taxed global operations were about the same as the 2004 tax benefits from favorable U.S. Internal Revenue Service (IRS) settlements, the NBC Universal combination, the 2004 reorganization of our aircraft leasing business and a lower tax rate on the sale of a portion of Gecis, our business process outsourcing operation (now Genpact). Our consolidated income tax rate decreased by 4.2 percentage points in 2004 as the benefits listed above for 2004 were greater than the tax benefits from certain business dispositions in 2003. A more detailed analysis of differences between the U.S. federal statutory rate and the consolidated rate, as well as other information about our income tax provisions, is provided in note 8. The nature of business activities and associated income taxes differ for GE and for GECS and a separate analysis of each is presented in the paragraphs that follow.

Because GE tax expense does not include taxes on GECS earnings, the GE effective tax rate is best analyzed in relation to GE earnings excluding GECS. GE pre-tax earnings from continuing operations before accounting changes excluding GECS earnings from continuing operations before accounting changes were $11.9 billion, $10.4 billion and $10.7 billion for 2005, 2004 and 2003, respectively. On this basis, GE's effective tax rate was 23.1% in 2005, 19.0% in 2004 and 26.7% in 2003. The increase in the 2005 rate over the 2004 rate was primarily attributable to the lack of current-year counterparts to the 2004 settlements with the IRS and 2004 tax benefits associated with the NBC Universal combination, both discussed below, that together reduced the 2004 rate by 7.2 percentage points. Partially offsetting this increase were the favorable impact of a number of audit resolutions with taxing authorities and our 2005 repatriation of earnings at the reduced U.S. tax rate provided in 2004 legislation (together representing a 3.2 percentage point reduction of the GE tax rate). These 2005 tax benefits are reflected in note 8 in the lines "All other—net" (1.6 percentage points) and "Tax on global activities including exports" (1.6 percentage points).

The 2004 rate reduction was primarily a result of two items that decreased the 2004 GE tax rate by 7.2 percentage points—settling several issues with the IRS for the years 1985 through 1999 and tax benefits associated with the NBC Universal combination. As part of the IRS settlements, we closed two significant issues: the 1997 tax-free exchange of the Lockheed Martin convertible preferred stock we received on the disposition of our Aerospace business in 1993, and a 1998 tax loss on the sale of a Puerto Rican subsidiary. The tax portion of these settlements is included in the line "IRS settlements of Lockheed Martin tax-free exchange/Puerto Rico subsidiary loss" in note 8. The tax benefits associated with the NBC Universal combination are included in the line "All other—net" in note 8. The 2004 GE effective tax rate also reflects lower pre-tax income primarily from lower earnings in the Energy business and higher costs related to our principal pension plans. Partially offsetting these changes was the nonrecurrence of certain 2003 tax benefits.

GECS effective tax rate decreased to 10.8% in 2005 from 16.2% in 2004 and 14.3% in 2003. The 2005 GECS rate reflects the net benefits, discussed below, of a reorganization of our aircraft leasing business; and an increase in lower-taxed earnings from global operations. Together, these items more than account for the 6.9 percentage point decrease in rate from 2004 reflected in the line "Tax on global activities including exports" in note 8. Partially offsetting these benefits was the nonrecurrence of the benefits from 2004 favorable settlements with the IRS and the low-taxed disposition of a majority interest in Genpact. The lack of counterparts to these items increased the 2005 GECS tax rate by 2.2 percentage points.

The increase in the GECS effective tax rate from 2003 to 2004 also reflected the net benefits, discussed below, of a reorganization of our aircraft leasing business, which decreased the 2004 effective tax rate 1.7 percentage points and is included in the line "Tax on global activities including exports" in note 8; tax benefits from favorable IRS settlements, which decreased the 2004 effective tax rate 1.3 percentage points and is included in the line "All other—net" in note 8; and the low-taxed disposition of a majority interest in Genpact which decreased the 2004 effective tax rate 0.9 percentage points, and is included in the line "Tax on global activities including exports" in note 8. Offsetting these benefits were the effects of higher pre-tax income and the nonrecurrence of a 2003 tax benefit on the disposition of shares of ERC Life Reinsurance Corporation.

As a result of the repeal of the extraterritorial income (ETI) taxing regime as part of the American Jobs Creation Act of 2004 (the Act), our aircraft leasing business no longer qualifies for a reduced U.S. tax rate. However, the Act also extended to aircraft leasing, the U.S. tax deferral benefits that were already available to other GE non-U.S. active operations. These legislative changes, coupled with a reorganization of our aircraft leasing business and a favorable Irish tax ruling, decreased the GECS effective tax rate 3.0 percentage points in 2005 and 1.7 percentage points in 2004.

Global Risk Management

A disciplined approach to risk is important in a diversified organization such as ours in order to ensure that we are executing according to our strategic objectives and that we only accept risk for which we are adequately compensated. It is necessary for us to manage risk at the individual transaction level, and to consider aggregate risk at the customer, industry, geography and collateral-type levels, where appropriate.

The GE Board of Directors oversees the risk management process through clearly established delegation of authority. Board and committee meeting agendas are jointly developed with management to cover risk topics presented to our Corporate Risk Committee, including environmental, compliance, liquidity, credit, market and event risks.

The GECS Board of Directors oversees the risk management process for financial services, and approves directly or by delegation all significant acquisitions and dispositions as well as borrowings and investments. All participants in the risk management process must comply with approval limits established by the Board.

The GECS Chief Risk Officer is responsible, through the Corporate Risk Function, for establishing standards for the measurement, reporting and limiting of risk; for managing and evaluating risk managers; for approving risk management policies; and for reviewing major risk exposures and concentrations across the organization. The GECS Corporate Risk Function analyzes certain business risks and assesses them in relation to aggregate risk appetite and approval limits set by the GECS Board of Directors.

Threshold responsibility for identifying, quantifying and mitigating risks is assigned to our individual businesses. Because the risks and their interdependencies are complex, we apply a Six Sigma-based analytical approach to each major product line that monitors performance against external benchmarks, proactively manages changing circumstances, provides early warning detection of risk and facilitates communication to all levels of authority. Other corporate functions such as Financial Planning and Analysis, Treasury, Legal and our Corporate Audit Staff support business-level risk management. Businesses that, for example, hedge financial risk with derivative financial instruments must do so using our centrally-managed Treasury function, providing assurance that the business strategy complies with our corporate policies and achieves economies of scale. We review risks periodically with business-level risk managers, senior management and our Board of Directors.

GECS employs about 11,000 dedicated risk professionals, including 6,600 involved in collection activities and 400 specialized asset managers who evaluate leased asset residuals and remarket off-lease equipment.

GE and GECS manage a variety of risks including liquidity, credit, market and event risks.

- Liquidity risk is the risk of being unable to accommodate liability maturities, fund asset growth and meet contractual obligations through access to funding at reasonable market rates. Additional information about our liquidity and how we manage this risk can be found in the Financial Resources and Liquidity section and in notes 18 and 27.
- Credit risk is the risk of financial loss arising from a customer or counterparty failure to meet its contractual obligations. We face credit risk in our lending and leasing activities (see the Financial Resources and Liquidity and Critical Accounting Estimates sections and notes 1, 13, 14 and 29) and derivative financial instruments activities (see note 27).
- Market risk is the potential loss in value of investment and other asset and liability portfolios, including financial instruments, caused by changes in market variables, such as interest and currency exchange rates and equity and commodity prices. We are exposed to market risk in the normal course of our business operations as a result of our ongoing investing and funding activities. We attempt to mitigate the risks to our various portfolios arising from changes in interest and currency exchange rates in a variety of ways that often include offsetting positions in local currencies or selective use of derivatives. Additional information about how we mitigate the risks to our various portfolios from changes in interest and currency exchange rates can be found in the Financial Resources and Liquidity section and in note 27.
- Event risk is that body of risk beyond liquidity, credit and market risk. Event risk includes the possibility of adverse occurrences both within and beyond our control. Examples of event risk include natural disasters, availability of necessary materials, guarantees of product performance and business interruption. This type of risk is often insurable, and success in managing this risk is ultimately determined by the balance between the level of risk retained or assumed and the cost of transferring the risk to others. The decision as to the appropriate level of event risk to retain or cede is evaluated in the framework of business decisions. Additional information about certain event risk can be found in note 29.

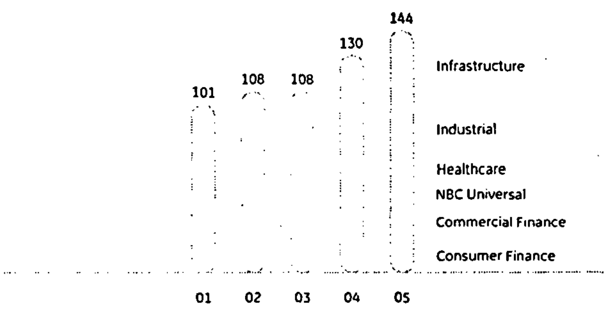
Segment Operations

Operating segments comprise our six businesses focused on the broad markets they serve: Infrastructure, Industrial, Healthcare, NBC Universal, Commercial Finance and Consumer Finance. For segment reporting purposes, certain GECS businesses are included in the industrial operating segments that actively manage such businesses and report their results for internal performance measurement purposes. These include Aviation Financial Services, Energy Financial Services and Transportation Finance reported in the Infrastructure segment, and Equipment Services reported in the Industrial segment.

In the fourth quarter of 2005, we commenced reporting businesses affected by our insurance exit as discontinued operations for all periods presented. These businesses were previously reported in the Commercial Finance segment. Also, during the fourth quarter of 2005, our insurance activities, previously reported in the Commercial Finance segment, were transferred to Corporate items and eliminations for all periods presented.

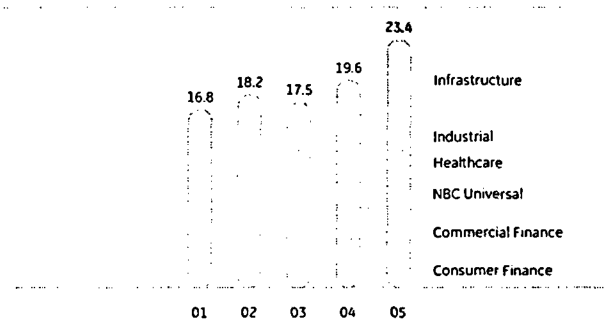
Segment profit is determined based on internal performance measures used by the Chief Executive Officer to assess the performance of each business in a given period. In connection with that assessment, the Chief Executive Officer may exclude matters such as charges for restructuring; rationalization and other similar expenses; in-process research and development and certain other acquisition-related charges and balances; technology development costs; certain gains and losses from dispositions; and litigation settlements or other charges, responsibility for which preceded the current management team.

SEGMENT REVENUES (In $ billions)



Segment profit always excludes the effects of principal pension plans and results reported as discontinued operations and accounting changes. Segment profit excludes or includes interest and other financial charges and income taxes according to how a particular segment's management is measured—excluded in determining segment profit, which we refer to as "operating profit," for Healthcare, NBC Universal and the industrial businesses of the Industrial and Infrastructure segments; included in determining segment profit, which we refer to as "net earnings," for Commercial Finance, Consumer Finance, and the financial services businesses of the Industrial segment (Equipment Services) and the Infrastructure segment (Aviation Financial Services, Energy Financial Services and Transportation Finance).

SEGMENT PROFIT (In $ billions)



Summary of Operating Segments

	General Electric Company and consolidated affiliates				
(In millions)	2005	2004	2003	2002	2001
REVENUES					
Infrastructure	$ 41,803	$ 37,373	$ 36,569	$ 40,119	$ 36,419
Industrial	32,631	30,722	24,988	26,154	26,101
Healthcare	15,153	13,456	10,198	8,955	8,409
NBC Universal	14,689	12,886	6,871	7,149	5,769
Commercial Finance	20,646	19,524	16,927	15,688	14,610
Consumer Finance	19,416	15,734	12,845	10,266	9,508
Total segment revenues	144,338	129,695	108,398	108,331	100,816
Corporate items and eliminations	5,364	4,786	4,488	5,525	6,742
CONSOLIDATED REVENUES	$149,702	$134,481	$112,886	$113,856	$107,558
SEGMENT PROFIT					
Infrastructure	$ 7,769	$ 6,797	$ 7,362	$ 9,178	$ 7,869
Industrial	2,559	1,833	1,385	1,837	2,642
Healthcare	2,665	2,286	1,701	1,546	1,498
NBC Universal	3,092	2,558	1,998	1,658	1,408
Commercial Finance	4,290	3,570	2,907	2,170	1,784
Consumer Finance	3,050	2,520	2,161	1,799	1,602
Total segment profit	23,425	19,564	17,514	18,188	16,803
Corporate items and eliminations	(968)	(327)	50	2,016	1,155
GE interest and other financial charges	(1,432)	(979)	(941)	(569)	(817)
GE provision for income taxes	(2,750)	(1,973)	(2,857)	(3,837)	(4,193)
Earnings from continuing operations before accounting changes	18,275	16,285	13,766	15,798	12,948
Earnings (loss) from discontinued operations, net of taxes	(1,922)	534	2,057	(616)	1,130
Earnings before accounting changes	16,353	16,819	15,823	15,182	14,078
Cumulative effect of accounting changes	—	—	(587)	(1,015)	(287)
CONSOLIDATED NET EARNINGS	$ 16,353	$ 16,819	$ 15,236	$ 14,167	$ 13,791

The notes to consolidated financial statements are an integral part of this summary.

In addition to providing information on segments in their entirety, we have also provided supplemental information for certain businesses within the segments.

For additional information about our segments, see note 26.

INFRASTRUCTURE

(In millions)	2005	2004	2003
REVENUES	$41,803	$37,373	$36,569
SEGMENT PROFIT	$ 7,769	$ 6,797	$ 7,362

(In millions)	2005	2004	2003
REVENUES			
Aviation	$11,904	$11,094	$ 9,808
Aviation Financial Services	3,504	3,159	2,881
Energy	16,525	14,586	16,611
Energy Financial Services	1,349	972	805
Oil & Gas	3,598	3,135	2,842
Transportation	3,577	3,007	2,543
SEGMENT PROFIT			
Aviation	$ 2,573	$ 2,238	$ 1,809
Aviation Financial Services	764	520	506
Energy	2,665	2,543	3,875
Energy Financial Services	646	376	280
Oil & Gas	411	331	264
Transportation	524	516	450

Infrastructure revenues rose 12%, or $4.4 billion, in 2005 as higher volume ($4.3 billion) was partially offset by lower prices ($0.6 billion) at the industrial businesses in the segment. The increase in volume was primarily at Energy, Aviation and Transportation. The decrease in prices was primarily at Energy, and was partially offset by increased prices at Transportation and Aviation. Revenues also increased as a result of organic revenue growth at Energy Financial Services ($0.4 billion) and Aviation Financial Services ($0.3 billion).

Segment profit rose 14% to $7.8 billion, compared with $6.8 billion in 2004, as higher volume ($1.0 billion) and productivity ($0.2 billion including customer settlements and contract terminations) more than offset lower prices ($0.6 billion) and the effects of higher material and other costs ($0.3 billion) at the industrial businesses in the segment. The increase in volume primarily related to Energy, Aviation and Transportation. Segment profit also increased as a result of increased net earnings at the financial services businesses. This increase reflected core growth at Energy Financial Services ($0.3 billion) and core growth at Aviation Financial Services ($0.2 billion), including growth in lower-taxed earnings from global operations related to a reorganization of our aircraft leasing operations.

Infrastructure revenues increased 2%, or $0.8 billion, in 2004 as the weaker U.S. dollar ($0.5 billion), primarily at Energy, and higher volume ($0.4 billion) were partially offset by lower prices ($0.6 billion) at the industrial businesses of the segment, primarily at Energy. The increase in volume was the net result of increased sales in commercial services and military engines at Aviation and locomotives at Transportation, partially offset by lower sales at Energy. Energy sold 122 large heavy-duty gas turbines in 2004, compared with 175 in 2003. Financial services activity, primarily at Aviation Financial Services and Energy Financial Services, increased revenues primarily from organic revenue growth ($0.4 billion) and acquisitions ($0.1 billion).

Segment profit fell 8%, or $0.6 billion, in 2004 as lower material costs ($0.3 billion), primarily at Energy, and higher volume ($0.1 billion) were more than offset by lower prices ($0.6 billion) and lower productivity ($0.6 billion) at the industrial businesses of the segment. The lower productivity was the net effect of lower productivity at Energy, primarily from the anticipated decline in higher margin gas turbine sales and a decrease in customer contract termination fees, partially offset by higher productivity at Aviation. Segment profit from the financial services businesses, primarily Energy Financial Services, increased $0.1 billion as a result of core growth.

Infrastructure orders were $38.4 billion in 2005, up from $34.0 billion in 2004. The $29.2 billion total backlog at year-end 2005 comprised unfilled product orders of $18.8 billion (of which 65% was scheduled for delivery in 2006) and product service orders of $10.4 billion scheduled for 2006 delivery. Comparable December 31, 2004, total backlog was $27.8 billion, of which $18.2 billion was for unfilled product orders and $9.6 billion for product services orders.

INDUSTRIAL

(In millions)	2005	2004	2003
REVENUES	$32,631	$30,722	$24,988
SEGMENT PROFIT	$ 2,559	$ 1,833	$ 1,385

(In millions)	2005	2004	2003
REVENUES			
Consumer & Industrial	$14,092	$13,767	$12,843
Equipment Services	6,627	6,571	3,357
Plastics	6,606	6,066	5,501
SEGMENT PROFIT			
Consumer & Industrial	$ 871	$ 716	$ 577
Equipment Services	197	82	(76)
Plastics	867	566	503

Industrial revenues rose 6%, or $1.9 billion, in 2005 on higher prices ($1.5 billion), higher volume ($0.2 billion) and the weaker U.S. dollar ($0.2 billion) at the industrial businesses in the segment. We realized price increases primarily at Plastics and Consumer & Industrial. Volume increases related primarily to the acquisitions of Edwards Systems Technology and InVision Technologies, Inc. by our Security business, but were partially offset by lower volume at Plastics. Revenues at Equipment Services also increased as a result of organic revenue growth ($0.4 billion) and acquisitions ($0.1 billion), partially offset by the effects of the 2004 disposition of IT Solutions ($0.4 billion). Segment profit rose 35%, or $0.6 billion, at the industrial businesses in the segment in 2005 as price increases ($1.5 billion) and higher volume ($0.1 billion) more than offset higher material and other costs ($0.8 billion), primarily from commodities such as benzene and natural gas at Plastics, and lower productivity ($0.2 billion). Segment profit at Equipment Services also increased as a result of improved operating performance, reflecting core growth ($0.1 billion).

Industrial revenues rose 23%, or $5.7 billion, in 2004 on higher volume ($2.0 billion), primarily at Consumer & Industrial and Plastics, the weaker U.S. dollar ($0.5 billion) and higher prices ($0.1 billion) at the industrial businesses in the segment. Higher prices at Plastics, as demand for plastic resins increased, were partially offset by lower prices at Consumer & Industrial. On January 1, 2004, we consolidated Penske Truck Leasing Co., L.P. (Penske), previously accounted for using the equity method. As a result, consolidated operating lease rentals and other income increased by $2.6 billion and $0.6 billion, respectively, from 2003 levels. Segment profit rose 32%, or $0.4 billion in 2004, as productivity ($0.8 billion), primarily at Consumer & Industrial and Plastics, higher volume ($0.1 billion) and higher prices ($0.1 billion) more than offset higher material and other costs ($0.8 billion), primarily from commodities such as benzene and natural gas at Plastics. Segment profit at Equipment Services also rose on improved operating performance ($0.2 billion). See Corporate Items and Eliminations for a discussion of items not allocated to this segment.

HEALTHCARE revenues increased 13% to $15.2 billion in 2005 as higher volume ($2.1 billion), including $0.8 billion from the Amersham acquisition in the second quarter of 2004, and the weaker U.S. dollar ($0.1 billion) more than offset lower prices ($0.4 billion). Operating profit of $2.7 billion was 17% higher than in 2004 as productivity ($0.5 billion) and higher volume ($0.4 billion) more than offset lower prices ($0.4 billion) and higher labor and other costs ($0.1 billion).

Healthcare revenues increased 32% to $13.5 billion in 2004 as higher volume ($3.3 billion), primarily from acquisitions including Amersham ($2.2 billion) and Instrumentarium ($1.0 billion), and the weaker U.S. dollar ($0.4 billion) more than offset lower prices ($0.4 billion). Operating profit of $2.3 billion in 2004 was 34% higher than in 2003 as the effects of higher volume ($0.5 billion) and productivity ($0.5 billion) more than offset the effects of lower prices ($0.4 billion). See Corporate Items and Eliminations for a discussion of items not allocated to this segment.

Orders received by Healthcare in 2005 were $15.6 billion, compared with $13.7 billion in 2004. The $5.4 billion total backlog at year-end 2005 comprised unfilled product orders of $3.5 billion (of which 90% was scheduled for delivery in 2006) and product services orders of $1.9 billion scheduled for 2006 delivery. Comparable December 31, 2004, total backlog was $4.7 billion, of which $2.8 billion was for unfilled product orders and $1.9 billion for product services orders.

NBC UNIVERSAL revenues rose 14%, or $1.8 billion, to $14.7 billion in 2005, reflecting a number of factors, the largest of which was the full-year contribution from the May 2004 combination of NBC with VUE. The full-year ownership of VUE was reflected in higher film revenues ($1.6 billion), growth of our entertainment cable business ($0.6 billion), and higher revenues from television production operations ($0.3 billion) and theme parks operations ($0.1 billion). Also contributing to the increase in 2005 revenues was $0.6 billion, partially from settling obligations related to preferred interests previously issued by VUE and partially from settling certain contracts as part of our MSNBC restructuring. Partial offsets arose from the lack of a current-year counterpart to the 2004 Olympic Games broadcasts ($0.9 billion), effects of lower ratings on network and station ad sales ($0.4 billion) and an investment impairment ($0.1 billion). Segment profit rose 21%, or $0.5 billion, in 2005 as the full-year ownership of VUE contributed $0.6 billion to higher earnings, including improvements in the film ($0.3 billion), entertainment cable ($0.3 billion) and television production ($0.2 billion) businesses. Effects of the preferred interests and restructuring transactions ($0.6 billion) were more than offset by the effects of lower earnings from network and station operations ($0.6 billion) and the investment impairment loss ($0.1 billion).

Revenues were up sharply in 2004, to $12.9 billion, and segment profit was up 28% to $2.6 billion. Operations were significantly affected by the May combination of NBC and VUE, which increased revenues by $4.7 billion and, net of effects of the 20% minority interest, operating profit by $0.6 billion. Other significant 2004 factors affecting results were the Olympic Games broadcasts ($0.9 billion higher revenues), price increases ($0.2 billion of revenues and operating profit), volume ($0.3 billion of revenues and $0.1 billion of operating profit) and $0.3 billion higher NBC Universal operating costs.

COMMERCIAL FINANCE

(In millions)	2005	2004	2003
REVENUES	$20,646	$19,524	$16,927
SEGMENT PROFIT	$ 4,290	$ 3,570	$ 2,907

December 31 (In millions)	2005	2004
TOTAL ASSETS	$190,546	$184,388

(In millions)	2005	2004	2003
REVENUES			
Capital Solutions	$11,476	$11,503	$ 9,893
Real Estate	3,492	3,084	2,956
SEGMENT PROFIT			
Capital Solutions	$ 1,515	$ 1,325	$ 1,184
Real Estate	1,282	1,124	947

December 31 (In millions)	2005	2004
ASSETS		
Capital Solutions	$87,306	$80,514
Real Estate	35,323	39,515

Commercial Finance revenues and net earnings increased 6% and 20%, respectively, compared with 2004. Revenues during 2005 and 2004 included $1.0 billion and $0.3 billion from acquisitions, respectively, and in 2005 were reduced by $0.7 billion as a result of dispositions. Revenues during 2005 also increased $1.1 billion as a result of organic revenue growth ($0.8 billion) and the weaker U.S. dollar ($0.3 billion). The increase in net earnings resulted primarily from core growth ($0.6 billion), including growth in lower-taxed earnings from global operations, acquisitions ($0.2 billion) and the weaker U.S. dollar ($0.1 billion), partially offset by lower securitizations ($0.1 billion).

Commercial Finance revenues and net earnings increased 15% and 23%, respectively, compared with 2003. The increase in revenues resulted primarily from acquisitions ($2.2 billion) and the weaker U.S. dollar ($0.6 billion), partially offset by lower securitizations ($0.2 billion). The increase in net earnings resulted primarily from acquisitions ($0.4 billion), core growth ($0.3 billion) and the weaker U.S. dollar ($0.1 billion), partially offset by lower securitizations ($0.1 billion).

CONSUMER FINANCE

(In millions)	2005	2004	2003
REVENUES	$19,416	$15,734	$12,845
SEGMENT PROFIT	$ 3,050	$ 2,520	$ 2,161

December 31 (In millions)	2005	2004
TOTAL ASSETS	$158,829	$151,255

Consumer Finance revenues and net earnings increased 23% and 21%, respectively, compared with 2004. Revenues for 2005 included $1.9 billion from acquisitions. Revenues during 2005 also increased $1.8 billion as a result of organic revenue growth ($1.5 billion) and the weaker U.S. dollar ($0.3 billion). The increase in net earnings resulted primarily from core growth ($0.6 billion), including growth in lower-taxed earnings from global operations, and acquisitions ($0.1 billion), partially offset by increased costs to launch new products and promote brand awareness ($0.2 billion).

Consumer Finance revenues and net earnings increased 22% and 17%, respectively, from 2003. The increase in revenues resulted primarily from organic revenue growth ($1.0 billion), acquisitions ($1.0 billion) and the weaker U.S. dollar ($0.8 billion). Organic revenue growth was achieved despite the absence of a 2004 counterpart to the 2003 gain on sale of The Home Depot private-label credit card receivables ($0.9 billion). The increase in net earnings resulted from core growth ($0.6 billion), including growth in lower-taxed earnings from global operations, acquisitions ($0.1 billion), and the weaker U.S. dollar ($0.1 billion), partially offset by the effects of The Home Depot private-label credit card receivables ($0.4 billion) and increased costs to launch new products and promote brand awareness in 2004 ($0.1 billion).

CORPORATE ITEMS AND ELIMINATIONS

(In millions)	2005	2004	2003
REVENUES			
Insurance activities	$ 6,469	$4,711	$4,466
Eliminations and other	(1,105)	75	22
Total	$ 5,364	$4,786	$4,488
OPERATING PROFIT (COST)			
Insurance activities	$ 131	$ 30	$ 21
Principal pension plans	(329)	124	1,040
Underabsorbed corporate overhead	(464)	(498)	(630)
Other	(306)	17	(381)
Total	$ (968)	$ (327)	$ 50

Corporate Items and Eliminations include the effects of eliminating transactions between operating segments; results of our insurance activities remaining in continuing operations; cost of, and cost reductions from, our principal pension plans; results of liquidating businesses such as consolidated, liquidating securitization entities; underabsorbed corporate overhead; certain non-allocated amounts described below; and a variety of sundry items. Corporate Items and Eliminations is not an operating segment. Rather, it is added to operating segment totals to reconcile to consolidated totals on the financial statements.

Certain amounts included in the line "Other" above are not allocated to GE operating segments because they are excluded from the measurement of their operating performance for internal purposes. In 2004, these comprised $0.4 billion of Healthcare charges, principally related to the write-off of in-process research and development projects and other transitional costs associated with Amersham; and a $0.1 billion charge at Industrial as the gain on sale of the motors business was more than offset by costs for inventory obsolescence and other charges. In 2003, amounts not allocated to GE operating segments included charges of $0.2 billion for settlement of litigation, restructuring and other charges at Healthcare; and $0.1 billion for restructuring and other charges at Industrial.

Changes in Other operating profit (cost) also reflect gains of $0.1 billion and $0.3 billion from partial sales of an interest in Genpact, in 2005 and 2004, respectively.

DISCONTINUED INSURANCE OPERATIONS

(In millions)	2005	2004	2003
Earnings (loss) from discontinued operations, net of taxes	$(1,922)	$534	$2,057

Discontinued operations comprise the property and casualty insurance and reinsurance businesses and the European life and health operations of GE Insurance Solutions and most of its affiliates, that we agreed to sell in the fourth quarter of 2005; and Genworth, our formerly wholly-owned subsidiary that conducted most of our consumer insurance business, including life and mortgage insurance operations. Results of these businesses are reported as discontinued operations for all periods presented.

Loss from discontinued operations in 2005 reflected losses from the portions of GE Insurance Solutions described above ($2.8 billion), partially offset by Genworth earnings ($0.9 billion). GE Insurance Solutions results will be included in our 2006 discontinued operations to the date of closing, which is expected to be in the second quarter. Dividends we receive from Genworth and any gains or losses on sales of our remaining 18% position in Genworth common stock will also be reported in discontinued operations.

Earnings from discontinued operations in 2004 reflected earnings of Genworth ($0.4 billion), including our share of 2004 earnings from operations ($0.8 billion), partially offset by the loss on the Genworth initial public offering in May 2004 ($0.3 billion), and GE Insurance Solutions ($0.1 billion), primarily 2004 operations.

For additional information related to discontinued operations see note 2.

Global Operations

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

Estimated results of global activities include the results of our operations located outside the United States plus all U.S. exports. We classify certain GECS operations that cannot meaningfully be associated with specific geographic areas as "Other Global" for this purpose.

GLOBAL REVENUES BY REGION

(In millions)	2005	2004	2003
Europe	$36,900	$32,400	$24,400
Pacific Basin	16,000	13,000	13,000
Americas	7,500	7,000	5,600
Other Global	6,100	5,700	4,600
	66,500	58,100	47,600
Exports from the U.S. to external customers	11,400	8,800	6,700
Total[a]	$77,900	$66,900	$54,300

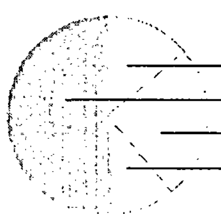
(a) Included $6.6 billion, $5.8 billion and $4.7 billion of intercompany revenues in 2005, 2004 and 2003, respectively.

Global revenues rose 16% to $77.9 billion in 2005 compared with $66.9 billion and $54.3 billion in 2004 and 2003, respectively. Global revenues to external customers as a percentage of consolidated revenues were 48% in 2005, compared with 45% and 44% in 2004 and 2003, respectively. The effects of the weaker U. S. dollar on reported results were to increase revenues by

$0.9 billion, $4.1 billion and $3.1 billion in 2005, 2004 and 2003, respectively; and to increase earnings by $0.1 billion, $0.1 billion and $0.2 billion in 2005, 2004 and 2003, respectively.

