

**Talking Points: Nani Beccalli, President and CEO, GE Europe
31 March 2003**

Opening Remarks (current situation):

I am very pleased to be here today – these are challenging times for those of us operating on a global scale... and the importance of mutual understanding and co-operation is never greater than in a time of crisis.

Of course the British and the US governments are aligned as coalition partners in the current conflict... but we all face the challenge of market uncertainty... as well as the possible impact of the deep divisions which have opened up at a European and global political levels over this war.

The good news from a global and European business perspective is that – as far as possible – it is business as usual... and I want to tell you that I have encountered no problems or resistance within Europe – as the representative of a flagship American company – in my dealings with European governments, customers or potential business partners.

GE in EMEA

Awareness

I would like to outline GE's current activities and growth strategy in Europe, Middle East and Africa and then take your questions.

One of my challenges is that despite a growing presence in Europe, GE is not known here. Those of you who are from the United States will probably have a strong awareness of GE from growing up with GE appliances and toasters and lightbulbs.

This presents us with a double challenge – to be known...and to be known for what we really are...which is not a toasters and washing-machine company... but a diverse multi-business company with a strong presence in the High Technology and Service sectors, including Financial services... particularly here in the UK. In fact, we had revenues of \$5 billion in the UK in 2002 and we employ some 15,000 people here.

Our National Executive, Charles Alexander, is here tonight and Charles also leads Business Development for the Financial Services businesses from London. When I took this job I moved GE's European Headquarters from London to Brussels, but there are a few "die-hards" still insisting on staying here...

GE Global and European Results in 2003

In 2002, GE grew earnings 7% and cash 10%. We achieved global revenues of \$132 billion – of which 40% came from outside the US... and of our non-US earnings, more than half came from Europe.

The GE Business Model consists of three main elements:

- Diverse, Leading Businesses, Driving Performance
- Operating Rigour with a Strong Cash Focus
- Great People, in a Culture of Learning and Accountability

In 2002, we had over \$26 billion estimated revenues from sales into the European market – around one fifth of the total.

This is good, but it can be better – our results were adversely affected by difficulties in the ERC and Equity businesses in Europe and we are forecasting double-digit growth in Europe for 2003.

These results also do not tell the whole story, as a number of our businesses export products and services outside Europe, which are not included in these numbers.

Our plan is for European revenues to exceed \$30 billion in 2003 – an increase of about one fifth – and that is a stretch target in a depressed economic environment.

However, GE does well in tough economic times. The diversity of our portfolio with long and short cycle businesses, our aggressive attention to managing cost and our financial and management strength... all this means I am confident we will succeed in our growth objectives.

Those of you who have seen our 2003 Annual Report will know that our CEO, Jeff Immelt, characterises Europe as where GE is “small where we should be big”.

In Europe we have half the market share that we have in the US and growing our presence in Europe is my main objective in this role.

- To achieve growth we have created a Business Development organisation that complements and supports the individual business activities
- I am also strengthening Relationships – with Governments, Regulators, Major Customers and Partners at European and National Level

- We are raising Positive Awareness – through Corporate advertising and raising our profile generally in Europe
- Finally, through our People – focusing on Recruitment and Retention, Talent Development and Sales Force Effectiveness

Acquisitions Growth/European Commission Relations

Globally, GE has invested nearly \$35 billion in acquisitions over the past two years. We are looking for businesses we can grow... businesses which bring new technologies or talented people... In the current environment the prices are good and we are looking for long-term strategic investments.

One of my roles is to maintain a dialogue with the European Commission and I am often asked about my relationship with Professor Monti – who is a very charming and respected individual whom I like very much – and not just because he is an Italian!

I was delighted last Friday to hear that the European Commission had cleared GE's acquisition of First National from Abbey National – the latest in a number of acquisitions which GE Consumer Finance have made in the UK over the past couple of years – others include the igroup and Time Retail Finance operations.

