

OFFERING CIRCULAR

The date of this Offering Circular is May 21, 2004

**General Electric Capital Corporation**  
(Incorporated under the laws of the State of Delaware, United States of America)

**GE Capital Australia Funding Pty Ltd**  
(A.B.N. 67085675467)

(Incorporated with limited liability under the laws Australia and registered in Victoria)

**GE Capital Canada Funding Company**  
(Incorporated under the laws of Nova Scotia, Canada)

**GE Capital European Funding**  
(Incorporated with unlimited liability under the Companies Acts, 1963-2003 of Ireland)

**GE Capital UK Funding**  
(Incorporated with unlimited liability under the Companies Acts, 1963-2003 of Ireland)

**Euro Medium-Term Notes and Other Debt Securities**  
**Due from 9 Months or More from Date of Issue**

General Electric Capital Corporation ("**GE Capital**"), GE Capital Australia Funding Pty Ltd ("**GEC Australia Funding**"), GE Capital Canada Funding Company ("**GEC Canada Funding**"), GE Capital European Funding ("**GECEF**") and GE Capital UK Funding ("**GECUKF**") together with GECEF, the "**Irish Issuers**" and each an "**Irish Issuer**") (GE Capital, GEC Australia Funding, GEC Canada Funding and the Irish Issuers, with each affiliate of GE Capital that is designated in the future as an additional issuer, each an "**Issuer**" and, collectively, the "**Issuers**") may offer at various times Euro Medium-Term Notes and Other Debt Securities (together, the "**Notes**"). Notes issued by an Issuer other than GE Capital will be unconditionally and irrevocably guaranteed by GE Capital (in such capacity, the "**Guarantor**"). Each Issuer will offer these Notes in series and tranches as described in this Offering Circular and in any currency, subject to applicable laws and regulations.

The following terms may apply to the Notes. Each relevant Issuer will provide the final terms for each Note in a pricing supplement (each a "**Pricing Supplement**").

- Notes will mature in 9 months or more from the issue date.
- Notes may be subject to redemption at the option of the relevant Issuer or repayment at the option of the holder.
- Notes will bear interest at either a fixed or a floating rate. The floating rate formula may be based on:
  - CD Rate
  - Commercial Paper Rate
  - Eleventh District Cost of Funds Rate
  - Federal Funds Rate
  - LIBOR
  - EURIBOR
  - Treasury Rate
  - Prime Rate
- Notes may also be issued as indexed notes, dual currency notes or amortizing notes.
- Notes generally will be issued in bearer form, although Notes may also be issued in registered form.
- Each relevant Issuer will pay interest on the Notes on the dates specified in the applicable Pricing Supplement.
- Notes generally may not be sold within the United States or to U.S. persons.

Application has been made to the Luxembourg Stock Exchange (the "**Luxembourg Stock Exchange**") for Notes issued under this Euro Medium-Term Note Programme (the "**Programme**") during the period of twelve months from the date hereof to be listed on the Luxembourg Stock Exchange and, consequently, this Offering Circular may be used for the purposes of listing Notes issued under the Programme on the Luxembourg Stock Exchange during such twelve month period. Applications have also been made to the Financial Services Authority in its capacity as competent authority under Part VI of the Financial Services and Markets Act 2000 (the "**FSMA**") (the "**UK Listing Authority**") for Notes issued under this Programme during the period of twelve months from the date hereof to be admitted to the official list maintained by the U.K. Listing Authority (the "**Official List of the UK Listing Authority**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List of the UK Listing Authority together with admission to the London Stock Exchange's market for listed securities will constitute official listing on the London Stock Exchange. Application has also been made by each of the Irish Issuers to the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") for Notes issued by each of the Irish Issuers under the Programme during the period of twelve months after the date hereof to be admitted to the official list of the Irish Stock Exchange (the "**Official List of the Irish Stock Exchange**"). Notes may also be listed on the official segment of the stock market of Euronext Amsterdam N.V. ("**Euronext Amsterdam**"), the Singapore Exchange Securities Trading Limited (the "**Singapore Stock Exchange**") or on or by such other stock exchange, competent listing authority and/or quotation system, in each case as specified in the applicable Pricing Supplement. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined herein) of Notes will be set forth in a Pricing Supplement which, with respect to Notes to be listed on the Luxembourg Stock Exchange and/or admitted to the Official List of the UK Listing Authority and/or the Official List of the Irish Stock Exchange, will be delivered to the Luxembourg Stock Exchange, the London Stock Exchange or the Irish Stock Exchange, as the case may be, on or before the date of issue of such Notes.

For the purposes of the admission of Notes to the Official List of the UK Listing Authority, this Offering Circular comprises listing particulars (the "**UK Listing Particulars**") issued in compliance with the listing rules made under section 74 of the FSMA (the "**UK Listing Rules**"). Copies of these UK Listing Particulars approved by the UK Listing Authority as required by the FSMA have been delivered for registration to the Registrar of Companies in England and Wales in accordance with section 83 of the FSMA. Copies of each Pricing Supplement (in the case of Notes to be admitted to the Official List of the UK Listing Authority) will be available from FT Business Research Centre operated by FT Interactive Data at Fitzroy House, 13-17 Epworth Street, London EC2A 4DL, United Kingdom and from the specified office set out below of each of the Paying Agents. The relevant Pricing Supplement will indicate the stock exchange, competent authority(ies) and/or quotation system(s), if any, on or by which each Tranche of Notes will be listed, quoted and/or traded.

For the purposes of the admission of Notes to the Official List of the Irish Stock Exchange, this Offering Circular (excluding any information incorporated by reference herein) comprises listing particulars (the "**Irish Listing Particulars**") issued in compliance with the Irish European Communities (Stock Exchange) Regulations, 1984 (as amended) (the "**Irish Regulations**") for the purpose of giving information with regard to the issue during the period of twelve months after the date of this document of Notes under this Programme. A copy of the Irish Listing Particulars has been delivered for registration to the Registrar of Companies in Ireland in accordance with regulation 13(1) of the Irish Regulations.

The Singapore Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission to the Official List of the Singapore Stock Exchange is not to be taken as an indication of the merits of the Issuers or the Notes.

Notes issued by any of the Irish Issuers having a maturity of less than one year constitute commercial paper for the purposes of, and are issued in accordance with, an exemption granted by the Irish Financial Services Regulatory Authority as a constituent part of the Central Bank and Financial Services Authority of Ireland under section 8(2) of the Central Bank Act, 1971 of Ireland, as inserted by section 31 of the Central Bank Act, 1989 of Ireland, as amended by section 70(d) of the Central Bank Act, 1997 of Ireland. An investment in Notes issued by an Irish Issuer with a maturity of less than one year will not have the status of a bank deposit and is not within the scope of the Deposit Protection Scheme operated by the Irish Financial Services Regulatory Authority as a constituent part of the Central Bank and Financial Services Authority of Ireland. The Irish Issuers are not and will not be regulated by the Irish Financial Services Regulatory Authority as a constituent part of the Central Bank and Financial Services Authority of Ireland by virtue of the issue of Notes under the Programme.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act.

**See "Risk Factors" on page 43 for a discussion of certain risks that should be considered in connection with an investment in the Notes.**

The Programme has been rated by Moody's Investors Service Limited ("**Moody's**") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies Inc. ("**S&P**"). Notes issued under the Programme may be rated or unrated. Where Notes are rated, such rating(s) may not necessarily be the same as the rating(s) assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes are being offered on a continuing basis by each Issuer through the Dealers named below. The Dealers have agreed to use their best efforts to solicit offers to purchase the Notes issued from time to time. Each Issuer also may sell Notes to any Dealer acting as principal for resale to investors or other purchasers. Each Issuer also has reserved the right to sell Notes directly to or through additional dealers and to investors on its own behalf. Each Issuer reserves the right to withdraw, cancel or modify any offer made hereby without notice. Each Issuer may reject any offer, or any Dealer, if it receives an offer, may reject any unreasonable offer, to purchase Notes, in whole or in part.

**Barclays Capital**  
**GE Capital Bank**  
**Merrill Lynch International**

**Credit Suisse First Boston**  
**Goldman Sachs International**  
**UBS Investment Bank**

## IMPORTANT NOTICE

The relevant Issuer and (in the case of Notes issued by an Issuer other than GE Capital) the Guarantor accept responsibility for the information contained in this Offering Circular and in any applicable Pricing Supplement with respect to such Issuer and (in the case of Notes issued by an Issuer other than GE Capital) the Guarantor. To the best of the knowledge and belief of the relevant Issuer and (in the case of Notes issued by an Issuer other than GE Capital) the Guarantor (having taken reasonable care to ensure that such is the case) such information is (and with respect to any Pricing Supplement, will be) in accordance with the facts and does not (and with respect to any Pricing Supplement, will not) omit anything likely to affect the import of such information.

Any reference in this Offering Circular to UK Listing Particulars means this Offering Circular excluding all information incorporated by reference herein. Each Issuer and (in the case of Notes issued by an Issuer other than GE Capital) the Guarantor has confirmed that any information incorporated by reference, including any such information to which readers of this document are expressly referred, has not been and does not need to be included in the UK Listing Particulars to satisfy the requirements of the FSMA or the Listing Rules. Each Issuer and (in the case of Notes issued by an Issuer other than GE Capital) the Guarantor believe that none of the information incorporated in this Offering Circular by reference conflicts in any material respect with the information included in these UK Listing Particulars.

None of the Dealers has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuers and (in the case of Notes issued by an Issuer other than GE Capital) the Guarantor in connection with the Notes. No Dealer accepts liability in relation to the information contained in this Offering Circular or any other information provided by the Issuers and (in the case of Notes issued by an Issuer other than GE Capital) the Guarantor in connection with the Notes.

No person has been authorized by the Issuer or (in the case of Notes issued by an Issuer other than GE Capital) the Guarantor to give any information or to make any representation not contained or incorporated by reference in or not consistent with this Offering Circular, any Pricing Supplement or any other financial statements or further information supplied pursuant to the Notes and, if given or made, such information or representation should not be relied upon as having been authorized by the Issuer, the Guarantor (in the case of Notes issued by an Issuer other than GE Capital) or any Dealer.

Neither this Offering Circular nor any other information supplied in connection with the Notes is intended to provide the basis of any credit or any other evaluation and should not be considered as a recommendation by the Issuers, the Guarantor or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Notes should purchase any of the Notes. Each investor contemplating purchasing any of the Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuers and the Guarantor. Neither this Offering Circular nor any other information supplied in connection with the Notes constitutes an offer or invitation by or on behalf of the Issuers, the Guarantor or any of the Dealers to any person to purchase any Notes other than the Notes described in the relevant Pricing Supplement to this Offering Circular relating thereto.

The delivery of this Offering Circular does not at any time imply that the information contained herein concerning the Issuers or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. None of the Dealers undertakes to review the financial condition or affairs of the Issuers or the Guarantor and their affiliates during the life of the Programme. Investors should review, *inter alia*, the most recent financial statements of the Guarantor and, if applicable, the Issuers, when deciding whether or not purchase any of the Notes.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "**Documents Incorporated by Reference**"). This Offering Circular shall, save as specified herein, be read and construed on the basis that such documents are so incorporated and form part of this Offering Circular but not part of the UK Listing Particulars or the Irish Listing Particulars.

GEC Canada Funding does not prepare financial statements for distribution to the public pursuant to any Canadian securities regulatory requirements. However, GEC Canada Funding has agreed that, at the request of any holder of Notes issued by such Issuer, it will provide to such holder a copy of the annual unaudited, unconsolidated financial statements, prepared in conformity with accounting principles generally accepted in Canada, with abbreviated notes of such Issuer. Such requests should be directed to the offices of the Paying Agent (as defined below) in London or Luxembourg.

The distribution of this Offering Circular and the offer of sale of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of the Notes in the United States of America, the United Kingdom, Japan, Germany, the Netherlands and Singapore (see "**Plan of Distribution**").

**In connection with an offering of any Tranche of Notes under the Programme described herein, the Dealer (if any) disclosed as the stabilizing manager in the applicable Pricing Supplement or any person acting for such Dealer, may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the stabilizing manager or any agent of such stabilizing manager to do this. Such stabilization, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilizing, if any, shall be in compliance with all relevant laws and regulations.**

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## SUPPLEMENTARY LISTING PARTICULARS

In connection with the listing of the Notes issued under the Programme on the Luxembourg Stock Exchange, the Singapore Stock Exchange and, where applicable, the Irish Stock Exchange, and for so long as any Notes remain outstanding and listed on such exchanges, each Issuer will, in the event of any material adverse change in the business or financial condition of any such Issuer or (in the case of Notes issued by an Issuer other than GE Capital) the Guarantor, as the case may be, or material change in the Terms and Conditions of the Notes (as set out below under "**Description of Notes**") or the Programme in each case that is not reflected in this Offering Circular, prepare a further supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes to be listed on the Luxembourg Stock Exchange, the Singapore Stock Exchange and, where applicable, the Irish Stock Exchange. If the terms of the supplement modify or amend the Offering Circular in such a manner as to make the Offering Circular, as so supplemented, inaccurate or misleading, a new Offering Circular will be prepared.

In connection with Notes listed on the Official List of the UK Listing Authority and admitted to trading by the London Stock Exchange, each Issuer undertakes to comply with sections 81 and 83 of the FSMA and confirms that, if at any time after publication of these UK Listing Particulars:

- (a) there is a significant change affecting any matter contained in these UK Listing Particulars the inclusion of which was required by section 80 of the FSMA or by the Listing Rules; or
- (b) a significant new matter arises, the inclusion of information in respect of which would have been so required if it had arisen when these UK Listing Particulars were prepared,

then such Issuer shall give to the Dealers full information about such change or matter and shall publish such supplementary listing particulars as may be required by the UK Listing Authority and shall otherwise comply with the Listing Rules and the FSMA in that regard.

## AVAILABLE INFORMATION

GE Capital is subject to the informational requirements of the United States Securities Exchange Act of 1934, as amended (the "**1934 Act**") and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "**Commission**" or the "**SEC**"). Such reports and other information can be viewed and copies can be obtained at the Public Reference Room of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, U.S.A. at prescribed rates. The Commission maintains a Web site at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding registrants that file electronically with the Commission, including GE Capital. Reports and other information concerning GE Capital can also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005, U.S.A., on which certain of the Company's securities are listed.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Offering Circular (although they do not form part of the UK Listing Particulars or the Irish Listing Particulars):

- (a) the most recent Annual Report on Form 10-K of GE Capital, as amended by Form 10-K/A, filed with the Commission pursuant to the 1934 Act ("**Form 10-K**");
- (b) the Current Report on Form 8-K of GE Capital filed with the Commission on March 30, 2004;
- (c) any other reports filed by GE Capital with the Commission pursuant to Sections 13(a), 13(c), 14 or 15(d) of the 1934 Act and the rules and regulations thereunder subsequent to the date of the financial statements included in the Annual Report on Form 10-K specified in sub-paragraph (a) above and including, without limitation, any Quarterly Report on Form 10-Q, provided, however, that GE Capital is not incorporating by reference any information furnished to the Commission under either Item 9 or Item 12 of any Current Report on Form 8-K unless, and except to the extent, specified in any such Current Report on Form 8-K;
- (d) the audited financial statements for the years ended December 31, 2003 and 2002 of GEC Australia Funding;
- (e) any annual, audited financial statements of GEC Australia Funding that are finalized after the date of this Offering Circular from the date of filing of such documents with the relevant stock exchange;
- (f) the audited financial statements for the year ended December 31, 2003 of GECEF;

- (g) any annual, audited financial statements of GECEF that are finalized after the date of this Offering Circular from the date of filing of such documents with the relevant stock exchange;
- (h) the audited financial statements for the year ended December 31, 2003 of GECUKF; and
- (i) any annual, audited financial statements of GECUKF that are finalized after the date of this Offering Circular from the date of filing of such documents with the relevant stock exchange.

Copies of reports set out in items (a) and (b) above may be reviewed on the internet at [www.ge.com/en/company/investor/secfilings.htm](http://www.ge.com/en/company/investor/secfilings.htm). Copies are also available, without charge, from GE Corporate Investor Communications, 3135 Easton Turnpike, Fairfield, CT06828-0001, U.S.A. Alternatively, reports filed with the SEC may be viewed or obtained at the SEC Public Reference Room in Washington, D.C. or at [www.sec.gov](http://www.sec.gov).

Websites referred to in this Offering Circular do not form part of the UK Listing Particulars or the Irish Listing Particulars.

GEC Canada Funding does not prepare financial statements for public distribution pursuant to any Canadian securities regulatory requirements. See "**Financial Information Relating to GEC Canada Funding**" herein.

Any statement contained herein or in a document, all or a portion of which is incorporated or deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for the purposes of this Offering Circular to the extent that a statement contained herein (or in any subsequently filed document incorporated or deemed to be incorporated by reference herein) modifies or supersedes such statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

Each Issuer hereby undertakes to provide free of charge to each person, including any beneficial owner of a Note, to whom a copy of this Offering Circular has been delivered, on the written or oral request of such person, a copy of any or all of the documents referred to above which have been or may be incorporated by reference herein, other than exhibits to such documents, unless such exhibits are specifically incorporated by reference into such documents. All such documents incorporated by reference in this Offering Circular may be obtained free of charge. Such requests should be directed to (a) the specified office of the Luxembourg Listing Agent, Kredietbank S.A. Luxembourgeoise, 43, Boulevard Royal, L-2955 Luxembourg, Attention: Listing Department; or (b) to the principal office of the Principal Paying Agent, JPMorgan Chase Bank, at Trinity Tower, 9 Thomas More Street, London E1W 1YT, United Kingdom; or (c) to the offices of the Irish paying agent (the "**Irish Paying Agent**") J.P. Morgan Bank (Ireland) p.l.c, J.P. Morgan House, I.F.S.C, Dublin 1, Ireland. Such documents will also be available for inspection at the offices of the Luxembourg Listing Agent, the Principal Paying Agent and/or the Irish Paying Agent.

Documents incorporated by reference in this Offering Circular have not been submitted to the clearance procedure of Euronext Amsterdam or any other exchange, competent listing authority and/or quotation system in Amsterdam.

## DESCRIPTION OF GE CAPITAL

GE Capital was incorporated in 1943 in the State of New York under the provisions of the New York Banking Law relating to investment companies, as successor to General Electric Contracts Corporation, which was formed in 1932. Until November 1987, the name of GE Capital was General Electric Credit Corporation. On July 2, 2001, GE Capital changed its state of incorporation to the State of Delaware under the Delaware General Corporation Law (Title 8), U.S.A., with authentication number 1221631. All outstanding common stock of GE Capital is owned by General Electric Capital Services, Inc. ("**GE Capital Services**"), formerly General Electric Financial Services, Inc., the common stock of which is in turn wholly owned directly or indirectly by General Electric Company ("**GE Company**"). Financing and services offered by GE Capital are diversified, a significant change from the original business of GE Capital, that is, financing distribution and sale of consumer and other GE Company products. GE Company manufactures few of the products financed by GE Capital.

GE Capital operates in four key operating segments: Commercial Finance, Consumer Finance, Equipment & Other Services and Insurance. These operations are subject to a variety of regulations in their respective jurisdictions.

Services of GE Capital are offered primarily in the United States, Canada, Europe and the Pacific Basin. GE Capital's principal executive offices are located at 260 Long Ridge Road, Stamford, Connecticut 06927-1600 (telephone number (203) 357-4000). At December 31, 2003, GE Capital employed approximately 83,700 persons and had approximately 2,500 subsidiaries.

On January 1, 2004, GE Capital simplified its organization. The segments most affected by this change are:

- Commercial Finance – the combination of Commercial Finance and the Fleet Services business that was previously part of Equipment Management; and
- Equipment & Other Services – the combination of Equipment Management and the All Other GECS segments.

The Directors of GE Capital, their respective business addresses, their position in GE Capital or its affiliates and their principal activities are:

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>
David L. Calhoun .....	GE Aircraft Engines 1 Neumann Way Cincinnati, OH 45215	Chief Executive Officer
James A. Colica .....	GE Capital Corporation 260 Long Ridge Road Stamford, CT 06927	Senior Vice President Global Risk Management
Dennis D. Dammerman .....	GE Company 3135 Easton Turnpike Fairfield, CT 06431	Vice Chairman and Executive Officer
Brackett B. Denniston .....	GE Company 3135 Easton Turnpike Fairfield, CT 06431	Vice President, General Counsel
Arthur H. Harper .....	GE Equipment Management 260 Long Ridge Road Stamford, CT 06927	President and Chief Executive Officer
Jeffrey R. Immelt.....	General Electric Company 3135 Easton Turnpike Fairfield, CT 06431	Chairman and Chief Executive Officer
Robert A. Jeffe .....	General Electric Company 3135 Easton Turnpike Fairfield, CT 06431	Senior Vice President Corporate Business Development
John H. Myers .....	GE Asset Management 3003 Summer Street, 7th Fl Stamford, CT 06905	Chairman and President
Michael A. Neal .....	GE Commercial Finance 260 Long Ridge Road Stamford, CT 06927	President and Chief Executive Officer
David R. Nissen.....	GE Consumer Finance 260 Long Ridge Road Stamford, CT 06927	President and Chief Executive Officer

James A. Parke .....	GE Capital Corporation 260 Long Ridge Road Stamford, CT 06927	Vice Chairman & Chief Financial Officer
Ronald R. Pressman.....	Employers Reinsurance Company 5200 Metcalf Overland Park, KS 66204	Chairman, President & Chief Executive Officer
John M. Samuels .....	General Electric Company 3135 Easton Turnpike Fairfield, CT 06431	Vice President & Senior Counsel, Corporate Taxes
Keith S. Sherin .....	General Electric Company 3135 Easton Turnpike Fairfield, CT 06431	Sr. Vice President, Finance, and Chief Financial Officer
Robert C. Wright .....	National Broadcasting Company 30 Rockefeller Plaza New York, NY 10112	President and Chief Executive Officer

All of the directors of GE Capital are officers of GE Capital, GE Capital Services or GE Company.



## CAPITALIZATION OF GENERAL ELECTRIC CAPITAL CORPORATION

The following table sets forth the capitalization and indebtedness of GE Capital and its consolidated affiliates, consisting of borrowings and equity, at December 31, 2003 and March 31, 2004. Certain information set out in this table has been excerpted from, and should be read in the context of, the financial data, including the audited financial statements and certain related notes, of GE Capital and its consolidated affiliates for the fiscal year ended December 31, 2003 which is set forth in Annex C to this Offering Circular. The financial data reproduced in Annex C hereto have been derived from, and should be read in conjunction with, the Annual Report of GE Capital on Form 10-K for the fiscal year ended December 31, 2003 and the Current Report of Form 8-K filed on March 30, 2004, copies of which may be obtained as described under "**Documents Incorporated By Reference**". Certain information set out in this table has been excerpted from, and should be read in the context of, the financial data, including the unaudited financial statements and certain related notes, of GE Capital and its consolidated affiliates for the quarter ended March 30, 2004 contained in the Quarterly Report on Form 10-Q filed on May 4, 2004, copies of which may be obtained as described under "**Documents Incorporated By Reference**".

	Outstanding at <u>December 31, 2003</u>	(Unaudited) Outstanding at <u>March 31, 2004</u>
	(Dollar amounts in millions)	(Dollar amounts in millions)
<b><u>Liabilities and Shareowner's Equity</u></b>		
Borrowings <sup>1 2 3</sup> :		
Short-term borrowings	\$ 126,105	\$134,575
Senior long-term borrowings	159,616	158,739
Subordinated long-term borrowings	963	963
Total Borrowings	<u>286,684</u>	<u>294,277</u>
Accounts Payable	14,124	13,785
Insurance liabilities, reserves and annuity benefits	100,449	101,559
Consolidate, liquidating securitization entities	25,721	22,855
Other liabilities	20,700	19,998
Deferred income	10,411	12,415
Total Liabilities	<u>458,089</u>	<u>464,889</u>
Minority interest in equity of consolidated affiliates	2,098	2,584
Equity:		
Variable cumulative preferred stock-par value \$100, liquidation preference \$100,000 per share (33,000 shares authorized and 26,000 shares outstanding)	3	3
Common stock, \$4.00 par value (4,166,000 shares authorized and 3,985,403 shares outstanding)	16	16
Additional paid-in capital	14,236	14,602
Retained earnings	29,445	30,708
Accumulated gains/(losses)-net:		
Investment securities	1,538	2,973
Currency translation adjustments	2,621	2,541
Derivatives qualifying as hedges	(1,618)	(1,617)
Total equity	<u>46,241</u>	<u>49,226</u>
Total capitalization <sup>4</sup>	<u>\$ 506,428</u>	<u>\$ 516,699</u>

The details on the issued share capital of GE Capital, and the movement in shareholder funds, may be found in Note 16 of Annex C hereto.

<sup>1</sup> Approximately \$700 million of subordinated notes issued by GE Capital is guaranteed by GE Company. Approximately \$175 million of indebtedness which GE Capital assumed in connection with the acquisition of Heller Financial, Inc. in 2001 is guaranteed by General Electric Capital Services, Inc. No other indebtedness is guaranteed. All of GE Capital's indebtedness is unsecured.

<sup>2</sup> As at December 31, 2003, GE Capital had contingent liabilities (including approximately 266 guarantees) of approximately \$10.5 billion as a result of liquidity support obligations, credit support obligations, indemnification agreements and contingent consideration. Further details on GE Capital's contingent liabilities may be found in Note 21 of the financial data set out in Annex C hereto.

<sup>3</sup> GE Capital provides guarantees to its affiliated companies in the ordinary course of business. GE Capital records liabilities, as disclosed in its Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and the Current Report on Form 8-K filed on March 30, 2004, for such guarantees based on its best estimate of probable losses, which

considers amounts recoverable under recourse provisions. For the fiscal year ended December 31, 2003, GE Capital recorded liabilities of approximately \$111 million in respect of such probable losses. Further details on GE Capital's guarantees may be found in Note 21 of the financial data set out in Annex C hereto. As at December 31, 2003, GE Capital issued approximately 266 guarantees.

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There are no other factors that have materially affected the capitalization and indebtedness of GE Capital since December 31, 2003. Except as otherwise disclosed above, there have been no material changes in the capitalization or indebtedness, or contingent liabilities and guarantees of GE Capital and its consolidated affiliates considered as a whole since March 31, 2004.

## DESCRIPTION OF GEC AUSTRALIA FUNDING

GEC Australia Funding was incorporated on December 22, 1998 under the laws of the Commonwealth of Australia, and registered in Victoria, as a limited liability proprietary company. GEC Australia Funding is a finance subsidiary of GE Capital for Australia and New Zealand. It is primarily engaged in obtaining financing in public markets to fund the operations of affiliated companies, principally by way of loans to such affiliated operating companies. GEC Australia Funding is a wholly-owned affiliate of GE Capital. GEC Australia Funding has two wholly-owned affiliates, GE Capital Australia Cash Pool Pty Ltd and Morlan Pty Ltd (a dormant, non-trading entity). GEC Australia Funding also has a 99.99% interest in the subsidiary undertaking GE Liquidity Partnership.

GEC Australia Funding's registered office and principal executive office is located at 572 Swan Street, Richmond, Victoria 3121, Australia, telephone number 613 9921 6522. GEC Australia Funding's registered number is ABN 67085675467.

The directors of GEC Australia Funding, their respective business addresses and their principal activities are:

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>
S.P. Bertamini.....	572 Swan Street Richmond, Victoria 3121 Australia	Chief Executive Officer, Australia and New Zealand
J.M. Kelly .....	255 George Street Sydney New South Wales 2000 Australia	General Counsel, Australia and New Zealand
C.G. Vanderkley .....	572 Swan Street Richmond, Victoria 3121 Australia	Chief Financial Officer, Australia and New Zealand

The business address of each of the directors of GEC Australia Funding is 572 Swan Street, Richmond, Victoria, 3121, Australia.

## CAPITALIZATION AND INDEBTEDNESS OF GEC AUSTRALIA FUNDING

The following table sets out the capitalization and indebtedness of GEC Australia Funding as at December 31, 2003 and is derived from the audited financial statements of GEC Australia Funding as at December 31, 2003, prepared in conformity with accounting principles generally accepted in Australia.

	<b>Outstanding at December 31, 2003 (amounts in thousands)</b>
Creditors and Borrowing:	
Current .....	A\$5,505,252
Non-current .....	10,767,913
Other:	
Current .....	95,831
Non-current .....	—
Total Liabilities <sup>1,3</sup> .....	<u>A\$16,368,996</u>
Equity:	
Share Capital	
Ordinary shares—par value A\$1 <sup>2</sup> .....	A\$50,000
Reserves .....	—
Retained Profits .....	(43,360)
Outside Equity Interest .....	<u>1,009</u>
Total Equity .....	<u>7,649</u>
Total Capitalization .....	<u>A\$7,649</u>

<sup>1</sup> As at the date of the document GEC Australia Funding has no contingent liabilities or guarantees. All of GEC Australia Funding's indebtedness is unsecured. All of GEC Australia Funding's indebtedness is guaranteed by GE Capital.

<sup>2</sup> GEC Australia Funding has an authorized share capital of 50,000,002 shares, all of which have been issued and are fully paid up.

<sup>3</sup> Except as disclosed above, there has been no material change in the capitalization or indebtedness, or contingent liabilities and guarantees of GEC Australia Funding since December 31, 2003.

Information concerning the activities of GEC Australia Funding may be found on page 1 of its annual report for the fiscal year ended December 31, 2003, which is reproduced in Annex D to this Offering Circular.

## DESCRIPTION OF GEC CANADA FUNDING

GEC Canada Funding is an unlimited liability corporation incorporated under the laws of Nova Scotia, Canada on September 17, 1998 and is a wholly-owned affiliate of GE Capital. Its registered office is located at Purdy's Wharf Tower One, P.O. Box 997, 1959 Upper Water Street, Halifax, Nova Scotia, Canada B3J 2X2 and its principal place of business is located at 2300 Meadowvale Boulevard, Mississauga, Ontario, Canada L5N 5P9, telephone number (905) 858-5100.

GEC Canada Funding is primarily engaged in obtaining financing in public markets to fund the operations of affiliated companies. These affiliated companies engage in, among other things, financial and full service leasing of commercial equipment, automobile fleets, railcars and computer systems, and asset-based commercial lending. GEC Canada Funding has two wholly-owned subsidiaries: 3065715 Nova Scotia Company and 3065716 Nova Scotia Company. In addition, GEC Canada Funding has two other subsidiary undertakings: GE Canada Term Funding Limited Partnership and GE Canada Liquidity Funding Limited Partnership.

The Directors of GEC Canada Funding, their respective business addresses and their principal activities are:

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>
David S. Brennan .....	2300 Meadowvale Boulevard Mississauga, Ontario Canada L5N 5P9	Vice President, General Counsel and Secretary General Electric Capital Canada Inc.
Kathryn A. Cassidy .....	201 High Ridge Road Stamford, CT 06905-3417 USA	Senior Vice President – Corporate Treasury and Global Funding Operation, GE Capital
D. Peter Donovan .....	2300 Meadowvale Boulevard Mississauga, Ontario Canada L5N 5P9	Vice President and Comptroller, General Electric Capital Canada Inc.

The business address of each of each of the directors of GEC Canada Funding is 2300 Meadowvale Boulevard, Mississauga, Ontario, Canada L5N 5P9.

All of the directors of GEC Canada Funding are officers or employees of General Electric Capital Canada Inc. or GE Capital.

GEC Canada Funding does not prepare financial statements for distribution to the public pursuant to any Canadian securities regulatory requirements.

## CAPITALIZATION AND INDEBTEDNESS OF GEC CANADA FUNDING

The following table sets out the capitalization and indebtedness of GEC Canada Funding as at December 31, 2003. GEC Canada Funding does not currently prepare audited financial statements.

	(unaudited) Outstanding at <u>December 31, 2003</u> (amounts in thousands)
Notes Payable:	
Notes payable within one year.....	C\$ 4,907,540
Notes payable after one year .....	<u>5,016,582</u>
Total notes payable <sup>1</sup> .....	<u>C\$9,924,122</u>
Share Capital:	
Common shares without par value (100,000,000 authorized and 1,412 shares outstanding) .....	C\$ 28,125
Total share capital.....	<u>—</u>
Total capitalization <sup>2</sup> .....	<u>C\$ 28,125</u>

<sup>1</sup> As at the date of the document GEC Canada Funding has no contingent liabilities or guarantees. All of GEC Canada Funding's indebtedness is unsecured. All of GEC Canada Funding's indebtedness is guaranteed by GE Capital.

<sup>2</sup> Except as disclosed above, there has been no material change in the capitalization or indebtedness, or contingent liabilities and guarantees of GEC Canada Funding since December 31, 2003.

## **DESCRIPTION OF GE CAPITAL EUROPEAN FUNDING**

GE Capital European Funding, which was initially incorporated and registered under the Companies Acts, 1963 to 2003 of Ireland as Buford Limited on June 6, 1985 with registered number 107727, was renamed Shannon International Leasing & financial services Limited on July 28, 1986, and further renamed GE Capital European Funding Limited on April 25, 2002. On August 28, 2002, GECEF became a public unlimited company and its name changed to GE Capital European Funding.

The registered office of GECEF is at WIL House, Shannon Business Park, Shannon, Co. Clare, Ireland.

Since becoming a public unlimited company, the share capital of GECEF has been reorganized by the redemption and cancellation of various classes of non voting and non participating shares, out of the proceeds of a new issue of ordinary shares (see Note 16 of GECEF's annual report for the fiscal year ended December 31, 2003, which is reproduced in Annex E to this Offering Circular).

The entire issued share capital of GECEF is beneficially owned by GE Capital Shannon, a wholly-owned affiliate of GE Capital.

GECEF has two wholly-owned affiliates, Eireann Aviation Finance Limited and GE Capital Funding Bermuda. Eireann Aviation Finance Limited is an aircraft financing special purpose company. GE Capital Funding Bermuda has not yet commenced trading.

The principal objects of GECEF are set out in clause 2 of its Memorandum of Association and include, among other things, engaging in financial service activities of various nature and kind and providing financial services generally, which would include obtaining financing in the capital markets primarily for the purpose of funding the operations of affiliated companies.

### **Directors**

The directors of GECEF and their respective business addresses and principal activities are:

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>
Mr. Ken Byrne	Woodchester House Golden Lane Dublin 8	Tax Director (non-executive) GE Capital Global Consumer Finance Europe
Mr. Brendan Gilligan	Woodchester House Golden Lane Dublin 8	Controller (non-executive) GE Capital Global Consumer Finance Europe
Mr. Patrick Gilmartin	WIL House Shannon Business Park Shannon, Co. Clare	General Manager (executive) GE Capital European Funding
Mr. Frank Cantillon	WIL House Shannon Business Park Shannon, Co. Clare	Chief Financial Officer (executive) GE Capital European Funding
Mr. Mark S. Barber	201 High Ridge Road Stamford, CT 06905-3417 USA	Vice President and Assistant Treasurer GE Capital
Mr. Christophe A. Thomas	Tour Europlaza La Défense, 92063 La Défense Cedex Paris, France	Operations and Quality Manager GE Capital Bank S.C.A.

The Secretary of GECEF is Mr. Frank Cantillon, whose business address is set out above.

## CAPITALIZATION AND INDEBTEDNESS OF GE CAPITAL EUROPEAN FUNDING

The following table sets out the capitalization and indebtedness of GECEF as at December 31, 2002 and December 31, 2003, and is derived from the audited financial statements of GECEF as at December 31, 2002 and December 31, 2003, respectively, prepared in conformity with accounting principles generally accepted in Ireland.

	As at December 31, <u>2003</u> €000's	As at December 31, <u>2002</u> €000's
Shareholders equity <sup>1,4</sup>		
— Ordinary shares (100,000,000 ordinary shares of €1.27 each authorized, 33,515,848 of which have been issued and paid up in full).....	42,565	29,865
— Share premium.....	<u>191,750</u>	<u>4,450</u>
Total Share Capital .....	<u>234,315</u>	<u>34,315</u>
— Reserves.....	2,599	(54)
— Other reserves .....	=	=
Total Reserves .....	<u>2,599</u>	<u>(54)</u>
Total shareholders' equity .....	236,914	34,26
Minority Interests .....	—	—
Long term subordinated debt.....	=	=
Total Capitalization .....	<u>236,914</u>	<u>34,261</u>
Indebtedness		
Due to banks .....	60,458	80,494
Due to MTN & CP Investors <sup>2</sup> .....	9,348,764	—
Due to other GE companies.....	169,404	760,063
Due to revenue authorities and other creditors .....	<u>19,309</u>	<u>2,677</u>
Total indebtedness <sup>3</sup> .....	<u>9,597,935</u>	<u>843,234</u>

<sup>1</sup> The details on the issued share capital of GECEF, and the movement in shareholder funds, may be found in Notes 14 and 15 of its annual report for the fiscal year ended December 31, 2003, which is reproduced in Annex E to this Offering Circular. There are no other factors that have materially affected the capitalization and indebtedness of GECEF since December 31, 2003.

<sup>2</sup> All indebtedness due to medium term note and commercial paper investors is guaranteed by GE Capital. No other indebtedness is guaranteed.

<sup>3</sup> As at the date of the document GECEF has no contingent liabilities or guarantees. All of GECEF's indebtedness is unsecured.

<sup>4</sup> Except as disclosed above, there have been no material changes in the capitalization or indebtedness, or contingent liabilities and guarantees of GECEF since December 31, 2003.

Information concerning the activities of GECEF may be found on page 2 of its annual report for the fiscal year ended December 31, 2003, which is reproduced in Annex E to this Offering Circular.

## DESCRIPTION OF GE CAPITAL UK FUNDING

GE Capital UK Funding was incorporated and registered in Ireland (registered number 367997) as a public unlimited company under the Companies Acts, 1963 to 2003 of Ireland on February 27, 2003. The registered office of GECUKF is at WIL House, Shannon Business Park, Shannon, Co. Clare, Ireland. The entire issued share capital of GECUKF is beneficially owned by GE Capital Shannon, a wholly-owned affiliate of GE Capital. GECUKF does not have any subsidiaries.

The principal objects of GECUKF are set out in clause 2 of its Memorandum of Association and include, among other things, engaging in financial service activities of every nature and kind and providing financial services generally, which would include obtaining financing in the capital markets primarily for the purpose of funding the operations of affiliated companies.

GECUKF has not engaged, since its incorporation, in any material activities other than those incidental to its incorporation under the Companies Acts, 1963 to 2003 of Ireland, the authorization and issue of the Notes, the matters referred to or contemplated in this Offering Circular and the authorization, execution, delivery and performance of the other documents referred to in this document to which it is a party and matters which are incidental or ancillary to the foregoing.

### Directors

The directors of GECUKF and their respective business addresses and principal activities are:

<u>Name</u>	<u>Address</u>	<u>Principal Activities</u>
Mr. Patrick Gilmartin	WIL House Shannon Business Park Shannon, Co. Clare	General Manager (GECEF) GE Capital European Funding
Mr. Frank Cantillon	WIL House Shannon Business Park Shannon, Co. Clare	Chief Financial Officer (GECEF) GE Capital European Funding
Mr. Mark S. Barber	201 High Ridge Road Stamford, CT 06905-3417 USA	Vice President and Assistant Treasurer, GE Capital
Mr. Brendan Gilligan	Woodchester House Golden Lane Dublin 8	Controller (non-executive) GE Capital Global Consumer Finance Europe

The Secretary of GECUKF is Mr. Frank Cantillon whose business address is set out above.



## CAPITALIZATION AND INDEBTEDNESS OF GE CAPITAL UK FUNDING

The following table sets out the capitalization and indebtedness of GECUKF as at December 31, 2003 and is derived from the audited financial statements of GECUKF as at December 31, 2003, prepared in conformity with accounting principles generally accepted in Ireland.:

	As at December 31, <u>2003</u> GBP 000's
Shareholders' equity <sup>1</sup>	
— Ordinary shares (100,000,000 ordinary shares of £1.00 each authorized, 11,750,000 of which have been issued and paid up in full) .....	11,750
— Share premium .....	<u>38,250</u>
Total Share Capital .....	<u>50,000</u>
— Reserves .....	2,357
 Total Reserves .....	 <u>2,357</u>
 Total shareholders' equity .....	 52,357
Minority Interests .....	—
Long term subordinated debt .....	—
Total Capitalization .....	<u>52,357</u>
 Indebtedness	
Due to banks .....	—
Due to MTN & CP Investors <sup>2</sup> .....	2,304,192
Due to other GE companies .....	872,919
Due to revenue authorities and other creditors .....	<u>7,957</u>
 Total indebtedness <sup>2,3,4</sup> .....	 <u>GBP3,185,068</u>

<sup>1</sup> The details on the issued share capital of GECUKF, and the movement in shareholder funds, may be found in Notes 11 and 13 of its annual report for the fiscal year ended December 31, 2003, which is reproduced in Annex F to this Offering Circular. There are no other factors that have materially affected the capitalization and indebtedness of GECUKF since December 31, 2003.

<sup>2</sup> As at the date of the document GECUKF has no contingent liabilities or guarantees. All of GECUKF's indebtedness is unsecured.

<sup>3</sup> All indebtedness due to medium term note and commercial paper investors is guaranteed by GE Capital. No other indebtedness is guaranteed.

<sup>4</sup> Except as disclosed above, there have been no material changes in the capitalization or indebtedness, or contingent liabilities and guarantees of GECUKF since December 31, 2003.

Information concerning the activities of GECUKF may be found on page 2 of its annual report for the fiscal year ended December 31, 2003, which is reproduced in Annex F to this Offering Circular.

## **USE OF PROCEEDS**

Except as may be otherwise set forth in the applicable Pricing Supplement, the net proceeds from the sale of Notes by GE Capital or by GEC Canada Funding will be added to the general funds of each of GE Capital or GEC Canada Funding, as the case may be, and will be available for financing each of their respective operations.

The net proceeds from the sale of Notes by GEC Australia Funding, except as may be otherwise set forth in the applicable Pricing Supplement, will be added to its general funds and will be available for financing its operations.

The net proceeds from the sale of Notes by an Irish Issuer will be added to the general funds of the relevant Irish Issuer and will be available for financing its operations. Additional short- and long-term financing, as required, will be undertaken at such times, and through such means, as may be appropriate.

## DESCRIPTION OF NOTES

### General

Each Issuer may issue and have outstanding from time to time an unlimited principal amount of its Euro Medium-Term Notes ("**Medium Term Notes**") and other debt securities ("**Other Debt Securities**") having maturities of 9 months or more from date of issue (Medium-Term Notes and Other Debt Securities are referred to collectively as the "**Notes**") under this Programme. Notes may be denominated in any currency, subject to any applicable laws and regulations. Unless otherwise specified in an applicable Pricing Supplement, Notes will have the terms described below, except that references to interest payments and interest-related information do not apply to certain Original Issue Discount Notes (as defined below).

The Notes are to be issued under a Fifth Amended and Restated Fiscal and Paying Agency Agreement dated as of May 21, 2004 among GE Capital, in its capacity as both Issuer and Guarantor, GEC Australia Funding, GEC Canada Funding, the Irish Issuers and JPMorgan Chase Bank, as fiscal agent (in such capacity, the "**Fiscal Agent**") and Principal Paying Agent and the other paying agents and transfer agents named therein, as further amended and supplemented from time to time (the "**Fiscal Agency Agreement**"). The following summaries of certain provisions of the Fiscal Agency Agreement do not purport to be complete, and are subject to, and are qualified in their entirety by reference to, all the provisions of the Fiscal Agency Agreement, including the definitions therein of certain terms.

Each relevant Issuer may, from time to time, re-open one or more series of Notes (each, a "**Series**") and issue additional Notes with the same terms (including maturity and interest payment terms) as Notes issued on an earlier date; provided that a Series of Notes may not comprise both Notes in bearer form and Notes in registered form. After such additional Notes are issued they will be fungible with the previously issued Notes to the extent specified in the applicable Pricing Supplement. Each such Series may contain one or more tranches of Notes (each, a "**Tranche**") having identical terms, including the authentication date and the public offering price; provided that a Tranche of Notes may not comprise Notes in bearer form and Notes in registered form.

Each Note will be unsecured and will rank equally with all other unsecured and unsubordinated obligations of the Issuer thereof.

The Pricing Supplement relating to a Tranche of Notes issued by any Issuer will describe the following terms: (i) the currency or composite currency in which the Notes of such Tranche will be denominated (each such currency or composite currency, a "**Specified Currency**") and, if other than the Specified Currency, the currency or composite currency in which payments on the Notes of such Series will be made (and, if the Specified Currency or currency or composite currency of payment is other than U.S. Dollars, certain other terms relating to such Notes (a "**Foreign Currency Note**") and such Specified Currency or such currency or composite currency of payment); (ii) whether such Notes are Fixed Rate Notes or Floating Rate Notes (including whether such Notes are Regular Floating Rate Notes, Floating Rate/Fixed Rate Notes or Inverse Floating Rate Notes); (iii) the price at which such Notes will be issued (the "**Issue Price**"); (iv) the date on which such Notes will be issued (the "**Original Issue Date**"); (v) the date on which such Notes will mature; (vi) if such Notes are Fixed Rate Notes, the rate per annum at which such Notes will bear interest, if any; (vii) if such Notes are Floating Rate Notes, the base rate (the "**Base Rate**"), the initial interest rate (the "**Initial Interest Rate**"), the minimum interest rate (the "**Minimum Interest Rate**"), the maximum interest rate (the "**Maximum Interest Rate**"), the Interest Payment Dates, the Index Maturity, the Spread and/or Spread Multiplier, if any (all as defined in "**Interest and Interest Rates**" below) and any other terms relating to the particular method of calculating the interest rate for such Notes; (viii) if such Notes are Indexed Notes, the terms relating to the particular Notes; (ix) if such Notes are Dual Currency Notes, the terms relating to the particular Notes; (x) if such Notes are Amortizing Notes, the amortization schedule and any other terms relating to the particular Notes; (xi) whether such Notes may be redeemed at the option of the relevant Issuer, or repaid at the option of the holder, prior to its stated maturity as described under "**Optional Redemption**" and "**Repayment at the Noteholders' Option; Repurchase**" below and, if so, the provisions relating to such redemption or repayment, including, in the case of any Original Issue Discount Notes, the information necessary to determine the amount due upon redemption or repayment; (xii) any relevant tax consequences associated with the terms of the Notes which have not been described under "**Tax Considerations—United States Tax Considerations**" below and, in the case of Notes issued by GEC Australia Funding, GEC Canada Funding or the Irish Issuers, "**Tax Considerations—Australian Tax Considerations**", "**Tax Considerations—Canadian Tax Considerations**" and "**Tax Considerations—Irish Tax Considerations**", respectively; (xiii) if such Notes are Additional Notes (as defined below), a description of the original issue date and aggregate principal amount of the prior Tranche of Notes having terms (other than the original issue date and public offering price) identical to such Additional Notes; (xiv) in the case of Notes issued by an Issuer other than GE Capital, the terms of the Guarantee; and (xv) any other terms of such Notes not inconsistent with the provisions of the Fiscal Agency Agreement. In addition, each Pricing Supplement with respect to a Tranche of Notes will identify the Dealer(s) participating in the distribution of such Notes. See "**Plan of Distribution-General**." Forms of Pricing Supplements relating to Fixed Rate Notes and Floating Rates Notes are attached hereto as Annex A and Annex B, respectively.

If any Notes are to be issued as Foreign Currency Notes, the applicable Pricing Supplement will specify the currency or currencies, which may be composite currencies, in which the purchase price of such Notes are to be paid by the purchaser, and the currency or currencies, which may be composite currencies, in which the principal at maturity or earlier redemption,

premium, if any, and interest, if any, with respect to such Notes may be paid, if applicable, along with any other terms relating to the non-U.S. Dollar denomination. See "**Special Provisions Relating to Foreign Currency Notes**" and "**Currency Risks**."

Subject to such additional restrictions as are described under "**Special Provisions Relating to Foreign Currency Notes**," Notes of each Tranche will mature on a day from 9 months or more from the date of issue, as specified in the applicable Pricing Supplement, as selected by the initial purchaser and agreed to by the relevant Issuer. In the event that such maturity date of any Notes or any date fixed for redemption or repayment of any Notes (collectively, the "**Maturity Date**") is not a Business Day (as defined below), principal and interest payable at maturity or upon such redemption or repayment will be paid on the next succeeding Business Day with the same effect as if such Business Day were the Maturity Date. No interest shall accrue for the period from and after the Maturity Date to such next succeeding Business Day. Except as may be provided in the applicable Pricing Supplement and except for Indexed Notes (as defined below), all Notes will mature at par.

## **Forms of Notes**

### *General*

Unless otherwise specified in the applicable Pricing Supplement, Notes of each Tranche will be in bearer form ("**Bearer Notes**") and will initially be represented by one or more temporary global Notes, without interest coupons attached and, in the case of definitive Notes, will be serially numbered and will be delivered to a common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") or any other recognized or agreed clearing system for credit to the account designated by or on behalf of the purchasers thereof.

Bearer Notes in definitive form will be issued with coupons attached. Except as set out below, title to Bearer Notes and any coupons will pass by delivery. The Issuers, the Fiscal Agent and any Paying Agent may deem and treat the bearer of any Bearer Note or coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding sentence. For so long as any of the Notes are represented by a global Note, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuers, the Fiscal Agent and any Paying Agent as the holder of such principal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, the right to which shall be vested, as against the Issuers, the Fiscal Agent and any Paying Agent solely in the bearer of the relevant global Note in accordance with and subject to its terms (and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly). Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, as the case may be.

References herein to "**Bearer Notes**" shall, except where otherwise indicated, include interests in a temporary or permanent global Note as well as definitive Notes and any coupons attached thereto.

If specified in the Pricing Supplement, Notes may also be issued in fully registered form ("**Registered Notes**").

Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer(s) and as indicated in the applicable Pricing Supplement; provided that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

If specified in the applicable Pricing Supplement, other clearing systems capable of complying with the certification requirements set forth in the temporary global Note may be used in addition to or in lieu of Euroclear and Clearstream, Luxembourg, in which case references herein to "**Euroclear**" and "**Clearstream, Luxembourg**" shall be deemed to be modified to include such other clearing system or systems.

### *Provisions Relating to Bearer Notes*

Each Bearer Note (including any global Note) and interest coupon, if any, will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code."

Each Bearer Note issued by an Irish Issuer with a maturity of less than one year shall carry the title "**Commercial Paper**", include a statement to the effect that it is guaranteed, identify the Guarantor by name and bear the following legend:

"This Note is issued in accordance with an exemption granted by the Irish Financial Services Regulatory Authority as a constituent part of the Central Bank and Financial Services Authority of Ireland under section 8(2) of the Central Bank Act, 1971 of Ireland, as inserted by section 31 of the Central Bank Act, 1989 of Ireland, as amended by section 70(d) of the Central Bank Act, 1997 of Ireland. *[Insert name of applicable Irish Issuer]* is not regulated by the Irish Financial Services Regulatory Authority as a constituent part of the Central Bank and Financial Services Authority of Ireland arising from the issue of Notes. An investment in Notes issued by *[insert name of applicable Irish Issuer]* with a maturity of less than one year does not have the status of a bank deposit and is not within the scope of the Deposit Protection Scheme operated by the Irish Financial Services Regulatory Authority as a constituent part of the Central Bank and Financial Services Authority of Ireland."

In addition, each Bearer Note (including any global Note) issued by GEC Canada Funding will bear the following legend:

"This Note has not been and will not be qualified for sale under the securities laws of Canada or any province or territory thereof and may not be offered or sold, directly or indirectly, in Canada, or to, or for the benefit of, any resident thereof, in contravention of any such laws."

Bearer Notes may not be offered or sold, resold or delivered, directly or indirectly, in connection with their original issuance or during the Restricted Period (as defined below), in the United States (as defined below) or to or for the account of any United States person (as defined below), other than to a Qualifying Foreign Branch (as defined below) or to certain other persons as provided under United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(1)(iii)(B) and (C). An offer or sale will be considered to be made to a person within the United States if the offeror or seller of such Note has an address within the United States for the offeree or purchaser of such Bearer Note with respect to the offer or sale. Bearer Notes may not be delivered in the United States. For these purposes, "**United States**" means the United States (including the States and the District of Columbia), its territories and its possessions. In addition, any such underwriters, agents and dealers will represent that they have procedures reasonably designed to ensure that their employees or agents who are directly engaged in selling Bearer Notes are aware of the restrictions on the offering, sale, resale or delivery of Bearer Notes.

As used herein, "**United States person**" means (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or if such trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person. "**Qualifying Foreign Branch**" means a branch of a United States financial institution, as defined in United States Treasury Regulations Section 1.165-12(c)(1)(iv), located outside the United States that is purchasing for its own account or for resale, and that has agreed, as a condition of purchase, to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the United States Internal Revenue Code of 1986, as amended (the "**Code**"), and the regulations thereunder. An "**Ownership Certificate**" is a certificate, signed or sent by the owner of the relevant Bearer Note or by a financial institution or clearing organization through which the owner holds the Bearer Notes to the effect that the relevant Bearer Note or portion thereof is owned by (i) a person that is not a United States person; (ii) a Qualifying Foreign Branch; (iii) a United States person who acquired the Bearer Notes through a Qualifying Foreign Branch and who holds the Bearer Notes through such Qualifying Foreign Branch on the date of certification; or (iv) a financial institution for purposes of resale during the Restricted Period and such financial institution (whether or not also described in clause (i), (ii) or (iii)) certifies that it has not acquired the Bearer Notes for purposes of resale directly or indirectly to a United States person or to a person within the United States. For the purposes of Bearer Notes issued by GEC Canada Funding, the Ownership Certificate shall also contain a statement to the effect that the relevant Bearer Note or any portion thereof is not beneficially owned by a resident of Canada in contravention of the securities laws of Canada or any province or territory thereof.