GE global revenues were $48.2 billion in 2005, up 15% over 2004, led by increases at Infrastructure and NBC Universal, mainly in Europe and the Pacific Basin. Exports from the U.S. were up 30%, led by Infrastructure, again showing strength in Europe and the Pacific Basin. GE global revenues in 2004 were $41.7 billion, up 27% over 2003, led by Healthcare, including the effects of the Amersham acquisition, and NBC Universal, reflecting the combination of NBC and VUE. U.S. exports grew 31% in 2004 on strong growth at Infrastructure.

2005 GLOBAL REVENUES BY REGION



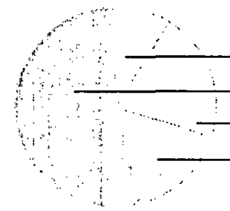
GECS global revenues were $29.7 billion, $25.2 billion and $21.3 billion in 2005, 2004 and 2003, respectively. GECS revenues in the Pacific Basin increased 28% in 2005, primarily as a result of the acquisition of AFIG at Consumer Finance and organic revenue growth at Consumer Finance and Commercial Finance. GECS revenues increased 25% in Europe primarily as a result of higher investment income (largely offset by policyholder dividends) at our insurance activities, and organic revenue growth and acquisitions at Consumer Finance and Commercial Finance. Revenues in Other Global decreased 4% primarily as a result of the absence of a current-year counterpart to the 2004 gain on the sale of a majority interest in Genpact, partially offset by organic revenue growth at the financial services businesses in Infrastructure.

Global operating profit was $12.7 billion in 2005, an increase of 20% over 2004, which was 35% higher than in 2003. GE global operating profit in 2005 rose 30% reflecting solid growth in Europe and Other Global, mainly at Infrastructure.

Total assets of global operations on a continuing basis were $299.4 billion in 2005, an increase of $2.8 billion, or 1%, over 2004. GECS global assets on a continuing basis of $261.9 billion at the end of 2005 were 1% higher than at the end of 2004, reflecting acquisitions and core growth, almost fully offset by the recently strengthening U.S. dollar.

Financial results of our global activities reported in U.S. dollars are affected by currency exchange. We use a number of techniques to manage the effects of currency exchange, including selective borrowings in local currencies and selective hedging of significant cross-currency transactions. Such principal currencies are the pound sterling, the euro, the Japanese yen and the Canadian dollar.

2005 GLOBAL ASSETS BY REGION



Environmental Matters

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

We are involved in a sizable number of remediation actions to clean up hazardous wastes as required by federal and state laws. Such statutes require that responsible parties fund remediation actions regardless of fault, legality of original disposal or ownership of a disposal site. Expenditures for site remediation actions amounted to $0.1 billion in each of the last two years. We presently expect that such remediation actions will require average annual expenditures in the range of $0.2 billion to $0.3 billion over the next two years.

The U.S. Environmental Protection Agency (EPA) ruled in February 2002 that approximately 150,000 pounds of polychlorinated biphenyls (PCBs) must be dredged from a 40-mile stretch of the upper Hudson River in New York state. On October 6, 2005, GE and the EPA entered into and filed in the U.S. District Court for the Northern District of New York a consent decree that, subject to approval of that court, represents a comprehensive framework for implementation of the EPA's 2002 decision to dredge PCB-containing sediments in the upper Hudson River. The dredging will be performed in two phases with an intervening peer review of performance after phase 1. Under this consent decree, we have committed up to $0.1 billion to reimburse the EPA for its past and future project oversight costs and agreed to perform the first phase of dredging. We further committed that, subject to future agreement with the EPA about completion of dredging after completion of phase 1 and the peer review, we will be responsible for further costs, including costs of phase 2 dredging. Our Statement of Financial Position as of December 31, 2005 and 2004, included liabilities for the estimated costs of this remediation.

Financial Resources and Liquidity

This discussion of financial resources and liquidity addresses the Statement of Financial Position, the Statement of Changes in Shareowners' Equity, the Statement of Cash Flows, Contractual Obligations, Off-Balance Sheet Arrangements, and Debt Instruments, Guarantees and Covenants.

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

Overview of Financial Position

Major changes in our financial position resulted from the following:

- In the fourth quarter of 2005, we announced the planned sale of most of GE Insurance Solutions and completed a Genworth secondary public offering, which reduced our ownership in Genworth from 27% to 18%. We have separately reported the assets and liabilities related to these discontinued operations for all periods presented.
- Our discontinued operations assets and liabilities decreased by $83.4 billion on September 27, 2005, when we reduced our ownership of Genworth to 27%, a level of investment that is reported as an associated company. As an associated company, our ongoing interest in Genworth operating results were presented on a one-line basis. This deconsolidation had a significant effect on our assets and liabilities of discontinued operations.
- During 2005, we completed the acquisitions of Edwards Systems Technology at Industrial and Ionics, Inc. at Infrastructure. GECS completed acquisitions of the Transportation Financial Services Group of CitiCapital, the Inventory Finance division of Bombardier Capital, Antares Capital Corp., a unit of Massachusetts Mutual Life Insurance Co., and ING's portion of Heller AG.
- The U.S. dollar was stronger at December 31, 2005, than it was at December 31, 2004, reducing the translated levels of our non-U.S. dollar assets and liabilities. However, on average, the U.S. dollar in 2005 has been weaker than during the comparable 2004 period, resulting in increases in reported levels of non-U.S. dollar operations as noted in the preceding Operations section.
- Minority interest in equity of consolidated affiliates decreased $4.5 billion during 2005 principally from settlement of the VUE preferred interests and our acquisition of the previously outstanding minority interest in VUE common stock (together $1.9 billion), and redemption of preferred stock at General Electric Capital Corporation (GE Capital) ($2.5 billion). See notes 16 and 22.

Statement of Financial Position

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

INVESTMENT SECURITIES comprise mainly available-for-sale investment-grade debt securities supporting obligations to annuitants and policyholders, and debt and equity securities designated as trading and associated with certain non-U.S. insurance contractholders who retain the related investment risks and rewards except in the event of our bankruptcy or liquidation. Investment securities were $53.1 billion at December 31, 2005, compared with $56.9 billion at December 31, 2004.

We regularly review investment securities for impairment based on both quantitative and qualitative criteria. Quantitative criteria include length of time and amount that each security is in an unrealized loss position and, for fixed maturities whether the issuer is in compliance with terms and covenants of the security. Qualitative criteria include the financial health of and specific prospects for the issuer, as well as our intent and ability to hold the security to maturity or until forecasted recovery. Our impairment reviews involve our finance, risk and asset management teams as well as the portfolio management and research capabilities of our internal and third-party asset managers. Our qualitative review attempts to identify those issuers with a greater than 50% chance of default in the following 12 months. These securities are characterized as "at-risk" of impairment. Of available-for-sale securities with unrealized losses at December 31, 2005, approximately $0.1 billion was at risk of being charged to earnings in the next 12 months; substantially all of this amount related to the automotive and commercial aviation industries.

Impairment losses for 2005 totaled $0.1 billion compared with $0.2 billion in 2004. We recognized impairments in both periods for issuers in a variety of industries; we do not believe that any of the impairments indicate likely future impairments in the remaining portfolio.

Gross unrealized gains and losses were $2.5 billion and $0.5 billion, respectively, at December 31, 2005, compared with $2.9 billion and $0.5 billion, respectively, at December 31, 2004, primarily reflecting a decrease in the estimated fair value of debt securities as interest rates increased. At December 31, 2005, available accounting gains could be as much as $0.7 billion, net of consequential adjustments to certain insurance assets that are amortized based on anticipated gross profits. The market values we used in determining unrealized gains and losses are those defined by relevant accounting standards and should not be viewed as a forecast of future gains or losses. See note 10.

We also hold collateralized investment securities issued by various airlines, including those operating in bankruptcy. Total amortized cost of these securities was $1.7 billion at December 31, 2005, and total fair value was $1.6 billion. Unrealized losses totaling $0.1 billion were associated with securities in an unrealized loss position for more than 12 months, an improvement from the comparable $0.3 billion a year earlier. All of these securities have remained current on all payment terms; we do not expect the borrowers to default. Current appraised market values of associated aircraft collateral exceeded both the market value and the amortized cost of our related securities at December 31, 2005, offering protection in the event of foreclosure. Therefore, we expect full recovery of our investment as well as our contractual returns.

WORKING CAPITAL, representing GE inventories and receivables from customers, less trade payables and progress collections, was $8.4 billion at December 31, 2005, up $0.1 billion from December 31, 2004, reflecting the effects of 2005 acquisitions.

We discuss current receivables and inventories, two important elements of working capital, in the following paragraphs.

CURRENT RECEIVABLES for GE amounted to $15.1 billion at the end of 2005 and $14.5 billion at the end of 2004, and included $10.3 billion due from customers at the end of 2005 compared with $10.2 billion at the end of 2004. Turnover of customer receivables from sales of goods and services was 9.0 in 2005, compared with 9.4 in 2004. Other current receivables are primarily amounts that did not originate from sales of GE goods or services, such as advances to suppliers in connection with large contracts. See note 11.

INVENTORIES for GE amounted to $10.3 billion at December 31, 2005, up $0.7 billion from the end of 2004. This increase reflected higher inventories at Aviation and the effects of 2005 acquisitions. GE inventory turnover was 8.3 in 2005 compared with 8.4 in 2004. See note 12.

FINANCING RECEIVABLES is our largest category of assets and represents one of our primary sources of revenues. The portfolio of financing receivables, before allowance for losses, was $292.2 billion at December 31, 2005, and $288.3 billion at December 31, 2004. The related allowance for losses at December 31, 2005, amounted to $4.6 billion, compared with $5.6 billion at December 31, 2004, representing our best estimate of probable losses inherent in the portfolio. The allowance for losses decreased $1.0 billion from 2004. The 2005 decrease reflected write-offs of previously reserved financing receivables ($0.8 billion), principally commercial aviation loans and leases in our Infrastructure segment, and the recently strengthening U.S. dollar ($0.2 billion). During 2005, changes in U.S. bankruptcy laws prompted certain customers to accelerate filing for bankruptcy protection. These changes had an inconsequential effect on our allowance and earnings. Balances at December 31, 2005 and 2004, included securitized, managed GE trade receivables of $3.9 billion and $3.5 billion, respectively. See notes 13 and 14.

A discussion of the quality of certain elements of the financing receivables portfolio follows. For purposes of that discussion, "delinquent" receivables are those that are 30 days or more past due; "nonearning" receivables are those that are 90 days or more past due (or for which collection has otherwise become doubtful); and "reduced-earning" receivables are commercial receivables whose terms have been restructured to a below-market yield.

Commercial Finance financing receivables, before allowance for losses, totaled $131.8 billion at December 31, 2005, compared with $124.5 billion at December 31, 2004, and consisted of loans and leases to the equipment and leasing, commercial and industrial and real estate industries. This portfolio of receivables increased primarily from core growth ($39.9 billion) and acquisitions ($10.6 billion), partially offset by securitizations and sales ($37.3 billion) and the recently strengthening U.S. dollar ($2.0 billion). Related nonearning and reduced-earning receivables were $1.3 billion (1.0% of outstanding receivables) at December 31, 2005, and $1.4 billion (1.1% of outstanding receivables) at year-end 2004. Commercial Finance financing receivables are generally backed by assets and there is a broad spread of geographic and credit risk in the portfolio.

Consumer Finance financing receivables, before allowance for losses, were $130.1 billion at December 31, 2005, compared with $127.8 billion at December 31, 2004, and consisted primarily of card receivables, installment loans, auto loans and leases, and residential mortgages. This portfolio of receivables increased primarily as a result of core growth ($11.3 billion) and acquisitions ($0.4 billion), partially offset by the recently strengthening U.S. dollar ($7.8 billion), securitizations ($0.7 billion), loans transferred to assets held for sale ($0.5 billion) and dispositions ($0.4 billion). Nonearning consumer receivables were $2.8 billion at December 31, 2005, compared with $2.5 billion at December 31, 2004, representing 2.1% and 2.0% of outstanding receivables, respectively. The increase was primarily related to higher nonearning receivables in our European secured financing business, a business that tends to experience relatively higher delinquencies but lower losses than the rest of our consumer portfolio.

Infrastructure financing receivables, before allowance for losses, were $19.1 billion at December 31, 2005, compared with $20.9 billion at December 31, 2004, and consisted primarily of loans and leases to the commercial aircraft and energy industries. Related nonearning and reduced-earning receivables were insignificant at December 31, 2005, down from $0.2 billion (0.8% of outstanding receivables) at December 31, 2004.

Other financing receivables, before allowance for losses, were $11.2 billion and $15.1 billion at December 31, 2005 and December 31, 2004, respectively, and consisted primarily of financing receivables in consolidated, liquidating securitization entities. This portfolio of receivables decreased because we have stopped transferring assets to these entities. Nonearning receivables at December 31, 2005, were $0.1 billion (0.7% of outstanding receivables) compared with $0.2 billion (1.2% of outstanding receivables) at December 31, 2004.

Delinquency rates on managed Commercial Finance equipment loans and leases and managed Consumer Finance financing receivables follow.

December 31	2005	2004	2003
Commercial Finance	1.31%	1.40%	1.38%
Consumer Finance	5.08	4.85	5.62

Delinquency rates at Commercial Finance decreased from December 31, 2004, to December 31, 2005, primarily resulting from improved credit quality across all portfolios. The increase from December 31, 2003, to December 31, 2004, reflected the effect of certain acquired portfolios, partially offset by improvement in the overall core portfolio.

Delinquency rates at Consumer Finance increased from December 31, 2004, to December 31, 2005, as a result of higher delinquencies in our European secured financing business, discussed above. The decrease from December 31, 2003, to December 31, 2004, reflected the results of the standardization of our write-off policy, the acquisition of AFIG, and the U.S. acquisition of WMC, with lower relative delinquencies as a result of whole loan sales, partially offset by higher delinquencies in our European secured financing business, discussed above. See notes 13 and 14.

OTHER GECS RECEIVABLES totaled $19.1 billion at December 31, 2005, and $15.0 billion at December 31, 2004, and consisted primarily of nonfinancing customer receivables, insurance receivables, amounts due from GE (generally related to certain material procurement programs), amounts due under operating leases, receivables due on sale of securities and various sundry items.

PROPERTY, PLANT AND EQUIPMENT amounted to $67.5 billion at December 31, 2005, up $4.4 billion from 2004, primarily reflecting acquisitions of commercial aircraft at the Aviation Financial Services business of Infrastructure. GE property, plant and equipment consisted of investments for its own productive use, whereas the largest element for GECS was equipment provided to third parties on operating leases. Details by category of investment are presented in note 15.

GE expenditures for plant and equipment during 2005 totaled $2.8 billion, compared with $2.4 billion in 2004. Total expenditures for the past five years were $12.7 billion, of which 32% was investment for growth through new capacity and product development; 37% was investment in productivity through new equipment and process improvements; and 31% was investment for other purposes such as improvement of research and development facilities and safety and environmental protection.

GECS additions to property, plant and equipment were $11.6 billion and $10.7 billion during 2005 and 2004, respectively, primarily reflecting additions of commercial aircraft at the Aviation Financial Services business of Infrastructure and vehicles at Commercial Finance and the Equipment Services business of Industrial.

INTANGIBLE ASSETS were $81.7 billion at year-end 2005, up from $78.5 billion at year-end 2004. GE intangibles increased $3.1 billion from $54.7 billion at the end of 2004, principally as a result of goodwill and other intangibles related to the Edwards Systems Technology acquisition by Industrial, the Ionics, Inc. acquisition by Infrastructure and the acquisitions of an additional interest in MSNBC and the previously outstanding minority interest in VUE by NBC Universal. GECS intangibles increased $0.2 billion to $23.9 billion at December 31, 2005, resulting from goodwill associated with acquisitions partially offset by the recently strengthening U.S. dollar and purchase accounting adjustments. See note 16.

ALL OTHER ASSETS totaled $87.4 billion at year-end 2005, a decrease of $2.1 billion, reflecting NBC Universal settling obligations related to preferred interests previously issued by VUE and dispositions affecting real estate, partially offset by increases in assets held for sale. See notes 16 and 17.

CONSOLIDATED BORROWINGS amounted to $370.4 billion at December 31, 2005, compared with $365.1 billion at the end of 2004.

GE total borrowings were $10.2 billion at year-end 2005 ($1.1 billion short term, $9.1 billion long term) compared with $11.0 billion at December 31, 2004. GE total debt at the end of 2005 equaled 8.1% of total capital compared with 9.0% at the end of 2004.

GECS borrowings amounted to $362.1 billion at December 31, 2005, of which $157.7 billion is due in 2006 and $204.4 billion is due in subsequent years. Comparable amounts at the end of 2004 were $355.5 billion in total, $154.3 billion due within one year and $201.2 billion due thereafter. Included in GECS total borrowings were borrowings of consolidated, liquidating securitization entities amounting to $16.8 billion and $25.8 billion at December 31, 2005 and 2004, respectively. A large portion of GECS borrowings ($97.4 billion and $96.9 billion at the end of 2005 and 2004, respectively) was issued in active commercial paper markets that we believe will continue to be a reliable source of short-term financing. The average remaining terms and interest rates of GE Capital commercial paper were 45 days and 4.09% at the end of 2005, compared with 42 days and 2.39% at the end of 2004. The GE Capital ratio of debt to equity was 7.09 to 1 at the end of 2005 and 6.46 to 1 at the end of 2004. See note 18.

EXCHANGE RATE AND INTEREST RATE RISKS are managed with a variety of straightforward techniques, including match funding and selective use of derivatives. We use derivatives to mitigate or eliminate certain financial and market risks because we conduct business in diverse markets around the world and local funding is not always efficient. In addition, we use derivatives to adjust the debt we are issuing to match the fixed or floating nature of the assets we are acquiring. We apply strict policies to manage each of these risks, including prohibitions on derivatives trading, derivatives market-making or other speculative activities. Following is an analysis of the potential effects of changes in interest rates and currency exchange rates using so-called "shock" tests that model effects of shifts in rates. These are not forecasts.

- It is our policy to minimize exposure to interest rate changes. We fund our financial investments using debt or a combination of debt and hedging instruments so that the interest rates and terms of our borrowings match the expected yields and terms on our assets. To test the effectiveness of our positions, we assumed that, on January 1, 2006, interest rates increased by 100 basis points across the yield curve (a "parallel shift" in that curve) and further assumed that the increase remained in place for 2006. We estimated, based on that year-end 2005 portfolio and holding everything else constant, that our 2006 GE consolidated net earnings would decline by $0.2 billion.
- It is our policy to minimize currency exposures and to conduct operations either within functional currencies or using the protection of hedge strategies. We analyzed year-end 2005 consolidated currency exposures, including derivatives designated and effective as hedges, to identify assets and liabilities denominated in other than their relevant functional currencies. For such assets and liabilities, we then evaluated the effects of a 10% shift in exchange rates between those currencies and the U.S. dollar. This analysis indicated that there would be an inconsequential effect on 2006 earnings of such a shift in exchange rates.

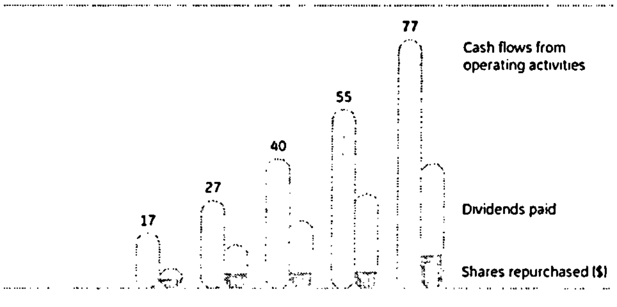
Statement of Changes in Shareowners' Equity

Shareowners' equity decreased $1.5 billion in 2005, and increased $31.2 billion in 2004 and $15.6 billion in 2003. Changes over the three-year period were largely attributable to net earnings, partially offset by dividends declared of $9.6 billion, $8.6 billion and $7.8 billion in 2005, 2004 and 2003, respectively. In 2005, we purchased $5.3 billion of GE stock (153.3 million shares) under our $25 billion share repurchase program. In 2004, we issued 341.7 million shares of stock in connection with the Amersham acquisition, which increased equity by $10.7 billion, and 119.4 million shares of stock to partially fund the combination of NBC and VUE, which increased equity by $3.8 billion. Currency translation adjustments decreased equity by $4.3 billion in 2005, compared with a $3.9 billion increase in 2004. Changes in currency translation adjustments reflect the effects of changes in currency exchange rates on our net investment in non-U.S. subsidiaries that have functional currencies other than the U.S. dollar. In 2005, the U.S. dollar strengthened against the pound sterling and euro. In 2004, the pound sterling, euro and, to a lesser extent, Asian currencies strengthened against the U.S. dollar. See note 23. Accumulated currency translation adjustments affect net earnings only when all or a portion of an affiliate is disposed of or substantially liquidated.

Overview of Our Cash Flow from 2003 through 2005

GE cash from operating activities (CFOA) is a useful measure of performance for our non-financial businesses and totaled $21.6 billion in 2005, $15.2 billion in 2004 and $12.9 billion in 2003. Generally, factors that affect our earnings—for example, pricing, volume, costs and productivity—affect CFOA similarly. However, while management of working capital, including timing of collections and payments and levels of inventory, affects operating results only indirectly, the effect of these programs on CFOA can be significant. Excluding progress collections, working capital improvements benefited CFOA by $2.8 billion since 2002, as we applied our Lean Six Sigma and other working capital management tools broadly.

GE CUMULATIVE CASH FLOWS 2001–2005 (In $ billions)



Our GE Statement of Cash Flows shows CFOA in the required format. While that display is of some use in analyzing how various assets and liabilities affected our year-end cash positions, we believe that it is also useful to supplement that display and to examine in a broader context the business activities that provide and require cash.

December 31 (In billions)	2005	2004	2003
Operating cash collections	$ 89.9	$ 81.6	$ 68.4
Operating cash payments	(76.1)	(69.5)	(58.9)
Cash dividends from GECS	7.8	3.1	3.4
GE cash from operating activities	$ 21.6	$ 15.2	$ 12.9

The most significant source of cash in CFOA is customer-related activities, the largest of which is collecting cash following a product or services sale. GE operating cash collections increased by $8.3 billion during 2005 and by $13.2 billion during 2004. These increases are consistent with the changes in comparable GE operating segment revenues, comprising Healthcare, NBC Universal and the industrial businesses of the Industrial and Infrastructure segments, and which also reflect the effects of the second quarter 2004 acquisition of Amersham and combination of NBC and VUE. Analyses of operating segment revenues discussed in the preceding Segment Operations section is the best way of understanding their customer-related CFOA.

The most significant operating use of cash is to pay our suppliers, employees, tax authorities and others for the wide range of material and services necessary in a diversified global organization. GE operating cash payments increased in 2005 by $6.6 billion and by $10.6 billion in 2004, comparable to the increases in GE total costs and expenses, and also reflect the second quarter 2004 acquisition of Amersham and combination of NBC and VUE.

Dividends from GECS represented distribution of a portion of GECS retained earnings, including proceeds from certain business sales, and are distinct from cash from continuing operating activities within the financial services businesses, which increased in 2005 by $0.8 billion to $20.9 billion and in 2004 by $6.1 billion to $20.1 billion. The amount we show in CFOA is the total dividend, including the normal dividend as well as any special dividends from excess capital primarily resulting from GECS business sales. Financial services cash is not necessarily freely available for alternative uses. For example, use of cash generated by our regulated activities is often restricted by such regulations. Further, any reinvestment in financing receivables is shown in cash used for investing activities, not operating activities. Therefore, maintaining or growing financial services assets requires that we invest much of the cash they generate from operating activities in their earning assets.

Based on past performance and current expectations, in combination with the financial flexibility that comes with a strong balance sheet and the highest credit ratings, we believe that we are in a sound position to grow dividends, continue to execute our $25 billion share repurchase program, which is an expansion of the $15 billion share repurchase program announced in 2004, and continue making selective investments for long-term growth.

Contractual Obligations

As defined by reporting regulations, our contractual obligations for future payments as of December 31, 2005, follow.

		Payments due by period			
(In billions)	*Total*	*2006*	*2007–2008*	*2009–2010*	*2011 and thereafter*
Borrowings (note 18)	$370.4	$158.2	$87.1	$45.5	$79.6
Interest on borrowings	66.0	12.0	18.0	10.0	26.0
Operating lease obligations (note 5)	6.8	1.4	2.2	1.5	1.7
Purchase obligations [a][b]	58.0	37.0	13.0	4.0	4.0
Insurance liabilities (note 19) [c]	28.0	5.0	6.0	4.0	13.0
Other liabilities [d]	60.0	13.0	6.0	4.0	37.0
Contractual obligations of discontinued operations [e]	12.0	1.0	1.0	1.0	9.0

(a) Included all take-or-pay arrangements, capital expenditures, contractual commitments to purchase equipment that will be classified as equipment leased to others, software acquisition/license commitments, contractual minimum programming commitments and any contractually required cash payments for acquisitions.

(b) Excluded funding commitments entered into in the ordinary course of business by our financial services businesses. Further information on these commitments and other guarantees is provided in note 29.

(c) Included guaranteed investment contracts (GICs), structured settlements and single premium immediate annuities based on scheduled payouts, as well as those contracts with reasonably determinable cash flows such as deferred annuities, universal life, term life, long-term care, whole life and other life insurance contracts.

(d) Included an estimate of future expected funding requirements related to our pension and postretirement benefit plans. Because their future cash outflows are uncertain, the following non-current liabilities are excluded from the table above: deferred taxes, derivatives, deferred revenue and other sundry items. See notes 21 and 27 for further information on certain of these items.

(e) Included payments for borrowings and interest on borrowings of $3.6 billion, operating lease obligations of $0.2 billion, other liabilities of $2.8 billion, and insurance liabilities of $5.4 billion. Insurance liabilities primarily included workers' compensation tabular indemnity loan and long-term liability claims.

Off-Balance Sheet Arrangements

We use off-balance sheet arrangements in the ordinary course of business to improve shareowner returns. These securitization transactions also serve as funding sources for a variety of diversified lending and securities transactions. Our securitization transactions are similar to those used by many financial institutions.

In a typical securitization transaction, we sell assets to a special purpose entity (SPE), which has obtained cash by issuing beneficial interests, usually debt, to third parties. Securitization entities commonly use derivatives such as interest rate swaps to match interest rate characteristics of the assets with characteristics of the related beneficial interests. An example is an interest rate swap that serves to convert fixed rate assets to a variable rate, matching the cash flows on SPE floating rate debt. An investor in a beneficial interest usually has recourse to assets in the associated SPE, and often benefits from credit enhancements supporting those assets. The most common credit enhancement is overcollateralization, where we securitize a greater principal amount of assets than debt issued by the SPE. Our other credit enhancements are in the form of liquidity and credit support agreements and guarantee and reimbursement contracts. We have provided $0.1 billion at year-end 2005 representing our best estimate of the fair value of potential losses under these arrangements.

Historically, we executed securitization transactions using entities sponsored by us and by third parties. Beginning in 2003, we only have executed securitization transactions with third parties in the asset-backed commercial paper and term markets. Securitization entities hold receivables secured by equipment, commercial and residential real estate, credit card and trade receivables and other assets. Our total securitized assets at year-end 2005 amounted to $61.7 billion, a $3.5 billion increase from year-end 2004. Of that total, the off-balance sheet amount was $43.8 billion, up $11.6 billion from December 31, 2004, and the amount in consolidated, liquidating securitization entities was $17.9 billion, down $8.1 billion from December 31, 2004, reflecting repayments. See note 28 for further information.

We have extensive experience in evaluating economic, liquidity and credit risk related to the assets we securitize. Assets held by these entities are of high quality and we actively monitor them in accordance with our servicing role. We apply rigorous controls to the execution of securitization transactions and continuously monitor developments affecting credit. In view of our experience and taking into consideration the historical depth and liquidity of global commercial paper markets, we believe that, under any plausible future economic scenario, the likelihood is remote that the financial support arrangements we provide to securitization entities could have an adverse effect on our financial position or results of operations.

Debt Instruments, Guarantees and Covenants

The major debt rating agencies routinely evaluate the debt of GE, GECS and GE Capital, the major borrowing affiliate of GECS. These agencies have given the highest debt ratings to GE and GE Capital (long-term rating AAA/Aaa; short-term rating A-1+/P-1). One of our strategic objectives is to maintain these ratings, as they serve to lower our cost of funds and to facilitate our access to a variety of lenders. We manage our businesses in a fashion that is consistent with maintaining these ratings.

GE, GECS and GE Capital have distinct business characteristics that the major debt rating agencies evaluate both quantitatively and qualitatively.

Quantitative measures include:

- Earnings and profitability, revenue growth, the breadth and diversity of sources of income and return on assets,
- Asset quality, including delinquency and write-off ratios and reserve coverage,

- Funding and liquidity, including cash generated from operating activities, leverage ratios such as debt-to-capital, market access, back-up liquidity from banks and other sources, composition of total debt and interest coverage, and
- Capital adequacy, including required capital and tangible leverage ratios.

Qualitative measures include:

- Franchise strength, including competitive advantage and market conditions and position,
- Strength of management, including experience, corporate governance and strategic thinking, and
- Financial reporting quality, including clarity, completeness and transparency of all financial performance communications.

GE Capital's ratings are supported contractually by a GE commitment to maintain the ratio of earnings to fixed charges at a specified level as described below.

As of January 1, 2003, we extended a business-specific, market-based leverage to the performance measurement of each of our financial services businesses. As a result, at January 1, 2003, debt of $12.5 billion previously allocated to our financial services segments was allocated to Corporate items and eliminations. We refer to this as "parent-supported debt." As of December 31, 2004, $3.2 billion of such debt remained and was paid down during the first quarter of 2005.

During 2005, GECS paid $3.9 billion of special dividends to GE, which was a portion of the proceeds from the Genworth secondary public offerings.

During 2005, GE issued $1.5 billion of senior, unsecured three-year floating rate debt. The proceeds were used primarily for repayment of maturing long-term debt. During 2005, GECS and GECS affiliates issued $58 billion of senior, unsecured long-term debt and $2 billion of subordinated debt. This debt was both fixed and floating rate and was issued to institutional and retail investors in the U.S. and 15 other global markets. Maturities for these issuances ranged from one to 40 years. We used the proceeds primarily for repayment of maturing long-term debt, but also to fund acquisitions and organic growth. We anticipate that we will issue between $55 billion and $65 billion of additional long-term debt during 2006, mostly to repay maturing long-term debt. The ultimate amount we issue will depend on our needs and on the markets.