This is the fifth consecutive EC approval we have received since Honeywell and the third financial deal – the others being Heller and ABB Structured Finance – and I hope this illustrates the positive working relationship we have with the European regulators... contrary to what you might read in the Financial Times.

The GE growth story is not just about acquisitions – organic growth is just as important – and I would like to share with you my perspective on the Regional strategy we need to adopt to achieve our objectives.

European Regional Growth Strategy:

In total, GE employs nearly 72,000 people in Europe, Middle East and Africa. Two thirds of our revenues and employees are currently in Western Europe – around \$17 billion in revenues and some 52,000 people. But we are growing rapidly in Eastern Europe, with nearly 19,000 people and \$5.5 billion in sales into those markets.

Looking at the Continent as a whole, I see three regional areas of opportunity for growth in Europe, the Middle East and Africa... and those are (1) Western Europe, (2) the Lower Cost Countries to the East and South, and (3) the Developing Countries.

Due to the economic and social conditions in Western Europe, our opportunities for growth should be in high technology investments and services in the widest sense.... both financial services and services for our existing installed base of equipment.

We need to target high technology and services because we have to create high margin, partially to offset the higher cost of manufacturing in this region.

Our decision to invest in a technology centre in Munich – to open in 2004 - is an example of this strategy.... also high technology acquisitions, such as Instrumentarium of Finland, which is currently under regulatory review.

In Low Cost Countries, such as former Eastern European countries, we are looking for opportunities that involve higher employment, to take advantage of the labour cost arbitrage... and capitalising on the highly educated talent that is available.

We will also continue to work closely with Government Agencies in these areas, to gain and maintain favourable conditions for inward investment.

Finally, we have the Developing Countries in the region, particularly the former Soviet Union and Africa, where there is a need to build basic infrastructures.

We have four particular businesses that are well positioned to take advantage of infrastructure development – Power Systems, Transportation Systems, Medical Systems and Aircraft Engines.

Russia is a major priority and I call it my Far West in the East. Plenty of progress to be made, but some very interesting opportunities all the same, as long as we can operate in line with the highest standards of integrity and with protection for our investments.

We are realistic about some of the obstacles in these countries, however, we also have some operating best practices, showing that even in a very difficult operating environment we can work successfully and in full compliance with GE standards.

Why is Europe attractive for GE?

Looking at Europe – there are several reasons why GE believes it is very attractive to invest and grow here to take advantage of the major opportunities:

Europe is a 350MM People Market... which will expand to 500MM in 2004 with EU Enlargement.

The creation of a pool of half a billion people with an economy the size of NAFTA – which was finally agreed in Copenhagen in December 2002 – has to provide major opportunities to business.

GE has invested significantly in a number of the applicant countries, such as Hungary, where we have had very successful results.

In addition, EU Enlargement offers us growing economies, with lower cost labour and huge future infrastructure investment plans

The European market structure is changing – there is a continuous push to privatise and liberalise markets.

The Regulatory agenda is favourable – the European Single Market and the introduction of the Euro have been successful in encouraging cross-border trade and bringing down barriers.

I know that it is a sensitive issue here in the UK, but I must say that GE is in favour of the Euro and hopes that you will adopt it in the near future.

We believe the Euro:

- provides cost transparency for the consumer and for business
- reduces variation across the European market
- removes exchange rate risk

I don't believe you will be taking the decision in the very short-term, but I would encourage you to be ready for Euro membership and to embrace it and take full advantage of it when it arrives!

Finally, Europe is the cradle of some of our main competitors.

Companies like Siemens and Bayer and Philips are competing with us in the US and we are happy to compete with them here in Europe!

Conclusion:

By “joining the dots across Europe” and working more closely together to drive down costs and develop new opportunities, I am confident we can achieve our aggressive growth targets here.

We are also in difficult economic conditions, when the strength of a company like General Electric gives us the confidence to invest for the future – in acquisitions but also in technology and research. The UK will be a key component of our future growth strategy in Europe and I look forward to an exchange of ideas with you and any questions you may have. Thank you.