As used herein, "**Restricted Period**" with respect to each Tranche of Notes means the period which begins on the earlier of the settlement date (or the date on which the relevant Issuer receives the proceeds of the sale of Bearer Notes of such Tranche), or the first date on which the Bearer Notes of such Tranche are offered to persons other than the Dealers, and which ends 40 days after the date on which the relevant Issuer receives the proceeds of the sale of such Bearer Notes; provided that with respect to a Bearer Note held as part of an unsold allotment or subscription, any offer or sale of such Bearer Note by the relevant Issuer or any Dealer shall be deemed to be during the Restricted Period.

Each Bearer Note will be represented initially by a temporary global Note, without interest coupons, to be deposited with a common depositary for Euroclear and Clearstream, Luxembourg, for credit to the account designated by or on behalf of the purchaser thereof. Upon deposit of each such temporary global Note, Euroclear or Clearstream, Luxembourg, as the case may be, will credit each subscriber with a principal amount of Notes equal to the principal amount thereof for which it has subscribed and paid. The interests of the beneficial owner or owners in a temporary global Note will be exchangeable after the expiration of the Restricted Period (the "**Exchange Date**") for an interest in a permanent global Note to be held by a common depositary for Euroclear and Clearstream, Luxembourg, for credit to the account designated by or on behalf of the beneficial

owner thereof, or for definitive Bearer Notes or (if so provided in the applicable Pricing Supplement) for definitive Registered Notes; provided, however, that such exchange will be made only upon receipt of ownership certificates.

#### *Provisions relating to Registered Notes*

If specified in the applicable Pricing Supplement, Registered Notes may be issued by the relevant Issuer. Each Pricing Supplement relating to a Tranche of Registered Notes will describe whether such Tranche will be issued in permanent global or definitive registered form and any other provisions relating thereto.

Each Registered Note issued by an Irish Issuer with a maturity of less than one year shall carry the title "**Commercial Paper**", include a statement to the effect that it is guaranteed, identify the Guarantor by name and bear the following legend:

"This Note is issued in accordance with an exemption granted by the Irish Financial Services Regulatory Authority as a constituent part of the Central Bank and Financial Services Authority of Ireland under section 8(2) of the Central Bank Act, 1971 of Ireland, as inserted by section 31 of the Central Bank Act, 1989 of Ireland, as amended by section 70(d) of the Central Bank Act, 1997 of Ireland. [Insert name of applicable Irish Issuer] is not regulated by the Irish Financial Services Regulatory Authority as a constituent part of the Central Bank and Financial Services Authority of Ireland arising from the issue of Notes. An investment in Notes issued by [insert name of applicable Irish Issuer] with a maturity of less than one year does not have the status of a bank deposit and is not within the scope of the Deposit Protection Scheme operated by the Irish Financial Services Regulatory Authority as a constituent part of the Central Bank and Financial Services Authority of Ireland."

#### **Guarantee**

Notes issued by an Issuer other than GE Capital will be issued with the benefit of the unconditional and irrevocable guarantee (the "**Guarantee**") of GE Capital (in such capacity, the "**Guarantor**") under which the Guarantor will guarantee the payment of all amounts (including any Australian, Canadian or Irish Additional Amounts, as the case may be, and U.S. Additional Amounts (all as described below)), payable on or in respect of such Notes. See "**Description of the Guarantee**" below.

#### **Additional Issuers**

Notes may be issued from time to time by additional issuers that are direct or indirect affiliates of GE Capital (each, an "**Additional Issuer**") and that have acceded to the Distribution Agreement (as defined herein) and the Fiscal Agency Agreement. Any Notes issued by an Additional Issuer will have the benefit of the Guarantee issued by the Guarantor. Information regarding any such Additional Issuer will be set forth in a supplement to this Offering Circular. All references in this Offering Circular to an "**Issuer**" or the "**Issuers**" shall be deemed to include a reference to any such Additional Issuers acceding to the Distribution Agreement and the Fiscal Agency Agreement from time to time.

#### **Exchange and Transfer of Notes**

The beneficial owner of a Note represented by a permanent global Note may, upon 30 days' written notice to the Principal Paying Agent (as defined below) given by the beneficial owner through either Euroclear or Clearstream, Luxembourg, exchange such owner's interest in such permanent global Note for a definitive Bearer Note or Notes, with coupons, if any, attached or (if provided in the applicable Pricing Supplement) a definitive Registered Note or Notes, of any authorized denominations. Upon receipt by the Principal Paying Agent of an initial request to exchange an interest in a permanent global Note for a definitive Bearer Note or Notes, all other interests in such permanent global Note shall be exchanged for definitive Bearer Notes. Such exchange shall occur at no expense to the beneficial owners as soon as practicable after the receipt of the initial request for definitive Bearer Notes. After such exchange has occurred, all remaining interests in the temporary global Note will be exchangeable only for definitive Bearer Notes or (if so provided in the applicable Pricing Supplement) for definitive Registered Notes. No definitive Bearer Note will be delivered in or to the United States.

If specified in the applicable Pricing Supplement, and subject to the terms of the Fiscal Agency Agreement, definitive Bearer Notes (along with all unmatured coupons, and all matured coupons, if any, in default) will be exchangeable at the option of the holder into Registered Notes of any authorized denominations of like tenor and in an equal aggregate principal amount, in accordance with the provisions of the Fiscal Agency Agreement at the office of the Registrar (as defined below) or at the office of any transfer agent designated by the relevant Issuer and (in the case of Notes issued by an Issuer other than GE Capital) the Guarantor for such purpose. See "**Registrar and Transfer Agents.**" Definitive Bearer Notes surrendered in exchange for Registered Notes after the close of business at any such office (i) on or after any record date for the payment of interest (a "**Regular Record Date**") on a Registered Note on an Interest Payment Date (as defined below) and before the opening of business at such office on the relevant Interest Payment Date, or (ii) on or after any record date to be established for the payment of defaulted interest on a Registered Note ("**Special Record Date**") and before the opening of business at such office on the related proposed date for payment of defaulted interest, shall be surrendered without the coupon relating to such date for payment of interest. Definitive Bearer Notes will be exchangeable for definitive Bearer Notes in other authorized denominations, in an equal aggregate principal amount, in accordance with the provisions of the Fiscal Agency Agreement and at the offices of the Principal Paying Agent in London, England or at the office of any transfer agent designated by the relevant

Issuer and (in the case of Notes issued by an Issuer other than GE Capital) the Guarantor for such purpose. See "**Registrar and Transfer Agents.**"

Registered Notes will be exchangeable for Registered Notes in other authorized denominations, in an equal aggregate principal amount upon surrender of any such Notes to be exchanged at the offices of the Registrar or any transfer agent designated by the relevant Issuer and (in the case of Notes issued by an Issuer other than GE Capital) the Guarantor for such purpose. Registered Notes will not be exchangeable for Bearer Notes. Registered Notes may be presented for registration of transfer at the offices of the Registrar or any transfer agent designated by the relevant Issuer and (in the case of Notes issued by an Issuer other than GE Capital) the Guarantor for such purpose. See "**Registrar and Transfer Agents.**" No service charge will be made for any registration of transfer or exchange of Notes but the relevant Issuer and (in the case of Notes issued by an Issuer other than GE Capital) the Guarantor may require payment of a sum sufficient to cover any transfer taxes payable in connection therewith. Bearer Notes and any coupons appertaining thereto will be transferable by delivery.

The relevant Issuer and (in the case of Notes issued by an Issuer other than GE Capital) the Guarantor shall not be required (i) to register the transfer of or exchange Notes to be redeemed for a period of fifteen calendar days preceding the first publication of the relevant notice of redemption, or if Registered Notes are outstanding and there is no publication, the mailing of the relevant notice of redemption, (ii) to register the transfer of or exchange any Registered Note selected for redemption or surrendered for optional repayment, in whole or in part, except the unredeemed or unpaid portion of any such Registered Note being redeemed or repaid, as the case may be, in part, or (iii) to exchange any Bearer Note selected for redemption or surrendered for optional repayment, except that such Bearer Note may be exchanged for a Registered Note of like tenor, provided that such Registered Note shall be simultaneously surrendered for redemption or repayment, as the case may be.

### **Payments and Paying Agents**

Interest, if any, payable on a Bearer Note represented by a temporary global Note or any portion thereof in respect of an Interest Payment Date will be paid in the Specified Currency (unless otherwise provided in the applicable Pricing Supplement) to each of Euroclear and Clearstream, Luxembourg, as the case may be, with respect to that portion of such temporary global Note held for its account upon delivery to the Principal Paying Agent of an Ownership Certificate signed by Euroclear or Clearstream, Luxembourg, as the case may be, dated no earlier than such Interest Payment Date, which certificate must be based on ownership certificates provided to Euroclear or Clearstream, Luxembourg, as the case may be, by its member organizations. Each of Euroclear and Clearstream, Luxembourg, as the case may be, will in such circumstances credit the interest received by it in respect of such temporary global Note or any portion thereof to the accounts of the beneficial owners thereof.

Each permanent global Note will provide that principal and premium, if any, and interest, if any, on such permanent global Note, in respect of an Interest Payment Date, will be paid in the Specified Currency (unless otherwise provided in the applicable Pricing Supplement) to each of Euroclear and Clearstream, Luxembourg, as the case may be, with respect to that portion of such permanent global Note held for its account. Each of Euroclear and Clearstream, Luxembourg will in such circumstances credit such principal and any interest received by it in respect of such permanent global Note to the respective accounts of the beneficial owners of such permanent global Note at maturity, redemption or repayment or on such Interest Payment Date, as the case may be. If a Registered Note is issued in exchange for a permanent global Note after the close of business at the office or agency where such exchange occurs (a) on or after any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (b) on or after any Special Record Date and before the opening of business at such office or agency on the related proposed date for payment of defaulted interest, any interest or defaulted interest, as the case may be, will not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of such Registered Note, but will be payable on such Interest Payment Date or proposed date for payment, as the case may be, only to Euroclear and Clearstream, Luxembourg, and Euroclear and Clearstream, Luxembourg will in such circumstances credit any such interest to the account of the beneficial owner of such permanent global Note on such Regular Record Date or Special Record Date, as the case may be. Payment of principal and of premium, if any, and any interest due at maturity, redemption or repayment (in the event, with respect to payment of interest, that any such maturity date or redemption or repayment date is other than an Interest Payment Date) in respect of any permanent global Note will be made to Euroclear and Clearstream, Luxembourg in immediately available funds.

Payment of principal and of premium, if any, and interest on Bearer Notes at maturity or upon redemption or repayment will be made in immediately available funds in the Specified Currency (unless otherwise provided in the applicable Pricing Supplement), subject to any applicable laws and regulations, only against presentation and surrender of such Note and any coupons at the offices of a Paying Agent outside the United States or, at the option of the holder, by check or by wire transfer of immediately available funds to an account maintained by the payee with a bank located outside the United States if appropriate wire instructions have been received by a Paying Agent not less than 10 calendar days prior to an applicable payment date. Payment of interest on definitive Bearer Notes due on any Interest Payment Date will be made only against presentation and surrender of the coupon relating to such Interest Payment Date at the offices of a Paying Agent outside the United States or, at the option of the holder, by check or by wire transfer of immediately available funds to an account

maintained by the payee with a bank located outside the United States if appropriate wire instructions have been received by a Paying Agent not less than 10 calendar days prior to an applicable payment date. No payment with respect to any Bearer Note will be made at any office or agency of the relevant Issuer or (in the case of Notes issued by an Issuer other than GE Capital) the Guarantor in the United States or by check mailed to any address in the United States or, in the case of interest on Notes issued by GEC Australia Funding, in Australia, or by wire transfer to an account maintained with a bank located in the United States or, in the case of Notes issued by GEC Australia Funding, in Australia, except as may be permitted under United States federal tax laws and regulations then in effect and, in the case of Notes issued by GEC Australia Funding, as may be permitted under Australian tax laws and regulations then in effect without adverse tax consequences to the relevant Issuer or the Guarantor, as the case may be. Notwithstanding the foregoing, (a) payments of principal and of premium, if any, and interest on Bearer Notes denominated and payable in U.S. Dollars will be made at the office of the paying agent of the relevant Issuer or the Guarantor, as the case may be, in the Borough of Manhattan, The City of New York, if and only if (i) payment of the full amount thereof in U.S. Dollars at all offices or agencies outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (ii) such paying agent in the Borough of Manhattan, The City of New York, under applicable law and regulations, would be able to make such payment, (b) if the full amount of any payment on Notes denominated in Canadian dollars and coupons appertaining thereto may not be made at an office of any designated paying agent outside of Canada because such payment would be illegal or effectively precluded due to the imposition of exchange controls or other similar restrictions on the full payment or receipt of such amounts in Canadian dollars, then the relevant Issuer shall designate a paying agent in Toronto from which such payments shall be made, if permitted by applicable laws and regulations and (c) if the full amount of any payment on Notes denominated in Australian dollars and coupons appertaining thereto may not be made at an office of any designated paying agent outside of Australia because such payment would be illegal or effectively precluded due to the imposition of exchange controls or other similar restrictions on the full payment or receipt of such amounts in Australian dollars, then the relevant Issuer shall designate a paying agent in Sydney or Melbourne from which such payments shall be made, if permitted by applicable laws and regulations.

Payment of principal and of premium, if any, and interest on Registered Notes at maturity or upon redemption or repayment will be made in immediately available funds in the Specified Currency (unless otherwise provided in the applicable Pricing Supplement) against presentation of such Note at the office of a Paying Agent. Payment of interest on Registered Notes will be made to the person in whose name such Note is registered at the close of business on the Regular Record Date next preceding the Interest Payment Date either by check mailed to the address of the person entitled thereto as such address shall appear in the security register or by wire transfer to an account selected by the person entitled thereto if appropriate wire instructions have been received by the Paying Agent not less than 10 calendar days prior to the applicable payment date; provided, however, that (i) if either the relevant Issuer or (in the case of Notes issued by an Issuer other than GE Capital) the Guarantor fails to pay such interest on such Interest Payment Date, such defaulted interest will be paid to the person in whose name such Note is registered at the close of business on the Special Record Date and (ii) interest payable at maturity, redemption or repayment will be payable to the person to whom principal shall be payable. The first payment of interest on any Registered Note originally issued between a Regular Record Date and an Interest Payment Date will be made on the Interest Payment Date following the next succeeding Regular Record Date to the registered owner on such next Regular Record Date. Interest rates and interest rate formulae are subject to change by the relevant Issuer from time to time but no such change will affect any Note theretofore issued or which the relevant Issuer has agreed to issue. Unless otherwise indicated in the applicable Pricing Supplement, the Interest Payment Dates and the Regular Record Dates for Fixed Rate Notes shall be as described below under "**Fixed Rate Notes**". The Interest Payment Dates for Floating Rate Notes shall be as indicated in the applicable Pricing Supplement and in such Note, and, unless otherwise specified in the applicable Pricing Supplement, each Regular Record Date for a Registered Floating Rate Note will be the fifteenth day (whether or not a Business Day) next preceding each Interest Payment Date.

Pursuant to the Fiscal Agency Agreement, each Issuer and (in the case of Notes issued by an Issuer other than GE Capital) the Guarantor has initially designated JPMorgan Chase Bank as its principal paying agent (in such capacity, the "**Principal Paying Agent**", which term includes any successor principal paying agent appointed by each such Issuer and the Guarantor) and J.P. Morgan Bank Luxembourg S.A. as its paying agent for Notes outside the United States, (together with the Principal Paying Agent and the other paying agents, the "**Paying Agents**" which term includes any additional or successor paying agent appointed by each such Issuer and the Guarantor). So long as any Notes are listed on the Luxembourg Stock Exchange, the London Stock Exchange or the Singapore Stock Exchange and the rules of such exchange so require, the relevant Issuer and the Guarantor shall maintain a Paying Agent in Luxembourg, London or, as the case may be, Singapore. Furthermore, in respect of the Irish Issuers, so long as any Notes are listed on the Irish Stock Exchange, the Irish Issuers and the Guarantor shall maintain an Irish Paying Agent in Ireland. Each Issuer and the Guarantor have initially designated J.P. Morgan Bank Luxembourg S.A. as Paying Agent in Luxembourg. In addition, each Irish Issuer and the Guarantor has initially designated J.P. Morgan Bank (Ireland) p.l.c. as Irish Paying Agent in Ireland. So long as any Notes are listed on or by the Luxembourg Stock Exchange, the London Stock Exchange, the Irish Stock Exchange or any other stock exchange, competent listing authority and/or quotation system and the rules of such exchange, competent listing authority and/or quotation system so require, the relevant Issuer will notify the holders of its Notes in the manner specified under "**Notices**" herein in the event that such Issuer appoints an agent with respect to such Notes other than the agent designated as such in this Offering Circular or in the applicable Pricing Supplement.



All moneys paid by the relevant Issuer or the Guarantor, as the case may be, to the Principal Paying Agent or any Paying Agent for the payment of any amounts payable on any Notes which remain unclaimed at the end of three years after such amounts shall have become due and payable shall be repaid to the relevant Issuer or the Guarantor, as the case may be, and the holders of the Notes shall thereafter look only to the relevant Issuer or the Guarantor, as the case may be, for payment.

### **Registrar and Transfer Agents**

Each Issuer and the Guarantor have initially designated J.P. Morgan Bank Luxembourg S.A., as registrar for any Registered Notes (the "**Registrar**", which term includes any successor registrar appointed by each such Issuer and the Guarantor). In addition, each Issuer and the Guarantor has appointed J.P. Morgan Bank Luxembourg S.A. as Transfer Agent for any Registered Notes listed on the Luxembourg Stock Exchange and JPMorgan Chase Bank as Transfer Agent for Notes listed on the London Stock Exchange. Each Issuer will maintain a Transfer Agent in Luxembourg or London, as applicable, as long as the Notes of such Issuer are listed on the Luxembourg Stock Exchange or the London Stock Exchange, as the case may be, and the rules of the relevant exchange so require. Any initial designation by the relevant Issuer or the Guarantor, as the case may be, of the Registrar or a Transfer Agent may be rescinded at any time. Each Issuer and the Guarantor may at any time designate additional Transfer Agents with respect to the Notes. So long as any Notes are listed on or by the Luxembourg Stock Exchange or the London Stock Exchange, as the case may be, or any other stock exchange, competent listing authority and/or quotation system and the rules of such exchange, competent listing authority and/or quotation system so require, the relevant Issuer will notify the holders of its Notes in the manner specified under "**Notices**" herein in the event that such Issuer appoints an agent with respect to such Notes other than the agent designated as such in this Offering Circular or in the applicable Pricing Supplement.

### **Optional Redemption**

Each applicable Pricing Supplement will indicate either that the relevant Tranche of Notes of a Series cannot be redeemed prior to maturity (other than as provided under "**Tax Redemption**" below) or the terms on which such Notes will be redeemable at the option of the relevant Issuer and the relevant date upon which such Notes will be so redeemed (each such date, an "**Issuer Optional Redemption Date**"); provided, however, that Notes denominated in currencies other than U.S. Dollars may be subject to different restrictions on redemption as set forth under "**Special Provisions Relating to Foreign Currency Notes—Minimum Denominations, Restrictions on Maturities, Repayment and Redemption**" herein. Notice of redemption to holders of Bearer Notes shall be published as described under "**Notices**" below once in each of three successive calendar weeks, the first publication to be not less than 30 nor more than 60 calendar days prior to the relevant Issuer Optional Redemption Date. Notice of redemption to holders of Registered Notes shall be provided as described under "**Notices**" below at least 30 and not more than 60 calendar days prior to the relevant Issuer Optional Redemption Date.

### **Repayment at the Noteholders' Option; Repurchase**

If applicable, the Pricing Supplement applicable to the Notes of a Tranche will indicate that such Notes will be repayable at the option of the holder on a date or dates specified prior to their stated maturity date (such option, "**Optional Repayment**" and each such date, a "**Noteholder Optional Redemption Date**") and, unless otherwise specified in the applicable Pricing Supplement, at a price equal to 100% of the principal amount thereof, together with accrued interest to, but not including, the relevant Noteholder Optional Redemption Date; provided, however, that Notes denominated in currencies other than U.S. Dollars may be subject to different restrictions on repayment as set forth under "**Special Provisions Relating to Foreign Currency Notes—Minimum Denominations, Restrictions on Maturities, Repayment and Redemption**" herein. If no Noteholder Optional Redemption Date is included with respect to a Note, such Note will not be repayable at the option of the holder prior to its maturity.

In order for such a Note to be repaid, and unless provided otherwise in the applicable Pricing Supplement, a Paying Agent must receive at least 30 but not more than 60 calendar days prior to the Noteholder Optional Redemption Date, (i) the Note with the form entitled "**Option to Elect Repayment**" on the reverse of the Note duly completed or (ii) a telegram, facsimile transmission or letter from a commercial bank or trust company in Western Europe which must set forth the name of the holder of the Note (in the case of a Registered Note only), the principal amount of the Note, the principal amount of the Note to be repaid, the certificate number or a description of the tenor and terms of the Note, a statement that the option to elect repayment is being exercised thereby and a guarantee that the Note to be repaid, together with the duly completed form entitled "**Option to Elect Repayment**" on the reverse of the Note, will be received by the Paying Agent not later than the fifth Business Day after the date of such telegram, facsimile transmission or letter; provided, however, that such telegram, facsimile transmission or letter from a commercial bank or trust company in Western Europe shall only be effective in such case if such Note and form duly completed are received by a Paying Agent by such fifth Business Day. Exercise of the repayment option by the holder of a Note will be irrevocable. The repayment option may be exercised by the holder of a Note for less than the entire principal amount of the Note but, in that event, the principal amount of the Note remaining outstanding after repayment must be an authorized denomination.

The relevant Issuer and, in the case of Notes issued by an Issuer other than GE Capital, the Guarantor may at any time purchase Notes at any price in the open market or otherwise. Notes purchased by such Issuer or the Guarantor, as the case may be, will be surrendered to the Fiscal Agent for cancellation.

## **Tax Redemption**

### *All Notes*

All Notes of the same Series may be redeemed, at the option of the relevant Issuer, as a whole but not in part, at any time prior to maturity, upon the giving of a notice of redemption as described below if the relevant Issuer or the Guarantor, as the case may be, determines that, as a result of any change in or amendment to the laws (or any regulations or rulings promulgated thereunder) of the United States or of any political subdivision or taxing authority thereof or therein affecting taxation, or any change in official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment becomes effective on or after the date of issuance of the first Tranche of Notes of such Series (if sold on an agency basis) or the date on which a Dealer acting as principal agreed to purchase such Tranche of Notes, the relevant Issuer or the Guarantor, as the case may be, has or will become obligated to pay U.S. Additional Amounts with respect to such Notes as described under **"Payment of Additional Amounts—United States"** below. The redemption price (except as otherwise specified herein or in the applicable Pricing Supplement) shall be equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption, or in the case of Original Issue Discount Notes, 100% of the portion of the face amount thereof that has accreted on a straight-line basis to the date of redemption, or in the case of Notes issued at a premium, 100% of the issue price less the amount of the premium amortized on a straight-line basis to the date of redemption. Prior to the giving of any notice of redemption pursuant to this paragraph, the relevant Issuer or the Guarantor, as the case may be, shall deliver to the Fiscal Agent (i) a certificate stating that the relevant Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the relevant Issuer to so redeem have occurred (the date on which such certificate is delivered to the Fiscal Agent is herein called the **"Redemption Determination Date"**), and (ii) an opinion of counsel satisfactory to the Fiscal Agent to such effect based on such statement of facts; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the relevant Issuer or the Guarantor, as the case may be, would be obligated to pay such U.S. Additional Amounts if a payment in respect of such Notes were then due.

Notice of redemption will be given not less than 30 nor more than 60 days prior to the date fixed for redemption, which date and the applicable redemption price will be specified in the notice. Such notice will be given in accordance with **"Notices"** below.

If any date fixed for redemption is a date prior to the Exchange Date for a temporary global Bearer Note, payment on such redemption date will be made subject to receipt of ownership certificates described above under **"Forms of Notes,"** delivery of which is a condition to payment of such Notes.

### *Notes issued by GEC Australia Funding*

All Notes of the same Series issued by GEC Australia Funding may be redeemed, at the option of GEC Australia Funding, in whole but not in part, at any time prior to maturity, upon the giving of a notice of redemption as described above if GEC Australia Funding or the Guarantor, as the case may be, determines that, as a result of any change in or amendment to the laws (or any regulations or rulings promulgated thereunder) of Australia or of any political subdivision or taxing authority thereof or therein affecting taxation, or any change in official position regarding the application or interpretation of such laws, regulations or rulings, including any change effected by guidance in any form from an official source, which change or amendment becomes effective on or after the date of issuance of the first Tranche of Notes of such Series (if sold on an agency basis) or the date on which a Dealer acting as principal agreed to purchase such Tranche of Notes, GEC Australia Funding or the Guarantor, as the case may be, has or will become obligated to pay Australian Additional Amounts with respect to the Notes as described under **"Payment of Additional Amounts—Australia"** below. The redemption price (except as otherwise specified herein or in the applicable Pricing Supplement) shall be equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption, or in the case of Original Issue Discount Notes, 100% of the portion of the face amount thereof that has accreted on a straight-line basis to the date of redemption, or in the case of Notes issued at a premium, 100% of the issue price less the amount of the premium amortized on a straight-line basis to the date of redemption. Prior to the giving of any notice of redemption pursuant to this paragraph, GEC Australia Funding or the Guarantor, as the case may be, shall deliver to the Fiscal Agent (i) a certificate stating that GEC Australia Funding is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of GEC Australia Funding to so redeem have occurred (the date on which such certificate is delivered to the Fiscal Agent is herein called the **"Redemption Determination Date"**), and (ii) an opinion of counsel satisfactory to the Fiscal Agent to such effect based on such statement of facts; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which GEC Australia Funding or the Guarantor, as the case may be, would be obligated to pay such Australian Additional Amounts if a payment in respect of such Notes were then due.

#### *Notes issued by GEC Canada Funding*

All Notes of the same Series issued by GEC Canada Funding may be redeemed, at the option of GEC Canada Funding, in whole but not in part, at any time prior to maturity, upon the giving of a notice of redemption as described above if GEC Canada Funding or the Guarantor, as the case may be, determines that, as a result of any change in or amendment to the laws (or any regulations or rulings promulgated thereunder) of Canada or of any province or territory or political subdivision thereof or any authority or agency therein or thereof having power to tax, or any change in official position regarding the application or interpretation of such laws, regulations or rulings, including any change effected by guidance in any form from an official source, which change or amendment becomes effective on or after the date of issuance of the first Tranche of Notes of such Series (if sold on an agency basis) or the date on which a Dealer acting as principal agreed to purchase such Tranche of Notes, GEC Canada Funding or the Guarantor, as the case may be, has or will become obligated to pay Canadian Additional Amounts with respect to the Notes as described under "**Payment of Additional Amounts—Canada**" below. The redemption price (except as otherwise specified herein or in the applicable Pricing Supplement) shall be equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption, or in the case of Original Issue Discount Notes, 100% of the portion of the face amount thereof that has accreted on a straight-line basis to the date of redemption, or in the case of Notes issued at a premium, 100% of the issue price less the amount of the premium amortized on a straight-line basis to the date of redemption. Prior to the giving of any notice of redemption pursuant to this paragraph, GEC Canada Funding or the Guarantor, as the case may be, shall deliver to the Fiscal Agent (i) a certificate stating that GEC Canada Funding is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of GEC Canada Funding to so redeem have occurred and (ii) an opinion of counsel satisfactory to the Fiscal Agent to such effect based on such statement of facts; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which GEC Canada Funding or the Guarantor, as the case may be, would be obligated to pay such Canadian Additional Amounts if a payment in respect of such Notes were then due.

#### *Notes issued by an Irish Issuer*

All Notes of the same Series issued by an Irish Issuer may be redeemed, at the option of the respective Irish Issuer, in whole but not in part, at any time prior to maturity, upon the giving of a notice of redemption as described above if the respective Irish Issuer or the Guarantor, as the case may be, determines that, as a result of any change in or amendment to the laws (or any regulations or rulings promulgated thereunder) of Ireland or of any province or territory or political subdivision thereof or any authority or agency therein or thereof having power to tax, or any change in official position regarding the application or interpretation of such laws, regulations or rulings, including any change effected by guidance in any form from an official source, which change or amendment becomes effective on or after the date of issuance of the first Tranche of Notes of such Series (if sold on an agency basis) or the date on which a Dealer acting as principal agreed to purchase such Tranche of Notes, the respective Irish Issuer or the Guarantor, as the case may be, has or will become obligated to pay Irish Additional Amounts with respect to the Notes as described under "**Payment of Additional Amounts—Ireland**" below. The redemption price (except as otherwise specified herein or in the applicable Pricing Supplement) shall be equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption, or in the case of Original Issue Discount Notes, 100% of the portion of the face amount thereof that has accreted on a straight-line basis to the date of redemption, or in the case of Notes issued at a premium, 100% of the issue price less the amount of the premium amortized on a straight-line basis to the date of redemption. Prior to the giving of any notice of redemption pursuant to this paragraph, the relevant Irish Issuer or the Guarantor, as the case may be, shall deliver to the Fiscal Agent (i) a certificate stating that such Irish Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of such Irish Issuer to so redeem have occurred and (ii) an opinion of counsel satisfactory to the Fiscal Agent to such effect based on such statement of facts; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Irish Issuer or the Guarantor, as the case may be, would be obligated to pay such Irish Additional Amounts if a payment in respect of such Notes were then due.

#### *Special Tax Redemption of Bearer Notes*

If the relevant Issuer or, in the case of Notes issued by an Issuer other than GE Capital, the Guarantor shall determine that any payment made outside the United States by the relevant Issuer, the Guarantor (if the Guarantor is required to make payments under the relevant Guarantee) or any Paying Agent of principal or interest, including original issue discount, due in respect of any Bearer Note of any Series would, under any present or future laws or regulations of the United States, be subject to any certification, identification or other information reporting requirement of any kind, the effect of which requirement is the disclosure to the relevant Issuer, the Guarantor, any Paying Agent or any governmental authority of the nationality, residence or identity of a beneficial owner of such Bearer Note or coupon who is a United States Alien Holder (as defined in "**Payment of Additional Amounts—United States**") (other than such a requirement (a) which would not be applicable to a payment made by the relevant Issuer, the Guarantor or any Paying Agent (i) directly to the beneficial owner or (ii) to a custodian, nominee or other agent of the beneficial owner, or (b) which can be satisfied by such custodian, nominee or other agent certifying to the effect that such beneficial owner is a United States Alien Holder, provided that in each case referred to in

clauses (a)(ii) and (b) payment by such custodian, nominee or agent to such beneficial owner is not otherwise subject to any such requirement), the relevant Issuer shall (with respect to Notes issued by an Issuer other than GEC Canada Funding) or may (with respect to Notes issued by GEC Canada Funding) redeem the Bearer Notes of such Series, as a whole, or, at the election of the relevant Issuer or the Guarantor, if the conditions of the next paragraph are satisfied, pay the additional amounts specified in such paragraph. The redemption price (except as otherwise specified herein or in the applicable Pricing Supplement) shall be equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption, or in the case of Original Issue Discount Notes, 100% of the portion of the face amount thereof that has accreted on a straight-line basis to the date of redemption, or in the case of Notes issued at a premium, 100% of the issue price less the amount of the premium amortized on a straight-line basis to the date of redemption. The relevant Issuer or the Guarantor, as the case may be, shall make such determination and election as soon as practicable and publish prompt notice thereof (the "**Determination Notice**") stating the effective date of such certification, identification or other information reporting requirements, whether the relevant Issuer will redeem the Bearer Notes of such Series or whether the relevant Issuer or the Guarantor, as the case may be, has elected to pay the U.S. Additional Amounts specified in the next paragraph, and (if applicable) the last date by which the redemption of the Bearer Notes of such Series must take place, as provided in the next succeeding sentence. If the relevant Issuer redeems the Bearer Notes of such Series, such redemption shall take place on such date, not later than one year after the publication of the Determination Notice, as the relevant Issuer or the Guarantor, as the case may be, shall elect by notice to the Fiscal Agent at least 60 days prior to the date fixed for redemption. Notice of such redemption of the Bearer Notes of such Series will be given to the holders of such Bearer Notes not more than 60 nor less than 30 days prior to the date fixed for redemption. Such redemption notice shall include a statement as to the last date by which the Bearer Notes of such Series to be redeemed may be exchanged for Registered Notes. Notwithstanding the foregoing, the relevant Issuer shall not so redeem such Bearer Notes if the relevant Issuer or the Guarantor shall subsequently determine, not less than 30 days prior to the date fixed for redemption, that subsequent payments would not be subject to any such requirement, in which case the relevant Issuer or the Guarantor shall publish prompt notice of such determination and any earlier redemption notice shall be revoked and of no further effect. The right of the holders of Bearer Notes called for redemption pursuant to this paragraph to exchange such Bearer Notes for Registered Notes will terminate at the close of business of the Principal Paying Agent on the fifteenth day prior to the date fixed for redemption, and no further exchanges of such Series of Bearer Notes for Registered Notes shall be permitted.

If and so long as the certification, identification or other information reporting requirements referred to in the preceding paragraph would be fully satisfied by payment of a backup withholding tax or similar charge, the relevant Issuer or the Guarantor, as the case may be, may elect to pay as U.S. Additional Amounts such amounts as may be necessary so that every net payment made outside the United States following the effective date of such requirements by the relevant Issuer, the Guarantor or any Paying Agent of principal or interest, including original issue discount, due in respect of any Bearer Note or any coupon of which the beneficial owner is a United States Alien Holder (as defined below) (but without any requirement that the nationality, residence or identity of such beneficial owner be disclosed to the relevant Issuer, the Guarantor, any Paying Agent or any governmental authority, with respect to the payment of such additional amounts), after deduction or withholding for or on account of such backup withholding tax or similar charge (other than a backup withholding tax or similar charge which (i) would not be applicable in the circumstances referred to in the third parenthetical clause of the first sentence of the preceding paragraph, or (ii) is imposed as a result of presentation of such Bearer Note or coupon for payment more than 15 days after the date on which such payment becomes due and payable or on which payment thereof is duly provided for, whichever occurs later), will not be less than the amount provided for in such Bearer Note or coupon to be then due and payable. In the event that the relevant Issuer or the Guarantor, as the case may be, elects to pay any U.S. Additional Amounts pursuant to this paragraph, the relevant Issuer shall have the right to redeem the Bearer Notes of such Series as a whole at any time pursuant to the applicable provisions of the preceding paragraph and the redemption price of such Bearer Notes shall not be reduced for applicable withholding taxes. If the relevant Issuer or the Guarantor, as the case may be, elects to pay U.S. Additional Amounts pursuant to this paragraph and the condition specified in the first sentence of this paragraph should no longer be satisfied, then the relevant Issuer shall (with respect to Notes issued by an Issuer other than GEC Canada Funding) or may (with respect to Notes issued by GEC Canada Funding) redeem the Bearer Notes of such Series as a whole, pursuant to the applicable provisions of the preceding paragraph.

## **Payment of Additional Amounts**

### *United States*

The relevant Issuer or the Guarantor (if the Guarantor is required to make payments under the Guarantee) will, subject to certain exceptions and limitations set forth below (and subject to the right of redemption referred to under "**Tax Redemption—All Notes**") pay such additional amounts (the "**U.S. Additional Amounts**" and, together with the Australian Additional Amounts, the Canadian Additional Amounts and the Irish Additional Amounts (as such terms are hereinafter defined, the "**Additional Amounts**")) to the holder of any Note or of any coupon appertaining thereto who is a United States Alien Holder (as defined below) as may be necessary in order that every net payment of the principal of and interest, including original issue discount, on such Note and any other amounts payable on such Note, after withholding for or on account of any present or future tax, assessment or governmental charge imposed upon or as a result of such payment by the United States (or

any political subdivision or taxing authority thereof or therein), will not be less than the amount provided for in such Note or coupon to be then due and payable. However, the relevant Issuer or the Guarantor, as the case may be, will not be required to make any payment of U.S. Additional Amounts to any such holder for or on account of:

(a) any such tax, assessment or other governmental charge which would not have been so imposed but for (i) the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, a trust, a partnership or a corporation) and the United States, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein or (ii) the presentation by the holder of any such Note or coupon for payment on a date more than 15 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

(b) any estate, inheritance, gift, sales, transfer or personal property tax or any similar tax, assessment or governmental charge;

(c) any tax, assessment or other governmental charge imposed by reason of such holder's past or present status as a personal holding company or foreign personal holding company or controlled foreign corporation or passive foreign investment company with respect to the United States or as a corporation which accumulates earnings to avoid United States federal income tax or as a private foundation or other tax-exempt organization;

(d) any tax, assessment or other governmental charge which is payable otherwise than by withholding from payments on or in respect of any Note;

(e) any tax, assessment or other governmental charge which would not have been imposed but for the failure to comply with certification, information or other reporting requirements concerning the nationality, residence or identity of the holder or beneficial owner of such Note, if such compliance is required by statute or by regulation of the United States or of any political subdivision or taxing authority thereof or therein as a precondition to relief or exemption from such tax, assessment or other governmental charge;

(f) any tax, assessment or other governmental charge imposed by reason of such holder's past or present status as the actual or constructive owner of 10% or more of the total combined voting power of all classes of stock entitled to vote of the relevant Issuer or of the Guarantor or as a direct or indirect affiliate of the relevant Issuer or of the Guarantor;

(g) any tax, assessment or other governmental charge required to be deducted or withheld by any Paying Agent from a payment on a Note or coupon, if such payment can be made without such deduction or withholding by any other Paying Agent; or

(h) any combination of two or more of items (a), (b), (c), (d), (e), (f) and (g);

nor shall U.S. Additional Amounts be paid with respect to any payment on a Note to a United States Alien Holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of the United States (or any political subdivision thereof) to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the U.S. Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder of the Note.

The term "**United States Alien Holder**" means any holder of a Note who is not a United States Person (as defined in "**Forms of Notes – Provisions Relating to Bearer Notes**").

#### *Australia*

All payments of principal and interest in respect of Notes issued by GEC Australia Funding and coupons relating thereto will be made without withholding of or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Commonwealth of Australia or any political subdivision thereof, or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law or the application, administration or interpretation thereof. In that event, GEC Australia Funding or the Guarantor (if the Guarantor is required to make payments under the Guarantee) shall pay (subject to the right of redemption referred to under "**Tax Redemption—Notes Issued by GEC Australia Funding**" above), such additional amounts (the "**Australian Additional Amounts**") as may be necessary in order that the net amounts received by the holders of such Notes and coupons after such withholding or deduction shall equal the net payment in respect of such Notes or coupons which otherwise would have been received by them in respect of such Notes or coupons, as the case may be, in the absence of such withholding or deduction, except that no Australian Additional Amounts shall be payable with respect to any such Note or coupon presented for payment:

(a) by or on behalf of a holder who is subject to such taxes, duties, assessments or governmental charges by reason of his being resident or deemed to be resident in Australia or otherwise than merely by the holding or use or deemed holding or use outside Australia or ownership as a non-resident of Australia of such Notes or coupons;

(b) by or on behalf of a holder who is a resident of Australia where no additional amount would have been required to be paid had a tax file number, Australian business number or other exemption details been quoted to GEC Australia Funding in respect of the relevant Note before the due date for payment in respect of the relevant Note ("**resident**" and "**tax file number**" and "**Australian business number**" having the same meaning for this purpose as they have for the purposes of the Income Tax Assessment Act 1936 (the "**Australian Tax Act**"), Income Tax Assessment Act 1997 and the Taxation Administration Act 1953 (each as amended) of Australia);

(c) by or on behalf of a holder who is subject to such taxes, duties, assessments or government charges which would not have been so imposed but for the presentation by the holder of any such Note or coupon for payment on a date more than 15 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

(d) if the holder of such Note or coupon or any entity which directly or indirectly has an interest in or right in respect of such Note or coupon is a "**resident of Australia**" or a "**non-resident**" who is engaged in carrying on business in Australia at or through a "**permanent establishment**" of that non-resident in Australia (the expressions "**resident of Australia**", "**non-resident**" and "**permanent establishment**" having the meanings given to them by the Australian Tax Act) if, and to the extent that, Section 126 of the Australian Tax Act (or any equivalent provision) requires GEC Australia Funding to pay income tax in respect of interest payable on such Note or coupon and the income tax would not be payable were the holder or such entity not such a "**resident of Australia**" or "**non-resident**"; or

(e) by or on behalf of a holder who is an associate of GEC Australia Funding within the meaning of section 128F of the Australian Tax Act where interest withholding tax is payable in respect of that payment by reason of Section 128F(6) of that Act.

#### *Canada*

All payments of principal and interest in respect of Notes issued by GEC Canada Funding and coupons relating thereto will be made without withholding of or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Government of Canada or any province or territory or political subdivision thereof or any authority or agency therein or thereof having power to tax unless the withholding or deduction of such taxes, duties, assessments or charges is required by law or the application, administration or interpretation thereof. In that event, GEC Canada Funding or the Guarantor (if the Guarantor is required to make payments under the Guarantee) shall pay (subject to the right of redemption referred to under "**Tax Redemption—Notes issued by GEC Canada Funding**" above) such additional amounts (the "**Canadian Additional Amounts**") as may be necessary in order that the net amounts received by the holders of such Notes and coupons after such withholding or deduction shall equal the net payment in respect of such Notes or coupons which otherwise would have been received by them in respect of such Notes or coupons, as the case may be, in the absence of such withholding or deduction, except that no Canadian Additional Amounts shall be payable with respect to any such Note or coupon presented for payment:

(a) by or on behalf of a holder who is subject to such taxes, duties, assessments or charges otherwise than merely by the holding or use or ownership or deemed holding or use outside Canada or ownership as a non-resident of Canada of such Note or coupon;

(b) by or on behalf of a holder in respect of whom such taxes, duties, assessments or charges are required to be withheld or deducted by reason of the holder being a person with whom GEC Canada Funding is not dealing at arm's length (within the meaning of the Income Tax Act (Canada)); or

(c) more than 15 days after the Relevant Date (as defined below), except to the extent that the holder thereof would have been entitled to such Canadian Additional Amounts on presenting such Note or coupon for payment on the last day of such period of 15 days.

The term "**Relevant Date**" means the later of (i) the date on which payment in respect of the Note or coupon becomes due and payable; and (ii) if the full amount of the moneys payable on such date has not been received by the Fiscal Agent on or prior to such date, the date on which, the full amount of such moneys having been so received, notice of such receipt is duly published in accordance with the terms set out under "**Notices**" below.

#### *Ireland*

All payments of principal and interest in respect of Notes issued by an Irish Issuer and coupons relating thereto will be made without withholding of or deduction for, or on account of, any present or future taxes, duties, assessments or governmental

charges of whatever nature imposed or levied by or on behalf of the Government of Ireland or any authority or agency therein or thereof having power to tax unless the withholding or deduction of such taxes, duties, assessments or charges is required by law or the application, administration or interpretation thereof. In that event, the respective Irish Issuer or the Guarantor (if the Guarantor is required to make payments under the Guarantee) shall pay (subject to right of redemption referred to under "**Tax Redemption—Notes issued by an Irish Issuer**" above) such additional amounts (the "**Irish Additional Amounts**") as may be necessary in order that the net amounts received by the holders of such Notes and coupons after such withholding or deduction shall equal the net payment in respect of such Notes or coupons which otherwise would have been received by them in respect of such Notes or coupons, as the case may be, in the absence of such withholding or deduction, except that no Irish Additional Amounts shall be payable with respect to any such Note or coupon presented for payment:

(a) by or on behalf of a holder who is subject to such taxes, duties, assessments or charges otherwise than merely by the holding or use or ownership or deemed holding or use outside Ireland or ownership as a non-resident of Ireland of such Note or coupon;

(b) by or on behalf of a holder who is subject to such taxes, duties, assessments or charges or government charges which would not have been so imposed but for the presentation by the holder of any such Note or coupon for payment on a date more than 15 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later; or

(c) by or on behalf of a holder who is subject to such taxes, duties, assessments or charges or government charges which are deducted or withheld by an Irish Paying Agent, if the payment could have been made by another Paying Agent without such deduction or withholding.

There is also no obligation of the Issuer to pay such additional amounts if such deduction or withholding of taxes, duties or governmental charges could be prevented or reduced by the fulfillment of information or other obligations.

### **European Union**

Each relevant Issuer or the Guarantor, as the case may be, will not be required to make any payment of Additional Amounts to any such holder for or on the account of:

(a) any tax, duty, assessment or other governmental charge required to be withheld by any Paying Agent from any payment of principal of, or interest on, any Note, if such payment can be made without such withholding by any other Paying Agent in a member state of the European Union; or

(b) any tax, duty, assessment or other governmental charge required to be imposed or withheld on a payment to an individual and such deduction or withholding is required to be made pursuant to any European Union Directive on the taxation of savings or any law implementing or complying with, or introduced in order to conform to, such Directive.

### **Interest and Interest Rates**

Capitalized terms used but not defined in this section "**Interest and Interest Rates**" or elsewhere in this Offering Circular shall have the meanings assigned to such terms as set forth in the Glossary.

#### *General*

Unless otherwise specified in the applicable Pricing Supplement, each Note will bear interest at either:

- a fixed rate; or
- a floating rate determined by reference to an interest rate basis, which may be adjusted by a Spread and/or Spread Multiplier. Any Floating Rate Note may also have either or both of the following:
  - a maximum interest rate limitation, or ceiling, on the rate at which interest may accrue during any interest period; and
  - a minimum interest rate limitation, or floor, on the rate at which interest may accrue during any interest period.

The applicable Pricing Supplement will designate:

- a fixed rate per annum, in which case such Notes will be "**Fixed Rate Notes**"; or
- one or more of the following interest rate bases as applicable to such Notes, in which case such Notes will be "**Floating Rate Notes**":
  - the CD Rate, in which case such Notes will be "**CD Rate Notes**";

- the Commercial Paper Rate, in which case such Notes will be "**Commercial Paper Rate Notes**";
- the Eleventh District Cost of Funds Rate, in which case such Notes will be "**Eleventh District Cost of Funds Rate Notes**";
- the Federal Funds Rate, in which case such Notes will be "**Federal Funds Rate Notes**";
- LIBOR, in which case such Notes will be "**LIBOR Notes**";
- EURIBOR, in which case such Notes will be "**EURIBOR Notes**";
- the Treasury Rate, in which case such Notes will be "**Treasury Rate Notes**";
- the Prime Rate, in which case such Notes will be "**Prime Rate Notes**"; or
- such other interest rate basis or formula as is set forth in such Pricing Supplement.

Each Note will bear interest from its date of issue or from the most recent date to which interest on such Note has been paid or duly provided for, at the annual rate, or at a rate determined pursuant to an interest rate formula, stated therein. Interest will accrue on a Note until the principal thereof is paid or made available for payment.

Interest will be payable on each Interest Payment Date and at maturity or on redemption or repayment, if any, except for:

- certain Original Issue Discount Notes; and
- Notes originally issued between a Regular Record Date and an Interest Payment Date.

The first payment of interest on any Registered Note originally issued between a Regular Record Date and an Interest Payment Date will be made on the Interest Payment Date following the next succeeding Regular Record Date. Such interest will be payable by the Issuer to the registered owner on such next Regular Record Date. The relevant Issuer may vary the interest rates and interest rate formulae from time to time, but no such change will affect any Note theretofore issued or which the relevant Issuer has agreed to issue.

Interest will be payable on a Registered Note to the person in whose name such Note is registered at the close of business on the Regular Record Date next preceding the Interest Payment Date; provided, however, that

- if the relevant Issuer or the Guarantor, as the case may be, fails to pay such interest on such Interest Payment Date, such defaulted interest will be paid to the person in whose name such Registered Note is registered at the close of business on the record date to be established for the payment of defaulted interest; and
- interest payable at maturity, redemption or repayment will be payable to the person to whom principal shall be payable.

Unless otherwise indicated in the applicable Pricing Supplement:

- for Fixed Rate Notes, the Interest Payment Dates and any Regular Record Dates shall be as described below under "**Fixed Rate Notes**"; and
- for Floating Rate Notes:
  - the Interest Payment Dates shall be as indicated in the applicable Pricing Supplement and in such Note, and;
  - any Regular Record Date will be the fifteenth calendar day (whether or not a Business Day) next preceding each Interest Payment Date.

#### *Fixed Rate Notes*

*General.* Each Fixed Rate Note will bear interest at the annual rate specified in the Note and in the applicable Pricing Supplement (the "**Fixed Rate of Interest**"). Interest on the Fixed Rate Notes will be paid on the dates specified in the applicable Pricing Supplement (each, a "**Fixed Interest Payment Date**"). The Regular Record Dates for Fixed Rate Notes in registered form will be on the dates specified in the applicable Pricing Supplement. In the event that any Fixed Interest Payment Date or Maturity Date for any Fixed Rate Note is not a Business Day, interest on such Fixed Rate Note will be paid on the next succeeding Business Day without additional interest. If interest is required to be calculated for a period other than a Fixed Interest Period (as defined below), such interest shall be calculated by applying the Fixed Rate of Interest to each specified denomination of the Notes of such Series, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards, or otherwise in accordance with applicable market convention.

*Day Count Fraction.* Unless otherwise indicated in the applicable Pricing Supplement, "**Fixed Day Count Fraction**" means:



(1) if "**Actual/Actual (ISMA)**" is specified in the applicable Pricing Supplement:

(a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Fixed Interest Payment Date (or, if none, the interest commencement date (the "**Interest Commencement Date**") (as specified in the applicable Pricing Supplement)) to (but excluding) the relevant payment date (the "**Calculation Period**") is equal to or shorter than the Determination Period (as defined below) during which the Calculation Period ends, the number of days in such Calculation Period divided by the product of (1) the number of days in such Determination Period and (2) the number of determination dates (each, a "**Determination Date**") (as specified in the applicable Pricing Supplement) that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year; or

(b) in the case of Notes where the Calculation Period is longer than the Determination Period during which the Calculation Period ends, the sum of:

(i) the number of days in such Calculation Period falling in the Determination Period in which the Calculation Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year; and

(ii) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year; and

(2) if "**30/360**" is specified in the applicable Pricing Supplement, the number of days in the period from and including the most recent Fixed Interest Payment Date (or, if none, the Interest Commencement Date (as specified in the applicable Pricing Supplement)) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360.

**"Determination Period"** means the period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date (as specified in the applicable Pricing Supplement) or the final Fixed Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

**"Fixed Interest Period"** means the period from (and including) a Fixed Interest Payment Date (or, if none, the Interest Commencement Date (as specified in the applicable Pricing Supplement)) to (but excluding) the next (or first) Fixed Interest Payment Date.

**"sub-unit"** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

#### *Floating Rate Notes*

##### *General*

Floating Rate Notes generally will be issued as described below. Each applicable Pricing Supplement will specify certain terms with respect to which such Floating Rate Note is being delivered, including:

- whether such Floating Rate Note is a Regular Floating Rate Note, a Floating Rate/Fixed Rate Note or an Inverse Floating Rate Note;
- the Interest Rate Basis or Bases, Initial Interest Rate, Interest Reset Dates, Interest Reset Period, Regular Record Dates (if any) and Interest Payment Dates;
- the Index Maturity;
- the Spread and/or Spread Multiplier, if any;
- the maximum interest rate and minimum interest rate, if any; and
- the Designated LIBOR Currency, if one or more of the specified Interest Rate Bases is LIBOR.

The relevant Issuer may change the Spread, Spread Multiplier, Index Maturity and other variable terms of the Floating Rate Notes from time to time. However, no such change will affect any Floating Rate Note previously issued or as to which an offer has been accepted by such Issuer.

The interest rate in effect on each day shall be:

- if such day is an Interest Reset Date, the interest rate determined on the Interest Determination Date immediately preceding such Interest Reset Date; or

- if such day is not an Interest Reset Date, the interest rate determined on the Interest Determination Date immediately preceding the next preceding Interest Reset Date.

*Regular Floating Rate Note; Floating Rate/Fixed Rate Note; Inverse Floating Rate Note*

The Interest Rate Basis applicable to each Regular Floating Rate Note, Floating Rate/Fixed Rate Note and Inverse Floating Rate Note may be subject to a Spread or Spread Multiplier, provided that the interest rate on an Inverse Floating Rate Note will not be less than zero. If a Floating Rate Note is designated as having an Addendum attached as specified on the face thereof, the Floating Rate Note shall bear interest in accordance with the terms described in such Addendum and the applicable Pricing Supplement. See "Other Provisions, Addenda" below.