Following is the composition of GECS debt obligations excluding any asset-backed debt obligations, such as debt of consolidated, liquidating securitization entities.

December 31	2005	2004
Senior notes and other long-term debt	57%	58%
Commercial paper	26	25
Current portion of long-term debt	12	11
Other—bank and other retail deposits	5	6
Total	100%	100%

We target a ratio for commercial paper of 25% to 35% of outstanding debt based on the anticipated composition of our assets and the liquidity profile of our debt. GE Capital is the most widely held name in global commercial paper markets.

We believe that alternative sources of liquidity are sufficient to permit an orderly transition from commercial paper in the unlikely event of impaired access to those markets. Funding sources on which we would rely would depend on the nature of such a hypothetical event, but include $57.2 billion of contractually committed lending agreements with 75 highly-rated global banks and investment banks. Total credit lines extending beyond one year increased $0.3 billion to $57.1 billion at December 31, 2005. See note 18.

Beyond contractually committed lending agreements, other sources of liquidity include medium and long-term funding, monetization, asset securitization, cash receipts from our lending and leasing activities, short-term secured funding on global assets and potential sales of other assets.

PRINCIPAL DEBT CONDITIONS are described below.

The following two conditions relate to GE and GECS:

- Swap, forward and option contracts are required to be executed under master-netting agreements containing mutual downgrade provisions that provide the ability of the counterparty to require assignment or termination if the long-term credit rating of either GE or GECS were to fall below A-/A3. Had this provision been triggered at December 31, 2005, we could have been required to disburse $2.2 billion.
- If GE Capital's ratio of earnings to fixed charges, which was 1.66:1 at the end of 2005, were to deteriorate to 1.10:1 or, upon redemption of certain preferred stock, its ratio of debt to equity, which was 7.09:1 at the end of 2005, were to exceed 8:1, GE has committed to contribute capital to GE Capital. GE also has guaranteed certain issuances of subordinated debt of GECS with a face amount of $1.0 billion at December 31, 2005 and 2004.

The following three conditions relate to consolidated, liquidating securitization entities:

- If the short-term credit rating of GE Capital or certain consolidated, liquidating securitization entities discussed further in note 28 were to fall below A-1/P-1, GE Capital would be required to provide substitute liquidity for those entities or provide funds to retire the outstanding commercial paper. The maximum net amount that GE Capital would be required to provide in the event of such a downgrade is determined by contract, and amounted to $12.8 billion at January 1, 2006. Amounts related to non-consolidated SPEs were $1.7 billion.
- If the long-term credit rating of GE Capital were to fall below AA/Aa2, GE Capital would be required to provide substitute credit support or liquidate the consolidated, liquidating securitization entities. The maximum amount that GE Capital would be required to substitute in the event of such a downgrade is determined by contract, and amounted to $0.6 billion at December 31, 2005.

- For certain transactions, if the long-term credit rating of GE Capital were to fall below A/A2 or BBB+/Baa1 or its short-term credit rating were to fall below A-2/P-2, GE Capital could be required to provide substitute credit support or fund the undrawn commitment. GE Capital could be required to provide up to $2.0 billion in the event of such a downgrade based on terms in effect at December 31, 2005.

One group of consolidated SPEs holds high quality investment securities funded by the issuance of GICs. If the long-term credit rating of GE Capital were to fall below AA-/Aa3 or its short-term credit rating were to fall below A-1+/P-1, GE Capital could be required to provide up to $4.1 billion of capital to such entities.

In our history, we have never violated any of the above conditions either at GE, GECS or GE Capital. We believe that under any reasonable future economic developments, the likelihood that any such arrangements could have a significant effect on our operations, cash flows or financial position is remote.

Selected Financial Data

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

GE'S TOTAL RESEARCH AND DEVELOPMENT expenditures were $3.4 billion in 2005, compared with $3.1 billion and $2.7 billion in 2004 and 2003, respectively. In 2005, expenditures from GE's own funds were $2.7 billion compared with $2.4 billion in 2004. Expenditures funded by customers (mainly the U.S. government) were $0.7 billion and $0.6 billion in 2005 and 2004, respectively.

Expenditures reported above reflect the definition of research and development required by U.S. generally accepted accounting principles. For operating and management purposes, we consider amounts spent on product and services technology to include our reported research and development expenditures, but also amounts for improving our existing products and services, and the productivity of our plant, equipment and processes. On this basis, our technology expenditures in 2005 were $5.2 billion.

GE'S TOTAL BACKLOG of firm unfilled orders at the end of 2005 was $36.1 billion, an increase of 6% from year-end 2004, reflecting increased demand for wind turbines, locomotives and product services. Of the total backlog, $23.8 billion related to products, of which 70% was scheduled for delivery in 2006. Product services orders, included in this reported backlog for only the succeeding 12 months, were $12.3 billion at the end of 2005. Orders constituting this backlog may be canceled or deferred by customers, subject in certain cases to penalties. See the Segment Operations section for further information.

Critical Accounting Estimates

Accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to an understanding of our financial statements because they inherently involve significant judgments and uncertainties. For all of these estimates, we caution that future events rarely develop exactly as forecast, and the best estimates routinely require adjustment. Also see note 1, Summary of Significant Accounting Policies, which discusses accounting policies that we have selected from acceptable alternatives.

LOSSES ON FINANCING RECEIVABLES are recognized when they are incurred, which requires us to make our best estimate of probable losses inherent in the portfolio. Such estimate requires consideration of historical loss experience, adjusted for current conditions, and judgments about the probable effects of relevant observable data, including present economic conditions such as delinquency rates, financial health of specific customers and market sectors, collateral values, and the present and expected future levels of interest rates. Our risk management process, which includes standards and policies for reviewing major risk exposures and concentrations, ensures that relevant data are identified and considered either for individual loans or leases, or on a portfolio basis, as appropriate.

Our lending and leasing experience and the extensive data we accumulate and analyze facilitate estimates that have proven reliable over time. Our actual loss experience was in line with expectations for 2005, 2004 and 2003. While prospective losses depend to a large degree on future economic conditions, we do not anticipate significant adverse credit development in 2006. Further information is provided in the Financial Resources and Liquidity—Financing Receivables section, the Asset Impairment section that follows and in notes 1, 13 and 14.

REVENUE RECOGNITION ON LONG-TERM AGREEMENTS to provide product services (product services agreements) requires estimates of profits over the multiple-year terms of such agreements, considering factors such as the frequency and extent of future monitoring, maintenance and overhaul events; the amount of personnel, spare parts and other resources required to perform the services; and future billing rate and cost changes. We routinely review estimates under product services agreements and regularly revise them to adjust for changes in outlook. We also regularly assess customer credit risk inherent in the carrying amounts of receivables and contract costs and estimated earnings, including the risk that contractual penalties may not be sufficient to offset our accumulated investment in the event of customer termination. We gain insight into future utilization and cost trends, as well as credit risk, through our knowledge of the installed base of equipment and the close interaction with our customers that comes with supplying critical services and parts over extended periods. Revisions that affect a product services agreement's total estimated profitability will also result in an immediate adjustment of earnings. We provide for probable losses.

Selected Financial Data

(In millions; per-share amounts in dollars)	2005	2004	2003	2002	2001
GENERAL ELECTRIC COMPANY AND CONSOLIDATED AFFILIATES					
Revenues	$149,702	$134,481	$112,886	$113,856	$107,558
Earnings from continuing operations before accounting changes	18,275	16,285	13,766	15,798	12,948
Earnings (loss) from discontinued operations, net of taxes	(1,922)	534	2,057	(616)	1,130
Earnings before accounting changes	16,353	16,819	15,823	15,182	14,078
Cumulative effect of accounting changes	—	—	(587)	(1,015)	(287)
Net earnings	16,353	16,819	15,236	14,167	13,791
Dividends declared	9,647	8,594	7,759	7,266	6,555
Return on average shareowners' equity[a]	17.6%	17.6%	19.6%	27.2%	24.7%
Per share					
Earnings from continuing operations before accounting changes—diluted	$ 1.72	$ 1.56	$ 1.37	$ 1.58	$ 1.29
Earnings (loss) from discontinued operations—diluted	(0.18)	0.05	0.20	(0.06)	0.11
Earnings before accounting changes—diluted	1.54	1.61	1.57	1.51	1.40
Cumulative effect of accounting changes—diluted	—	—	(0.06)	(0.10)	(0.03)
Net earnings—diluted	1.54	1.61	1.51	1.41	1.37
Earnings from continuing operations before accounting changes—basic	1.73	1.57	1.37	1.59	1.30
Earnings (loss) from discontinued operations—basic	(0.18)	0.05	0.21	(0.06)	0.11
Earnings before accounting changes—basic	1.55	1.62	1.58	1.52	1.42
Cumulative effect of accounting changes—basic	—	—	(0.06)	(0.10)	(0.03)
Net earnings—basic	1.55	1.62	1.52	1.42	1.39
Dividends declared	0.91	0.82	0.77	0.73	0.66
Stock price range	37.34–32.67	37.75–28.88	32.42–21.30	41.84–21.40	52.90–28.25
Year-end closing stock price	35.05	36.50	30.98	24.35	40.08
Total assets of continuing operations	626,586	618,241	503,610	441,768	373,550
Total assets	673,342	750,507	647,828	575,236	495,012
Long-term borrowings	212,281	207,871	170,309	138,570	77,818
Shares outstanding—average (in thousands)	10,569,805	10,399,629	10,018,587	9,947,113	9,932,245
Shareowner accounts—average	634,000	658,000	670,000	655,000	625,000
Employees at year end					
United States	161,000	165,000	155,000	161,000	158,000
Other countries	155,000	142,000	150,000	154,000	152,000
Total employees	316,000[b]	307,000	305,000	315,000	310,000
GE DATA					
Short-term borrowings	$ 1,127	$ 3,409	$ 2,555	$ 8,786	$ 1,722
Long-term borrowings	9,081	7,625	8,388	970	787
Minority interest	5,806	7,701	1,079	1,028	948
Shareowners' equity	109,354	110,821	79,631	64,079	55,000
Total capital invested	$125,368	$129,556	$ 91,653	$ 74,863	$ 58,457
Return on average total capital invested[a]	16.4%	16.0%	17.7%	25.8%	24.9%
Borrowings as a percentage of total capital invested[a]	8.1%	9.0%	11.9%	13.0%	4.3%
Working capital[a]	$ 8,399	$ 8,328	$ 5,282	$ 3,821	$ (2,398)
Additions to property, plant and equipment	2,812	2,427	2,158	2,386	2,876
GECS DATA					
Revenues	$ 59,297	$ 52,894	$ 42,978	$ 40,345	$ 39,998
Earnings from continuing operations before accounting changes	9,141	7,853	5,931	5,291	4,406
Earnings (loss) from discontinued operations, net of taxes	(1,922)	534	2,057	(616)	1,130
Earnings before accounting changes	7,219	8,387	7,988	4,675	5,536
Cumulative effect of accounting changes	—	—	(339)	(1,015)	(12)
Net earnings	7,219	8,387	7,649	3,660	5,524
Shareowner's equity	50,815	54,292	45,759	37,302	28,766
Minority interest	2,248	4,902	5,115	4,445	4,267
Total borrowings	362,069	355,501	316,593	267,014	236,449
Ratio of debt to equity at GE Capital	7.09:1	6.46:1	6.63:1	6.46:1	7.21:1
Total assets of continuing operations	$493,849	$486,238	$410,653	$356,352	$304,011
Total assets	540,605	618,504	554,871	489,820	425,473

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

(a) Indicates terms are defined in the Glossary.

(b) Excludes employees of Genworth in 2005 as a result of the third quarter deconsolidation.

Carrying amounts for product services agreements in progress at December 31, 2005 and 2004, were $4.4 billion and $3.7 billion, respectively, and are included in the line, "Contract costs and estimated earnings" in note 17. Adjustments to earnings resulting from revisions to estimates on product services agreements have been insignificant for each of the years in the three-year period ended December 31, 2005.

Further information is provided in note 1.

ASSET IMPAIRMENT assessment involves various estimates and assumptions as follows:

INVESTMENTS. We regularly review investment securities for impairment based on both quantitative and qualitative criteria that include the extent to which cost exceeds market value, the duration of that market decline, our intent and ability to hold to maturity or until forecasted recovery and the financial health of and specific prospects for the issuer. We perform comprehensive market research and analysis and monitor market conditions to identify potential impairments. Further information about actual and potential impairment losses is provided in the Financial Resources and Liquidity—Investment Securities section and in notes 1 and 10.

LONG-LIVED ASSETS. We review long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which undiscounted cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. We derive the required undiscounted cash flow estimates from our historical experience and our internal business plans. To determine fair value, we use our internal cash flow estimates discounted at an appropriate interest rate, quoted market prices when available and independent appraisals, as appropriate.

Commercial aircraft are a significant concentration of assets in Infrastructure, and are particularly subject to market fluctuations. Therefore, we test recoverability of each aircraft in our operating lease portfolio at least annually. Additionally, we perform quarterly evaluations in circumstances such as when aircraft are re-leased, current lease terms have changed or a specific lessee's credit standing changes. Future rentals and residual values are based on historical experience and information received routinely from independent appraisers. Estimated cash flows from future leases are reduced for expected downtime between leases and for estimated technical costs required to prepare aircraft to be redeployed. Fair value used to measure impairment is based on current market values from independent appraisers.

We recognized impairment losses on our operating lease portfolio of commercial aircraft of $0.3 billion and $0.1 billion in 2005 and 2004, respectively. In addition to these impairment charges relating to operating leases, we recorded provisions for losses on financing receivables related to commercial aircraft of $0.2 billion in 2005, primarily related to Northwest Airlines Corporation (Northwest Airlines), and $0.3 billion in 2004, primarily related to US Airways and ATA Holdings Corp.

Certain of our commercial aviation customers are operating under bankruptcy protection while they implement steps to return to profitable operations with a lower cost structure. At December 31, 2005, our largest exposures to carriers operating in bankruptcy were to Delta Air Lines, $2.4 billion; UAL Corp., $1.4 billion; and Northwest Airlines, $1.3 billion. Our financial exposures to these carriers are substantially secured by various Boeing, Airbus and Bombardier aircraft and operating equipment. On February 1, 2006, UAL Corp. emerged from bankruptcy protection.

Further information on impairment losses and our exposure to the commercial aviation industry is provided in the Operations—Overview section and in notes 10, 15 and 29.

GOODWILL AND OTHER IDENTIFIED INTANGIBLE ASSETS. We test goodwill for impairment annually and whenever events or circumstances make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose of a reporting unit. Determining whether an impairment has occurred requires valuation of the respective reporting unit, which we estimate using a discounted cash flow method. When available and as appropriate, we use comparative market multiples to corroborate discounted cash flow results. In applying this methodology, we rely on a number of factors, including actual operating results, future business plans, economic projections and market data.

If this analysis indicates goodwill is impaired, measuring the impairment requires a fair value estimate of each identified tangible and intangible asset. In this case we supplement the cash flow approach discussed above with independent appraisals, as appropriate.

We test other identified intangible assets with defined useful lives and subject to amortization by comparing the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset. We test intangible assets with indefinite lives annually for impairment using a fair value method such as discounted cash flows.

Further information is provided in the Financial Resources and Liquidity—Intangible Assets section and in notes 1 and 16.

PENSION ASSUMPTIONS are significant inputs to the actuarial models that measure pension benefit obligations and related effects on operations. Two assumptions—discount rate and expected return on assets—are important elements of plan expense and asset/liability measurement. We evaluate these critical assumptions at least annually on a plan and country-specific basis. We evaluate other assumptions involving demographic factors such as retirement age, mortality and turnover periodically and update them to reflect our experience and expectations for the future. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors.

Accumulated and projected benefit obligations are expressed as the present value of future cash payments. We discount those cash payments using the weighted average of market-observed yields for high quality fixed income securities with maturities that correspond to the payment of benefits. Lower discount rates increase present values and subsequent year pension expense; higher discount rates decrease present values and subsequent year pension expense.

To reflect market interest rate conditions, we reduced our discount rate for principal pension plans at December 31, 2005, from 5.75% to 5.50% and at December 31, 2004, from 6.0% to 5.75%.

To determine the expected long-term rate of return on pension plan assets, we consider the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. Assets in our principal pension plans earned 10.2% in 2005 and had average annual earnings of 4.7%, 10.1% and 11.8% per year in the five, 10 and 25-year periods ended December 31, 2005, respectively. We believe that these results, in connection with our current and expected asset allocations, support our assumed long-term return of 8.5% on those assets.

Sensitivity to changes in key assumptions for our principal pension plans follows.

- Discount rate—A 25 basis point reduction in discount rate would increase pension cost in the following year by $0.2 billion.
- Expected return on assets—A 50 basis point increase in the expected return on assets would decrease pension cost in the following year by $0.2 billion.

Further information on our pension plans is provided in the Operations—Overview section and in note 7.

DERIVATIVES AND HEDGING. We use derivatives to manage a variety of risks, including risks related to interest rates, foreign exchange and commodity prices. Accounting for derivatives as hedges requires that, at inception and over the term of the arrangement, the hedged item and related derivative meet the requirements for hedge accounting. The accounting guidance related to derivatives accounting is complex. Failure to apply this complex guidance correctly will result in all changes in the fair value of the derivative being reported in earnings, while offsetting changes in the fair value of the hedged item are reported in earnings only upon realization, regardless of whether the hedging relationship is economically effective.

In evaluating whether a particular relationship qualifies for hedge accounting, we first determine whether the relationship meets the strict criteria to qualify for exemption from ongoing effectiveness testing. For a relationship that does not meet these criteria, we test effectiveness at inception and quarterly thereafter by determining whether changes in the fair value of the derivative offset, within a specified range, changes in the fair value of the hedged item. This test is conducted on a cumulative basis each reporting period. If fair value changes fail this test, we discontinue applying hedge accounting to that relationship prospectively. Fair values of both the derivative instrument and the hedged item are calculated using internal valuation models incorporating market-based assumptions, subject to third party confirmation.

At December 31, 2005, derivative assets and liabilities were $1.9 billion and $2.2 billion, respectively. Further information about our use of derivatives is provided in notes 18 and 27.

OTHER LOSS CONTINGENCIES are recorded as liabilities when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. Disclosure is required when there is a reasonable possibility that the ultimate loss will materially exceed the recorded provision. Contingent liabilities are often resolved over long time periods. Estimating probable losses requires analysis of multiple forecasts that often depend on judgments about potential actions by third parties such as regulators. Further information is provided in notes 20 and 29.

Other Information

New Accounting Standard

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 123 (revised 2004), *Share-Based Payment* (SFAS 123R), which will be effective for us on January 1, 2006. Among other things, SFAS 123R requires expensing the fair value of stock options, previously optional accounting that we adopted voluntarily in 2002. The transitional effect of this provision of SFAS 123R will be modest, consisting of a reduction in full-year 2006 net earnings of $9 million to expense the unvested portion of options granted in 2001. SFAS 123R also will require us to change the classification of certain tax benefits from share-based compensation deductions to financing rather than operating cash flows. While the effects of these future tax deductions will depend on several variables, had SFAS 123R been in effect, approximately $0.3 billion would have been required to be classified as financing, not operating, cash flows in both 2005 and 2004. Prior periods will not be restated as a result of this accounting change.

Statement of Earnings

For the years ended December 31 (In millions; per-share amounts in dollars)	General Electric Company and consolidated affiliates 2005	2004	2003
REVENUES			
Sales of goods	$ 59,837	$ 55,005	$ 49,963
Sales of services	32,752	29,700	22,391
Other income (note 3)	1,683	1,064	602
GECS earnings from continuing operations before accounting changes	—	—	—
GECS revenues from services (note 4)	55,430	48,712	39,930
Total revenues	149,702	134,481	112,886
COSTS AND EXPENSES (note 5)			
Cost of goods sold	46,169	42,645	37,189
Cost of services sold	20,645	19,114	14,017
Interest and other financial charges	15,187	11,656	10,460
Investment contracts, insurance losses and insurance annuity benefits	5,474	3,583	3,069
Provision for losses on financing receivables (note 14)	3,841	3,888	3,752
Other costs and expenses	35,271	33,096	26,480
Minority interest in net earnings of consolidated affiliates	986	728	308
Total costs and expenses	127,573	114,710	95,275
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND ACCOUNTING CHANGES	22,129	19,771	17,611
Provision for income taxes (note 8)	(3,854)	(3,486)	(3,845)
EARNINGS FROM CONTINUING OPERATIONS BEFORE ACCOUNTING CHANGES	18,275	16,285	13,766
Earnings (loss) from discontinued operations, net of taxes (note 2)	(1,922)	534	2,057
EARNINGS BEFORE ACCOUNTING CHANGES	16,353	16,819	15,823
Cumulative effect of accounting changes (note 1)	—	—	(587)
NET EARNINGS	$ 16,353	$ 16,819	$ 15,236
Per-share amounts (note 9)			
Per-share amounts — earnings from continuing operations before accounting changes			
Diluted earnings per share	$ 1.72	$ 1.56	$ 1.37
Basic earnings per share	1.73	1.57	1.37
Per-share amounts — earnings before accounting changes			
Diluted earnings per share	1.54	1.61	1.57
Basic earnings per share	1.55	1.62	1.58
Per-share amounts — net earnings			
Diluted earnings per share	1.54	1.61	1.51
Basic earnings per share	1.55	1.62	1.52
DIVIDENDS DECLARED PER SHARE	$ 0.91	$ 0.82	$ 0.77

Consolidated Statement of Changes in Shareowners' Equity

(In millions)	2005	2004	2003
CHANGES IN SHAREOWNERS' EQUITY (note 23)			
Balance at January 1	$110,821	$ 79,631	$ 64,079
Dividends and other transactions with shareowners	(13,249)	10,009	(5,520)
Changes other than transactions with shareowners			
Increase attributable to net earnings	16,353	16,819	15,236
Investment securities — net	(437)	412	710
Currency translation adjustments — net	(4,318)	3,936	5,061
Cash flow hedges — net	401	435	226
Minimum pension liabilities — net	(217)	(421)	(161)
Total changes other than transactions with shareowners	11,782	21,181	21,072
Balance at December 31	$109,354	$110,821	$ 79,631

The notes to consolidated financial statements are an integral part of these statements.

GE			GECS		
2005	2004	2003	2005	2004	2003
$ 57,378	$52,260	$47,767	$ 2,528	$ 2,840	$ 2,228
33,052	29,954	22,675	—	—	—
1,764	1,076	645	—	—	—
9,141	7,853	5,931	—	—	—
—	—	—	56,769	50,054	40,750
101,335	91,143	77,018	59,297	52,894	42,978
43,870	39,999	35,102	2,369	2,741	2,119
20,945	19,368	14,301	—	—	—
1,432	979	941	14,308	11,121	9,897
—	—	—	5,674	3,800	3,069
—	—	—	3,841	3,888	3,752
13,279	12,001	9,870	22,658	21,788	17,095
784	538	181	202	190	127
80,310	72,885	60,395	49,052	43,528	36,059
21,025	18,258	16,623	10,245	9,366	6,919
(2,750)	(1,973)	(2,857)	(1,104)	(1,513)	(988)
18,275	16,285	13,766	9,141	7,853	5,931
(1,922)	534	2,057	(1,922)	534	2,057
16,353	16,819	15,823	7,219	8,387	7,988
—	—	(587)	—	—	(339)
$ 16,353	$16,819	$15,236	$ 7,219	$ 8,387	$ 7,649

In the consolidating data on this page, "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. and all of its affiliates and associated companies. Transactions between GE and GECS have been eliminated from the "General Electric Company and consolidated affiliates" columns.

Statement of Financial Position

At December 31 (In millions, except share amounts)	General Electric Company and consolidated affiliates 2005	2004
ASSETS		
Cash and equivalents	$ 9,011	$ 12,152
Investment securities (note 10)	53,144	56,923
Current receivables (note 11)	14,851	14,233
Inventories (note 12)	10,474	9,778
Financing receivables—net (notes 13 and 14)	287,639	282,699
Other GECS receivables	14,767	11,340
Property, plant and equipment—net (note 15)	67,528	63,103
Investment in GECS	—	—
Intangible assets—net (note 16)	81,726	78,456
All other assets (note 17)	87,446	89,557
Assets of discontinued operations (note 2)	46,756	132,266
Total assets	$673,342	$750,507
LIABILITIES AND EQUITY		
Short-term borrowings (note 18)	$158,156	$157,195
Accounts payable, principally trade accounts	21,273	19,137
Progress collections and price adjustments accrued	4,456	3,937
Dividends payable	2,623	2,329
All other current costs and expenses accrued	18,419	17,539
Long-term borrowings (note 18)	212,281	207,871
Investment contracts, insurance liabilities and insurance annuity benefits (note 19)	45,432	48,076
All other liabilities (note 20)	40,632	42,779
Deferred income taxes (note 21)	16,330	15,285
Liabilities of and minority interest in discontinued operations (note 2)	36,332	112,935
Total liabilities	555,934	627,083
Minority interest in equity of consolidated affiliates (note 22)	8,054	12,603
Common stock (10,484,268,000 and 10,586,358,000 shares outstanding at year-end 2005 and 2004, respectively)	669	669
Accumulated gains (losses)—net		
Investment securities	1,831	2,268
Currency translation adjustments	2,532	6,850
Cash flow hedges	(822)	(1,223)
Minimum pension liabilities	(874)	(657)
Other capital	25,227	24,265
Retained earnings	98,117	91,411
Less common stock held in treasury	(17,326)	(12,762)
Total shareowners' equity (notes 23 and 24)	109,354	110,821
Total liabilities and equity	$673,342	$750,507

The sum of accumulated gains (losses) on investment securities, currency translation adjustments, cash flow hedges and minimum pension liabilities constitutes "Accumulated nonowner changes other than earnings," as shown in note 23, and was $2,667 million and $7,238 million at December 31, 2005 and 2004, respectively.

The notes to consolidated financial statements are an integral part of this statement.

GE		GECS	
2005	2004	2005	2004
$ 2,015	$ 3,155	$ 7,316	$ 9,191
461	413	52,706	56,539
15,058	14,533	—	—
10,315	9,589	159	189
—	—	287,639	282,699
—	—	19,060	14,965
16,504	16,756	51,024	46,347
50,815	54,292	—	—
57,839	54,720	23,887	23,736
36,752	38,123	52,058	52,572
—	—	46,756	132,266
$189,759	$191,581	$540,605	$618,504
$ 1,127	$ 3,409	$157,672	$154,292
11,370	11,013	13,133	11,374
4,456	3,937	—	—
2,523	2,329	—	—
18,436	17,569	—	—
9,081	7,625	204,397	201,209
—	—	45,722	48,393
23,273	23,561	17,453	19,300
3,733	3,616	12,597	11,669
—	—	36,568	113,073
74,599	73,059	487,542	559,310
5,806	7,701	2,248	4,902
669	669	1	1
1,831	2,268	1,754	2,345
2,532	6,850	2,287	5,104
(822)	(1,223)	(813)	(1,354)
(874)	(657)	(179)	(150)
25,227	24,265	12,386	12,370
98,117	91,411	35,379	35,976
(17,326)	(12,762)	—	—
109,354	110,821	50,815	54,292
$189,759	$191,581	$540,605	$618,504

In the consolidating data on this page, "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. and all of its affiliates and associated companies. Transactions between GE and GECS have been eliminated from the "General Electric Company and consolidated affiliates" columns.

Statement of Cash Flows

For the years ended December 31 (In millions)	General Electric Company and consolidated affiliates 2005	2004	2003
CASH FLOWS—OPERATING ACTIVITIES			
Net earnings	$ 16,353	$ 16,819	$ 15,236
Loss (earnings) from discontinued operations	1,922	(534)	(2,057)
Adjustments to reconcile net earnings to cash provided from operating activities			
Cumulative effect of accounting changes	—	—	587
Depreciation and amortization of property, plant and equipment	8,538	8,349	6,864
Earnings before accounting changes retained by GECS	—	—	—
Deferred income taxes	(1,121)	(172)	1,206
Decrease (increase) in GE current receivables	(360)	(849)	534
Decrease (increase) in inventories	(578)	(468)	874
Increase in accounts payable	1,238	4,090	232
Increase (decrease) in GE progress collections	510	(464)	(2,268)
Increase (decrease) in insurance liabilities	1,034	1,959	(729)
Provision for losses on GECS financing receivables	3,841	3,888	3,752
All other operating activities	2,410	(2,136)	(2,391)
Cash from operating activities—continuing operations	33,787	30,482	21,840
Cash from operating activities—discontinued operations	3,854	6,002	7,389
CASH FROM OPERATING ACTIVITIES	37,641	36,484	29,229
CASH FLOWS—INVESTING ACTIVITIES			
Additions to property, plant and equipment	(14,441)	(13,092)	(9,751)
Dispositions of property, plant and equipment	6,027	5,838	4,918
Net increase in GECS financing receivables	(16,954)	(15,280)	(4,687)
Payments for principal businesses purchased	(11,498)	(18,703)	(14,352)
All other investing activities	6,535	10,785	7,974
Cash used for investing activities—continuing operations	(30,331)	(30,452)	(15,898)
Cash used for investing activities—discontinued operations	(4,718)	(7,962)	(5,945)
CASH USED FOR INVESTING ACTIVITIES	(35,049)	(38,414)	(21,843)
CASH FLOWS—FINANCING ACTIVITIES			
Net increase (decrease) in borrowings (maturities of 90 days or less)	(4,600)	(1,558)	(20,559)
Newly issued debt (maturities longer than 90 days)	66,523	58,538	67,719
Repayments and other reductions (maturities longer than 90 days)	(53,133)	(47,106)	(43,479)
Net dispositions (purchases) of GE shares for treasury	(4,844)	3,993	726
Dividends paid to shareowners	(9,352)	(8,278)	(7,643)
All other financing activities	(1,191)	(3,397)	286
Cash from (used for) financing activities—continuing operations	(6,597)	2,192	(2,950)
Cash from (used for) financing activities—discontinued operations	478	2,402	(682)
CASH FROM (USED FOR) FINANCING ACTIVITIES	(6,119)	4,594	(3,632)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS DURING YEAR	(3,527)	2,664	3,754
Cash and equivalents at beginning of year	15,328	12,664	8,910
Cash and equivalents at end of year	11,801	15,328	12,664
Less cash and equivalents of discontinued operations at end of year	2,790	3,176	2,734
Cash and equivalents of continuing operations at end of year	$ 9,011	$ 12,152	$ 9,930
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION			
Cash paid during the year for interest	$(16,446)	$(11,907)	$(10,910)
Cash recovered (paid) during the year for income taxes	(3,254)	(1,339)	(1,539)

The notes to consolidated financial statements are an integral part of this statement.

