

**BACKLOG** Unfilled customer orders for products and product services (12 months for product services).

**BORROWING** Financial liability (short or long-term) that obligates us to repay cash or another financial asset to another entity.

**BORROWINGS AS A PERCENTAGE OF TOTAL CAPITAL INVESTED**

For GE, the sum of borrowings and mandatorily redeemable preferred stock, divided by the sum of borrowings, mandatorily redeemable preferred stock, minority interest and total share-owners' equity.

**CASH EQUIVALENTS** Highly liquid debt instruments with original maturities of three months or less, such as commercial paper. Typically included with cash for reporting purposes, unless designated as available-for-sale and included with investment securities.

**CASH FLOW HEDGES** Qualifying derivative instruments that we use to protect ourselves against exposure to volatility in future cash flows. The exposure may be associated with an existing asset or liability, or with a forecasted transaction. See "Hedge."

**COMMERCIAL PAPER** Unsecured, unregistered promise to repay borrowed funds in a specified period ranging from overnight to 270 days.

**CUSTOMER SERVICE AGREEMENTS** (also referred to as "product services agreements") Contractual commitments, with multiple-year terms, to provide specified services for products in our Infrastructure installed base—for example, monitoring, maintenance, overhaul and spare parts for a gas turbine/generator set installed in a customer's power plant.

**DERIVATIVE INSTRUMENT** A financial instrument or contract with another party (counterparty) that is structured to meet any of a variety of financial objectives, including those related to fluctuations in interest rates, currency exchange rates or commodity prices. Options, forwards and swaps are the most common derivative instruments we employ. See "Hedge."

**DISCONTINUED OPERATIONS** Certain businesses we have sold or committed to sell within the next year and which will no longer be part of our ongoing operations. The net earnings, assets and liabilities and cash flows of such businesses are separately classified on our Statement of Earnings, Statement of Financial Position and Statement of Cash Flows, respectively, for all periods presented.

**EARNED PREMIUMS** Portion of the premium, net of any amount ceded, pertaining to the segment of the policy period for which insurance coverage has been provided.

**EFFECTIVE TAX RATE** Provision for income taxes as a percentage of earnings from continuing operations before income taxes and accounting changes. Does not represent cash paid for income taxes in the current accounting period. Also referred to as "actual tax rate" or "tax rate."

**EQUIPMENT LEASED TO OTHERS** Rental equipment we own that is available to rent and is stated at cost less accumulated depreciation.

**FAIR VALUE HEDGE** Qualifying derivative instruments that we use to reduce the risk of changes in the fair value of assets, liabilities or certain types of firm commitments. Changes in the fair values of derivative instruments that are designated and effective as fair value hedges are recorded in earnings, but are offset by corresponding changes in the fair values of the hedged items. See "Hedge."

**FINANCIAL LEVERAGE** The relationship of debt to equity. Expressed for financial services businesses as borrowings divided by equity. Expressed for industrial businesses as borrowings divided by total capital.

**FINANCING RECEIVABLES** Investment in contractual loans and leases due from customers (not investment securities).

**FORWARD CONTRACT** Fixed price contract for purchase or sale of a specified quantity of a commodity, security, currency or other financial instrument with delivery and settlement at a specified future date. Commonly used as a hedging tool. See "Hedge."

**GOODWILL** The premium paid for acquisition of a business. Calculated as the purchase price less the fair value of net assets acquired (net assets are identified tangible and intangible assets, less liabilities assumed).

**GUARANTEED INVESTMENT CONTRACTS (GICs)** Deposit-type products that guarantee a minimum rate of return, which may be fixed or floating.

**HEDGE** A technique designed to eliminate risk. Often refers to the use of derivative financial instruments to offset changes in interest rates, currency exchange rates or commodity prices, although many business positions are "naturally hedged"—for example, funding a U.S. fixed-rate investment with U.S. fixed-rate borrowings is a natural interest rate hedge.

**INTANGIBLE ASSET** A non-financial asset lacking physical substance, such as goodwill, patents, trademarks and licenses.

**INTEREST RATE SWAP** Agreement under which two counterparties agree to exchange one type of interest rate cash flow for another. In a typical arrangement, one party periodically will pay a fixed amount of interest, in exchange for which that party will receive variable payments computed using a published index. See "Hedge."

**INVESTMENT SECURITIES** Generally, an instrument that provides an ownership position in a corporation (a stock), a creditor relationship with a corporation or governmental body (a bond), or rights to ownership such as those represented by options, subscription rights and subscription warrants.

**MANAGED RECEIVABLES** Total receivable amounts on which we continue to perform billing and collection activities, including receivables that have been sold with and without credit recourse and are no longer reported on our balance sheet.