*Regular Floating Rate Note.* A Regular Floating Rate Note will bear interest at the rate determined by reference to the applicable Interest Rate Basis. The rate at which interest shall be payable shall be reset as of each Interest Reset Date commencing on the Initial Interest Reset Date. However:

- the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date will be the Initial Interest Rate; and
- the interest rate in effect for the ten calendar days immediately prior to a Maturity Date shall be that in effect on the tenth calendar day preceding such Maturity Date, unless otherwise specified in the applicable Pricing Supplement.

*Floating Rate/Fixed Rate Note.* A Floating Rate/Fixed Rate Note will initially bear interest at the rate determined by reference to the applicable Interest Rate Basis. The rate at which interest shall be payable shall be reset as of each Interest Reset Date commencing on the Initial Interest Reset Date. However:

- the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date will be the Initial Interest Rate;
- the interest rate in effect for the ten calendar days immediately prior to the Fixed Rate Commencement Date shall be that in effect on the tenth calendar day preceding the Fixed Rate Commencement Date, unless otherwise specified in the applicable Pricing Supplement; and
- the interest rate in effect commencing on, and including, the Fixed Rate Commencement Date to the Maturity Date shall be the Fixed Interest Rate, if such rate is specified in the applicable Pricing Supplement, or if no such Fixed Interest Rate is so specified and the Floating Rate/Fixed Rate Note is still outstanding on such day, the interest rate in effect thereon on the day immediately preceding the Fixed Rate Commencement Date.

*Inverse Floating Rate Note.* An Inverse Floating Rate Note will bear interest equal to the Fixed Interest Rate specified in the related Pricing Supplement minus the rate determined by reference to the Interest Rate Basis. The rate at which interest is payable shall be reset as of each Interest Reset Date commencing on the Initial Interest Reset Date. However:

- the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date will be the Initial Interest Rate; and
- the interest rate in effect for the ten calendar days immediately prior to a Maturity Date shall be that in effect on the tenth calendar day preceding such Maturity Date, unless otherwise specified in the applicable Pricing Supplement.

*Interest Rate Bases*

Each Floating Rate Note will have one or more interest rate bases. The formula may be based on:

- the CD Rate
- the Commercial Paper Rate
- the Eleventh District Cost of Funds Rate
- the Federal Funds Rate
- LIBOR
- EURIBOR
- the Treasury Rate
- the Prime Rate
- the lowest of two or more Interest Rate Bases
- such other rate specified in the applicable Pricing Supplement.

*Date of Interest Rate Change*

The interest rate on each Floating Rate Note may be reset daily, weekly, monthly, quarterly, semiannually or annually, as specified in the applicable Pricing Supplement (this period is the "**Interest Reset Period**" and the first day of each Interest Reset Period is the "**Interest Reset Date**").

If an Interest Reset Date for any Floating Rate Note falls on a day that is not a Business Day, it will be postponed to the following Business Day, except that, in the case of a LIBOR Note, if that Business Day is in the next calendar month, the Interest Reset Date will be the immediately preceding Business Day.

#### *How Interest is Calculated*

**General.** The relevant Issuer will appoint a calculation agent to calculate interest rates on the Floating Rate Notes. Unless otherwise specified in the applicable Pricing Supplement, JPMorgan Chase Bank will be the calculation agent for each Series of Floating Rate Notes. Floating Rate Notes will accrue interest from and including the original issue date or the last date to which the Issuer has paid or provided for interest, to but excluding the applicable Interest Payment Date, as described below, or the Maturity Date, as the case may be. However, in the case of Registered Notes that are Floating Rate Notes on which the interest rate is reset daily or weekly, each interest payment will include interest accrued from and including the date of issue or from but excluding the last Regular Record Date to which interest has been paid, through and including the Regular Record Date next preceding the applicable Interest Payment Date, and provided further that the interest payments on Floating Rate Notes made on the Maturity Date will include interest accrued to but excluding such Maturity Date.

**Day Count Fraction.** The amount of interest (the "**Interest Amount**") payable on any Series of Floating Rate Notes shall be calculated with respect to each specified denomination of such Floating Rate Notes of such Series for the relevant Interest Reset Period. Each Interest Amount shall be calculated by applying the relevant Interest Rate Basis, Spread and/or Spread Multiplier to each specified denomination and multiplying such sum by the applicable Floating Day Count Fraction.

"**Floating Day Count Fraction**" means, in respect of the calculation of the Interest Amount for any Interest Reset Period:

- (1) if "**Actual/365**", "**Actual/Actual**" or "**Actual/Actual (ISDA)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Reset Period divided by 365 (or, if any proportion of that Interest Reset Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Reset Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Reset Period falling in a non-leap year divided by 365);
- (2) if "**Actual/365 (Fixed)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Reset Period divided by 365;
- (3) if "**Actual/365 (Sterling)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Reset Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (4) if "**Actual/360**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Reset Period divided by 360;
- (5) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Interest Reset Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Reset Period is the 31<sup>st</sup> day of a month but the first day of the Interest Reset Period is a day other than the 30th or 31st day of the month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Reset Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (6) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Interest Reset Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day month, without regard to the date of the first day or last day of the Interest Reset Period unless, in the case of an Interest Reset Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

Unless otherwise specified in the applicable Pricing Supplement, the Day Count Fraction in respect of the calculation of the Interest Amount on any Floating Rate Note will be Actual/360. Notes for which the interest rate may be calculated with reference to two or more Interest Rate Bases will be calculated in each period by selecting one such Interest Rate Basis for such period. For these calculations, the interest rate in effect on any Interest Reset Date will be the new reset rate.

The calculation agent will round all percentages resulting from any calculation of the rate of interest on a Floating Rate Note, to the nearest 1/100,000 of 1% (0.0000001), with five one-millionths of a percentage point rounded upward (e.g. 9.876545% (or 0.09876545) would be rounded to 9.87655% (or 0.0987655)) and the calculation agent will round all currency amounts used in or resulting from any calculation to the nearest one-hundredth of a unit (with 0.005 of a unit being rounded upward).

The calculation agent will promptly notify the Fiscal Agent of each determination of the interest rate. The calculation agent will also notify the relevant stock exchange, competent listing authority and/or quotation system (in the case of Notes that are listed, quoted and/or traded on or by a stock exchange, competent listing authority and/or quotation system) and the Paying

Agents of the interest rate, the interest amount, the interest period and the Interest Payment Date related to each Interest Reset Date as soon as such information is available. The Paying Agents will make such information available to the holders of Notes. The Fiscal Agent will, upon the request of the holder of any Floating Rate Note, provide the interest rate then in effect and, if determined, the interest rate which will become effective as a result of a determination made with respect to the most recent Interest Determination Date relating to such Note.

So long as any Notes are listed on or by the Luxembourg Stock Exchange, the London Stock Exchange, the Irish Stock Exchange or any other exchange, competent listing authority and/or quotation system and the rules of such exchange(s), competent listing authority(ies) and/or quotation system(s) so require, the relevant Issuer and the Guarantor shall maintain a calculation agent for the Notes of such Issuer, and the relevant Issuer will notify the holders of its Notes in the manner specified under "**Notices**" herein in the event that such Issuer appoints a calculation agent with respect to such Notes other than the calculation agent designated as such in the applicable Pricing Supplement.

#### *When Interest is Paid*

The relevant Issuer will pay interest on Floating Rate Notes on the dates specified in the applicable Pricing Supplement. Each such date upon which the relevant Issuer is required to pay interest is an "**Interest Payment Date**". The relevant Issuer will also pay interest on the relevant Floating Rate Notes at the Maturity Date.

If an Interest Payment Date (other than the Maturity Date) for a Floating Rate Note falls on a day that is not a Business Day, the Issuer will postpone payment of interest to the following Business Day at which time the Issuer will pay additional interest that has accrued up to but excluding such following Business Day, except that, in the case of a LIBOR Note, if that Business Day would fall in the next calendar month, the Interest Payment Date will be the immediately preceding Business Day.

If the Maturity Date for a Floating Rate Note falls on a day that is not a Business Day, the Issuer will make the payment on the next Business Day, without additional interest.

#### *Date of Interest Rate Determination*

The interest rate for each Interest Reset Period commencing on the Interest Reset Date will be the rate determined on the relevant Interest Determination Date for such Interest Reset Date for the relevant type of Floating Rate Note, as set forth in the Glossary or otherwise in the relevant Pricing Supplement.

#### *Types of Floating Rate Notes*

##### *CD Rate Notes*

Each CD Rate Note will bear interest at a specified rate that will be reset periodically based on the CD Rate and any Spread and/or Spread Multiplier.

"**CD Rate**" means, with respect to any Interest Determination Date, the rate on that Interest Determination Date for negotiable certificates of deposit having the specified Index Maturity as published in H.15(519) under the heading "**CDs (secondary market)**".

The following procedures will apply if the rate cannot be set as described above:

- (a) If the rate is not published in H.15(519) prior to 3:00 p.m., New York City time, on the Interest Determination Date, then the CD Rate will be the rate for negotiable certificates of deposit having the specified Index Maturity as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "**CDs (secondary market)**".
- (b) If the rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the Interest Determination Date, the CD Rate will be the average of the secondary market offered rates, as of 10:00 a.m., New York City time, of three leading non-bank dealers of negotiable U.S. Dollar certificates of deposit in the City of New York selected by the calculation agent for negotiable certificates of deposit of major money market banks with a remaining maturity closest to the specified Index Maturity in a denomination of \$5,000,000.
- (c) If fewer than three dealers are providing quotes, the rate will be the same as the rate used in the prior interest period.

##### *Commercial Paper Rate Notes*

Each Commercial Paper Rate Note will bear interest at a specified rate that will be reset periodically based on the Commercial Paper Rate and any Spread and/or Spread Multiplier.

**"Commercial Paper Rate"** means, with respect to any Interest Determination Date, the Money Market Yield of the rate on that Interest Determination Date for commercial paper having the specified Index Maturity as published in H.15(519) under the heading **"Commercial Paper Nonfinancial"**.

The following procedures will apply if the rate cannot be set as described above:

- (a) If the rate is not published in H.15(519) prior to 3:00 p.m., New York City time, on the Interest Determination Date, then the Commercial Paper Rate will be the Money Market Yield of the rate for commercial paper having the specified Index Maturity as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption **"Commercial Paper Nonfinancial"**.
- (b) If the rate is not published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the Interest Determination Date, the Commercial Paper Rate will be the Money Market Yield of the average for the offered rates, as of 11:00 a.m., New York City time, on that Interest Determination Date, of three leading dealers of commercial paper in The City of New York selected by the calculation agent for commercial paper having the specified Index Maturity placed for an industrial issuer whose bond rating is **"AA"**, or the equivalent, by a nationally recognized rating agency.
- (c) If fewer than three dealers are providing quotes, the rate will be the same as the rate used in the prior interest period.

#### *Eleventh District Cost of Funds Rate Notes*

Each Eleventh District Cost of Funds Rate Note will bear interest at a specified rate that will be reset periodically based on the Eleventh District Cost of Funds Rate and any Spread and/or Spread Multiplier.

**"Eleventh District Cost of Funds Rate"** means, with respect to any Interest Determination Date, the rate equal to the monthly weighted average cost of funds for the calendar month preceding such Interest Determination Date as set forth under the caption **"11th District"** on Telerate Page 7058 (or such other page as is specified in the applicable Pricing Supplement) as of 11:00 a.m. San Francisco time, on such Interest Determination Date.

The following procedures will apply if the rate cannot be set as described above:

- (a) If such rate does not appear on Telerate Page 7058, the Eleventh District Cost of Funds Rate shall be the monthly weighted average cost of funds paid by member institutions of the Eleventh Federal Home Loan Bank District that was most recently announced by the Federal Home Loan Bank of San Francisco as such cost of funds for the calendar month preceding the date of such announcement.
- (b) If the Federal Home Loan Bank of San Francisco fails to announce such rate for the calendar month next preceding such Interest Determination Date, then the Eleventh District Cost of Funds Rate will be the same as the rate used in the prior interest period.

#### *Federal Funds Rate Notes*

Each Federal Funds Rate Note will bear interest at a specified rate that will be reset periodically based on the Federal Funds Rate and any Spread and/or Spread Multiplier.

**"Federal Funds Rate"** means, with respect to any Interest Determination Date, the rate on specified dates for federal funds published in H.15(519) prior to 11:00 a.m., New York City time, under the heading **"Federal Funds Effective"**, as such rate is displayed on Telerate Page 120.

The following procedures will apply if the rate cannot be set as described above:

- (a) If the rate does not appear on Telerate Page 120 or is not published in H.15(519) prior to 11:00 a.m., New York City time, on the Interest Determination Date, then the Federal Funds Rate will be the rate on such Interest Determination Date published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption **"Federal Funds (Effective)"**.
- (b) If the rate does not appear on Telerate Page 120 or is not published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the Interest Determination Date, the Federal Funds Rate will be the average of the rates, as of 11:00 a.m., New York City time, on that Interest Determination Date, for the last transaction in overnight federal funds arranged by three leading brokers of federal funds transactions in The City of New York selected by the calculation agent.
- (c) If fewer than three brokers are providing quotes, the rate will be the same as the rate used in the prior interest period.

#### *LIBOR Notes*

Each LIBOR Note will bear interest at a specified rate that will be reset periodically based on LIBOR and any Spread and/or Spread Multiplier.

The calculation agent will determine LIBOR on each Interest Determination Date as follows:

(a) With respect to any Interest Determination Date, LIBOR will be generally determined as either:

(1) If "**LIBOR Reuters**" is specified in the Pricing Supplement, the average of the offered rates for deposits in the Designated LIBOR Currency having the specified Index Maturity beginning on the relevant Interest Reset Date, that appear on the Designated LIBOR Page as of 11:00 a.m., London time, on that Interest Determination Date, if at least two offered rates appear on the Designated LIBOR Page; or

(2) If "**LIBOR Telerate**" is specified in the Pricing Supplement, or if neither "**LIBOR Reuters**" nor "**LIBOR Telerate**" is specified in the applicable Pricing Supplement, the rate for deposits in the London interbank market in the Designated LIBOR Currency having the specified Index Maturity beginning on the relevant Interest Reset Date, that appears on the Designated LIBOR Page as of 11:00 a.m., London time, on that Interest Determination Date.

Where (1) above applies, if fewer than two offered rates appear on the Designated LIBOR Page, or, where (2) above applies, if no rate appears on the Designated LIBOR Page, LIBOR for that Interest Determination Date will be determined based on the rates on that Interest Determination Date at approximately 11:00 a.m., London time, at which deposits on that date in the Designated LIBOR Currency for the period of the specified Index Maturity beginning on the relevant Interest Reset Date are offered to prime banks in the London interbank market by four major banks (one of which may be an affiliate of the calculation agent) in that market selected by the calculation agent and in a Representative Amount.

The calculation agent will request the principal London office of each of these banks to quote its rate. If the calculation agent receives at least two quotations, LIBOR will be the average of those quotations.

(b) If the calculation agent receives fewer than two quotations, LIBOR will be the average of the rates quoted at approximately 11:00 a.m., New York City time, on the Interest Determination Date by three major banks (one of which may be an affiliate of the calculation agent) in the Principal Financial Center selected by the calculation agent. The rates will be for loans in the Designated LIBOR Currency to leading European banks having the specified Index Maturity beginning on the relevant Interest Reset Date and in a Representative Amount.

(c) If fewer than three banks provide quotes, the rate will be the same as the rate used in the prior interest period.

#### *EURIBOR Notes*

Each EURIBOR Note will bear interest at a specified rate that will be reset periodically based on EURIBOR and any Spread and/or Spread Multiplier.

"**EURIBOR**" means, with respect to each Interest Determination Date, the rate for deposits in euro having the Index Maturity beginning on the relevant Interest Reset Date that appears on the Designated EURIBOR Page as of 11:00 a.m., Brussels time, on that Interest Determination Date.

The following procedures will apply if the rate cannot be set as described above:

(a) If such rate does not appear on the Designated EURIBOR Page as of 11:00 a.m., Brussels time, on the related Interest Determination Date, then the calculation agent will request the principal offices of four major banks (one of which may be an affiliate of the calculation agent) in the Euro-zone selected by the calculation agent to provide such bank's offered quotation to prime banks in the Euro-zone interbank market for deposits in euro having the Index Maturity beginning on the relevant Interest Reset Date as of 11:00 a.m., Brussels time, on such Interest Determination Date and in a Representative Amount. If at least two quotations are provided, EURIBOR for that date will be the average (if necessary rounded upwards) of the quotations.

(b) If fewer than two quotations are provided, EURIBOR will be the average (if necessary rounded upwards) of the rates quoted by major banks (which may include an affiliate of the calculation agent) in the Euro-zone, selected by the calculation agent, at approximately 11:00 a.m., Brussels time, on the Interest Determination Date for loans in euro to leading European banks for a period of time corresponding to the Index Maturity beginning on the relevant Interest Reset Date and in a Representative Amount.

(c) If no rates are quoted by major banks, the rate will be the same as the rate used for the prior interest period.

#### *Treasury Rate Notes*

Each Treasury Rate Note will bear interest at a specified rate that will be revised periodically based on the Treasury Rate and any Spread and/or Spread Multiplier.

**"Treasury Rate"** means, with respect to any Interest Determination Date, the rate for the most recent auction of direct obligations of the United States ("**Treasury bills**") having the specified Index Maturity as it appears under the caption "[**HIGH RATE**]" on page 56 or page 57 of Telerate (or any other pages as may replace such pages on such service).

The following procedures will apply if the rate cannot be set as described above:

- (a) If the rate is not so published by 3:00 p.m., New York City time, on the Interest Determination Date, the rate will be the auction average rate for such Treasury bills (expressed as a bond equivalent, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) for such auction as otherwise announced by the U.S. Department of the Treasury.
- (b) If the results of the auction of Treasury bills are not so published by 3:00 p.m., New York City time, on the Interest Determination Date, or if no such auction is held, the Treasury Rate will be the rate (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) on such Interest Determination Date of such Treasury bills having the specified Index Maturity as published in H.15(519) under the caption "**U.S. Government Securities/Treasury Bills/Auction high**."
- (c) If such rate is not so published in H.15(519) by 3:00 p.m., New York City time, on the related Interest Determination Date, the rate on such Interest Determination Date of such Treasury bills will be as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "**U.S. Government Securities/Treasury Bills/Auction high**."
- (d) If such rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source, then the Treasury Rate will be a yield to maturity (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the average of the secondary market bid rates as of approximately 3:30 p.m., New York City time, on the Interest Determination Date, of three leading primary U.S. government securities dealers in The City of New York selected by the calculation agent for the issue of Treasury bills with a remaining maturity closest to the specified Index Maturity.
- (e) If fewer than three dealers are providing quotes, the rate will be the same as the rate used in the prior interest period.

#### *Prime Rate Notes*

Each Prime Rate Note will bear interest at a specified rate that will be reset periodically based on the Prime Rate and any Spread and/or Spread Multiplier.

**"Prime Rate"** means, with respect to any Interest Determination Date, the rate set forth on that Interest Determination Date in H.15(519) under the heading "**Bank Prime Loan**".

The following procedures will apply if the rate cannot be set as described above:

- (a) If the rate is not published in H.15(519) by 3:00 p.m., New York City time, on the Interest Determination Date, then the Prime Rate will be the rate as published on such Interest Determination Date in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate under the caption "**Bank Prime Loan**".
- (b) If the rate is not published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the Interest Determination Date, then the Prime Rate will be the average (rounded upwards, if necessary, to the next higher one-hundred thousandth of a percentage point) of the rates publicly announced by each bank on the Reuters Screen USPRIME1 Page as its prime rate or base lending rate for that Interest Determination Date.
- (c) If fewer than four, but more than one, rates appear on the Reuters Screen USPRIME1 Page, the Prime Rate will be the average of the prime rates (quoted on the basis of the actual number of days in the year divided by a 360-day year) as of the close of business on the Interest Determination Date by four major money center banks in The City of New York selected by the calculation agent.
- (d) If fewer than two rates appear, the Prime Rate will be determined based on the rates furnished in The City of New York by the appropriate number of substitute banks or trust companies organized and doing business under the laws of the United States, or any State thereof, having total equity capital of at least \$500 million and being subject to supervision or examination by a Federal or State authority, as selected by the calculation agent.
- (e) If no banks are providing quotes, the rate will be the same as the rate used for the prior interest period.

#### **Disclosure under Interest Act (Canada)**

In the case of Notes issued by GEC Canada Funding, wherever interest is computed on a basis of a year (the "**deemed year**") which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate for purposes of the Interest Act (Canada) by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.

### **Indexed Notes**

*General.* Notes also may be issued with the principal amount payable at maturity or interest to be paid thereon, or both, to be determined with reference to the price or prices of specified commodities or stocks, indices, formulae or other assets or bases of reference as may be specified in such Note and the applicable Pricing Supplement ("**Indexed Notes**"). Holders of such Indexed Notes may receive a principal amount on the Maturity Date that is greater than or less than the face amount of the Indexed Notes, or an interest rate that is greater than or less than the stated interest rate on the Indexed Notes, or both, depending upon the structure of the Indexed Note and the relative value on the Maturity Date or at the relevant Interest Payment Date, as the case may be, of the specified indexed item. Information as to the method for determining the principal amount payable on the Maturity Date, the currency base rate (the "**Currency Base Rate**"), the manner of determining the interest rate, the determination agent (the "**Determination Agent**"), certain historical information with respect to the specified indexed item and tax considerations associated with an investment in Indexed Notes will be set forth in the applicable Pricing Supplement.

For further information regarding certain risks inherent in Indexed Notes, see "**Risk Factors – Indexed Notes**".

### **Extendible Notes**

Notes may be issued with an initial maturity date (the "**Initial Maturity Date**") which may be extended from time to time upon the election of the holders on specified dates (each, an "**Election Date**") up to a final maturity date (the "**Final Maturity Date**") as set forth in the applicable Pricing Supplement ("**Extendible Notes**"). The Pricing Supplement relating to each issue of Extendible Notes will set forth the terms of such Notes, including the Initial Maturity Date, the Final Maturity Date and the Election Dates, and will also describe certain tax considerations associated with an investment in Extendible Notes, the manner in which holders may elect to extend the Notes and such other terms and conditions as may apply to such issue.

### **Dual Currency Notes**

In general, "**Dual Currency Notes**" refer to Notes as to which the relevant Issuer is permitted under certain specified circumstances to pay principal, premium, if any, and/or interest, in more than one currency or composite currency. The terms of any Dual Currency Notes will be as set forth in the applicable Pricing Supplement related to any such Notes, including the face amount currency (the "**Face Amount Currency**"), the option value calculation agent (the "**Option Value Calculation Agent**"), the optional payment currency (the "**Optional Payment Currency**"), the option election date(s) (the "**Option Election Date(s)**"), and the designated exchange rate (the "**Designated Exchange Rate**").

For further information regarding certain risks inherent in Notes denominated in currencies other than U.S. Dollars, see "**Risk Factors - Currency Risks**."

### **Amortizing Notes**

Amortizing Notes are Fixed Rate Notes for which payments combining principal and interest are made in installments over the life of the Note ("**Amortizing Notes**"). Unless otherwise specified in the applicable Pricing Supplement, interest on each Amortizing Note will be computed on the basis of a 360-day year of twelve 30-day months. Payments with respect to Amortizing Notes will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof. Further information concerning additional terms and conditions of any issue of Amortizing Notes, including the amortization schedule (the "**Amortization Schedule**") will be provided in the applicable Pricing Supplement. A table setting forth repayment information in respect of each Amortizing Note will be included in the applicable Pricing Supplement and set forth on such Notes.

### **Original Issue Discount Notes**

Original Issue Discount Notes are Notes issued at more than a *de minimis* discount from the principal amount payable at maturity. Certain additional considerations relating to Original Issue Discount Notes may be described in the applicable Pricing Supplement relating thereto.

### **Additional Notes**

Each Issuer may issue Notes from time to time having terms identical to a prior Tranche of Notes but for the original issue date and the public offering price ("**Additional Notes**"). Any such Additional Notes will be issued in the form of a temporary global Note which will be exchangeable for either a beneficial interest in a permanent global Note or definitive Notes on or



after the Exchange Date specified in the applicable Pricing Supplement relating to such Additional Notes. Additional Notes may be issued prior to or after the Exchange Date relating to such prior Tranche of Notes. In the event Additional Notes are issued prior to the Exchange Date for the prior Tranche, the Exchange Date relating to such prior Tranche will be moved to a date not earlier than 40 calendar days after the original issue date of the related Additional Notes; provided, however, in no event will the Exchange Date for a Tranche of Notes be extended more than 160 calendar days after the date such Tranche was issued. Once any Additional Notes have been issued, such Additional Notes together with the earlier Notes shall constitute a single Series issued under the Fiscal Agency Agreement. The Pricing Supplement relating to any Additional Notes will set forth matters related to the issuance, exchange and transfer of Additional Notes, including identifying the prior Tranche of Notes, their original issue date and aggregate principal amount. Any Additional Notes that are Bearer Notes will be subject to the same restrictions as are set forth under **"Description of Notes—Provisions Relating to Bearer Notes"**.

### **Other Debt Securities**

Each Issuer may, at its option, elect to issue other debt securities ("**Other Debt Securities**") rather than Medium-Term Notes. Other Debt Securities will have general terms which are identical to those described herein under **"Description of Notes"** except that such Notes will be titled **"Debt Securities"** rather than **"Medium-Term Notes"**. In particular, (i) any Other Debt Securities issued by an Issuer other than GE Capital will have the benefit of the Guarantee of GE Capital and (ii) Other Debt Securities will be issued under the Fiscal Agency Agreement and holders thereof will be entitled to the benefits thereunder. The terms of such Other Debt Securities will be described in the applicable Pricing Supplement.

### **Other Provisions, Addenda**

Any provisions with respect to Notes, including the determination of an Interest Rate Basis, the specification of an Interest Rate Basis, calculation of the interest rate applicable to a Floating Rate Note, its Interest Payment Dates or any other matter relating thereto may be modified by the terms specified under **"Other Provisions"** on the face thereof or in an Addendum relating thereto, if so specified on the face thereof and in the applicable Pricing Supplement.

### **Events of Default**

An event of default ("**Event of Default**") will occur with respect to a Series of the Notes if (a) the principal of, or the redemption price of, any Notes of such Series shall fail to be paid when due, (b) any installment of interest or any Additional Amounts with respect to any Notes of such Series shall fail to be paid as and when the same shall become due and payable, and such failure shall continue for a period of 30 days, (c) any other covenant or agreement on the part of the relevant Issuer or, in the case of Notes issued by an Issuer other than GE Capital, the Guarantee contained in the Notes of such Series or the Fiscal Agency Agreement shall fail to be performed or observed in any material respect for a period of 60 days after written notice thereof to the relevant Issuer, the Guarantor and the Fiscal Agent by the holders of at least 25% in aggregate principal amount of the outstanding Notes of such Series, (d) the due acceleration of any indebtedness for money borrowed by GE Capital under the terms of the instruments under which such indebtedness is issued shall have occurred, and such acceleration is not rescinded or annulled or such indebtedness discharged within 10 days after written notice thereof, requiring GE Capital to remedy the same, shall have first been given to GE Capital or any other Issuer (in the case of Notes issued by such Issuers) and the Fiscal Agent by the holders of at least 25% in aggregate principal amount of the outstanding Notes of such Series; provided, that the resulting Event of Default with respect to such Series of Notes may be remedied, cured or waived by the remedying, curing or waiving of such other default under such other Series or such other indebtedness, (e) in the case of Notes issued by GEC Australia Funding, the due acceleration of any indebtedness for money borrowed by GEC Australia Funding shall have occurred under the terms of the instruments under which indebtedness in an aggregate principal amount of at least A\$10,000,000 is issued, and such acceleration is not rescinded or annulled or such indebtedness is not discharged within 10 days after written notice thereof, requiring such Issuer to remedy the same, shall have first been given to GEC Australia Funding, the Guarantor and the Fiscal Agent by the holders of at least 25% in aggregate principal amount of any relevant Series of the outstanding Notes issued by such Issuer, (f) in the case of Notes issued by GEC Canada Funding, the due acceleration of any indebtedness for money borrowed by GEC Canada Funding shall have occurred under the terms of the instruments under which indebtedness in an aggregate principal amount of at least C\$10,000,000 is issued and such acceleration is not rescinded or annulled or such indebtedness is not discharged within 10 days after written notice thereof, requiring such Issuer to remedy the same, shall have first been given to GEC Canada Funding, the Guarantor and the Fiscal Agent by the holders of at least 25% in aggregate principal amount of any relevant Series of the outstanding Notes issued by such Issuer, (g) in the case of Notes issued by an Irish Issuer, the due acceleration of any indebtedness for money borrowed by the respective Irish Issuer shall have occurred under the terms of the instruments under which indebtedness in an aggregate principal amount of at least U.S.\$10,000,000 is issued and such acceleration is not rescinded or annulled or such indebtedness is not discharged within 10 days after written notice thereof, requiring such Issuer to remedy the same, shall have first been given to the respective Irish Issuer, the Guarantor and the Fiscal Agent by the holders of at least 25% in aggregate principal amount of any relevant Series of the outstanding Notes issued by such Issuer, or (h) certain events of bankruptcy, insolvency, examinership, reorganization or similar laws or procedures affecting creditors rights generally relating to the relevant Issuer or, in the case of Notes issued by an Issuer other than GE Capital, the Guarantor shall have occurred. If an Event of Default shall occur and be continuing with respect to a Series of Notes, the holder of any Note of such Series may, at such holder's option,

declare, by written notice to the relevant Issuer, the Guarantor and the Fiscal Agent, such Note to be immediately due and payable. Upon such declaration prior to the Exchange Date, beneficial owners will be entitled to receive payments of interest thereon on the terms referred to in the last paragraph under "**Tax Redemption—All Notes**".

### **Merger, Consolidation, Sale or Conveyance**

Each Issuer and (in the case of Notes issued by an Issuer other than GE Capital) the Guarantor may consolidate or merge with, or sell, convey, transfer or otherwise dispose of all or substantially all of its properties to, any other corporation, provided that the successor corporation assumes all payment and related obligations of the relevant Issuer or the Guarantor, as the case may be, under the Fiscal Agency Agreement, the Notes and the Guarantee, as the case may be, and that certain other conditions are met.

### **Modification of Fiscal Agency Agreement and Notes**

The Fiscal Agency Agreement may be amended by each Issuer (with respect to matters relating to Notes issued by such Issuer), the Guarantor (with respect to matters relating to Notes issued by an Issuer other than GE Capital) and the Fiscal Agent, without the consent of the holder of any Note of a Series for the purposes of curing any ambiguity, or of correcting or supplementing any defective or inconsistent provisions contained therein or to effect any assumption of the relevant Issuer's obligations thereunder and under the Notes of a Series under the circumstances described under "**Merger, Consolidation, Sale or Conveyance**" above or of the Guarantor's obligations thereunder and under the Guarantee under the circumstances described under "**Description of the Guarantee—Merger, Consolidation, Sale or Conveyance**" below or in any other manner which the relevant Issuer, the Guarantor and the Fiscal Agent may deem necessary or desirable and which will not adversely affect the interests of the holders of Notes of a Series outstanding on the date of such amendment. Nothing in the Fiscal Agency Agreement prevents the Issuers, the Guarantor and the Fiscal Agent from amending the Fiscal Agency Agreement in such a manner as to only have a prospective effect on Notes issued on or after the date of such amendment.

Modifications and amendments to the Fiscal Agency Agreement, to the terms and conditions of the Notes of a Series or to the terms of the Guarantee may also be made, and future compliance therewith or past default by the relevant Issuer or the Guarantor may be waived, by holders of a majority in aggregate principal amount of the Notes of such Series (or, in each case, such lesser amount as shall have acted at a meeting of holders of such Notes, as described below), provided, however, that no such modification or amendment to the Fiscal Agency Agreement, to the terms and conditions of the Notes of a Series or to the terms of the Guarantee may, without the consent of the holders of each Note of such Series affected thereby, among other things, (a) change the stated maturity of the principal of any Note of such Series or extend the time for payment of interest thereon; (b) reduce the principal amount of any Note of such Series or reduce the amount of interest payable thereon or the amount payable thereon in the event of redemption or acceleration (or in the case of Original Issue Discount Notes, change the amount that would be due and payable upon an acceleration thereof); (c) change the currency of payment of principal of or any other amounts payable on any Note of such Series; (d) impair the right to institute suit for the enforcement of any such payment on or with respect to any Note of such Series or the Guarantee; (e) reduce the above-stated percentage of the principal amount of Notes of such Series, the consent of whose holders is necessary to modify or amend the Fiscal Agency Agreement, the terms and conditions of the Notes or reduce the percentage of Notes of such Series required for the taking of action or the quorum required at any such meeting of holders of Notes of such Series; or (f) modify the foregoing requirements to reduce the percentage of outstanding Notes of such Series necessary to waive any future compliance or past default. The persons entitled to vote a majority in principal amount of the Notes of a Series outstanding shall constitute a quorum at a meeting of Noteholders of such Series except as hereinafter provided. In the absence of such a quorum, a meeting of Noteholders called by the relevant Issuer or the Guarantor shall be adjourned for a period of not less than 10 days, and in the absence of a quorum at any such adjourned meeting, the meeting shall be further adjourned for another period of not less than 10 days, at which further adjourned meeting persons entitled to vote 25% in principal amount of Notes of a Series at the time outstanding shall constitute a quorum. Except for modifications or amendments in (a) to (f) above which require the consent of the holders of each Note of such series affected thereby, any modifications, amendments or waivers to the Fiscal Agency Agreement, the terms and conditions of the Notes of a Series or the terms of the Guarantee at a meeting of Noteholders require a favorable vote of holders of the lesser of (i) a majority in principal amount of the outstanding Notes of such Series or (ii) 75% of the principal amount of Notes of such Series represented and voting at the meeting. Any such modifications, amendments or waivers will be conclusive and binding on all holders of Notes of such Series, whether or not they have given such consent or were present at such meeting and whether or not notation of such modifications, amendments or waivers is made upon the Notes, and on all future holders of Notes of such Series. Any instruments given by or on behalf of any holder of a Note of a Series in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent holders of such Note.

### **Replacement of Notes and Coupons**

Any Notes or coupons that become mutilated, destroyed, lost or stolen or are apparently destroyed, lost or stolen will be replaced by the relevant Issuer at the expense of the holder upon delivery of the Notes or coupons or satisfactory evidence of the destruction, loss or theft thereof to such Issuer and the Fiscal Agent. In each case, an indemnity satisfactory to the relevant

Issuer and the Fiscal Agent may be required at the expense of the holder of such Note or coupon before a replacement Note or coupon will be issued. For so long as the Notes are listed on the Luxembourg Stock Exchange, the London Stock Exchange or, as applicable, the Irish Stock Exchange and the rules of such exchanges so require, a noteholder shall be able to obtain a replacement Note or coupon at the offices of the paying agent located in Luxembourg, London, or, as applicable, Ireland.

### **Applicable Law**

The Fiscal Agency Agreement and the Notes will be governed by, and construed in accordance with, the laws of the State of New York, United States of America.

### **Notices**

Notices to holders of the Notes will be given by publication in one leading English language daily newspaper with general circulation in London. Such publication is expected to be made in the *Financial Times*. In addition, as long as a Series of Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, notices in respect of such Notes will also be published in one leading daily newspaper with general circulation in Luxembourg. Such publication is expected to be made in the *Luxemburger Wort*. Notices shall be published in a manner which complies with the rules and regulations of any stock exchange, competent listing authority and/or quotation system, on or by which the Notes are for the time being listed, quoted and/or traded. Any such notice shall be deemed to have been given on the date of the first publication. If publication in London (or, if applicable, Luxembourg) is not practical, such publication shall be made elsewhere in Western Europe. In respect of the Irish Issuers, so long as the Notes or the Programme are listed on the Irish Stock Exchange and the rules of such exchange so require, notices in respect of such Notes will also be published in a daily newspaper with general circulation in Ireland. Such publication is expected to be made in *The Irish Times*. Such notices will be deemed to have been given on the date of such publication or if published in such newspapers on different dates, on the date of the first such publication.

Notices to holders of Registered Notes will also be given by mailing such notices to each holder by first class mail, postage prepaid, at the respective address of each holder as that address appears upon the books of the Registrar.

Notices to holders of Notes that are listed on the official segment Euronext Amsterdam's stock market will be given by publication in a leading daily newspaper in the English language of general circulation in Amsterdam and London. So long as such Notes are listed on the official segment of Euronext Amsterdam's stock market and the rules of such exchange so require, such notice shall also be published in the Official Price List ("*Officiële Prijscourant*"). If publication in London or Amsterdam, as the case may be, is not practical, such publication shall be made elsewhere in Western Europe. Such publication is expected to be made in the *Financial Times* in London and the *Het Financieele Dagblad* in Amsterdam. Such notices will be deemed to have been given on the date of such publication or if published in such newspapers on different dates, on the date of the first such publication.

So long as no definitive Bearer Notes are in issue in respect of a particular Series, there may, so long as the global Note(s) for such Series is or are held in its or their entirety by Euroclear and Clearstream, Luxembourg, and the Notes for such Series are not listed on or by any other exchange, competent listing authority and/or quotation system, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg. In addition, so long as the global Note(s) for such Series are listed on the Luxembourg Stock Exchange and the rules of the exchange so require, such notices will be published in a daily newspaper with general circulation in Luxembourg. Such publication is expected to be made in the *Luxemburger Wort*. In respect of the Irish Issuers, so long as the global Note(s) for such Series or the Programme are listed on the Irish Stock Exchange and the rules of such exchange so require, notices will also be published in a daily newspaper with general circulation in Ireland. Such publication is expected to be made in *The Irish Times*.

Notices to be given by a Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Fiscal Agent. While any Notes are represented by a global Note, such notice may be given by a Noteholder to the Fiscal Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Fiscal Agent and Euroclear and/or Clearstream, Luxembourg may approve for this purpose.

### **Consent to Service**

The Fiscal Agency Agreement provides that each Issuer and (in the case of Notes issued by an Issuer other than GE Capital) the Guarantor designate the Senior Vice President-Corporate Treasury and Global Funding Operation of each such Issuer and the Guarantor as authorized agent for service of process in any legal action or proceeding arising out of or relating to the Fiscal Agency Agreement, the Notes or the Guarantees brought in any federal or state court in the Borough of Manhattan, The City of New York, State of New York and irrevocably submit to the non-exclusive jurisdiction of such courts for such purposes (and only for such purposes) as long as there are any outstanding Notes.

## DESCRIPTION OF THE GUARANTEE

The Guarantor will unconditionally and irrevocably guarantee to the holders of Notes issued by an Issuer other than GE Capital and coupons relating thereto the due and punctual payment of all amounts (including any U.S., Australian, Canadian or Irish Additional Amounts) payable on or in respect of such Notes, or any part thereof, all in accordance with the terms of the Guarantee. The Guarantee will be endorsed on each such Note, will be unsecured and will rank equally with all other unsecured and unsubordinated obligations of the Guarantor.

### Merger, Consolidation, Sale or Conveyance

The Guarantee will provide, in effect, that the Guarantor may consolidate or merge with, or sell, convey, transfer or otherwise dispose of all or substantially all of its properties to, any other corporation provided that the Guarantor is the continuing corporation or the successor corporation assumes all payment and related obligations of the Guarantor under the Guarantee and that certain other conditions are met.

### Applicable Law

The Guarantee will be governed by and construed in accordance with the laws of the State of New York, United States of America.

## SPECIAL PROVISIONS RELATING TO FOREIGN CURRENCY NOTES

### General

Unless otherwise specified in the applicable Pricing Supplement, the following provisions shall apply to Foreign Currency Notes which are in addition to, and to the extent inconsistent therewith replace, the description of general terms and provisions of the Notes set forth elsewhere in this Offering Circular.

### Payments on Foreign Currency Notes

Purchasers are required to pay for the Notes in the currency specified in the applicable Pricing Supplement. Currently, there are limited facilities in various countries for conversion of home currencies into foreign currencies, and vice versa. In addition, many banks do not offer foreign currency denominated checking or savings account facilities.

Payment of principal, premium, if any, and interest, if any, on each Note will be made in immediately available funds in the Specified Currency unless otherwise specified in the applicable Pricing Supplement and except as provided under "**Changing the Specified Currency of Foreign Currency Notes**" below.

Unless otherwise specified in the applicable Pricing Supplement, a holder of the equivalent of U.S.\$1,000,000 or more aggregate principal amount of a definitive Registered Note denominated in a Specified Currency other than U.S. Dollars may elect subsequent to the issuance thereof that future payments be converted, or not be converted, as the case may be, at the Market Exchange Rate to U.S. Dollars by transmitting a written request for such payments to the Paying Agent on or prior to the Regular Record Date or at least 16 days prior to maturity or earlier redemption or repayment, as the case may be. Such request shall include appropriate payment instructions and shall be in writing (mail or hand delivered) or by cable, telex or facsimile transmission. A holder may elect to receive all future payments of principal, premium, if any, and interest in either the Specified Currency or in U.S. Dollars, as specified in the written request, and need not file a separate election for each payment. Such election will remain in effect until revoked by a subsequent election made in the manner and at the times prescribed in this paragraph. Owners of beneficial interests in permanent global Notes or holders of definitive Bearer Notes should contact their broker or nominee to determine whether and how an election to receive payment in either U.S. Dollars or the Specified Currency may be made.

The "**Market Exchange Rate**" with respect to any currency other than U.S. Dollars means, for any day, the noon dollar buying rate in The City of New York on such day for cable transfers of such currency as published by the Federal Reserve Bank of New York, or, if such rate is not published for such day, the equivalent rate as determined by the Exchange Rate Agent.

All determinations made by the Exchange Rate Agent shall be at its sole discretion and, in the absence of manifest error, shall be conclusive for all purposes and binding on holders of the Notes and the Exchange Rate Agent shall have no liability therefor. Under no circumstances shall GECC bear any responsibility for losses incurred by a holder due to fluctuations in the Market Exchange Rate.

Specific information about the currency or currency units in which a particular Foreign Currency Note is denominated will be set forth in the applicable Pricing Supplement. Any information therein concerning exchange rates is furnished as a matter of information only and should not be regarded as indicative of the range of or trends in fluctuations in currency exchange rates that may occur in the future.

## **Minimum Denominations, Restrictions on Maturities, Repayment and Redemption**

*General.* Notes denominated in Specified Currencies other than U.S. Dollars shall have such minimum denominations and be subject to such restrictions on maturities, repayment and redemption as are set forth below or as are set forth in the applicable Pricing Supplement in the event different restrictions on minimum denominations, maturities, repayment and redemption may be permitted or required from time to time by any relevant central bank or equivalent governmental body, however designated, or by such laws or regulations as are applicable to the Notes or the Specified Currency. Restrictions related to the distribution of Notes denominated in Specified Currencies other than U.S. Dollars are set forth under "**Plan of Distribution**" in this Offering Circular. Any other restrictions applicable to Notes denominated in Specified Currencies other than U.S. Dollars will be set forth in the applicable Pricing Supplement relating to such Notes.

*Minimum Denominations.* Notes (including Notes denominated in pounds sterling) with a maturity of less than one year from their date of issue will, if the proceeds of issue of such Notes are to be accepted by the relevant Issuer in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the FSMA unless they are issued (a) to a limited class of professional investors and have a minimum denomination of £100,000 (or its equivalent in other Specified Currencies) or (b) in other circumstances which do not constitute a contravention of section 19 of the FSMA by the relevant Issuer. (See "**Plan of Distribution**").

Notes issued by an Irish Issuer with a maturity of less than one year will be subject to a minimum denomination of €25,000 or its foreign currency equivalent.

*Restrictions on Maturities, Repayment and Redemption.* All Notes (irrespective of the Specified Currency in which they are denominated) will comply with applicable legal, regulatory and/or central bank requirements in respect of minimum required maturities and limitations on redemption by the Issuer or holder of such Note.

Unless otherwise specified in the applicable Pricing Supplement, GEC Canada Funding will not issue any Notes (a) which impose any obligation on such Issuer to repay more than 25% of the aggregate principal amount of a Tranche of Notes within five years from the date of issue of such Tranche except, generally, in the event of a failure or default under such Notes or a related agreement, (b) where all or any portion of interest on such Notes is contingent or dependent upon the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, a commodity price or any other similar criterion or by reference to dividends payable on any class of shares of the capital stock of a corporation, (c) which are Floating Rate Notes, or (d) which are Indexed Notes.

*Other Restrictions Applicable to Foreign Currency Notes.* Payments in Japanese yen to a non-resident of Japan may be made only by transfer to a non-resident account maintained by the payee with, or by a check drawn upon, an authorized foreign exchange bank.

## **Redenomination**

If specified in the applicable Pricing Supplement, an Issuer may, without the consent of holders of Notes denominated in a Specified Currency of a member state of the European Union, which on or after the issue date of such Notes participates in European Economic and Monetary Union, on giving at least 30 days' prior notice (the "**Redenomination Notice**") to the holders of such Notes and on prior notice to the Fiscal Agent, and Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, elect that, with effect from the date specified in the Redenomination Notice (the "**Redenomination Date**"), such Notes shall be redenominated in euro.

The election will have effect as follows:

- (a) the Notes shall be deemed to be redenominated into euro in the denomination of €0.01 with a nominal amount for each Note equal to the nominal amount of that Note in the Specified Currency, converted into euro at the Established Rate (defined below); provided that, if the Issuer determines after consultation with the Fiscal Agent that the then market practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the holders of Notes, any stock exchange on which the Notes may be listed, the Fiscal Agent and the Paying Agents of such deemed amendments;
- (b) save to the extent that an Exchange Notice (defined below) has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest €0.01;
- (c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued, subject to compliance with all applicable laws and regulations, at the expense of the Issuer in the denominations of €1,000, €10,000, €100,000 and (but only to the extent of any remaining amounts less than €1,000 or such smaller denominations as the Paying Agent may approve) €0.01 and such other denominations as the Issuer shall determine and notify to the Noteholders;

(d) if issued prior to the Redenomination Date, all unmatured coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the "**Exchange Notice**") that replacement euro-denominated Notes and coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes so issued will also become void on that date although such Notes will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes and coupons, if any, will be issued in exchange for Notes and coupons, if any, denominated in the Specified Currency in such manner as the Paying Agent may specify and as shall be notified to the holders of Notes in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

(e) after the Redenomination Date, all payments in respect of the Notes and the coupons, if any, including payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account outside the United States (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro check mailed to an address outside the United States;

(f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated by applying the Fixed Interest Rate to each specified denomination, multiplying such sum by the applicable Fixed Day Count Fraction specified in the applicable Pricing Supplement, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention;

(g) if the Notes are Floating Rate Notes, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and

(h) such other changes shall be made as the Issuer may decide, after consultation with the Paying Agent and the calculation agent (if applicable), and as may be specified in the Redenomination Notice, to conform them to conventions then applicable to instruments denominated in euro.

**"Established Rate"** means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of European Union pursuant to Article 109L(4) of the treaty establishing the European Communities, as amended by the Treaty on European Union.

**"sub-unit"** means, with respect to any Specified Currency other than euro, the lowest amount of such Specified Currency that is available as legal tender in the country of such Specified Currency and, with respect to euro, means one cent.

### **Changing the Specified Currency of Foreign Currency Notes**

Payments of principal, premium, if any, and interest, if any, on any Note denominated in a Specified Currency other than U.S. Dollars shall be made in U.S. Dollars if, on any payment date, such Specified Currency (a) is unavailable due to imposition of exchange controls or other circumstances beyond the relevant Issuer's control or (b) is no longer used by the government of the country issuing such currency or for the settlement of transactions by public institutions in that country or within the international banking community. Such payments shall be made in U.S. Dollars on such payment date and on all subsequent payment dates until such Specified Currency is again available or so used as determined by such Issuer.

Amounts so payable on any such date in such Specified Currency shall be converted into U.S. Dollars at a rate determined by the Exchange Rate Agent (as defined below) on the basis of the most recently available Market Exchange Rate or as otherwise indicated in the applicable Pricing Supplement. The **"Exchange Rate Agent"** at the date of this Offering Circular is JPMorgan Chase Bank. Any payment required to be made on Foreign Currency Notes denominated in a Specified Currency that is instead made in U.S. Dollars under the circumstances described above will not constitute a default of any obligation of the relevant Issuer under such Notes.

The provisions of the two preceding paragraphs shall not apply in the event of the introduction in the country issuing any Specified Currency of the euro pursuant to the entry of such country into European Economic and Monetary Union. In this situation, payments of principal, premium, if any, and interest, if any, on any Note denominated in any such Specified Currency shall be effected in euro at such time as is required by, and otherwise in conformity with, legally applicable measures adopted with reference to such country's entry into the European Economic and Monetary Union.

## RISK FACTORS

**THIS OFFERING CIRCULAR AND ANY PRICING SUPPLEMENT DO NOT DESCRIBE ALL THE RISKS ASSOCIATED WITH AN INVESTMENT IN NOTES OR INDEXED NOTES THE PAYMENT OF WHICH IS TO BE MADE IN OR RELATED TO THE VALUE OF A PARTICULAR CURRENCY OR A COMPOSITE CURRENCY AND EACH ISSUER DISCLAIMS ANY RESPONSIBILITY TO ADVISE PROSPECTIVE PURCHASERS OF SUCH RISKS AS THEY EXIST AT THE DATE OF THIS OFFERING CIRCULAR OR AS SUCH RISKS MAY CHANGE FROM TIME TO TIME. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN FINANCIAL AND LEGAL ADVISORS AS TO THE RISKS ENTAILED BY AN INVESTMENT IN SUCH NOTES. SUCH NOTES ARE NOT AN APPROPRIATE INVESTMENT FOR INVESTORS WHO ARE UNSOPHISTICATED WITH RESPECT TO A PARTICULAR CURRENCY, CURRENCY UNIT OR INDEXED TRANSACTIONS.**

The information set forth in this Offering Circular with respect to risks is general in nature, and each Issuer disclaims any responsibility to advise prospective purchasers of Notes with respect to any matters that may affect the purchase, holding or receipt of payments of principal of, premium, if any, and interest on Notes. Such persons should consult their own counsel with regard to such matters.

### **Exchange Rates and Exchange Controls**

*All Notes.* An investment in Notes that are denominated in, or the payment of which is to be or may be made in or related to the value of, a currency or composite currency other than the currency of the country in which the purchaser is a resident or the currency in which the purchaser conducts its business or activities (the "**home currency**") entails significant risks that are not associated with a similar investment in a security denominated in the home currency. Such risks include the possibility of significant changes in rates of exchange between the home currency and the various foreign currencies (or composite currencies) after the issuance of such Note and the possibility of the imposition or modification of foreign exchange controls by either the U.S. or foreign governments. Such risks generally depend on economic and political events over which each Issuer has no control. In recent years, rates of exchange between certain currencies have been highly volatile and such volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in such rate that may occur during the term of any Note. Depreciation of the currency in which a Note is denominated against the relevant home currency would result in a decrease in the effective yield of such Note below its coupon rate and, in certain circumstances, could result in a loss to the investor on a home currency basis. In addition, depending on the specific terms of a currency linked Indexed Note, changes in exchange rates relating to any of the currencies involved may result in a decrease in the effective yield of such currency linked Indexed Note and, in certain circumstances, could result in a loss of all or a substantial portion of the principal of a currency linked Indexed Note to the investor.

Foreign exchange rates can either be fixed by sovereign governments or float. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to the U.S. Dollar. National governments, however, rarely voluntarily allow their currencies to float freely in response to economic forces. Governments in fact use a variety of techniques, such as intervention by a country's central bank or imposition of regulatory controls or taxes, to affect the exchange rate of their currencies. Governments may also issue a new currency to replace an existing currency, or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing non-home currency denominated Notes or currency linked Indexed Notes is that their home currency-equivalent yields could be affected by governmental actions, which could change or interfere with theretofore freely determined currency valuation, fluctuations in response to other market forces, and the movement of currencies across borders. There will be no adjustment or change in the terms of such Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of other developments affecting the U.S. Dollar or any applicable Specified Currency.

Governments have imposed from time to time, and may in the future impose, exchange controls which could affect exchange rates as well as the availability of a specified foreign currency at the time of payment of principal and of premium, if any, or interest, if any, on a Note. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note not denominated in U.S. Dollars would not be available at such Note's maturity. In that event, the relevant Issuer would make required payments in U.S. Dollars on the basis of the market exchange rate on the date of such payment, or if such rate of exchange is not then available, on the basis of the market exchange rate as of the most recent practicable date. See "**Special Provisions Relating to Foreign Currency Notes—Payments on Foreign Currency Notes.**"

### **Indexed Notes**

An investment in Indexed Notes entails significant risks that are not associated with similar investments in a conventional fixed-rate debt security. If the interest rate of a Note is indexed, it may result in an interest rate that is less than that payable on a conventional fixed-rate debt security issued by the relevant Issuer at the same time, including the possibility that no interest

will be paid, and, if the principal amount of a Note is indexed, the principal amount payable at maturity may be less than the original purchase price of such Indexed Note, including the possibility that no principal will be paid (but in no event shall the amount of interest or principal paid with respect to an Indexed Note be less than zero). The secondary market for Indexed Notes will be affected by a number of factors, independent of the creditworthiness of the relevant Issuer or, in the case of Notes issued by an Issuer other than GE Capital, the Guarantor, and the value of the applicable currency, commodity, interest rate or other index, including, but not limited to, the volatility of the applicable currency, commodity, interest rate or other index, the time remaining to the maturity of such Indexed Notes, the amount outstanding of such Indexed Notes and market interest rates. The value of the applicable currency, commodity, interest rate or other index depends on a number of interrelated factors, including economic, financial and political events, over which the relevant Issuer and the Guarantor have no control. Additionally, if the formula used to determine the principal amount or interest payable with respect to such Indexed Notes contains a multiple or leverage factor, the effect of any change in the applicable currency, commodity, interest rate or other index may be increased. The historical experience of the relevant currencies, commodities, interest rate or other indices should not be taken as an indication of future performance of such currencies, commodities, interest rate or other indices during the term of any Indexed Note. Accordingly, prospective investors should consult their own financial and legal advisors as to the risks entailed by an investment in Indexed Notes and the suitability of Indexed Notes in light of their particular circumstances.