GE			GECS		
2005	2004	2003	2005	2004	2003
$16,353	$16,819	$15,236	$ 7,219	$ 8,387	$ 7,649
—	—	—	1,922	(534)	(2,057)
—	—	587	—	—	339
2,501	2,533	2,277	6,037	5,816	4,587
597	(5,282)	(4,553)	—	—	—
(287)	(175)	389	(834)	3	817
(266)	(908)	585	—	—	—
(508)	(459)	909	30	(9)	(35)
983	1,888	676	596	2,927	96
510	(464)	(2,268)	—	—	—
—	—	—	1,034	1,959	(729)
—	—	—	3,841	3,888	3,752
1,326	1,252	(913)	1,065	(2,312)	(360)
21,509	15,204	12,925	20,910	20,125	14,059
—	—	—	3,854	6,002	7,389
21,509	15,204	12,925	24,764	26,127	21,448
(2,312)	(2,427)	(2,158)	(11,629)	(10,665)	(7,593)
—	—	—	6,027	5,838	4,918
—	—	—	(16,954)	(15,280)	(4,687)
(4,331)	(4,815)	(3,870)	(7,167)	(13,888)	(10,482)
702	632	236	4,644	8,386	6,103
(6,441)	(6,610)	(5,792)	(25,079)	(25,609)	(11,741)
—	—	—	(4,718)	(7,962)	(5,945)
(6,441)	(6,610)	(5,792)	(29,797)	(33,571)	(17,686)
(592)	(1,690)	(6,704)	(4,044)	33	(13,487)
1,704	434	7,356	65,054	58,143	60,113
(3,424)	(1,568)	(277)	(49,709)	(45,538)	(43,202)
(4,844)	3,993	726	—	—	—
(9,352)	(8,278)	(7,643)	(7,816)	(3,105)	(3,435)
—	—	—	(1,191)	(3,397)	286
(16,308)	(7,109)	(6,542)	2,294	6,136	275
—	—	—	478	2,402	(682)
(16,308)	(7,109)	(6,542)	2,772	8,538	(407)
(1,140)	1,485	591	(2,261)	1,094	3,355
3,155	1,670	1,079	12,367	11,273	7,918
2,015	3,155	1,670	10,106	12,367	11,273
—	—	—	2,790	3,176	2,734
$ 2,015	$ 3,155	$ 1,670	$ 7,316	$ 9,191	$ 8,539
$ (928)	$ (603)	$ (248)	$(15,518)	$(11,304)	$(10,662)
(1,829)	(2,261)	(2,685)	(1,425)	922	1,146

In the consolidating data on this page, "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. and all of its affiliates and associated companies. Transactions between GE and GECS have been eliminated from the "General Electric Company and consolidated affiliates" columns.

Note 1

Summary of Significant Accounting Policies

Accounting principles

Our financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP).

Consolidation

Our financial statements consolidate all of our affiliates—companies that we control and in which we hold a majority voting interest. Associated companies are companies that we do not control but over which we have significant influence, most often because we hold a shareholder voting position of 20% to 50%. Results of associated companies are presented on a one-line basis. Investments in and advances to associated companies are presented on a one-line basis in the caption "All other assets" in our Statement of Financial Position, net of allowance for losses that represents our best estimate of probable losses inherent in such assets.

Because of new accounting requirements that became effective in 2004 and 2003, we consolidated certain non-affiliates, including certain special purpose entities (SPEs) and investments previously considered associated companies, in each of those years.

Financial statement presentation

We have reclassified certain prior-year amounts to conform to the current year's presentation.

Financial data and related measurements are presented in the following categories:

- GE This represents the adding together of all affiliates other than General Electric Capital Services, Inc. (GECS), whose operations are presented on a one-line basis.
- GECS This affiliate owns all of the common stock of General Electric Capital Corporation (GE Capital) and GE Insurance Solutions Corporation (GE Insurance Solutions), the parent of Employers Reinsurance Corporation. GE Capital and its respective affiliates are consolidated in the accompanying GECS columns and constitute its business.

  In 2005, most of GE Insurance Solutions was classified as part of our discontinued insurance operations. See note 2.
- CONSOLIDATED This represents the adding together of GE and GECS.
- OPERATING SEGMENTS These comprise our six businesses focused on the broad markets they serve: Infrastructure, Industrial, Healthcare, NBC Universal, Commercial Finance and Consumer Finance. For segment reporting purposes, certain GECS businesses are included in the industrial operating segments that actively manage such businesses and report their results for internal performance measurement purposes. These include Aviation Financial Services, Energy Financial Services and Transportation Finance reported in the Infrastructure segment, and Equipment Services reported in the Industrial segment.

Unless otherwise indicated, information in these notes to consolidated financial statements relates to continuing operations.

The effects of translating to U.S. dollars the financial statements of non-U.S. affiliates whose functional currency is the local currency are included in shareowners' equity. Asset and liability accounts are translated at year-end exchange rates, while revenues and expenses are translated at average rates for the period.

Effects of transactions between related companies are eliminated. Transactions between GE and GECS are immaterial and consist primarily of GECS services for material procurement and trade receivables management, buildings and equipment leased by GE from GECS, information technology (IT) and other services sold to GECS by GE, aircraft engines manufactured by GE that are installed on aircraft purchased by GECS from third-party producers for lease to others, medical equipment manufactured by GE that is leased by GECS to others, and various investments and loans.

Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

Sales of goods and services

We record sales of goods when a firm sales agreement is in place, delivery has occurred and collectibility of the fixed or determinable sales price is reasonably assured. If customer acceptance of products is not assured, we record sales only upon formal customer acceptance.

Consumer lighting products, home videos and computer hardware and software products are often sold with a right of return. Accumulated experience is used to estimate and provide for such returns when we record the sale.

Sales of goods in the Industrial businesses typically do not include multiple product and/or services elements. In contrast, sales of goods in the Infrastructure and Healthcare businesses sometimes include multiple components and sometimes include services such as installation. In such contracts, amounts assigned to each component are based on that component's objectively determined fair value, such as the sales price for the component when it is sold separately or competitor prices for similar components. Sales are recognized individually for delivered components only if they have value to the customer on a standalone basis and the undelivered components have objectively determined fair values and are not essential to the functionality of the delivered components. When undelivered components are inconsequential or perfunctory and not essential to the functionality of the delivered components (like certain training commitments), we recognize sales on the total contract and make a provision for the cost of the incomplete components.

We record sales of product services, certain power generation equipment, military aircraft engines, Healthcare IT projects and water treatment equipment in accordance with their respective contracts. For long-term product services agreements, we use estimated contract profit rates to record sales as work is performed. For other contracts, we use estimated contract profit rates to record sales as major components are completed and delivered to customers. Estimates are subject to revisions. Revisions that affect an agreement's total estimated profitability result in an immediate adjustment of earnings. We provide for any loss when that loss is probable.

We expense costs to acquire or originate sales agreements as incurred.

NBC Universal, Inc. (NBC Universal) records broadcast and cable television advertising sales when advertisements are aired, net of provision for any viewer shortfalls (make goods). We record sales from theatrical distribution of films as the films are exhibited; sales of home videos, net of a return provision, when the videos are shipped and available for sale by retailers; fees from cable and satellite operators when services are provided; and licensing of film and television programming when we make the material available for airing.

GECS revenues from services (earned income)

We use the interest method to recognize income on all loans. Interest on loans includes origination, commitment and other non-refundable fees related to funding (recorded in earned income on the interest method). We stop accruing interest at the earlier of the time at which collection of an account becomes doubtful or the account becomes 90 days past due. We recognize interest income on nonearning loans either as cash is collected or on a cost-recovery basis as conditions warrant. We resume accruing interest on nonearning, non-restructured commercial loans only when (a) payments are brought current according to the loan's original terms and (b) future payments are reasonably assured. When we agree to restructured terms with the borrower, we resume accruing interest only when reasonably assured that we will recover full contractual payments, and such loans pass underwriting reviews equivalent to those applied to new loans. We resume accruing interest on nonearning consumer loans when the customer's account is less than 90 days past due.

We record financing lease income on the interest method to produce a level yield on funds not yet recovered. Estimated unguaranteed residual values at the date of lease inception represent our initial estimates of the fair value of the leased assets at the expiration of the lease and are based primarily on independent appraisals, which are updated periodically. Guarantees of residual values by unrelated third parties are considered part of minimum lease payments. Significant assumptions we use in estimating residual values include estimated net cash flows over the remaining lease term, results of future remarketing, and future component part and scrap metal prices, discounted at an appropriate rate.

We recognize operating lease income on a straight-line basis over the terms of underlying leases.

Fees include commitment fees related to loans that we do not expect to fund and line-of-credit fees. We record these fees in earned income on a straight-line basis over the period to which they relate. We record syndication fees in earned income at the time related services are performed, unless significant contingencies exist.

See the Investment securities and GECS investment contracts, insurance liabilities and insurance annuity benefits sections of this note for a description of accounting policies for these activities.

Depreciation and amortization

The cost of GE manufacturing plant and equipment is depreciated over its estimated economic life. U.S. assets are depreciated using an accelerated method based on a sum-of-the-years digits formula; non-U.S. assets are depreciated on a straight-line basis.

The cost of GECS equipment leased to others on operating leases is amortized on a straight-line basis to estimated residual value over the lease term or over the estimated economic life of the equipment. See note 15.

NBC Universal film and television costs

We defer film and television production costs, including direct costs, production overhead, development costs and interest. We do not defer costs of exploitation, which principally comprise costs of film and television program marketing and distribution. We amortize deferred film and television production costs, as well as associated participation and residual costs, on an individual production basis using the ratio of the current period's gross revenues to estimated total remaining gross revenues from all sources; we state such costs at the lower of amortized cost or fair value. We defer the costs of acquired broadcast material, including rights to material for use on NBC Universal's broadcast and cable networks, at the earlier of acquisition or when the license period begins and the material is available for use. We amortize acquired broadcast material and rights when we broadcast the associated programs; we state such costs at the lower of amortized cost or net realizable value.

Losses on financing receivables

Our allowance for losses on financing receivables represents our best estimate of probable losses inherent in the portfolio. Our method of calculating estimated losses depends on the size, type and risk characteristics of the related receivables. Write-offs are deducted from the allowance for losses and subsequent recoveries are added. Impaired financing receivables are written down to the extent that we judge principal to be uncollectible.

Our portfolio consists entirely of homogenous consumer loans and of commercial loans and leases. The underlying assumptions, estimates and assessments we use to provide for losses are continually updated to reflect our view of current conditions. Changes in such estimates can significantly affect the allowance and provision for losses. It is possible to experience credit losses that are different from our current estimates.

Our consumer loan portfolio consists of smaller balance, homogenous loans including card receivables, installment loans, auto loans and leases and residential mortgages. We collectively evaluate each portfolio for impairment. The allowance for losses on these receivables is established through a process that estimates the probable losses inherent in the portfolio based upon statistical analyses of portfolio data. These analyses include migration analysis, in which historical delinquency and credit loss experience is applied to the current aging of the portfolio, together with other analyses that reflect current trends and conditions. We also consider overall portfolio indicators including nonearning loans, trends in loan volume and lending terms, credit policies and other observable environmental factors.

During 2004, Consumer Finance adopted a global policy for uncollectible receivables that accelerated write-offs to follow one consistent basis. We write off unsecured closed-end installment loans at 120 days contractually past due and unsecured open-ended revolving loans at 180 days contractually past due. We write down loans secured by collateral other than real estate to the fair value of the collateral, less costs to sell, when such loans are 120 days past due. Consumer loans secured by residential real estate (both revolving and closed-end loans) are written down to the fair value of collateral, less costs to sell, no later than when they become 360 days past due. Unsecured loans in bankruptcy are written off within 60 days of notification of filing by the bankruptcy court or within contractual write-off periods, whichever occurs earlier.

Our commercial loan and lease portfolio consists of a variety of loans and leases, including both larger balance, non-homogenous loans and leases and smaller balance homogenous commercial and equipment loans and leases. Losses on such loans and leases are recorded when probable and estimable. We routinely survey our entire portfolio for potential specific credit or collection issues that might indicate an impairment. For larger balance, non-homogenous loans and leases, this survey first considers the financial status, payment history, collateral value, industry conditions and guarantor support related to specific customers. Any delinquencies or bankruptcies are indications of potential impairment requiring further assessment of collectibility. We routinely receive financial, as well as rating agency reports, on our customers, and we elevate for further attention those customers whose operations we judge to be marginal or deteriorating. We also elevate customers for further attention when we observe a decline in collateral values for asset-based loans. While collateral values are not always available, when we observe such a decline, we evaluate relevant markets to assess recovery alternatives—for example, for real estate loans, relevant markets are local; for aircraft loans, relevant markets are global. We provide allowances based on our evaluation of all available information, including expected future cash flows, fair value of collateral, net of disposal costs, and the secondary market value of the financing receivables. After providing for specific incurred losses, we then determine an allowance for losses that have been incurred in the balance of the portfolio but cannot yet be identified to a specific loan or lease. This estimate is based on historical and projected default rates and loss severity, and it is prepared by each respective line of business.

Experience is not available with new products; therefore, while we are developing that experience, we set loss allowances based on our experience with the most closely analogous products in our portfolio.

When we repossess collateral in satisfaction of a loan, we write down the receivable against the allowance for losses. Repossessed collateral is included in All other assets in the Statement of Financial Position and carried at the lower of cost or estimated fair value less costs to sell.

The remainder of our commercial loans and leases are portfolios of smaller balance homogenous commercial and equipment positions that we evaluate collectively for impairment based upon various statistical analyses considering historical losses and aging.

Sales of stock by affiliates

We record gains or losses on sales by an affiliate of its own shares as revenue unless realization of gains is not reasonably assured, in which case we record the results in shareowners' equity.

Cash and equivalents

Debt securities with original maturities of three months or less are included in cash equivalents unless designated as available-for-sale and classified as investment securities.

Investment securities

We report investments in debt and marketable equity securities, and equity securities in our insurance portfolio, at fair value based on quoted market prices or, if quoted prices are not available, discounted expected cash flows using market rates commensurate with the credit quality and maturity of the investment. Unrealized gains and losses on available-for-sale investment securities are included in shareowners' equity, net of applicable taxes and other adjustments. We regularly review investment securities for impairment based on both quantitative and qualitative criteria that include the extent to which cost exceeds market value, the duration of that market decline, our intent and ability to hold to maturity or until forecasted recovery and the financial health of and specific prospects for the issuer. Unrealized losses that are other than temporary are recognized in earnings. For investment securities designated as trading, unrealized gains and losses are recognized currently in earnings. Realized gains and losses are accounted for on the specific identification method.

Inventories

All inventories are stated at the lower of cost or realizable values. Cost for substantially all of GE's U.S. inventories is determined on a last-in, first-out (LIFO) basis. Cost of other GE inventories is determined on a first-in, first-out (FIFO) basis. GECS inventories consist of finished products held for sale, and cost is determined on a FIFO basis.

Intangible assets

We do not amortize goodwill, but test it annually for impairment using a fair value approach at the reporting unit level. A reporting unit is the operating segment, or a business one level below that operating segment (the component level) if discrete financial information is prepared and regularly reviewed by segment management. However, components are aggregated as a single reporting unit if they have similar economic characteristics. We recognize an impairment charge for any amount by which the carrying amount of a reporting unit's goodwill exceeds its fair value. We use discounted cash flows to establish fair values. When available and as appropriate, we use comparative market multiples to corroborate discounted cash flow results. When a business within a reporting unit is disposed of, goodwill is allocated to the gain or loss on disposition using the relative fair value method.

We amortize the cost of other intangibles over their estimated useful lives unless such lives are deemed indefinite. Amortizable intangible assets are tested for impairment based on undiscounted cash flows and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Intangible assets with indefinite lives are tested annually for impairment and written down to fair value as required.

GECS investment contracts, insurance liabilities and insurance annuity benefits

Certain SPEs, which we consolidate, provide guaranteed investment contracts to states, municipalities and municipal authorities.

Our insurance activities also include providing insurance and reinsurance for life and health risks and providing certain annuity products. Three product groups are provided: traditional insurance contracts, investment contracts and universal life insurance contracts. Insurance contracts are contracts with significant mortality and/or morbidity risks, while investment contracts are contracts without such risks. Universal life insurance contracts are a particular type of long-duration insurance contract whose terms are not fixed and guaranteed.

For short-duration insurance contracts, including accident and health insurance, we report premiums as earned income over the terms of the related agreements, generally on a pro-rata basis. For traditional long-duration insurance contracts including term, whole life and annuities payable for the life of the annuitant, we report premiums as earned income when due.

Premiums received on investment contracts (including annuities without significant mortality risk) and universal life contracts are not reported as revenues but rather as deposit liabilities. We recognize revenues for charges and assessments on these contracts, mostly for mortality, contract initiation, administration and surrender. Amounts credited to policyholder accounts are charged to expense.

Liabilities for traditional long-duration insurance contracts represent the present value of such benefits less the present value of future net premiums based on mortality, morbidity, interest and other assumptions at the time the policies were issued or acquired. Liabilities for investment contracts and universal life policies equal the account value, that is, the amount that accrues to the benefit of the contract or policyholder including credited interest and assessments through the financial statement date.

Liabilities for unpaid claims and claims adjustment expenses represent our best estimate of the ultimate obligations for reported and incurred-but-not-reported claims and the related estimated claim settlement expenses. Liabilities for unpaid claims and claims adjustment expenses are continually reviewed and adjusted through current operations.

Accounting changes

On July 1, 2003, we adopted FIN 46, *Consolidation of Variable Interest Entities*, and, on January 1, 2004, the related subsequent amendment (FIN 46R). Consequently, in 2003 we recorded a $372 million ($0.04 per share) after-tax charge related to the first-time consolidation of certain SPEs, reported in the caption "Cumulative effect of accounting changes." There was no earnings effect arising from our adoption of FIN 46R. Additional information about entities consolidated under these rules is provided in note 28.

Statement of Financial Accounting Standards (SFAS) 143, *Accounting for Asset Retirement Obligations*, became effective for us on January 1, 2003. Under SFAS 143, obligations associated with the retirement of long-lived assets are recorded when there is a legal obligation to incur such costs and the fair value of the liability can be reasonably estimated. This amount is accounted for like an additional element of cost, and, like other cost elements, is depreciated over the corresponding asset's useful life. On January 1, 2003, we recorded a one-time, non-cash transition charge of $330 million ($215 million after tax, or $0.02 per share), which is reported in the caption "Cumulative effect of accounting changes." SFAS 143 primarily affects our accounting for costs associated with the future retirement of facilities used for storage and production of nuclear fuel and, with our acquisition of Amersham plc (Amersham) in April 2004, radio-pharmaceuticals and special radio-labeled chemicals.

In 2002, we adopted on a prospective basis the stock option expense provisions of SFAS 123, *Accounting for Stock-Based Compensation*. A comparison of reported and pro-forma net earnings, including effects of expensing stock options, follows.

(In millions; per-share amounts in dollars)	2005	2004	2003
Net earnings, as reported	$16,353	$16,819	$15,236
Earnings per share, as reported			
Diluted	1.54	1.61	1.51
Basic	1.55	1.62	1.52
Stock option expense included in net earnings	106	93	81
Total stock option expense[a]	191	245	315
PRO-FORMA EFFECTS			
Net earnings, on pro-forma basis	16,268	16,667	15,002
Earnings per share, on pro-forma basis			
Diluted	1.53	1.60	1.49
Basic	1.54	1.60	1.50

Other stock-based compensation expense recognized in earnings was $87 million, $95 million and $75 million in 2005, 2004 and 2003, respectively.

(a) As if we had applied SFAS 123 to expense stock options in all periods. Included amounts we actually recognized in earnings.

Note 2

Discontinued Operations

Planned sale of GE Insurance Solutions

On November 18, 2005, Swiss Reinsurance Company (Swiss Re) agreed to buy the property and casualty insurance and reinsurance businesses and the European life and health operations of GE Insurance Solutions for $8.5 billion, including the assumption of $1.7 billion of debt. Of the consideration other than assumed debt, 55%, or $3.7 billion, will consist of some combination of cash and mandatory convertible instruments and 45%, or $3.1 billion, of newly issued Swiss Re common stock that will be restricted from sale for 360 days. The common stock position is expected to represent about a 12% ownership position in Swiss Re. Operating results through closing will be controlled by us and be for our benefit, we will be subject to certain restrictions with respect to conducting the businesses being sold, and we and Swiss Re will mutually indemnify each other. Effective at closing, all claims liabilities will be the responsibility of Swiss Re.

We presently expect this transaction to close in the second quarter of 2006, subject to regulatory approvals and customary closing conditions.

Sale of Genworth

In May 2004, we completed the initial public offering of Genworth Financial Inc. (Genworth), our formerly wholly-owned subsidiary that conducted most of our consumer insurance business, including life and mortgage insurance operations. During 2005, we reduced our ownership in Genworth to 18% through further sales of stock in three secondary public offerings. Our remaining available-for-sale investment in Genworth common stock is included in assets of discontinued operations, and results of future sales will be reported in discontinued operations.

Discontinued operations

At December 31, 2005, most of GE Insurance Solutions and Genworth were classified as discontinued operations and their results of operations, financial position and cash flows are separately reported for all periods presented. Summarized financial information for discontinued operations is set forth below. Gain (loss) on disposal included actual (Genworth) and estimated (GE Insurance Solutions) effects of these sales.

	Total			Genworth			GE Insurance Solutions		
(In millions)	2005	2004	2003	2005	2004	2003	2005	2004	2003
DISCONTINUED OPERATIONS BEFORE DISPOSAL									
Revenues from services	$15,359	$18,773	$21,755	$7,908	$10,148	$11,790	$ 7,451	$8,625	$9,965
Earnings (loss) from discontinued operations before minority interest and income taxes	$ (1,748)	$ 1,479	$ 2,682	$1,388	$ 1,546	$ 2,039	$(3,136)	$ (67)	$ 643
Minority interest	394	200	2	394	200	2	—	—	—
Earnings (loss) from discontinued operations before income taxes	(2,142)	1,279	2,680	994	1,346	2,037	(3,136)	(67)	643
Income tax benefit (expense)	602	(409)	(623)	(618)	(566)	(640)	1,220	157	17
Earnings (loss) from discontinued operations before disposal, net of taxes	$ (1,540)	$ 870	$ 2,057	$ 376	$ 780	$ 1,397	$(1,916)	$ 90	$ 660
DISPOSAL									
Gain (loss) on disposal before income taxes	$ 629	$ (570)	$ —	$ 932	$ (570)	$ —	$ (303)	$ —	$ —
Income tax benefit (expense)	(1,011)	234	—	(380)	234	—	(631)	—	—
Gain (loss) on disposal, net of taxes	$ (382)	$ (336)	$ —	$ 552	$ (336)	$ —	$ (934)	$ —	$ —
EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAXES	$ (1,922)	$ 534	$ 2,057	$ 928	$ 444	$ 1,397	$(2,850)	$ 90	$ 660

	Total		Genworth		GE Insurance Solutions	
December 31 (In millions)	2005	2004	2005	2004	2005	2004
Cash and equivalents	$ 2,790	$ 3,176	$ —	$ 1,407	$ 2,790	$ 1,769
Investment securities	26,637	78,613	2,981	54,064	23,656	24,549
Other GECS receivables	13,480	25,140	—	11,684	13,480	13,456
Other	3,849	25,337	—	20,642	3,849	4,695
Assets of discontinued operations	46,756	132,266	2,981	87,797	43,775	44,469
ELIMINATIONS	—	—	—	—	—	—
Total	$46,756	$132,266	$2,981	$87,797	$43,775	$44,469
Investment contracts, insurance liabilities and insurance annuity benefits	$31,043	$ 92,509	$ —	$61,857	$31,043	$30,652
Other	5,525	16,784	—	11,437	5,525	5,347
Minority interest	—	3,780	—	3,780	—	—
Liabilities of and minority interest in discontinued operations	36,568	113,073	—	77,074	36,568	35,999
ELIMINATIONS	(236)	(138)	—	—	(236)	(138)
Total	$36,332	$112,935	$ —	$77,074	$36,332	$35,861
Accumulated gains (losses) — net						
Investment securities	$ 532	$ 869	$ 465	$ 707	$ 67	$ 162
Currency translation adjustments	(48)	591	—	332	(48)	259
Cash flow hedges	—	189	—	191	—	(2)
Total accumulated nonowner changes other than earnings	$ 484	$ 1,649	$ 465	$ 1,230	$ 19	$ 419

Note 3
GE Other Income

(In millions)	2005	2004	2003
Sales of business interests	$ 630	$ 464	$110
Associated companies	256	191	118
Licensing and royalty income	227	145	135
Marketable securities and bank deposits	96	92	75
Other items	555	184	207
Total	$1,764	$1,076	$645

Note 4
GECS Revenues from Services

(In millions)	2005	2004	2003
Interest on loans	$20,096	$17,314	$15,448
Operating lease rentals	11,582	10,744	7,199
Investment income	4,278	2,801	1,628
Fees	4,180	3,254	2,494
Financing leases	3,990	4,160	4,206
Premiums earned by insurance activities	2,951	2,428	3,432
Other income	9,692	9,353	6,343
Total[a]	$56,769	$50,054	$40,750

(a) Included $1,295 million, $962 million and $867 million from consolidated, liquidating securitization entities in 2005, 2004 and 2003, respectively. Of these amounts, $634 million in 2005 related to Australian Financial Investments Group (AFIG), a December 2004 acquisition.

Note 5
Supplemental Cost Information

Total expenditures for research and development were $3,425 million, $3,091 million and $2,656 million in 2005, 2004 and 2003, respectively. The portion we funded was $2,741 million in 2005, $2,443 million in 2004 and $2,103 million in 2003.

Rental expense under operating leases is shown below.

(In millions)	2005	2004	2003
GE	$939	$874	$733
GECS	994	931	827

At December 31, 2005, minimum rental commitments under noncancelable operating leases aggregated $2,779 million and $4,039 million for GE and GECS, respectively. Amounts payable over the next five years follow.

(In millions)	2006	2007	2008	2009	2010
GE	$596	$499	$408	$330	$285
GECS	778	679	582	521	388

GE's selling, general and administrative expenses totaled $13,279 million in 2005, $12,001 million in 2004 and $9,870 million in 2003.

Note 6

Retiree Health and Life Benefits

We sponsor a number of retiree health and life insurance benefit plans (retiree benefit plans). Principal retiree benefit plans are discussed below; other such plans are not significant individually or in the aggregate.

PRINCIPAL RETIREE BENEFIT PLANS provide health and life insurance benefits to employees who retire under the GE Pension Plan with 10 or more years of service. Eligible retirees share in the cost of healthcare benefits. Effective January 1, 2005, we amended our principal retiree benefit plans to provide that, upon retirement of salaried employees who commenced service after that date, such retirees will pay in full for their participation in the GE retiree health benefit plans. These plans cover approximately 240,000 retirees and dependents.

The effect on operations of principal retiree benefit plans follows.

COST OF PRINCIPAL RETIREE BENEFIT PLANS

(In millions)	2005	2004	2003
Expected return on plan assets	$ (138)	$(149)	$ (159)
Service cost for benefits earned	243	210	307
Interest cost on benefit obligation	507	518	535
Prior service cost	326	298	191
Net actuarial loss recognized	70	60	127
Retiree benefit plans cost	$1,008	$ 937	$1,001

ACTUARIAL ASSUMPTIONS. The discount rates at December 31 were used to measure the year-end benefit obligations and the earnings effects for the subsequent year. Actuarial assumptions used to determine benefit obligations and earnings effects for principal retiree benefit plans follow.

ACTUARIAL ASSUMPTIONS

December 31	2005	2004	2003	2002
Discount rate[a]	5.25%	5.75%	6.00%	6.75%
Compensation increases	5.00	5.00	5.00	5.00
Expected return on assets	8.50	8.50	8.50	8.50
Initial healthcare trend rate[b]	10.00	10.30	10.50	13.00

(a) Weighted average discount rates of 5.90% and 6.40% were used for determination of costs in 2004 and 2003, respectively.

(b) For 2005, gradually declining to 5% for 2015 and thereafter.

To determine the expected long-term rate of return on retiree life plan assets, we consider the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. We apply our expected rate of return to a market-related value of assets, which stabilizes variability in assets to which we apply that expected return.

We amortize experience gains and losses, as well as the effects of changes in actuarial assumptions and plan provisions, over a period no longer than the average future service of employees.

FUNDING POLICY. We fund retiree health benefits on a pay-as-you-go basis. We expect to contribute approximately $700 million in 2006 to fund such benefits. We fund retiree life insurance benefits at our discretion.

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

ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION (APBO)

(In millions)	2005	2004
Balance at January 1	$9,250	$9,701
Service cost for benefits earned	243	210
Interest cost on benefit obligation	507	518
Participant contributions	41	37
Actuarial gain	(55)	(509)
Benefits paid	(856)	(797)
Other	(46)	90
Balance at December 31[a]	$9,084	$9,250

(a) The APBO for the retiree health plans was $6,713 million and $6,979 million at year-end 2005 and 2004, respectively.

Increasing or decreasing the healthcare cost trend rates by one percentage point would have had an insignificant effect on the December 31, 2005, accumulated postretirement benefit obligation and the annual cost of retiree health plans. Our principal retiree benefit plans are collectively bargained and have provisions that limit our per capita costs.

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

FAIR VALUE OF ASSETS

(In millions)	2005	2004
Balance at January 1	$1,652	$1,626
Actual gain on plan assets	107	160
Employer contributions	675	626
Participant contributions	41	37
Benefits paid	(856)	(797)
Balance at December 31	$1,619	$1,652

Plan assets are held in trust, as follows:

PLAN ASSET ALLOCATION

	2005		2004
December 31	Target allocation	Actual allocation	Actual allocation
U.S. equity securities	35–55%	51%	53%
Non-U.S. equity securities	15–25	19	18
Debt securities	15–30	20	19
Real estate	1–10	2	1
Other	1–18	8	9
Total		100%	100%

Plan fiduciaries set investment policies and strategies for the trust. Long-term strategic investment objectives include preserving the funded status of the trust and balancing risk and return. The plan fiduciaries oversee the investment allocation process, which includes selecting investment managers, setting long-term strategic targets and monitoring asset allocations. Target allocation ranges are guidelines, not limitations, and occasionally plan fiduciaries will approve allocations above or below a target range.