**MATCH FUNDING** A risk control policy that provides funds for a particular financial asset having the same currency, maturity and interest rate characteristics as that asset. Match funding ensures

that we maintain initial financing spreads or margins for the life of a financial asset, and is executed directly, by issuing debt, or synthetically, through a combination of debt and derivative financial instruments. For example, when we lend at a fixed interest rate in the U.S., we can borrow those U.S. dollars either at a fixed rate of interest or at a floating rate executed concurrently with a pay-fixed interest rate swap. See “Hedge.”

**MONETIZATION** Sale of financial assets to a third party for cash. For example, we sell certain loans, credit card receivables and trade receivables to third-party financial buyers, typically providing at least some credit protection and often agreeing to provide collection and processing services for a fee. Monetization normally results in gains on interest-bearing assets and losses on non-interest bearing assets. See “Securitization” and “Variable Interest Entity.”

**OPERATING PROFIT** GE earnings from continuing operations before interest and other financial charges, income taxes and effects of accounting changes.

**OPTION** The right, not the obligation, to execute a transaction at a designated price, generally involving equity interests, interest rates, currencies or commodities. See “Hedge.”

**PREMIUM** Rate that is charged under insurance/reinsurance contracts.

**PRODUCT SERVICES** For purposes of the financial statement display of sales and costs of sales in our Statement of Earnings, “goods” is required by U.S. Securities and Exchange Commission regulations to include all sales of tangible products, and “services” must include all other sales, including broadcasting and other services activities. In our Management’s Discussion and Analysis of Operations we refer to sales of both spare parts (goods) and related services as sales of “product services,” which is an important part of our operations.

**PRODUCT SERVICES AGREEMENTS** See “Customer Service Agreements.”

**PRODUCTIVITY** The rate of increased output for a given level of input, with both output and input measured in constant currency. A decline in output for a given level of input is “negative” productivity.

**PROGRESS COLLECTIONS** Payments received from customers as deposits before the associated work is performed or product is delivered.

**REINSURANCE** A form of insurance that insurance companies buy for their own protection.

**RETAINED INTEREST** A portion of a transferred financial asset retained by the transferor that provides rights to receive portions of the cash inflows from that asset.

**RETURN ON AVERAGE SHAREOWNERS’ EQUITY** Earnings from continuing operations before accounting changes divided by average total shareowners’ equity, excluding effects of discontinued

operations (on an annual basis, calculated using a five-point average). Average total shareowners’ equity, excluding effects of discontinued operations, as of the end of each of the years in the five-year period ended December 31, 2006, is described in the Supplemental Information section.

**RETURN ON AVERAGE TOTAL CAPITAL INVESTED** For GE, earnings from continuing operations before accounting changes plus the sum of after-tax interest and other financial charges and minority interest, divided by the sum of the averages of total shareowners’ equity (excluding effects of discontinued operations), borrowings, mandatorily redeemable preferred stock and minority interest (on an annual basis, calculated using a five-point average). Average total shareowners’ equity, excluding effects of discontinued operations as of the end of each of the years in the five-year period ended December 31, 2006, is described in the Supplemental Information section.

**SECURITIZATION** A process whereby loans or other receivables are packaged, underwritten and sold to investors. In a typical transaction, assets are sold to a special purpose entity (SPE), which purchases the assets with cash raised through issuance of beneficial interests (usually debt instruments) to third-party investors. Whether or not credit risk associated with the securitized assets is retained by the seller depends on the structure of the securitization. See “Monetization” and “Variable Interest Entity.”

**TURNOVER** Broadly based on the number of times that working capital is replaced during a year. Accounts receivable turnover is total sales divided by the five-point average balance of customer receivables from sales of goods and services (trade receivables). Inventory turnover is total sales divided by a five-point average balance of inventories. See “Working Capital.”

**UNEARNED PREMIUMS** Portion of the premium received, net of any amount ceded, that relates to future coverage periods.

**UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES** Claims reserves for events that have occurred, including both reported and incurred-but-not-reported (IBNR) reserves, and the expenses of settling such claims.

**VARIABLE INTEREST ENTITY** Entity defined by Financial Accounting Standards Board Interpretation 46 (Revised), and that must be consolidated by its primary beneficiary. A variable interest entity has one or both of the following characteristics: (1) its equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) as a group, the equity investors lack one or more of the following characteristics: (a) direct/indirect ability to make decisions, (b) obligation to absorb expected losses, or (c) right to receive expected residual returns.

**WORKING CAPITAL** Sum of receivables from the sales of goods and services, plus inventories, less trade accounts payables and progress collections.