### **Governing Law and Judgments**

Because the Fiscal Agency Agreement and Notes will be governed by and construed in accordance with the laws of the State of New York, if an action based on Foreign Currency Notes were commenced in a New York court, such court would render or enter a judgment or decree in the Specified Currency. Such judgment would then be converted into U.S. Dollars at the rate of exchange prevailing on the date of entry of the judgment or decree. In the event an action based on Foreign Currency Notes were commenced in a court in the United States outside New York, it is likely that the judgment currency would be U.S. Dollars, but the method of determining the applicable exchange rate may differ.



## TAX CONSIDERATIONS

THE SUMMARIES OF CERTAIN MATTERS RELATING TO TAXATION SET OUT BELOW ARE NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE HOLDING OF NOTES. WITH RESPECT TO A SERIES OF NOTES, TO THE EXTENT APPROPRIATE, ADDITIONAL TAX CONSIDERATIONS MAY BE PROVIDED IN THE APPLICABLE PRICING SUPPLEMENT AND SHOULD BE READ IN CONJUNCTION WITH THE TAX CONSIDERATIONS DISCUSSED BELOW IN THIS OFFERING CIRCULAR. PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISERS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATION.

### United States Tax Considerations

The following is a summary of the principal United States federal income and estate tax consequences of the purchase, ownership and disposition of the Notes by initial holders and is based upon the Internal Revenue Code of 1986 (the "Code"), as amended to the date hereof, regulations, rulings and decisions in effect on the date hereof. This summary discusses only Notes that are beneficially owned by United States Alien Holders and held as capital assets; it does not discuss all of the tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as certain financial institutions, insurance companies, dealers in securities or foreign currencies, persons holding Notes as a hedge against currency risks or as a position in a "straddle" for tax purposes, or holders whose functional currency is not the U.S. Dollar. Persons considering the purchase of Notes should consult their own tax advisors in order to determine the United States, as well as any state, local or foreign tax consequences to them of the purchase, ownership and disposition of the Notes.

A United States Alien Holder means any holder of a Note that is not a United States person (as defined under "**Description of the Notes – Forms of Notes – Provisions Relating to Bearer Notes**").

Certain Issuers may be disregarded for U.S. federal income tax purposes and will, therefore, be treated as paying U.S. source income subject to the rules stated below. Under the "check the box" provisions of the Code, GEC Australia Funding, GEC Canada Funding and the Irish Issuers are entities disregarded for U.S. federal income tax purposes. Therefore, these issuers will be treated as paying U.S. source income subject to the rules stated below. The relevant pricing supplement will indicate if any Issuers, other than GEC Australia Funding, GEC Canada Funding and the Irish Issuers, are also disregarded or treated as a partnership for U.S. federal income tax purposes.

Under current United States federal income and estate tax law,

(a) payment on a Note or coupon by GEC Australia Funding, GEC Canada Funding or the Irish Issuers (or any paying agent on their behalf) to a holder that is a United States Alien Holder will not be subject to withholding of United States federal income tax, provided that, with respect to payments of such U.S. source interest (including original issue discount), (i) the holder does not actually or constructively own 10 percent or more of the combined voting power of all classes of stock of the relevant Issuer and is not a controlled foreign corporation related to such Issuer through stock ownership and (ii) in the case of a Registered Note, the beneficial owner provides a statement signed under penalties of perjury (typically, on IRS Form W-8BEN) that includes its name and address and certifies that it is a United States Alien Holder in compliance with applicable requirements (or satisfies certain documentary evidence requirements for establishing that it is a United States Alien Holder);

(b) a holder of a Note or coupon that is a United States Alien Holder will not be subject to United States federal income tax on gain realized on the sale, exchange or redemption of the Note or coupon, provided that such holder does not have a connection with or status with respect to the United States described in clause (a)(i) or (c) under "**Description of the Notes – Forms of Notes – Payment of Additional Amounts – United States**";

(c) a beneficial owner of a Bearer Note or coupon that is a United States Alien Holder will not be required to disclose its nationality, residence or identity to the relevant Issuer, a paying agent (acting in its capacity as such) or any United States governmental authority in order to receive payment on such Bearer Note or coupon from such Issuer or a paying agent outside the United States; and

(d) a Note or coupon will not be subject to United States federal estate tax as a result of the death of a holder who is not a citizen or resident of the United States at the time of death, provided that such holder did not at the time of death actually or constructively own 10 percent or more of the combined voting power of all classes of stock of the relevant Issuer and, at the time of such holder's death, payments of interest on such Note or coupon would not have been effectively connected with the conduct by such holder of a trade or business in the United States.

United States information reporting requirements and backup withholding tax will not apply to payments on a Bearer Note or coupon made outside the United States by the relevant Issuer or any paying agent to a holder that is a United States Alien

Holder. Payments on a Registered Note owned by a United States Alien Holder will not be subject to such requirements or tax if the statement described in clause (a) of the preceding paragraph is duly provided to the Fiscal Agent.

Information reporting requirements and backup withholding tax will not apply to any payment on a Bearer Note or coupon outside the United States by a foreign office of a foreign custodian, foreign nominee or other foreign agent of the beneficial owner of such Note or coupon, provided that such custodian, nominee or agent (i) derives less than 50 percent of its gross income for certain periods from the conduct of a trade or business in the United States, (ii) is not a controlled foreign corporation for United States federal income tax purposes and (iii) is not a foreign partnership that, at any time during its taxable year, is more than 50 percent (by income or capital interest) owned by United States persons or is engaged in the conduct of a U.S. trade or business. Payment on a Bearer Note or coupon outside the United States to the beneficial owner thereof by a foreign office of any other custodian, nominee or agent will not be subject to backup withholding tax, but will be subject to information reporting requirements unless such custodian, nominee or agent has documentary evidence in its records that the beneficial owner is a United States Alien Holder or the beneficial owner otherwise establishes an exemption. Payment on a Registered or Bearer Note or coupon by the United States office of a custodian, nominee or other agent of the beneficial owner of such Note or coupon will be subject to information reporting requirements and backup withholding tax unless the beneficial owner certifies its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

Information reporting requirements and backup withholding tax will not apply to any payment of the proceeds of the sale of a Registered or Bearer Note or coupon effected outside the United States by a foreign office of a foreign "broker" (as defined in applicable Treasury regulations), provided that such broker (i) derives less than 50 percent of its gross income for certain periods from the conduct of a trade or business in the United States, (ii) is not a controlled foreign corporation for United States federal income tax purposes and (iii) is not a foreign partnership that, at any time during its taxable year, is more than 50 percent (by income or capital interest) owned by United States persons or is engaged in the conduct of a U.S. trade or business. Payment of the proceeds of the sale of a Registered or Bearer Note or coupon effected outside the United States by a foreign office of any other broker will not be subject to backup withholding tax, but will be subject to information reporting requirements unless such broker has documentary evidence in its records that the beneficial owner is a United States Alien Holder and certain other conditions are met, or the beneficial owner otherwise establishes an exemption. Payment of the proceeds of a sale of a Registered or Bearer Note or coupon by the United States office of a broker will be subject to information reporting requirements and backup withholding tax unless the beneficial owner certifies its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

For purposes of applying the rules set forth under this heading "**Taxation in the United States**" to an entity that is treated as fiscally transparent (e.g., a partnership) for U.S. federal income tax purposes, the beneficial owner means each of the ultimate beneficial owners of the entity.

### **Australian Tax Considerations**

Under the "check the box" provisions of the Code, GEC Australia Funding is a disregarded entity for U.S. federal income tax purposes. Therefore, GEC Australia Funding will be treated as paying U.S. source income, subject to the rules under "**Tax Considerations—United States Tax Considerations**" above.

The following is a summary of the Australian taxation treatment, at the date of this Offering Circular, of payments of interest on Notes by GEC Australia Funding and certain other matters. It is not exhaustive, and in particular does not deal with the position of certain classes of holders of a Note (such as dealers in securities). Prospective holders of Notes should be aware that the particular terms of issue of any Series of Notes may affect the tax treatment of that and other Series of Notes. The following is a general guide and should be treated with appropriate caution. Holders of Notes who are in any doubt as to their tax position should consult their professional advisers.

References to '**interest**' may include amounts in the nature of or in substitution for interest.

Where the holder of any Note issued by GEC Australia Funding: (a) is a resident of Australia for the purpose of the Australian Tax Act; (b) is not a person who subscribed for the Note in the ordinary course of the business of providing business finance and carries on that business; and (c) holds the Note at a time when GEC Australia Funding becomes liable to pay interest in respect of the Note, and the Note is not an uninscribed security for the purposes of the Australian Tax Act, then GEC Australia Funding, or a paying agent on its behalf, must either (i) ensure that a tax file number, Australian business number or other exemption details have been quoted, or are taken to have been quoted, to it by the holder of the Note, or (ii) deduct Australian tax in respect of the interest.

Generally, interest paid by GEC Australia Funding to a non-resident of Australia, who does not derive the interest in carrying on business at or through a permanent establishment in Australia, is subject to interest withholding tax at the rate of 10%.

An exemption from Australian interest withholding tax is available in respect of any interest on Notes under section 128F of the Australian Tax Act if the following conditions are met:

- (a) GEC Australia Funding is a resident of Australia when it issues the relevant Notes and when interest (as defined in section 128A (1AB)) is paid on the relevant Notes;
- (b) the relevant Notes are issued in a manner which satisfies the public offer test. There are five principal methods of satisfying the public offer test the purpose of which is to ensure that lenders in overseas capital markets are aware that GEC Australia Funding is offering the relevant Notes for issue. In summary, the five methods are:
  - (i) offers of the relevant Notes to 10 or more professional market financiers, investors or dealers who are not associates of each other;
  - (ii) offers of the relevant Notes to 100 or more potential investors;
  - (iii) offers of the relevant Notes which are listed on a stock exchange;
  - (iv) offers of the relevant Notes via publicly available financial markets dealing information; and
  - (v) offers of the relevant Notes to the Dealers who offer to sell such Notes within 30 days by one of the preceding methods.

In addition, the issue of a global note and the offering of interests in the global note by one of these methods will satisfy the public offer test.

- (c) GEC Australia Funding does not know, or have reasonable grounds to suspect that:

- (i) at the time of issue, the Notes or interests in the relevant Notes were being, or would later be, acquired, directly or indirectly, by an Offshore Associate of GEC Australia Funding other than one acting in the capacity of a dealer, manager or underwriter in relation to the placement of the relevant Notes or in the capacity of a clearing house, custodian, funds manager or responsible entity of a registered scheme (within the meaning of the Corporations Act 2001 of Australia); or
- (ii) at the time of the payment of interest, the payee is an Offshore Associate of GEC Australia Funding other than one which receives the payment in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme (within the meaning of the Corporations Act 2001 of Australia).

Reference to "**Offshore Associate**", for this purpose, means an associate (as defined in section 128F of the Australian Tax Act) of GEC Australia Funding that is either a non-resident of the Commonwealth of Australia which does not acquire Notes in carrying on a business at or through a permanent establishment in Australia, or alternatively, a resident of Australia that acquires Notes in carrying on business at or through a permanent establishment outside Australia.

GEC Australia Funding proposes to issue Notes in a manner which will satisfy the public offer test and which otherwise meets the requirements of section 128F of the Australian Tax Act.

Section 126 of the Australian Tax Act imposes a type of withholding tax at the rate of 47 per cent on the payment of interest on bearer Notes (other than certain zero-coupon promissory notes) if GEC Australia Funding fails to disclose the names and addresses of the holders to the Australian Taxation Office. Section 126 does not apply to the payment of interest on Notes held by non-residents who do not carry on business at or through a permanent establishment in Australia, where the issue of those Notes satisfies the requirements of section 128F of the Australian Tax Act or interest withholding tax is payable. However the operation of section 126 in relation to Notes held by persons other than non-residents who do not carry on business at or through a permanent establishment in Australia whose names and addresses are not provided to the Australian Tax Office is unclear.

As set out in more detail under "**Description of the Notes**," if GEC Australia Funding should at any time be compelled by law to deduct or withhold an amount in respect of any withholding taxes (as defined), GEC Australia Funding shall, subject to certain exceptions, pay such additional amounts as may be necessary in order to ensure that the net amounts received by the holders of the relevant Notes after such deduction or withholding shall equal the respective amounts which would have been receivable had no such deduction or withholding been required.

GEC Australia Funding has been advised that under Australian law as presently in effect:

- (A) assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to an issue of Notes, payment of principal and interest to a holder of such Notes, who is a non-resident of Australia and who, during the taxable year, has not held any Notes in the course of carrying on business at or through a permanent establishment within Australia, will not be subject to Australian income taxes;

(B) a holder of the Notes, who is a non-resident of Australia and who during the taxable year has not held any Note in the course of carrying on business through a permanent establishment in Australia, will not be subject to Australian income tax on gains realized during that year on a sale or redemption of such Notes, provided such gains do not have an Australian source. A gain arising on the sale of such Notes by a non-Australian resident holder to another non-Australian resident holder where such Notes are sold outside Australia and all negotiations are conducted, and documentation executed, outside Australia would not generally be regarded as having an Australian source.

There are specific rules that can apply to treat a portion of the purchase price of notes as interest for withholding tax purposes when certain notes originally issued at a discount or with a maturity premium or which do not pay interest at least annually are sold to an Australian resident (who does not acquire them in the course of carrying on trade or business at or through a permanent establishment outside Australia) or a non-resident who acquires them in the course of carrying on trade or business at or through a permanent establishment in Australia. The exemption in section 128F of the Australian Tax Act extends to the deemed interest in those circumstances, in cases where the interest would have been exempt if the Note had been held to maturity.

The Commissioner of Taxation of the Commonwealth of Australia may give a direction under s218 or s255 of the Australian Tax Act and the Income Tax Assessment Act 1997 (Cth) or s260-5 of the Taxation Administration Act 1953 or any similar provision requiring GEC Australia Funding to deduct from any payment to any other party (including any holder of a Note) any amount in respect of tax payable by that other party.

### **Canadian Tax Considerations**

Under the "check the box" provisions of the Code, GEC Canada Funding is a disregarded entity for U.S. federal income tax purposes. Therefore, GEC Canada Funding will be treated as paying U.S. source income, subject to the rules stated under "**Tax Considerations—United States Tax Considerations**" above. Notwithstanding such election for U.S. federal income tax purposes, GEC Canada Funding will be treated as paying Canadian source income for Canadian federal income tax purposes.

The following summary of Canadian federal income tax considerations is of a general nature only, and is not intended to be, nor should it be considered to be, legal or tax advice to any particular holder of Notes who is a non-resident of Canada. Holders of Notes who are non-residents of Canada should therefore consult their own tax advisors with respect to their particular circumstances.

Unless otherwise specified in the applicable Pricing Supplement, GEC Canada Funding will be prohibited from issuing any Notes (a) which impose any obligation on any such Issuer to repay more than 25% of the aggregate principal amount of a Tranche of Notes within five years from the date of issue of such Tranche except, generally, in the event of a failure or default under such Notes or a related agreement, (b) where all or any portion of interest on such Notes is contingent or dependent upon the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, a commodity price or any other similar criterion or by reference to dividends payable on any class of shares of the capital stock of a corporation, (c) which are Floating Rate Notes, or (d) which are Indexed Notes.

Subject to the following, in the case of a Note issued by GEC Canada Funding (a "**Canadian Issuer Note**") interest paid or credited by such Issuer or the Guarantor or deemed to be paid or credited on such Note (including accrued interest on such Note in certain cases involving the assignment or transfer of such Note to a resident or deemed resident of Canada) to a holder who is a non-resident of Canada for purposes of Canadian federal income tax laws will not be subject to Canadian non-resident withholding tax where GEC Canada Funding deals at arm's length for the purposes of Canadian federal income tax laws with the non-resident holder at the time of such payment and under the terms and conditions of the Canadian Issuer Notes or any agreement relating thereto such Issuer may not under any circumstances be obliged to repay more than 25% of the aggregate principal amount of a Tranche of Canadian Issuer Notes within five years from the date of issue of such Tranche except, generally, in the event of a failure or default under such Notes or a related agreement. Canadian non-resident withholding tax will apply if all or any portion of such interest on the Canadian Issuer Notes (other than on a prescribed obligation described below) is contingent or dependent upon the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, a commodity price or any other similar criterion or by reference to dividends payable on any class of shares of the capital stock of a corporation. The Canadian non-resident withholding tax is at the rate of 25%, or such lower rate as may be provided for under the terms of any applicable bilateral tax treaty.

A prescribed obligation for this purpose is an "**indexed debt obligation**" (as defined below) on which no amount payable is contingent or dependent upon the use of, or production from, property in Canada or is computed by reference to revenue, profit, cash flow, a commodity price or any other similar criterion, other than an amount determined by reference to a change in the purchasing power of money, or by reference to dividends paid or payable to shareholders of any class of shares of the capital stock of a corporation. An "**indexed debt obligation**" is a debt obligation the terms or conditions of which provide for an adjustment to an amount payable in respect of the obligation for a period during which the obligation was outstanding that is determined by reference to a change in the purchasing power of money. All or a portion of an adjustment to an amount payable in respect of such an obligation may be treated as being paid or credited by the issuer as interest on such obligation.

Accordingly, interest on any Tranche of Canadian Issuer Notes having an initial term of less than five years, on any Tranche of Canadian Issuer Notes of which installment payments of more than 25% of the aggregate principal amount of such Notes are made within five years from the date of issue of such Notes and on any Tranche of Canadian Issuer Notes redeemable at the option of the holder within five years from the date of issue of such Notes will be subject to Canadian non-resident withholding tax. Interest on Floating Rate Notes issued by GEC Canada Funding, depending upon the interest rate formula as set forth in the applicable Pricing Supplement, and interest on Indexed Notes issued by GEC Canada Funding, depending upon the terms as set forth in the applicable Pricing Supplement, may be subject to Canadian non-resident withholding tax.

In the event that a Canadian Issuer Note is redeemed, cancelled, repurchased or purchased by GEC Canada Funding or any other resident or deemed resident of Canada from a non-resident holder or otherwise assigned or transferred by a non-resident holder to a resident or deemed resident of Canada for an amount which exceeds, generally, the issue price thereof, the difference between the price for which such Note is redeemed, cancelled, repurchased or purchased or otherwise assigned or transferred and the issue price may, in certain circumstances, be deemed to be interest on such Note. Such deemed interest on such Note will be subject to Canadian non-resident withholding tax if such interest is not otherwise exempt from Canadian non-resident withholding tax (as described above). A further exception to this deemed interest rule applies if the Canadian Issuer Note is not an indexed debt obligation (as defined above), was issued for at least 97% of its principal amount and its annual yield is not more than four-thirds of the interest stipulated to be payable on such Note. Depending upon the terms set forth in the applicable Pricing Supplement, Canadian Issuer Notes issued at a discount or redeemable at a premium may be subject to these deemed interest rules, and accordingly subjected to Canadian non-resident withholding tax.

Additional considerations relating to Canadian Issuer Notes may be set forth in the Pricing Supplement relating to the issue of such Notes.

Under the existing federal laws of Canada, generally, there are no other taxes on income (including taxable capital gains) payable in respect of a Canadian Issuer Note or interest, discount, or premium thereon by a non-resident holder who is neither a resident nor deemed to be a resident of Canada at any time during which the Canadian Issuer Note is held, and who does not use or hold and is not deemed to use or hold the Canadian Issuer Note in or in the course of carrying on a business in Canada and is not otherwise required by or for the purposes of such laws to include an amount in respect of the Canadian Issuer Note in computing income from carrying on a business in Canada.

### **Irish Tax Considerations**

Under the "check the box" provisions of the Code, each Irish Issuer is a disregarded entity for U.S. federal income tax purposes. Therefore, the Irish Issuers will be treated as paying U.S. source income, subject to the rules stated under "**Tax Considerations—United States Tax Considerations**" above. The relevant Pricing Supplement will indicate, if any, Irish issuers, other than the Irish Issuers, are also disregarded or treated as a partnership for U.S. Federal Income Tax purposes. Notwithstanding such election for US Federal Income Tax purposes, the Irish Issuers and any other Irish affiliate issuers will be treated as paying Irish source income for Irish income and corporation tax purposes.

The following summary of Irish tax considerations is of general nature only, and is not intended to be, nor should it be considered to be, legal or tax advice to any particular holder of Notes who is a non resident of Ireland. Holders of Notes who are non residents of Ireland should therefore consult their own tax advisers with respect to their particular circumstances.

#### *Income Tax and Corporation Tax*

Persons resident in Ireland are subject to Irish tax on their worldwide income, which would include interest or discount on the Notes.

Persons not resident in Ireland are subject to Irish tax on interest or discount on Notes issued by an Irish Issuer unless one of the following exemptions is available:

- (a) A company which is not resident or a person who is not ordinarily resident in Ireland will not be chargeable to income tax in respect of interest paid on Notes issued by an Irish Issuer if:
  - (i) the note is issued on terms which require an Irish Issuer to redeem it within 15 years after the date on which it was issued; and
  - (ii) the note is issued by an Irish Issuer and the interest is paid in the course of carrying on certified operations under Section 445 of the Irish Taxes Consolidation Act 1997. GECEF has such a certificate under Section 445.
- (b) A company which is not resident or a person who is not ordinarily resident in Ireland will not be chargeable to income tax in respect of interest paid on Notes issued by an Irish Issuer if:
  - (i) the interest is paid on or before 31 December 2005; and

(ii) the Note is issued by an Irish Issuer and the interest is paid in the course of carrying on certified operations under Section 445 of the Irish Tax Consolidation Act 1997. GECEF has such a certificate under Section 445.

(c) A company which is not resident in Ireland will not be chargeable to income tax in respect of interest paid (in the ordinary course of an Irish Issuer's business) on Notes issued by an Irish Issuer if the company is resident in a Member State of the European Union or in a jurisdiction with which Ireland has a valid double taxation treaty.

(d) A person (whether or not a company) who is not resident in Ireland will not be chargeable to income tax in respect of interest paid on notes issued by an Irish Issuer if:

(i) the person is resident in a Member State of the European Union or in a jurisdiction with which Ireland has a valid double taxation treaty; and

(ii) The Note qualifies as "**Quoted Eurobond**".

The Note will qualify as a "**Quoted Eurobond**" if:

(i) it is quoted on a recognized stock exchange;

(ii) it carries a right to interest;

(iii) One of the following conditions is satisfied:

a. the paying agent is not resident in Ireland

b. the Note is held in a recognized clearing system (Euroclear, Clearstream Banking SA and Clearstream Banking AG are recognized for this purpose); or

c. the beneficial owner of the Note who is beneficially entitled to the interest is non Irish resident and has made a declaration of non-Irish residence in the form required by the Irish Revenue Commissioners; and

(iv) it is issued in bearer form.

(e) A person (whether or not a company) who is not resident in Ireland will not be taxed in respect of discounts on Notes issued by an Irish Issuer if:

(i) the exemption at either (a) or (b) above would apply where interest rather than discount income arose;

(ii) the person is not chargeable in the name of the person (including a trustee) or in the name of an agent or branch in Ireland having the management or control of the discount; and

(iii) the person is not liable to Irish Corporation Tax on income from an Irish branch or agency or to income tax on the profits of a trade carried on in Ireland, to which the discount is attributable.

#### *Withholding Tax*

Irish tax legislation contains a general withholding tax provision which may apply unless a specific exemption is available. The rate of withholding tax is currently 20%. No withholding tax applies where the Note qualifies as a "**Quoted Eurobond**" (see above) or where the exemptions at (a), or (b), or (c) above apply.

#### *Encashment Withholding Tax on Interest on Notes issued by a non-Irish Issuer cashed through an Irish Paying Agent*

Where any interest on any Notes issued by a non-Irish Issuer is entrusted to any person in Ireland for payment or distribution, such Irish paying agent will be obliged to withhold Irish income tax at the lower rate of income tax (currently 20%).

An exemption from this tax is available where the beneficial owner of the Notes is non-Irish resident. To avail of the exemption, it is necessary for the non-Irish resident to complete a non-resident declaration form and furnish this to the Irish Paying Agent.

#### *Capital Gains Tax*

In the case of a person who is either resident or ordinarily resident in Ireland, the disposal or redemption of Notes may be liable to Irish Capital Gains tax. If the person is neither resident nor ordinarily resident in Ireland, he will not be liable to Irish Capital Gains tax on the disposal unless the Notes:

- (i) are situated in Ireland and have been used in or for the purposes of a trade carried on by such person in Ireland through a branch or agency, or which were used or held or acquired for use by or for the purpose of the branch or agency; or
- (ii) are not quoted on a stock exchange and derive their value or the greater part of their value from land, mineral rights or exploration rights in Ireland.

Bearer Notes will be deemed to be situated in Ireland if they are physically located in Ireland at the time of disposal.

#### *Capital Acquisitions Tax on Gifts and Inheritances*

Gift or Inheritance Tax may arise in respect of a gift or an inheritance of a Note where at the relevant date:

- (a) the donor is or the deceased was resident or ordinarily resident in Ireland;
- (b) the donee or successor is resident or ordinarily resident in Ireland;
- (c) the Notes are located in Ireland.

The standard rate of Capital Acquisition Tax is 20%. No tax applies on a gift or an inheritance from a spouse to the other spouse of the same marriage.

#### *Stamp Duty*

*Issue of Instruments.* No stamp duty arises on the issue of the Notes on the basis that the Notes are unsecured.

*Stamp Duty on the Transfer of Notes.* The transfer of Notes issued by an Issuer incorporated outside Ireland will be exempt from Irish stamp duty provided the transfer does not relate to Irish immovable property or the stocks or shares of a company having a register in Ireland or otherwise is not executed in Ireland.

A stamp duty liability should not arise on the transfer of Notes issued by an Irish Issuer if the following conditions are satisfied (the "**Exemption Conditions**"):

- (i) the Notes do not carry a right of conversion into stocks or marketable securities (other than loan capital) of a company having a register in Ireland or into loan capital having such a right;
- (ii) the Notes do not carry rights of the same kind as shares in the capital of the company, including rights such as voting rights, a share in the profits or a share in the surplus upon liquidation;
- (iii) the Notes are redeemable within 30 years of the date of issue and not thereafter;
- (iv) the Notes are issued for a price which is not less than 90 per cent of the nominal value; and
- (v) the Notes do not carry a right to a sum in respect of repayment or interest which is related to certain movements in an index or indices specified in any instrument or other document relating to such loan capital.

If the Exemption Conditions are satisfied, the transfer of such Notes will be exempt from stamp duty. If the Exemption Conditions are not satisfied, stamp duty at the rate of one per cent of the consideration paid for the Notes (or the market value of the Notes, whichever is higher) will be chargeable on the transfer of the Notes.

*Transfer of Bearer Notes by Delivery.* Transfers of Notes in bearer form by delivery, where there is no document transferring or agreeing to transfer such Notes, will not give rise to a stamp duty charge. However, on the basis that the Notes are to be delivered to a common depositary for Euroclear or Clearstream Luxembourg or other clearing system, the transfer of the Notes within such clearing system could attract a stamp duty charge. If the Notes comply with the Exemption Conditions, the transfer of the Notes through the relevant clearing system should not attract stamp duty.

*Accounting for Stamp Duty.* Stamp duty, if chargeable, is payable by the transferee within 30 days after the date of execution of the transfer. Late or inadequate payment of stamp duty may result in a liability for interest and penalties.

### **AUSTRALIAN EXCHANGE CONTROLS AND OTHER AUSTRALIAN LIMITATIONS AFFECTING HOLDERS**

The Australian Banking (Foreign Exchange) Regulations and other Australian legislation and regulations control and regulate or permit the control and regulation of a broad range of payments and transactions involving non-residents of Australia. Pursuant to certain general and specific exemptions, authorities and approvals, however, GEC Australia Funding is not restricted from transferring funds from Australia or placing funds to the credit of non-residents of Australia, subject to a restriction on making certain payments in or from Australia to, by order of or relating to or derived from property, securities or

funds belonging to or controlled by or payments to or from persons who have a prescribed connection with entities designated from time to time by the Reserve Bank of Australia for the purposes of the Banking (Foreign Exchange) Regulations. As of the date of this Offering Circular, the specific prior approval of the Reserve Bank of Australia must be obtained from certain payments involving or connected in certain ways with certain ministers and senior officials of the Government of Zimbabwe, certain Yugoslav entities or individuals or to other parties to whom financial sanctions apply.

In addition, regulations in Australia also prohibit payments, transactions and dealings with assets having a prescribed connection with certain countries or named individuals or entities associated with terrorism.

The foregoing summary is based upon exchange control laws and regulations as now in effect and accurately interpreted and does not take into account possible changes in such laws, regulations and interpretations.

#### **EUROPEAN UNION SAVINGS TAX DIRECTIVE**

The Council of the European Union has adopted a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, Member States will be required from a date not earlier than January 1, 2005 to provide to the tax authorities of another Member State details of payments of interest and other similar income paid by a person to an individual resident in that other Member State, except that Austria, Belgium and Luxembourg will instead operate a withholding system for a transitional period, unless they elect otherwise.



## PLAN OF DISTRIBUTION

### General

Under the terms of the Fifth Amended and Restated Distribution Agreement dated May 21, 2004 (the "**Distribution Agreement**"), the Notes are being offered on a continuing basis by each of the Issuers through Barclays Bank PLC, Credit Suisse First Boston (Europe) Limited, GE Capital Bank S.C.A., Goldman Sachs International, Merrill Lynch International and UBS Limited, acting through its business group UBS Warburg (the "**Dealers**"), each of which has agreed to use its best efforts to solicit purchases of the Notes. Except as otherwise agreed by the relevant Issuer and a Dealer with respect to a particular Note, the relevant Issuer will pay each Dealer a commission (the "**Dealer's Commission**") ranging from 0.050% to 0.600% of the principal amount of each Note, depending on its maturity, sold through such Dealer. The relevant Issuer will have the sole right to accept offers to purchase Notes and may reject any such offer, in whole or in part. Each Dealer shall have the right, in its discretion reasonably exercised, without notice to the relevant Issuer, to reject any offer to purchase Notes received by it, in whole or in part.

Each Issuer also may sell Notes to any Dealer, acting as principal, at a discount or concession to be agreed upon at the time of sale, for resale to one or more investors or other purchasers at a fixed offering price or at varying prices related to prevailing market prices at the time of such resale or otherwise, as determined by such Dealer and specified in the applicable Pricing Supplement. The Dealers may offer the Notes they have purchased as principal to other dealers. The Dealers may sell Notes to any dealer at a discount and, unless otherwise specified in the applicable Pricing Supplement, such discount allowed to any dealer will not be in excess of the discount to be received by such Dealer from the relevant Issuer. Unless otherwise indicated in the applicable Pricing Supplement, any Note sold to a Dealer as principal will be purchased by such Dealer at a price equal to 100% of the principal amount thereof less a percentage equal to the commission applicable to any agency sale of a Note of identical maturity, and may be resold by the Dealer to investors and other purchasers from time to time in one or more transactions, including negotiated transactions as described above. After the initial public offering of Notes to be resold to investors and other purchasers, the public offering price, concession and discount may be changed.

The Notes may also be sold by each Issuer directly to investors (other than broker-dealers) in those jurisdictions in which such Issuer is permitted to do so. No commission will be paid on Notes sold directly by each such Issuer.

Each Issuer may also sell Notes from time to time through one or more additional dealers, acting either as agent or principal, on substantially the same terms as those applicable to the Dealers. Any such additional dealer shall, with respect to any such Notes, be deemed to be included in all references to a "**Dealer**" or the "**Dealers**" hereunder.

Each Issuer and, in the case of Notes issued by an Issuer other than GE Capital, the Guarantor has agreed to indemnify the Dealers against and contribute toward certain liabilities, including liabilities under the Securities Act, and to reimburse the Dealers for certain expenses.

The Dealers engage in transactions with and perform services for each Issuer in the ordinary course of business. GE Capital owns all of the outstanding common stock of GE Capital Bank S.C.A.

Each Issuer reserves the right to withdraw, cancel or modify the offer made hereby without notice.

Each purchaser of a Note will arrange for payment as instructed by the applicable Dealer. The Dealers are required to deliver the proceeds of the Notes to the relevant Issuer in immediately available funds, to a bank designated by such Issuer in accordance with the terms of the Distribution Agreement, on the date of settlement.

Each Dealer has agreed that it will comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchase, offers or sales.

### United States

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed that, except as permitted by the Distribution Agreement, it will not offer or sell the Notes of any series (i) as part of its distribution at any time and (ii) otherwise until 40 days after the completion of the distribution (as determined and certified by the Fiscal Agent), of all Notes of such series issued prior to such determination, within the United States or to, or for the account or benefit of, a U.S. person, and it will have sent to each dealer to which it

sells Notes during the restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the completion of the distribution (as determined and certified by the Fiscal Agent) of all Notes of a series, an offer or sale of Notes of such series within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

In compliance with U.S. federal income tax laws and regulations, each of the Issuer and the Dealers agree and represent that:

- (1) except to the extent permitted under U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D) (the "D Rules"), (a) it has not offered or sold, and during the restricted period will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (b) it has not delivered and will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;
- (2) it represents and agrees that it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (3) if it is a United States person, it represents that it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D)(6); and
- (4) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms the representations and agreements contained in clauses (1), (2) and (3) on such affiliate's behalf or (b) agrees that it will obtain from such affiliate for the Issuer's benefit the representations and agreements contained in clauses (1), (2) and (3).

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D Rules.

In addition, each Dealer represents and agrees that it has not entered and will not enter into any contractual arrangement with any distributor (as that term is defined for purposes of the D Rules) with respect to the distribution of the Notes, except with its affiliates or with the prior written consent of the Issuer.

## **Australia**

No offering circular, prospectus or other disclosure document (as defined in the Corporations Act 2001 (Cth)) in relation to the Programme or any Notes has been lodged with the Australian Securities and Investments Commission ("ASIC") or the Australian Stock Exchange Limited.

Each Dealer has represented (and agreed and each further Dealer appointed under the Programme will be required to represent and agree) that it:

- (a) has not offered and will not offer for issue or sale and has not invited and will not invite applications for issue or offers to purchase Notes in Australia, including an offer or invitation received in Australia; and
- (b) has not distributed or published and will not distribute or publish any offering memorandum, advertisement or other offering material relating to the Notes in Australia,

unless,

- (i) the amount payable by each offeree or invitee for the Notes is a minimum amount (or the equivalent in another currency) of A\$500,000 disregarding amounts, if any, lent by the offeror or inviter or its associates, or the offer or invitation is otherwise an offer or invitation such that by virtue of section 708 of the Corporations Act 2001 (Cth) no disclosure is required to be made under Part 6D.2 of that Act; and
- (ii) the offer, invitation or distribution complies with all applicable laws, regulations and directives and does not require any document to be lodged with ASIC under Division 5 of Part 6D.2 of the Corporations Act 2001 (Cth).

In addition, each Dealer has agreed (and each further Dealer appointed under the Programme will be required to agree) that, in connection with the primary distribution of Notes, it will not sell Notes to any person if, at the time of such sale, the employees of the Dealer, or further Dealer aware of, or involved in, the sale, knew or had reasonable grounds to suspect that, as a result of

such sale, such Notes or an interest in such Notes were being, or would later be, acquired (directly or indirectly) by any person who is known by the Dealer or the further Dealer to be an Offshore Associate of GEC Australia Funding (other than one acting in the capacity of a dealer, manager or underwriter in relation to the issue of the Notes or in the capacity of a clearing house, custodian, funds manager or responsible entity of a registered scheme (within the meaning of the Corporations Act 2001 of Australia)).

Reference to "Offshore Associate", for this purpose, means an associate (as defined in section 128F of the Australian Tax Act) of GEC Australia Funding that is either a non-resident of the Commonwealth of Australia which does not acquire Notes in carrying on a business at or through a permanent establishment in Australia, or alternatively, is a resident of Australia that acquires Notes in carrying on business at or through a permanent establishment outside Australia.

## **Canada**

The Notes have not been and will not be qualified for sale under the securities laws of Canada or any province or territory thereof. Each Dealer has represented and agreed that it has not offered or sold, and that it will not offer or sell, such Notes, directly or indirectly, in Canada or to, or for the benefit of, any resident thereof in contravention of the securities laws of Canada or any province or territory thereof. Each Dealer has further agreed that, until 40 days after the date of issuance of such Notes, it will deliver to any Dealer who purchases from it such Notes a notice stating in substance that, by purchasing such Notes, such Dealer represents and agrees that it has not offered or sold and will not offer or sell, directly or indirectly, any such Notes in Canada or to, or for the benefit of, any resident thereof in contravention of the securities laws of Canada or any province or territory thereof, and will deliver to any other dealer to whom it sells any such Notes during such 40-day period a notice containing substantially the same statement as in this sentence. Each Dealer has also agreed not to distribute this Offering Circular, or any other offering material relating to such Notes, in Canada. Each Dealer and any dealer who purchases from it any such Notes, may be required to furnish a certificate to the effect that it has complied with the restrictions described in this paragraph.

## **Ireland**

Each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) that:

(a) in respect of Notes issued by an Irish Issuer which holds a certificate under Section 445 of the Irish Taxes Consolidation Act, 1997 (GECEF has such a certificate) which are not listed on a stock exchange, it will not knowingly offer to sell such Notes to an Irish resident, or to persons whose usual place of abode is Ireland, and that it will not knowingly distribute or cause to be distributed in Ireland any offering material in connection with such Notes. In addition, such Notes must be cleared through Euroclear, Clearstream, Luxembourg or any other clearing system recognized for this purpose by the Irish Revenue Commissioners, and have a minimum denomination of £300,000 or its equivalent;

(b) otherwise than in circumstances which do not constitute an offer to the public in Ireland or elsewhere within the meaning of the Companies Acts, 1963 to 2003 of Ireland, it will not offer or sell any Notes in Ireland or elsewhere by means of any document or other means of visual reproduction unless:

(i) such Notes have a maximum maturity of five years from the date of issue and such offer or sale is made only to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or

(ii) if such Notes are to be listed on the Official List of the Irish Stock Exchange, the offer or sale is only effected by means of (x) the Offering Circular or any other document comprising listing particulars relating to the Notes, prepared in accordance with the European Communities (Stock Exchange) Regulations, 1984 (as amended) of Ireland and approved by the Irish Stock Exchange and/or (y) an application form which indicates where the relevant listing particulars may be obtained or inspected or which is issued with the relevant listing particulars;

(c) it will not make in Ireland an offer of Notes which would require a prospectus to be issued under the European Communities (Transferable Securities and Stock Exchange) Regulations, 1992 of Ireland;

(d) it has only issued or passed on, and will only issue or pass on, in Ireland or elsewhere, any document received by it in connection with the issue of Notes to person who are persons to whom the document may otherwise lawfully be issued or passed on;

(e) it has complied and will comply with all applicable provisions of the Investment Intermediaries Act, 1995 of Ireland (as amended) with respect to anything done by it in relation to the Notes or operating in, or otherwise involving, Ireland and, in the case of a Dealer acting under and within the terms of an authorization to do so for the purposes of EU Council Directive 93/22/EEC of May 10, 1993 (as amended or extended), it has complied with any codes of conduct made under the Investment Intermediaries Act, 1995 of Ireland (as amended) and, in the case of a Dealer acting within the terms of an authorization granted to it for the purposes of EU Council Directive 2000/12/EC of March 20, 2000 (as amended or extended), it has

complied with any codes of conduct or practice made under section 117(1) of the Central Bank Act, 1989 of Ireland (as amended); and

(f) in respect of an offer of the Notes to the public in Ireland or elsewhere within the meaning of the Companies Acts, 1963 to 2003 of Ireland, it will comply with the requirements of Part III of the Companies Act, 1963 of Ireland.

### **United Kingdom**

Each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) that:

(i) in relation to Notes which have a maturity of one year or more and which are to be admitted to the Official List of the U.K. Listing Authority, it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to admission of such Notes to listing in accordance with Part VI of the Financial Services and Markets Act 2000 (the "FSMA") except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended) or the FSMA;

(ii) in relation to Notes which have a maturity of one year or more and which are not to be admitted to the Official List of the U.K. Listing Authority, it has not offered or sold and, prior to the expiry of the period of six months from the Issue Date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended;

(iii) in relation to any Notes having a maturity of less than one year from the date of issue (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of Notes would otherwise constitute a contravention of section 19 of the FSMA by the relevant Issuer;

(iv) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the relevant Issuer or, as the case may be, the Guarantor; and

(v) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### **Czech Republic**

No permit for the issue of the Notes has been obtained from the Securities Commission of the Czech Republic (the "**Securities Commission**") under the Bonds Act of the Czech Republic (No. 530/1990 Coll., as amended). No action has been taken (including the obtaining of the prospectus approval from the Securities Commission and the admission to trading on a public market licensed by the Securities Commission) for the purposes of the Notes to qualify as listed securities within the meaning of Section 71 et seq. of the Securities Act of the Czech Republic (No. 591/1992 Coll., as amended).

Each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) that it has not offered or sold, and will not offer or sell, any Notes in the Czech Republic through a public offering, being any conduct by which an offeror communicates to a considerable group of persons terms under which they may acquire the Notes, provided that a contract leading to the acquisition of the Notes is concluded by the acceptance of these terms or if the offeror on the basis of these terms invites submissions of offers to conclude such a contract.

Each Dealer (and each further Dealer appointed under the Programme will be required to represent and agree) has represented and agreed with the relevant Issuer and each other Dealer that it has complied and will comply with all the requirements of the Securities Act of the Czech Republic and the Bonds Act of the Czech Republic and has taken, and will take, no action which would result in the Notes being deemed to be issued in the Czech Republic or a permit, registration, filing or notification of the Securities Commission or other authorities in the Czech Republic being required in respect of the Notes in accordance with the Securities Act of the Czech Republic, the Bonds Act of the Czech Republic or the practice of the Securities Commission.

Each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) with the relevant Issuer and each other Dealer that (i) it does not provide investment services in the Czech Republic (within the meaning of the Securities Act of the Czech Republic) or conduct similar business in the Czech Republic in respect of the Notes and (ii) it has complied, and will comply, with all the laws of the Czech Republic applicable to the conduct of business in the Czech Republic in respect of the Notes.

### Germany

In connection with the initial placement of any Notes in Germany, each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) that it will offer and sell such Notes unless otherwise provided in the relevant terms agreement or the applicable Pricing Supplement in the case of an issue made on a syndicated basis, only (i) for an aggregate purchase price per purchaser of at least €40,000 (or the foreign currency equivalent) or such other amount as may be stipulated from time to time by applicable German law or (ii) as may otherwise be permitted in accordance with applicable German law.

### Hong Kong

Each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong and (ii) it has not issued and will not issue any advertisement, invitation or document relating to the Notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

### Italy

Each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) that the offering of the Notes has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, it will not offer, sell or deliver any Notes in the Republic of Italy or distribute in the Republic of Italy copies of the Offering Circular or of any other document relating to the Notes, except: (i) to professional investors ("*operatori qualificati*"), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1st July, 1998; or (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24th February, 1998 (the "**Financial Services Act**") and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14th May, 1999, as amended.

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) and (ii) above must be: (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1st September, 1993 (the "**Banking Act**"), (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics, and (c) in compliance with any other applicable laws and regulations.

### Japan

The Notes have not been, and will not be, registered under the Securities and Exchange Law of Japan. Accordingly, each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organized under the laws of Japan. Without limiting the generality of the foregoing, Notes denominated or payable in Japanese Yen will be offered and sold by the relevant issuer in compliance with the then-current regulations and guidelines of the Japanese Ministry of Finance.

### Netherlands

Each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in The Netherlands any Notes other than (i) Notes with a denomination of less than €50,000 (or its foreign currency equivalent) which

Notes are fully paid up at their issuance, (ii) to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, investment undertakings, pension funds, other institutional investors and finance companies and treasury departments of large enterprises) or (iii) in circumstances where one of the other exemptions from or exceptions to the prohibition contained in Article 3(1) of the Securities Transactions Supervision Act of 1995 ("*Wet toezicht effectenverkeer 1995*") applies.

### **New Zealand**

The Issuer does not intend that the Notes should be offered for sale or subscription to the public in New Zealand in terms of the Securities Act 1978. Each Dealer shall: (i) observe all applicable laws and regulations in any jurisdiction in which it may subscribe, offer, sell or deliver Notes; and (ii) not subscribe, offer, sell or deliver Notes or distribute the Offering Circular or any other offering material relating to the Notes in any jurisdiction except under circumstances that will result in compliance with all applicable laws and regulations. Without limiting the previous sentence: (i) each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) that it is a person whose principal business is the investment of money or who, in the course of and for the purpose of its business, habitually invests money; and (ii) no Dealer may offer, sell or deliver Notes or distribute any advertisement or offering material relating to the Notes, in breach of any provision of the Securities Act 1978.

### **Norway**

Each Dealer has represented and agreed, (and each further Dealer appointed under the Programme will be required to represent and agree), that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in the Kingdom of Norway any Notes other than to persons who are registered with the Oslo Stock Exchange as professional investors.

### **Poland**

No permit has been obtained from the Polish Securities and Exchange Commission in relation to the issue of any Notes. Accordingly, the Notes may not be offered in the Republic of Poland ("**Poland**") in the course of public trading (defined in the Polish Act on Public Trading in Securities dated August 21, 1997 as an offering to sell or purchase or the sales or purchases of securities issued in a series through use of mass media or other means if the offer is directed at more than 300 people or to an unnamed addressee ("**Public Trading**"). Each Dealer has confirmed that it is aware that no such permit has been obtained and has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver the Notes in Poland in the course of Public Trading as part of its initial distribution or otherwise to residents of Poland. Each Dealer acknowledges that the acquisition and holding of the Notes by residents of Poland may be subject to restrictions imposed by Polish law (including foreign exchange regulations) and that the offers and sales of the Notes to Polish residents or within Poland in secondary trading may also be subject to restrictions.

### **Singapore**

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) that it will not offer or sell the Notes nor make the Notes the subject of an invitation for subscription or purchase, nor will it circulate or distribute the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor specified in Section 274 of the SFA, (b) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

### **Sweden**

Each Dealer has confirmed and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in the Kingdom of Sweden except in compliance with the laws of the Kingdom of Sweden.

### **Switzerland**

In connection with the initial placement of any Notes in Switzerland, each Dealer agrees, and each further Dealer appointed under the Programme will be required to agree, that the Notes will not be offered or sold in Switzerland save for to a limited group of persons within the meaning of Art. 652a(2) of the Swiss Code of Obligations of March 30, 1911.

### **Distribution of South African Rand-Denominated Notes**

Each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) that it has not and will not offer for sale or subscription or sell any Notes, directly or indirectly, within the Republic of South Africa or to any person or corporate or other entity resident in the Republic of South Africa except (a) in accordance with the exchange control regulations of the Republic of South Africa and (b) to any entity resident or within the Republic of South Africa in accordance with the Commercial Paper regulations and the Companies Act 1973.

## LEGAL OPINIONS

The validity of the Notes will be passed upon for each Issuer and, in the case of Notes issued by an Issuer other than GE Capital, the Guarantor, as to matters of United States Federal law, New York State law and the General Corporation law of the State of Delaware, by Craig T. Beazer, Senior Counsel, Corporate Treasury and Global Funding Operation, and Assistant Secretary of GE Capital. Certain matters referred to under "**Tax Considerations—United States Tax Considerations**" will be passed upon for each Issuer and, in the case of Notes issued by an Issuer other than GE Capital, the Guarantor, by Cleary Gottlieb Steen & Hamilton LLP, New York, New York, U.S.A. Certain matters referred to under "**Tax Considerations—Irish Tax Considerations**" will be passed upon for each Irish Issuer and, in the case of Notes issued by an Issuer other than the Irish Issuers, the Guarantor, by Deloitte Touche Tohmatsu, Dublin, Ireland. Certain matters relating to the offering of the Notes will be passed upon for the Dealers, as to matters of United States Federal law, New York State law and the General Corporation law of the State of Delaware, by Davis Polk & Wardwell, New York, New York, U.S.A., as to matters of Australian law, by Allens Arthur Robinson, Sydney, New South Wales, Australia, as to matters of Canadian law, by McCarthy Tetrault LLP, Toronto, Ontario, Canada and, as to matters of Irish law, by A&L Goodbody, Dublin, Ireland. Mr. Beazer, together with members of his family, owns, has options to purchase and has other interests in shares of common stock of General Electric Company.

## GENERAL INFORMATION

### Listings

Application has been made for permission to list Notes issued under the Programme on the Luxembourg Stock Exchange and, in respect of the Irish Issuers, the Irish Stock Exchange. Application has also been made for Notes to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities. Application has also been made for permission to deal in, and for quotation of, any Notes which are agreed at the time of issue to be listed on the Singapore Stock Exchange. The Luxembourg Stock Exchange has allocated number 9339 to the Programme for listing purposes. It is expected that Notes to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities will be admitted separately as and when issued, subject only to the issue of a global Note or Notes initially representing the Notes of such Tranche. The listing of the Programme on the Official List of the UK Listing Authority with respect to such Notes is expected to be granted on or around May 21, 2004. The charter documents and by-laws of each Issuer have been, and prior to the listing of any series of Notes a legal notice relating to the issuance of such Notes will be, deposited with the Registry of Commerce and Companies of and in Luxembourg (*Registre du Commerce et des Sociétés de et à Luxembourg*), where such documents may be examined or copies obtained. Subject to applicable law and regulations, the Notes of any series may also be listed, quoted and/or traded on or by other stock exchanges, competent listing authorities and/or quotation systems.

With respect to the listing of any Notes on the official segment of Euronext Amsterdam's stock market, each Issuer will comply with the applicable provisions set forth in Article 2.1.20, Sections A through G of Schedule B of the rules and regulations ("**Fondsenreglement**") of Euronext Amsterdam as in effect on the date of issue of any such Notes.

### Auditors

The independent certified public accountants of GE Capital are KPMG LLP, 3001 Summer Street, Stamford, Connecticut 06905, U.S.A. The auditors of GEC Australia Funding are KPMG, 161 Collins Street, Melbourne, Victoria 3000, Australia. GEC Canada Funding does not currently prepare audited financial statements. The auditors of each of the Irish Issuers are KPMG, Chartered Accountants, 1 Harbourmaster Place, I.F.S.C., Dublin 1, Ireland.

The financial accounts of GE Capital for each of the years ended December 31, 2003, December 31, 2002 and December 31, 2001 have been audited without qualifications. The auditors' reports on the financial accounts for the year ended December 31, 2003 may be found on page 30 of GE Capital's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, which auditors' report is reproduced at Annex C to this document. As discussed in note 1 to the consolidated financial statements in Annex C, GE Capital Services in 2003 changed its method of accounting for variable interest entities, in 2002 changed its method of accounting for goodwill and other intangible assets and in 2001 changed its methods of accounting for derivative instruments and hedging activities and impairment of certain beneficial interests in securitized assets.

KPMG LLP of 3001 Summer Street, Stamford, Connecticut 06905, United States of America, as auditors of GE Capital has given and not withdrawn its written consent to the inclusion herein of their report, and references to their name in the form and

context in which it is included and has authorized the contents of those parts of the UK Listing Particulars and the Irish Listing Particulars comprising their said report, in the form and context in which it is included, for the purposes of Regulation 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.

The financial accounts of GEC Australia Funding for each of the years ended December 31, 2003, December 31, 2002 and December 31, 2001 have been audited without qualifications. The auditors' reports on the financial accounts for the year ended December 31, 2003 may be found on page 23 of GEC Australia Funding's annual report for the fiscal year ended December 31, 2003, which auditors' report is reproduced at Annex D to this document.

KPMG, as auditors of GEC Australia Funding, have given and not withdrawn their written consent to the issue of this Offering Circular and the inclusion herein of their report in respect of GEC Australia Funding, and references to their name in the form and context in which it is included and have authorized the contents of those parts of the UK Listing Particulars and the Irish Listing Particulars, in the form and context in which it is included, for the purposes of Regulation 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.

The financial accounts of GECEF for each of the years ended December 31, 2003, December 31, 2002 and December 31, 2001 have been audited without qualifications. The auditors' reports on the financial accounts for the year ended December 31, 2003 may be found on pages 5 and 6 of GECEF's annual report for the fiscal year ended December 31, 2003, which auditors' report is reproduced at Annex E to this document.