Trust assets invested in short-term securities must be invested in securities rated A1/P1 or better, other than 15% of short-term holdings which may be rated A2/P2. GE common stock represented 6.1% and 6.2% of trust assets at year-end 2005 and 2004, respectively, and is subject to a statutory limit when it reaches 10% of total trust assets.

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

RETIREE BENEFIT ASSET (LIABILITY)

December 31 (In millions)	2005	2004
Funded status[a]	$(7,465)	$(7,598)
Unrecognized prior service cost	2,409	2,747
Unrecognized net actuarial loss	902	1,004
Net liability recognized	$(4,154)	$(3,847)
Amounts recorded in the Statement of Financial Position:		
Retiree life plans prepaid asset (liability)	$ (19)	$ 38
Retiree health plans liability	(4,135)	(3,885)
Net liability recognized	$(4,154)	$(3,847)

(a) Fair value of assets less APBO, as shown in the preceding tables.

Estimated future benefit payments are as follows:

ESTIMATED FUTURE BENEFIT PAYMENTS

(In millions)	2006	2007	2008	2009	2010	2011-2015
	$825	$875	$825	$800	$750	$3,300

Note 7
Pension Benefits

We sponsor a number of pension plans. Principal pension plans, together with affiliate and certain other pension plans (other pension plans), detailed in this note represent about 99% of our total pension assets.

PRINCIPAL PENSION PLANS are the GE Pension Plan and the GE Supplementary Pension Plan.

The GE Pension Plan provides benefits to certain U.S. employees based on the greater of a formula recognizing career earnings or a formula recognizing length of service and final average earnings. Certain benefit provisions are subject to collective bargaining.

The GE Supplementary Pension Plan is an unfunded plan providing supplementary retirement benefits primarily to higher-level, longer-service U.S. employees.

OTHER PENSION PLANS in 2005 included 33 U.S. and non-U.S. pension plans with pension assets or obligations greater than $50 million. These defined benefit plans provide benefits to employees based on formulas recognizing length of service and earnings.

To determine the expected long-term rate of return on pension plan assets, we consider the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. For the principal pension plans, we apply our expected rate of return to a market-related value of assets, which stabilizes variability in assets to which we apply that expected return.

We amortize experience gains and losses and effects of changes in actuarial assumptions and plan provisions over a period no longer than the average future service of employees.

PENSION PLAN PARTICIPANTS

December 31, 2005 (In thousands)	Total	Principal pension plans	Other pension plans
Active employees	188	143	45
Vested former employees	210	173	37
Retirees and beneficiaries	230	207	23
Total	628	523	105

COST OF PENSION PLANS

	Total			Principal pension plans			Other pension plans		
(In millions)	2005	2004	2003	2005	2004	2003	2005	2004	2003
Expected return on plan assets	$(4,242)	$(4,256)	$(4,243)	$(3,885)	$(3,958)	$(4,072)	$(357)	$(298)	$(171)
Service cost for benefits earned	1,618	1,436	1,374	1,359	1,178	1,213	259	258	161
Interest cost on benefit obligation	2,609	2,511	2,385	2,248	2,199	2,180	361	312	205
Prior service cost	262	316	252	256	311	248	6	5	4
Net actuarial loss (gain) recognized	480	242	(548)	351	146	(609)	129	96	61
Total cost (income)	$ 727	$ 249	$ (780)	$ 329	$ (124)	$(1,040)	$ 398	$ 373	$ 260

ACTUARIAL ASSUMPTIONS *are described below. The discount* rates at December 31 were used to measure the year-end benefit obligations and the earnings effects for the subsequent year.

ACTUARIAL ASSUMPTIONS

	Principal pension plans				*Other pension plans (weighted average)*			
December 31	2005	2004	2003	2002	2005	2004	2003	2002
Discount rate	5.50%	5.75%	6.00%	6.75%	4.74%	5.28%	5.53%	5.88%
Compensation increases	5.00	5.00	5.00	5.00	4.20	4.03	3.87	3.92
Expected return on assets	8.50	8.50	8.50	8.50	7.47	7.67	7.56	7.66

FUNDING POLICY for the GE Pension Plan is to contribute amounts sufficient to meet minimum funding requirements as set forth in employee benefit and tax laws plus such additional amounts as we may determine to be appropriate. We have not made contributions to the GE Pension Plan since 1987. We will not make any contributions to the GE Pension Plan in 2006; any GE contribution to that plan would require payment of excise taxes and would not be deductible for income tax purposes. In 2006, we expect to pay approximately $120 million for the GE Supplementary Pension Plan benefit payments and administrative expenses for our principal pension plans ($106 million in 2005), and expect to contribute approximately $385 million to other pension plans ($366 million in 2005).

BENEFIT OBLIGATIONS are described in the following table. Accumulated and projected benefit obligations (ABO and PBO) represent the obligations of a pension plan for past service as of the measurement date. ABO is the present value of benefits earned to date with benefits computed based on current compensation levels. PBO is ABO increased to reflect expected future compensation.

PROJECTED BENEFIT OBLIGATION

	Principal pension plans		Other pension plans	
(In millions)	2005	2004	2005	2004
Balance at January 1	$39,969	$37,827	$7,122	$4,761
Service cost for benefits earned	1,359	1,178	259	258
Interest cost on benefit obligations	2,248	2,199	361	312
Participant contributions	174	163	36	31
Plan amendments	—	—	3	15
Actuarial loss[a]	1,988	969	909	363
Benefits paid	(2,407)	(2,367)	(256)	(226)
Acquired plans	—	—	54	1,170
Exchange rate adjustments and other	—	—	(391)	438
Balance at December 31[b]	$43,331	$39,969	$8,097	$7,122

(a) Principally associated with discount rate changes.

(b) The PBO for the GE Supplementary Pension Plan was $3,534 million and $3,266 million at year-end 2005 and 2004, respectively.

ABO balances for our pension plans follow.

ACCUMULATED BENEFIT OBLIGATION

December 31 (In millions)	2005	2004
GE Pension Plan	$38,044	$35,296
GE Supplementary Pension Plan	2,178	1,916
Other pension plans	7,194	6,320

Following is information about our pension plans in which the accumulated benefit obligation exceeds the fair value of plan assets.

PLANS WITH ASSETS LESS THAN ABO

December 31 (In millions)	2005	2004
Funded plans with assets less than ABO:		
Plan assets	$4,737	$3,943
Accumulated benefit obligations	6,096	5,075
Projected benefit obligations	6,967	5,825
Unfunded plans covered by book reserves:[a]		
Accrued pension liability	3,323	2,880
Accumulated benefit obligations	2,859	2,564
Projected benefit obligations	4,235	3,931

(a) Primarily related to the GE Supplementary Pension Plan.

Pension plan assets are described below.

FAIR VALUE OF ASSETS

	Principal pension plans		Other pension plans	
(In millions)	2005	2004	2005	2004
Balance at January 1	$46,665	$43,879	$4,602	$2,989
Actual gain on plan assets	4,558	4,888	670	294
Employer contributions	106	102	365	364
Participant contributions	174	163	36	31
Benefits paid	(2,407)	(2,367)	(256)	(226)
Acquired plans	—	—	29	868
Exchange rate adjustments and other	—	—	(233)	282
Balance at December 31	$49,096	$46,665	$5,213	$4,602

Our pension plan assets are held in trust, as follows:

PLAN ASSET ALLOCATION

	Principal pension plans		
	2005		2004
December 31	Target allocation	Actual allocation	Actual allocation
U.S. equity securities	30–45%	42%	44%
Non-U.S. equity securities	15–25	21	19
Debt securities	15–30	18	19
Real estate	4–10	6	6
Private equities	5–11	7	6
Other	1–12	6	6
Total		100%	100%

Plan fiduciaries of the GE Pension Plan set investment policies and strategies for the GE Pension Trust. Long-term strategic investment objectives include preserving the funded status of the trust and balancing risk and return. These plan fiduciaries oversee the investment allocation process, which includes selecting investment managers, commissioning periodic asset-liability studies, setting long-term strategic targets and monitoring asset allocations. Target allocation ranges are guidelines, not limitations, and occasionally plan fiduciaries will approve allocations above or below a target range.

GE Pension Trust assets are invested subject to the following additional guidelines:

- Short-term securities must be rated A1/P1 or better, other than 15% of short-term holdings which may be rated A2/P2,
- Real estate may not exceed 25% of total assets (6% of trust assets at December 31, 2005),
- Investments in securities not freely tradable may not exceed 20% of total assets (12% of trust assets at December 31, 2005), and
- GE stock is limited by statute when it reaches 10% of total trust assets (6.4% and 7.0% at the end of 2005 and 2004, respectively).

	Other pension plans (weighted average)		
	2005		2004
December 31	Target allocation	Actual allocation	Actual allocation
Equity securities	63%	65%	65%
Debt securities	30	28	27
Real estate	3	3	3
Other	4	4	5
Total		100%	100%

Our recorded assets and liabilities for pension plans are as follows:

PREPAID PENSION ASSET (LIABILITY)

	Principal pension plans		Other pension plans	
December 31 (In millions)	2005	2004	2005	2004
Funded status[a]	$ 5,765	$ 6,696	$(2,884)	$(2,520)
Unrecognized prior service cost	1,004	1,260	37	40
Unrecognized net actuarial loss	8,445	7,481	2,046	1,658
Net amount recognized	$15,214	$15,437	$ (801)	$ (822)
Amounts recorded in the Statement of Financial Position:				
Prepaid pension asset	$17,853	$17,629	$ 114	$ 153
Accrued pension obligation[b]	(2,639)	(2,192)	(2,197)	(1,993)
Intangible assets	—	—	54	57
Accumulated other comprehensive income	—	—	1,228	961
Net amount recognized	$15,214	$15,437	$ (801)	$ (822)

(a) *Fair value of assets less PBO, as shown in the preceding tables.*

(b) For principal pension plans, represents the GE Supplementary Pension Plan liability.

Estimated future benefit payments for our pension plans are as follows:

ESTIMATED FUTURE BENEFIT PAYMENTS

(In millions)	2006	2007	2008	2009	2010	2011-2015
Principal pension plans	$2,400	$2,450	$2,500	$2,500	$2,550	$14,000
Other pension plans	250	275	275	300	300	1,650

Note 8

Provision for Income Taxes

(In millions)	2005	2004	2003
GE			
Current tax expense	$ 3,037	$ 2,148	$2,468
Deferred tax expense (benefit) from temporary differences	(287)	(175)	389
	2,750	1,973	2,857
GECS			
Current tax expense	1,938	1,510	171
Deferred tax expense (benefit) from temporary differences	(834)	3	817
	1,104	1,513	988
CONSOLIDATED			
Current tax expense	4,975	3,658	2,639
Deferred tax expense (benefit) from temporary differences	(1,121)	(172)	1,206
Total	$ 3,854	$ 3,486	$3,845

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

Consolidated current tax expense includes amounts applicable to U.S. federal income taxes of $2,527 million, $587 million and $1,314 million in 2005, 2004 and 2003, respectively, and amounts applicable to non-U.S. jurisdictions of $2,241 million, $2,577 million and $1,276 million in 2005, 2004 and 2003, respectively. Consolidated deferred taxes related to U.S. federal income taxes were benefits of $380 million and $211 million in 2005 and 2004, respectively, compared with an expense of $653 million in 2003.

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases, as well as from net operating loss and tax credit carryforwards, and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. We evaluate the recoverability of these future tax deductions by assessing the adequacy of future expected taxable income from all sources, including reversal of temporary differences and forecasted operating earnings. See note 21 for details.

We have not provided U.S. deferred taxes on cumulative earnings of non-U.S. affiliates and associated companies that have been reinvested indefinitely. These earnings relate to ongoing operations and, at December 31, 2005, were approximately $36 billion. Because of the availability of U.S. foreign tax credits, it is not practicable to determine the U.S. federal income tax liability that would be payable if such earnings were not reinvested indefinitely. Deferred taxes are provided for earnings of non-U.S. affiliates and associated companies when we plan to remit those earnings.

The American Jobs Creation Act of 2004 (the Act) allowed U.S. companies a one-time opportunity to repatriate non-U.S. earnings through 2005 at a 5.25% rate of tax rather than the normal U.S. tax rate of 35%, provided that certain criteria, including qualified U.S. reinvestment of those earnings, were met. Available U.S. foreign tax credits related to the repatriation are reduced under provisions of the Act. During the fourth quarter of 2005, we reached a final decision concerning repatriation. Because the vast majority of our non-U.S. earnings have been permanently reinvested in active business operations, we repatriated only $1.2 billion of non-U.S. earnings. Because a U.S. tax provision at normal tax rates had been provided on the majority of this amount, the result was a reduction of the GE and consolidated tax rates of approximately 0.5 percentage points.

Consolidated U.S. earnings from continuing operations before income taxes and accounting changes were $9,921 million in 2005, $9,093 million in 2004 and $9,545 million in 2003. The corresponding amounts for non-U.S.-based operations were $12,208 million in 2005, $10,678 million in 2004 and $8,066 million in 2003.

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

RECONCILIATION OF U.S. FEDERAL STATUTORY INCOME TAX RATE TO ACTUAL INCOME TAX RATE

	Consolidated			GE			GECS		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
U.S. federal statutory income tax rate	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Increase (reduction) in rate resulting from:									
Inclusion of after-tax earnings of GECS in before-tax earnings of GE	—	—	—	(15.2)	(15.1)	(12.5)	—	—	—
Tax-exempt income	(0.2)	(0.3)	(0.5)	—	—	—	(0.5)	(0.6)	(1.2)
Tax on global activities including exports	(15.9)	(12.7)	(9.8)	(5.9)	(5.9)	(4.8)	(22.2)	(15.3)	(13.5)
IRS settlements of Lockheed Martin tax-free exchange/Puerto Rico subsidiary loss	—	(3.5)	—	—	(3.8)	—	—	—	—
All other—net	(1.5)	(0.9)	(2.9)	(0.8)	0.6	(0.5)	(1.5)	(2.9)	(6.0)
	(17.6)	(17.4)	(13.2)	(21.9)	(24.2)	(17.8)	(24.2)	(18.8)	(20.7)
Actual income tax rate	17.4%	17.6%	21.8%	13.1%	10.8%	17.2%	10.8%	16.2%	14.3%

Note 9

Earnings Per Share Information

	2005		2004		2003	
(In millions; per-share amounts in dollars)	Diluted	Basic	Diluted	Basic	Diluted	Basic
CONSOLIDATED						
Earnings from continuing operations before accounting changes for per-share calculation[a]	$18,276	$18,275	$16,286	$16,285	$13,767	$13,766
Earnings (loss) from discontinued operations for per-share calculation[b]	(1,933)	(1,922)	532	534	2,057	2,057
Earnings before accounting changes for per-share calculation	16,343	16,353	16,818	16,819	15,824	15,823
Cumulative effect of accounting changes	—	—	—	—	(587)	(587)
Net earnings available for per-share calculation	$16,343	$16,353	$16,818	$16,819	$15,237	$15,236
AVERAGE EQUIVALENT SHARES						
Shares of GE common stock outstanding	10,570	10,570	10,400	10,400	10,019	10,019
Employee compensation-related shares, including stock options	41	—	45	—	56	—
Total average equivalent shares	10,611	10,570	10,445	10,400	10,075	10,019
PER-SHARE AMOUNTS						
Earnings from continuing operations before accounting changes	$ 1.72	$ 1.73	$ 1.56	$ 1.57	$ 1.37	$ 1.37
Earnings (loss) from discontinued operations	(0.18)	(0.18)	0.05	0.05	0.20	0.21
Earnings before accounting changes	1.54	1.55	1.61	1.62	1.57	1.58
Cumulative effect of accounting changes	—	—	—	—	(0.06)	(0.06)
Net earnings per share	$ 1.54	$ 1.55	$ 1.61	$ 1.62	$ 1.51	$ 1.52

(a) Included dividend equivalents of approximately $1 million in each of the three years ended December 31, 2005.

(b) Included dilutive effects of subsidiary-issued stock-based awards of approximately $11 million in 2005 and $2 million in 2004.

Note 10
Investment Securities

December 31 (In millions)	Estimated fair value 2005	2004
Available-for-sale securities	$45,002	$48,577
GECS trading securities	8,142	8,346
Total	$53,144	$56,923

AVAILABLE-FOR-SALE SECURITIES

December 31 (In millions)	2005 Amortized cost	2005 Gross unrealized gains	2005 Gross unrealized losses	2005 Estimated fair value	2004 Amortized cost	2004 Gross unrealized gains	2004 Gross unrealized losses	2004 Estimated fair value
GE								
Debt—U.S. corporate	$ 307	$ 2	$ —	$ 309	$ 350	$ —	$ —	$ 350
Equity	26	131	(5)	152	58	8	(3)	63
GE available-for-sale securities	333	133	(5)	461	408	8	(3)	413
GECS								
Debt:								
U.S. corporate	20,578	1,317	(339)	21,556	22,703	1,596	(362)	23,937
State and municipal	810	47	(2)	855	802	63	—	865
Mortgage-backed[a]	5,677	44	(56)	5,665	5,983	78	(25)	6,036
Asset-backed	8,434	205	(19)	8,620	7,610	251	(46)	7,815
Corporate—non-U.S.	4,796	404	(11)	5,189	5,309	405	(7)	5,707
Government—non-U.S.	694	92	—	786	1,423	100	—	1,523
U.S. government and federal agency	803	61	(5)	859	759	59	(1)	817
Equity	838	229	(33)	1,034	1,194	314	(15)	1,493
GECS available-for-sale securities	42,630	2,399	(465)	44,564[b]	45,783	2,866	(456)	48,193[b]
ELIMINATIONS	(17)	(6)	—	(23)	(17)	(12)	—	(29)
Total	$42,946	$2,526	$(470)	$45,002	$46,174	$2,862	$(459)	$48,577

(a) Substantially collateralized by U.S. residential mortgages.

(b) Included $16 million in 2005 and $684 million in 2004 of debt securities related to consolidated, liquidating securitization entities. See note 28.

The following tables present the gross unrealized losses and estimated fair values of our available-for-sale investment securities.

	Less than 12 months		12 months or more	
December 31 (In millions)	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
2005				
Debt:				
U.S. corporate	$ 3,640	$(131)	$2,584	$(208)
State and municipal	77	(2)	—	—
Mortgage-backed	1,859	(22)	1,190	(34)
Asset-backed	1,495	(10)	383	(9)
Corporate—non-U.S.	286	(9)	73	(2)
U.S. government and federal agency	297	(5)	—	—
Equity	84	(25)	38	(13)
Total	$ 7,738	$(204)	$4,268	$(266)
2004				
Debt:				
U.S. corporate	$ 3,198	$ (88)	$1,346	$(274)
Mortgage-backed	2,465	(19)	197	(6)
Asset-backed	1,586	(15)	429	(31)
Corporate—non-U.S.	2,512	(2)	168	(5)
U.S. government and federal agency	116	(1)	—	—
Equity	148	(14)	49	(4)
Total	$10,025	$(139)	$2,189	$(320)

Securities in an unrealized loss position for 12 months or more at December 31, 2005 and 2004, included investment securities collateralized by commercial aircraft, primarily Enhanced Equipment Trust Certificates, with unrealized losses of $96 million and $259 million, respectively, and estimated fair values of $1,207 million and $810 million, respectively. We review all of our investment securities routinely for other than temporary impairment as described in note 1. In accordance with that policy, we have provided for all amounts that we did not expect either to collect in accordance with the contractual terms of the instruments or to recover based on underlying collateral values. For our securities collateralized by commercial aircraft, that review included our best estimates of the securities' cash flows and underlying collateral values, and assessment of whether the borrower was in compliance with terms and conditions. We believe that these securities, which are current on all payment terms, were trading at a discount to market value since the respective stated interest rates on the securities were below what was perceived as a market rate based on the ongoing negative market reaction to difficulties in the commercial airline industry. We do not anticipate changes in the timing and amount of estimated cash flows and we expect full recovery of our amortized cost. Should our cash flow expectation prove to be incorrect, the current appraised market values of associated collateral exceeded both the market value and the amortized cost of our related securities at December 31, 2005.

We presently intend to hold our investment securities in an unrealized loss position at December 31, 2005, at least until we can recover their respective amortized cost. We have the ability to hold our debt securities until their maturities.

CONTRACTUAL MATURITIES OF GECS INVESTMENT IN AVAILABLE-FOR-SALE DEBT SECURITIES (EXCLUDING MORTGAGE-BACKED AND ASSET-BACKED SECURITIES)

(In millions)	Amortized cost	Estimated fair value
Due in		
2006	$ 2,447	$ 2,444
2007–2010	4,603	4,601
2011–2015	4,786	4,874
2016 and later	15,845	17,326

We expect actual maturities to differ from contractual maturities because borrowers have the right to call or prepay certain obligations.

Supplemental information about gross realized gains and losses on available-for-sale investment securities follows.

(In millions)	2005	2004	2003
GE			
Gains	$ 6	$ 15	$ 3
Losses, including impairments	(5)	—	(38)
Net	1	15	(35)
GECS			
Gains	514	413	522
Losses, including impairments	(133)	(209)	(317)
Net	381	204	205
Total	$ 382	$ 219	$ 170

Proceeds from available-for-sale investment securities sales amounted to $14,100 million, $12,000 million and $12,400 million in 2005, 2004 and 2003, respectively.

GECS TRADING SECURITIES

Gains and losses on trading securities are for the benefit of certain non-U.S. insurance contractholders. In 2005 and 2004, we recognized net pre-tax gains on such securities of $862 million and $284 million, respectively, and recognized corresponding insurance losses of $860 million and $280 million, respectively, reflecting the contractholders participation in the actual returns generated by these investments.

Note 11

GE Current Receivables

December 31 (In millions)	2005	2004
Infrastructure	$ 6,827	$ 5,861
Industrial	2,255	2,230
Healthcare	2,947	2,862
NBC Universal	3,633	4,067
Corporate items and eliminations	154	251
	15,816	15,271
Less allowance for losses	(758)	(738)
Total	$15,058	$14,533

Receivables balances at December 31, 2005 and 2004, before allowance for losses, included $10,250 million and $10,182 million, respectively, from sales of goods and services to customers, and $246 million at both December 31, 2005 and 2004, from transactions with associated companies.

Current receivables of $563 million and $435 million at December 31, 2005 and 2004, respectively, arose from sales, principally of aircraft engine goods and services on open account to various agencies of the U.S. government, our largest single customer. About 4% of our sales of goods and services were to the U.S. government in 2005, 2004 and 2003.

Note 12

Inventories

December 31 (In millions)	2005	2004
GE		
Raw materials and work in process	$ 5,527	$ 5,042
Finished goods	5,152	4,806
Unbilled shipments	333	402
	11,012	10,250
Less revaluation to LIFO	(697)	(661)
	10,315	9,589
GECS		
Finished goods	159	189
Total	$10,474	$ 9,778

As of December 31, 2005, we were obligated to acquire certain raw materials at market prices through the year 2027 under various take-or-pay or similar arrangements. Annual minimum commitments under these arrangements are insignificant.

Note 13

GECS Financing Receivables (investments in loans and financing leases)

December 31 (In millions)	2005	2004
Loans, net of deferred income	$227,923	$220,593
Investment in financing leases, net of deferred income	64,309	67,754
	292,232	288,347
Less allowance for losses (note 14)	(4,593)	(5,648)
Financing receivables—net	$287,639	$282,699

Included in the above are the financing receivables of consolidated, liquidating securitization entities as follows:

December 31 (In millions)	2005	2004
Loans, net of deferred income	$15,868	$20,728
Investment in financing leases, net of deferred income	769	2,125
	16,637	22,853
Less allowance for losses	(22)	(5)
Financing receivables—net	$16,615	$22,848

Details of financing receivables—net follow.

December 31 (In millions)	2005	2004
COMMERCIAL FINANCE		
Equipment and leasing	$ 70,851	$ 64,540
Commercial and industrial	41,402	39,481
Real estate	19,555	20,470
	131,808	124,491
CONSUMER FINANCE		
Non-U.S. residential mortgages	46,205	42,201
Non-U.S. installment and revolving credit	31,849	33,889
Non-U.S. auto	22,803	23,517
U.S. installment and revolving credit	21,963	21,385
Other	7,286	6,771
	130,106	127,763
INFRASTRUCTURE [a]	19,124	20,991
OTHER [b]	11,194	15,102
	292,232	288,347
Less allowance for losses	(4,593)	(5,648)
Total	$287,639	$282,699

(a) Included loans and financing leases of $11,192 million and $13,562 million at December 31, 2005 and 2004, respectively, related to commercial aircraft at Aviation Financial Services and loans and financing leases of $5,419 million and $4,659 million at December 31, 2005 and 2004, respectively, related to Energy Financial Services.

(b) Included loans and financing leases of $10,160 million and $13,759 million at December 31, 2005 and 2004, respectively, related to certain consolidated, liquidating securitization entities.

GECS financing receivables include both loans and financing leases. Loans represent transactions in a variety of forms, including revolving charge and credit, mortgages, installment loans, intermediate-term loans and revolving loans secured by business assets. The portfolio includes loans carried at the principal amount on which finance charges are billed periodically, and loans carried at gross book value, which includes finance charges.

Investment in financing leases consists of direct financing and leveraged leases of aircraft, railroad rolling stock, autos, other transportation equipment, data processing equipment, medical equipment, commercial real estate and other manufacturing, power generation, and commercial equipment and facilities.

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

Investment in direct financing and leveraged leases represents net unpaid rentals and estimated unguaranteed residual values of leased equipment, less related deferred income. GECS has no general obligation for principal and interest on notes and other instruments representing third-party participation related to leveraged leases; such notes and other instruments have not been included in liabilities but have been offset against the related rentals receivable. The GECS share of rentals receivable on leveraged leases is subordinate to the share of other participants who also have security interests in the leased equipment.

NET INVESTMENT IN FINANCING LEASES

	Total financing leases		Direct financing leases[a]		Leveraged leases[b]	
December 31 (In millions)	2005	2004	2005	2004	2005	2004
Total minimum lease payments receivable	$86,436	$91,840	$60,594	$63,733	$25,842	$28,107
Less principal and interest on third-party nonrecourse debt	(19,061)	(20,992)	—	—	(19,061)	(20,992)
Net rentals receivable	67,375	70,848	60,594	63,733	6,781	7,115
Estimated unguaranteed residual value of leased assets	9,379	10,323	6,260	6,898	3,119	3,425
Less deferred income	(12,445)	(13,417)	(9,305)	(9,966)	(3,140)	(3,451)
Investment in financing leases, net of deferred income	64,309	67,754	57,549	60,665	6,760	7,089
Less amounts to arrive at net investment						
Allowance for losses	(525)	(1,090)	(380)	(903)	(145)	(187)
Deferred taxes	(8,037)	(9,767)	(3,495)	(5,099)	(4,542)	(4,668)
Net investment in financing leases	$55,747	$56,897	$53,674	$54,663	$ 2,073	$ 2,234

(a) Included $475 million and $489 million of initial direct costs on direct financing leases at December 31, 2005 and 2004, respectively.

(b) Included pre-tax income of $248 million and $340 million and income tax of $96 million and $131 million during 2005 and 2004, respectively. Net investment credits recognized during 2005 and 2004 were inconsequential.

CONTRACTUAL MATURITIES

(In millions)	Total loans	Net rentals receivable
Due in		
2006	$ 74,232	$17,812
2007	30,610	14,320
2008	23,696	10,756
2009	13,812	7,261
2010	14,306	4,164
2011 and later	71,267	13,062
Total	$227,923	$67,375

We expect actual maturities to differ from contractual maturities.

Individually "impaired" loans are defined by GAAP as larger balance or restructured loans for which it is probable that the lender will be unable to collect all amounts due according to original contractual terms of the loan agreement. An analysis of impaired loans follows.

December 31 (In millions)	2005	2004
Loans requiring allowance for losses	$1,479	$1,689
Loans expected to be fully recoverable	451	520
	$1,930	$2,209
Allowance for losses	$ 627	$ 749
Average investment during year	2,118	2,403
Interest income earned while impaired[a]	46	26

(a) Recognized principally on cash basis.

Note 14

GECS Allowance for Losses on Financing Receivables

(In millions)	2005	2004	2003
BALANCE AT JANUARY 1			
Commercial Finance	$ 1,562	$ 1,952	$ 2,407
Consumer Finance	3,473	3,984	2,782
Infrastructure	583	293	258
Other	30	27	53
	5,648	6,256	5,500
PROVISION CHARGED TO OPERATIONS			
Commercial Finance	293	327	874
Consumer Finance	3,337	3,219	2,808
Infrastructure	210	325	28
Other	1	17	42
	3,841	3,888	3,752
OTHER ADDITIONS (REDUCTIONS)	(487)	(74)	679
GROSS WRITE-OFFS			
Commercial Finance	(892)	(928)	(1,312)
Consumer Finance [a]	(4,447)	(4,423)	(3,114)
Infrastructure	(572)	(27)	(24)
Other	(48)	(74)	(73)
	(5,959)	(5,452)	(4,523)
RECOVERIES			
Commercial Finance	180	161	124
Consumer Finance	1,359	846	710
Infrastructure	—	2	2
Other	11	21	12
	1,550	1,030	848
BALANCE AT DECEMBER 31			
Commercial Finance	1,110	1,562	1,952
Consumer Finance	3,234	3,473	3,984
Infrastructure	220	583	293
Other	29	30	27
Total	$ 4,593	$ 5,648	$ 6,256

(a) Included $889 million in 2004 related to the standardization of our write-off policy.

See note 13 for amounts related to consolidated, liquidating securitization entities.