The financial accounts of GECUKF for the year ended December 31, 2003 have been audited without qualifications. The auditors' reports on the financial accounts for the year ended December 31, 2003 may be found on page 4 of GECUKF's annual report for the fiscal year ended December 31, 2003, which auditors' report is reproduced at Annex F to this document.

KPMG, 1 Harbourmaster Place, I.F.S.C., Dublin 1, Ireland, as auditors of each of the Irish Issuers have given and not withdrawn their written consents to the issue of this Offering Circular and the inclusion herein of their report in respect of GECEF and GECUKF, respectively, and references to their name in the form and context in which it is included and have authorized the contents of those parts of the UK Listing Particulars and the Irish Listing Particulars, in the form and context in which it is included, for the purposes of section 46 of the Companies Act, 1963 of Ireland (as amended) and for the purposes of Regulation 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.

## **Authorizations**

The issuance of the Notes to be issued by GE Capital and the grant of the Guarantee by GE Capital were authorized most recently by resolutions adopted by the Board of Directors of GE Capital on March 18, 2004. The issuance of the Notes to be issued by GEC Australia Funding was authorized by resolutions adopted by the Board of Directors of GEC Australia Funding on November 8, 2001. The issuance of the Notes to be issued by GEC Canada Funding was authorized by resolutions adopted by the Board of Directors of GEC Canada Funding on May 3, 2004. The approval of the Programme and the issuance of the Notes to be issued by the Irish Issuers were authorized by resolutions adopted by the Board of Directors of each Irish Issuer on May 11, 2004. The above-mentioned resolutions provide the grant of authority for the respective Issuers to issue debt securities, including the Notes, and are subject to annual approval. On the date hereof, such grant of authority permitted the issuance (i) by GE Capital of up to US\$100 billion, (ii) by GEC Australia Funding of up to A\$10 billion, (iii) by GEC Canada Funding of up to US\$10 billion, (iv) by GECEF of up to €10 billion and (v) by GECUKF of up to GBP20 billion.

## **Stamp Taxes**

Purchasers of Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the issue price.

## **Litigation**

None of the Issuers is aware of any legal or arbitration proceeding, nor is any Issuer aware of any pending or threatened legal or arbitration proceeding, which may have or has had in the previous twelve months prior to the date of the document a significant effect on the financial position of such Issuer and its subsidiaries.

## **Clearance**

The Notes, when issued, will be accepted for clearance through Euroclear and through Clearstream, Luxembourg or such other clearing systems as may be specified in an applicable Pricing Supplement relating to a Tranche of Notes. The appropriate Common Code and ISIN for each Tranche allocated by Euroclear and Clearstream, Luxembourg and details of any other agreed clearing system will be contained in the relevant Pricing Supplement. Transactions will normally be effected for settlement not earlier than three days after the date of the transaction.



## Undertakings by the Issuers

Each Issuer and, in the case of Notes issued by an Issuer other than GE Capital, the Guarantor has given an undertaking in connection with the listing of any Notes on the Luxembourg Stock Exchange, the London Stock Exchange, the Singapore Stock Exchange and the Irish Stock Exchange to the effect that, so long as any such Notes remain outstanding and listed on such exchange, in the event of any material adverse change in the business or financial condition of such Issuer or the Guarantor, as the case may be, or material change in the Terms and Conditions of the Notes or the Programme, in each case that is not reflected in this Offering Circular as then amended or supplemented, such Issuer or the Guarantor will prepare an amendment or supplement to this Offering Circular or publish a new document for use with any subsequent offering and listing by such Issuer of Notes.

## Documents Incorporated by Reference

Each Issuer will provide free of charge to each person to whom this Offering Circular is delivered, on the written or oral request of such person, a copy (without exhibits) of any or all of the documents incorporated by reference in this Offering Circular. See "**Documents Incorporated by Reference**". All such documents incorporated by reference in this Offering Circular may be obtained free of charge at the specified office of the Luxembourg Listing Agent in Luxembourg, the specified office of the Principal Paying Agent in London and the specified offices of the Irish Paying Agent in Ireland. Any document stated to be incorporated by reference in this Offering Circular shall be deemed to form part of the Offering Circular only and not part of the UK Listing Particulars or the Irish Listing Particulars.

## Documents available

So long as the Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available free of charge from the registered offices of the Irish Issuers, from the specified office of the Irish Paying Agent for the time being in Dublin, from the specified office of the Principal Paying Agent in London and from the offices of the Paying Agent in Luxembourg:

- (i) the constitutional documents of each of the Issuers and the Guarantor;
- (ii) the audited annual financial statements of GECEF, GEC Australia Funding and GE Capital for each of the years ended December 31, 2003 and December 31, 2002;
- (iii) the audited financial statements of GECUKF for the year ended December 31, 2003;
- (iv) the Current Report on Form 8-K of GE Capital filed with the Commission on March 30, 2004;
- (v) the latest published interim accounts of GE Capital, which are published quarterly (GEC Australia Funding and the Irish Issuers do not publish interim accounts);
- (vi) the Guarantee;
- (vii) a copy of this Offering Circular;
- (viii) the Distribution Agreement;
- (ix) the Fiscal Agency Agreement;
- (x) copies of the consents referred to in the "**Auditors**" clause of this "**General Information**" section; and
- (xi) any future information memoranda, prospectuses, offering circulars and supplements, including Pricing Supplements, to this Offering Circular and any documents incorporated herein or therein by reference.

GEC Canada Funding does not currently prepare audited financial statements. None of GEC Australia Funding nor the Irish Issuers currently prepares quarterly or other interim financial information.

## Material adverse change

Since December 31, 2003, there have been (1) no material adverse changes in the financial positions or prospects of the Irish Issuers and, in the case of GECEF, its subsidiaries, and (2) no significant changes in the financial or trading positions of the Irish Issuers and, in the case of GECEF, its subsidiaries, in each case other than as disclosed herein.

Since (1) December 31, 2003, there has been no material adverse change in the financial position or prospects of GE Capital and its consolidated affiliates and (2) the date of its last audited interim accounts, there has been no significant change in the financial or trading position of GE Capital and its consolidated affiliates, in each case other than as disclosed herein.

Since the date of incorporation of GEC Canada Funding, there have been (1) no material adverse changes in the financial position or prospects of GEC Canada Funding and its subsidiaries and (2) no significant changes in the financial or trading position of GEC Canada Funding and its subsidiaries, in each case other than as disclosed herein.

Since the date of incorporation of the GEC Australia Funding, there have been (1) no material adverse changes in the financial position or prospects of the GEC Australia Funding and its subsidiaries, and (2) no significant changes in the financial or trading position of the GEC Australia Funding and its subsidiaries, in each case other than as disclosed herein.

## GLOSSARY

The following is a glossary of terms used in this Offering Circular.

In this Offering Circular, references to "€", "**Euro**" "**euro**" and "**EUR**" are to the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended, references to "**Sterling**", "**GBP**" and "**£**" are to Pounds Sterling, references to "**A\$**" are to Australian Dollars, references to "\$", "**U.S.\$**" and "**U.S. Dollars**" are to United States Dollars, references to "**C\$**" and "**CAD**" are to Canadian Dollars and references to "**¥**" and "**Yen**" are to Japanese Yen.

**"Business Day"** means any day other than a Saturday or Sunday or any other day on which banking institutions are generally authorized or obligated by law or regulation to close in (i) the Principal Financial Center of the country in which the relevant Issuer is incorporated; (ii) the Principal Financial Center of the country of the currency in which the Notes are denominated (if the Note is denominated in a Specified Currency other than euro); (iii) the place at which payment on such Note or coupon is to be made; or (iv) London, England; provided, however, that with respect to Notes denominated in euro, such day is also a TARGET Settlement Day.

**"Designated EURIBOR Page"** means Capital Markets Report Page 248 of Telerate, or any other page as may replace such page on such service.

**"Designated LIBOR Currency"** means the currency (including composite currencies and euro) specified in the Pricing Supplement as to which LIBOR shall be calculated. If no such currency is specified in the Pricing Supplement, the Designated LIBOR Currency shall be U.S. Dollars.

**"Designated LIBOR Page"** means either (a) if "**LIBOR Reuters**" is specified in the Pricing Supplement, the display on the Reuters Monitor Money Rates Service for the purpose of displaying the London interbank rates of major banks for the applicable Designated LIBOR Currency, or (b) if "**LIBOR Telerate**" is specified in the Pricing Supplement or neither "**LIBOR Reuters**" nor "**LIBOR Telerate**" is specified as the manner of calculating LIBOR, the display on Telerate (or any successor service) for the purpose of displaying the London interbank offered rates of major banks for the applicable Designated LIBOR Currency.

**"EURIBOR"** means the Euro-zone Inter-bank Offered Rate for deposits in a specified currency.

**"Euro-zone"** means the region comprised of the member states of the European Union that adopt the euro as their single currency in accordance with the Treaty establishing the European Communities, as amended.

**"FHLB Index"** means the monthly weighted average cost of funds paid by member institutions of the Eleventh Federal Home Loan Bank District most recently announced by the United States Federal Home Loan Bank.

**"H.15(519)"** means the publication entitled "**Statistical Release H.15(519), Selected Interest Rates**", or any successor publication published by the Board of Governors of the United States Federal Reserve System.

**"H.15 Daily Update"** means the daily update of H.15(519), available through the world-wide-web site of the Board of Governors of the United States Federal Reserve System at <http://www.bog.frb.fed.us/releases/h15/update>, or any successor service.

**"Index Maturity"** means the period to maturity of the instrument, obligation or index with respect to which the calculation agent will calculate the Interest Rate Basis or Bases.

**"Interest Determination Dates"** means:

- for CD Rate Notes, Commercial Paper Rate Notes, Federal Funds Rate Notes and Prime Rate Notes, the second Business Day preceding each Interest Reset Date for the related Note.
- for Eleventh District Cost of Funds Rate Notes, the last working day of the month immediately preceding each Interest Reset Date on which the Federal Home Loan Bank of San Francisco publishes the FHLB Index.
- for LIBOR Notes, the second London Business Day preceding each Interest Reset Date, unless the Designated LIBOR Currency is (i) pounds sterling, in which case the "**Interest Determination Date**" will be the applicable Interest Reset Date, or (ii) euro, in which case the Interest Determination Date will be the second TARGET Settlement Day preceding such Interest Reset Date;
- for EURIBOR Notes, the second TARGET Settlement Day preceding each Interest Reset Date for the related Notes.
- for Treasury Rate Notes, the day in the week in which the related Interest Reset Date falls on which day Treasury Bills are normally auctioned (Treasury Bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that such auction may be held on the preceding Friday); provided, however, that if an auction is held on the Friday of the week preceding the related Interest Reset Date, the

related Interest Determination Date will be such preceding Friday; and provided, further, that if an auction falls on any Interest Reset Date, then the related Interest Reset Date will instead be the first Business Day following such auction.

- for a Floating Rate Note the interest rate of which is determined with reference to two or more Interest Rate Bases, the latest Business Day which is at least two Business Days prior to each Interest Reset Date for such Floating Rate Note.

"**LIBOR**" means the London Inter-bank Offered Rate for deposits in a specified currency.

"**London Business Day**" means any day on which commercial banks are open for business (including dealings in the Designated LIBOR Currency) in London, England.

"**Money Market Yield**" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "**D**" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "**M**" refers to the actual number of days in the period for which interest is being calculated.

"**Principal Financial Center**" means (i) the capital of the country issuing the currency in which the Notes are denominated or (ii) the capital city of the country to which the Designated LIBOR Currency relates, as applicable, except, in the case of (i) or (ii) above, that with respect to the following currencies, the "**Principal Financial Center**" will be as indicated below:

<u>Currency</u>	<u>Principal Financial Center</u>
United States Dollars	The City of New York
Australian Dollars	Sydney and Melbourne
Canadian Dollars	Toronto
New Zealand Dollars	Auckland and Wellington
Norwegian Krone	Oslo
South African Rand	Johannesburg
Swedish Krona	Stockholm
Swiss Francs	Zurich

"**Reuters Screen PRIME 1 Page**" means the display on the Reuter Monitor Money Rates Service (or any successor service) on the "**US PRIME 1**" page (or such other page as may replace the US PRIME 1 page on such service) for the purpose of displaying prime rates or base lending rates of major United States banks.

"**Representative Amount**" means a principal amount of not less than \$1,000,000 (or its foreign currency equivalent) that in the calculation agent's judgment is representative for a single transaction in the relevant currency in which related Notes are issued in such market at such time.

"**Spread**" means the number of basis points expressed as a percentage (one basis point equals one-hundredth of a percentage point) that the calculation agent will add or subtract from the related Interest Rate Basis or Bases applicable to a Floating Rate Note.

"**Spread Multiplier**" means the percentage of the related Interest Rate Basis or Bases applicable to a Floating Rate Note by which the calculation agent will multiply such Interest Rate Basis or Bases to determine the applicable interest rate on such Floating Rate Note.

"**TARGET Settlement Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

"**Telerate**" means Moneyline Telerate, Inc., or any successor service.

"**Telerate Page 120**" means page 120 of Telerate, or any other page as may replace such page on such service.

"**Telerate Page 7058**" means page 7058 of Telerate, or any other page as may replace such page on such service.

**[FORM OF FIXED RATE NOTE PRICING SUPPLEMENT]**

*Set out below is the form of Pricing Supplement which will be completed for each Tranche of Fixed Rate Notes issued under the Programme.*

**OFFERING CIRCULAR**

Dated \_\_\_\_\_

**PRICING SUPPLEMENT NO.** \_\_\_\_\_

Dated \_\_\_\_\_

**[GENERAL ELECTRIC CAPITAL CORPORATION]**  
**[GE CAPITAL AUSTRALIA FUNDING PTY LTD]**  
**[GE CAPITAL CANADA FUNDING COMPANY]**  
**[GE CAPITAL EUROPEAN FUNDING]**  
**[GE CAPITAL UK FUNDING]**  
**[ADDITIONAL ISSUER]**  
**[GUARANTEED BY GENERAL ELECTRIC CAPITAL CORPORATION]**  
**ISSUE OF EURO MEDIUM-TERM NOTES**  
**[\_\_\_\_\_% Fixed Rate Notes Due \_\_\_\_\_]**

**[COMMERCIAL PAPER:]**

The Notes referred to in this Pricing Supplement constitute Commercial Paper for the purposes of, and are issued in accordance with, an exemption granted by the Irish Financial Services Regulatory Authority as a constituent part of the Central Bank and Financial Services Authority of Ireland under section 8(2) of the Central Bank Act, 1971 of Ireland, as inserted by section 31 of the Central Bank Act, 1989 of Ireland, as amended by section 70(d) of the Central Bank Act, 1997 of Ireland. Issuers, such as *[Insert name of Irish Issuer]*, of Commercial Paper such as the Notes, covered by the notice dated 12 November 2002 which sets out the terms and exemptions referred to above, are not regulated by the Irish Financial Services Regulatory Authority as a constituent part of the Central Bank and Financial Services Authority of Ireland arising from the issue of Commercial Paper. An investment in the Notes or any interest herein does not have the status of a bank deposit and is not within the scope of the Deposit Protection Scheme operated by the Irish Financial Services Regulatory Authority as a constituent part of the Central Bank and Financial Services Authority of Ireland.<sup>1</sup>

**THIS DOCUMENT CONSTITUTES THE PRICING SUPPLEMENT RELATING TO THE ISSUE OF THE NOTES DESCRIBED HEREIN. CAPITALIZED TERMS USED IN THIS PRICING SUPPLEMENT WHICH ARE DEFINED IN THE OFFERING CIRCULAR REFERENCED ABOVE SHALL HAVE THE MEANINGS ASSIGNED TO THEM IN THE OFFERING CIRCULAR.**

**General Information:**

Description of Issuer:

General Electric Capital Corporation  
 GE Capital Australia Funding Pty Ltd  
 GE Capital Canada Funding Company  
 GE Capital European Funding  
 GE Capital UK Funding  
 [Additional Issuer]

[Guarantor (if applicable):

General Electric Capital Corporation]

ISIN:

Common Code:

Trade Date:

Settlement Date (Original Issue Date):

Maturity Date:

Principal Amount (in Specified Currency):

If Specified Currency is other than U.S. dollars, equivalent  
 amount \*in U.S. dollars:

[\*Based on exchange rate of \_\_\_\_\_=US\$1.00]

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

<sup>1</sup> For insertion in the case of Notes issued by an Irish Issuer which have a maturity of less than one year.

Price to Public (Issue Price): \_\_\_\_\_  
Dealer's Discount or Commission: \_\_\_\_\_

Net Proceeds to Issuer  
(in Specified Currency) \_\_\_\_\_

**Interest Rate:**

Fixed Interest Rate Per Annum: \_\_\_\_\_

Interest Payment Period:                      Annual              Semi-Annual  
   Quarterly          Monthly

Fixed Interest Payment Dates:              Each \_\_\_\_\_, commencing \_\_\_\_\_

Interest Determination Dates:              Each \_\_\_\_\_

Interest Commencement Date: \_\_\_\_\_

**Repayment and Redemption:**

Issuer Optional Redemption Date: \_\_\_\_\_

Noteholder Optional Redemption Date: \_\_\_\_\_

Optional Repayment: [Applicable/Not applicable] [If applicable, provide details]

**Amortizing Notes:**

Amortization Schedule: \_\_\_\_\_

**Dual Currency Notes:**

Face Amount Currency: \_\_\_\_\_

Option Value Calculation Agent: \_\_\_\_\_

Optional Payment Currency: \_\_\_\_\_

Option Election Date(s): \_\_\_\_\_

Designated Exchange Rate: \_\_\_\_\_

**Indexed Notes:**

Currency Base Rate: \_\_\_\_\_

Determination Agent: \_\_\_\_\_

**Extendible Notes:**

Initial Maturity Date: \_\_\_\_\_

Election Date: \_\_\_\_\_

Final Maturity Date: \_\_\_\_\_

Other terms and conditions: \_\_\_\_\_

**Form of Notes:**

Temporary global Note to Permanent global Note

Temporary global Note to definitive Notes

Registered Notes available

**Denominations**

Notes will be available in denominations of **[Insert denominations]**.

### **Redenomination**

Issuer option to redenominate Notes: \_\_\_\_\_

### **Day Count Fraction**

30/360, as specified in Offering Circular

Actual/Actual (ISMA) as  
specified in Offering Circular

Other: [specify]

### **Listing:**

Listed on the Luxembourg Stock Exchange

Not Listed on the Luxembourg Stock Exchange

Listed on the Official List of the UK Listing Authority and admitted to trading by the London Stock Exchange plc

Not Listed on the Official List of the UK Listing Authority and admitted to trading by the London Stock Exchange plc

Listed on the Irish Stock Exchange

Not Listed on the Irish Stock Exchange

Other listing: [specify]

### **Plan of Distribution:**

#### **[Underwritten]**

The Notes are being purchased by the following financial institutions in the respective amount set forth below pursuant to a Terms Agreement between [General Electric Capital Corporation, as Issuer][GE Capital Australia Funding Pty Ltd, as Issuer, General Electric Capital Corporation, as Guarantor][GE Capital Canada Funding Company, as Issuer, General Electric Capital Corporation, as Guarantor] [GE Capital European Funding, as Issuer, General Electric Capital Corporation, as Guarantor][GE Capital UK Funding, as Issuer, General Electric Capital Corporation, as Guarantor] [[Additional Issuer], as Issuer, General Electric Capital Corporation, as Guarantor] and the financial institutions listed below dated \_\_\_\_\_ executed under the Fifth Amended and Restated Distribution Agreement dated May 21, 2004, among General Electric Capital Corporation, GE Capital Australia Funding Pty. Ltd., GE Capital Canada Funding Company, GE Capital European Funding, GE Capital UK Funding [Additional Issuer, if any, acceding to Agreement], on the one hand, and the Dealers named therein, on the other (the "**Distribution Agreement**"):

<b><u>Financial Institution</u></b>	<b><u>Amount of Notes</u></b>
<b>[List all Managers (legal name)]</b>	<b>[List amounts]</b>
Total	_____

Each of the above-named financial institutions is hereinafter referred to as a "**Manager**" and collectively, the "**Managers**". To the extent that any of the Managers are not named as Dealers in the Distribution Agreement, the Issuer has appointed them as Dealers thereunder for this transaction pursuant to the Terms Agreement.

The combined management and underwriting commission payable by the company to the Managers with respect to the respective purchases of the Notes is \_\_\_\_\_ % of the principal amount of the Notes. The purchase price payable to the Issuer by the Managers for the Notes will be reduced by a selling commission of \_\_\_\_% of the principal amount of the Notes.

In connection with the issue of the Notes, [**Stabilizing Manager**] or any person acting for him may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligations on the stabilizing manager or any of its agents to do this. Such stabilizing, if commenced may be discontinued at any time, and must be brought to an end after a limited period. Such stabilizing, if any, shall be in compliance with all relevant laws and regulations.

[IF NECESSARY, INSERT SELLING RESTRICTIONS OF COUNTRIES NOT DISCUSSED IN OFFERING CIRCULAR]

[INSERT THE FOLLOWING RESTRICTION FOR IRISH ISSUERS:

Each Dealer will be required to represent and agree that it will only offer and/or sell or otherwise transfer the Notes to a limited number of investors who are particularly knowledgeable in investment matters within the meaning of the Irish Stock Exchange's "Listing Rules for Specialist Securities: Bonds" (the "**ISE Listing Rules**"). Each Dealer will be required to further acknowledge that the Notes are "specialist securities" within the meaning of the ISE Listing Rules.

Each Dealer will be required to confirm that the Notes are being issued in the denominations specified in the Pricing Supplement in accordance with market practice for issues of specialist debt securities.]

**[Agented]**

**[Dealer]** is acting as Dealer in connection with the distribution of the Notes.

**[LISTING APPLICATION]**

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the Issuer's Euro-Medium Term Note Programme dated [*date of relevant Offering Circular*].]

**[RESPONSIBILITY]**

The Issuer [and Guarantor] accept[s] responsibility for the information contained in this Pricing Supplement.]



**[FORM OF FLOATING RATE NOTE PRICING SUPPLEMENT]**

*Set out below is the form of Pricing Supplement which will be completed for each Tranche of Floating Rate Notes issued under the Programme.*

**OFFERING CIRCULAR**

Dated \_\_\_\_\_

**PRICING SUPPLEMENT NO. \_\_\_\_\_**

Dated \_\_\_\_\_

**[GENERAL ELECTRIC CAPITAL CORPORATION]**  
**[GE CAPITAL AUSTRALIA FUNDING PTY LTD]**  
**[GE CAPITAL CANADA FUNDING COMPANY]**  
**[GE CAPITAL EUROPEAN FUNDING]**  
**[GE CAPITAL UK FUNDING]**  
**[ADDITIONAL ISSUER]**  
**[GUARANTEED BY GENERAL ELECTRIC CAPITAL CORPORATION]**  
**ISSUE OF EURO MEDIUM-TERM NOTES**  
**[Floating Rate Notes Due \_\_\_\_\_]**

**[COMMERCIAL PAPER:]**

The Notes referred to in this Pricing Supplement constitute commercial paper for the purposes of, and are issued in accordance with, an exemption granted by the Irish Financial Services Regulatory Authority as a constituent part of the Central Bank and Financial Services Authority of Ireland under section 8(2) of the Central Bank Act, 1971 of Ireland, as inserted by section 31 of the Central Bank Act, 1989 of Ireland, as amended by section 70(d) of the Central Bank Act, 1997 of Ireland. Issuers, such as *[Insert name of Irish Issuer]*, of commercial paper such as the Notes, covered by the notice dated 12 November 2002 which sets out the terms and exemptions referred to above, are not regulated by the Irish Financial Services Regulatory Authority as a constituent part of the Central Bank and Financial Services Authority of Ireland arising from the issue of Commercial Paper. An investment in the Notes or any interest herein does not have the status of a bank deposit and is not within the scope of the Deposit Protection Scheme operated by the Irish Financial Services Regulatory Authority as a constituent part of the Central Bank and Financial Services Authority of Ireland.<sup>1</sup>

**THIS DOCUMENT CONSTITUTES THE PRICING SUPPLEMENT RELATING TO THE ISSUE OF THE NOTES DESCRIBED HEREIN. CAPITALIZED TERMS USED IN THIS PRICING SUPPLEMENT WHICH ARE DEFINED IN THE OFFERING CIRCULAR REFERENCED ABOVE SHALL HAVE THE MEANINGS ASSIGNED TO THEM IN THE OFFERING CIRCULAR.**

<sup>1</sup> For insertion in the case of Notes issued by an Irish Issuer which have a maturity of less than one year.

**General Information:**

Description of Issuer:	General Electric Capital Corporation GE Capital Australia Funding Pty Ltd GE Capital Canada Funding Company GE Capital European Funding GE Capital UK Funding [Additional Issuer]
[Guarantor (if applicable):	General Electric Capital Corporation]
ISIN:	_____
Common Code:	_____
Trade Date:	_____
Settlement Date (Original Issue Date):	_____
Maturity Date:	_____
Principal Amount (in Specified Currency):	_____
If Specified Currency is other than U.S. dollars, equivalent amount *in U.S. dollars: [*Based on exchange rate of _____ = U.S.\$1.00]	_____
Dealer's Discount or Commission:	_____
Price to Public (Issue Price):	_____
Net Proceeds to Issuer (in Specified Currency):	_____
<b>Interest Rate:</b>	
Interest Calculation:	
Regular Floating Rate	
Inverse Floating Rate	
Other Floating Rate	
Interest Rate Basis:	
CD Rate    Commercial Paper Rate    Eleventh District Cost of Funds Rate    Federal Funds Rate	
LIBOR    EURIBOR    Treasury Rate    Prime Rate    Other	
Spread (Plus or Minus):	[plus/minus ____%]
Spread Multiplier:	_____
Index Maturity:	___Months
Designated LIBOR Currency:	_____
Maximum Interest Rate:	_____
Minimum Interest Rate:	_____
Interest Payment Period:	[Daily, Monthly, Quarterly, Semi-annually]
Interest Payment Date:	Each [list interest payment dates]
Initial Interest Rate Per Annum:	To be determined      Business Days prior to the Original Issue Date based upon [interest rate basis plus/minus the spread amount]
Interest Reset Periods and Dates:	[Daily/monthly/quarterly/semi-annually] on

each Interest Payment Date

Interest Determination Date: \_\_\_\_\_Business Days prior to each Interest Reset Date

Regular Record Dates (if any): \_\_\_\_\_

Day Count Fraction: \_\_\_\_\_

Calculation Agent: [Fiscal Agent] [Other]

**Repayment and Redemption:**

Issuer Optional Redemption Date \_\_\_\_\_

Noteholder Optional Redemption Date: \_\_\_\_\_

Optional Repayment: [Applicable/Not applicable] [If applicable, provide details]

**Amortizing Notes:**

Amortization Schedule: \_\_\_\_\_

**Dual Currency Notes:**

Face Amount Currency: \_\_\_\_\_

Option value Calculation Agent: \_\_\_\_\_

Optional Payment Currency: \_\_\_\_\_

Option Election Date(s): \_\_\_\_\_

Designated Exchange Rate: \_\_\_\_\_

**Indexed Notes:**

Currency Base Rate: \_\_\_\_\_

Determination Agent: \_\_\_\_\_

**Extendible Notes:**

Initial Maturity Date: \_\_\_\_\_

Election Date: \_\_\_\_\_

Final Maturity Date: \_\_\_\_\_

Other terms and conditions: \_\_\_\_\_

**Form of Notes**

Temporary global Note to Permanent global Note

Temporary global Note to definitive Notes

Registered Notes available

**Denominations**

Notes will be available in denominations of **[Insert denominations]**.

**Redenomination:**

Issuer option to redenominate Notes: \_\_\_\_\_

## Listing

Listed on the Luxembourg Stock Exchange

Not Listed on the Luxembourg Stock Exchange

Listed on the Official List of the UK Listing Authority and admitted to trading by the London Stock Exchange plc

Not Listed on the Official List of the UK Listing Authority and admitted to trading by the London Stock Exchange plc

Listed on the Irish Stock Exchange

Not Listed on the Irish Stock Exchange

Other listing: [specify]

## Plan of Distribution

[**Agented**]

[**Mandated Dealer**] \_\_\_\_\_ is acting as the Dealer in connection with the distribution of the Notes.

In connection with the issue of the Notes, [**Stabilizing Manager**] or any person acting for him may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligations on the stabilizing manager or any of its agents to do this. Such stabilizing, if commenced may be discontinued at any time, and must be brought to an end after a limited period. Such stabilizing, if any, shall be in compliance with all relevant laws and regulations.

[**If Underwritten, see Form of Fixed Rate Pricing Supplement**]

[IF NECESSARY, INSERT SELLING RESTRICTIONS OF COUNTRIES NOT DISCUSSED IN OFFERING CIRCULAR.]

[INSERT THE FOLLOWING RESTRICTION FOR IRISH ISSUERS:

Each Dealer will be required to represent and agree that it will only offer and/or sell or otherwise transfer the Notes to a limited number of investors who are particularly knowledgeable in investment matters within the meaning of the Irish Stock Exchange's "Listing Rules for Specialist Securities: Bonds" (the "**ISE Listing Rules**"). Each Dealer will be required to further acknowledge that the Notes are "specialist securities" within the meaning of the ISE Listing Rules.

Each Dealer will be required to confirm that the Notes are being issued in the denominations specified in the Pricing Supplement in accordance with market practice for issues of specialist debt securities.]

## [LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the Issuer's Euro-Medium Term Note Programme dated [*date of relevant Offering Circular*].]

## [RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in this Pricing Supplement.]

**Financial Statements and Supplementary Data for GE Capital Corporation for the  
Fiscal Year Ended December 31, 2003**

The financial data and related notes reproduced in this Annex C have been extracted from and should be read in conjunction with the Annual Report of GE Capital on Form 10-K for the fiscal year ended December 31, 2003. The pagination and page references in this Annex C are the pagination and page references contained in the Annual Report of GE Capital on Form 10-K for the fiscal year ended December 31, 2003, conformed to reflect segment organizational changes by the Current Report on Form 8-K filed on March 30, 2004. A copy of GE Capital's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and the Current Report on Form 8-K filed on March 30, 2004 may be obtained as described under "**Documents Incorporated by Reference**" above.

## INDEPENDENT AUDITORS' REPORT

*To the Board of Directors*

*General Electric Capital Corporation:*

We have audited the consolidated financial statements of General Electric Capital Corporation ("GECC") and consolidated affiliates as listed in Item 15. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in Item 15. These consolidated financial statements and financial statement schedule are the responsibility of GECC management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of General Electric Capital Corporation and consolidated affiliates at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in note 1 to the consolidated financial statements, GECS in 2003 changed its method of accounting for variable interest entities, in 2002 changed its method of accounting for goodwill and other intangible assets and in 2001 changed its methods of accounting for derivative instruments and hedging activities and impairment of certain beneficial interests in securitized assets.

/s/ KPMG LLP

Stamford, Connecticut

February 6, 2004, except for notes 5, 6, 9 and 18 as to which the date is March 29, 2004

**GENERAL ELECTRIC CAPITAL CORPORATION AND CONSOLIDATED AFFILIATES**  
**STATEMENT OF EARNINGS**

*For the years ended December 31 (In millions)*

	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>REVENUES</b>			
Revenues from services (note 2)	\$ 49,995	\$ 45,523	\$ 45,421
Consolidated, liquidating securitization entities (note 20)	693	—	—
Sales of goods	2,228	3,296	3,627
Total revenues	<u>52,916</u>	<u>48,819</u>	<u>49,048</u>
<b>EXPENSES</b>			
Interest	9,546	9,544	10,025
Operating and administrative (note 3)	15,149	13,175	13,465
Insurance losses and policyholder and annuity benefits	8,510	8,275	8,171
Cost of goods sold	2,119	3,039	3,266
Provision for losses on financing receivables (note 6)	3,612	2,978	2,312
Depreciation and amortization of equipment on			
operating leases (including buildings and equipment) (note 8)	4,594	4,248	3,931
Minority interest in net earnings of consolidated affiliates	64	95	84
Consolidated, liquidating securitization entities (note 20)	500	—	—
Total expenses	<u>44,094</u>	<u>41,354</u>	<u>41,254</u>
<b>EARNINGS BEFORE INCOME TAXES AND ACCOUNTING CHANGES</b>	8,822	7,465	7,794
Provision for income taxes (note 13)	<u>(1,590)</u>	<u>(960)</u>	<u>(1,734)</u>
<b><u>EARNINGS BEFORE ACCOUNTING CHANGES</u></b>	7,232	6,505	6,060
Cumulative effect of accounting changes (note 1)	<u>(339)</u>	<u>(1,015)</u>	<u>(158)</u>
<b>NET EARNINGS</b>	<u>\$ 6,893</u>	<u>\$ 5,490</u>	<u>\$ 5,902</u>

**STATEMENT OF CHANGES IN SHAREOWNER'S EQUITY**

*(In millions)*

	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>CHANGES IN SHAREOWNER'S EQUITY</b> (note 16)			
Balance at January 1	<u>\$ 39,753</u>	<u>\$ 31,563</u>	<u>\$ 26,073</u>
Dividends and other transactions with shareowner	<u>(4,466)</u>	<u>2,462</u>	<u>607</u>
Changes other than transactions with shareowner:			
Increases attributable to net earnings	6,893	5,490	5,902
Investment securities – net	508	1,392	(223)
Currency translation adjustments – net	3,212	(27)	36
Derivatives qualifying as hedges – net	341	(1,127)	(832)
Total changes other than transactions with shareowner	<u>10,954</u>	<u>5,728</u>	<u>4,883</u>
Balance at December 31	<u>\$ 46,241</u>	<u>\$ 39,753</u>	<u>\$ 31,563</u>

The notes to consolidated financial statements on pages 34-74 are an integral part of these statements.

**GENERAL ELECTRIC CAPITAL CORPORATION AND CONSOLIDATED AFFILIATES**  
**STATEMENT OF FINANCIAL POSITION**

At December 31 (In millions)

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 9,719	\$ 6,983
Investment securities (note 4)	92,480	89,807
Financing receivables (note 5)		
Time sales and loans, net of deferred income	169,683	141,775
Investment in financing leases, net of deferred income	<u>59,933</u>	<u>58,994</u>
	229,616	200,769
Allowance for losses on financing receivables (note 6)	<u>(6,198)</u>	<u>(5,447)</u>
Financing receivables – net	223,418	195,322
Insurance receivables – net (note 7)	11,952	14,273
Other receivables	16,351	16,388
Inventories	197	208
Equipment on operating leases (including buildings and equipment) (note 8)	38,615	35,060
Intangible assets – net (note 9)	22,610	20,916
Consolidated, liquidating securitization entities (note 20)	26,468	–
Other assets (note 10)	<u>64,618</u>	<u>60,485</u>
<b>TOTAL ASSETS</b>	<u>\$ 506,428</u>	<u>\$ 439,442</u>
<b>LIABILITIES AND SHAREOWNER'S EQUITY</b>		
Short-term borrowings (note 11)	\$ 126,105	\$ 122,745
Long-term borrowings (note 11)	<u>160,579</u>	<u>138,858</u>
Total borrowings	286,684	261,603
Accounts payable	14,124	10,250
Insurance liabilities, reserves and annuity benefits (note 12)	100,449	99,537
Consolidated, liquidating securitization entities (note 20)	25,721	–
Other liabilities	20,700	15,919
Deferred income taxes (note 13)	<u>10,411</u>	<u>10,546</u>
<b>TOTAL LIABILITIES</b>	<u>458,089</u>	<u>397,855</u>
Minority interest in equity of consolidated affiliates (note 14)	<u>2,098</u>	<u>1,834</u>
Variable cumulative preferred stock, \$100 par value, liquidation preference \$100,000 per share (33,000 shares authorized; 26,000 shares issued and outstanding at December 31, 2003 and 2002)	3	3
Common stock, \$4 par value (4,166,000 and 3,866,000 shares authorized at December 31, 2003 and 2002, respectively and 3,985,403 and 3,837,825 shares issued and outstanding at December 31, 2003 and 2002, respectively)	16	15
Additional paid-in capital	14,236	14,231
Retained earnings	29,445	27,024
Accumulated gains/(losses) – net:		
Investment securities <sup>(a)</sup>	1,538	1,030
Currency translation adjustments <sup>(a)</sup>	2,621	(591)
Derivatives qualifying as hedges <sup>(a)</sup>	<u>(1,618)</u>	<u>(1,959)</u>
Total shareowner's equity (note 16)	<u>46,241</u>	<u>39,753</u>
<b>TOTAL LIABILITIES AND SHAREOWNER'S EQUITY</b>	<u>\$ 506,428</u>	<u>\$ 439,442</u>

<sup>(a)</sup> The sum of accumulated gains/(losses) on investment securities, currency translation adjustments and derivatives qualifying as hedges constitutes "Accumulated nonowner changes other than earnings," as shown in note 16, and was \$2,541 million and \$(1,520) million at year-end 2003 and 2002, respectively.

The notes to consolidated financial statements on pages 34-74 are an integral part of this statement.



**GENERAL ELECTRIC CAPITAL CORPORATION AND CONSOLIDATED AFFILIATES**  
**STATEMENT OF CASH FLOWS**

For the years ended December 31 (In millions)

	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>CASH FLOWS – OPERATING ACTIVITIES</b>			
Net earnings	\$ 6,893	\$ 5,490	\$ 5,902
Adjustments to reconcile net earnings to cash provided from operating activities:			
Cumulative effect of accounting changes	339	1,015	158
Depreciation and amortization of equipment on operating leases (including buildings and equipment)	4,594	4,248	3,931
Provision for losses on financing receivables	3,612	2,978	2,312
Amortization of goodwill	–	–	617
Deferred income taxes	683	1,277	705
Decrease (increase) in inventories	(35)	62	396
Increase (decrease) in accounts payable	2,793	(2,120)	3,914
Increase in insurance liabilities and reserves	1,372	5,539	3,499
Consolidated, liquidating securitization entities	386	–	–
All other operating activities	1,413	1,536	(4,092)
<b><u>CASH FROM OPERATING ACTIVITIES</u></b>	<u>22,050</u>	<u>20,025</u>	<u>17,342</u>
<b>CASH FLOWS – INVESTING ACTIVITIES</b>			
Net increase in financing receivables (note 17)	(14,322)	(18,285)	(12,975)
Equipment on operating leases (including buildings and equipment)			
– additions	(7,243)	(11,346)	(13,443)
– dispositions	4,615	6,227	7,504
Payments for principal businesses purchased, net of cash acquired	(10,537)	(12,300)	(10,993)
Consolidated, liquidating securitization entities (note 20)	9,375	–	–
All other investing activities (note 17)	(553)	(12,368)	(6,499)
<b><u>CASH USED FOR INVESTING ACTIVITIES</u></b>	<u>(18,665)</u>	<u>(48,072)</u>	<u>(36,406)</u>
<b>CASH FLOWS – FINANCING ACTIVITIES</b>			
Net increase (decrease) in borrowings (maturities of 90 days or less)	(3,520)	(35,348)	23,424
Newly issued debt (maturities longer than 90 days) (note 17)	59,838	96,044	30,738
Repayments and other reductions (maturities longer than 90 days) (note 17)	(42,804)	(38,586)	(36,051)
Dividends paid	(4,472)	(2,020)	(2,042)
Consolidated, liquidating securitization entities (note 20)	(9,761)	–	–
All other financing activities (note 17)	70	8,156	3,960
<b><u>CASH FROM (USED FOR) FINANCING ACTIVITIES</u></b>	<u>(649)</u>	<u>28,246</u>	<u>20,029</u>
<b>INCREASE IN CASH AND EQUIVALENTS DURING YEAR</b>	<b>2,736</b>	<b>199</b>	<b>965</b>
<b>CASH AND EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>6,983</u></b>	<b><u>6,784</u></b>	<b><u>5,819</u></b>
<b>CASH AND EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 9,719</u></b>	<b><u>\$ 6,983</u></b>	<b><u>\$ 6,784</u></b>

The notes to consolidated financial statements on pages 34-74 are an integral part of this statement.

## **GENERAL ELECTRIC CAPITAL CORPORATION AND CONSOLIDATED AFFILIATES**

### **Notes to Consolidated Financial Statements**

#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Consolidation**

Our financial statements consolidate all of our affiliates – companies that we control and in which we hold a majority voting interest. All outstanding common stock of the Parent is owned by General Electric Capital Services, Inc. (GE Capital Services or GECS), all of whose common stock is owned, directly or indirectly, by General Electric Company (GE Company or GE). In 2003, as we describe on page 38, we added certain non-affiliates that we do not control to our consolidated financial statements because of new accounting requirements that require consolidation of entities based on holding qualifying residual interests.

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.

##### **Financial statement presentation**

We have reclassified certain prior-year amounts to conform to this year’s presentation. Effects of transactions between related companies are eliminated.

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

##### **Sales of Goods**

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, sales are recorded only upon formal customer acceptance.

##### **Revenues from Services (earned income)**

We use the interest method to recognize income on all loans. Interest on time sales and loans includes origination, commitment and other non-refundable fees related to funding (recorded in earned income on the interest method). Nonearning loans are loans on which we have stopped 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 Finance 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 pass underwriting reviews equivalent to those to which we subject new loans. We resume accruing interest on nonearning Consumer Finance loans only upon receipt of the third consecutive minimum monthly payment or the equivalent. Specific limits restrict the number of times any particular type of delinquent loan may be categorized as non-delinquent and interest accrual resumed.

We record financing lease income on the interest method to produce a level yield on funds not yet recovered. Estimated unguaranteed residual values of leased assets are based primarily on periodic independent appraisals of the values of leased assets remaining at expiration of the lease terms. 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 page 36 for a discussion of income from investment and insurance activities.

### **Depreciation and amortization**

The cost of our 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 8.

### **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.

Our consumer loan portfolio consists of homogeneous card receivables, installment loans, auto loans and leases and residential mortgages. The allowance for losses on these receivables is based on ongoing statistical analyses of our historical experience adjusted for the effects of economic cycles.

Our allowance for losses on our commercial and equipment loan and lease portfolios is based on relevant observable data that include, but are not limited to, historical experience; loan stratification by portfolio and, when applicable, geography; collateral type; credit class or program type; size of the loan balance; and delinquency. In certain commercial loan and lease portfolios, we review all loans based on a number of monitored risk factors other than size, including collateral value, financial performance of the borrower, aging and bankruptcy. We stratify portfolios in which we believe that it is informative to differentiate between small and large balance loans depending on geography and portfolio. For loans deemed individually impaired, we determine allowances using the present values of expected future cash flows. If repossession is expected to be a source of repayment, we estimate the fair value of that collateral using independent appraisals when necessary.

Delinquencies are the clearest indication of a developing loss, and we monitor delinquency rates closely in all of our portfolios. 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 commercial loan, we write the receivable down against the allowance for losses. We transfer the asset to "Other assets" and carry it at the lower of cost or estimated fair value less costs to sell.

### **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 at our insurance affiliates, at fair value based on quoted market prices or, if quoted prices are not available, discounted expected cash flows using market rates commensurate with credit quality and maturity of the investment. Substantially all investment securities are designated as available for sale with unrealized gains and losses included in shareowner's equity, net of applicable taxes and other adjustments. We regularly review investment securities for impairment based on criteria that include the extent to which investment's carrying value exceeds its related market value, the duration of the market decline, our ability to hold to recovery and the financial strength and specific prospects of the issuer of the security. Unrealized losses that are other than temporary are recognized 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. Inventories consist of finished products held for sale. Cost is determined on a first-in, first-out basis.

### **Intangible Assets**

As of January 1, 2002, goodwill is no longer amortized but is tested 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 management at the component level. 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 methodology.

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.

Before January 1, 2002, we amortized goodwill over its estimated period of benefit on a straight-line basis; we amortized other intangible assets on appropriate bases over their estimated lives. No amortization period exceeded 40 years. When an intangible asset's carrying value exceeded associated expected operating cash flows, we considered it to be impaired and wrote it down to fair value, which we determined based on either discounted future cash flows or appraised values.

### **Insurance Accounting Policies**

Accounting policies for insurance businesses follow.

**PREMIUM INCOME.** We report insurance premiums as earned income as follows:

- For short-duration insurance contracts (including property and casualty, accident and health, and financial guaranty insurance), we report premiums as earned income, generally on a pro-rata basis, over the terms of the related agreements. For retrospectively rated reinsurance contracts, we record premium adjustments based on estimated losses and loss expenses, taking into consideration both case and incurred-but-not-reported (IBNR) reserves.

- For traditional long-duration insurance contracts (including term and whole life contracts and annuities payable for the life of the annuitant), we report premiums as earned income when due.
- For investment contracts and universal life contracts, we report premiums received as liabilities, not as revenues. Universal life contracts are long-duration insurance contracts with terms that are not fixed and guaranteed; for these contracts, we recognize revenues for assessments against the policyholder's account, mostly for mortality, contract initiation, administration and surrender. Investment contracts are contracts that have neither significant mortality nor significant morbidity risk, including annuities payable for a determined period; for these contracts, we recognize revenues on the associated investments and amounts credited to policyholder accounts are charged to expense.

**LIABILITIES FOR UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES** represent our best estimate of the ultimate obligations for reported claims plus those IBNR and the related estimated claim settlement expenses for all claims incurred through December 31 of each year. Specific reserves -- also referred to as case reserves -- are established for reported claims using case-basis evaluations of the underlying claim data and are updated as further information becomes known. IBNR reserves are determined using generally accepted actuarial reserving methods that take into account historical loss experience data and, as appropriate, certain qualitative factors. IBNR reserves are adjusted to take into account certain additional factors that can be expected to affect the liability for claims over time, such as changes in the volume and mix of business written, revisions to contract terms and conditions, changes in legal precedents or developed case law, trends in healthcare and medical costs, and general inflation levels. Settlement of complex claims routinely involves threatened or pending litigation to resolve disputes as to coverage, interpretation of contract terms and conditions or fair compensation for damages suffered. These disputes are settled through negotiation, arbitration, or actual litigation. Recorded reserves incorporate our best estimate of the effect that ultimate resolution of such disputes have on both claims payments and related settlement expenses. Liabilities for unpaid claims and claims adjustment expenses are continually reviewed and adjusted; such adjustments are included in current operations and accounted for as changes in estimates.

**DEFERRED ACQUISITION COSTS.** Costs that vary with and are directly related to the acquisition of new and renewal insurance and investment contracts are deferred and amortized as follows:

- **Short-Duration Contracts** - Acquisition costs consist of commissions, brokerage expenses and premium taxes and are amortized ratably over the contract periods in which the related premiums are earned.
- **Long-Duration Contracts** - Acquisition costs consist of first-year commissions in excess of recurring renewal commissions, certain variable sales expenses and certain support costs such as underwriting and policy issue expenses. For traditional long-duration insurance contracts, we amortize these costs over the respective contract periods in proportion to either anticipated premium income, or, in the case of limited-payment contracts, estimated benefit payments. For investment contracts and universal life contracts, amortization of these costs is based on estimated gross profits and is adjusted as those estimates are revised.

We review deferred acquisition costs periodically for recoverability considering anticipated investment income.

**PRESENT VALUE OF FUTURE PROFITS.** The actuarially determined present value of anticipated net cash flows to be realized from insurance, annuity and investment contracts in force at the date of acquisition of life insurance policies is recorded as the present value of future profits and is amortized over the respective policy terms

in a manner similar to deferred acquisition costs. We adjust unamortized balances to reflect experience and impairment, if any.

### Accounting Changes

We adopted Financial Accounting Standards Board (FASB) Interpretation No. (FIN) 46, *Consolidation of Variable Interest Entities*, on July 1, 2003, and consolidated certain entities in our financial statements for the first time. New balance sheet captions, "Consolidated, liquidating securitization entities," included \$36.3 billion of assets and \$35.8 billion of liabilities at transition related to entities involved in securitization arrangements. Given their unique nature and the fact that their activities have been discontinued, they are classified in separate financial statement captions. Further information about these entities is provided in note 20. In addition, \$14.1 billion and \$1.0 billion were added to "Investment securities" and "Other receivables", respectively, at transition for investment securities related to guaranteed investment contracts (GICs) issued by Trinity, a group of sponsored special purpose entities. The related GIC liabilities of \$14.7 billion, consolidated at transition, are displayed in "Insurance liabilities, reserves and annuity benefits." As issuance of GICs by these entities is likely to continue in the future, we have displayed these investment securities in financial statement captions consistent with like items of our Insurance businesses. Our consolidation of these entities resulted in a \$339 million after-tax accounting charge to net earnings and is reported in the caption "Cumulative effect of accounting changes." This charge resulted from several factors. For entities consolidated based on carrying amounts, the effect of changes in interest rates resulted in transition losses on interest rate swaps that did not qualify for hedge accounting before transition. Losses also arose from the FIN 46 requirement to record carrying amounts of assets in certain securitization entities as if those entities had always been consolidated, requiring us to eliminate certain previously recognized gains. For certain other entities that we were required to consolidate at their July 1, 2003, fair values, we recognized a loss on consolidation because their liabilities, including the fair value of interest rate swaps, exceeded independently appraised fair values of the related assets.

In 2002, we adopted SFAS 142, *Goodwill and Other Intangible Assets*, under which goodwill is no longer amortized but is tested for impairment using a fair value methodology. Using the required reporting unit basis, we tested all of our goodwill for impairment as of January 1, 2002, and recorded a non-cash charge of \$1.204 billion (\$1.015 billion after tax). All of the charge related to the Equipment & Other Services segment. Factors contributing to the impairment charge were the difficult economic environment in the information technology sector and heightened price competition in the auto insurance industry. No impairment charge had been required under our previous goodwill impairment policy, which was based on undiscounted cash flows.

In 2001, we adopted SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. Under SFAS 133, all derivative instruments are recognized in the balance sheet at their fair values. Further information about derivatives and hedging is provided in note 19. The cumulative transition effect of adopting this accounting change at January 1, 2001, was a \$38 million reduction of net earnings and \$810 million reduction in equity.

Also in 2001, we adopted Emerging Issues Task Force (EITF) Issue 99-20. Under this consensus, impairment of certain retained interests in securitized assets must be recognized when (a) the asset's fair value is below its carrying value, and (b) it is probable that there has been an adverse change in estimated cash flows. The cumulative effect of adopting EITF 99-20 at January 1, 2001, was a one-time reduction of net earnings of \$120 million.

## NOTE 2. REVENUES FROM SERVICES

<i>(In millions)</i>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Premiums earned by insurance businesses	\$ 8,618	\$ 8,655	\$ 8,347
Interest on time sales and loans	16,404	13,723	11,741
Operating lease rentals	7,123	6,812	6,753
Investment income	5,003	4,224	4,949
Financing leases	3,988	4,334	4,323
Fees	3,292	2,777	2,363
Other income	<u>5,567</u>	<u>4,998</u>	<u>6,945</u>
Total	<u>\$ 49,995</u>	<u>\$ 45,523</u>	<u>\$ 45,421</u>

For insurance businesses, the effects of reinsurance on premiums written and premiums earned were as follows:

<i>(In millions)</i>	<b>Premiums written</b>			<b>Premiums earned</b>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Direct	\$ 8,669	\$ 8,972	\$ 8,092	\$ 8,650	\$ 8,525	\$ 8,075
Assumed	1,028	1,125	1,056	1,089	1,133	1,055
Ceded	<u>(949)</u>	<u>(980)</u>	<u>(776)</u>	<u>(1,121)</u>	<u>(1,003)</u>	<u>(783)</u>
Total	<u>\$ 8,748</u>	<u>\$ 9,117</u>	<u>\$ 8,372</u>	<u>\$ 8,618</u>	<u>\$ 8,655</u>	<u>\$ 8,347</u>

## NOTE 3. OPERATING AND ADMINISTRATIVE EXPENSES

Our employees and retirees are covered under a number of pension, health and life insurance plans. The principal pension plan is the GE Company Pension Plan, a defined benefit plan. Employees of certain affiliates are covered under separate pension plans which are not significant individually or in the aggregate. We provide health and life insurance benefits to certain of our retired employees, principally through GE Company's benefit program. The annual cost to us of providing these benefits is not material.

Rental expense relating to equipment we lease from others for the purpose of subleasing was \$338 million in 2003, \$378 million in 2002 and \$400 million in 2001. Other rental expense was \$527 million in 2003, \$571 million in 2002 and \$570 million in 2001, principally for the rental of office space and data processing equipment. At December 31, 2003, minimum rental commitments under noncancelable operating leases aggregated \$4,147 million; \$724 million in 2004; \$595 million in 2005; \$511 million in 2006; \$487 million in 2007; \$400 million in 2008 and \$1,430 million thereafter. As a lessee, we have no material lease agreements classified as capital leases.

Amortization of deferred acquisition costs charged to operations in 2003, 2002 and 2001 was \$1,206 million, \$1,104 million and \$939 million, respectively.

## NOTE 4. INVESTMENT SECURITIES

<i>(In millions)</i>	<u>Amortized Cost</u>	<u>Gross Unrealized gains</u>	<u>Gross Unrealized losses</u>	<u>Estimated fair value</u>
<b>December 31, 2003</b>				
Debt:				
U.S. corporate	\$ 45,238	\$ 2,336	\$ (630)	\$ 46,944
State and municipal	3,794	185	(2)	3,977
Mortgage-backed	11,274	219	(76)	11,417
Asset-backed	11,542	185	(74)	11,653
Corporate – non-U.S.	10,371	453	(65)	10,759
Government – non-U.S.	2,312	67	(9)	2,370
U.S. government and federal agency	1,386	50	(18)	1,418
Equity	3,656	363	(77)	3,942
Total	<u>\$ 89,573</u>	<u>\$ 3,858</u>	<u>\$ (951)</u>	<u>\$ 92,480</u>

### December 31, 2002

Debt:				
U.S. corporate	\$ 47,784	\$ 2,257	\$ (1,424)	\$ 48,617
State and municipal	6,408	217	(21)	6,604
Mortgage-backed	8,987	347	(41)	9,293
Asset-backed	4,019	100	(25)	4,094
Corporate – non-U.S.	10,642	466	(198)	10,910
Government – non-U.S.	3,783	216	(51)	3,948
U.S. government and federal agency	1,311	57	(17)	1,351
Equity	5,206	156	(372)	4,990
Total	<u>\$ 88,140</u>	<u>\$ 3,816</u>	<u>\$ (2,149)</u>	<u>\$ 89,807</u>

The following table presents the gross unrealized losses on, and estimated fair value of, our investment securities, aggregated by investment category and length of time that individual investment securities have been in a continuous unrealized loss position, at December 31, 2003.

<i>(In millions)</i>	<u>Less than 12 months</u>		<u>12 months or more</u>	
	<u>Estimated fair value</u>	<u>Gross unrealized losses</u>	<u>Estimated fair value</u>	<u>Gross unrealized losses</u>
Debt:				
U.S. corporate	\$ 6,320	\$ (219)	\$ 1,882	\$ (411)
State and municipal	213	(2)	2	–
Mortgage-backed	3,375	(70)	127	(6)
Asset-backed	1,982	(18)	1,476	(56)
Corporate – non-U.S.	1,341	(49)	97	(16)
Government – non-U.S.	67	(5)	10	(4)
U.S. government and federal agency	210	(18)	–	–
Equity	203	(45)	44	(32)
Total	<u>\$ 13,711</u>	<u>\$ (426)</u>	<u>\$ 3,638</u>	<u>\$ (525)</u>



Of the \$525 million of investment securities in an unrealized loss position for twelve months or more, approximately \$342 million relates to securities collateralized by commercial aircraft, of which approximately \$275 million are enhanced equipment trust certificates. Commercial aircraft positions are in a loss position as a result of ongoing negative market reaction to commercial airline industry difficulties. We review all of our investment securities routinely for other than temporary impairment as described on page 36. In accordance with that policy, we provide for all amounts that we do not expect either to collect in accordance with the contractual terms of the instruments or to recover based on underlying collateral values.

A substantial portion of our mortgage-backed securities are collateralized by U.S. residential mortgages.

**CONTRACTUAL MATURITIES OF OUR INVESTMENT IN DEBT SECURITIES (EXCLUDING MORTGAGE-BACKED AND ASSET-BACKED SECURITIES)**

<i>(In millions)</i>	<u>Amortized cost</u>	<u>Estimated fair value</u>
Due in:		
2004	\$ 6,261	\$ 6,300
2005-2008	14,492	14,880
2009-2013	15,499	15,959
2014 and later	26,849	28,329

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

Supplemental information about gross realized gains and losses on investment securities follows.

<i>(In millions)</i>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Gains	\$ 890	\$ 1,143	\$ 1,234
Losses, including impairments	<u>(729)</u>	<u>(1,120)</u>	<u>(713)</u>
Net	<u>\$ 161</u>	<u>\$ 23</u>	<u>\$ 521</u>

Proceeds from securities sales amounted to \$20,505 million, \$31,344 million and \$24,171 million in 2003, 2002 and 2001, respectively.

**NOTE 5. FINANCING RECEIVABLES (INVESTMENTS IN TIME SALES, LOANS AND FINANCING LEASES)***December 31 (In millions)*

	<u>2003</u>	<u>2002</u>
<b>COMMERCIAL FINANCE</b>		
Equipment	\$ 62,167	\$ 63,349
Commercial and industrial	38,946	35,675
Real estate	20,171	20,984
Commercial aircraft	12,424	11,397
	<u>133,708</u>	<u>131,405</u>
<b>CONSUMER FINANCE</b>		
Non U.S. installment, revolving credit and other	34,440	23,655
Non U.S. residential	19,593	9,731
Non U.S. auto	18,668	15,113
U.S. installment, revolving credit and other	15,882	13,684
Other	5,432	3,225
	<u>94,015</u>	<u>65,408</u>
<b>EQUIPMENT &amp; OTHER SERVICES</b>	<u>1,893</u>	<u>3,956</u>
	229,616	200,769
Less allowance for losses (note 6)	(6,198)	(5,447)
Total	<u>\$ 223,418</u>	<u>\$ 195,322</u>

Our financing receivables include both time sales and loans and financing leases. Time sales and loans represents transactions in a variety of forms, including time sales, revolving charge and credit, mortgages, installment loans, intermediate-term loans and revolving loans secured by business assets. The portfolio includes time sales and loans carried at the principal amount on which finance charges are billed periodically, and time sales 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 and medical equipment, as well as other manufacturing, power generation, commercial real estate, and commercial equipment and facilities.

As the sole owner of assets under direct financing leases and as the equity participant in leveraged leases, we are taxed on total lease payments received and are entitled to tax deductions based on the cost of leased assets and tax deductions for interest paid to third-party participants. We are 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. We have 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. Our 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		Leveraged leases	
	2003	2002	2003	2002	2003	2002
<i>December 31 (In millions)</i>						
Total minimum lease payments receivable	\$ 86,173	\$ 87,625	\$ 56,702	\$ 55,764	\$ 29,471	\$ 31,861
Less principal and interest on third-party nonrecourse debt	(22,144)	(24,249)	—	—	(22,144)	(24,249)
Net rentals receivable	64,029	63,376	56,702	55,764	7,327	7,612
Estimated unguaranteed residual value of leased assets	8,810	8,944	5,135	5,169	3,675	3,775
Less deferred income	(12,906)	(13,326)	(9,130)	(9,377)	(3,776)	(3,949)
Investment in financing leases	59,933	58,994	52,707	51,556	7,226	7,438
Less amounts to arrive at net investment						
Allowance for losses	(803)	(851)	(707)	(749)	(96)	(102)
Deferred taxes	(9,815)	(9,378)	(5,314)	(5,174)	(4,501)	(4,204)
Net investment in financing leases	<u>\$ 49,315</u>	<u>\$ 48,765</u>	<u>\$ 46,686</u>	<u>\$ 45,633</u>	<u>\$ 2,629</u>	<u>\$ 3,132</u>

## CONTRACTUAL MATURITIES

	Total time sales and loans	Net rentals receivable
<i>(In Millions)</i>		
Due in:		
2004	\$ 54,572	\$ 16,076
2005	27,689	12,920
2006	23,086	9,899
2007	13,922	6,734
2008	12,632	4,027
2009 and later	37,782	14,373
Total	<u>\$ 169,683</u>	<u>\$ 64,029</u>

We expect actual maturities to differ from contractual maturities.

“Impaired” loans are defined by generally accepted accounting principles as large balance 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)

	<u>2003</u>	<u>2002</u>
Loans requiring allowance for losses	\$ 932	\$ 1,136
Loans expected to be fully recoverable	<u>1,355</u>	<u>837</u>
	<u>\$ 2,287</u>	<u>\$ 1,973</u>
Allowance for losses	\$ 378	\$ 395
Average investment during year	2,187	1,732
Interest income earned while impaired <sup>(a)</sup>	33	16

<sup>(a)</sup> Recognized principally on cash basis.

## NOTE 6. ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES

(In millions)

	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>BALANCE AT JANUARY 1</b>			
Commercial Finance	\$ 2,631	\$ 2,510	\$ 1,681
Consumer Finance	2,762	2,137	2,099
Equipment & Other Services	<u>54</u>	<u>87</u>	<u>182</u>
	5,447	4,734	3,962
<b>PROVISION CHARGED TO OPERATIONS</b>			
Commercial Finance	861	1,092	742
Consumer Finance	2,694	1,861	1,506
Equipment & Other Services	<u>57</u>	<u>25</u>	<u>64</u>
	3,612	2,978	2,312
<b>OTHER ADDITIONS<sup>(a)</sup></b>	686	693	584
<b>GROSS WRITE-OFFS</b>			
Commercial Finance	(1,290)	(1,241)	(544)
Consumer Finance	(3,044)	(2,278)	(1,941)
Equipment & Other Services	<u>(57)</u>	<u>(77)</u>	<u>(134)</u>
	(4,391)	(3,596)	(2,619)
<b>RECOVERIES</b>			
Commercial Finance	122	91	65
Consumer Finance	710	534	417
Equipment & Other Services	<u>12</u>	<u>13</u>	<u>13</u>
	844	638	495
<b>BALANCE AT DECEMBER 31</b>			
Commercial Finance	2,211	2,631	2,510
Consumer Finance	3,959	2,762	2,137
Equipment & Other Services	<u>28</u>	<u>54</u>	<u>87</u>
Balance at December 31	<u>\$ 6,198</u>	<u>\$ 5,447</u>	<u>\$ 4,734</u>

<sup>(a)</sup> Included \$206 million, \$483 million and \$687 million related to acquisitions and \$480 million, \$210 million and \$(103) million related to the net effects of exchange rates in 2003, 2002 and 2001, respectively.

**SELECTED FINANCING RECEIVABLES RATIOS***December 31*

	<u>2003</u>	<u>2002</u>
<b>ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES AS A PERCENTAGE OF TOTAL FINANCING RECEIVABLES</b>		
Commercial Finance	1.65%	2.00%
Consumer Finance	4.21	4.22
Equipment & Other Services	1.48	1.37
Total	2.70	2.71

**NONEARNING AND REDUCED EARNING FINANCING RECEIVABLES AS A  
PERCENTAGE OF TOTAL FINANCING RECEIVABLES**

Commercial Finance	1.3%	1.7%
Consumer Finance	2.6	2.4
Equipment & Other Services	2.3	1.4
Total	1.8	1.9

**NOTE 7. INSURANCE RECEIVABLES***December 31 (In millions)*

	<u>2003</u>	<u>2002</u>
Reinsurance recoverables	\$ 2,381	\$ 2,560
Commercial mortgage loans	6,165	5,358
Premiums receivable	507	812
Residential mortgage loans	1,258	1,919
Corporate and individual loans – Edison Life	–	1,801
Policy loans	1,138	1,422
Funds on deposit with reinsurers	4	15
Other	596	521
Allowance for losses	(97)	(135)
Total	<u>\$ 11,952</u>	<u>\$ 14,273</u>

## NOTE 8. EQUIPMENT ON OPERATING LEASES (INCLUDING BUILDINGS AND EQUIPMENT)

December 31 (In millions)

	<u>Estimated Useful Lives</u>	<u>2003</u>	<u>2002</u>
<b>ORIGINAL COST <sup>(a)</sup></b>			
Buildings and equipment	1-40	\$ 4,574	\$ 4,510
Equipment leased to others			
Aircraft	6-19	23,065	20,053
Vehicles	3-12	16,600	13,349
Railroad rolling stock	3-30	3,356	3,376
Mobile and modular	3-20	3,164	2,994
Construction and manufacturing	3-25	1,562	1,326
All other	2-35	2,881	2,859
Total		<u>\$ 55,202</u>	<u>\$ 48,467</u>
<b>NET CARRYING VALUE</b>			
Buildings and equipment		\$ 2,695	\$ 2,743
Equipment leased to others			
Aircraft <sup>(b)</sup>		19,093	17,030
Vehicles		9,745	8,481
Railroad rolling stock		2,220	2,309
Mobile and modular		1,814	1,632
Construction and manufacturing		1,120	1,010
All other		1,928	1,855
Total		<u>\$ 38,615</u>	<u>\$ 35,060</u>

(a) Included \$1.8 billion and \$1.4 billion of assets leased to GE as of December 31, 2003 and 2002, respectively.

(b) Commercial Finance recognized impairment losses of \$0.2 billion in 2003 and 2002 recorded in the caption "Depreciation and amortization of equipment on operating leases (including buildings and equipment)" in the Statement of Earnings to reflect adjustments to fair value based on current market values from independent appraisers.

Amortization of equipment leased to others was \$4,162 million, \$3,868 million and \$3,458 million in 2003, 2002 and 2001, respectively. Noncancelable future rentals due from customers for equipment on operating leases at year-end 2003 due as follows:

(In millions)

Due in	
2004	\$ 5,261
2005	4,662
2006	3,426
2007	2,373
2008	1,661
After 2008	5,673
Total	<u>\$ 23,056</u>

## NOTE 9. INTANGIBLE ASSETS

December 31 (In millions)

	<u>2003</u>	<u>2002</u>
Goodwill	\$ 19,741	\$ 17,399
Present value of future profits (PVFP)	1,259	2,078
Capitalized software	695	770
Other intangibles	915	669
Total	<u>\$ 22,610</u>	<u>\$ 20,916</u>

Intangible assets were net of accumulated amortization of \$10,616 million in 2003 and \$9,788 million in 2002.

## INTANGIBLE ASSETS SUBJECT TO AMORTIZATION

	<u>2003</u>			<u>2002</u>		
December 31 (In millions)	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
PVFP	\$ 4,092	\$ (2,833)	\$ 1,259	\$ 4,754	\$ (2,676)	\$ 2,078
Capitalized software	1,348	(653)	695	1,269	(499)	770
Servicing assets <sup>(a)</sup>	3,538	(3,391)	147	3,580	(3,238)	342
Patents, licenses and other	304	(201)	103	283	(158)	125
All other	1,074	(413)	661	539	(341)	198
Total	<u>\$ 10,356</u>	<u>\$ (7,491)</u>	<u>\$ 2,865</u>	<u>\$ 10,425</u>	<u>\$ (6,912)</u>	<u>\$ 3,513</u>

<sup>(a)</sup> Servicing assets, net of accumulated amortization, were associated primarily with serviced residential mortgage loans amounting to \$14 billion and \$33 billion at December 31, 2003 and 2002, respectively.

Indefinite-lived intangible assets were \$4 million at December 31, 2003 and 2002, respectively and related primarily to patents, licenses and other.

Amortization expense related to intangible assets, excluding goodwill, for 2003 and 2002, was \$785 million and \$1,465 million, respectively. The estimated percentage of the December 31, 2003, net PVFP balance to be amortized over each of the next five years follows.

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
9.3%	8.7%	8.0%	7.3%	6.7%

Change in PVFP balances follow.

<i>(In millions)</i>	<u><b>2003</b></u>	<u><b>2002</b></u>
Balance at January 1	\$ 2,078	\$ 2,033
Acquisitions	20	265
Dispositions	(574)	—
Accrued interest <sup>(a)</sup>	58	69
Amortization	(262)	(333)
Other	(61)	44
Balance at December 31	<u>\$ 1,259</u>	<u>\$ 2,078</u>

<sup>(a)</sup> Interest was accrued at a rate of 3.8% and 3.7% for 2003 and 2002, respectively.

Recoverability of PVFP is evaluated periodically by comparing the current estimate of expected future gross profits to the unamortized asset balance. If such comparison indicates that the expected gross profits will not be sufficient to recover PVFP, the difference is charged to expense. No such expense was recorded in 2003 or 2002.

Amortization expense for PVFP in future periods will be affected by acquisitions, realized capital gains/losses or other factors affecting the ultimate amount of gross profits realized from certain lines of business. Similarly, future amortization expense for other intangibles will depend on acquisition activity and other business transactions.

The amount of goodwill amortization included in net earnings (net of income taxes) in 2001 was \$474 million. The effects on earnings of excluding such goodwill amortization from 2001 follow.

<i>(In millions)</i>	<u><b>2001</b></u>
Net earnings, as reported	\$ 5,902
Net earnings, excluding goodwill amortization	\$ 6,376



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

<b>2003</b>						
<i>(In millions)</i>	<u>Commercial Finance</u>	<u>Consumer Finance</u>	<u>Equipment &amp; Other Services</u>	<u>Insurance</u>	Portion of goodwill not included in GECC	<u>Total</u>
Balance January 1	\$ 8,360	\$ 5,562	\$ 996	\$ 4,176	\$ (1,695)	\$ 17,399
Acquisitions/purchase accounting adjustments <sup>(a)</sup>	183	1,294	29	12	–	1,518
Foreign exchange and other	84	923	4	(96)	(91)	824
Balance December 31	<u>\$ 8,627</u>	<u>\$ 7,779</u>	<u>\$ 1,029</u>	<u>\$ 4,092</u>	<u>\$ (1,786)</u>	<u>\$ 19,741</u>

<b>2002</b>						
<i>(In millions)</i>	<u>Commercial Finance</u>	<u>Consumer Finance</u>	<u>Equipment &amp; Other Services</u>	<u>Insurance</u>	Portion of goodwill not included in GECC	<u>Total</u>
Balance January 1	\$ 6,598	\$ 3,826	\$ 2,137	\$ 3,372	\$ (1,459)	\$ 14,474
Transition impairment	–	–	(1,204)	–	–	(1,204)
Acquisitions/purchase accounting adjustments <sup>(a)</sup>	1,681	1,286	34	542	(88)	3,455
Foreign exchange and other	81	450	29	262	(148)	674
Balance December 31	<u>\$ 8,360</u>	<u>\$ 5,562</u>	<u>\$ 996</u>	<u>\$ 4,176</u>	<u>\$ (1,695)</u>	<u>\$ 17,399</u>

<sup>(a)</sup> The amount of goodwill related to new acquisitions recorded during 2003 was \$1,382 million, the largest of which was First National Bank (\$680 million) by Consumer Finance. The amount of goodwill related to purchase accounting adjustments during 2003 was \$136 million, primarily associated with the 2002 acquisitions of Australian Guarantee Corporation at Consumer Finance and Security Capital Group at Commercial Finance. The amount of goodwill related to new acquisitions recorded during 2002 was \$2,283 million, the largest of which was Australian Guarantee Corporation (\$621 million) by Consumer Finance. The amount of goodwill related to purchase accounting adjustments during 2002 was \$1,172 million, primarily associated with the 2001 acquisition of Heller Financial, Inc. 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 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.

## NOTE 10. OTHER ASSETS

December 31 (In millions)

	<u>2003</u>	<u>2002</u>
Investments		
Associated companies <sup>(a)</sup>	\$ 12,919	\$ 11,586
Real estate <sup>(b)</sup>	13,280	14,339
Assets held for sale <sup>(c)</sup>	1,833	2,998
Other	<u>7,752</u>	<u>4,593</u>
	35,784	33,516
Separate accounts (see note 12)	16,447	14,537
Deferred acquisition costs	5,966	6,204
Derivative instruments <sup>(d)</sup>	1,782	1,776
Other	<u>4,639</u>	<u>4,452</u>
Total	<u>\$ 64,618</u>	<u>\$ 60,485</u>

(a) Included advances to associated companies which are non-controlled, non-consolidated equity investments.

(b) Our investment in real estate consists 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, 2003: office buildings (24%), self storage facilities (20%), apartment buildings (17%), retail facilities (14%), industrial properties (8%), franchise properties (7%), parking facilities (7%) and other (3%). At December 31, 2003, investments were located in North America (59%), Europe (25%) and Asia (16%).

(c) These assets held for sale were accounted for at the lower of carrying amount or each asset's fair value less costs to sell.

(d) Amounts are stated at fair value in accordance with SFAS 133. We discuss the types of derivative instruments and how we use them in note 19.

Separate accounts represent investments controlled by policyholders and are associated with identical amounts reported as insurance liabilities in note 12.

## NOTE 11. BORROWINGS

### SHORT-TERM BORROWINGS

December 31 (In millions)	<u>2003</u>		<u>2002</u>	
	Amount	Average rate <sup>(a)</sup>	Amount	Average rate <sup>(a)</sup>
Commercial paper – U.S.	\$ 58,801	1.11%	\$ 58,888	1.51%
Commercial paper – non-U.S.	15,062	2.93	17,610	3.41
Current portion of long-term debt	37,880	3.32	35,545	4.19
Other	<u>14,362</u>		<u>10,702</u>	
Total	<u>\$ 126,105</u>		<u>\$ 122,745</u>	

### LONG-TERM BORROWINGS

December 31 (In millions)	2003 Average rate <sup>(a)</sup>	Maturities	<u>2003</u>	<u>2002</u>
Senior notes	3.39%	2005-2055	\$ 147,387	\$ 125,893
Extendible notes	1.27	2007-2008	12,229	12,000
Subordinated notes <sup>(b)</sup>	7.52	2005-2014	<u>963</u>	<u>965</u>
Total			<u>\$ 160,579</u>	<u>\$ 138,858</u>

(a) Based on year-end balances and year-end local currency interest rates, including the effects of interest rates and currency swaps, if any, directly associated with the original debt issuance.

(b) At year-end 2003 and 2002, \$0.7 billion of subordinated notes were guaranteed by GE.

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 19.

**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.

<i>(In millions)</i>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
	\$ 37,880	\$ 45,456 <sup>(a)</sup>	\$ 28,671	\$ 18,140	\$ 13,141

<sup>(a)</sup> Floating rate extendible notes of \$12.2 billion are due in 2005, but are extendible at the investor's option to a final maturity in 2007 (\$12.0 billion) or 2008 (\$0.2 billion).

Committed credit lines totaling \$57.2 billion had been extended to us by 85 banks at year-end 2003. Included in this amount was \$48.3 billion provided directly to us and \$8.9 billion provided by 22 banks to GE to which we also have access. Our lines include \$19.9 billion of revolving credit agreements under which we can borrow funds for periods exceeding one year. The remaining \$37.3 billion are 364-day lines of which \$26.9 billion contain a term-out feature that allows us 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. Effective interest rates were lower under these "synthetic" positions than could have been achieved by issuing debt directly. The following table shows our borrowing positions considering the effects of currency and interest rate swaps.

<b>EFFECTIVE BORROWINGS (INCLUDING SWAPS)</b>	<u>2003</u>		<u>2002</u>
<i>December 31 (In millions)</i>	<u>Amount</u>	<u>Average rate</u>	<u>Amount</u>
Short-term <sup>(a)</sup>	\$ 60,623	1.79%	\$ 54,430
Long-term (including current portion)			
Fixed rate <sup>(b)</sup>	\$ 118,133	4.85%	\$ 117,510
Floating rate	107,928	1.96	89,048
Total long-term	<u>\$ 226,061</u>		<u>\$ 206,558</u>

<sup>(a)</sup> Includes commercial paper and other short-term debt.

<sup>(b)</sup> Includes fixed-rate borrowings and \$25.5 billion (\$32.8 billion in 2002) 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, 2003, interest rate swap maturities ranged from 2004 to 2048, including swap maturities for hedges of commercial paper that ranged from 2004 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.

## NOTE 12. INSURANCE LIABILITIES, RESERVES AND ANNUITY BENEFITS

December 31 (In millions)

	<b>2003</b>	<b>2002</b>
Investment contracts and universal life benefits	\$ 52,659	\$ 40,788
Life insurance benefits <sup>(a)</sup>	24,240	35,402
Unpaid claims and claims adjustment expenses <sup>(b)</sup>	3,232	4,604
Unearned premiums	3,871	4,206
Separate accounts (see note 10)	16,447	14,537
Total	<u>\$ 100,449</u>	<u>\$ 99,537</u>

(a) Life insurance benefits are accounted for mainly by a net-level-premium method using estimated yields generally ranging from 1.2% to 7.5% in 2003 and 1.5% to 7.15% in 2002.

(b) Principally property and casualty reserves amounting to \$0.6 billion and \$1.7 billion at December 31, 2003 and 2002, respectively. Includes amounts for both reported and incurred-but-not-reported claims, reduced by anticipated salvage and subrogation recoveries. Estimates of liabilities are reviewed and updated continually, with changes in estimated losses reflected in operations.

When insurance affiliates cede insurance to third parties, we are not relieved of our 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 “Insurance losses and policyholder and annuity benefits.” Reinsurance recoveries were \$816 million, \$664 million and \$503 million for the years ended December 31, 2003, 2002 and 2001, respectively.

The insurance liability for unpaid claims and claims adjustment expenses related to policies that may cover environmental and asbestos exposures is based on known facts and an assessment of applicable law and coverage litigation. Liabilities are recognized for both known and unasserted claims, (including the cost of related litigation) when sufficient information has been developed to indicate that a claim has been incurred and a range of potential losses can be reasonably estimated. Developed case law and adequate claim history do not exist for certain claims principally due to significant uncertainties as to both the level of ultimate losses that will occur and what portion, if any, will be deemed to be insured amounts.

A summary of activity affecting unpaid claims and claims adjustment expenses, principally in property and casualty lines, follows.

<i>(In millions)</i>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Balance at January 1 – gross	\$ 4,604	\$ 4,299	\$ 4,143
Less reinsurance recoverables	(604)	(557)	(542)
Balance at January 1 – net	<u>4,000</u>	<u>3,742</u>	<u>3,601</u>
Claims and expenses incurred:			
Current year	2,257	3,818	3,147
Prior years	(112)	(145)	(156)
Claims and expenses paid:			
Current year	(1,394)	(2,069)	(1,801)
Prior years	(847)	(1,336)	(1,258)
Claim reserves related to acquired companies	-	6	-
Other	<u>(1,080)</u>	<u>(16)</u>	<u>209</u>
Balance at December 31 – net	<u>2,824</u>	<u>4,000</u>	<u>3,742</u>
 Add reinsurance recoverables	 408	 604	 557
Balance at December 31 – gross	<u>\$ 3,232</u>	<u>\$ 4,604</u>	<u>\$ 4,299</u>

Claims and expenses incurred – prior years represents additional losses (adverse development) recognized in any year for loss events that occurred before the beginning of that year. Our mortgage insurance business experienced favorable development during the three-year period, primarily reflecting continued strength in certain real estate markets and the success of our loss containment initiatives.

Financial guarantees and credit life risk of insurance affiliates are summarized below.

<i>December 31 (In millions)</i>	<u>2003</u>	<u>2002</u>
Guarantees, principally on municipal bonds and asset-backed securities	\$ –	\$ 224,924
Mortgage insurance risk in force	146,627	101,530
Credit life insurance risk in force	25,728	23,283
Less reinsurance	<u>(2,207)</u>	<u>(38,883)</u>
Total	<u>\$ 170,148</u>	<u>\$ 310,854</u>

Certain insurance affiliates offer insurance guaranteeing the timely payment of scheduled principal and interest on municipal bonds and certain asset-backed securities. Substantially all of this business was conducted by Financial Guaranty Insurance Company (FGIC), which we sold in the fourth quarter of 2003. Other insurance affiliates provide insurance to protect residential mortgage lenders from severe financial loss caused by the non-payment of loans and 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 their overall risk management process, insurance affiliates cede to third parties a portion of their risk associated with these guarantees. In doing so, they are not relieved of their primary obligation to policyholders.

### NOTE 13. INCOME TAXES

The provision for income taxes is summarized in the following table.

<i>(In millions)</i>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Current tax expense (benefit)	\$ 907	\$ (317)	\$ 1,029
Deferred tax expense from temporary differences	<u>683</u>	<u>1,277</u>	<u>705</u>
	<u>\$ 1,590</u>	<u>\$ 960</u>	<u>\$ 1,734</u>

We are included in the consolidated U.S. federal income tax return which GE Company files. The provision for current tax expense includes our effect on the consolidated return.

Current tax expense (benefit) includes amounts applicable to U.S. federal income taxes of \$150 million, \$(932) million and \$300 million in 2003, 2002 and 2001, respectively, and amounts applicable to non-U.S. jurisdictions of \$754 million, \$606 million and \$697 million in 2003, 2002 and 2001, respectively. Deferred tax expense related to U.S. federal income taxes was \$319 million, \$846 million, and \$722 million in 2003, 2002 and 2001, respectively.

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered.

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, 2003, were approximately \$13.2 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.

U.S. income before taxes and the cumulative effect of accounting changes was \$3.1 billion in 2003, \$2.0 billion in 2002 and \$3.9 billion in 2001. The corresponding amounts for non-U.S. based operations were \$5.7 billion in 2003, \$5.5 billion in 2002, and \$3.9 billion in 2001.

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

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

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
Increase (reduction) in rate resulting from:			
Amortization of goodwill	—	—	0.6
Tax-exempt income	(1.5)	(2.0)	(2.1)
Tax on international activities including exports	(11.3)	(13.5)	(5.3)
Kidder Peabody tax settlement	—	(2.2)	—
Insurance tax settlement	—	(2.0)	—
Fuels credits	(1.3)	(1.9)	(1.3)
Americom / Rollins goodwill	—	—	(2.9)
All other – net	(2.9)	(0.5)	(1.8)
	<u>(17.0)</u>	<u>(22.1)</u>	<u>(12.8)</u>
Actual income tax rate	<u>18.0%</u>	<u>12.9%</u>	<u>22.2%</u>

Principal components of our net liability/(asset) representing deferred income tax balances are as follows:

<i>December 31 (In millions)</i>	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Allowance for losses	\$ 2,024	\$ 1,534
Insurance reserves	619	1,122
Derivatives qualifying as hedges	969	1,180
AMT credit carryforward	351	597
Other	5,160	2,311
Total deferred tax assets	<u>9,123</u>	<u>6,744</u>
<b>LIABILITIES</b>		
Financing leases	9,815	9,378
Operating leases	3,494	3,659
Deferred acquisition costs	1,233	1,212
Other	4,992	3,041
Total deferred tax liabilities	<u>19,534</u>	<u>17,290</u>
<b>NET DEFERRED INCOME TAX LIABILITY</b>	<u>\$ 10,411</u>	<u>\$ 10,546</u>

## NOTE 14. MINORITY INTEREST

Minority interest in equity of consolidated affiliates includes preferred stock issued by our affiliates. The preferred stock primarily pays cumulative dividends at variable rates. Value of the preferred shares is summarized below.

<i>December 31 (In millions)</i>	<u>2003</u>	<u>2002</u>
GE Capital affiliates	\$ 1,841	\$ 1,588

Dividend rates in local currency on the preferred stock ranged from 0.98% to 5.65% during 2003 and from 1.46% to 6.20% during 2002.

**NOTE 15. RESTRICTED NET ASSETS OF AFFILIATES**

Certain of our consolidated affiliates are restricted from remitting funds to us in the form of dividends or loans by a variety of regulations, the purpose of which is to protect affected insurance policyholders, depositors or investors. At December 31, 2003 and 2002, net assets of our regulated affiliates amounted to \$35.5 billion and \$34.2 billion, respectively, of which \$26.0 billion and \$28.5 billion, respectively, was restricted.

At December 31, 2003 and 2002, the aggregate statutory capital and surplus of the insurance businesses totaled \$9.8 billion and \$11.2 billion, respectively. Accounting practices prescribed by statutory authorities are used in preparing statutory statements.



**NOTE 16. SHAREOWNER'S EQUITY***(In millions)*

	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>VARIABLE CUMULATIVE PREFERRED STOCK ISSUED</b>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 3</u>
<b>COMMON STOCK ISSUED</b>	<u>\$ 16</u>	<u>\$ 15</u>	<u>\$ 15</u>
<b>ACCUMULATED NONOWNER CHANGES OTHER THAN EARNINGS</b>			
Balance at January 1	\$ (1,520)	\$ (1,758)	\$ (739)
Cumulative effect of adopting SFAS 133 – net of deferred taxes of \$(505)	–	–	(810)
Investment securities – net of deferred taxes of \$371, \$725, and \$69 <sup>(a)</sup>	613	1,407	116
Currency translation adjustments – net of deferred taxes of \$(1,410), \$(15) and \$19	3,208	(27)	36
Derivatives qualifying as hedges – net of deferred taxes of \$(387), \$(805) and \$(413)	(717)	(1,999)	(525)
Reclassification adjustments -			
Investment securities – net of deferred taxes of \$(56), \$(8) and \$(182)	(105)	(15)	(339)
Currency translation adjustments	4	–	–
Derivatives qualifying as hedges – net of deferred taxes of \$593, \$190 and \$381	1,058	872	503
Balance at December 31	<u>\$ 2,541</u>	<u>\$ (1,520)</u>	<u>\$ (1,758)</u>
<b>OTHER CAPITAL</b>			
Balance at January 1	\$ 14,231	\$ 9,749	\$ 7,100
Contributions <sup>(b)</sup>	6	4,482	2,649
Common Stock Issued	(1)	–	–
Balance at December 31	<u>\$ 14,236</u>	<u>\$ 14,231</u>	<u>\$ 9,749</u>
<b>RETAINED EARNINGS</b>			
Balance at January 1	\$ 27,024	\$ 23,554	\$ 19,694
Net earnings	6,893	5,490	5,902
Dividends <sup>(b)</sup>	(4,472)	(2,020)	(2,042)
Balance at December 31	<u>\$ 29,445</u>	<u>\$ 27,024</u>	<u>\$ 23,554</u>
<b>TOTAL SHAREOWNER'S EQUITY</b>	<u>\$ 46,241</u>	<u>\$ 39,753</u>	<u>\$ 31,563</u>

<sup>(a)</sup> This category includes \$(9) million and \$(22) million, net of deferred taxes of \$(4) million and \$(14) million in 2003 and 2002, respectively for minimum pension liabilities on certain pension plans other than the principal pension plans.

<sup>(b)</sup> Total dividends and other transactions with the shareowner reduced equity by \$4,466 million in 2003 and increased equity by \$2,462 million and \$607 million in 2002 and 2001, respectively.

All common stock is owned by GE Capital Services, all of the common stock of which is in turn owned, directly or indirectly, by GE Company.

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 shareowner's equity. Asset and liability accounts are translated at year-end exchange rates, while revenues and expenses are translated at average rates for the period.

## **NOTE 17. SUPPLEMENTAL CASH FLOWS INFORMATION**

Changes in operating assets and liabilities are net of acquisitions and dispositions of principal businesses.

“Payments for principal businesses purchased” in the Statement of Cash Flows is net of cash acquired and includes debt assumed and immediately repaid in acquisitions.

“All other operating activities” 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.

Certain supplemental information related to our cash flows is shown below.

For the years ended December 31 (In millions)

	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>FINANCING RECEIVABLES</b>			
Increase in loans to customers	\$ (261,039)	\$ (205,634)	\$ (135,458)
Principal collections from customers – loans	226,739	181,604	116,598
Investment in equipment for financing leases	(22,167)	(19,382)	(20,272)
Principal collections from customers – financing leases	17,515	15,319	12,096
Net change in credit card receivables	(11,379)	(19,843)	(15,230)
Sales of financing receivables	36,009	29,651	29,291
	<u>\$ (14,322)</u>	<u>\$ (18,285)</u>	<u>\$ (12,975)</u>
<b>ALL OTHER INVESTING ACTIVITIES</b>			
Purchases of securities by insurance and annuity businesses	\$ (27,777)	\$ (46,148)	\$ (35,071)
Dispositions and maturities of securities by insurance and annuity businesses	25,760	37,219	28,189
Proceeds from principal business dispositions	3,193	–	2,572
Other	(1,729)	(3,439)	(2,189)
	<u>\$ (553)</u>	<u>\$ (12,368)</u>	<u>\$ (6,499)</u>
<b>NEWLY ISSUED DEBT HAVING MATURITIES LONGER THAN 90 DAYS</b>			
Short-term (91 to 365 days)	\$ 1,576	\$ 1,796	\$ 12,622
Long-term (longer than one year)	57,471	93,026	16,104
Proceeds – nonrecourse, leveraged lease debt	791	1,222	2,012
	<u>\$ 59,838</u>	<u>\$ 96,044</u>	<u>\$ 30,738</u>
<b>REPAYMENTS AND OTHER REDUCTIONS OF DEBT HAVING MATURITIES LONGER THAN 90 DAYS</b>			
Short-term (91 to 365 days)	\$ (38,634)	\$ (32,950)	\$ (29,195)
Long-term (longer than one year)	(3,388)	(5,297)	(6,582)
Principal payments – nonrecourse, leveraged lease debt	(782)	(339)	(274)
	<u>\$ (42,804)</u>	<u>\$ (38,586)</u>	<u>\$ (36,051)</u>
<b>ALL OTHER FINANCING ACTIVITIES</b>			
Proceeds from sales of investment contracts	\$ 9,337	\$ 7,806	\$ 8,113
Redemption of investment contracts	(9,267)	(6,556)	(6,802)
Capital contributions from GE Capital Services	–	4,500	2,649
Cash received upon assumption of insurance liabilities	–	2,406	–
	<u>\$ 70</u>	<u>\$ 8,156</u>	<u>\$ 3,960</u>
<b>CASH (PAID) RECOVERED DURING THE YEAR FOR:</b>			
Interest	\$ (9,981)	\$ (9,114)	\$ (10,246)
Income taxes	1,769	1,707	(269)

## NOTE 18. OPERATING SEGMENTS

Our operating segments are organized based on the nature of products and services provided. The accounting policies for these segments are the same as those described in note 1. We evaluate the performance of our operating segments primarily on the basis of earnings before accounting changes. Details of total revenues and earnings before accounting changes by operating segment are provided in the consolidated table on page 10 of this report. Other specific information is provided as follows.

	Total revenues			Intersegment revenues			External revenues		
	2003	2002	2001	2003	2002	2001	2003	2002	2001
<i>For the years ended December 31 (In millions)</i>									
Commercial Finance	\$ 20,497	\$ 19,302	\$ 17,530	\$ 146	\$ 74	\$ 42	\$ 20,351	\$ 19,228	\$ 17,488
Consumer Finance	12,734	9,833	8,995	17	12	12	12,717	9,821	8,983
Equipment & Other Services	5,022	5,663	7,849	(191)	(94)	(64)	5,213	5,757	7,913
Insurance	14,663	14,021	14,674	28	8	10	14,635	14,013	14,664
Total	<u>\$ 52,916</u>	<u>\$ 48,819</u>	<u>\$ 49,048</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 52,916</u>	<u>\$ 48,819</u>	<u>\$ 49,048</u>

	Depreciation and amortization <sup>(a)</sup>			Provision for income taxes		
	2003	2002	2001	2003	2002	2001
<i>For the years ended December 31 (In millions)</i>						
Commercial Finance	\$ 3,403	\$ 3,080	\$ 2,582	\$ 778	\$ 769	\$ 786
Consumer Finance	276	232	178	485	457	422
Equipment & Other Services	1,150	1,036	1,233	(435)	(635)	(241)
Insurance	374	363	439	762	369	767
Total	<u>\$ 5,203</u>	<u>\$ 4,711</u>	<u>\$ 4,432</u>	<u>\$ 1,590</u>	<u>\$ 960</u>	<u>\$ 1,734</u>

	Interest on time sales and loans			Interest expense		
	2003	2002	2001	2003	2002	2001
<i>For the years ended December 31 (In millions)</i>						
Commercial Finance	\$ 5,587	\$ 5,212	\$ 4,243	\$ 5,780	\$ 5,965	\$ 6,039
Consumer Finance	10,257	7,957	6,815	2,683	2,105	2,068
Equipment & Other Services	65	109	130	715	1,149	1,510
Insurance	495	445	553	368	325	408
Total	<u>\$ 16,404</u>	<u>\$ 13,723</u>	<u>\$ 11,741</u>	<u>\$ 9,546</u>	<u>\$ 9,544</u>	<u>\$ 10,025</u>

(In millions)	Assets			Additions to equipment on operating leases (including buildings and equipment) <sup>(b)</sup>		
	At December 31			For the years ended December 31		
	2003	2002	2001	2003	2002	2001
Commercial Finance <sup>(c)</sup>	\$ 214,702	\$ 201,544	\$ 178,122	\$ 7,062	\$ 8,702	\$ 12,255
Consumer Finance <sup>(c)</sup>	105,935	75,885	62,110	191	221	195
Equipment & Other Services <sup>(c)</sup>	67,758	30,814	30,520	1,136	2,418	2,072
Insurance	118,033	131,199	110,324	11	41	26
Total	<u>\$ 506,428</u>	<u>\$ 439,442</u>	<u>\$ 381,076</u>	<u>\$ 8,400</u>	<u>\$ 11,382</u>	<u>\$ 14,548</u>

(a) Excludes amortization of goodwill.

(b) Additions to equipment on operating leases (including buildings and equipment) include amounts relating to principal businesses purchased.

(c) Total assets of the Commercial Finance, Consumer Finance, and Equipment & Other Services segments at December 31, 2003, include investments in and advances to non-consolidated affiliates of \$6,864 million, \$979 million and \$5,076 million, respectively, which contributed approximately \$347 million, \$32 million and \$187 million, respectively, to segment pre-tax income for the year ended December 31, 2003.

Revenues originating from operations based in the United States were \$29,786 million, \$27,511 million and \$28,860 million in 2003, 2002 and 2001, respectively. Revenues originating from operations based outside the United States were \$23,130 million, \$21,308 million and \$20,188 million in 2003, 2002 and 2001, respectively.

Long-lived assets — equipment on leases including buildings and equipment — associated with operations based in the United States were \$11,854 million, \$10,894 million and \$10,203 million at year-end 2003, 2002 and 2001, respectively. Long-lived assets associated with operations based outside the United States were \$26,761 million, \$24,166 million and \$20,812 million at year-end 2003, 2002 and 2001, respectively.

## NOTE 19. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

### Derivatives and Hedging

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.

To qualify for hedge accounting, the 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 being 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 evaluated on a retrospective and prospective basis based on quantitative measures of correlation. If a hedge relationship becomes ineffective, it no longer qualifies as a hedge. Any excess gains or losses attributable to such ineffectiveness, as well as subsequent changes in the fair value of the derivative, are recognized in earnings.

## **Cash flow hedges**

Cash flow hedges are hedges that use simple derivatives to offset the variability of expected future cash flows. Variability can appear in floating rate assets, floating rate liabilities or from certain types of forecasted transactions, and can arise from changes in interest rates or currency exchange rates. For example, we often borrow at a variable rate of interest to fund our businesses. If Commercial Finance needs the funds to make a floating rate loan, there is no exposure to interest rate changes, and no hedge is necessary. However, upon making a fixed rate loan, we will contractually commit to pay a fixed rate of interest to a counterparty who will pay us a variable rate of interest (an “interest rate swap”). We then designate this swap as a cash flow hedge of the associated variable rate borrowing. If, as expected, the derivative is perfectly effective in offsetting variable interest in the borrowing, we record changes in its fair value in a separate component in equity, then release those changes to earnings contemporaneously with the earnings effects of the hedged item. Further information about hedge effectiveness is provided on page 63.

We use currency forwards and options to manage exposures to changes in currency exchange rates associated with commercial purchase and sale transactions. These instruments permit us to eliminate the cash flow variability, in local currency, of costs or selling prices denominated in currencies other than the functional currency. In addition, we use these instruments, along with interest rate and currency swaps, to optimize borrowing costs and investment returns. For example, currency swaps and non-functional currency borrowings together provide lower funding costs than could be achieved by issuing debt directly in a given currency.

At December 31, 2003, amounts related to derivatives qualifying as cash flow hedges amounted to a reduction of equity of \$1,618 million, of which we expect to transfer \$432 million to earnings in 2004 along with the earnings effects of the related forecasted transactions. At December 31, 2003, the amount of unrecognized losses related to cash flow hedges of short-term borrowings was \$2,066 million. In 2003, there were no forecasted transactions that failed to occur. At December 31, 2003, the maximum term of derivative instruments that hedge forecasted transactions, other than interest rate swaps designated as hedges of commercial paper (discussed in note 11), was 24 months.

## **Fair value hedges**

Fair value hedges are hedges that eliminate the risk of changes in the fair values of assets, liabilities and certain types of firm commitments. For example, we will use an interest rate swap in which we receive a fixed rate of interest and pay a variable rate of interest to change the cash flow profile of a fixed rate borrowing to match the variable rate financial asset that it is funding. We record changes in fair value of derivatives designated and effective as fair value hedges in earnings, offset by corresponding changes in the fair value of the hedged item.

We use interest rate swaps, currency swaps and interest rate and currency forwards to hedge the effect of interest rate and currency exchange rate changes on local and nonfunctional currency denominated fixed-rate borrowings and certain types of fixed-rate assets. Fair value adjustments decreased the carrying amount of debt outstanding at December 31, 2003, by \$1,671 million. We use equity options to hedge price changes in investment securities and, at Insurance, equity-indexed annuity liabilities.

## **Net investment hedges**

Net investment hedges are hedges that use derivative contracts or cash instruments to hedge the foreign currency exposure of a net investment in a foreign operation. We manage currency exposures that result from net investments

in affiliates principally by funding assets denominated in local currency with debt denominated in that same currency. In certain circumstances, we manage such exposures with currency forwards and currency swaps.

### Derivatives not designated as hedges

We must meet specific criteria in order to apply any of the three forms of hedge accounting. For example, hedge accounting is not permitted for hedged items that are marked to market through earnings. 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. We also will occasionally receive derivatives, such as equity warrants, in the ordinary course of business. Derivatives that do not qualify for hedge accounting are marked to market through earnings.

We use option contracts, including caps, floors and collars, as an economic hedge of changes in interest rates, currency exchange rates and equity prices on certain types of assets and liabilities. We occasionally obtain equity warrants as part of sourcing or financing transactions. Although these instruments are considered to be derivatives, their economic risk is similar to, and managed on the same basis as, other equity instruments we hold.

### Earnings effects of derivatives

The table that follows provides additional information about the 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. Certain elements of hedge positions cannot qualify for hedge accounting under SFAS 133 whether effective or not, and must therefore be marked to market through earnings. Time value of purchased options is the most common example of such elements in instruments we use. Pre-tax earnings effects of such items are shown in the following table as “Amounts excluded from the measure of effectiveness.”

December 31 (In millions)

	<u>2003</u>	<u>2002</u>
<b>Cash Flow Hedges</b>		
Ineffectiveness	\$ (18)	\$ (22)
Amounts excluded from the measure of effectiveness	—	—
<b>Fair Value Hedges</b>		
Ineffectiveness	1	2
Amounts excluded from the measure of effectiveness	—	—

### 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 to determine the amount of exposure to each counterparty. When a counterparty exceeds credit exposure limits (see table below), as measured by current market value of the derivative contract, no additional transactions are permitted to be executed until the exposure with that counterparty is reduced to an amount that is within the established limits. 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 further 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 U.S. Treasury and other highly-rated securities or cash to secure our exposure to counterparties; such collateral is available to us in the event that a counterparty defaults. From an economic standpoint, we evaluate credit risk exposures and compliance with credit exposure limits net of such collateral. If the downgrade provisions had been triggered at December 31, 2003, we could have been required to disburse up to \$3.6 billion and could have claimed \$1.8 billion from counterparties (including \$1.3 billion of collateral that has been pledged to us).

Fair values of our derivative 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, 2003 and 2002, gross fair value gains amounted to \$4.6 billion and \$4.3 billion, respectively. At December 31, 2003 and 2002, gross fair value losses amounted to \$6.4 billion and \$6.5 billion, respectively.

The following tables illustrate our policy relating to exposure limits to counterparties.

## COUNTERPARTY CREDIT CRITERIA

	<b>Credit rating</b>	
	<u>Moody's</u>	<u>S&amp;P</u>
Foreign exchange forwards less than one year	P-1	A-1
Other derivatives less than one year	Aa3 <sup>(a)</sup>	AA- <sup>(a)</sup>
All derivatives between one and five years	Aa3 <sup>(a)</sup>	AA- <sup>(a)</sup>
All derivatives greater than five years	Aaa <sup>(a)</sup>	AAA <sup>(a)</sup>

<sup>(a)</sup> 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)*

	<u>Less than one year</u>	<b>Exposure</b>	
		<u>Greater than one year</u>	
Minimum rating		<u>With collateral</u>	<u>Without collateral</u>
Aaa/AAA	\$ 150	\$ 100	\$ 75
Aa3/AA-	150	50	50
A3/A-	150	5	Not allowed



## FINANCIAL INSTRUMENTS

	2003			2002		
	Assets (liabilities)			Assets (liabilities)		
	Notional amount	Carrying amount (net)	Estimated fair value	Notional amount	Carrying amount (net)	Estimated fair value
<i>December 31 (In millions)</i>						
<b>Assets</b>						
Time sales and loans	\$ (a)	\$ 164,306	\$ 163,606	\$ (a)	\$ 137,203	\$ 138,838
Other commercial and residential mortgages	(a)	8,759	9,085	(a)	8,093	8,461
Consolidated, liquidating securitization entities (b)	(a)	26,468	26,474	(a)	—	—
Other financial instruments	(a)	2,472	2,473	(a)	6,317	6,319
<b>Liabilities</b>						
Borrowings (c) (d)	(a)	(286,684)	(290,998)	(a)	(261,603)	(271,057)
Investment contract benefits	(a)	(32,718)	(32,525)	(a)	(36,068)	(35,700)
Insurance – financial guarantees and credit life (e)	170,148	(3,789)	(3,535)	310,854	(3,598)	(3,499)
Consolidated, liquidating securitization entities (b)	(a)	(25,721)	(25,714)	(a)	—	—
<b>Other firm commitments</b>						
Ordinary course of business lending commitments (f)						
Fixed rate	2,158	—	—	842	—	—
Variable rate	8,923	—	—	11,114	—	—
<b>Unused revolving credit lines</b>						
Commercial						
Fixed rate	3,396	—	—	8,879	—	—
Variable rate	23,167	—	—	19,646	—	—
<b>Consumer – principally credit cards</b>						
Fixed rate	106,173	—	—	123,933	—	—
Variable rate	121,806	—	—	122,836	—	—

(a) These financial instruments do not have notional amounts.

(b) See note 20.

(c) Includes effects of interest rate swaps.

(d) See note 11.

(e) See note 12.

(f) Excludes inventory financing arrangements which may be withdrawn at our option of \$4.2 billion and \$4.7 billion as of December 31, 2003 and 2002, 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, separate accounts 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 models. Although we have made every effort to represent accurate fair values in this section, it would be unusual if the estimates could actually have been realized at December 31, 2003 or 2002.

A description of how we estimate fair values follows.

### Time sales and 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 discount 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.

## NOTE 20. 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 supported and third-party entities to execute securitization transactions funded in the commercial paper and term bond markets.

The following table represents assets in securitization entities both consolidated and off-balance sheet.

<i>December 31 (In millions)</i>	<u>2003</u>	<u>2002</u>
Receivables secured by:		
Equipment	\$ 15,616	\$ 13,926
Commercial real estate	15,046	12,482
Other assets	9,119	12,000
Credit card receivables	8,581	10,466
Other trade receivables	—	693
Total securitized assets	<u>\$ 48,362</u>	<u>\$ 49,567</u>
On-balance sheet assets in securitization entities <sup>(a)</sup>	\$ 26,468	\$ —
Off-balance sheet <sup>(b) (c)</sup>		
Supported entities	4,092	40,536
Other	17,802	9,031
Total securitized assets	<u>\$ 48,362</u>	<u>\$ 49,567</u>

(a) Related credit and liquidity support amounted to \$18.4 billion, net of \$5.3 billion of participated liquidity and arrangements that defer liquidity beyond 2005. This amount includes credit support, in which we provide recourse for a maximum of \$8.6 billion at December 31, 2003.

(b) Liabilities for recourse obligations related to off-balance sheet assets were \$0.1 billion and \$0.3 billion at December 31, 2003 and 2002, respectively.

(c) At December 31, 2003 and 2002, related credit and liquidity support amounted to \$2.9 billion and \$26.5 billion, respectively, net of participated liquidity and arrangements that defer liquidity beyond one year which amounted to \$1.0 billion and \$13.0 billion, respectively. These amounts include credit support of \$3.9 billion and \$15.2 billion at December 31, 2003 and 2002, respectively.

Securitized assets that are on-balance sheet were consolidated on July 1, 2003, upon adoption of FIN 46, *Consolidation of Variable Interest Entities*. 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 statements because the assets they hold are legally isolated and are unavailable to us under any circumstances. Use of the assets is restricted by terms of governing documents, and their liabilities are not our legal obligations. 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. Given their unique nature the entities are classified in separate financial statement captions, "Consolidated, liquidating securitization entities."

We continue to engage in off-balance sheet securitization transactions with third party entities and to use public market, term securitizations. Further information about these activities is provided on page 70.

### On-balance sheet arrangements

The following tables summarize the revenues, expenses, assets, liabilities and cash flows associated with consolidated securitization entities.

<i>(In millions)</i>	<u><b>2003</b></u>
<b>REVENUES<sup>(a)</sup></b>	
Interest on time sales and loans	\$ 511
Financing leases	129
Other	<u>53</u>
Total	<u><b>\$ 693</b></u>
<b>EXPENSES<sup>(a)</sup></b>	
Interest	\$ 386
Costs and expenses <sup>(b)</sup>	<u>114</u>
Total	<u><b>\$ 500</b></u>

<sup>(a)</sup> Entities consolidated on July 1, 2003.

<sup>(b)</sup> Includes minority interest expense of \$20 million.