SELECTED FINANCING RECEIVABLES RATIOS

December 31	2005	2004
ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES AS A PERCENTAGE OF TOTAL FINANCING RECEIVABLES		
Commercial Finance	0.84%	1.25%
Consumer Finance	2.49	2.72
Infrastructure	1.15	2.78
Other	0.26	0.20
Total	1.57	1.96
NONEARNING AND REDUCED EARNING FINANCING RECEIVABLES AS A PERCENTAGE OF TOTAL FINANCING RECEIVABLES		
Commercial Finance	1.0%	1.1%
Consumer Finance	2.1	2.0
Infrastructure	0.1	0.8
Other	0.7	1.2
Total	1.4	1.5

Note 15
Property, Plant and Equipment

December 31 (Dollars in millions)	Estimated useful lives–new (years)	2005	2004
ORIGINAL COST			
GE			
Land and improvements	8[a]	$ 1,366	$ 1,562
Buildings, structures and related equipment	8–40	10,044	9,617
Machinery and equipment	4–20	25,811	25,026
Leasehold costs and manufacturing plant under construction	1–10	2,157	2,942
		39,378	39,147
GECS[b]			
Buildings and equipment	2–40	5,547	5,684
Equipment leased to others			
Aircraft	20	32,941	26,837
Vehicles	1–14	23,208	23,056
Railroad rolling stock	3–30	3,327	3,390
Mobile and modular space	12–18	2,889	2,965
Construction and manufacturing	5–25	1,609	1,772
All other	2–33	2,834	3,021
		72,355	66,725
Total		$111,733	$105,872
NET CARRYING VALUE			
GE			
Land and improvements		$ 1,269	$ 1,464
Buildings, structures and related equipment		4,823	4,405
Machinery and equipment		8,525	8,206
Leasehold costs and manufacturing plant under construction		1,887	2,681
		16,504	16,756
GECS[b]			
Buildings and equipment		3,116	3,295
Equipment leased to others			
Aircraft[c]		27,116	21,991
Vehicles		14,064	14,062
Railroad rolling stock		2,188	2,193
Mobile and modular space		1,496	1,636
Construction and manufacturing		1,088	1,157
All other		1,956	2,013
		51,024	46,347
Total		$ 67,528	$ 63,103

(a) Estimated useful lives exclude land.

(b) Included $1,935 million and $2,243 million of original cost of assets leased to GE with accumulated amortization of $298 million and $377 million at December 31, 2005 and 2004, respectively.

(c) The Aviation Financial Services business of Infrastructure recognized impairment losses of $295 million in 2005 and $148 million in 2004 recorded in the caption "Other costs and expenses" in the Statement of Earnings to reflect adjustments to fair value based on current market values from independent appraisers.

Amortization of GECS equipment leased to others was $5,642 million, $5,365 million and $4,224 million in 2005, 2004 and 2003, respectively. Noncancelable future rentals due from customers for equipment on operating leases at December 31, 2005, are due as follows:

(In millions)	
Due in	
2006	$ 7,615
2007	6,099
2008	4,743
2009	3,375
2010	2,642
2011 and later	7,840
Total	$32,314

Note 16
Intangible Assets

December 31 (In millions)	2005	2004
GE		
Goodwill	$48,274	$45,775
Intangible assets subject to amortization	7,478	6,911
Indefinite-lived intangible assets[a]	2,087	2,034
	57,839	54,720
GECS		
Goodwill	21,337	21,590
Intangible assets subject to amortization	2,550	2,146
	23,887	23,736
Total	$81,726	$78,456

(a) Indefinite-lived intangible assets principally comprised trademarks, tradenames and U.S. Federal Communications Commission licenses.

Changes in goodwill balances, net of accumulated amortization, follow.

	2005				2004			
(In millions)	Balance January 1	Acquisitions/ purchase accounting adjustments	Currency exchange and other	Balance December 31	Balance January 1	Acquisitions/ purchase accounting adjustments	Currency exchange and other	Balance December 31
Infrastructure	$ 9,759	$ 770	$ (363)	$10,166	$ 9,355	$ 212	$ 192	$ 9,759
Industrial	7,674	1,236	(208)	8,702	5,885	666	1,123[a]	7,674
Healthcare	13,259	226	(81)	13,404	4,766	8,422	71	13,259
NBC Universal	16,672	946	(84)	17,534	6,730	9,944	(2)	16,672
Commercial Finance	10,141	766	(286)	10,621	9,145	929	67	10,141
Consumer Finance	9,860	(24)	(652)	9,184	8,163	1,275	422	9,860
Total	$67,365	$3,920	$(1,674)	$69,611	$44,044	$21,448	$1,873	$67,365

(a) Included $1,055 million of goodwill associated with the consolidation of Penske effective January 1, 2004.

The amount of goodwill related to new acquisitions recorded during 2005 was $3,705 million, the largest of which were Edwards Systems Technology ($996 million) by Industrial, Ionics, Inc. ($681 million) by Infrastructure, Antares Capital Corp. ($407 million) by Commercial Finance, an additional interest in MSNBC ($402 million) and the previously outstanding minority interest in Vivendi Universal Entertainment LLLP (VUE) ($329 million) by NBC Universal.

The amount of goodwill related to purchase accounting adjustments to prior-year acquisitions during 2005 was $215 million, primarily associated with the 2004 acquisition of Amersham by Healthcare and the combination of NBC and VUE.

The amount of goodwill related to new acquisitions during 2004 was $20,948 million, the largest of which were the combination of NBC and VUE and the acquisition of Amersham by Healthcare, both discussed on the following page, and InVision Technologies, Inc. ($618 million) by Industrial.

The amount of goodwill related to purchase accounting adjustments to prior-year acquisitions during 2004 was $500 million, primarily asscciated with the 2003 acquisition of Instrumentarium at Healthcare and Allbank and First National Bank at Consumer Finance.

Upon closing an acquisition, we estimate the fair values of assets and liabilities acquired and consolidate the acquisition as quickly as possible. Given the time it takes to obtain pertinent information to finalize the acquired company's balance sheet (frequently with implications for the price of the acquisition), then to adjust the acquired company's accounting policies, procedures, books and records to our standards, it is often several quarters before we are able to finalize those initial fair value estimates. Accordingly, it is not uncommon for our initial estimates to be subsequently revised.

INTANGIBLE ASSETS SUBJECT TO AMORTIZATION

December 31 (In millions)	Gross carrying amount	Accumulated amortization	Net
GE			
2005			
Patents, licenses and trademarks	$ 4,814	$(1,134)	$3,680
Capitalized software	4,109	(2,261)	1,848
All other	2,172	(222)	1,950
Total	$11,095	$(3,617)	$7,478
2004			
Patents, licenses and trademarks	$ 4,736	$ (757)	$3,979
Capitalized software	3,763	(1,869)	1,894
All other	1,171	(133)	1,038
Total	$ 9,670	$(2,759)	$6,911
GECS			
2005			
Patents, licenses and trademarks	$ 497	$ (272)	$ 225
Capitalized software	1,478	(799)	679
All other	2,661	(1,015)	1,646
Total	$ 4,636	$(2,086)	$2,550
2004			
Patents, licenses and trademarks	$ 438	$ (226)	$ 212
Capitalized software	1,268	(672)	596
All other	2,226	(888)	1,338
Total	$ 3,932	$(1,786)	$2,146

Consolidated amortization expense related to intangible assets subject to amortization was $1,413 million and $1,375 million for 2005 and 2004, respectively.

SIGNIFICANT ACQUISITIONS AND COMBINATIONS

In April 2004, we acquired all of the outstanding common shares of Amersham, a world leader in medical diagnostics and life sciences. The total purchase price of $11,279 million included 341.7 million shares of GE common stock valued at $10,674 million, cash of $150 million and assumed debt of $455 million. Final allocation of the purchase price assigned $8,452 million to goodwill, $2,704 million to identified intangible assets that are being amortized over periods ranging from five to 25 years, $158 million to acquired inventories and $99 million to acquired in-process research and development projects charged to operations in the second quarter of 2004.

In May 2004, we completed the combination of NBC with VUE and certain related assets to create one of the world's leading media companies, NBC Universal, Inc. (NBC Universal). Twenty percent of NBC Universal's shares were issued to a subsidiary of Vivendi Universal (VU) as partial consideration for VU's interest in VUE and the related assets. NBC's acquired interest in VUE and the related assets were valued at $14,429 million, for which we exchanged the NBC Universal shares, paid cash to certain VUE interest holders of $3,650 million and assumed debt of $2,498 million. In March 2004, we had issued 119.4 million shares of our common stock for net cash proceeds of $3,765 million, and we used most of those proceeds to fund the $3,650 million we paid in this transaction. The final allocation of our acquired interest assigned $10,156 million to goodwill, $1,503 million to indefinite-lived intangibles and $307 million to identified intangible assets that are being amortized over periods ranging from two to 20 years. As a result of issuing the NBC Universal shares, we essentially disposed of 20% of NBC, and therefore recorded an increase in shareowners' equity of $2,153 million, net of taxes of $1,439 million. IAC/InteractiveCorp (IAC), the holder of 5.44% of the VUE common interests, did not participate in the transaction and remained a minority interest holder of VUE at December 31, 2004. IAC also owned two series of VUE preferred interests at that date—$758 million of mandatorily redeemable Preferred A interests that we recorded as a liability and $1,582 million of cumulative redeemable Preferred B interests that we included in minority interest. As of the same date and in approximately the same amounts, VUE held U.S. Treasury securities as an economic hedge of the redemption of the Preferred A interests; and NBC Universal held IAC securities that could be used to redeem the Preferred B interests. We also agreed to provide VU any excess value in the IAC securities. The combined position provided an effective hedge of the disposition of those shares.

In June 2005, NBC Universal, VU and IAC jointly agreed to unwind various interrelated financial interests pertaining to the IAC investments described above. As part of that agreement, NBC Universal fully settled its obligations in connection with both the Preferred A and B interests in exchange for the U.S. Treasury securities, the IAC securities and $200 million cash. NBC Universal recognized a $318 million pre-tax gain on the final fair value adjustments to its various affected financial instruments as of the transaction date ($127 million, net of taxes and minority interest of $133 million and $58 million, respectively); and recorded an increase in shareowners' equity of $108 million on the fair value exchange, net of taxes and minority interest of $82 million and $32 million, respectively. Also as part of that agreement, NBC Universal acquired IAC's 5.44% common interest in VUE for cash of $800 million, including $160 million funded by VU, and other consideration of $115 million. The preliminary allocation of its acquired interest assigned $329 million to goodwill and $31 million to intangible assets. VU's right to monetize its ownership interest over time at fair value was amended to begin in 2007.

Note 17
All Other Assets

December 31 (In millions)	2005	2004
GE		
Investments		
Associated companies	$ 1,824	$ 1,830
Other [a][b]	1,089	3,974
	2,913	5,804
Prepaid pension asset—principal plans	17,853	17,629
Contract costs and estimated earnings	4,664	4,089
Film and television costs	3,828	3,441
Long-term receivables, including notes	2,790	2,821
Derivative instruments	247	628
Other	4,457	3,711
	36,752	38,123
GECS		
Investments		
Associated companies	13,481	10,644
Real estate [c]	16,467	19,163
Assets held for sale [d]	8,574	6,501
Cost method [e]	2,280	2,392
Other	3,072	3,876
	43,874	42,576
Deferred acquisition costs	1,541	1,619
Derivative instruments	1,622	3,052
Advances to suppliers	1,762	1,754
Other	3,259	3,571
	52,058	52,572
ELIMINATIONS	(1,364)	(1,138)
Total [f]	$87,446	$89,557

(a) The fair value of and unrealized loss on cost method investments in a continuous loss position in 2005 were insignificant. The fair value of and unrealized loss on cost method investments in a continuous loss position for less than 12 months in 2004 were $373 million and $34 million, respectively. Also included available-for-sale securities of $1,200 million in 2004, of which the unrealized loss on those in a continuous loss position for less than 12 months in 2004 was $111 million.

(b) 2004 amounts included investments associated with the VUE settlement in 2005. See note 16 for further information.

(c) GECS investment in real estate consisted principally of two categories: real estate held for investment and equity method investments. Both categories contained a wide range of properties including the following at December 31, 2005: office buildings (52%), apartment buildings (20%), retail facilities (7%), industrial properties (6%), parking facilities (5%), franchise properties (3%) and other (7%). At December 31, 2005, investments were located in Europe (46%), North America (35%) and Asia (19%).

(d) Assets were classified as held for sale on the date a decision was made to dispose of them through sale, securitization or other means. Such assets consisted primarily of real estate properties and mortgage and credit card receivables, and were accounted for at the lower of carrying amount or estimated fair value less costs to sell.

(e) The fair value of and unrealized loss on those investments in a continuous loss position for less than 12 months in 2005 were $100 million and $31 million, respectively. The fair value of and unrealized loss on those investments in a continuous loss position for 12 months or more in 2005 were $22 million and $9 million, respectively. The fair value of and unrealized loss on those investments in a continuous loss position for less than 12 months in 2004 were $56 million and $25 million, respectively. The fair value of and unrealized loss on those investments in a continuous loss position for 12 months or more in 2004 were $55 million and $42 million, respectively.

(f) Included $1,235 million in 2005 and $2,384 million in 2004 related to consolidated, liquidating securitization entities. See note 28.

Note 18
Borrowings

SHORT-TERM BORROWINGS

	2005		2004	
December 31 (Dollars in millions)	Amount	Average rate [a]	Amount	Average rate [a]
GE				
Commercial paper				
U.S.	$ 497	4.40%	$ —	—%
Non-U.S.	1	2.85	131	2.52
Payable to banks	358	3.99	407	2.95
Current portion of long-term debt	129	4.84	2,563	2.17
Other	142		308	
	1,127		3,409	
GECS				
Commercial paper				
U.S.				
Unsecured	67,643	4.30	62,195	2.24
Asset-backed [b]	9,267	4.21	13,842	2.17
Non-U.S.	20,456	3.47	20,835	2.97
Current portion of long-term debt [c][d]	41,792	4.05	37,530	4.11
Other	18,514		19,890	
	157,672		154,292	
ELIMINATIONS	(643)		(506)	
Total	$158,156		$157,195	

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

(b) Entirely obligations of consolidated, liquidating securitization entities. See note 28.

(c) Included short-term borrowings by consolidated, liquidating securitization entities of $697 million and $756 million at December 31, 2005 and 2004, respectively. See note 28.

(d) Included $250 million of subordinated notes guaranteed by GE at December 31, 2005.

LONG-TERM BORROWINGS

December 31 (Dollars in millions)	2005 Average rate[a]	Maturities	2005	2004
GE				
Senior notes	4.88%	2008–2013	$ 6,486	$ 4,984
Industrial development/ pollution control bonds	3.83	2011–2027	299	307
Payable to banks, principally U.S.	4.99	2007–2023	1,912	1,927
Other[b]			384	407
			9,081	7,625
GECS				
Senior notes				
Unsecured	4.45	2007–2055	180,546	174,893
Asset-backed[c]	4.66	2007–2035	6,845	10,939
Extendible notes[d]	4.38	2007–2009	14,022	14,258
Subordinated notes[e]	6.00	2009–2037	2,984	1,119
			204,397	201,209
ELIMINATIONS			(1,197)	(963)
Total			$212,281	$207,871

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

(b) A variety of obligations having various interest rates and maturities, including certain borrowings by parent operating components and affiliates.

(c) Asset-backed senior notes were all issued by consolidated, liquidating securitization entities. See note 28.

(d) Included obligations of consolidated, liquidating securitization entities in the amount of $38 million and $267 million at December 31, 2005 and 2004, respectively. See note 28.

(e) Included $750 million and $1,000 million of subordinated notes guaranteed by GE at December 31, 2005 and 2004, respectively.

Our borrowings are addressed below from the perspectives of liquidity, interest rate and currency risk management. Additional information about borrowings and associated swaps can be found in note 27.

LIQUIDITY is affected by debt maturities and our ability to repay or refinance such debt. Long-term debt maturities over the next five years follow.

(In millions)	2006	2007	2008	2009	2010
GE	$ 129	$ 1,733	$ 1,574	$ 48	$ 18
GECS	41,598[a]	41,381[b]	42,385	26,928	18,549

(a) Floating rate extendible notes of $297 million are due in 2006, but are extendible at the option of the investors to a final maturity in 2008. Fixed and floating rate notes of $1,059 million contain put options with exercise dates in 2006, but have final maturity dates in 2007 ($250 million), 2008 ($350 million) and beyond 2010 ($459 million).

(b) Floating rate extendible notes of $14,022 million are due in 2007, of which $2,000 million are extendible at the option of the investors to a final maturity in 2009.

Committed credit lines totaling $57.2 billion had been extended to us by 75 banks at year-end 2005. Included in this amount was $47.7 billion provided directly to GECS and $9.5 billion provided by 19 banks to GE, to which GECS also has access. The GECS lines include $27.4 billion of revolving credit agreements under which we can borrow funds for periods exceeding one year. The remaining $29.8 billion are 364-day lines of which $29.7 billion contain a term-out feature that allows GE or GECS to extend the borrowings for one year from the date of expiration of the lending agreement. We pay banks for credit facilities, but compensation amounts were insignificant in each of the past three years.

INTEREST RATE AND CURRENCY RISK is managed through the direct issuance of debt or use of derivatives. We take positions in view of anticipated behavior of assets, including prepayment behavior. We use a variety of instruments, including interest rate and currency swaps and currency forwards, to achieve our interest rate objectives. The following table shows GECS borrowing positions considering the effects of swaps of currencies and interest rates.

GECS EFFECTIVE BORROWINGS (INCLUDING SWAPS)

	2005		2004
December 31 (Dollars in millions)	Amount	Average rate	Amount
Short-term[a]	$ 97,202	3.95%	$ 90,754
Long-term (including current portion)			
Fixed rate[b]	$161,771	4.65%	$142,510
Floating rate	103,096	4.32	122,237
Total long-term	$264,867		$264,747

(a) Included commercial paper and other short-term debt.

(b) Included fixed-rate borrowings and $16,868 million ($23,642 million in 2004) notional long-term interest rate swaps that effectively convert the floating-rate nature of short-term borrowings to fixed rates of interest.

At December 31, 2005, interest rate swap maturities ranged from 2006 to 2041, including swap maturities for hedges of commercial paper that ranged from 2006 to 2024. The use of commercial paper swaps allows us to match our actual asset profile more efficiently and provides more flexibility as it does not depend on investor demand for particular maturities.

The following table provides additional information about derivatives designated as hedges of borrowings in accordance with SFAS 133.

DERIVATIVE FAIR VALUES BY ACTIVITY/INSTRUMENT

December 31 (In millions)	2005	2004
Cash flow hedges	$ 96	$(1,134)
Fair value hedges	(39)	1,864
Total	$ 57	$ 730
Interest rate swaps	$(1,053)	$(1,464)
Currency swaps	1,110	2,194
Total	$ 57	$ 730

At December 31, 2005, approximately 49% of our interest rate swaps related to borrowings were exempt from ongoing tests of their effectiveness as hedges. We regularly assess the effectiveness of all other hedge positions using a variety of techniques, including cumulative dollar offset and regression analysis depending on which method was selected at inception of the respective hedge. See note 27.

Note 19

GECS Investment Contracts, Insurance Liabilities and Insurance Annuity Benefits

December 31 (In millions)	2005	2004
Investment contracts	$16,039	$18,268
Guaranteed investment contracts of SPEs	11,685	11,648
Total investment contracts	27,724	29,916
Life insurance benefits[a]	15,538	15,398
Unpaid claims and claims adjustment expenses	1,690	1,729
Unearned premiums	430	405
Universal life benefits	340	945
Total	$45,722	$48,393

(a) Life insurance benefits are accounted for mainly by a net-level-premium method using estimated yields generally ranging from 3.0% to 8.5% in both 2005 and 2004.

When insurance affiliates cede insurance to third parties, they are not relieved of their primary obligation to policyholders. Losses on ceded risks give rise to claims for recovery; we establish allowances for probable losses on such receivables from reinsurers as required.

We recognize reinsurance recoveries as a reduction of the Statement of Earnings caption "Investment contracts, insurance losses and insurance annuity benefits." Reinsurance recoveries were $183 million, $223 million and $434 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Note 20

All Other Liabilities

This caption includes liabilities for various items including non-current compensation and benefits, deferred income, interest on tax liabilities, accrued participation and residuals, environmental remediation, asset retirement obligations, derivative instruments, product warranties and a variety of sundry items.

Accruals for non-current compensation and benefits amounted to $13,832 million and $12,502 million for year-end 2005 and 2004, respectively. These amounts include post-retirement benefits, international and supplemental pension benefits, and other compensation and benefit accruals such as deferred incentive compensation.

We are involved in numerous remediation actions to clean up hazardous wastes as required by federal and state laws. Liabilities for remediation costs at each site are based on our best estimate of undiscounted future costs, excluding possible insurance recoveries. When there appears to be a range of possible costs with equal likelihood, liabilities are based on the low end of such range. Uncertainties about the status of laws, regulations, technology and information related to individual sites make it difficult to develop a meaningful estimate of the reasonably possible aggregate environmental remediation exposure. However, even in the unlikely event that remediation costs amounted to the high end of the range of costs for each site, the resulting additional liability would not be material to our financial position, results of operations or liquidity.

Note 21

Deferred Income Taxes

Aggregate deferred income tax amounts are summarized below.

December 31 (In millions)	2005	2004
ASSETS		
GE	$ 9,928	$ 9,464
GECS	6,317	6,762
	16,245	16,226
LIABILITIES		
GE	13,661	13,080
GECS	18,914	18,431
	32,575	31,511
Net deferred income tax liability	$16,330	$15,285

Principal components of our net liability (asset) representing deferred income tax balances are as follows:

December 31 (In millions)	2005	2004
GE		
Provisions for expenses[a]	$ (6,521)	$ (5,833)
Retiree insurance plans	(1,454)	(1,346)
Prepaid pension asset—principal plans	6,249	6,170
Depreciation	2,130	2,029
Intangible assets	1,490	1,204
Other—net	1,839	1,392
	3,733	3,616
GECS		
Financing leases	8,037	9,767
Operating leases	4,024	3,716
Intangible assets	1,195	892
Allowance for losses	(2,025)	(2,149)
Cash flow hedges	(354)	(961)
Other—net	1,720	404
	12,597	11,669
Net deferred income tax liability	$16,330	$15,285

(a) Represented the tax effects of temporary differences related to expense accruals for a wide variety of items, such as employee compensation and benefits, interest on tax liabilities, product warranties and other sundry items that are not currently deductible.

Note 22
Minority Interest in Equity of Consolidated Affiliates

Minority interest in equity of consolidated affiliates includes common shares in consolidated affiliates and preferred stock issued by GE Capital and by affiliates of GE Capital. Preferred shares that we are required to redeem at a specified or determinable date are classified as liabilities. The balance is summarized as follows:

December 31 (In millions)	2005	2004
Minority interest in consolidated affiliates		
NBC Universal[a]	$4,597	$ 6,529
Others[b]	2,073	2,156
Minority interest in preferred stock[c]		
GE Capital	70	2,600
GE Capital affiliates	1,314	1,318
Total	$8,054	$12,603

(a) 2004 amounts included preferred interests associated with VUE that were settled in 2005. See note 16 for further information.

(b) Included minority interest in consolidated, liquidating securitization entities, partnerships and common shares of consolidated affiliates.

(c) The preferred stock primarily pays cumulative dividends at variable rates. Dividend rates in local currency on the preferred stock ranged from 1.94% to 5.38% during 2005 and 0.99% to 5.46% during 2004.

Note 23
Shareowners' Equity

(In millions)	2005	2004	2003
COMMON STOCK ISSUED	$ 669	$ 669	$ 669
ACCUMULATED NONOWNER CHANGES OTHER THAN EARNINGS			
Balance at January 1	$ 7,238	$ 2,876	$ (2,960)
Investment securities—net of deferred taxes of $(307), $503 and $590	(231)	677	960
Currency translation adjustments—net of deferred taxes of $646, $(1,314) and $(1,409)	(4,315)	3,936	5,057
Cash flow hedges—net of deferred taxes of $577, $(97) and $(464)	863	(80)	(828)
Minimum pension liabilities—net of deferred taxes of $(159), $(184) and $(85)	(217)	(421)	(161)
Reclassification adjustments			
Investment securities—net of deferred taxes of $(100), $(142) and $(135)	(206)	(265)	(250)
Currency translation adjustments	(3)	—	4
Cash flow hedges—net of deferred taxes of $(306), $291 and $601	(462)	515	1,054
Balance at December 31[a]	$ 2,667	$ 7,238	$ 2,876
OTHER CAPITAL			
Balance at January 1	$ 24,265	$ 17,497	$ 17,288
Gains on treasury stock dispositions and other[b]	962	4,615	209
Issuance of subsidiary shares[b][c]	—	2,153	—
Balance at December 31	$ 25,227	$ 24,265	$ 17,497
RETAINED EARNINGS			
Balance at January 1	$ 91,411	$ 83,186	$ 75,709
Net earnings	16,353	16,819	15,236
Dividends[b]	(9,647)	(8,594)	(7,759)
Balance at December 31	$ 98,117	$ 91,411	$ 83,186
COMMON STOCK HELD IN TREASURY			
Balance at January 1	$ (12,762)	$ (24,597)	$ (26,627)
Purchases[b]	(6,868)	(1,892)	(1,177)
Dispositions[b][d]	2,304	13,727	3,207
Balance at December 31	$ (17,326)	$ (12,762)	$ (24,597)
TOTAL EQUITY			
Balance at December 31	$109,354	$110,821	$ 79,631

(a) Included accumulated nonowner changes related to discontinued operations of $484 million, $1,649 million and $1,820 million at December 31, 2005, 2004 and 2003, respectively.

(b) Total dividends and other transactions with shareowners reduced equity by $13,249 million in 2005; increased equity by $10,009 million in 2004; and reduced equity by $5,520 million in 2003.

(c) Related to the issuance of 20% of NBC Universal's shares to a subsidiary of VU as part of the transaction described in note 16.

(d) In 2004, included 341.7 million shares valued at $10,674 million issued in the Amersham acquisition, and 119.4 million shares valued at $3,765 million sold to partially fund the NBC and VUE combination.

At December 31, 2005 and 2004, the aggregate statutory capital and surplus of the insurance activities and discontinued insurance operations totaled $9.8 billion and $19.4 billion, respectively. Accounting practices prescribed by statutory authorities are used in preparing statutory statements.

In December 2004, our Board of Directors authorized a three-year, $15 billion share repurchase program, expanded that program in 2005 to $25 billion and extended it through 2008. Under this share repurchase program, we repurchased 153.3 million shares for a total of $5.3 billion during 2005.

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

SHARES OF GE COMMON STOCK

December 31 (In thousands)	2005	2004	2003
Issued	11,145,212	11,145,212	11,145,212
In treasury	(660,944)	(558,854)	(1,082,092)
Outstanding	10,484,268	10,586,358	10,063,120

GE has 50 million authorized shares of preferred stock ($1.00 par value), but has not issued any such shares as of December 31, 2005.

Note 24
Other Stock-Related Information

We grant stock options, restricted stock units (RSUs) and performance share units (PSUs) to employees under the 1990 Long-Term Incentive Plan as described in our current Proxy Statement. In addition, we grant options and RSUs in limited circumstances to consultants, advisors and independent contractors (primarily non-employee talent at NBC Universal) under a plan approved by our Board of Directors in 1997 (the consultants' plan). There are outstanding grants under two separate shareowner-approved option plans for non-employee directors; the last grant was made in 2002 and no further grants are expected to be made under these plans. Requirements for stock option shares may be met from either unissued or treasury shares. RSUs give the recipients the right to receive shares of our stock upon the lapse of their related restrictions. Restrictions on RSUs lapse in various increments and at various dates, beginning after three years from date of grant through grantee retirement. Although the plan permits us to issue RSUs settleable in cash, we have only issued RSUs settleable in shares of our stock. PSUs give recipients the right to receive shares of our stock upon the achievement of certain performance targets.

We measure the total cost of each stock option grant at the date of grant using a market-based option trading model. We recognize the cost of each stock option, RSU and PSU on a straight-line basis over its vesting period.

Stock options expire 10 years from the date they are granted and vest over service periods that range from one to five years.

All grants of GE options under all plans must be approved by the Management Development and Compensation Committee, which consists entirely of outside directors.

STOCK OPTION ACTIVITY

		Average per share	
(Shares in thousands)	Shares subject to option	Exercise price	Market price
Balance at December 31, 2002	362,058	$26.26	$24.35
Options granted	8,261	31.19	31.19
Options exercised	(43,829)	9.45	27.59
Options terminated	(10,643)	38.98	(a)
Balance at December 31, 2003	315,847	28.30	30.98
Options granted[b]	27,141	32.26	32.26
Options exercised	(43,110)	10.54	32.68
Options terminated	(13,409)	36.91	(a)
Balance at December 31, 2004	286,469	30.94	36.50
Options granted	12,779	34.54	34.54
Options exercised	(31,568)	12.54	35.37
Options terminated	(9,746)	37.62	(a)
Balance at December 31, 2005	257,934	$33.12	$35.05

(a) Not applicable.

(b) Included approximately 3.5 million options that replaced canceled stock appreciation rights and have identical terms.

STOCK COMPENSATION PLANS

December 31, 2005 (Shares in thousands)	Securities to be issued upon exercise	Weighted average exercise price	Securities available for future issuance
APPROVED BY SHAREOWNERS			
Options	256,584	$33.16	(a)
RSUs	31,877	(b)	(a)
PSUs	950	(b)	(a)
NOT APPROVED BY SHAREOWNERS (CONSULTANTS' PLAN)			
Options	1,350	25.17	(c)
RSUs	98	(b)	(c)
Total[d]	290,859	$33.12	130,261

(a) Under the 1990 Long-Term Incentive Plan, 0.95% of issued common stock (including treasury shares) as of the first day of each calendar year during which the Plan is in effect becomes available for awards in that calendar year. Total shares available for future issuance under the 1990 Long-Term Incentive Plan amounted to 105.9 million shares.

(b) Not applicable.

(c) Total shares available for future issuance under the consultants' plan amount to 24.4 million shares.

(d) In connection with various acquisitions, there are an additional 1.2 million options outstanding, with a weighted average exercise price of $21.81.

Outstanding options expire on various dates through December 8, 2015.

The following table summarizes information about stock options outstanding at December 31, 2005.

STOCK OPTIONS OUTSTANDING

(Shares in thousands)	Outstanding			Exercisable	
Exercise price range	Shares	Average life[a]	Average exercise price	Shares	Average exercise price
Under $14.00	10,115	0.5	$13.45	10,115	$13.45
14.01-21.00	16,390	0.7	14.91	16,390	14.91
21.01-28.00	70,980	4.5	25.72	56,919	25.40
28.01-35.00	46,379	8.5	32.69	10,559	31.85
35.01-42.00	49,327	4.3	37.18	41,329	37.47
42.01-49.00	51,243	5.0	43.30	51,242	43.30
Over $49.00	13,500	4.7	56.88	13,500	56.88
Total	257,934	4.9	$33.12	200,054	$33.48

At year-end 2004, options with an average exercise price of $29.40 were exercisable on 204 million shares; at year-end 2003, options with an average exercise price of $24.63 were exercisable on 214 million shares.