December 31 (In millions)

**2003**

**ASSETS**

Cash	\$ 684
Debt securities	1,566
Financing receivables <sup>(a) (b)</sup>	21,877
Other	2,341
Total	<u>\$ 26,468</u>

**LIABILITIES**

Short-term borrowings <sup>(c)</sup>	\$ 22,842
Long-term notes payable <sup>(d)</sup>	1,948
Other liabilities	517
Minority interest	414
Total	<u>\$ 25,721</u>

(a) Included \$0.9 billion of retained interests associated with securitized assets now consolidated.

(b) At July 1, 2003, the carrying amount of financing receivables was recorded net of a previously recorded recourse obligation of \$0.1 billion.

(c) Primarily commercial paper with original maturities less than one year. Average interest rate of 1.1%, including the effect of interest rate swaps designated and effective as hedges.

(d) Weighted average rate of 2.0%; matures between 2005 and 2007.

The portfolio of financing receivables consists of loans and financing lease receivables secured by equipment, commercial 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. Under terms of credit and liquidity support agreements with these entities, when predefined triggers are met related to asset credit quality or a put is exercised by beneficial interest holders, we may be required to repurchase financing receivables. Upon such repurchases, the underlying receivable is classified as "Financing receivables" (disclosed in note 5).

Financing receivables includes \$3,827 million of direct financing leases, an analysis of which follows.

<i>December 31 (In millions)</i>	<u><b>2003</b></u>
<b>DIRECT FINANCING LEASES</b>	
Total minimum lease payments receivable	\$ 4,192
Estimated unguaranteed residual value of leased assets	14
Less deferred income	<u>(379)</u>
Investment in financing leases	<u><u>\$ 3,827</u></u>

A schedule of changes in the financing receivables balance since we adopted FIN 46 follows.

<i>(In millions)</i>	<u><b>2003</b></u>
Balance at July 1	\$ 31,395
Net collections	(9,150)
Net write-offs	(42)
Credit and liquidity support repurchases	(54)
All other	<u>(272)</u>
Balance at December 31	<u><u>\$ 21,877</u></u>

Although we expect actual maturities to differ from contractual maturities, the following table summarizes the contractual maturities of financing receivables in our consolidated securitization entities.

#### **CONTRACTUAL MATURITIES**

<i>(In millions)</i>	Total time sales and loans	Net rentals receivable
Due in		
2004	\$ 4,810	\$ 1,329
2005	1,317	1,001
2006	1,325	636
2007	1,104	330
2008	965	130
2009 and later	8,529	766
Total	<u><u>\$ 18,050</u></u>	<u><u>\$ 4,192</u></u>

(In millions)

	<u>2003</u>
<b>CASH FLOWS - INVESTING ACTIVITIES<sup>(a)</sup></b>	
Net Collections	\$ 9,150
Other	<u>225</u>
Total	<u>\$ 9,375</u>
<b>CASH FLOWS - FINANCING ACTIVITIES<sup>(a)</sup></b>	
Newly issued debt	\$ 157,593
Repayments and other reductions	<u>(167,354)</u>
Total	<u>\$ (9,761)</u>

<sup>(a)</sup> Entities consolidated on July 1, 2003.

Derivatives included in consolidated securitization entities consist principally of pay fixed, receive variable interest rate swaps. These swaps are designated, and effective, as hedges of fixed rate assets (fair value hedges) or variable rate liabilities (cash flow hedges). Risk management objectives are consistent with those described in note 19. Ineffectiveness recognized on fair value hedges was zero; ineffectiveness recognized on cash flow hedges was insignificant. No amounts were excluded from the measure of ineffectiveness of either fair value or cash flow hedges.

### Off-balance sheet arrangements

As discussed on page 67, assets in off-balance sheet securitization entities amounted to \$21.9 billion and \$49.6 billion at December 31, 2003 and 2002, respectively.

Additional information about securitization transactions follows.

<i>(In millions)</i>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Gross gains on sales to third parties	\$ 1,394	\$ 1,796	\$ 2,193
Reduction of retained interest in revolving facilities, before replenishment	<u>(1,160)</u>	<u>(1,029)</u>	<u>(866)</u>
Net	<u>\$ 234</u>	<u>\$ 767</u>	<u>\$ 1,327</u>

Amounts recognized in our financial statements related to sales to off-balance sheet securitization entities are as follows:

December 31 <i>(In millions)</i>	<u>2003</u>	<u>2002</u>
Retained interests	\$ 2,417	\$ 2,062
Servicing assets <sup>(a)</sup>	150	340
Recourse liability	<u>(75)</u>	<u>(261)</u>
Total	<u>\$ 2,492</u>	<u>\$ 2,141</u>

<sup>(a)</sup> Included mortgage servicing rights related to an amortizing pool of mortgages associated with a business exited in 2000. As of December 31, 2003, the net carrying value of remaining mortgage servicing rights relating to these former operations was \$115 million.

- **RETAINED INTERESTS.** When we securitize receivables, we determine fair value based on discounted cash flow models that incorporate, among other things, assumptions including 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. Subsequent to recording retained interests, we review recorded values quarterly in the same manner and using current assumptions. We recognize impairments when carrying amounts exceed current fair values.
- **SERVICING ASSETS.** Following a securitization transaction, we retain responsibility for servicing the receivables, and are therefore entitled to an ongoing fee based on the outstanding principal balances of the receivables. Servicing assets are primarily associated with residential mortgage loans. Their value is subject to credit, prepayment and interest rate risk.
- **RECOURSE LIABILITY.** Certain transactions require credit support agreements. As a result, we provide for expected credit losses under these agreements and such amounts approximate fair value.

The following table summarizes data related to securitization sales that we completed during 2003.

<i>(In millions)</i>	<u>Equipment</u>	<u>Commercial real estate</u>	<u>Other assets</u>	<u>Credit card receivables</u>
Cash Proceeds From Securitization	\$ 5,416	\$ 3,082	\$ 2,009	N/A
Proceeds from collections reinvested in new receivables	N/A	N/A	\$ 14,047	\$ 10,685
Weighted Average Lives (in months)	29	72	106	7
<b>ASSUMPTIONS AS OF SALE DATE<sup>(a)</sup></b>				
Discount Rate	6.6%	11.5%	6.4%	11.2%
Prepayment Rate	10.1%	10.8%	4.6%	15.0%
Estimate of Credit Losses	1.6%	1.6%	0.2%	10.8%

<sup>(a)</sup> 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 are noted in the following table. These assumptions may differ from those in the previous table as these relate to all outstanding retained interests as of December 31, 2003.

<i>(In millions)</i>	<u>Equipment</u>	<u>Commercial real estate</u>	<u>Other assets</u>	<u>Credit card receivables</u>
<b>DISCOUNT RATE</b> <sup>(a)</sup>	6.5%	10.9%	7.7%	10.9%
Effect of:				
10% Adverse Change	\$ (10)	\$ (12)	\$ (30)	\$ (8)
20% Adverse Change	(20)	(23)	(57)	(25)
<b>PREPAYMENT RATE</b> <sup>(a)</sup>	11.0%	4.8%	1.0%	15.4%
Effect of:				
10% Adverse Change	\$ (5)	\$ (1)	\$ (7)	\$ (33)
20% Adverse Change	(11)	(3)	(14)	(62)
<b>ESTIMATE OF CREDIT LOSSES</b> <sup>(a)</sup>	2.0%	2.3%	0.1%	9.9%
Effect of:				
10% Adverse Change	\$ (2)	\$ (3)	\$ (2)	\$ (46)
20% Adverse Change	(3)	(6)	(4)	(91)
Remaining Weighted				
Average lives (in months)	43	121	64	7
Net Credit Losses	\$ 5	\$ –	\$ 14	\$ 443
Delinquencies	52	52	4	139

<sup>(a)</sup> 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 SPE but generally amortize in proportion to the decline in underlying asset principal balances. The notional amount of such support is \$0.3 billion; fair value of the related asset was \$1 million at year-end 2003.

## **NOTE 21. COMMITMENTS AND GUARANTEES**

Our Commercial Finance business had placed multiple-year orders for various Boeing, Airbus and other aircraft with list prices approximating \$13.5 billion at year-end 2003.

At year-end 2003, we were committed under the following guarantee arrangements beyond those provided on behalf of SPEs (see note 20):

- **LIQUIDITY SUPPORT.** Liquidity support provided to holders of certain variable rate bonds issued by municipalities amounted to \$3.8 billion at December 31, 2003. 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. In addition, we are currently not providing any new liquidity facilities and will continue to reassess the decision in the future. The current liquidity facilities discussed above will remain in effect in accordance with their original terms.



- **CREDIT SUPPORT.** We have provided \$5.7 billion 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 total 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 \$79 million at December 31, 2003.
- **INDEMNIFICATION AGREEMENTS.** These are agreements that require us to fund up to \$0.8 billion under residual value guarantees on a variety of leased equipment and \$0.1 billion of other indemnification commitments arising 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 indemnification agreements was \$32 million at December 31, 2003.
- **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, 2003, our exposure was \$0.1 billion under these agreements.

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, as disclosed above, for such guarantees based on our best estimate of probable losses, which considers amounts recoverable under recourse provisions. For example, at year-end 2003, the total fair value of aircraft securing our airline industry guarantees exceeded the guaranteed amounts, net of the associated allowance for losses.

## NOTE 22. QUARTERLY FINANCIAL DATA (unaudited)

Summarized quarterly financial data were as follows:

	First quarter		Second quarter		Third quarter		Fourth quarter	
	2003	2002	2003	2002	2003	2002	2003	2002
(In millions)								
Total Revenues	\$ 12,161	\$ 11,530	\$ 12,830	\$ 11,793	\$ 14,081	\$ 12,501	\$ 13,844	\$ 12,995
Earnings before income taxes	1,916	1,996	1,910	1,873	2,574	2,000	2,422	1,596
Provision for income taxes	(298)	(391)	(306)	(301)	(573)	(242)	(413)	(26)
Earnings before accounting changes	1,618	1,605	1,604	1,572	2,001	1,758	2,009	1,570
Cumulative effect of accounting changes	—	(1,015)	—	—	(339)	—	—	—
Net earnings	<u>\$ 1,618</u>	<u>\$ 590</u>	<u>\$ 1,604</u>	<u>\$ 1,572</u>	<u>\$ 1,662</u>	<u>\$ 1,758</u>	<u>\$ 2,009</u>	<u>\$ 1,570</u>

## **NOTE 23. SUBSEQUENT EVENTS**

GE announced in November 2003 its intent for an initial public offering (IPO) of a new company, Genworth Financial, Inc. (Genworth), comprising most of our life and mortgage insurance businesses. We plan to sell approximately one-third of Genworth's equity in the IPO, and we expect (subject to market conditions) to reduce our ownership over the next three years as Genworth transitions to full independence. We commenced the IPO process in January 2004 and expect to complete the IPO in the first half of the year, subject to market conditions and receipt of various regulatory approvals.

On January 14, 2004, Commercial Finance acquired most of the commercial lending business of Transamerica Finance Corporation. This acquisition of approximately \$8.5 billion in managed assets expands our distribution finance business and enhances our leasing and commercial loan financing in equipment, real estate and international structured finance.

**GENERAL ELECTRIC CAPITAL CORPORATION AND CONSOLIDATED AFFILIATES**  
**SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT**  
**GENERAL ELECTRIC CAPITAL CORPORATION**  
**CONDENSED STATEMENT OF CURRENT AND RETAINED EARNINGS**

*For the years ended December 31 (In millions)*

	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>REVENUES</b>	<u>\$ 5,073</u>	<u>\$ 5,335</u>	<u>\$ 6,863</u>
<b>EXPENSES</b>			
Interest, net of allocations	3,846	5,175	6,795
Operating and administrative	3,161	2,363	1,865
Provision for losses on financing receivables	504	415	485
Depreciation and amortization	<u>419</u>	<u>506</u>	<u>417</u>
Total expenses	<u>7,930</u>	<u>8,459</u>	<u>9,562</u>
Loss before income taxes and equity in earnings of affiliates	(2,857)	(3,124)	(2,699)
Income tax benefit	796	922	555
Equity in earnings of affiliates	9,293	8,707	8,204
Cumulative effect of accounting changes, net of tax	<u>(339)</u>	<u>(1,015)</u>	<u>(158)</u>
<b>NET EARNINGS</b>	6,893	5,490	5,902
Dividends paid	(4,472)	(2,020)	(2,042)
Retained earnings at January 1	<u>27,024</u>	<u>23,554</u>	<u>19,694</u>
<b>RETAINED EARNINGS AT DECEMBER 31</b>	<u><u>\$ 29,445</u></u>	<u><u>\$ 27,024</u></u>	<u><u>\$ 23,554</u></u>

The notes to condensed financial statements on page 93 are an integral part of these statements.

**GENERAL ELECTRIC CAPITAL CORPORATION AND CONSOLIDATED AFFILIATES**  
**SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT -- (Continued)**

**GENERAL ELECTRIC CAPITAL CORPORATION**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**

<i>At December 31 (In millions)</i>	<u><b>2003</b></u>	<u><b>2002</b></u>
<b>ASSETS</b>		
Cash and equivalents	\$ 3,693	\$ 139
Investment securities	4,814	3,580
Financing receivables:		
Time sales and loans	36,344	39,215
Investment in financing leases	<u>14,597</u>	<u>15,297</u>
	50,941	54,512
Allowance for losses on financing receivables	<u>(1,269)</u>	<u>(1,204)</u>
Financing receivables -- net	49,672	53,308
Investments in and advances to affiliates	202,011	187,269
Equipment on operating leases (including buildings and equipment) (at cost), less accumulated amortization of \$1,433 and \$1,472	4,801	4,621
Other assets	<u>14,568</u>	<u>11,712</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 279,559</b></u>	<u><b>\$ 260,629</b></u>
<b>LIABILITIES AND SHAREOWNER'S EQUITY</b>		
Short-term borrowings	\$ 89,303	\$ 90,934
Long-term borrowings	<u>133,081</u>	<u>117,699</u>
Total borrowings	222,384	208,633
Other liabilities	7,200	7,572
Deferred income taxes	<u>3,734</u>	<u>4,671</u>
<b>TOTAL LIABILITIES</b>	<u><b>233,318</b></u>	<u><b>220,876</b></u>
Variable cumulative preferred stock, \$100 par value, liquidation preference \$100,000 per share (33,000 shares authorized; 26,000 shares issued and outstanding at December 31, 2003 and 2002)	3	3
Common stock, \$4 par value (4,166,000 and 3,866,000 shares authorized at December 31, 2003 and 2002, respectively and 3,985,403 and 3,837,825 shares issued and outstanding at December 31, 2003 and 2002, respectively)	16	15
Additional paid-in capital	14,236	14,231
Retained earnings	29,445	27,024
Accumulated gains/(losses) -- net:		
Investment securities <sup>(a)</sup>	1,538	1,030
Currency translation adjustments <sup>(a)</sup>	2,621	(591)
Derivatives qualifying as hedges <sup>(a)</sup>	<u>(1,618)</u>	<u>(1,959)</u>
Total shareowner's equity	<u>46,241</u>	<u>39,753</u>
<b>TOTAL LIABILITIES AND SHAREOWNER'S EQUITY</b>	<u><b>\$ 279,559</b></u>	<u><b>\$ 260,629</b></u>

<sup>(a)</sup> The sum of accumulated gains/(losses) on investment securities, currency translation adjustments and derivatives qualifying as hedges constitutes "Accumulated nonowner changes other than earnings," and was \$2,541 and (\$1,520) million at year-end 2003 and 2002, respectively.

The notes to condensed financial statements on page 93 are an integral part of these statements.

**GENERAL ELECTRIC CAPITAL CORPORATION AND CONSOLIDATED AFFILIATES**  
**SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT -- (Continued)**

**GENERAL ELECTRIC CAPITAL CORPORATION**  
**CONDENSED STATEMENT OF CASH FLOWS**

For the years ended December 31 (In millions)	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>CASH FLOWS - OPERATING ACTIVITIES</b>	\$ (2,943)	\$ (1,354)	\$ (1,048)
<b>CASH FLOWS - INVESTING ACTIVITIES</b>			
Increase in loans to customers	(140,053)	(127,423)	(84,290)
Principal collections from customers -- loans	142,687	121,687	80,098
Investment in assets on financing leases	(5,274)	(3,052)	(6,545)
Principal collections from customers -- financing leases	6,359	3,537	4,569
Net change in credit card receivables	(22)	(107)	(102)
Equipment on operating leases (including buildings and equipment)			
--- additions	(1,687)	(1,941)	(1,042)
-- dispositions	1,016	495	702
Payments for principal businesses purchased, net of cash acquired	(10,537)	(12,300)	(10,993)
Proceeds from principal business dispositions	3,193	-	2,608
Change in investment in and advances to affiliates	4,817	(4,574)	(6,635)
All other investing activities	(4,074)	4,846	298
Cash used for investing activities	<u>(3,575)</u>	<u>(18,832)</u>	<u>(21,332)</u>
<b>CASH FLOWS - FINANCING ACTIVITIES</b>			
Net change in borrowings (maturities of 90 days or less)	(2,189)	(60,339)	30,834
Newly issued debt			
-- short-term (91-365 days)	1,576	2,457	5,124
-- long-term senior	47,999	80,319	14,437
Proceeds -- non-recourse, leveraged lease debt	80	785	1,008
Repayments and other reductions			
-- short-term	(31,811)	(4,967)	(23,810)
-- long-term senior	(694)	(581)	(4,957)
Principal payments -- non-recourse, leveraged lease debt	(417)	(548)	(144)
Dividends paid	(4,472)	(2,020)	(2,042)
Contributions from GE Capital Services	-	4,500	2,649
Cash from financing activities	<u>10,072</u>	<u>19,606</u>	<u>23,099</u>
<b>INCREASE (DECREASE) IN CASH AND EQUIVALENTS DURING THE YEAR</b>	3,554	(580)	719
<b>CASH AND EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>139</u>	<u>719</u>	<u>-</u>
<b>CASH AND EQUIVALENTS AT END OF YEAR</b>	<u>\$ 3,693</u>	<u>\$ 139</u>	<u>\$ 719</u>

The notes to condensed financial statements on page 93 are an integral part of these statements.

**GENERAL ELECTRIC CAPITAL CORPORATION AND CONSOLIDATED AFFILIATES**  
**SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT -- (Concluded)**  
**GENERAL ELECTRIC CAPITAL CORPORATION**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**Borrowings**

Total long-term borrowings at December 31, 2003 and 2002, are shown below.

<i>(In millions)</i>	<b>Maturities</b>	<b>2003</b>		<b>2002</b>
		<b>Amount</b>	<b>Average rate <sup>(a)</sup></b>	<b>Amount</b>
Senior notes	2004-2055	\$ 120,383	3.46%	\$ 105,001
Extendible notes <sup>(c)</sup>	2007	12,000	1.24%	12,000
Subordinated notes <sup>(b)</sup>	2006-2012	698	8.04%	698
		<u>\$ 133,081</u>		<u>\$ 117,699</u>

(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) At year-end 2003 and 2002, \$0.7 billion of subordinated notes were guaranteed by GE.

(c) Floating rate extendible notes of \$12.0 billion are due in 2005, but are extendible at the investor's option to a final maturity in 2007.

At December 31, 2003, maturities of long-term borrowings during the next five years, including the current portion of long-term debt, are \$32,012 million in 2004, \$14,338 million in 2005, \$22,591 million in 2006, \$39,436 million in 2007 and \$10,297 million in 2008.

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. Effective interest rates were lower under these "synthetic" positions than could have been achieved by issuing debt directly. At December 31, 2003 interest rate swap maturities ranged from 2004 to 2041, and average interest rates for fixed-rate borrowings (including "synthetic" fixed-rate borrowings) were 5.25% (5.54% at year-end 2002).

Interest expense on the Condensed Statement of Current and Retained Earnings is net of interest income on loans and advances to majority owned affiliates of \$3,339 million, \$2,270 million and \$1,585 million for 2003, 2002, and 2001, respectively.

**Income Taxes**

General Electric Company files a consolidated U.S. federal income tax return which includes GE Capital. Income tax benefit includes the effect of GE Capital on the consolidated return.

**Financial Statements and Supplementary Data for GE Capital Australia Funding Pty Ltd  
for the Fiscal year Ended December 31, 2003**

The financial data and related notes reproduced in this Annex D have been derived from and should be read in conjunction with the annual report of GE Capital Australia Funding Pty Ltd for the fiscal year ended December 31, 2003, a copy of which may be obtained as described under "**Documents available**" above.

The page numbers referred to in the audit opinion refer to pages in the audited financial statements of GE Capital Australia Funding for the year ended December 31, 2003 and which correspond to pages in this Annex D.

**GE CAPITAL AUSTRALIA FUNDING PTY. LTD.  
&  
ITS CONTROLLED ENTITIES**

**A.C.N. 085 675 467**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2003**



**GE CAPITAL AUSTRALIA FUNDING PTY. LTD.  
&  
ITS CONTROLLED ENTITIES**

**A.C.N. 085 675 467**

**YEAR ENDED 31 DECEMBER 2003**

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**GE CAPITAL AUSTRALIA FUNDING PTY. LTD.  
&**

**ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

The Directors present their report together with the financial report of GE Capital Australia Funding Pty. Ltd. ("the Company") and of the consolidated entity, being the Company and its controlled entities, for the year ended 31 December 2003 and the independent auditor's report thereon.

**Directors**

The Directors of the Company, at any time during or since the end of the financial year are:

***Mr. S P Bertamini***

Appointed December 22, 1998. Managing Director of GE Capital Finance Australasia Pty Ltd.

***Mr. C G Vanderkley***

Appointed December 22, 1998. Director of GE Capital Finance Australasia Pty Ltd.

***Mr. J M Kelly***

Appointed December 9, 1999. Director of GE Capital Australia.

***Mr. D J Read***

Appointed May 30, 2002. Resigned May 1, 2003.

**Principal activity**

The principal activity of the consolidated entity is to raise financing in the public market to fund the operations of related parties in Australia. There has been no significant change in the nature of activities of the consolidated entity during the year.

**Review of operations**

The net loss attributable to the members of the parent entity amounted to \$ 39,844,000 (2002: Loss \$ 4,719,000).

**Dividends**

No dividends were paid or declared by the Company in respect of the current financial year (2002:\$ Nil).

**State of affairs**

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

**GE CAPITAL AUSTRALIA FUNDING PTY. LTD.  
&**

**ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

**Events subsequent to balance sheet date**

Subsequent to reporting date, the Company received \$5,961,558,879 repayment of equity from GE Liquidity.

Other than the matter disclosed above, there has not arisen in the interval between end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company or the consolidated entity, the results of those operations, or the state of affairs of the Company or the consolidated entity, in subsequent financial years.

**Likely developments**

The Directors reasonably believe that the disclosure of information relating to likely developments in the operations of the consolidated entity and of the results of these operations is likely to result in unreasonable prejudice to the consolidated entity if included in this report.

**Indemnification of officers and auditors**

Since the end of the previous financial year, the ultimate parent entity has paid premiums for the year ended 31 December 2003, on behalf of the Company and its controlled entities, in respect of Directors and Officers liability and legal expenses insurance contracts.

Subsequently, the ultimate parent entity has agreed to pay premiums for the year ending 31 December 2004, on behalf of the Company and its controlled entities, in respect of Directors and Officers liability and legal expenses insurance contracts.

Such contracts insure Directors and Officers against certain limited liabilities.

Directors have not included details of the nature of the liabilities covered or the amount of the premium paid as such disclosure is prohibited under the terms of the contract.

The consolidated entity has not during or since the end of the financial year paid or agreed to pay any premiums in respect of any person who has been an auditor of the consolidated entity, for the purposes of indemnifying them against any claims by third parties arising from their audit report.

**Derivatives and other financial instruments**

The Company's activities expose it to changes in interest rates and foreign exchange. The Company is also exposed to credit, liquidity and cash flow risks from its operations.

The Company uses derivative financial instruments to hedge cash flows subject to interest rate and foreign exchange risks. Derivative financial instruments are not held for speculative purposes.

**GE CAPITAL AUSTRALIA FUNDING PTY. LTD.  
&**

**ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

The Company's principal activity is to raise financing in public markets to fund the operations of related parties. The Company only deals with financial market intermediaries with an acceptable credit rating determined by a recognised rating agency.

Financing facilities and operating cash flows are managed to ensure that the Company is not exposed to any adverse liquidity risks. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material cash outflows in the ordinary course of business.

**Rounding off**

The Company is a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars unless otherwise indicated.

Dated at Melbourne this 23<sup>rd</sup> day of April 2004.

Signed in accordance with a resolution of the Directors:

/Signed/ Directors

**GE CAPITAL AUSTRALIA FUNDING PTY. LTD.  
&  
ITS CONTROLLED ENTITIES  
STATEMENTS OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	<b>Consolidated</b>		<b>The Company</b>	
		<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
		\$000	\$000	\$000	\$000
Revenue from ordinary activities	2(a)	973,671	762,902	936,051	742,265
Borrowing costs	2(b)	(990,542)	(768,700)	(961,103)	(750,218)
Expenses excluding borrowing costs	2(c)	(10,250)	(1,430)	(7,112)	(1,275)
<b>Loss from ordinary activities before related income tax expense</b>		(27,121)	(7,228)	(32,164)	(9,228)
Income tax (expense) / benefit attributable to operating loss	3(a)	(12,732)	2,529	(11,216)	2,768
<b>Net loss</b>		(39,853)	(4,699)	(43,380)	(6,460)
Net profit attributable to outside equity interests		9	(20)	-	-
<b>Net loss attributable to members of the parent entity</b>		<u>(39,844)</u>	<u>(4,719)</u>	<u>(43,380)</u>	<u>(6,460)</u>

*The statements of financial performance are to be read in conjunction with the notes to and  
forming part of the financial statements set out on pages 7 to 21*

**GE CAPITAL AUSTRALIA FUNDING PTY. LTD.  
&  
ITS CONTROLLED ENTITIES**

**STATEMENTS OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2003**

		<b>Consolidated</b>		<b>The Company</b>	
	<b>Note</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Current assets</b>					
Cash		8,827	69,947	8,827	16,512
Receivables	4	69,974	86,533	-	-
Other	6	27,943	36,960	27,943	36,960
Current tax recoverable	3(b)	1,787	-	-	-
<b>Total current assets</b>		<u>108,531</u>	<u>193,440</u>	<u>36,770</u>	<u>53,472</u>
<b>Non current assets</b>					
Receivables	4	16,268,114	16,272,386	7,814,707	7,205,310
Investments in subsidiaries	5	-	-	8,375,993	8,770,025
Deferred tax assets	3(c)	-	6,623	-	6,623
<b>Total non current assets</b>		<u>16,268,114</u>	<u>16,279,009</u>	<u>16,190,700</u>	<u>15,981,958</u>
<b>Total assets</b>		<u>16,376,645</u>	<u>16,472,449</u>	<u>16,227,470</u>	<u>16,035,430</u>
<b>Current liabilities</b>					
Interest-bearing liabilities	7	5,483,241	4,784,669	5,483,241	4,784,669
Bank Overdraft		22,011	-	-	-
Current tax liabilities	3(b)	-	3,779	-	3,801
Others	9	95,831	190,617	91,750	190,617
<b>Total current liabilities</b>		<u>5,601,083</u>	<u>4,979,065</u>	<u>5,574,991</u>	<u>4,979,087</u>
<b>Non current liabilities</b>					
Interest-bearing liabilities	7	10,767,913	11,445,880	10,651,116	11,011,600
<b>Total non current liabilities</b>		<u>10,767,913</u>	<u>11,445,880</u>	<u>10,651,116</u>	<u>11,011,600</u>
<b>Total liabilities</b>		<u>16,368,996</u>	<u>16,424,945</u>	<u>16,226,107</u>	<u>15,990,687</u>
<b>Net assets</b>		<u>7,649</u>	<u>47,504</u>	<u>1,363</u>	<u>44,743</u>
<b>Shareholders equity</b>					
Contributed equity	10	50,000	50,000	50,000	50,000
Retained earnings	11	(43,360)	(3,516)	(48,637)	(5,257)
<b>Total parent entity interest</b>		<u>6,640</u>	<u>46,484</u>	<u>1,363</u>	<u>44,743</u>
Outside equity interest	12	1,009	1,020	-	-
<b>Total shareholders equity</b>		<u>7,649</u>	<u>47,504</u>	<u>1,363</u>	<u>44,743</u>

*The statements of financial position are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 21*

**GE CAPITAL AUSTRALIA FUNDING PTY. LTD.  
&  
ITS CONTROLLED ENTITIES  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	Consolidated		The Company	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>Cash flows from operating activities</b>					
Cash receipts in the course of operations		52,113,369	79,621,076	43,381,947	76,748,308
Cash payments in the course of operations		(52,185,118)	(79,799,917)	(44,275,020)	(76,473,461)
Income tax (paid) / refund		(11,316)	853	(8,035)	2,130
<b>Net cash used in operating activities</b>	13(ii)	<u>(83,064)</u>	<u>(177,988)</u>	<u>(901,108)</u>	<u>276,977</u>
<b>Cash flow from investing activities</b>					
Return of capital to partner		-	-	350,000	-
Dividend received from partnership firm		-	-	543,428	-
Cash inflow on acquisition of subsidiary	17(b)	<u>-</u>	<u>113,192</u>	<u>-</u>	<u>-</u>
<b>Net cash provided by investing activities</b>		<u>-</u>	<u>113,192</u>	<u>893,428</u>	<u>-</u>
<b>Cash flow from financing activities</b>					
Withdrawal out of profits for 2002 and 2003		(61)	-	-	-
Capital infusion		<u>-</u>	<u>1,000</u>	<u>-</u>	<u>(394,208)</u>
<b>Net cash (used)/provided by financing activities</b>		<u>(61)</u>	<u>1,000</u>	<u>-</u>	<u>(394,208)</u>
<b>Net decrease in cash held</b>		(83,125)	(63,796)	(7,680)	(117,231)
<b>Cash at the beginning of the financial year</b>		69,947	133,743	16,512	133,743
Less: Effect of foreign exchange loss		<u>(5)</u>	<u>-</u>	<u>(5)</u>	<u>-</u>
<b>Cash at the end of the financial year</b>	13(i)	<u><u>(13,182)</u></u>	<u><u>69,947</u></u>	<u><u>8,827</u></u>	<u><u>16,512</u></u>

*The statements of cash flows are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 21*

**GE CAPITAL AUSTRALIA FUNDING PTY. LTD.**  
**&**  
**ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

**1. Statement of significant accounting policies**

The significant policies which have been adopted in the preparation of this financial report are:

**(a) Basis of preparation**

The financial report is a general purpose financial report prepared in order to satisfy the financial reporting requirements of the Corporations Act 2001. The general purpose financial report complies with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

The financial report has been prepared on a going concern basis, which contemplates continuity of normal activities, realisation of assets and settlement of liabilities in the normal course of business. At balance sheet date, the consolidated entity showed a deficiency of net current assets of \$ 5,492,552,000 (2002: \$4,797,462,000), which prima facie indicates an uncertainty that the consolidated entity can continue as a going concern in the foreseeable future. At the date of this report, the consolidated entity has funding from related entities for a further 12 months. The Directors believe the going concern basis appropriate because of the above factors, together with ongoing initiatives to improve operating performance.

**(b) Principles of consolidation**

***Controlled entities***

The financial statements of controlled entities are included from the date control commences until the date control ceases.

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

**(c) Interest revenue**

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.



**GE CAPITAL AUSTRALIA FUNDING PTY. LTD.  
&  
ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

**(d) Foreign Currency**

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts payable and receivable in foreign currencies at balance date are translated at the rates of exchange ruling on the date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange differences in the statement of financial performance in the financial year in which the exchange rates change.

**(e) Taxation**

The consolidated entity adopts the income statement liability method of tax effect accounting. Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a deferred tax asset or a provision for deferred income tax.

Deferred tax assets relating to timing differences are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Deferred tax assets relating to entities with tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not brought to account unless realisation is virtually certain.

**(f) Borrowing costs**

Borrowing costs include interest, amortisation of discounts and premiums related to borrowings, and amortisation of ancillary costs in connection with arrangement of borrowings. Borrowing costs are expensed as incurred.

**(g) Non current assets**

The carrying amounts of all non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the recoverable amount. The write-down is expensed in the reporting period in which it occurs. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

**(h) Receivables**

Receivables are carried at amounts due including accrued interest. The collectability of receivables is assessed at the balance sheet date and specific provision is made for any doubtful debts.

**(i) Cash and bank overdrafts**

Cash and bank overdrafts are carried at face value of the amounts deposited or drawn. The carrying amounts of cash and bank overdrafts approximate net fair value. Interest revenue is accrued at the market or contracted rates and is receivable monthly.

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**(j) Derivatives**

The consolidated entity is exposed to changes in interest rates and foreign exchange rates from its activities. The Consolidated entity uses interest rate and cross currency swaps to hedge these risks. Derivative financial instruments are not held for speculative purposes.

***Hedges***

Where hedge transactions are designated as a hedge of an anticipated interest transaction, gains and losses on the hedge arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the statement of financial performance.

The net amounts receivable or payable under open swaps are not recorded in the statement of financial performance until the hedge transaction occurs. The net receivables or payables are revalued using the foreign currency or interest rates current at balance date. Refer to Note 16.

**(k) Investment in subsidiary**

***Controlled entities***

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

**(l) Segment information**

The Company operates predominantly in Australia within the financial services industry.

**(m) Rounding of amounts**

Dollar amounts have been rounded to the nearest thousand dollars, unless specifically stated otherwise.

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	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>2. Profit from ordinary activities before income tax expense</b>				
Profit from ordinary activities before related income tax expense has been arrived at after (charging)/crediting following revenues and expenses.				
<b>(a) Revenue</b>				
Interest and commitment charges – related parties	966,034	761,256	428,140	569,853
- controlled entities	-	-	8,515	995
Bank interest	7,637	1,646	-	618
Partnership income	-	-	499,396	170,799
	<u>973,671</u>	<u>762,902</u>	<u>936,051</u>	<u>742,265</u>
<b>(b) Borrowing costs</b>				
Borrowing costs – related parties	276,072	88,959	246,633	70,477
Borrowing costs - others	597,598	578,482	597,598	578,482
Guarantee fee	115,408	101,259	115,408	101,259
Bank interest	1,464	-	1,464	-
	<u>990,542</u>	<u>768,700</u>	<u>961,103</u>	<u>750,218</u>
<b>(c) Expenses excluding borrowing costs</b>				
Other expenses	1,387	392	1,115	392
Auditor's remuneration	812	135	812	135
Net foreign exchange loss	5,185	748	5,185	748
Swap cost	2,866	155	-	-
	<u>10,250</u>	<u>1,430</u>	<u>7,112</u>	<u>1,275</u>
Total	<u>1,000,791</u>	<u>770,130</u>	<u>968,215</u>	<u>751,493</u>
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>(d) Auditor's remuneration</b>				
Amounts received or due and receivable by the auditor of the Company (KPMG) for:				
Audit of the financial reports	148,621	85,000	148,621	85,000
Other services	663,763	50,000	663,763	50,000
Total	<u>812,384</u>	<u>135,000</u>	<u>812,384</u>	<u>135,000</u>

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	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>3. Taxation</b>				
<b>(a) Income tax (expense) / benefit</b>				
Prima facie income tax benefit/(expense) calculated at 30% (2002:30%) on the loss from ordinary activities	8,133	2,168	9,649	2,768
Non-deductible interest expense	(3,157)	-	(3,157)	-
Income tax over / (under) provided in the prior year	(4,672)	361	(4,672)	-
Tax losses not carried forward as future income tax benefit	(13,036)	-	(13,036)	-
	<u>(12,732)</u>	<u>2,529</u>	<u>(11,216)</u>	<u>2,768</u>
Total income tax (expense) / benefit is made up of:				
Current income tax provision	(6,109)	(4,094)	(4,593)	(3,855)
Future income tax benefit	<u>(6,623)</u>	<u>6,623</u>	<u>(6,623)</u>	<u>6,623</u>
	<u>(12,732)</u>	<u>2,529</u>	<u>(11,216)</u>	<u>2,768</u>
<b>(b) Current income tax provision/(recoverable)</b>				
Movements during the year were as follows:				
Balance at beginning of year	3,779	(2,184)	3,801	(2,184)
Current tax liability (net of advance tax) of subsidiary acquired	-	1,016	-	-
Current year's income tax expense on operating profit	(11,599)	4,455	(13,115)	3,855
Tax paid during the year	(11,316)	(1,759)	(8,035)	(482)
Tax Paid Adjusted for last year	(359)	2,612	(359)	2,612
Under provision in prior year	4,672	(361)	4,672	-
Tax losses not carried forward	13,036	-	13,036	-
	<u>(1,787)</u>	<u>3,779</u>	<u>-</u>	<u>3,801</u>
<b>(c) Deferred tax assets</b>				
<b><i>Future income tax benefit</i></b>				
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2002: 30%) on the following items:				
Amortisation of deferred hedge costs on unmatured hedges	-	6,623	-	6,623
	<u>-</u>	<u>6,623</u>	<u>-</u>	<u>6,623</u>
<b><i>Future income tax benefit not taken into account</i></b>				
The potential future income tax benefit in the Company arising from tax losses and timing differences, has not been recognized as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt:				
Tax losses not carried forward	<u>(13,036)</u>	<u>-</u>	<u>(13,036)</u>	<u>-</u>
The potential future income tax benefit will only be obtained if:				
(i) the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;				
(ii) the relevant company and/or consolidated entity continues to comply with the conditions for deductibility imposed by the law; and				
(iii) no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.				

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	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>4. Receivables</b>				
<b>Current</b>				
Loans – related parties	69,679	86,533	-	-
Interest receivable on interest rate swaps	295	-	-	-
	<u>69,974</u>	<u>86,533</u>	<u>-</u>	<u>-</u>
<b>Non Current</b>				
Loans – related parties	16,268,114	16,272,386	7,774,406	7,173,758
Loans – controlled entities	-	-	40,301	31,552
	<u>16,268,114</u>	<u>16,272,386</u>	<u>7,814,707</u>	<u>7,205,310</u>
<b>5. Investments in subsidiaries</b>				
Investments in controlled entities ( <i>refer note 17</i> )	<u>-</u>	<u>-</u>	<u>8,375,993</u>	<u>8,770,025</u>
<b>6. Other current assets</b>				
Unamortised issue cost	27,943	24,094	27,943	24,094
Deferred hedge cost	-	12,866	-	12,866
	<u>27,943</u>	<u>36,960</u>	<u>27,943</u>	<u>36,960</u>
<b>7. Interest bearing liabilities</b>				
<b>(a) Current</b>				
Commercial paper-secured	3,366,836	3,783,527	3,366,836	3,783,527
Medium term notes-secured	2,116,405	1,001,142	2,116,405	1,001,142
	<u>5,483,241</u>	<u>4,784,669</u>	<u>5,483,241</u>	<u>4,784,669</u>
<b>(b) Non Current</b>				
Medium term notes-secured	5,771,065	6,387,917	5,771,065	6,387,917
Amounts payable- related parties	4,996,848	5,057,963	4,880,051	4,623,683
	<u>10,767,913</u>	<u>11,445,880</u>	<u>10,651,116</u>	<u>11,011,600</u>
Total interest bearing liabilities	<u>16,251,154</u>	<u>16,230,549</u>	<u>16,134,357</u>	<u>15,796,269</u>

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	<b>Consolidated</b>		<b>The Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>8. Financing Arrangements</b>				
The Company has access to the following lines of credit:				
Total facilities available:	250,000	20,000	250,000	20,000
- Bank overdraft (Group as a whole)				
Facilities utilised at balance date:	22,011	20,000	-	-
- Bank overdraft				
Facilities not utilised at balance date:			250,000	20,000
- Bank overdraft	227,989	-		

**Bank overdraft**

The bank overdraft facility is secured by a guarantee from the immediate parent entity. This facility is jointly shared with other related parties. Each related party under this facility can draw up to a maximum of \$250,000,000 provided that the aggregate amounts utilised do not exceed \$20,000,000. Interest on the bank overdraft is charged at prevailing market rates.

**9. Other liabilities**

**Current**

Accrued interest on medium term notes	51,013	48,509	51,013	48,509
Withholding tax payable	27,723	8,780	27,723	8,780
Liability under forward contracts (net)	-	112,283	-	112,283
Others	160	-	160	-
	<u>78,896</u>	<u>169,572</u>	<u>78,896</u>	<u>169,572</u>
Deferred swap income	16,935	21,045	12,854	21,045
Total other liabilities	<u>95,831</u>	<u>190,617</u>	<u>91,750</u>	<u>190,617</u>

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	<b>Consolidated</b>		<b>The Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>10. Contributed equity</b>				
<b>Issued and paid-up capital</b>				
50,000,002 ordinary shares, fully paid ( 2002:50,000,002 ordinary fully paid shares )	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
<b>11. Retained earnings</b>				
Retained earnings at the beginning of the financial year	(3,516)	1,203	(5,257)	1,203
Net loss during the year	<u>(39,844)</u>	<u>(4,719)</u>	<u>(43,380)</u>	<u>(6,460)</u>
Retained earnings at the end of the financial year	<u>(43,360)</u>	<u>(3,516)</u>	<u>(48,637)</u>	<u>(5,257)</u>
<b>12. Outside equity interests</b>				
Interest in retained profits at the end of the financial year	9	20		
Interest in share capital	<u>1,000</u>	<u>1,000</u>		
	<u>1,009</u>	<u>1,020</u>		

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**13. Notes to the Statement of Cash Flows**

**(i) Reconciliation of Cash**

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	<b>Consolidated</b>		<b>The Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cash	8,827	69,947	8,827	16,512
Overdraft	(22,011)	-	-	-
	<u>(13,184)</u>	<u>69,947</u>	<u>8,827</u>	<u>16,512</u>
<b>(ii) Reconciliation of profit/(loss) from ordinary activities after income tax expense to net cash provided by operating activities</b>				
Profit/(loss) from ordinary activities after income tax expense	(39,844)	(4,719)	(43,380)	(6,460)
Add/(less) non cash items:				
Unrealised foreign exchange gain/loss	5	-	5	-
(Decrease) / increase in income taxes payable/recoverable	(5,566)	4,947	(3,801)	5,985
Decrease / (Increase) in deferred tax assets	6,623	(6,623)	6,623	(6,623)
(Decrease) / increase in deferred tax liabilities	436	-	436	-
	<u>(38,346)</u>	<u>(6,395)</u>	<u>(40,117)</u>	<u>(7,098)</u>
Net cash provided by operating activities before change in assets and liabilities	(38,346)	(6,395)	(40,117)	(7,098)
Change in assets and liabilities:				
(Increase)/ decrease in loans to related parties	21,126	(8,450,606)	(609,397)	(7,596,605)
(Increase)/decrease in other assets	8,784	(22,165)	(490,379)	(22,165)
Increase/(decrease) in other liabilities	(94,797)	150,747	(98,867)	150,747
Increase/(decrease) in amount payable – related parties	(61,115)	4,624,878	256,368	4,226,565
Increase in borrowings	81,720	3,525,553	81,720	3,525,553
	<u>(82,628)</u>	<u>(177,988)</u>	<u>(900,672)</u>	<u>276,997</u>
<b>Net cash used in operating activities</b>	<b>(82,628)</b>	<b>(177,988)</b>	<b>(900,672)</b>	<b>276,997</b>



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**14. Directors' Remuneration**

The number of directors of the Company whose income from the Company or any related party falls within the following bands:

			<b>2003</b>	<b>2002</b>
\$	\$			
140,000	- 149,999		-	1
310,000	- 319,999		1	-
400,000	- 409,999		-	1
470,000	- 479,999		1	-
480,000	- 489,999		-	1
550,000	- 559,999		1	-
850,000	- 859,999		1	-
1,340,000	- 1,349,999		-	1

	<b>Consolidated</b>		<b>The Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	\$	\$	\$	\$
Total income paid or payable, or otherwise made available, to all directors of the Company and controlled entities, from the Company or any related party	<u>2,207,823</u>	<u>2,832,024</u>	<u>2,207,823</u>	<u>2,832,024</u>

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**15. Related Parties**

**(a) Directors**

The names of each person holding the position of director of GE Capital Australia Funding Pty. Ltd. during the financial year are C G Vanderkley, J M Kelly, S P Bertamini, and D J Read. D J Read retired as a director during the year.

Details of Directors' remuneration are set out in Note 14.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year-end. No director of the Company holds any shares in the Company or the consolidated entity.

***Loans***

The Company has not extended any loans to the Directors of the Company.

**(b) Commonly Controlled Entities**

***Loans***

Loans with commonly controlled entities are for a period of five years. All of these transactions are conducted on an arms length basis. The aggregate amounts receivable from and payable to commonly controlled entities by the Company at balance sheet date are detailed in Notes 4 and 7.

**(c) Wholly-owned group**

***Loans***

Loans with entities in the wholly owned group have been conducted on an arms length basis. These facilities are available for a period of five years.

The aggregate amounts receivable from and payable to wholly-owned group entities by the Company and its controlled entities at the balance date are detailed in Notes 4 and 7.

**(d) Ultimate Parent Entity**

The immediate parent entity of GE Capital Australia Funding Pty. Ltd. is General Electric Capital Corporation, a company incorporated in the United States of America. The ultimate parent entity is General Electric Company, a company incorporated in the United States of America.

**(e) Transactions with related parties**

99% of interest income is generated by loans to related parties. The Company also raises some funding from its parent entity.

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**16. Additional financial instruments disclosure**

**(a) Foreign exchange risk**

- (i) The consolidated entity entered into forward foreign exchange contracts to hedge its borrowings denominated in foreign currencies during the year. The consolidated entity does not have any outstanding forward foreign contract as at 31 December 2003.

The following table sets out the gross value to be received under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the consolidated entity for the last year.

	<b>Consolidated</b>			
	2003	2002	2003	2002
<i>Buy US Dollar</i>	Weighted average rate		\$'000	\$'000
No later than one year	-	0.55	-	4,264,683

- (ii) The net deferred costs on hedges of anticipated repayment of borrowings denominated in foreign currency recognized in other current assets at Note 6 and the timing of their anticipated recognition in the statements of financial performance are:

	<b>Consolidated</b>	
	2003	2002
	\$'000	\$'000
Not later than one year	<u>-</u>	<u>(12,866)</u>
	<u>-</u>	<u>(12,866)</u>

- (iii) The consolidated entity also enters into cross currency swaps to convert borrowings denominated in foreign currencies into Australian dollars. All foreign borrowings as at 31 December 2003 are fully hedged.

The following table sets out the gross value to be received under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the consolidated entity.

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**16. Additional financial instruments disclosure (continued)**

		<b>Consolidated</b>		
	2003	2002	2003	2002
	Weighted average rate		\$'000	\$'000
<i>Buy US Dollar</i>				
Not later than one year	0.51	-	294,985	-
Later than one year but not later than two years	0.51	0.51	690,442	294,985
Later than two year but not later than three year	-	0.51	-	690,442
<i>Buy Euro</i>				
Not later than one year	0.57	-	1,059,587	-
Later than one year but not later than two years	-	0.57	-	1,059,587
<i>Buy Swiss francs</i>				
Not later than one year	0.89	-	562,620	-
Later than one year but not later than two years	0.82	0.89	673,277	562,620
Later than three year but not later than four years		0.82	-	673,277
<i>Buy Singapore dollars</i>				
Later than three years but not later than four years	0.99	-	202,420	-
Later than eight year but not later than nine years	0.99	-	101,210	-
Later than four years but not later than five years	-	0.99	-	202,420
Later than nine year but not later than ten years	-	0.99	-	101,210

**(b) Interest rate risk**

The consolidated entity enters into interest rate swaps to manage cash flow risks associated with the interest rates on borrowings that are fixed, or to alter interest rate exposures arising from mismatches in repricing dates between assets and liabilities.

***Interest rate swaps***

Interest rate swaps allow the consolidated entity to swap fixed rate borrowings into floating rates. Maturities of swap contracts are principally less than five years. Each contract involves quarterly payment or receipt of the net amount of interest.

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**16. Additional financial instruments disclosure (continued)**

**(b) Interest Rate Risk (continued)**

**Interest rate risk exposures**

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Weighted average interest rate (i)	Floating interest rate \$000	1 year or less \$000	Fixed interest maturing in: 1 to 5 years \$000	more than 5 years \$000	Non- interest bearing \$000	Total \$000
<b>2003</b>								
<i>Financial assets</i>								
Cash			8,827					8,827
Receivables	4	6.13%	16,365,502	-	-	-	-	16,365,502
<i>Financial liabilities</i>								
Bank Overdraft		4.90%	22,011					22,011
Interest bearing liabilities	7	5.61%	8,341,614	2,117,192	4,886,138	906,210	-	16,251,154
Interest rate swaps (ii)			7,904,540	(2,117,192)	(4,886,138)	(901,210)	-	-
<b>2002</b>								
<i>Financial assets</i>								
Cash		4.76%	69,947	-	-	-	-	69,947
Receivables	4	6.10%	16,358,919	-	-	-	-	16,358,919
<i>Financial liabilities</i>								
Interest bearing liabilities	7	4.56%	11,095,581	1,000,000	3,528,758	606,210	-	16,230,549
Interest rate swaps (ii)			5,129,968	(1,000,000)	(3,528,758)	(601,210)	-	-

(i) after incorporating the effect of interest rate swaps, forward agreements and options

(ii) notional principal amounts

**(c) Credit risk exposures**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

*Recognised financial instruments*

The credit risk on financial assets of the consolidated entity, which have been recognised on the statements of financial position, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity is exposed to concentration of credit risk, as it provides funding only to related parties.

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FOR THE YEAR ENDED 31 DECEMBER 2003**

**16. Additional financial instruments disclosure (continued)**

**(c) Credit Risk Exposures (continued)**

*Un recognised financial instruments*

Swaps are subject to credit risk in relation to the relevant counterparties, which are principally large banks. The credit risk on swap contracts is limited to the next amount to be received from counterparties on contracts that are favourable to the consolidated entity.

**(d) Net fair values of financial assets and liabilities**

*Recognised financial instruments*

The carrying value of receivables and other payables reflect their approximate net fair value.

*Un recognised financial instruments*

The net fair value of the interest rate swaps as at balance date is \$533,651,461 (2002: \$100,915,000).

**17. Controlled Entities**

	Ordinary Share Consolidated Equity Interest	
	2003	2002
	%	%
<i>(a) Particulars in relation to controlled entities</i>		
GE Liquidity (partnership)	99.99	99.99
GE Capital Australia Cash Pool Pty. Ltd.	100	100
Morlan Pty Ltd	100	100

**18. Subsequent Events**

Subsequent to reporting date, the Company received \$5,961,558,879 repayment of equity from GE Liquidity.

Other than the matter disclosed above, there has not arisen in the interval between end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company or the consolidated entity, the results of those operations, or the state of affairs of the Company or the consolidated entity, in subsequent financial years.

**GE CAPITAL AUSTRALIA FUNDING PTY. LTD.  
&  
ITS CONTROLLED ENTITIES  
FOR THE YEAR ENDED 31 DECEMBER 2003  
DIRECTORS' DECLARATION**

In the opinion of the Directors of GE Capital Australia Funding Pty Ltd (the "Company"):

- (a) the financial statements and notes, set out on pages 4 to 21, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 31 December 2003 and of their performance, as represented by the results of their operations and their cash flows for the financial year ended on that date;
  - (j) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company and its controlled entities identified in note 17 will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 23<sup>rd</sup> day of April 2004.

Signed in accordance with a resolution of the Directors:

/Signed/ Directors

**GE CAPITAL AUSTRALIA FUNDING PTY. LTD.  
&  
ITS CONTROLLED ENTITIES  
FOR THE YEAR ENDED 31 DECEMBER 2003  
DIRECTORS' DECLARATION**

**Independent auditor's report to the members of GE Capital Australia Funding fly Ltd**

***Scope***

We have audited the financial report of GE Capital Australia Funding Pty Ltd ("the Company") for the year ended 31 December 2003, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes and the directors' declaration, set out on pages 4 to 22. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year or from the time to time during the financial year. The Company's Directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

***Audit opinion***

In our opinion, the financial report of GE Capital Australia Funding Pty Ltd is in accordance with:

- a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2003 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

/signed/ KPMG

/signed/ M M Craig  
*Partner*

Melbourne 26 April 2004



**Financial Statements and Supplementary Data for GE Capital European Funding  
for the Fiscal year Ended December 31, 2003**

The financial data and related notes reproduced in this Annex E have been derived from and should be read in conjunction with the annual report of GE Capital European Funding for the fiscal year ended December 31, 2003, a copy of which may be obtained as described under "**Documents available**" above.

The page numbers referred to in the audit opinion refer to pages in the audited financial statements of GE Capital European Funding for the year ended December 31, 2003 and which correspond to pages in this Annex E.

GE Capital European Funding

Directors' report and  
financial statements

Year ended 31 December 2003

*Registered number*

107727

# GE Capital European Funding

## Directors' report and financial statements

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# GE Capital European Funding

## Directors and other information

<b>Directors</b>	M. Barber (USA) K. Byrne F. Cantillon B. Gilligan P. Gilmartin C.Thomas (France)
<b>Registered office</b>	WIL House Shannon Business Park Shannon Co. Clare
<b>Secretary</b>	F.Cantillon
<b>Auditors</b>	KPMG Chartered Accountants 1 Harbourmaster Place I.F.S.C. Dublin 1
<b>Principal Bankers</b>	Bank of Ireland Dublin and Shannon  BNP Paribas Paris  Deutsche Bank New York  Societe Generale Paris
<b>Solicitors</b>	A & L Goodbody Dublin

# GE Capital European Funding

## Directors' report

The Directors present their annual report and audited financial statements for the year ended 31 December 2003.

### Principal activities, business review and future developments

The Company operates as a financial services company in the Shannon Free Zone, providing a broad range of lending and financial services generally to foreign companies. The Company has established a Euro Commercial Paper Programme and a Euro Medium Term Note Programme. Both programmes are listed on the Irish Stock Exchange. The purpose of these programmes is to obtain financing in the capital markets, primarily to fund the operations of affiliated companies.

It is the intention of the Directors to continue to develop the activities of the company.

### Results and dividends

The results and appropriations for the year are set out in the profit and loss account on page 9 and the related notes.

### Directors, Secretary and their interests

K Yoh was appointed as a director on 20 March 2003 and resigned on 25 March 2004.

In accordance with the Articles of Association, the Directors are not required to retire by rotation.

The Directors and Secretary as at 31 December 2003 and 31 December 2002 together with their families had the following interests in the common stock of General Electric Company and its Group undertakings.

<b>General Electric Company</b>	<i>No of Shares 31/12/2002*</i>	<i>No of Shares 31/12/2003</i>
M. Barber	21,147	18,087
K. Byrne	-	-
F. Cantillon	162	869
B. Gilligan	280	854
P. Gilmartin	139	720
C.Thomas	-	74
K. Yoh	1,279	1,316

*\* or at date of appointment for those Directors  
appointed during the year*

### Health and safety of employees

The well being of the Company's employees is safeguarded through the strict adherence to health and safety standards. The Safety, Health and Welfare at Work Act, 1989, imposes certain requirements on employers and the Company has taken the necessary action to ensure compliance with the Act.

### Accounting Records

The directors believe that they have complied with the requirements of Section 202 of the Companies Act (1990) with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the company are maintained at WIL House, Shannon Business Park, Shannon, Co.Clare.

# GE Capital European Funding

## Directors' report (*continued*)

### Auditors

In accordance with Section 160 (2) of the Companies Act, 1963, the auditors, KPMG, Chartered Accountants, continue in office.

On behalf of the board

Patrick Gilmartin  
*Director*

Frank Cantillon  
*Director*

8 April 2004

# GE Capital European Funding

## Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2001 and all Regulations to be construed as one with those Acts. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the board

Patrick Gilmartin  
*Director*

Frank Cantillon  
*Director*

## **Independent Auditors' report to the members of GE Capital European Funding**

We have audited the financial statements on pages 7 to 20.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and independent auditors**

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable Irish law and accounting standards. Our responsibilities, as independent auditors, are established in Ireland by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts. As also required by the Acts, we state whether we have obtained all the information and explanations we require of our audit, whether the financial statements agree with the books of account and report to you our opinion as to whether the company has kept proper books of account, the directors' report is consistent with the financial statements, and whether at the balance sheet date a financial situation existed that may require the company to hold an Extraordinary General Meeting, on the grounds that the net assets of the company, as shown in the financial statements, are less than half of its share capital.

We also report to you if, in our opinion information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.



**Independent Auditors' report to the members of GE Capital European Funding** *(continued)*

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2003, and of its profit for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2001 and all Regulations to be construed as one with those Acts.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The financial statements are in agreement with the books of account.

In our opinion, the information given in the Directors' report on pages 2 and 3 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on pages 10 are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 2003 a financial situation which, under section 40(1) of the Companies (Amendment) Act 1983, would require the convening of an Extraordinary General Meeting of the Company.

**KPMG**

*Chartered Accountants  
Registered Auditors*

8 April 2004

# GE Capital European Funding

## Statement of accounting policies

*for the year ended 31 December 2003*

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

### **Basis of preparation**

The financial statements are prepared in accordance with generally accepted accounting standards under the historical cost convention. They comply with the Financial Reporting Standards (FRS) of the Accounting Standards Board, as required by the Institute of Chartered Accountants in Ireland.

The company is a wholly owned subsidiary of GE Capital Shannon, established under the law of an EU member state. FRS2 "Accounting for Subsidiary Undertakings" exempts parent companies which themselves are wholly owned subsidiaries from the requirement to prepare consolidated financial statements. The directors have availed this exemption. Consolidated financial statements have therefore not been prepared by GE Capital European Funding.

### **Currency**

The financial statements are prepared in Euros.

### **Cash flow statement**

A cash flow statement has not been prepared. The directors have availed of the exemption as permitted in FRS1 (Revised) "Cash Flow Statements". This exemption is available to companies whose ultimate parent publishes a consolidated cash flow statement which includes the cash flows of that company.

### **Financial assets**

Financial assets include investments in shares in other companies which it is the intention of the company to hold until maturity.

These investments are valued at cost less any provision for impairment in value.

### **Equipment finance and similar contracts**

Income from equipment finance loans is recognised in accordance with the terms of each contract.

Legal fees and arrangement fees incurred in respect of such income are deferred and recognised in the profit and loss account on the same basis as the income has been recognised.

### **Partnership Capital & Current Account**

Partnership Capital Account includes contributions by the company to a partnership and are stated at cost. Under the partnership agreement, the Company is entitled to the profits of the partnership after the first EUR1,000 profits have been accrued to the general partner. The Company's share of the partnership profits is taken to the profit and loss account in the period earned and is included in Partnership Current Account.

### **Interest receivable and similar income**

Interest receivable and similar income is recognised on an accruals basis.

### **Interest payable and similar charges**

Interest payable and similar charges are recognised on an accruals basis over the lives of the loans concerned. Interest payable and similar charges include the net finance costs of bank loans drawn down to fund amounts advanced under equipment finance loans.

Net finance costs are recognised in accordance with the terms of each loan.

# GE Capital European Funding

## Statement of accounting policies *(continued)*

### **Notes in issue**

Notes in issue are stated at their issue value, with any discount on issue amortised over the term of the underlying notes.

### **Note issue costs**

Cost in respect of the issue of loan notes, including commissions payable, are charged to the profit and loss account over the term of the underlying notes.

### **Taxation**

The charge for taxation is based on the profit for the year.

In accordance with FRS 19 "*Deferred Tax*", except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date. Provision is made at the rates of tax expected to prevail at reversal. A deferred tax asset is recorded where it is more likely than not to be recoverable. The recoverability of deferred tax assets is assessed annually by the directors.

### **Foreign currencies**

Transactions in currencies other than euro are recorded at the rates of exchange ruling at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the Balance sheet date by reference to the rates of exchange under related forward contracts where such contracts exist. Gains and losses on restatement are dealt with through the profit and loss account.

### **Derivatives**

Derivatives are used to manage exposures to interest and exchange rate fluctuations. These instruments include forward rate agreements. Profits and losses arising on derivatives and interest rate swaps entered into for specifically designated hedging purposes are recognised on the same basis as profits and losses on the underlying transactions.

### **Pensions**

The group defined benefit scheme is run on a basis that does not enable individual companies within the group to identify their share of the underlying assets and liabilities and therefore the company has taken advantage of the exemptions in FRS 17 "*Retirement Benefits*" and has accounted for the scheme as a defined contribution scheme.

The group also operates a defined contribution scheme for eligible staff.

### **Depreciation**

Tangible assets are stated at cost less accumulated depreciation. Depreciation is provided on the straight-line basis at the following annual rates in order to write off the cost of fixed assets over their estimated useful lives:

Leasehold improvements and equipment - 20%

Furniture, fixtures and fittings - 20-33%

Leasehold improvements are amortised on a straight line basis over the period of the lease.

# GE Capital European Funding

## Profit and Loss Account

for the year ended 31 December 2003

	Notes	2003 €'000	2002 €'000
<b>Turnover - Continuing Operations</b>			
Partnership Income	1	2,114	-
Interest Receivable and Similar Income	1	<u>176,810</u>	<u>42,214</u>
		178,924	42,214
Administrative Expenses		<u>(1,167)</u>	<u>(1,526)</u>
<b>Operating Profit - Continuing Operations</b>		177,757	40,688
Interest Payable and Similar Charges	2	<u>(174,845)</u>	<u>(39,560)</u>
<b>Profit on Ordinary Activities Before Taxation</b>	3	2,912	1,128
Tax on Profit on Ordinary Activities	5	<u>(259)</u>	<u>(112)</u>
<b>Profit for the Financial Year</b>		<u>2,653</u>	<u>1,016</u>
Dividends:			
Non-Equity shares	6	-	(268)
Equity shares	6	<u>-</u>	<u>(8,000)</u>
<b>Profit/(Loss) Retained for the Financial Year</b>		2,653	(7,252)
<b>Profit and Loss Account at Beginning of Year</b>		(54)	8,236
Other Reserve Movements	15	-	(1,038)
<b>Profit and Loss Account at End of Year</b>		<u><u>2,599</u></u>	<u><u>(54)</u></u>

There were no other gains or losses incurred during the year other than those shown in the Profit & Loss account. Accordingly, a statement of total recognised gains and losses has not been prepared

The accompanying notes form an integral part of the financial statements.

On behalf of the board

Patrick Gilmartin  
Director

Frank Cantillon  
Director

**GE Capital European Funding**  
**Balance Sheet**  
*At 31 December 2003*

	<i>Notes</i>	<i>2003</i> €'000	<i>2002</i> €'000
<b>Tangible assets</b>	7	94	109
<b>Financial assets</b>	8	13	13
<b>Current assets</b>			
Debtors	9	8,971,850	876,816
Partnership Capital & Current Account	10	843,882	-
Cash at bank and on hand		<u>19,010</u>	<u>558</u>
		9,834,742	877,374
<b>Creditors:</b>			
Amounts falling due within one year	11	(7,031,434)	(64,113)
		<u></u>	<u></u>
<b>Net Current Assets</b>		<u>2,803,308</u>	<u>813,261</u>
<b>Total Assets less Current Liabilities</b>		<u>2,803,415</u>	<u>813,383</u>
<b>Creditors:</b>			
Amounts falling due after more than one year	12	(2,564,837)	(777,404)
<b>Provisions for Liabilities and Charges</b>	14	(1,664)	(1,718)
		<u>236,914</u>	<u>34,261</u>
<b>Capital and Reserves</b>			
Called up share capital	16	42,565	29,865
Share premium account	16	191,750	4,450
Profit and loss account		2,599	(54)
		<u></u>	<u></u>
<b>Shareholders' funds :</b>			
Equity	16	<u>236,914</u>	<u>34,261</u>

The accompanying notes form an integral part of the financial statements.

On behalf of the Board

Patrick Gilmartin  
*Director*

Frank Cantillon  
*Director*

## GE Capital European Funding

### Notes (forming part of the Financial Statements)

#### 1 Turnover

	2003	2002
	€'000	€'000
Partnership Income	2,114	-
Interest receivable and similar income	175,806	42,214
Fees and commissions receivable	1,004	-
	<u>178,924</u>	<u>42,214</u>

The company makes loans to other GE companies via a partnership structure (see note 9). Under the partnership agreement, the company, as a limited partner is entitled to the profits of the partnership, after the first €1,000 profits have been allocated to the general partner.

Interest and similar income represents income on loans made by the company directly to other GE companies and management fees receivable by the company.

In total, EUR174,731,000 EUR (2002 : EUR27,421,000) of operating income is derived from interest income on advances to group undertakings. This amount includes income derived from both the partnership structure and loans made directly by the company.

An analysis of income by geographical location is shown below:

	2003	2002
	€'000	€'000
Europe	33,305	24,637
Asia	5,832	17,265
USA	139,787	312
	<u>178,924</u>	<u>42,214</u>

#### 2 Interest payable and similar charges

	2003	2002
	€'000	€'000
Interest on advances from group undertakings	15,162	39,560
Interest on Commercial Paper	142,158	-
Interest on MTNs	8,593	-
Other interest and charges payable	4,809	-
Exchange loss	4,123	-
	<u>174,845</u>	<u>39,560</u>

#### 3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation has been arrived at after charging:

	2003	2002
	€'000	€'000
Directors' remuneration - Other emoluments	290	231
Depreciation of fixed assets	17	16
Auditors' remuneration	54	31

## GE Capital European Funding

### Notes (*continued*)

#### 4 Staff Numbers and Costs

The average weekly number of employees (including Executive Directors ) during the year analysed by category, was as follows:

	2003	2002
Administration	6	8
Marketing	6	7
	<u>12</u>	<u>15</u>

The aggregate payroll costs for these employees was as follows:

	2003 €'000	2002 €'000
Wages and Salaries	870	1,174
Social welfare costs	84	110
Other pension costs	29	44
	<u>983</u>	<u>1,328</u>

Charges are made at cost where employee services are rendered to fellow group undertakings.

#### 5 Tax on profit on ordinary activities

Analysis of charge in year

	2003 €'000	2002 €'000
<u>Current tax:</u>		
Irish corporation tax on profits of the year	<u>313</u>	<u>135</u>
Total current tax	313	135
<u>Deferred tax:</u>		
Effect of capital allowances	<u>(54)</u>	<u>(23)</u>
Total deferred tax (note 13)	(54)	(23)
Tax on profit on ordinary activities	<u>259</u>	<u>112</u>

#### Factors affecting tax charge for year

The tax assessed for the period is lower than the standard rate of corporation tax in Ireland (12.5%). The differences are explained below:

	2003 €'000	2002 €'000
Profit on ordinary activities before tax	<u>2,912</u>	<u>1,128</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax of 12.5% (2002: 16%)	364	180
<u>Effects of:</u>		
Expenses not deductible for tax purposes	21	20
Depreciation for the period in excess of capital allowances	1	1
Relief under Section 445 TCA 1997 (10% Company)	(73)	(67)
Current tax charge for year	<u>313</u>	<u>134</u>

#### Factors that may affect future tax charges

The company's activities have been approved for operation in the Shannon Duty Free Zone and as such are taxable at 10%.

This 10% tax rate that the company utilizes will be in place until end 2005.

# GE Capital European Funding

## Notes *(continued)*

### 6 Dividends

	2003 €'000	2002 €'000
Non - Equity shares:		
Interim Paid	-	268
	<hr/>	<hr/>
Equity shares:		
Interim Paid	-	8,000
	<hr/>	<hr/>

### 7 Tangible fixed assets

	<i>Leasehold improvements and equipment</i> €'000	<i>Furniture fixtures &amp; fittings</i> €'000	<i>Total</i> €'000
<i>Cost:</i>			
At beginning of year	299	228	527
Additions in year	-	2	2
	<hr/>	<hr/>	<hr/>
At end of year	299	230	529
<i>Depreciation:</i>			
At beginning of year	209	209	418
Charge for year	7	10	17
	<hr/>	<hr/>	<hr/>
At end of year	216	219	435
<i>Net book value:</i>			
At 31 December 2003	<hr/> 83	<hr/> 11	<hr/> 94
At 31 December 2002	<hr/> 90	<hr/> 19	<hr/> 109



## GE Capital European Funding Notes (*continued*)

### 8 Financial Assets

	2003 €'000	2002 €'000
Investments in group undertakings at cost	13	13
	<u>13</u>	<u>13</u>

In the opinion of the directors the market value of the financial fixed assets is not less than the amount shown above.  
Financial assets includes the following undertakings of the Company at 31 December 2003:

<i>Company Name and Principal Activities</i>	<i>% Holding</i>	<i>Registered Office</i>	<i>Nature of business</i>
GE Capital Funding Bermuda Limited	100%	Clarendon House	Dormant
	Ordinary Shares	Hamilton Bermuda	
Eireann Aviation Finance Limited	100%	WIL House, Shannon	Aircraft
	Ordinary Shares	Business Park Shannon Ireland	Leasing

During the year the company acquired 100% of the share capital of three newly created companies. These entities, GE Capital Swiss Funding, GE Capital Sweden Funding and GE Capital Norway Funding never traded. During the year all three companies were subsequently sold to GE Capital Shannon. No gains or losses arose on these transactions.

### 9 Debtors

	2003 €'000	2002 €'000
Deferred Costs on MTN Issues	5,500	-
Equipment finance receivables ( <i>note 11</i> )	60,459	80,494
Amounts due from fellow group undertakings	8,905,866	796,267
Other debtors	25	55
	<u>8,971,850</u>	<u>876,816</u>

Amounts falling due after more than one year include:

	2003 €'000	2002 €'000
Deferred Costs on MTN Issues	4,388	-
Equipment finance receivables	60,459	80,494
Amounts due from fellow group undertakings	8,859,862	716,157
	<u>8,924,709</u>	<u>796,651</u>

### 10 Partnership Capital & Current Account

	2003 €'000	2002 €'000
Partnership capital account	841,769	-
Partnership current account	2,113	-
	<u>843,882</u>	<u>0</u>

The partners capital account represents amounts contributed to the partnership GE Capital European Funding & Co., which was established during the year. The partnership in turn has used this capital to lend onto other GE Group undertakings.

Amounts falling due after more than one year include:

	2003 €'000	2002 €'000
Advances to partnerships	789,656	-
	<u>789,656</u>	<u>0</u>

## GE Capital European Funding

### Notes (*continued*)

#### 11 Creditors: amounts falling due within one year

	2003	2002
	€'000	€'000
<b>Loans and Other Debt issued (note 12)</b>		
Amounts due to fellow group undertakings	162,386	63,153
Debt issued - Medium Term Notes and Commercial Paper	6,851,403	-
	<u>7,013,789</u>	<u>63,153</u>
<b>Other creditors</b>		
Corporation tax	63	75
PAYE	9	1
PRSI	5	7
Accruals and sundry creditors	17,568	876
	<u>17,645</u>	<u>959</u>
	<u>7,031,434</u>	<u>64,112</u>

#### 12 Creditors: amounts falling due after more than one year

	2003	2002
	€'000	€'000
<b>Loans and Other Debt issued (note 12)</b>		
Amounts due to fellow group undertakings	7,018	696,910
Bank and other loans	60,458	80,494
Debt issued - Medium Term Notes	2,497,361	0
	<u>2,564,837</u>	<u>777,404</u>

Included in Creditors amounts falling due after more than one year are limited recourse borrowings of €60,458,538 (2002: €80,493,853).

#### 13 Details of Loans and Other Debt issued

	2003	2002
	€'000	€'000
<b>Maturity analysis</b>		
Within one year	7,013,789	63,153
Between one and two years	59,782	56,166
Between two and five years	2,498,038	24,328
After five years	7,018	696,910
	<u>9,578,627</u>	<u>840,557</u>

Debt is issued via the Commercial Paper and the Medium Term Note programmes. Both programmes are listed on the Irish Stock Exchange. The debt issued under the MTN and Commercial Paper Programmes have been guaranteed by GE Capital Corporation (GECC). GECC's long term debt is rated Treble-A; and its commercial paper is rated A1+ by Standards & Poor's, and P-1 by Moody's

#### 14 Provisions for liabilities and charges

	2003	2002
	€'000	€'000
Deferred taxation		
Opening balance	1,718	1,741
(Decrease) / Increase in provision (note 5)	<u>(54)</u>	<u>(23)</u>
Closing balance	<u>1,664</u>	<u>1,718</u>
The balance can be analysed as follows:-		
	2003	2002
	€'000	€'000
Accelerated capital allowances	3,007	2,927
Tax losses carried forward	(1,343)	(1,209)
	<u>1,664</u>	<u>1,718</u>

The full potential liability to deferred taxation has been provided for in the financial statements.

## GE Capital European Funding

### Notes (continued)

#### 15 Share capital

	2003	2002
	€'000	€'000
<b>Authorised</b>		
100,000,000 Ordinary Shares of €1.27 each	127,000	127,000
	2003	2002
	€'000	€'000
<b>Allotted, called up and fully paid</b>		
Equity shares:		
33,515,842 Ordinary Shares of €1.27		
(2002 : 23,515,848 Ordinary Shares of €1.27)	42,565	29,865

During 2003, 10,000,000 ordinary shares of €1.27 each, were issued for cash at a premium of €18.73 per share.

#### 16 Reconciliation of Shareholders' Funds and Movements on Reserves

	Share Capital €'000	Share Premium Account €'000	Capital Redemption Reserve €'000	Currency Translation Reserve €'000	Profit and Loss Account €'000	Total shareholders' funds €'000
At 1 January 2002	32,298	-	278	701	8,236	41,513
Shares issued during the year	11,303	4,450	-	-	-	15,753
Redemption of foreign currency shares	(13,740)	-	-	-	-	(13,740)
Deficit on redemption of foreign currency shares	4	-	-	-	(2,017)	(2,013)
Transfer to profit and loss account	-	-	(278)	(701)	979	-
Retained profit for the year	-	-	-	-	(7,252)	(7,252)
At 1 January 2003 - equity	29,865	4,450	-	-	(54)	34,261
Shares issued during the year	12,700	187,300	-	-	-	200,000
Retained profit for the year	-	-	-	-	2,653	2,653
At 31 December 2003 - equity	42,565	191,750	-	-	2,599	236,914

## GE Capital European Funding

### Notes (*continued*)

#### 17 Pensions

All pension entitlements of employees of GE Capital European Funding are met by payments to two externally funded superannuation schemes, a defined benefit and a defined contribution scheme, maintained by GE Capital Woodchester, which are invested in independent trustees, nominated by that company for the sole benefit of the employees and dependants of Woodchester Investments Limited and its subsidiary undertakings. The contributions are based on the advice of independent professionally qualified actuaries. The latest actuarial valuations of the plans were at 1 January 2002.

The principal actuarial assumption used in each valuation was that the rate of long term investment returns will exceed the rate of pensionable salary increases by 2%.

The actuarial reports showed that at the valuation date the actuarially adjusted market value of the defined benefit scheme assets was €60.8 million. In both schemes the assets were sufficient to cover more than 100% of the accrued liabilities allowing for future salary increases.

An Actuarial review of the defined benefit scheme has been carried out at 1 January 2002 on the Attained Age Method. This review shows the scheme to have a net surplus of €13.6 million.

The defined benefit scheme is run on a basis that does not enable individual companies within the group to identify their share of the underlying asset and liabilities and therefore the company has taken advantage of the exemptions in FRS 17 and has accounted for the scheme as a defined contribution scheme.

The total pension charge for the year amounted to €28,934 (2002: €14,231). The actuarial reports are not available for public inspection.

#### 18 Partnership Name and Principal Activities

	<i>% ownership</i>
GE Capital European Funding & Co	
WIL House, Shannon Business Park	99.9999%
Shannon, Co Clare	

The company is a limited partner in the above partnership. Another group company GE Capital Edinburgh Limited is the general partner. The company provides capital to the partnership and in turn makes loans to other GE affiliated entities.

Under the partnership agreement, the company is entitled to the profits of the partnership after the first Eur1,000 has been allocated to the general partner.

## GE Capital European Funding Notes (*continued*)

### 19 Derivatives and financial instruments

The Company uses derivatives in order to manage the aggregate interest rate and currency exposures from the day to day activities of the business, where deemed appropriate.

#### *Interest rate risk*

The Company's exposure to interest rate fluctuations on its borrowings and deposits is managed by matching the maturity of assets and the related funding.

#### *Currency risks*

The Company transacts in a number of currencies, principally Euros, GBP and US dollars, and open currency positions arise for accruals of interest and expense provisions in currencies other than euros.

The Company's exposure to currency fluctuations on its borrowings and deposits is managed by matching the maturity of assets and the related funding. As outlined in the accounting policies where activities are in currencies other than Euro they can be funded by share capital denominated in the same currency.

#### *Liquidity risk*

The company's principal objective is to ensure that there is sufficient funding available to meet operational needs, at an optimum cost. The company's parent, GE Capital Corporation has guaranteed that it will meet the liabilities of the Commercial paper and MTN programmes should the company be unable to meet these liabilities.

The Company's exposure to liquidity issues is managed by matching the maturity of assets and the related funding.

#### *Credit risk*

Credit Risk is the risk to earnings or capital arising from an obligor's failure to meet the terms of any contract with the Company or otherwise fail to perform as agreed. Credit risk can also arise in conjunction with a broad range of possible Company activities.

#### *Operational risk*

The Board defines the operational risk policy to minimise exposure to the company.

The concept of fair value assumes realisation of financial instruments by way of a sale. However, in many cases, particularly in respect of lending to customers, the Company intends to realise assets through collection over time.

The following table represents the carrying amount and the fair value of both the trading and non trading financial assets and liabilities as at 31 December 2003.

	<i>Carrying Amount 2003 €'000</i>	<i>Fair Values 2003 €'000</i>	<i>Carrying Amount 2002 €'000</i>	<i>Fair Values 2002 €'000</i>
<b>Non Trading Financial Instruments</b>				
<i>Assets</i>				
Cash at bank and in hand	19,010	19,010	557	557
Loans and advances	9,815,732	9,815,732	856,954	856,954
<i>Liabilities</i>				
Intercompany borrowing	(170,404)	(170,404)	(809,448)	(809,448)
Trade Creditors	(982)	(982)	-	-
Third party borrowing	(9,424,808)	(9,444,813)	(31,109)	(31,109)
Interest Rate Swaps	-	(4,853)	-	-

The following notes summarise the methods and assumptions used in estimating the fair values of financial instruments shown above.

#### **a) Loans and Advances**

The carrying amount of fixed and floating loans is considered to be at historic value if there was no significant change in the credit risk of the borrower. The market (fair) value of these loans is shown above.

#### **b) Intercompany / third party borrowing**

The carrying amount of borrowings, which are all floating, is considered to be at market value.

## GE Capital European Funding

### Notes (*continued*)

#### 19 Derivatives and financial instruments (*continued*)

The net interest rate sensitivity of the company at 31 December 2003 and 2002 is illustrated below. Interest rate mismatches are substantially eliminated by the matched funding policies of the company. The interest sensitivity gap is split out by functional currency. The table sets out details of those assets and liabilities whose values are subject to change as interest rate changes with each repricing time period. Details regarding assets and liabilities which are not sensitive to interest rate movements and any rate sensitive off balance sheet contracts are also included.

The tables show the sensitivity of the balance sheet at one point in time and is not necessarily indicative of positions at other dates. In developing the classifications used in the tables it has been necessary to make certain assumptions and approximations in assigning assets and liabilities to different repricing categories.

Interest rate repricing - 31 December 2003

	<i>Not more than three months €'000</i>	<i>Over three mths but not more than six months €'000</i>	<i>Over six mths but not more than one year €'000</i>	<i>Over one year but not more than five years €'000</i>	<i>Over five years €'000</i>	<i>Non Interest bearing €'000</i>	<i>Total €'000</i>
At 31 December 2003							
Assets							
Tangible fixed assets						94	94
Financial Assets						13	13
Debtors	9,324,022	39,081	249,444	159,623	36,132	7,430	9,815,732
Cash & Balances at Central Bank	19,010						19,010
Total assets	9,343,032	39,081	249,444	159,623	36,132	7,537	9,834,849
Liabilities							
Creditors	(8,374,020)	(398,247)	-	(24,327)	(782,032)	(17,645)	(9,596,271)
Provision for liabilities & Charges						(1,664)	(1,664)
Shareholders' funds						(236,914)	(236,914)
Total liabilities	(8,374,020)	(398,247)	-	(24,327)	(782,032)	(256,223)	(9,834,849)
Off balance sheet items	(15,900)	-	(80,000)	(650,000)	745,900	-	-
Interest rate repricing gap	953,112	(359,166)	169,444	(514,704)	0	(248,686)	-
Cumulative interest rate repricing gap	953,112	593,946	763,390	248,686	248,686	-	-
Represented by:-							
- Euro assets	9,177,125	39,081	249,444	159,623	-	6,856	9,632,129
- Euro liabilities	(8,227,720)	(398,247)	(80,000)	(674,327)	-	(252,111)	9,632,405
- KRW assets	-	-	-	-	36,131	-	36,131
- KRW liabilities	-	-	-	-	(36,131)	-	(36,131)
- USD assets	165,908	-	-	-	-	512	166,420
- USD liabilities	(162,201)	-	-	-	-	(4,131)	(166,332)
- GBP assets	-	-	-	-	-	188	188
- GBP liabilities	-	-	-	-	-	-	-
	953,112	(359,166)	169,444	(514,704)	-	(248,686)	-

The weighted average fixed rate of interest on assets is 4.85% and on liabilities is 3.94%.

The company had unutilised commitments, all with other GE businesses, of €5,678 million at 31 Dec 2003.

## GE Capital European Funding Notes (*continued*)

### 18 Derivatives and financial instruments (*continued*)

Interest rate repricing - 31 December 2002

	<i>Not more than three months €'000</i>	<i>Over three mths but not more than six months €'000</i>	<i>Over six mths but not more than one year €'000</i>	<i>Over one year but not more than five years €'000</i>	<i>Over five years €'000</i>	<i>Non Interest bearing €'000</i>	<i>Total €'000</i>
At 31 December 2002							
Assets							
Tangible fixed assets	-	-	-	-	-	109	109
Financial Assets						13	13
Debtors	79,126	-	-	80,494	697,335	19,862	876,817
Cash & Balances at Central Bank	557	-	-	-	-	-	557
<b>Total assets</b>	<b>79,683</b>	<b>-</b>	<b>-</b>	<b>80,494</b>	<b>697,335</b>	<b>19,984</b>	<b>877,496</b>
Liabilities							
Creditors	(63,053)	-	-	(80,494)	(697,010)	(960)	(841,517)
Provision for liabilities & Charges	-	-	-	-	-	(1,718)	(1,718)
Shareholders' funds	-	-	-	-	-	(34,261)	(34,261)
<b>Total liabilities</b>	<b>(63,053)</b>	<b>-</b>	<b>-</b>	<b>(80,494)</b>	<b>(697,010)</b>	<b>(36,939)</b>	<b>(877,496)</b>
Off balance sheet items	-	-	-	-	-	-	-
Interest rate repricing gap	16,630	-	-	-	325	(16,955)	
Cumulative interest rate repricing gap	16,630	16,630	16,630	16,630	16,955	-	
Represented by:-							
- Euro assets	512	-	-	24,328	441,089	16,724	
- Euro liabilities	-	-	-	(24,328)	(441,034)	(17,291)	
- USD assets	45	-	-	-	256,245	2,934	
- USD liabilities	-	-	-	-	(255,975)	(3,249)	
- GBP assets	79,126	-	-	-	-	-	
- GBP liabilities	(63,053)	-	-	-	-	(16,073)	
	16,630	-	-	-	325	(16,955)	

The weighted average fixed rate of interest on assets is 10.4% and on liabilities is 11%. Both the assets and liability are due to mature in November 2005.

The company had unutilised commitments of €149 million at 31 Dec 2002. These commitments terminate in September 2006.

### 20 Related party disclosures

The Company is availing of the exemption under FRS8 "*Related Party Disclosures*" not to disclose details of transactions with companies within the General Electric Company Group.

### 21 Holding Company

The Company is a wholly owned subsidiary of GE Capital Shannon, an unlimited company incorporated in the Republic of Ireland which is a wholly owned subsidiary of General Electric Company, a Company incorporated in the United States of America.

The smallest group the results of the Company are included in is that headed by GE Capital Shannon. Copies of the consolidated financial statements of GE Capital Shannon may be obtained from WIL House, Shannon Business Park, Shannon, Co. Clare, Ireland

The results of GE Capital Shannon are included in the consolidated financial statements of General Electric Company, copies of which may be obtained from General Electric Company, Fairfield, Connecticut 06431.

### 22 Approval of financial statements

The board of Directors approved the financial statements on 8 April 2004

**Financial Statements and Supplementary Data for GE Capital UK Funding  
for the Fiscal year Ended December 31, 2003**

The financial data and related notes reproduced in this Annex F have been derived from and should be read in conjunction with the annual report of GE Capital UK Funding for the fiscal year ended December 31, 2003, a copy of which may be obtained as described under "**Documents available**" above.

The page numbers referred to in the audit opinion refer to pages in the audited financial statements of GE Capital UK Funding for the year ended December 31, 2003 and which correspond to pages in this Annex F.



# GE Capital UK Funding

## Directors' report and financial statements

Period ended 31 December 2003

(from Incorporation on 27 February 2003)

*Registered number*      367997

# GE Capital UK Funding

## Directors' report and financial statements

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# GE Capital UK Funding

## Directors and other information

### **Directors**

M. Barber (USA)  
F. Cantillon  
P. Gilmartin

### **Registered office**

WIL House  
Shannon Business Park  
Shannon  
Co. Clare

### **Secretary**

F. Cantillon

### **Auditors**

KPMG  
Chartered Accountants  
1 Harbourmaster Place  
I.F.S.C.  
Dublin 1

### **Principal Bankers**

Barclays Bank Plc  
London

### **Solicitors**

A & L Goodbody  
Dublin

# GE Capital UK Funding

## Directors' report

The Directors present their annual report and audited financial statements for the period from incorporation on 27 February to 31 December 2003.

### Principal activities, business review and future developments

The Company was incorporated on 27 February 2003.

The Company operates as a financial services company in the Shannon Free Zone, providing a broad range of lending and financial services generally to foreign companies. During 2003 the Company established a GBP Commercial Paper Programme and a Medium Term Note Programme which are listed on the Irish Stock Exchange. The purpose of these programmes is to obtain financing in the capital markets, primarily to fund the operations of affiliated companies. The commercial paper programme issuance commenced on 6 October 2003 and the Medium Term Note programme commenced on the 30th September 2003.

It is the intention of the Directors to continue to develop the activities of the Company.

### Results and dividends

The results and appropriations for the period are set out in the profit and loss account on page 7 and the related notes.

### Directors, Secretary and their interests

F. Cantillon was appointed a Director and Secretary on 27 February 2003.

P. Gilmartin was appointed a Director on 27 February 2003.

K. Yoh was appointed a Director on 20 March 2003 and resigned on 25 March 2004.

M. Barber was appointed a Director on 19 August 2003

In accordance with the Articles of Association, the Directors are not required to retire by rotation.

The Directors and Secretary as at 31 December 2003, together with their families had the following interests in the common stock of General Electric Company and its Group undertakings.

General Electric Company	No of Shares At Appointment	No of Shares At 31 December 2003
M. Barber	21,147	18,087
F. Cantillon	162	869
P. Gilmartin	139	720
K. Yoh	1,279	1,316

### Accounting Records

The directors believe that they have complied with the requirements of section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at WIL House, Shannon Business Park, Shannon, Co. Clare.

### Auditors

KPMG, Chartered Accountants, were appointed auditors to the company during the period and have expressed their willingness, in accordance with Section 160 (2) of the Companies Act, 1963 to continue in office

On behalf of the board

**Patrick Gilmartin**

*Director*

**Frank  
Cantillon**

*Director*

8 April 2004

# GE Capital UK Funding

## Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2001 and all Regulations to be construed as one with those Acts. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the board

**Patrick Gilmartin**  
*Director*

**Frank Cantillon**  
*Director*

## **Independent Auditors' report to the members of GE Capital UK Funding**

We have audited the financial statements on pages 5 to 13.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and independent auditors**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable Irish law and accounting standards. Our responsibilities, as independent auditors, are established in Ireland by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts. As also required by the Acts, we state whether we have obtained all the information and explanations we require of our audit, whether the financial statements agree with the books of account and report to you our opinion as to whether the Company has kept proper books of account; the directors' report is consistent with the financial statements and whether, at the balance sheet date a financial situation existed that may require the Company to hold an Extraordinary General Meeting, on the grounds that the net assets of the Company, as shown in the financial statements, are less than half of its share capital.

We also report to you if, in our opinion information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2003, and of its profit for the period then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2001 and all Regulations to be construed as one with those Acts.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The financial statements are in agreement with the books of account.

In our opinion, the information given in the Directors' report on page 2 is consistent with the financial statements.

The net assets of the Company, as stated in the balance sheet on page 8, are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 2003 a financial situation which, under section 40(1) of the Companies (Amendment) Act 1983, would require the convening of an Extraordinary General Meeting of the Company.

**KPMG**

*Chartered Accountants*

*Registered Auditors*

8 April 2004

1 Harbourmaster Place  
IFSC  
Dublin 1

# GE Capital UK Funding

Statement of accounting policies

*for the period from incorporation on 27 February 2003 to 31 December 2003*

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

## **Basis of preparation**

The financial statements are prepared in accordance with generally accepted accounting standards under the historical cost convention, and comply with financial reporting standards of the Accounting Standards Board, as promulgated by the Institute of Chartered Accountants in Ireland.

The company is a wholly owned subsidiary of GE Capital Shannon, established under the law of an EU member state. FRS2 "*Accounting for Subsidiary Undertakings*" exempts parent companies which themselves are wholly owned subsidiaries from the requirement to prepare consolidated financial statements. The directors have availed of this exemption. Consolidated financial statements have therefore not been prepared by GE Capital UK Funding.

## **Currency**

The financial statements are prepared in GBP.

## **Cash flow statement**

A cash flow statement is not prepared as required by Financial Reporting Standard No.1 (Revised) "Cash Flow Statements" because the directors have decided to avail of the exemption available to companies whose ultimate parent publishes a consolidated cash flow statement which includes the cash flows of the Company.

## **Partnership Capital & Current Account**

Partnership Capital Account includes contributions by the company to a partnership and are stated at cost. Under the partnership agreement, the Company is entitled to the profits of the partnership after the first GBP1,000 profits have been accrued to the general partner. The Company's share of the partnership profits is taken to the profit and loss account in the period earned and is included in Partnership Current Account.

## **Interest receivable and similar income**

Interest receivable and similar income on loans advanced is recognised on an accrual basis.

## **Interest payable and similar charges**

Interest payable and similar charges are recognised on an accruals basis over the lives of the loans concerned.

## **Notes in issue**

Notes in issue are stated at their issue value, with any discount on issue amortised over the term of the underlying notes.

## **Note issue costs**

Cost in respect of the issue of loan notes, including commissions, are charged to the profit and loss account over the term of the underlying notes.

# GE Capital UK Funding

Statement of accounting policies

*(Continued)*

## **Taxation**

The charge for taxation is based on the profit for the period.

In accordance with Financial Reporting Standard No. 19 "Deferred Tax", except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date. Provision is made at the rates of tax expected to prevail at reversal. A deferred tax asset is recorded where it is more likely than not to be recoverable. The recoverability of deferred tax assets is assessed annually by the directors.

## **Foreign currencies**

Transactions in currencies other than GBP are recorded at the rates of exchange ruling at the transaction date.

Monetary assets (including financial fixed assets) and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the Balance Sheet date by reference to the rates of exchange under related forward contracts where such contracts exist. Gains and losses on restatement are dealt with through the profit and loss account.

## **Derivatives**

Derivatives are used to manage exposures to interest and exchange rate fluctuations. These instruments include forward rate agreements. Profits and losses arising on derivatives and "interest rate swaps" entered into for specifically designated hedging purposes are recognised on the same basis as profits and losses on the underlying transactions.



# GE Capital UK Funding

Profit and loss account

for the period from incorporation on 27 February 2003 to 31 December 2003

	<i>Note</i>	<b>2003 GBP '000</b>
<b>Turnover - Continuing Operations</b>		
Partnership income	2	30,081
Interest Receivable and Similar Income	2	2,219
Administrative expenses		<u>(26)</u>
<b>Operating profit - Continuing operations</b>		32,274
Interest payable and similar charges	3	<u>(29,580)</u>
<b>Profit on ordinary activities before taxation</b>	4	2,694
Tax on profit on ordinary activities	5	<u>(337)</u>
<b>Profit for the financial period</b>		2,357
<b>Profit and loss account at beginning of period</b>		<u>-</u>
<b>Profit and loss account at end of period</b>		<u><u>2,357</u></u>

The Company had no recognised gains or losses in the financial period other than those dealt with in the profit and loss account and accordingly a statement of total recognised gains and losses has not been prepared. The accompanying notes form an integral part of the financial statements.

On behalf of the board

**Patrick Gilmartin**  
*Director*

**Frank Cantillon**  
*Director*

# GE Capital UK Funding

Balance Sheet

At 31 December 2003

	Note	2003	
		GBP '000	GBP '000
<b>Current assets</b>			
Debtors	6	1,695	
Partnership Capital & Current Account	7	<u>3,235,730</u>	
		3,237,425	
<b>Creditors:</b> amounts falling due within one year	8	<u>(1,412,247)</u>	
<b>Net current assets</b>			<u>1,825,178</u>
<b>Total assets less current liabilities</b>			1,825,178
<b>Creditors:</b> amounts falling due after more than one year	9		<u>(1,772,821)</u>
<b>Net assets</b>			<u><u>52,357</u></u>
<b>Capital and reserves</b>			
Called up share capital	11		11,750
Share premium account	12		38,250
Profit and loss account			<u>2,357</u>
<b>Shareholders funds:</b>			
Equity	13		<u><u>52,357</u></u>

The accompanying notes form an integral part of the financial statements.

On behalf of the Board

**Patrick Gilmartin**  
Director

**Frank Cantillon**  
Director

## GE Capital UK Funding

### Notes

Forming part of the financial statements

#### 1 Accounting Period

The company was incorporated on 27 February 2003. The first accounting period runs from 27 February 2003 to 31 December 2003.

#### 2 Turnover

	2003 GBP '000
Partnership income	30,081
Interest Receivable and Similar Income	2,219
	<u>32,300</u>

The Company makes loans to other GE companies via a partnership structure. Included within turnover is GBP30,082,009.94 (2002 : GBP Nil) representing the company's share of partnership income for the period earned by the partnership from such loans. Under the partnership agreement the Company, as a limited partner, is entitled to the profits of the partnership after the first GBP1,000 profits per annum has been allocated to the general partner

The analysis of income by geographical location is as follows:

	2003 GBP '000
Europe	30,081
USA	2,219
	<u>32,300</u>

#### 3 Interest payable and similar charges

	2003 GBP '000
Interest on MTN's	10,045
Interest on Commercial Paper	5,069
Other Interest and charges payable	14,466
	<u>29,580</u>

#### 4 Profit on ordinary activities before taxation

	2003 GBP '000
Profit on ordinary activities before taxation has been arrived at after charging: Directors' remuneration:	
- Fees	-
- Other emoluments	-
Auditors' remuneration	26

*Directors' remuneration is paid by GE Capital European Funding, a related group company.*

The company has no employees

#### 5 Tax on profit on ordinary activities

	2003 GBP '000
<b>Analysis of charge in year</b>	
<u>Current tax:</u>	
Irish corporation tax on profits of the year	337
Total current tax	337
Tax on profit on ordinary activities	337

#### Factors affecting tax charge for the period

The tax assessed for the period is based on the standard rate of corporation tax in Ireland.

	2003 GBP '000
Profit on ordinary activities before tax	2,694
Profit on ordinary activities multiplied by the standard rate of corporation tax of 12.5%	337
Current tax charge for period	337

## GE Capital UK Funding

Notes (*continued*)

<b>6 Debtors</b>	<b>2003</b>
	<b>GBP '000</b>
Deferred Costs on MTN Issues	1,610
Other Debtors	85
	<b>1,695</b>
<i>Amounts falling due after more than 1 year include: -</i>	
	<b>2003</b>
	<b>GBP '000</b>
Deferred Costs on Medium Term Note Issues	1,063
	<b>1,063</b>
<b>7 Partnership Capital &amp; Current Account</b>	<b>2003</b>
	<b>GBP '000</b>
Partnership Capital account	3,205,723
Partnership Current account	30,007
	<b>3,235,730</b>
<i>Amounts falling due after more than 1 year include: -</i>	
	<b>2003</b>
	<b>GBP '000</b>
Advances to Partnership	3,205,723
	<b>3,205,723</b>
<i>The partners capital account represents amounts contributed to the partnership GE Capital UK Funding &amp; Co., which was established during the year. The partnership in turn has used this capital to lend onto other GE Group undertakings.</i>	
<b>8 Creditors: amounts falling due within one year</b>	<b>2003</b>
<i>Loans and other debt issued (note 8)</i>	
Debt Issued - Medium Term Notes and Commercial Paper	1,404,192
Interest Accrued on Medium Term Notes Programme	7,682
Amounts due to fellow Group undertakings	98
	<b>1,411,972</b>
<i>Other creditors</i>	
Corporation tax	249
Audit Fees	26
	<b>1,412,247</b>
<b>9 Creditors: amounts falling due after more than one year</b>	<b>2003</b>
	<b>GBP '000</b>
<i>Loans and other debt issued (note 9)</i>	
Debt Issued - Medium Term Notes	900,000
Amounts due to fellow Group undertakings	872,821
	<b>1,772,821</b>
<i>The company's parent GE Capital Corporation has guaranteed that it will meet the liabilities of the company for the commercial paper and medium note holders should the company be unable to meet these liabilities.</i>	
<b>10 Details of Loans and Other debt issued</b>	<b>2003</b>
<i>Maturity analysis</i>	
Within one year	1,411,972
Between one and two years	500,000
Between two and five years	50,000
After five years	1,222,821
	<b>3,184,793</b>

Debt is issued via the Commercial Paper and the Medium Term Note programmes. Both programmes are listed on the Irish Stock Exchange. The debt issued under the MTN and Commercial Paper Programmes have been guaranteed by GE Capital Corporation (GECC). GECC's long term debt is rated Treble-A; and its commercial paper is rated A1+ by Standards & Poor's, and P-1 by Moody's

## GE Capital UK Funding

Notes (continued)

### 11 Share capital

	2003 GBP '000
<i>Authorised</i>	
100,000,000 Ordinary Shares of GBP1.00 each	100,000
	<u>100,000</u>
<i>Allotted, called up and fully paid</i>	
<i>Equity shares</i>	
11,750,000 Ordinary Shares of GBP1.00	11,750
	<u>11,750</u>

7 ordinary shares of GBP1 were issued upon incorporation (27 February 2003) at GBP1 each, as follows:-

- 1 GBP Share was issued for cash at par to GE Capital European Funding.
- 1 GBP Share was issued for cash at par to General Electric Capital Corporation.
- 1 GBP Share was issued for cash at par to Chester Holdings LLC.
- 1 GBP Share was issued for cash at par to GE Lisca LLC.
- 1 GBP Share was issued for cash at par to GE Capital European Funding 1 LLC.
- 1 GBP Share was issued for cash at par to GE Capital European Funding 2 LLC.
- 1 GBP Share was issued for cash at par to GE Capital European Funding 3 LLC.

1 ordinary share of GBP1 was transferred from GE Capital European Funding to GE Capital Shannon on 8 May 2003 at par.

11,749,993 ordinary shares of GBP1 were issued to GE Capital Shannon, as follows:-

- 7,499,993 GBP Shares were issued for cash at par on 19 May 2003.
- 4,250,000 GBP Shares were issued for cash at a premium of GBP9 each on 13 November 2003.

### 12 Share Premium Account

Share Premium arising on the issue of shares in the period.	38,250
	<u>38,250</u>

### 13 Reconciliation of movements in shareholders' funds

	2003 GBP '000 Total
Total recognised gains and (losses) for the period	2,357
Issue of Ordinary Share Capital	11,750
Share Premium on issue of ordinary share capital	38,250
Opening shareholders' funds	-
Closing shareholders' funds	<u>52,357</u>

### 14 Partnership Name and Principal Activities

	% Ownership
GE Capital UK Funding & Co.	
WIL House, Shannon Business Park, Shannon, Co. Clare.	
Lending Entity	99.99990%

The company is a limited partner in the above partnership. Another group company GE Capital Edinburgh Limited is the general partner. The company provides capital to the partnership which in turn makes loans to other GE affiliated entities.

Under the partnership agreement, the company is entitled to the profits of the partnership after the first GBP1,000 has been allocated to the general partner.

## GE Capital UK Funding Notes (*continued*)

### 15 Derivatives and financial instruments

The Company uses derivatives in order to manage the aggregate interest rate and currency exposures from the day to day activities of the business, where deemed appropriate.

#### *Interest rate risk*

The Company's exposure to interest rate fluctuations on its borrowings and deposits is managed by matching the maturity of assets and the related funding.

#### *Currency risks*

The Company only transacts in GBP - the company's reporting currency.

#### *Liquidity risk*

The Company's principal objective is to ensure that there is sufficient funding available to meet operational needs, at an optimum cost. The Company's exposure to liquidity issues is managed by matching the maturity of assets and the related funding. The company's parent GE Capital Corporation has guaranteed that it will meet the liabilities of the company to the commercial paper and medium term note holders should the company be unable to meet these liabilities.

#### *Credit risk*

Credit Risk is the risk to earnings or capital arising from an obligor's failure to meet the terms of any contract with the Company or otherwise fail to perform as agreed. Credit risk can also arise in conjunction with a broad range of possible Company activities, including selecting investment portfolio products, foreign exchange counterparties, country or sovereign exposure, as well as indirectly through guarantor performance. The Board sets the credit policy to minimise the risk to earnings and capital. All of the Company's lending is to other GE group companies. The company's parent GE Capital Corporation has guaranteed that it will meet the liabilities of the company to the commercial paper and medium term note holders should the company be unable to meet these liabilities.

#### *Operational risk*

The Board defines the operational risk policy to minimise exposure to the company.

The following table represents the carrying amount and the fair value of both the trading and non trading financial assets and liabilities as at 31 December 2003.

	<b>Carrying Amount 2003 GBP '000</b>	<b>Fair Values 2003 GBP '000</b>
<b>Non Trading Financial Instruments</b>		
<i>Assets</i>		
Cash at bank and in hand	85	85
Loans and advances	3,239,804	3,239,804
<i>Liabilities</i>		
Intercompany borrowing	872,919	872,919
Third party borrowing	2,314,339	2,323,343
Interest Rate Swaps	-	8,325

The following notes summarise the methods and assumptions used in estimating the fair values of financial instruments shown above.

#### **a) Loans and Advances**

The carrying amount of floating loans is considered to be at historic value if there was no significant change in the credit risk of the borrower. The market (fair) value of these loans is shown above. The carrying and market value of fixed loans is considered to be its historic value.

#### **b) Intercompany / third party borrowing**

The carrying amount of borrowings is considered to be at market value.

## GE Capital UK Funding

### Notes (continued)

#### 14 Derivatives and financial instruments (continued)

The net interest rate sensitivity of the Company at 31 December 2003 is illustrated below. Interest rate mismatches are substantially eliminated by the matched funding policies of the Company. The interest sensitivity gap is split out by functional currency. The table sets out details of those assets and liabilities whose values are subject to change as interest rates change within each repricing time period. Details regarding assets and liabilities which are not sensitive to interest rate movements and any rate sensitive off balance sheet contracts are also included.

The tables show the sensitivity of the balance sheet at one point in time and is not necessarily indicative of positions at other dates. In developing the classifications used in the tables it has been necessary to make certain assumptions and approximations in assigning assets and liabilities to different repricing categories.

##### Interest rate repricing - 31 December 2003

	Not more than three months GBP '000	Over three mths but not more than six months GBP '000	Over six mths but not more than one year GBP '000	Over one year but not more than five years GBP '000	Over five years GBP '000	Non Interest bearing GBP '000	Total GBP '000
<b>At 31 December 2003</b>							
Assets	-	-	-	-	-	-	-
Tangible fixed assets	-	-	-	-	-	-	-
Debtors	3,233,350	-	-	-	-	4,075	3,237,425
Cash & Balances at Central Bank	-	-	-	-	-	-	-
<b>Total assets</b>	<b>3,233,350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,075</b>	<b>3,237,425</b>
<b>Liabilities</b>							
Creditors	(2,585,975)	(184,130)	(9,799)	(50,000)	(346,409)	(8,753)	(3,185,067)
Shareholders' funds	-	-	-	-	-	(52,358)	(52,358)
<b>Total liabilities</b>	<b>(2,585,975)</b>	<b>(184,130)</b>	<b>(9,799)</b>	<b>(50,000)</b>	<b>(346,409)</b>	<b>(61,111)</b>	<b>(3,237,425)</b>
Off balance sheet items	(56,400)	-	(290,000)	-	346,400	-	-
Interest rate repricing gap	647,375	(184,130)	(9,799)	(50,000)	(346,409)	(57,037)	(0)
Cumulative interest rate repricing gap	647,375	463,245	453,446	403,446	57,037	(0)	

The weighted average fixed rate of interest on assets is 4.93% and on liabilities is 3.88%.

#### 16 Holding Company

The Company is a wholly owned subsidiary of GE Capital Shannon, an unlimited company incorporated in the Republic of Ireland, which is a wholly owned subsidiary of General Electric Company, a company incorporated in the United States of America.

The smallest group the results of the Company are included in is that headed by GE Capital Shannon. Copies of the consolidated financial statements of GE Capital Shannon may be obtained from WIL House, Shannon Business Park, Shannon, Co. Clare, Ireland. The results of GE Capital Shannon are included in the consolidated financial statements of General Electric Company, copies of which may be obtained from General Electric Company, Fairfield, Connecticut 06431.

#### 17 Related party disclosures

The company is availing of the exemption under Financial Reporting Standard No. 8 "Related Party Disclosures" not to disclose details of transactions with companies within the General Electric Company Group.

#### 18 Unutilised Commitments

The Company had unutilised commitments of GBP1,440,758,190.98 at 31 December 2003.

#### 19 Approval of financial statements

The board of Directors approved the financial statements on 8 April 2004.

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