(a) Average contractual life remaining in years.

OPTION VALUE INFORMATION[a]

	2005	2004	2003
Fair value per option (in dollars)[b]	$8.87	$8.33	$9.44
Valuation assumptions			
Expected option term (in years)	6	6	6
Expected volatility	28%	28%	35%
Expected dividend yield	2.5	2.5	2.5
Risk-free interest rate	4.1	4.0	3.5

(a) Weighted averages of option grants during each period.

(b) Estimated using Black-Scholes option pricing model.

Note 25

Supplemental Cash Flows Information

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

Amounts reported in the "Payments for principal businesses purchased" line in the Statement of Cash Flows is net of cash acquired and included debt assumed and immediately repaid in acquisitions.

Amounts reported in the "All other operating activities" line in the Statement of Cash Flows consists primarily of adjustments to current and noncurrent accruals and deferrals of costs and expenses, adjustments for gains and losses on assets, increases and decreases in assets held for sale and adjustments to assets.

Non-cash transactions include the following: in 2005, NBC Universal acquired IAC's 5.44% common interest in VUE for a total purchase price that included $115 million of non-cash consideration, representing the fair value of future services to be performed by NBC Universal (see note 16); in 2004, the issuance of GE common stock valued at $10,674 million in connection with the acquisition of Amersham and the issuance of NBC Universal shares valued at $5,845 million in connection with the combination of NBC and VUE; and in 2003, the acquisition of Osmonics, Inc. for GE common stock valued at $240 million.

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

December 31 (In millions)	2005	2004	2003
GE			
NET DISPOSITIONS (PURCHASES) OF GE SHARES FOR TREASURY			
Open market purchases under share repurchase program	$ (5,024)	$ (203)	$ (340)
Other purchases	(1,844)	(1,689)	(837)
Dispositions	2,024	5,885	1,903
	$ (4,844)	$ 3,993	$ 726
GECS			
ALL OTHER OPERATING ACTIVITIES			
Net change in assets held for sale	$ 2,192	$ 84	$ 1,168
Amortization of intangible assets	459	519	618
Realized gains on sale of investment securities	(381)	(204)	(205)
Other	(1,205)	(2,711)	(1,941)
	$ 1,065	$ (2,312)	$ (360)
NET INCREASE IN GECS FINANCING RECEIVABLES			
Increase in loans to customers	$(315,697)	$(342,357)	$(263,815)
Principal collections from customers—loans	267,728	305,846	238,518
Investment in equipment for financing leases	(23,508)	(22,649)	(22,825)
Principal collections from customers—financing leases	21,770	19,715	18,909
Net change in credit card receivables	(21,391)	(20,651)	(11,483)
Sales of financing receivables	54,144	44,816	36,009
	$ (16,954)	$ (15,280)	$ (4,687)
ALL OTHER INVESTING ACTIVITIES			
Purchases of securities by insurance activities	$ (9,264)	$ (7,474)	$ (7,942)
Dispositions and maturities of securities by insurance activities	10,892	9,305	9,509
Proceeds from principal business dispositions	209	472	3,337
Other	2,807	6,083	1,199
	$ 4,644	$ 8,386	$ 6,103
NEWLY ISSUED DEBT HAVING MATURITIES LONGER THAN 90 DAYS			
Short-term (91 to 365 days)	$ 4,675	$ 3,940	$ 3,661
Long-term (longer than one year)	60,176	53,641	55,661
Proceeds—nonrecourse, leveraged lease	203	562	791
	$ 65,054	$ 58,143	$ 60,113
REPAYMENTS AND OTHER REDUCTIONS OF DEBT HAVING MATURITIES LONGER THAN 90 DAYS			
Short-term (91 to 365 days)	$ (38,132)	$ (41,443)	$ (38,756)
Long-term (longer than one year)	(10,746)	(3,443)	(3,664)
Principal payments—nonrecourse, leveraged lease	(831)	(652)	(782)
	$ (49,709)	$ (45,538)	$ (43,202)
ALL OTHER FINANCING ACTIVITIES			
Proceeds from sales of investment contracts	$ 15,743	$ 11,079	$ 766
Redemption of investment contracts	(16,934)	(14,476)	(480)
	$ (1,191)	$ (3,397)	$ 286

Note 26
Operating Segments

REVENUES

(In millions)	Total revenues 2005	2004	2003	Intersegment revenues 2005	2004	2003	External revenues 2005	2004	2003
Infrastructure	$ 41,803	$ 37,373	$ 36,569	$ 405	$ 481	$ 449	$ 41,398	$ 36,892	$ 36,120
Industrial	32,631	30,722	24,988	702	493	308	31,929	30,229	24,680
Healthcare	15,153	13,456	10,198	9	—	2	15,144	13,456	10,196
NBC Universal	14,689	12,886	6,871	—	—	—	14,689	12,886	6,871
Commercial Finance	20,646	19,524	16,927	204	279	197	20,442	19,245	16,730
Consumer Finance	19,416	15,734	12,845	52	33	23	19,364	15,701	12,822
Corporate items and eliminations	5,364	4,786	4,488	(1,372)	(1,286)	(979)	6,736	6,072	5,467
Total	$149,702	$134,481	$112,886	$ —	$ —	$ —	$149,702	$134,481	$112,886

Revenues of GE businesses include income from sales of goods and services to customers and other income.

Sales from one component to another generally are priced at equivalent commercial selling prices.

Revenues originating from operations based in the United States were $89,887 million, $82,148 million and $69,998 million in 2005, 2004 and 2003, respectively. Revenues originating from operations based outside the United States were $59,815 million, $52,333 million and $42,888 million in 2005, 2004 and 2003, respectively.

(In millions)	Assets[a] At December 31 2005	2004	2003	Property, plant and equipment additions[b] For the years ended December 31 2005	2004	2003	Depreciation and amortization For the years ended December 31 2005	2004	2003
Infrastructure	$ 89,555	$ 82,798	$ 76,185	$ 4,188	$ 3,938	$ 3,540	$2,436	$2,162	$2,077
Industrial	41,556	42,040	40,359	4,367	4,111	2,205	3,292	3,292	2,288
Healthcare	24,661	24,871	10,816	460	1,590	289	617	565	278
NBC Universal	31,196	34,206	11,619	275	1,189	121	339	273	117
Commercial Finance	190,546	184,388	172,471	5,426	4,573	5,141	2,648	2,772	2,444
Consumer Finance	158,829	151,255	106,530	189	217	191	393	334	276
Corporate items and eliminations	136,999	230,949	229,848	199	194	252	208	245	373
Total	$673,342	$750,507	$647,828	$15,104	$15,812	$11,739	$9,933	$9,643	$7,853

(a) Assets of discontinued operations are included in Corporate items and eliminations for all periods presented.

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

(In millions)	Interest and other financial charges 2005	2004	2003	Provision for income taxes 2005	2004	2003
Infrastructure[a]	$ 1,706	$ 1,436	$ 1,236	$ (202)	$ 62	$ 243
Industrial[a]	536	526	601	64	(124)	(165)
Commercial Finance	5,893	4,720	4,630	971	1,144	493
Consumer Finance	5,443	3,564	2,696	529	449	458
Corporate items and eliminations[b]	1,609	1,410	1,297	2,492	1,955	2,816
Total	$15,187	$11,656	$10,460	$3,854	$3,486	$ 3,845

(a) Included only portions of the segment that are financial services businesses.

(b) Included amounts for Healthcare, NBC Universal and the industrial businesses of Infrastructure and Industrial, for which our measure of segment profit excludes interest and other financial charges and income taxes.

Property, plant and equipment associated with operations based in the United States were $26,140 million, $25,219 million and $20,591 million at year-end 2005, 2004 and 2003, respectively. Property, plant and equipment associated with operations based outside the United States were $41,388 million, $37,884 million and $32,560 million at year-end 2005, 2004 and 2003, respectively.

Basis for presentation

Our operating businesses are organized based on the nature of markets and customers. Segment accounting policies are the same as described in note 1.

A description of our operating segments can be found on page 105 and details of segment profit by operating segment can be found in the Summary of Operating Segments table on page 49 of this report.

Note 27

Derivatives and Other Financial Instruments

Derivatives and hedging

We conduct our business activities in diverse markets around the world, including countries where obtaining local funding may not be efficient. The nature of our activities exposes us to risks of changes in interest rates, currency exchange rates and commodity prices. We manage these risks using a variety of straightforward techniques, including issuing debt funding that matches the interest rate nature and currency denomination of the related asset. In addition, we selectively use derivatives to reduce our exposure to interest rate and currency risk. For example, if we make a fixed rate loan and fund that loan with variable rate debt, we will enter into an interest rate swap to pay a fixed rate of interest and receive a variable rate of interest, and designate the swap as a hedge of the variable rate borrowing. We apply strict policies to manage each of these risks, including prohibitions on derivatives trading, derivatives market-making or other speculative activities.

To qualify for hedge accounting, details of the hedging relationship must be formally documented at inception of the arrangement, including the risk management objective, hedging strategy, hedged item, specific risks that are to be hedged, the derivative instrument and how effectiveness is being assessed. The derivative must be highly effective in offsetting either changes in fair value or cash flows, as appropriate, for the risk being hedged. Effectiveness is assessed at the inception of the relationship. If specified criteria for the assumption of effectiveness are not met at hedge inception, effectiveness is assessed quarterly on a retrospective and prospective basis. Ineffectiveness is also measured quarterly, with the results recognized in earnings.

For derivatives that are not exchange-traded instruments, we use internal valuation models that incorporate market-based information. With the exception of foreign currency forwards and commodity derivatives, we also obtain valuations from our derivative counterparties to validate the valuations produced by our own models and to value a limited number of products that our internal models do not cover.

Cash flow hedges

Our cash flow hedging arrangements use simple derivatives to offset the variability of expected future cash flows. We use interest rate and currency swaps to convert variable rate borrowings to match the nature of the assets we acquire. We use currency forwards and options to manage exposures to changes in currency exchange rates associated with commercial purchase and sale transactions, including commodities. These instruments permit us to reduce the cash flow variability, in local currency, of costs or selling prices denominated in currencies other than the functional currency. For derivatives designated as cash flow hedges, we record changes in fair value in a separate component of equity to the extent effective, then release those changes to earnings contemporaneously with the earnings effects of the hedged items. If the hedge relationship is terminated, then the change in fair value of the derivative recorded in equity is recognized contemporaneously with the earnings effects of the hedged item, consistent with the original hedge strategy.

At December 31, 2005, amounts related to derivatives qualifying as cash flow hedges amounted to a reduction of equity of $822 million, of which we expect to transfer $151 million to earnings in 2006 along with the earnings effects of the related forecasted transactions. At December 31, 2005, the amount of unrecognized losses related to cash flow hedges of short-term borrowings was $1,019 million. At that date, the maximum term of derivative instruments that hedge forecasted transactions, other than interest rate swaps designated as hedges of commercial paper (discussed in note 18), was 27 years and related to hedges of anticipated bond purchases. Funding for those purchases is provided by contractual premiums on insurance policies of similar duration.

Fair value hedges

Fair value hedges are hedges that reduce the risk of changes in the fair values of assets, liabilities and certain types of firm commitments. We use interest rate swaps, currency swaps and interest rate and currency forwards to hedge the effects of interest rate and currency exchange rate changes on local and nonfunctional currency denominated fixed-rate borrowings and certain types of fixed-rate assets. We record changes in fair value of a derivative designated and effective as a fair value hedge in earnings, offset by corresponding changes in the fair value of the hedged item.

Fair value adjustments decreased the carrying amount of debt outstanding at December 31, 2005, by $114 million.

Net investment hedges

Net investment hedges consist of currency forwards and currency swaps that reduce our exposure to changes in currency exchange rates on our investments in non-U.S. financial services subsidiaries. For qualifying net investment hedges, changes in the intrinsic value of the derivative are recorded in equity. Amounts excluded from the measure of effectiveness of net investment hedges are recognized in earnings in the period in which they arise. Derivative gains included in equity amounted to $977 million and $867 million at December 31, 2005 and 2004, respectively.

Derivatives not designated as hedges

We must meet specific criteria in order to apply any of the three forms of hedge accounting discussed above. For example, hedge accounting is not permitted for hedged items that are marked to market through earnings. However, we use derivatives to hedge exposures when it makes economic sense to do so, including circumstances in which the hedging relationship does not qualify for hedge accounting, as described in the following paragraph. Derivatives that do not qualify for hedge accounting are marked to market through earnings.

We use swaps, futures and option contracts, including caps, floors and collars, as economic hedges of changes in interest rates, currency exchange rates and equity prices on certain types of assets and liabilities. We sometimes use credit default swaps to hedge the credit risk of various counterparties with which we have entered into loan or leasing arrangements. We occasionally obtain equity warrants as part of sourcing or financing transactions. Although these instruments are considered to be derivatives, their economic risks are similar to, and managed on the same basis as, risks of other equity instruments we hold.

Earnings effects of derivatives

In the context of hedging relationships, "effectiveness" refers to the degree to which fair value changes in the hedging instrument offset the corresponding expected earnings effects of the hedged item. At December 31, 2005, approximately 35 percent of our total interest rate swaps were exempt from ongoing tests of their effectiveness as hedges. For derivatives designated and qualifying as hedges but not qualifying for the assumption of effectiveness, we use a variety of techniques to assess effectiveness and measure ineffectiveness, including cumulative dollar offset and regression analysis, depending on which method was selected at inception of the respective hedge. Certain elements of hedge positions may be excluded from the measure of effectiveness, for example, changes in the value of purchased options attributable to volatility and passage of time.

The following table provides additional information about the earnings effects of derivatives.

PRE-TAX GAINS (LOSSES)

December 31 (In millions)	2005	2004	2003
CASH FLOW HEDGES			
Ineffectiveness	$(31)	$ 2	$(19)
Amounts excluded from the measure of effectiveness	17	25	—
FAIR VALUE HEDGES			
Ineffectiveness	4	11	—
Amounts excluded from the measure of effectiveness	(8)	3	—

For hedge relationships discontinued because the forecasted transaction is not expected to occur by the end of the originally specified period, any related derivative amounts recorded in equity are reclassified to earnings.

In 2005, we recognized an insignificant loss related to hedged forecasted transactions and firm commitments that did not occur by the end of the originally specified period.

In 2004, we recognized a pre-tax loss of $46 million, before cancelation penalties, for terminating a forward euro contract when our customer canceled its hedged, firm order for equipment and services.

Additional information regarding the use of derivatives related to our financing activities is provided in note 18.

Counterparty credit risk

The risk that counterparties to derivative contracts will default and not make payments to us according to the terms of the agreements is counterparty credit risk. We manage counterparty credit risk on an individual counterparty basis, which means that we net exposures on transactions by counterparty where legal right of offset exists and include the value of collateral to determine the amount of exposure to each counterparty. When the net exposure to a counterparty, based on the current market value of transactions, exceeds credit exposure limits (see table below), actions are taken to reduce exposure. Actions can include prohibiting the counterparty from entering into additional transactions, requiring collateral from the counterparty (as described below) and terminating or restructuring transactions.

Swaps are required to be executed under master agreements containing mutual credit downgrade provisions that provide the ability to require assignment or termination in the event either party is downgraded below A3 or A-. To mitigate credit risk, in certain cases we have entered into collateral arrangements that provide us with the right to hold collateral when the current market value of derivative contracts exceeds an exposure threshold. Under these arrangements, we may receive rights to cash or U.S. Treasury or other highly-rated securities to secure our exposure. Such collateral is available to us in the event that a counterparty defaults. We evaluate credit risk exposures and compliance with credit exposure limits net of such collateral.

Fair values of our derivatives assets and liabilities represent the replacement value of existing derivatives at market prices and can change significantly from period to period based on, among other factors, market movements and changes in our positions. At December 31, 2005, our exposure to counterparties, after consideration of netting arrangements and collateral, was $779 million.

Following is GECS policy relating to initial credit rating requirements and to exposure limits to counterparties.

COUNTERPARTY CREDIT CRITERIA

	Credit rating	
	Moody's	S&P
Foreign exchange forwards and other derivatives less than one year	P-1	A-1
All derivatives between one and five years	Aa3[a]	AA-[a]
All derivatives greater than five years	Aaa[a]	AAA[a]

(a) Counterparties that have an obligation to provide collateral to cover credit exposure in accordance with a credit support agreement must have a minimum A3/A-rating.

EXPOSURE LIMITS

(In millions)

Minimum rating		Exposure[a]	
Moody's	S&P	With collateral arrangements	Without collateral arrangements
Aaa	AAA	$100	$75
Aa3	AA-	50	50
A3	A-	5	—

(a) For derivatives with maturities less than one year, counterparties are permitted to have unsecured exposure up to $150 million with a minimum rating of A-1/P-1.

FINANCIAL INSTRUMENTS

	2005			2004		
		Assets (liabilities)			Assets (liabilities)	
December 31 (In millions)	Notional amount	Carrying amount (net)	Estimated fair value	Notional amount	Carrying amount (net)	Estimated fair value
GE						
Assets						
Investments and notes receivable[a]	$ (b)	$ 573	$ 625	$ (b)	$ 3,465	$ 3,545
Liabilities						
Borrowings[c][d]	(b)	(10,208)	(10,223)	(b)	(11,034)	(11,144)
Other financial instruments[a]	(b)	—	—	(b)	(758)	(855)
GECS						
Assets						
Loans	(b)	223,855	224,259	(b)	216,035	217,155
Other commercial and residential mortgages held for sale	(b)	6,696	6,696	(b)	5,143	5,113
Other financial instruments	(b)	4,138	4,494	(b)	2,972	3,184
Liabilities						
Borrowings[c][d]	(b)	(362,069)	(369,972)	(b)	(355,501)	(362,851)
Investment contract benefits	(b)	(9,877)	(9,862)	(b)	(12,539)	(12,520)
Insurance—credit life[e]	2,365	(8)	(8)	2,210	(13)	(13)

(a) 2004 amounts included financial instruments associated with VUE that were settled in 2005. See note 16 for further information.

(b) These financial instruments do not have notional amounts.

(c) Included effects of interest rate and cross-currency swaps.

(d) See note 18.

(e) Net of reinsurance of $292 million and $105 million at December 31, 2005 and 2004, respectively.

Assets and liabilities that are reflected in the accompanying financial statements at fair value are not included in the above disclosures; such items include cash and equivalents, investment securities and derivative financial instruments. Other assets and liabilities—those not carried at fair value—are discussed below. Apart from certain of our borrowings and certain marketable securities, few of the instruments discussed below are actively traded and their fair values must often be determined using financial models. There is no assurance that such estimates could actually have been realized at December 31, 2005 or 2004.

A description of how we estimate fair values follows.

Loans
Based on quoted market prices, recent transactions and/or discounted future cash flows, using rates at which similar loans would have been made to similar borrowers.

Borrowings
Based on discounted future cash flows using current market rates which are comparable to market quotes.

Investment contract benefits
Based on expected future cash flows, discounted at currently offered rates for immediate annuity contracts or cash surrender values for single premium deferred annuities.

All other instruments
Based on comparable market transactions, discounted future cash flows, quoted market prices, and/or estimates of the cost to terminate or otherwise settle obligations.

Additional information about certain categories in the table above follows.

Residential mortgages
Residential mortgage products amounting to $12,633 million at December 31, 2005, were either high loan-to-value loans or those permitting interest-only payments. We originate such loans either for our portfolio or for sale in secondary markets. In both cases, higher yields compensate for the increased risk. The portfolio was geographically diverse, with Europe and North America the most significant market segments.

Insurance—credit life
Certain insurance affiliates, primarily in Consumer Finance, issue credit life insurance designed to pay the balance due on a loan if the borrower dies before the loan is repaid. As part of our overall risk management process, we cede to third parties a portion of this associated risk, but are not relieved of our primary obligation to policyholders.

LOAN COMMITMENTS

	Notional amount	
December 31 (In millions)	2005	2004
Ordinary course of business lending commitments		
Fixed rate	$ 4,648	$ 2,260
Variable rate	7,026	8,145
Unused revolving credit lines[a]		
Commercial		
Fixed rate	779	1,210
Variable rate	20,779	21,411
Consumer—principally credit cards		
Fixed rate	170,367	141,965
Variable rate	281,113	200,219

(a) Excluded inventory financing arrangements, which may be withdrawn at our option, of $11.4 billion and $8.9 billion as of December 31, 2005 and 2004, respectively.

Note 28
Securitization Entities

We securitize financial assets in the ordinary course of business to improve shareowner returns. The securitization transactions we engage in are similar to those used by many financial institutions. Beyond improving returns, these securitization transactions serve as funding sources for a variety of diversified lending and securities transactions. Historically, we have used both GE-supported and third-party entities to execute securitization transactions funded in the commercial paper and term bond markets.

Securitized assets that are on-balance sheet include assets consolidated upon adoption of FIN 46. Although we do not control these entities, consolidation was required because we provided a majority of the credit and liquidity support for their activities. A majority of these entities were established to issue asset-backed securities, using assets that were sold by us and by third parties. These entities differ from others included in our consolidated financial statements because the assets they hold are legally isolated and are unavailable to us under any circumstances. Repayment of their liabilities depends primarily on cash flows generated by their assets. Because we have ceased transferring assets to these entities, balances will decrease as the assets repay. We refer to these entities as "consolidated, liquidating securitization entities."

The following table represents assets in securitization entities, both consolidated and off-balance sheet.

December 31 (In millions)	2005	2004
Receivables secured by:		
Equipment	$12,949	$13,941
Commercial real estate	13,010	14,626
Residential real estate	8,882	9,094
Other assets	12,869	9,880
Credit card receivables	10,039	7,075
GE trade receivables	3,960	3,582
Total securitized assets	$61,709	$58,198

December 31 (In millions)	2005	2004
Off-balance sheet[a][b]	$43,805	$32,205
On-balance sheet[c]	17,904	25,993
Total securitized assets	$61,709	$58,198

(a) At December 31, 2005 and 2004, liquidity support amounted to $2,000 million and $2,300 million, respectively. These amounts are net of $3,800 million and $4,300 million, respectively, participated or deferred beyond one year. Credit support amounted to $6,000 million and $6,600 million at December 31, 2005 and 2004, respectively.

(b) Liabilities for recourse obligations related to off-balance sheet assets were $93 million and $64 million at December 31, 2005 and 2004, respectively.

(c) At December 31, 2005 and 2004, liquidity support amounted to $10,000 million and $14,400 million, respectively. These amounts are net of $100 million and $1,200 million, respectively, participated or deferred beyond one year. Credit support amounted to $4,800 million and $6,900 million at December 31, 2005 and 2004, respectively.

The portfolio of financing receivables consisted of loans and financing lease receivables secured by equipment, commercial and residential real estate and other assets; credit card receivables; and trade receivables. Examples of these assets include loans and leases on manufacturing and transportation equipment, loans on commercial property, commercial loans, and balances of high credit quality accounts from sales of a broad range of products and services to a diversified customer base.

Assets in consolidated, liquidating securitization entities are shown in the following captions in the Statement of Financial Position.

December 31 (In millions)	2005	2004
Financing receivables—net (note 13)	$16,615	$22,848
Other assets	1,235	2,384
Other, principally investment securities	54	761
Total	$17,904	$25,993

Off-balance sheet arrangements

We engage in off-balance sheet securitization transactions with third-party entities and use public market term securitizations. As discussed above, assets in off-balance sheet securitization entities amounted to $43.8 billion and $32.2 billion at December 31, 2005 and 2004, respectively. Gross securitization gains amounted to $939 million in 2005 compared with $1,195 million in 2004 and $1,351 million in 2003.

Amounts recognized in our financial statements related to sales to off-balance sheet securitization entities are as follows:

December 31 (In millions)	2005	2004
Retained interests	$4,515	$3,671
Servicing assets	29	33
Recourse liability	(93)	(64)
Total	$4,451	$3,640

- **RETAINED INTERESTS.** When we securitize receivables, we determine fair value of retained interests based on discounted cash flow models that incorporate, among other things, assumptions about loan pool credit losses, prepayment speeds and discount rates. These assumptions are based on our experience, market trends and anticipated performance related to the particular assets securitized. We classify retained interests in securitized receivables as investment securities and mark them to fair value each reporting period, updating our models for current assumptions. These assets decrease as cash is received in payment. When the carrying amounts exceed fair value, we evaluate whether the unrealized loss is other than temporary and, if so, record any indicated loss in earnings currently.
- **SERVICING ASSETS.** Following a securitization transaction, we also may provide servicing for a market-based fee based on remaining outstanding principal balances. Servicing assets are primarily associated with residential mortgage loans. Their value is subject to credit, prepayment and interest rate risk.
- **RECOURSE LIABILITY.** Certain transactions involve credit support agreements. As a result, we provide for expected credit losses at amounts that approximate fair value.

The following table summarizes data related to securitization sales that we completed during 2005 and 2004.

(Dollars in millions)	Equipment	Commercial real estate	Other assets	Credit card receivables
2005				
Cash proceeds from securitization	$3,702	$5,571	$ 4,705	$ 6,985
Proceeds from collections reinvested in new receivables	—	—	27,697	10,067
Cash received on retained interests	190	69	10	1,644
Cash received from servicing and other sources	75	36	91	155
Weighted average lives (in months)	37	80	35	8
Assumptions as of sale date[a]				
Discount rate	8.8%	13.4%	12.6%	11.7%
Prepayment rate	8.8%	6.5%	21.2%	12.6%
Estimate of credit losses	2.3%	0.8%	0.6%	7.5%
2004				
Cash proceeds from securitization	$5,367	$4,578	$ —	$ 8,121
Proceeds from collections reinvested in new receivables	—	—	21,389	5,208
Cash received on retained interests	107	70	128	1,788
Cash received from servicing and other sources	85	6	62	138
Weighted average lives (in months)	37	68	—	7
Assumptions as of sale date[a]				
Discount rate	8.2%	13.0%	—	12.2%
Prepayment rate	9.1%	11.2%	—	14.9%
Estimate of credit losses	1.9%	1.1%	—	8.9%

(a) Based on weighted averages.

Key assumptions used in measuring the fair value of retained interests in securitizations and the sensitivity of the current fair value of residual cash flows to changes in those assumptions related to all outstanding retained interests as of December 31, 2005, are noted in the following table.

(Dollars in millions)	Equipment	Commercial real estate	Other assets	Credit card receivables
DISCOUNT RATE[a]	6.4%	11.0%	5.5%	11.1%
Effect of:				
10% Adverse change	$(12)	$(14)	$ (4)	$ (10)
20% Adverse change	(24)	(26)	(8)	(23)
PREPAYMENT RATE[a]	9.7%	1.8%	8.4%	12.8%
Effect of:				
10% Adverse change	$ (6)	$ (5)	$ (7)	$ (40)
20% Adverse change	(12)	(10)	(12)	(77)
ESTIMATE OF CREDIT LOSSES[a]	2.0%	1.1%	0.5%	7.1%
Effect of:				
10% Adverse change	$(11)	$ (7)	$ (5)	$ (39)
20% Adverse change	(22)	(13)	(9)	(81)
Remaining weighted average lives (in months)	27	51	15	7
Net credit losses	$ 63	$ —	$ 8	$588
Delinquencies	93	5	59	374

(a) Based on weighted averages.

GUARANTEE AND REIMBURSEMENT CONTRACTS. We provide protection to certain counterparties of interest rate swaps entered into by securitization-related entities related to changes in the relationship between commercial paper interest rates and the timing and amount of the payment streams. These arrangements provide protection for the life of the assets held by the securitization entities but generally amortize in proportion to the decline in underlying asset principal balances. At December 31, 2005, the notional amount of such support was $1,259 million and related assets and liabilities were insignificant.

Note 29

Commitments and Guarantees

Commitments, including guarantees

In our Aviation business of Infrastructure, we had committed to provide financial assistance on $2,269 million of future customer acquisitions of aircraft equipped with our engines, including commitments made to airlines in 2005 for future sales under our GE90 and GEnx engine campaigns. The Aviation Financial Services business of Infrastructure had placed multiple-year orders for various Boeing, Airbus and other aircraft with list prices approximating $10,595 million at December 31, 2005.

At December 31, 2005, we were committed under the following guarantee arrangements beyond those provided on behalf of securitization entities. See note 28.

- **LIQUIDITY SUPPORT.** Liquidity support provided to holders of certain variable rate bonds issued by municipalities amounted to $2,510 million at December 31, 2005. If holders elect to sell supported bonds that cannot be remarketed, we are obligated to repurchase them at par. If called upon, our position would be secured by the repurchased bonds. While we hold any such bonds, we would receive interest payments from the municipalities at a rate that is in excess of the stated rate on the bond. To date, we have not been required to perform under such arrangements and our existing liquidity support will decrease $1,437 million in 2006 and the remaining $1,073 million by the end of 2008 as the underlying variable rate bonds reach their maturity date. We are currently not providing any such new liquidity facilities.
- **CREDIT SUPPORT.** We have provided $7,227 million of credit support on behalf of certain customers or associated companies, predominantly joint ventures and partnerships, using arrangements such as standby letters of credit and performance guarantees. These arrangements enable our customers and associated companies to execute transactions or obtain desired financing arrangements with third parties. Should the customer or associated company fail to perform under the terms of the transaction or financing arrangement, we would be required to perform on their behalf. Under most such arrangements, our guarantee is secured, usually by the asset being purchased or financed, but possibly by certain other assets of the customer or associated company. The length of these credit support arrangements parallels the length of the related financing arrangements or transactions. The liability for such credit support was $268 million at December 31, 2005.
- **INDEMNIFICATION AGREEMENTS.** These are agreements that require us to fund up to $711 million under residual value guarantees on a variety of leased equipment and $229 million of other indemnification commitments arising primarily from sales of businesses or assets. Under most of our residual value guarantees, our commitment is secured by the leased asset at termination of the lease. The liability for these indemnification agreements was $69 million at December 31, 2005.
- **CONTINGENT CONSIDERATION.** These are agreements to provide additional consideration in a business combination to the seller if contractually specified conditions related to the acquired entity are achieved. At December 31, 2005, we had recognized liabilities for estimated payments amounting to $27 million of our total exposure of $434 million.

At year-end 2005, NBC Universal had $11,595 million of commitments to acquire film and broadcast material and the rights to broadcast television programs, including U.S. television rights to future Olympic Games and National Football League (NFL) games, contractual commitments under various creative talent arrangements and commitments under long-term television station affiliation agreements that require payments through 2014.

Our guarantees are provided in the ordinary course of business. We underwrite these guarantees considering economic, liquidity and credit risk of the counterparty. We believe that the likelihood is remote that any such arrangements could have a significant adverse effect on our financial position, results of operations or liquidity. We record liabilities for guarantees at estimated fair value, generally the amount of the premium received, or if we do not receive a premium, the amount based on appraisal, observed market values or discounted cash flows. Any associated recoveries from third parties are recorded as other receivables; not netted against the liabilities.

Product warranties

We provide for estimated product warranty expenses when we sell the related products. Because warranty estimates are forecasts that are based on the best available information—mostly historical claims experience—claims costs may differ from amounts provided. An analysis of changes in the liability for product warranties follows.

(In millions)	2005	2004	2003
Balance at January 1	$1,326	$1,437	$1,304
Current year provisions	448	720	751
Expenditures[a]	(699)	(838)	(749)
Other changes	—	7	131
Balance at December 31	$1,075	$1,326	$1,437

(a) Primarily related to Infrastructure and Healthcare.

Note 30
Quarterly Information (Unaudited)

	First quarter		Second quarter		Third quarter		Fourth quarter	
(In millions; per-share amounts in dollars)	2005	2004	2005	2004	2005	2004	2005	2004
CONSOLIDATED OPERATIONS								
Earnings from continuing operations	$ 3,562	$ 2,968	$ 4,372	$ 3,658	$ 4,569	$ 3,941	$ 5,772	$ 5,718
Earnings (loss) from discontinued operations	403	398	275	93	108	130	(2,708)	(87)
Net earnings	$ 3,965	$ 3,366	$ 4,647	$ 3,751	$ 4,677	$ 4,071	$ 3,064	$ 5,631
Per-share amounts – earnings from continuing operations								
Diluted earnings per share	$ 0.33	$ 0.29	$ 0.41	$ 0.35	$ 0.43	$ 0.37	$ 0.55	$ 0.54
Basic earnings per share	0.34	0.29	0.41	0.35	0.43	0.37	0.55	0.54
Per-share amounts – earnings (loss) from discontinued operations								
Diluted earnings per share	0.04	0.04	0.03	0.01	0.01	0.01	(0.26)	(0.01)
Basic earnings per share	0.04	0.04	0.03	0.01	0.01	0.01	(0.26)	(0.01)
Per-share amounts – net earnings								
Diluted earnings per share	0.37	0.33	0.44	0.36	0.44	0.38	0.29	0.53
Basic earnings per share	0.37	0.33	0.44	0.36	0.44	0.39	0.29	0.53
SELECTED DATA								
GE								
Sales of goods and services	$20,833	$16,680	$22,408	$19,995	$21,567	$20,967	$25,622	$24,572
Gross profit from sales	5,824	4,467	6,358	5,503	5,978	5,648	7,455	7,229
GECS								
Total revenues	14,227	11,994	14,375	12,749	15,570	13,030	15,125	15,121
Earnings from continuing operations	1,865	1,573	2,024	1,430	2,577	2,123	2,675	2,727

For GE, gross profit from sales is sales of goods and services less costs of goods and services sold.

Earnings-per-share amounts are computed independently each quarter for earnings from continuing operations, earnings from discontinued operations, and net earnings. As a result, the sum of each quarter's per-share amount may not equal the total per-share amount for the respective year; and the sum of per-share amounts from continuing operations and discontinued operations may not equal the total per-share amounts for net earnings for the respective quarters.

Our Businesses

A description of operating segments for General Electric Company and consolidated affiliates as of December 31, 2005, and the basis for presentation in this report, follows.

Infrastructure

Jet engines and replacement parts and repair and maintenance services for all categories of commercial aircraft; for a wide variety of military aircraft, including fighters, bombers, tankers and helicopters; and for executive and regional aircraft. Products and services are sold worldwide to airframe manufacturers, airlines and government agencies. Rail systems products and maintenance services including diesel electric locomotives, transit propulsion equipment, motorized wheels for off-highway vehicles, and railway signaling communications systems.

Financial products to airlines, aircraft operators, owners, lenders and investors including leases, aircraft purchasing and trading, loans, engine/spare parts financing, pilot training, fleet planning and financial advisory services.

Power plant products and services, including design, installation, operation and maintenance services sold into global markets. Gas, steam and aeroderivative turbines, generators, combined cycle systems, controls and related services, including total asset optimization solutions, equipment upgrades and contractual services, are sold to power generation and other industrial customers. Renewable energy solutions including wind turbines and hydro turbines and generators. Advanced turbomachinery products and related services for the oil and gas market, including total pipeline integrity solutions. Substation automation, network solutions and power equipment sold to power transmission and distribution customers. Also includes portable and rental power plants, nuclear reactors, fuel and nuclear support services.

Chemical water treatment program services and equipment including mobile treatment systems and desalination processes.

Financial products to the global energy industry including structured equity, leveraged leasing, partnerships, project finance and broad-based commercial finance.

Industrial

Major appliances and related services for products such as refrigerators, freezers, electric and gas ranges, cooktops, dishwashers, clothes washers and dryers, microwave ovens, room air conditioners and residential water system products. These products are distributed to both retail outlets and direct to consumers, mainly for the replacement market, and to building contractors and distributors for new installations. Lighting products include a wide variety of lamps and lighting fixtures. Electrical distribution and control equipment includes power delivery and control products such as transformers, meters and relays. Also includes GE Supply, a network of electrical supply houses. Products and services are sold in North America and in global markets under various GE and private-label brands.

High-performance engineered plastics used in a variety of applications such as automotive parts, computer enclosures, telecommunications equipment and construction materials. Products also include structured products, silicones and high-purity quartzware. Products and services are sold worldwide to a diverse customer base consisting mainly of manufacturers.

Rentals, leases, sales and asset management services of commercial and transportation equipment, including tractors, trailers, railroad rolling stock, modular space units, intermodal shipping containers and, primarily through an associated company, marine containers.

Measurement and sensing equipment (products and subsystems for sensing temperature, flow rates, humidity, pressure and detection of material defects); security equipment and systems (including card access systems, video and sensor monitoring equipment, integrated facility monitoring systems and explosive detection systems); a broad range of automation hardware and software. Markets are extremely diverse. Products and services are sold to commercial and industrial end-users, including utilities; original equipment manufacturers; electrical distributors; retail outlets; airports; railways; and transit authorities. Increasingly, products and services are developed for and sold in global markets.

Healthcare

Medical imaging systems such as magnetic resonance (MR) and computed tomography (CT) scanners, x-ray, nuclear imaging and ultrasound, as well as diagnostic cardiology and patient monitoring devices; related services, including equipment monitoring and repair, computerized data management and customer productivity services. Diagnostic imaging agents used in medical scanning procedures, protein separations products including chromatography purification systems used in the manufacture of biopharmaceuticals, and high-throughput systems for applications in genomics, proteomics and bioassays. Products and services are sold worldwide to hospitals, medical facilities, pharmaceutical and biotechnology companies and to the life science research market.

NBC Universal

Principal businesses are the furnishing of U.S. network television services to 230 affiliated stations, production of television programs, the production and distribution of motion pictures, operation of 30 VHF and UHF television broadcasting stations, operation of cable/satellite networks around the world, operation of theme parks, and investment and programming activities in multimedia and the Internet.

Commercial Finance

Loans, leases and other financial services to customers, including manufacturers, distributors and end-users for a variety of equipment and major capital assets. These assets include industrial-related facilities and equipment; commercial and residential real estate; vehicles; corporate aircraft; and equipment used in many industries, including the construction, manufacturing, telecommunications and healthcare industries.

Consumer Finance

Private-label credit cards; bank cards; Dual Cards™; corporate travel and purchasing cards; personal loans; auto loans; leases and inventory financing; residential mortgages; home equity loans; debt consolidation loans; current and savings accounts and insurance products for customers on a global basis.

Financial Measures that Supplement Generally Accepted Accounting Principles

We sometimes use information derived from consolidated financial information but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). Certain of these data are considered "non-GAAP financial measures" under U.S. Securities and Exchange Commission rules. Specifically, we have referred, in various sections of this Annual Report, to:

- Organic revenue growth in 2005
- Growth in Industrial cash from operating activities (CFOA) in 2005
- GE pre-tax earnings from continuing operations before accounting changes excluding GECS earnings from continuing operations before accounting changes, and the corresponding effective tax rates, for the three years ended December 31, 2005
- Delinquency rates on certain financing receivables of the Commercial Finance and Consumer Finance segments for 2005, 2004 and 2003
- Average total shareowners' equity, excluding effects of discontinued operations

The reasons we use these non-GAAP financial measures and their reconciliation to their most directly comparable GAAP financial measures follow.

Organic Revenue Growth

(In millions)	2005	2004	% change
GE consolidated revenues as reported	$149,702	$134,481	11%
Less the effects of:			
Acquisitions, business dispositions (other than dispositions of businesses acquired for investment) and currency exchange rates	10,561	4,526	
The 2004 Olympics broadcasts	—	927	
The May 2005 SFAS 133 correction	—	503	
GE consolidated revenues excluding the effects of acquisitions, business dispositions (other than dispositions of businesses acquired for investment), currency exchange rates, the 2004 Olympics broadcasts and the May 2005 SFAS 133 correction (organic revenues)	$139,141	$128,525	8%

Growth in Industrial CFOA

(In millions)	2005	2004	% change
Cash from GE's operating activities as reported	$21,609	$15,204	42%
Less GECS dividends	7,816	3,105	
Cash from GE's operating activities excluding dividends from GECS (Industrial CFOA)	$13,793	$12,099	14%

GE Tax Rate, Excluding GECS Earnings

(In millions)	2005	2004	2003
GE earnings from continuing operations before income taxes, and accounting changes	$21,025	$18,258	$16,623
Less GECS earnings from continuing operations before accounting changes	9,141	7,853	5,931
Total	$11,884	$10,405	$10,692
GE provision for income taxes	$ 2,750	$ 1,973	$ 2,857
GE effective tax rate, excluding GECS earnings	23.1%	19.0%	26.7%

We believe that meaningful analysis of our financial performance requires an understanding of the factors underlying that performance and our judgments about the likelihood that particular factors will repeat. In some cases, short-term patterns and long-term trends may be obscured by large factors or events. For example, events or trends in a particular segment may be so significant as to obscure patterns and trends of our industrial or financial services businesses in total. For this reason, we believe that investors may find it useful to see our 2005 revenue growth without the effect of acquisitions, dispositions and currency exchange rates, and without the effects of the 2004 Olympics broadcasts and the May 2005 SFAS 133 correction which effects have no counterpart in 2005, and if included would overshadow trends in ongoing revenues. Similarly, we believe that investors would find it useful to compare our 2005 operating cash flow against our 2004 operating cash flow without the impact of GECS dividends.

Delinquency Rates on Certain Financing Receivables

Delinquency rates on managed Commercial Finance equipment loans and leases and managed Consumer Finance financing receivables follow.

COMMERCIAL FINANCE

December 31	2005	2004	2003
Managed	1.31%	1.40%	1.38%
Off-book	0.76	0.90	1.27
On-book	1.53	1.58	1.41

CONSUMER FINANCE

December 31	2005	2004	2003
Managed	5.08%	4.85%	5.62%
Off-book	5.28	5.09	5.04
On-book	5.07	4.84	5.67

We believe that delinquency rates on managed financing receivables provide a useful perspective on our on and off-book portfolio quality and are key indicators of financial performance.

Average Total Shareowners' Equity, Excluding Effects of Discontinued Operations [a]

December 31 (In millions)	2005	2004	2003	2002	2001
Average total shareowners' equity [b]	$111,683	$95,656	$71,336	$59,174	$52,674
Less:					
Cumulative effect of losses from discontinued operations [c]	3,094	2,980	925	1,007	226
Average net investment in discontinued operations [d]	4,620	—	—	—	—
Average total shareowners' equity, excluding effects of discontinued operations [a]	$103,969	$92,676	$70,411	$58,167	$52,448

(a) Used for computing return on average shareowners' equity and return on average total capital invested shown on page 61.

(b) On an annual basis, calculated using a five-point average.

(c) Represented the average cumulative net earnings effects of discontinued operations from 2001 to 2005 (on an annual basis, calculated using a five-point average).

(d) Represented the average net investment in discontinued operations for the second half of 2005 only—see below.

U.S. GAAP requires earnings of discontinued operations to be displayed separately in the Statement of Earnings. Accordingly, the numerators used in our calculations of returns on average shareowners' equity and average total capital invested presented in Selected Financial Data on page 61 exclude those earnings (losses). Further we believe it is appropriate to exclude from the denominators, specifically the average total shareowners' equity component, the cumulative effect of those earnings (losses) since 2000 for each of the five years for which such returns are presented, as well as our average net investment in discontinued operations for the second half of 2005 only. Had we disposed of these operations before mid-2005, proceeds would have been applied to reduce parent-supported debt at GE Capital; however since parent-supported debt at GE Capital was retired in the first half of 2005, we have assumed that any proceeds after that time would have been distributed to shareowners by means of share repurchases, thus reducing average total shareowners' equity.

Definitions indicating how the above-named ratios are calculated using average total shareowners' equity, excluding effects of discontinued operations, can be found in the Glossary.

BACKLOG Unfilled customer orders for products and product services (12 months for product services).

BORROWING Financial liability (short or long-term) that obligates us to repay cash or another financial asset to another entity.

BORROWINGS AS A PERCENTAGE OF TOTAL CAPITAL INVESTED For GE, the sum of borrowings and mandatorily redeemable preferred stock, divided by the sum of borrowings, mandatorily redeemable preferred stock, minority interest and total shareowners' equity.

CASH EQUIVALENTS Highly liquid debt instruments with original maturities of less than three months, such as commercial paper. Typically included with cash for reporting purposes, unless designated as available-for-sale and included with investment securities.

CASH FLOW HEDGES Qualifying derivative instruments that we use to protect ourselves against exposure to volatility in future cash flows. The exposure may be associated with an existing asset or liability, or with a forecasted transaction. See "Hedge."

COMMERCIAL PAPER Unsecured, unregistered promise to repay borrowed funds in a specified period ranging from overnight to 270 days.

CUSTOMER SERVICE AGREEMENTS (also referred to as "product services agreements") Contractual commitments, with multiple-year terms, to provide specified services for products in our industrial installed base—for example, monitoring, maintenance, overhaul and spare parts for a gas turbine/generator set installed in a customer's power plant.

DERIVATIVE INSTRUMENT A financial instrument or contract with another party (counterparty) that is structured to meet any of a variety of financial objectives, including those related to fluctuations in interest rates, currency exchange rates or commodity prices. Options, forwards and swaps are the most common derivative instruments we employ. See "Hedge."

DISCONTINUED OPERATIONS Certain businesses we have sold or committed to sell within the next year and which will no longer be part of our ongoing operations. The net earnings, assets and liabilities and cash flows of such businesses are separately classified on our Statement of Earnings, Statement of Financial Position and Statement of Cash Flows, respectively for all periods presented.

EARNED PREMIUMS Portion of the premium, net of any amount ceded, pertaining to the segment of the policy period for which insurance coverage has been provided.

EFFECTIVE TAX RATE Provision for income taxes as a percentage of earnings from continuing operations before income taxes and accounting changes. Does not represent cash paid for income taxes in the current accounting period. Also referred to as "actual tax rate" or "tax rate."

EQUIPMENT LEASED TO OTHERS Rental equipment we own that is available to rent and is stated at cost less accumulated depreciation.

FAIR VALUE HEDGE Qualifying derivative instruments that we use to reduce the risk of changes in the fair value of assets, liabilities or certain types of firm commitments. Changes in the fair values of derivative instruments that are designated and effective as fair value hedges are recorded in earnings, but are offset by corresponding changes in the fair values of the hedged items. See "Hedge."

FINANCIAL LEVERAGE The relationship of debt to equity. Expressed for financial services businesses as borrowings divided by equity. Expressed for industrial businesses as borrowings divided by total capital.

FINANCING RECEIVABLES Investment in contractual loans and leases due from customers (not investment securities).

FORWARD CONTRACT Fixed price contract for purchase or sale of a specified quantity of a commodity, security, currency or other financial instrument with delivery and settlement at a specified future date. Commonly used as a hedging tool. See "Hedge."

GOODWILL The premium paid for acquisition of a business. Calculated as the purchase price less the fair value of net assets acquired (net assets are identified tangible and intangible assets, less liabilities assumed).

GUARANTEED INVESTMENT CONTRACTS (GICS) Deposit-type products that guarantee a minimum rate of return, which may be fixed or floating.

HEDGE A technique designed to eliminate risk. Often refers to the use of derivative financial instruments to offset changes in interest rates, currency exchange rates or commodity prices, although many business positions are "naturally hedged"—for example, funding a U.S. fixed-rate investment with U.S. fixed-rate borrowings is a natural interest rate hedge.

INTANGIBLE ASSET A non-financial asset lacking physical substance, such as goodwill, patents, trademarks and licenses.

INTEREST RATE SWAP Agreement under which two counterparties agree to exchange one type of interest rate cash flow for another. In a typical arrangement, one party periodically will pay a fixed amount of interest, in exchange for which that party will receive variable payments computed using a published index. See "Hedge."

INVESTMENT SECURITIES Generally, an instrument that provides an ownership position in a corporation (a stock), a creditor relationship with a corporation or governmental body (a bond), or rights to ownership such as those represented by options, subscription rights and subscription warrants.

MANAGED RECEIVABLES Total receivable amounts on which we continue to perform billing and collection activities, including receivables that have been sold with and without credit recourse and are no longer reported on our balance sheet.

MATCH FUNDING A risk control policy that provides funds for a particular financial asset having the same currency, maturity and interest rate characteristics as that asset. Match funding ensures that we maintain initial financing spreads or margins for the life of a financial asset, and is executed directly, by issuing debt, or synthetically, through a combination of debt and derivative financial instruments. For example, when we lend at a fixed interest rate in the U.S., we can borrow those U.S. dollars either at a fixed rate of interest or at a floating rate executed concurrently with a pay-fixed interest rate swap. See "Hedge."

MONETIZATION Sale of financial assets to a third party for cash. For example, we sell certain loans, credit card receivables and trade receivables to third-party financial buyers, typically providing at least some credit protection and often agreeing to provide collection and processing services for a fee. Monetization normally results in gains on interest-bearing assets and losses on non-interest bearing assets. See "Securitization" and "Variable Interest Entity."

OPERATING PROFIT GE earnings from continuing operations before interest and other financial charges, income taxes and effects of accounting changes.

OPTION The right, not the obligation, to execute a transaction at a designated price, generally involving equity interests, interest rates, currencies or commodities. See "Hedge."

PREMIUM Rate that is charged under insurance/reinsurance contracts.

PRODUCT SERVICES For purposes of the financial statement display of sales and costs of sales in our Statement of Earnings, "goods" is required by U.S. Securities and Exchange Commission regulations to include all sales of tangible products, and "services" must include all other sales, including broadcasting and other services activities. In our Management's Discussion and Analysis of Operations we refer to sales of both spare parts (goods) and related services as sales of "product services," which is an important part of our operations.

PRODUCT SERVICES AGREEMENTS See "Customer Service Agreements."

PRODUCTIVITY The rate of increased output for a given level of input, with both output and input measured in constant currency. A decline in output for a given level of input is "negative" productivity.

PROGRESS COLLECTIONS Payments received from customers as deposits before the associated work is performed or product is delivered.

REINSURANCE A form of insurance that insurance companies buy for their own protection.

RETAINED INTEREST A portion of a transferred financial asset retained by the transferor that provides rights to receive portions of the cash inflows from that asset.

RETURN ON AVERAGE SHAREOWNERS' EQUITY Earnings from continuing operations before accounting changes divided by average total shareowners' equity, excluding effects of discontinued operations (on an annual basis, calculated using a five-point average). Average total shareowners' equity, excluding effects of discontinued operations, as of the end of each of the years in the five-year period ended December 31, 2005, is described in the Supplemental Information section.

RETURN ON AVERAGE TOTAL CAPITAL INVESTED For GE, earnings from continuing operations before accounting changes plus the sum of after-tax interest and other financial charges and minority interest, divided by the sum of the averages of total shareowners' equity (excluding effects of discontinued operations), borrowings, mandatorily redeemable preferred stock and minority interest (on an annual basis, calculated using a five-point average). Average total shareowners' equity, excluding effects of discontinued operations as of the end of each of the years in the five-year period ended December 31, 2005, is described in the Supplemental Information section.

SECURITIZATION A process whereby loans or other receivables are packaged, underwritten and sold to investors. In a typical transaction, assets are sold to a special purpose entity (SPE), which purchases the assets with cash raised through issuance of beneficial interests (usually debt instruments) to third-party investors. Whether or not credit risk associated with the securitized assets is retained by the seller depends on the structure of the securitization. See "Monetization" and "Variable Interest Entity."

TURNOVER Broadly based on the number of times that working capital is replaced during a year. Accounts receivable turnover is total sales divided by the five-point average balance of customer receivables from sales of goods and services (trade receivables). Inventory turnover is total sales divided by a five-point average balance of inventories. See "Working Capital."

UNEARNED PREMIUMS Portion of the premium received, net of any amount ceded, that relates to future coverage periods.

UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES Claims reserves for events that have occurred, including both reported and incurred-but-not-reported (IBNR) reserves, and the expenses of settling such claims.

VARIABLE INTEREST ENTITY Entity defined by Financial Accounting Standards Board Interpretation No. 46 (as amended), and that must be consolidated by its primary beneficiary. A variable interest entity has one or both of the following characteristics: (1) its equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) as a group, the equity investors lack one or more of the following characteristics: (a) direct/indirect ability to make decisions, (b) obligation to absorb expected losses, or (c) right to receive expected residual returns.

WORKING CAPITAL Sum of receivables from the sales of goods and services, plus inventories, less trade accounts payables and progress collections.

Exhibit 21

SUBSIDIARIES OF REGISTRANT

General Electric's principal affiliates as of December 31, 2005, are listed below. All other affiliates, if considered in the aggregate as a single affiliate, would not constitute a significant affiliate.

AFFILIATES OF REGISTRANT INCLUDED IN REGISTRANT'S FINANCIAL STATEMENTS

	Percentage of voting securities directly or indirectly owned by registrant [1]	State or Country of incorporation or organization
American Silicones, Inc.	100	Indiana
Amersham Biosciences Holding AB	100	United Kingdom & Northern Ireland; Sweden
Amersham plc	100	United Kingdom & Northern Ireland; Sweden
Bently Nevada, LLC	100	Delaware
Cardinal Cogen, Inc.	100	Delaware
Caribe GE International of Puerto Rico, Inc.	100	Puerto Rico
Datex-Ohmeda, Inc.	100	Delaware
Everest VIT, Inc.	100	Delaware
GE Aviation Service Operation Pte Ltd	100	Singapore
GE Caledonian Limited	100	United Kingdom & Northern Ireland
GE Canada Company	100	Canada
GE Drives & Controls, Inc.	100	Delaware
GE Druck Holdings Limited	100	United Kingdom & Northern Ireland
GE Energy Europe B.V.	100	Netherlands
GE Energy Parts, Inc.	100	Delaware
GE Energy Products France SNC	100	France
GE Energy Services, Inc.	100	Delaware
GE Engine Services - Dallas, LP	100	Delaware
GE Engine Services Distribution, LLC	100	Delaware
GE Engine Services UNC Holding I, Inc.	100	Delaware
GE Engine Services, Inc.	100	Delaware
GE Fanuc Automation Corporation	50	Delaware
GE Gas Turbines (Greenville) L.L.C.	100	Delaware
GE Healthcare Finland Oy	100	Finland
GE Hungary Co. Ltd.	100	Hungary

	Percentage of voting securities directly or indirectly owned by registrant [1]	State or Country of incorporation or organization
GE Infrastructure, Inc.	100	Delaware
GE Ionics, Inc.	100	Massachusetts
GE Keppel Energy Services Pte. Ltd.	50	Singapore
GE Lighting/Plastics Austria GmbH & Co KG	100	Austria
GE Medical Systems Global Technology Company, LLC	100	Delaware
GE Medical Systems Information Technologies, Inc.	100	Wisconsin
GE Medical Systems, Inc.	100	Delaware
GE Medical Systems, LLC	100	Delaware
GE Medical Systems, Ultrasound & Primary Care Diagnostics LLC	100	Delaware
GE Military Systems	100	Delaware
GE Noryl, LLC	100	New York
GE Osmonics, Inc.	100	Minnesota
GE Pacific Pte Ltd	100	Singapore
GE Packaged Power, L.P.	100	Delaware
GE Petrochemicals, Inc.	100	Delaware
GE Plastics Espana ScpA	100	Spain & Canary Islands, Baleric Island
GE Plastics Finishing, Inc.	100	Delaware
GE Plastics Mt. Vernon, Inc.	100	Delaware
GE Polymerland, Inc.	100	Delaware
GE Quartz, Inc.	100	Delaware
GE Security, Inc.	100	Delaware
GE Toshiba Silicones Co., Limited	51	Japan, Ryukyu Islands
GE Transportation Parts, LLC	100	Delaware
GE Transportation Systems Global Signaling, LLC	100	Delaware
GE Wind Energy, LLC	100	Delaware
GE Yokogawa Medical Systems Ltd.	100	Japan, Ryukyu Islands
GEA Products LP	100	Delaware
GEAE Technology, Inc.	100	Delaware
General Electric (Bermuda) Ltd.	100	Bermuda
General Electric CGR Europe SARL	100	France
General Electric International (Benelux) BV	100	Netherlands
General Electric International, Inc.	100	Delaware
General Electric Plastics BV	100	Netherlands
General Electric Plastics Italia SRL	100	Italy
Granite Services, Inc.	100	Delaware
MRA Systems International, Inc.	100	Delaware
NBC Universal, Inc.	80	Delaware

	Percentage of voting securities directly or indirectly owned by registrant [(1)]	State or Country of incorporation or organization
Nuclear Fuel Holding Co., Inc.	100	Delaware
Nuovo Pignone Holding, S.p.A.	98	Italy
OEC Medical Systems, Inc.	100	Delaware
PII Limited	100	United Kingdom & Northern Ireland
Reuter-Stokes, Inc.	100	Delaware
Viceroy, Inc.	100	Delaware
General Electric Capital Services, Inc.	100	Delaware
General Electric Capital Corporation	100	Delaware
GE Insurance Solutions Corporation	100	Missouri

(1) With respect to certain companies, shares in names of nominees and qualifying shares in names of directors are included in above percentages.

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
General Electric Company:

We consent to the incorporation by reference in the registration statements on Form S-3 (Registration Nos. 33-50639, 33-39596, 33-39596-01, 33-29024, 333-59671, 333-120155, 333-72566 and 333-130117), on Form S-4 (Registration No. 333-107556), and on Form S-8 (Registration Nos. 333-01953, 333-42695, 333-74415, 333-83164, 333-98877, 333-94101, 333-65781, 333-88233, 333-117855, 333-99671 and 333-102111) of General Electric Company of our report dated February 10, 2006, with respect to the statement of financial position of General Electric Company and consolidated affiliates as of December 31, 2005 and 2004, and the related statements of earnings, changes in shareowners' equity and cash flows for each of the years in the three-year period ended December 31, 2005, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2005 and the effectiveness of internal control over financial reporting as of December 31, 2005, which report appears in the December 31, 2005 annual report on Form 10-K of General Electric Company. Our report refers to a change in the method of accounting for variable interest entities in 2004 and 2003 and a change in the method of accounting for asset retirement obligations in 2003.

/s/ KPMG LLP

Stamford, Connecticut
March 3, 2006

Exhibit 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned, being a director or officer of General Electric Company, a New York corporation (the "Company"), hereby constitutes and appoints Jeffrey R. Immelt, Brackett B. Denniston III, Keith S. Sherin, Philip D. Ameen, Michael R. McAlevey, and Thomas J. Kim, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead in any and all capacities, to sign one or more Annual Reports for the Company's fiscal year ended December 31, 2005, on Form 10-K under the Securities Exchange Act of 1934, as amended, or such other form as any such attorney-in-fact may deem necessary or desirable, any amendments thereto, and all additional amendments thereto, each in such form as they or any one of them may approve, and to file the same with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done so that such Annual Report shall comply with the Securities Exchange Act of 1934, as amended, and the applicable Rules and Regulations adopted or issued pursuant thereto, as fully and to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their substitute or resubstitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her hand this 10th day of February, 2006.

/s/ Jeffrey R. Immelt
Jeffrey R. Immelt
Chairman of the Board
(Principal Executive
Officer and Director)

/s/ Keith S. Sherin
Keith S. Sherin
Senior Vice President-Finance
(Principal Financial Officer)

/s/ Philip D. Ameen
Philip D. Ameen
Vice President and Comptroller
(Principal Accounting Officer)

/s/ James I. Cash, Jr.
James I. Cash, Jr.
Director

/s/ Sir William Castell
Sir William Castell
Director

/s/ Ann M. Fudge
Ann M. Fudge
Director

/s/ Claudio X. Gonzalez
Claudio X. Gonzalez
Director

/s/ Andrea Jung
Andrea Jung
Director

/s/ Alan G. Lafley
Alan G. Lafley
Director

/s/ Robert W. Lane
Robert W. Lane
Director

/s/ Ralph S. Larsen
Ralph S. Larsen
Director

/s/ Rochelle B. Lazarus
Rochelle B. Lazarus
Director

/s/ Sam Nunn
Sam Nunn
Director

/s/ Roger S. Penske
Roger S. Penske
Director

/s/ Robert J. Swieringa
Robert J. Swieringa
Director

/s/ Douglas A. Warner III
Douglas A. Warner III
Director

/s/ Robert C. Wright
Robert C. Wright
Director

A MAJORITY OF THE BOARD OF DIRECTORS

Exhibit 31(a)

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Jeffrey R. Immelt, certify that:

1. I have reviewed this annual report on Form 10-K of General Electric Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2006

/s/ Jeffrey R. Immelt
Jeffrey R. Immelt
Chief Executive Officer

Exhibit 31(b)

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Keith S. Sherin, certify that:

1. I have reviewed this annual report on Form 10-K of General Electric Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2006

/s/ Keith S. Sherin
Keith S. Sherin
Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Annual Report of General Electric Company (the "registrant") on Form 10-K for the year ending December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "report"), we, Jeffrey R. Immelt and Keith S. Sherin, Chief Executive Officer and Chief Financial Officer, respectively, of the registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

(1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

March 3, 2006

/s/ Jeffrey R. Immelt
Jeffrey R. Immelt
Chief Executive Officer

/s/ Keith S. Sherin
Keith S. Sherin
Chief Financial Officer